

Date

25-Oct-24

Analyst

Mir Muhammad Hamza
Mir.Hamza@pacra.com
+92-42-35869504
www.pacra.com

Applicable Criteria

- Methodology | Rating Modifiers | Apr-24
- Methodology | Non-Banking Finance Companies Rating | Jun-24
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jul-24

Related Research

- Sector Study | Non-Banking Finance Companies | Apr-24

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA

PACRA Maintains Entity Ratings of Orient Rental Modaraba

Rating Type	Entity	
	Current (25-Oct-24)	Previous (27-Oct-23)
Action	Maintain	Maintain
Long Term	A-	A-
Short Term	A2	A2
Outlook	Stable	Stable
Rating Watch	-	-

Orient Rental Modaraba ("the Modaraba") has an adequate asset base, the quality of its assets is good and profits are depicting a sustained trend. These parameters are pivotal to ratings. The Modaraba benefits from its association with Orient Energy Systems (Pvt.) Ltd. through Eman Management (Pvt.) Ltd. — the Modaraba management company — so as to reap the benefits of complementary business activities. The presence of industry veterans in the management along with the implementation of a robust internal control system remains pivotal. The Modaraba is primarily involved in the rental and operations & maintenance (O&M) of Genset and other machinery. A major portion of its revenue is generated from Ijarah Rentals supplemented by O&M agreements. Gensets are predominantly installed in the textile industry followed by food & beverages, while excavators are utilized in the construction of dams. Additionally, revenue from O&M services is primarily generated from health care followed by the textile industry. The ratings are supported by Modaraba's sustained business and financial performance. During FY24, the topline improved by ~20%, primarily driven by Ijarah rentals (~60%), followed by operations and maintenance (~40%). Going forward, the Modaraba aims to enhance business volumes by exploring new rental avenues, such as solar panel maintenance and more focus on Diminishing Musharakah; while, cost structures require attention so as to support the bottom line. On the financial risk front, the Modaraba remains adequate, supported by manageable leverage. Sustained capacity utilization and a streamlined governance framework remain crucial for the ratings.

The ratings are dependent on the relative positioning of the Modaraba in the sector and sustained asset quality: sustaining bottom-line profitability is important. Keeping the financial profile intact remains crucial. Any significant change in the risk profile may adversely impact the ratings.

About the Entity

Orient Rental Modaraba ('the Modaraba') became operational on 24-Nov-17 as a multi-purpose perpetual Modaraba. The Modaraba mainly operates in two segments: Ijarah Rentals (provide equipment rental solutions) along with Operations & Maintenance agreements. The Modaraba is (~25%) owned by its Directors, followed by the associated companies (~16.6%). Financial institutions hold ~8.9% stake; while the general public holds ~49.5% stake in the Modaraba. The Board is chaired by Mr. Chaudhry Jawaid Iqbal; while, Mr. Teizoon Kisat serves as the CEO. He is assisted by a team of professionals.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.

