

RATING REPORT

GoldFin Limited

REPORT DATE:

December 19, 2024

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Initial Rating	
	Long-term	Short-term
Entity Rating	A-	A2
Outlook/Rating Watch	Stable	
Rating Action	Initial	
Rating Date	December 19, 2024	

COMPANY INFORMATION

Incorporated in 2020	External auditors: BDO Ebrahim & Co. Chartered Accountants
Public Unlisted Company	Chairman: Mr. Syed Nadeem Hussain Chief Executive Officer: Mr. Tariq Mohar
Key Shareholders (with stake 5% or more)	
GoldFin Pte. Ltd.: 99.9%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Non-Bank Financial Companies

<https://docs.vis.com.pk/Methodologies%202024/NBFCs202003.pdf>

VIS Issue/Issuer Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

GoldFin Limited

OVERVIEW OF INSTITUTION

RATING RATIONALE

GoldFin, incorporated in Feb'20 as a Private Limited Company under the Companies Act 2017, was converted into Public Limited Company in Jul'22. It received an NBFC license from SECP for the Investment Finance Services in Jun'23. The NBFC offers Gold-backed loans through collaborations and partnerships with banks/FIs and also undertakes organic business offering Gold-backed loans.

Profile of Chairperson

Mr. Syed Nadeem Hussain is a seasoned professional with 45+ years of experience in financial sector. He founded Tameer Microfinance Bank (now Telenor Bank) and established Planet N Group, focusing on social impact and tech investments. Nadeem has served on the boards of the Hong Kong Commodity Exchange, Pakistan's Investment Advisory Board, IBA, and the State Bank of Pakistan. He spent 27 years at Citigroup, holding regional management roles across eight countries in commercial, consumer, retail, and investment banking. He holds a BA from Muhlenberg College, Pennsylvania, USA.

GoldFin Limited ('GoldFin' or the 'NBFC') focuses on providing secured gold-backed loans (GBL) as its core business. This unique business model centers on leveraging the intrinsic value of gold as collateral, effectively reducing credit risk while offering accessible financing solutions to both individual and enterprise clients. In addition to directly serving its own clients, GoldFin has strategically positioned itself as a platform for banks and other financial institutions, facilitating partnerships that allow these entities to extend GBL products to their customer base. Assigned ratings take into account the governance framework bolstered by a seasoned Board and Management represented by sponsor directors with substantial experience in microfinance and gold-backed lending. This leadership foundation remains instrumental in navigating the challenges of the early growth phase and in establishing a strong operational and compliance framework.

GoldFin Limited has achieved a stable start in its first year of full-scale operations, marked by a growing loan portfolio, supported by investment from Insitor, Impact Fund Manager. This growth is further reinforced by timely loan recoveries, with no non-performing loans reported to date, underscoring the secured, gold-backed nature of its lending model. However, as GoldFin scales, safeguarding asset quality will remain crucial in managing credit risk effectively. In the context of gold-backed lending, the average loan size of Rs. 280,000 is considered manageable due to its relatively modest scale, facilitating efficient liquidation of pledged gold collateral and ensuring timely recovery in the event of default. However, a substantial increase in loan size would necessitate a reassessment of risk to mitigate potential exposure.

Profitability metrics reflect encouraging early-stage performance, driven by revenue from markup-bearing assets and returns from partnership-based models. Operational expenses remain consistent with GoldFin's initial growth phase, resulting in a positive bottom line that indicates early operational self-sufficiency. GoldFin's liquidity and capitalization profiles are currently adequate, supported by sponsor advances earmarked for equity conversion in the future. However, future growth remains underpinned on building a diversified funding base. To this end, GoldFin's management plans to expand the capital base through potential institutional borrowings and structured financial instruments. Looking ahead, the successful execution of GoldFin's growth strategy, including portfolio expansion, maintaining asset quality, and diversifying funding sources, will be critical for ratings.

