



**Date**

04-Nov-20

**Analyst**

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**Applicable Criteria**

- Methodology | NBFC | Jun-20
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale | Jun-20
- Criteria | Ratings Transition | Jun-20

**Related Research**

- Sector Study | Modaraba & NBFCs | Apr-20

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**PACRA Assigns Initial Entity Ratings to Orient Rental Modaraba**

Rating Type	Entity
	Current (04-Nov-20)
Action	Initial
Long Term	A-
Short Term	A2
Outlook	Stable
Rating Watch	-

Orient Rental Modaraba (ORM), a subsidiary of ASJN Holding (Pvt) Ltd, is primarily engaged in rental and operation and maintenance of Gensets. The company enjoys patronage from established sponsor i.e. Orient Energy System. Operating with two revenue streams; Rental and, Operation and Maintenance (O&M), major chunk of revenue is derived from Ijarah Rentals, though the fee from O&M is fast increasing and has a higher share in the total profit. There are plans to further augment O&M revenue stream as the demand mix tilts towards the later. The modaraba has been profitable on account of high utilization of rental fleet due to increasing demand for power generation equipment offered; mainly in manufacturing and textile sectors. Financial strength of the company remains adequate. The Modaraba intends to keep leveraging in the manageable range, not more than debt equity of 40:60, with zero reliance on COMs. The Rating incorporates strong business acumen comprising five experienced professionals though improvement in governance structure and corporate governance practices are essential. The induction and engagement of Group CEO is expected to supplement the strategic direction and capability of the Modaraba. Going forward, the Modaraba intends to maintain optimal capacity utilization.

The ratings are dependent on relative positioning of the Modaraba in the sector and sustained asset quality: sustaining bottom line profitability is important. The ratings also depend upon keeping its financial profile intact. Any significant change in its risk profile may adversely impact the ratings.

**About the Entity**

The Modaraba commenced its operations with effect from Nov 24, 2017 and is engaged in providing equipment rental solutions, operation and maintenance services. The registered office is situated in Karachi. The Modaraba also maintains sub-office at Lahore.

The Chairman, Mr Mohammad Saeed is a Bachelor of Engineering in Electrical from Sindh University Engineering College, Jamshoro with having more than three decades of professional experience with engineering and power sector companies. The overall control of the Modaraba vests in the five-member Board of Directors (BoD) including the CEO. Except the CEO, all board members are non-executive including one independent director.

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.