Company Profile:

GoldFin Limited is a licensed Non-Banking Finance Company (NBFC) for the Investment Finance Services. It was incorporated in Pakistan on February 17, 2020 as a Private Limited Company under Companies Act, 2017. It was converted into Public Limited Company on July 06, 2022 in compliance with the precedent condition to form a NBFC. Later, it was granted the NBFC license by SECP in Jun'23 for the Investment Finance Services. The Registered office of the NBFC is

Profile of CEO

Mr. Tariq Mohar is an experienced professional with 27+ years of experience in financial sector. In 2005, he joined Tameer Microfinance Bank (later Telenor Bank) as the founder member and head of business. Before joining Tameer, he was the group head at United Bank Limited. He also served with Citibank Pakistan as Country Collections Head and Branch Banking Head. Prior to joining the financial industry, Tariq had a successful army career, retired as a brigadier. He has masters in political science, is a graduate of the Pak Army Command and Staff College and the US Army Finance School. He holds diploma of Kennedy School of Government, Harvard University, USA.

situated at 264, Street 16, Sector AA, DHA. Phase 4, Lahore. The operational Head Office of the NBFC is situated at 280 Khursheed Plaza, Maulana Shaukat Ali Road, Kot Lakhpat. Lahore.

Auditor's Opinion

BDO Ebrahim & Co. Chartered Accountants, which is a 'A' category and QCR rated firm, has provided an unqualified and unmodified opinion, affirming that the NBFC's financial statements comply with accounting standards and accurately portray the NBFC's financial position as of Jun'24.

Sponsors' Profile:

GoldFin initially secured seed capital from its founding sponsors: Mr. Tariq Anwar, Mr. Tariq Mohar, and Planet N (Private) Limited. In FY23, the NBFC obtained additional funding from the Insitor Impact Asia Fund II. Following the shareholders' agreement, the entire shareholding was subsequently transferred to GoldFin Pte. Ltd. (HoldCo), the designated holding company, with the original sponsors becoming shareholders of the holding company. Mr. Tariq Mohar holds 39.0%, Planet N holds 32.2%, while Mr. Tariq Anwar holds 28.8% of shares in the holding company.

Insitor, founded in 2009, was the first Impact Fund Manager to set up operations in Cambodia. They focus in investing in startups, particularly those in the early stages of emerging industries. They launched the Insitor Seed Pilot with a USD 15 mn commitment and subsequently opened offices in India, Myanmar, Pakistan, and Singapore. In 2015, they launched the Insitor Impact Asia Fund (IIAF I) with USD 33 mn to invest in Cambodia, India, Myanmar, and Pakistan. Later, they also launched the Insitor Impact Asia Fund II (IIAF II) with USD 53 mn to invest in Cambodia, India, and Pakistan. Insitor currently manages 3 funds, invested in 31 companies with an AUM of \$102 mn. Within Pakistan, Insitor has invested in GoldFin Limited, Taleem Finance Company Limited, Trellis Housing Finance Limited, CreditPer and Ansaar Management Company (AMC).

Planet N is an investment and advisory firm with a mission is to support entrepreneurs across emerging markets to build successful, scalable, international and socially impactful businesses which harness the best of global technology to solve market problems and propel their societies along the path of development through digitization. Planet N invests across sectors including Fintech & Payments, E-Entertainment, E-Logistics, Regtech, PropTech, SaaS, E-Health, E-Commerce, and Agritech across different countries. The firm's board and advisors bring diverse industry experience, including expertise in venture capital, technology, finance, and emerging markets. Portfolio companies receive strategic support that includes investment guidance and industry insights, aimed at facilitating operational development and alignment with evolving market needs.

Mr. Tariq Mohar is an experienced professional with 27+ years of experience in financial sector. In 2005, he joined TMFB as the founder member and head of business. Before joining TMFB, he was the group head at United Bank Limited. He also served with Citibank Pakistan as Country

Collections Head and Branch Banking Head. He has masters in political science, is a graduate of the Pak Army Command and Staff College and the US Army Finance School. He holds diploma of Kennedy School of Government, Harvard University, USA.

Mr. Tariq Anwar is a seasoned banker with extensive experience in consumer and microfinance. He began his career at Citibank Pakistan, later moving to Union Bank, and in 2005 became a founding member of TMFB, where he played a key role in establishing the Easypaisa branchless banking service. Rising to Chief Risk Officer, he left Telenor Bank in 2019 to help found GoldFin Limited, where he contributed to its growth as Chief Operating Officer. He has enhanced his expertise through international programs, including the Boulder Microfinance Training in Italy and a leadership program at Harvard Business School, and is recognized as a microfinance specialist and senior trainer at the National Institute of Banking and Finance under the State Bank of Pakistan.

Governance and Management structure

GoldFin’s Board of Directors (BoDs) and senior management have considerable experience in the field of microfinance and financial services. The founding team comprises of the professionals with extensive experience in banking, who have the distinction to raise TMFB, the first privately owned microfinance Bank in Pakistan. The team introduced gold-backed lending in 2007 that; provided the initial buoyancy to TMFB. The Board currently comprises four members, including the chairperson. Composition of the BoD is tabulated below:

Name	Position	Experience
Mr. Nadeem Hussain	Chairperson/Nominee Director	45 years
Mr. Tariq Mohar	Executive Director/CEO	27 years
Mr. Tariq Anwar	Executive Director/COO	29 years
Ms. Samar Masood Soofi	Independent Director	10 years

Mr. Nadeem Hussain has 45+ years of experience in the financial sector. He founded Tameer Microfinance Bank – TMFB (now Telenor Bank) and established Planet N Group, focusing on social impact and tech investments. Mr. Nadeem has served on the boards of the Hong Kong Commodity Exchange, Pakistan’s Investment Advisory Board, IBA, and the State Bank of Pakistan. He spent 27 years at Citigroup, holding regional management roles across eight countries in commercial, consumer, retail, and investment banking. He holds a BA from Muhlenberg College, Pennsylvania, USA.

Ms. Samar Masood Soofi joined GoldFin Limited as an Independent Director in Jun’23. She is an Associate Partner at Ahmer Bilal Soofi and Company (ABS & Co) Lahore, bringing extensive experience in corporate legal affairs across sectors such as competition law, M&As, tax, technology, and employment. Samar holds an LLM from the University of Chicago and studied law at SOAS, University of London. She was named among Asia Pacific’s Recommended Lawyers in 2022 for her expertise in Intellectual Property law, cyberlaw, fintech, and disruptive technologies. She also

consults on a study for IGNITE, Ministry of IT, Pakistan, focused on the startup and freelancing ecosystem.

During FY23, 4 BoD meetings took place with satisfactory attendance of BoD members. Three BoD committees are operating to maintain effective oversight - namely Board Audit Committee (BAC), Board Risk Committee (BRC), and Board Human Resource Committee (BHRC). BAC is chaired by the independent director.

Industry Analysis

In Pakistan, gold-backed loans serve as a financing solution for individuals and businesses, enabling them to access liquidity without the need to sell their gold assets—a choice that aligns with gold’s cultural significance as a store of wealth. These loans are particularly beneficial for small and medium-sized enterprises (SMEs) and rural borrowers, who often have limited access to unsecured financing options.

With a population of approximately 241 mn, Pakistan comprises 37.5 mn households, each with an average of 6.43 persons. Of these, around 10 mn households fall below the poverty line. Among the remaining 28 mn households, the average gold holding is estimated at 3.73 tolas (43.5 grams) per family, totaling about 1,218 tons of gold valued at nearly USD 100 bn. Despite this significant gold reserve, the total collateralized credit against gold-backed loans (GBL) in Pakistan is only 28 tons, a mere 2.3% of household gold holdings. This represents a substantial untapped market for secured lending, with vast opportunities for microfinance, agriculture, and SME/MSME sectors. In comparison, India's gold-backed loan market demonstrates higher penetration, with approximately 6% of household gold holdings (25,000 tons) used as collateral, highlighting potential growth for Pakistan’s sector.

Demand for gold-backed loans has steadily grown due to economic pressures, rising gold prices, inflation, currency depreciation, and restricted access to unsecured credit for low-income segments. The gold-backed loan industry in Pakistan is comprised of commercial banks, non-banking financial companies (NBFCs), and microfinance banks (MFBs), all competing by offering attractive interest rates. Recent market entrants include fintech firms that use technology to facilitate quicker processing and remote disbursement, further increasing accessibility. A significant portion of gold-backed lending, however, still occurs informally, especially in rural areas where people prefer to leverage gold assets for immediate cash needs.

The future outlook for gold-backed loans in Pakistan is promising, driven by financial inclusion initiatives, advances in technology, and the adoption of digital solutions that streamline access and enhance security. Regulatory efforts to expand financial inclusion and develop Shariah-compliant products are also expected to support market expansion. Transitioning the informal lending sector into the formal financial system could provide a substantial boost to the industry, improving regulatory oversight and expanding access for a broader range of borrowers.

Product Offerings and Services

GoldFin was initially incorporated as a platform for partnership business, collaborating with banks and FIs to facilitate the GBL business on their balance sheet. The acquisition of partners is a continuous process and the number will keep increasing with the flourishing of the concept and progress value of the business. After recognizing the market's novelty, management realized it needed time to establish revenue streams. It took around 8 to 12 months to secure agreements with financial institutions before launching its GBL business. By mid-2022, management saw the need to develop GoldFin's organic business for its sustainability. In Jun'22, they decided to pursue this organic business model and applied for an NBFC license, granted in Jun'23. The initial focus was on microfinance for small entrepreneurs, farmers, and salaried individuals, with plans to expand across various segments. GoldFin is end-to-end responsible for its own GBL business including safekeeping of customer's gold collateral and those of partner organizations that have an agreement with GoldFin for safekeeping.

For its organic business, GoldFin offers three categories of loans for microfinance sector: Business Loan, Emergency Loans and Salary Loans. Microfinance Loans range from Rs. 45,000 to Rs. 500,000 and are available to individuals aged 20-68 who operate micro or small businesses, salaried individuals, or those involved in agriculture. Enterprise Loans range from Rs. 500,001 to Rs. 1,000,000 are designed for Micro Small Medium Enterprises (MSME) individuals aged 24-64 who manage medium enterprises or agricultural ventures. For all types of loans, borrowers are required to provide gold (bars, ornaments, or jewelry) as collateral to secure their financial needs. As of Jun'24, Business Loans accounted for approximately 71% of the total loan portfolio, while Salary and Enterprise Loans are 10% and 19% respectively.

Business Model

The client journey begins with onboarding through walk-ins, referrals from existing customers and lead generation from social media, where prospective clients provide key information to initiate a loan. Collateral assessment, a pivotal element of GoldFin's risk management, is conducted through a panel of approved Shroffs. The Shroff selection process includes a positive credit report, NADRA verification, a clear police record, and a generational background in the gold business. Community feedback and Sarafa Association membership are also considered. GoldFin evaluates the Shroff's ability to manage multiple institutional relationships, with a verification officer conducting physical checks. Shroffs are scored, with those achieving 80% or higher deemed acceptable.

These expert evaluators ensure the gold's purity, weight, and value align with market prices. Each piece of collateral undergoes thorough inspection, and a Shroff certificate is issued, detailing the net gold weight and its current market value. Shroffs operate independently within branches, utilizing tools provided by GoldFin to maintain accuracy. As per contracts, the Shroff takes ownership of the collateral they evaluate. If discrepancies arise later, causing financial losses to

GoldFin, the Shroff is responsible for buying back the collateral at its current market value. This ensures accountability and quality control in gold assessments.

GoldFin has been exploring the use of machine-based gold testing methods. Initially, the NBFC planned to implement X-Ray Fluorescence (XRF) technology, which is known for its accuracy and precision in determining the purity of gold. However, due to increased costs associated with importing these machines, the full-scale implementation was postponed until 2026. In the interim, GoldFin acquired a low-cost German machine to test and educate the team on the process. A pilot launch is planned for 2025, with the expectation that full-scale machine testing will improve gold collateral assessment.

GoldFin updates its gold pricing on a weekly basis using the average price of gold per gram, collected from various sources. These averages are used to determine the next week's gold pricing. If the variance between the weekly average and GoldFin's prevailing rate is greater than $\pm 5\%$, the rates are adjusted accordingly. Loan-to-value (LTV) ratios are set at 90% for general loans and 85% for enterprise loans. During the valuation process, the Shroff assesses the gold's gross and net weight (excluding non-gold materials like wax and stones), determines the quality (karat), and applies GoldFin's weekly rate to finalize the value of the collateral. Stress testing is performed at the portfolio level to monitor the impact of current gold pricing on outstanding loans. However, GoldFin faces repayment risk, as the collateral's effective coverage could diminish if gold prices decline. Margin calls are employed to address fluctuations in gold prices, requiring clients to supplement collateral or make partial payments to maintain the loan-to-value ratio.

Post-evaluation, the collateral is sealed in a tamper-proof Collateral Security Bag (CSB) and placed under dual custody, where a second quality check by a Collateral Management Officer (CMO) reinforces security by double sealing. GoldFin's vaults are designed to store gold collateral securely in CSBs that are tamper-evident and uniquely numbered. Each vault is constructed with physical security measures, such as reinforced walls, high-security locks, CCTV surveillance, and restricted access points. Each vault's contents are insured against risks such as fire, theft, and natural disasters, providing financial protection for GoldFin and its clients. The insurance policy covers the full market value of the gold, ensuring clients can recover their asset value in case of an incident.

GoldFin has developed Mobile Service Vans (MSVs) to facilitate its services, especially in remote locations. These vans are staffed by a team including GoldFin personnel, a Shroff (gold appraiser), and an armed guard. The MSVs are used in both organic operations and partnership models. These vans are used for secure collateral transport with transit insurance and for conducting on-site gold assessments at partner locations. The Shroff assesses the gold, issues a certificate, and seals the collateral in two security bags for safe transport to a GoldFin branch. The Pilot has been undertaken for service at customers' doorstep through MSV service and now the business is in process of developing MSVs for mass launch in 2026.

The loan application then advances to verification checks, including identity confirmation through CNIC, demographic and background assessments, and a credit bureau report. Clients demonstrating suitable repayment capacity and collateral security are recommended for final approval.

Before a loan reaches its maturity date, GoldFin initiates a communication process to remind the customer of their upcoming payment obligations. These pre-maturity contacts aim to give customers sufficient time to plan for repayment and avoid default. In the event of default, GoldFin follows a structured liquidation process. After issuing repayment notices and attempting recovery, collateral liquidation proceeds if clients fail to settle by 30 days past due. The collateral is auctioned publicly, or sold through Shroffs, with a competitive bidding process to ensure fair market valuation. Sale proceeds first settle outstanding principal, interest, and fees, with any surplus returned to the client's wallet.

To ensure ongoing risk management, GoldFin conducts periodic revaluations and physical reconciliations of all collateral held in vaults, using sample-based checks by the independent shroff to confirm asset security and accuracy.

Branch Network

Productivity	Jun'22	Jun'23	Jun'24
No. of Branches	1	1	3
Total No. of LOs	2	2	7
Active No. of Borrowers	243	283	1528
LOs/Branch	2	2	2
Active Borrowers/LO	121	141	218
Portfolio Size/LO (Rs.)	19,235,000	27,482,500	61,255,714
Average Loan Size (Rs.)	158,313	194,223	280,622

In FY24, GoldFin celebrated its inaugural year as a licensed NBFC after securing its license in Jun'23. By Jun'24, GoldFin had expanded its footprint, operating three branches with a team of seven loan officers and serving 1,528 active borrowers. In the context of gold-backed lending, the average loan size of Rs. 280,000 is considered manageable due to its relatively modest scale, facilitating efficient liquidation of pledged gold collateral and ensuring timely recovery in the event of default. However, a substantial increase in loan size would necessitate a reassessment of risk to mitigate potential exposure. Looking ahead, GoldFin aims to grow to seven branches and reach over 3,000 clients by Jun'25.

Beyond organic growth, GoldFin has developed a partnership model, forming agreements with four key partners: Damen Support Program, Escort Investment Bank, Rural Community Development Programmes, and Taleem Finance Company Limited. These partnerships are formalized through agreements that define roles, responsibilities, operating models, and revenue/cost-sharing structures. Through this partnership channel, GoldFin aided in disbursing

309 loans totaling Rs. 77 mn, achieving 21% annual growth and ending the year with an outstanding portfolio of 298 loans valued at Rs. 73 mn.

Loan Portfolio

(Rs. '000)	Jun'22	Jun'23	Jun'24
Gross Loan Portfolio	38,470	54,965	428,790

In its first year of operations, GoldFin's Gross Loan Portfolio (GLP) reached Rs. 428.8 mn as of Jun'24. Loan disbursements amounted to Rs. 478.1 mn, while total recoveries stood at Rs. 104.3 mn. Management projects an increase in the GLP to Rs. 1.1 bn by Jun'25.

Product-wise Portfolio (Rs. '000)	Jun'22	%	Jun'23	%	Jun'24	%
GoldFin Sarmaya Qarza - For Small Entrepreneurs	37,450	97%	51,485	94%	303,970	71%
GoldFin Sarmaya Qarza - For Salaried Individuals	1,020	3%	3,480	6%	41,425	10%
GoldFin Sarmaya Qarza - For Enterprises	-	-	-	-	83,395	19%
Gross Loan Portfolio	38,470	100%	54,965	100%	428,790	100%

GoldFin's loan portfolio consists of three main products: GoldFin Sarmaya Qarza - For Small Entrepreneurs, GoldFin Sarmaya Qarza - For Salaried Individuals, and GoldFin Sarmaya Qarza - For Enterprises. GoldFin Sarmaya Qarza - For Small Entrepreneurs represent majority of the loan portfolio.

Break-up of Loans by Size (Rs. '000)	Dec'23	No. of Client	% of Clients	Jun'24	No. of Clients	% of Clients
Up to Rs. 50,000	1,245	27	9.5%	4,630	100	6.5%
Rs. 50,001 - Rs. 100,000	4,725	59	20.8%	17,805	229	15.0%
Rs. 100,001 - Rs. 250,000	24,935	139	49.1%	120,020	639	41.8%
Rs. 250,001 - Rs. 500,000	24,060	58	20.5%	202,940	464	30.4%
Rs. 500,001 - Rs. 1,000,000	0	0	0.0%	83,395	96	6.3%
Total	54,965	283	100.0%	428,790	1528	100.0%

The distribution of clients by loan size shows the highest demand for loans in the 'Rs. 100,001 – Rs. 250,000' range, which accounts for 41.8% of total clients. This is followed by the 'Rs. 250,001 – Rs. 500,000' range, representing 30.4%. Together, these mid-range loan categories constitute over 70% of the total client base as of Jun'24, highlighting significant demand in this segment. Additionally, the top 50 clients account for approximately 11.6% of the total portfolio, indicating a relatively well-diversified loan portfolio.

The loan portfolio consists entirely of secured lending, as it is backed by gold collateral, providing a substantial buffer against potential defaults and significantly mitigating risk exposure. Currently, all loans in the portfolio follow a bullet payment structure and have a 12-month term. Looking ahead, management has expressed plans to transition towards an EMI-based loan structure

Asset Quality

As of Jun'24, there were no non-performing loans reported, primarily due to secured nature of the portfolio. Borrowers are incentivized to make timely repayments to retain their gold, which often holds sentimental value. In accordance with NBFC regulations, general provisions are not required when advances are secured against liquid assets with appropriate margins. Given that GoldFin's entire portfolio consists of secured loans, no general provisions are maintained against them. Furthermore, the absence of non-performance means that no specific provisions are necessary. It may be noted that the SECP has extended the implementation of IFRS 9 until Dec'24 and, therefore, no impact of IFRS 9 on provisioning has been accounted for. Going forward, maintenance of asset quality will remain a key rating driver amidst portfolio expansion.

Liquidity

Liquidity (Rs. '000)	Jun'22	Jun'23	Jun'24
Short-term Investments	10,000	40,000	101,217
Cash and Bank Balances	4,647	42,071	110,576
Liquid Assets	14,647	82,071	211,793
Borrowings	8,483	-	32,690
Liquid Assets to Borrowings	172.7%	NA	647.9%
Advances to Borrowings Ratio	453.5%	NA	1,311.7%

GoldFin's liquidity profile remains strong as of Jun'24, supported by key liquidity metrics. Given that the entire advances portfolio is effectively financed through equity. As per the management, financing options are being considered including borrowing from Pakistan Microfinance Investment Company, issuance of long term TFCs, and loans from sponsors. The ratings will remain sensitive to its ability to secure more diversified funding lines, which are essential for sustaining long-term growth and maintaining financial stability.

Profitability

Income Statement Extract (Rs. '000)	FY22	FY23	FY24
Return on Markup Bearing Assets	7.9%	13.1%	17.5%
Cost of Funds	1.3%	1.2%	0.0%
Spreads	6.6%	11.9%	17.4%
Operating Self Sufficiency (OSS)	29.1%	68.0%	138.8%
Profit/(Loss) after taxation	(11,168)	(2,147)	25,581

Given that FY24 marked the first-year post licensing, the profitability profile showcased an increase across multiple income categories, driven by business activity growth. Return on markup bearing assets rose to 17.5% in FY24, up from 13.1% in FY23, reflecting improved asset yields and effective deployment of earning assets. Markup income increased from Rs. 13.1 mn in FY23 to Rs. 52.7 mn in FY24, primarily due to an increase in loan disbursements, including both organic and partnership loans. Similarly, service income linked to partnership loans grew from Rs. 2.3 mn in FY23 to Rs. 6.1 mn in FY24, resulting from the organization's expansion of its partnership business. Profit on

savings accounts rose from Rs. 2.5 mn to Rs. 8.7 mn, largely due to a doubling of balances in savings accounts during the period. Additionally, profit on term deposit receipts (TDRs) increased from Rs. 2.3 mn in FY23 to Rs. 50.4 mn in FY24, primarily driven by a more than twofold increase in short-term investments. Overall, elevated interest rates in FY24 contributed to higher income levels across these categories.

Finance charges increased in FY24, amounting to Rs. 6.4 mn, compared to Rs. 1.6 mn in FY23. This increase was primarily due to addition of lease liabilities. Due to minimal borrowing, GoldFin's cost of funds remained exceptionally low, declining to just 0.04% in FY24. Coupled with the rising returns on markup-bearing assets, this resulted in an increase in spreads, which reached 17.4% during the year.

The Operating Expenses have shown a consistent upward trend, recorded at Rs. 81.8 mn in FY24, significantly increasing from Rs. 28.1 mn in the previous year. There was a significant increase in salaries and allowances, IT & website expenses, and legal & professional charges. Despite the increase in operating expenses, the Operating Self-Sufficiency (OSS) ratio demonstrated notable improvement, increasing from 68.0% in FY23 to 138.8% in FY24. This reflects a shift in the organization's financial position, where it now generates sufficient income to not only cover its operating expenses but also create a surplus. Consequently, the bottom line converted into a positive figure, amounting to Rs. 25.6 mn in FY24, against a loss of Rs. 2.1 mn in the previous year.

Looking ahead to FY25, management expects that income from loans will continue to rise, reflecting ongoing growth in business activities. The OSS is projected to improve to 185.0% with a projected bottom line of around Rs. 100 mn, indicating further progress toward financial sustainability. Materialization of expected business operations and achievement of projected profits remain imperative to sustain the assigned ratings.

Capitalization

Capitalization (Rs. ,000)	Jun'22	Jun'23	Jun'24
Issued ordinary share capital	110	137	137
Share premium	31,409	226,229	226,229
Advance against issue of shares	-	-	488,800
Accumulated profit/(losses)	-15,226	-17,373	6,929
Share Deposit Money	35,001	-	-
Total Equity	51,295	208,993	723,374
Leverage Ratio	0.21	0.01	0.06

In FY24, GoldFin received advances against equity from its sponsors. These advances represent funds that are convertible into ordinary shares. According to the agreement, the conversion into equity shares will occur automatically on the maturity date. The advance is subject to certain performance targets which include achieving a minimum number of loans disbursed, maintaining certain disbursement levels on the NBFC's book and through partnerships, and ensuring a specified portfolio risk ratio. If the NBFC fails to meet these targets, the advance will still convert into equity,

but an additional 3.96% markup per year will be applied to the amount. Given the GoldFin's current performance, it is highly probable that the targets will be met, and therefore, no provision for the contingent markup is recognized, in line with IAS 37.

GoldFin's revenue reserves were constrained by losses until FY23. However, the NBFC achieved a positive bottom line in FY24, turning revenue reserves positive. By Jun'24, on account of profit retention total equity had risen to Rs. 723.3 mn, an increase from Rs. 209.0 mn in Jun'23.

GoldFin Limited
Appendix I

FINANCIAL SUMMARY			
	(Amounts in Rs. '000)		
BALANCE SHEET	30-Jun-22	30-Jun-23	30-Jun-24
Net Advances	38,470	54,965	428,790
Short-term Investments	10,000	41,908	101,217
Operating Assets	4,015	10,013	62,964
Cash and Bank Balances	4,647	42,071	110,576
Total Assets	61,848	211,681	763,683
Long term Borrowings	-	-	31,977
Short term Borrowings	8,483	-	-
Total Borrowings	8,483	-	31,977
Total Liabilities	10,554	2,687	40,309
Paid-up Capital	110	137	137
Total Equity	51,295	208,993	723,374
INCOME STATEMENT			
	FY22	FY23	FY24
Markup Income	4,177	17,911	112,084
Service Income	379	1,288	6,098
Processing Fee	-	976	4,310
Other Income	-	973	1,282
Operational Expenditure	(14,970)	(28,058)	(81,818)
Finance Cost	(707)	(1,631)	(6,435)
Profit/(Loss) before Taxation	(11,121)	(8,540)	35,520
Profit/(Loss) after Taxation	(11,168)	(2,147)	25,581
RATIO ANALYSIS			
	FY22	FY23	FY24
Gross Infection (%)	0.0%	0.0%	0.0%
Incremental Infection (%)	0.0%	0.0%	0.0%
Provisioning Coverage - Total (%)	N/A	N/A	N/A
Provisioning Coverage - Specific (%)	N/A	N/A	N/A
Net Infection (%)	0.0%	0.0%	0.0%
Net NPLs to Tier-1 Capital (%)	0.0%	0.0%	0.0%
Markup on earning assets (%)	7.9%	13.1%	17.5%
Cost of Funds (%)	1.3%	1.2%	0.04%
Markup Spreads (%)	6.6%	11.9%	17.4%
OSS (%)	29.1%	68.0%	138.8%
ROAA (%)	-28.9%	-1.6%	5.2%
ROAE (%)	-35.7%	-1.6%	5.5%
Advances to Borrowings Ratio	453.5%	N/A	1,311.7%
Liquid Assets to borrowings	172.7%	N/A	647.9%

REGULATORY DISCLOSURES						Appendix II
Name of Rated Entity	GoldFin Limited					
Sector	Non-Banking Finance Company					
Type of Relationship	Solicited					
Purpose of Rating	Entity Rating					
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/ Watch	Rating Action	
	RATING TYPE: Entity					
	19-Dec-24	A-	A2	Stable	Initial	
Instrument Structure	N/A					
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.					
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.					
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Due Diligence Meetings Conducted	Name	Designation			Date	
	Mr. Tariq Mohar	Chief Executive Officer			24 th October 2024	
	Mr. Tariq Anwar	Chief Operating Officer				
	Ms. Naila Mubashir	Financial Controller				