



Corporate Briefing - B.R.R Guardian Modaraba **For Year Ended June 30, 2019**

Date & Time of Briefing 26 November, 2019 4:00 pm

Brief History

The Management Company

The Dawood family, in collaboration with National Development Finance Corporation Limited formed B.R.R. Investments (Private) Limited (BRRIL) [formerly B.R.R. Investment Services (Private) Limited] in April, 1983 to promote investments in Pakistan through leasing. The company was registered on August 7, 1984 as a Modaraba Management Company under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The Company floated two Modarabas in the name and style of B.R.R. CAPITAL MODARABA and B.R R. SECOND MODARABA in 1985 and 1990 with a paid up fund of Rs. 20 million and Rs. 100 million respectively. The first lease was executed on 26 March, 1984. Additionally, in August 1993 Equity International Modaraba (EIM) was floated with a paid up capital of Rs.150 million by Equity International (Pvt.) Ltd. (EIL). It was sponsored by BRRIL, International Finance Corporation (IFC), Robert Fleming and Company (Flemings), and Saudi Pak Industrial & Agricultural Investment Company (Pvt.) Ltd. (SAPICO). International Finance Corporation joined BRRIL as equity partner in 1999.

The Modaraba

The first merger in the history of Modarabas took place when B.R.R. Second Modaraba and Equity International Modaraba merged with and into B.R.R. Capital Modaraba on March 1, 1998. The name of B.R.R. Capital Modaraba was subsequently changed to B.R.R. International Modaraba on April 14, 1998. As a result of the merger the paid up fund of B.R.R. International Modaraba rose to Rs.481.93 million making it the largest Modaraba in Pakistan in terms of equity. The Modaraba offers lease financing to corporate entities as well as creditworthy individuals. The Modaraba also provides Musharaka, Morabaha and Equity Investments to cater the requirements of Trade & Industry. The Modaraba is unique among leasing companies and Modarabas in offering building leases. It offers the acquisition of buildings for its commercial clients through the medium of a building lease. The scheme provides both for the lease of a building on land owned by the client, or alternatively a lease encompassing both the provision of land and a building thereon.

B.R.R Security Vault

The Modaraba built a state of the art B.R.R. Security Vault which was opened for business in July 1989. This custom built fort-like building on Shahrah-e-Quaideen, offers a unique blend of high security with a pleasant and friendly atmosphere within and around the building. The security vault has 4 floors of lockers in all sizes catering to business, commercial and individual clients alike. In addition, it offers custodial services to corporate clients.



Corporate Information

Symbol	BRR
Company Registration Number	K-347/7351 of 1982-83 / CUIIN No. 0010330
NTN Number:	0820775-5
Company email address	brr@firstdawood.com
Member	Non-Banking Financial Institution (NBFI)
Auditor	Horwarth Hussain Chaudhury & Co.

Performance & Future Prospect

Current Year Performance

- During the year modaraba has paid around Rs. 212 million in payment of liabilities and now only financing liability in our books is loan from a commercial bank amounting to Rs.83 million which will be paid before April 2022.
- The repayment of financial liabilities, volatile economy, downturn of stock market and the civil work on renovation of 18 & 19 floor of Saima tower affected the cash flow of modaraba, which in turn affected the dividend payout of modaraba.
- However, modaraba has successfully managed its cash flows.

Positive prospect from current year was:

- **10% (21 million) increase in the total income of your modaraba** from its operational activities i.e Rental Income Property, Ijara&Musharaka.
- Further, we have **fully rented out all of our BRR Tower and Saima Tower Properties.**
- Also the modarbaba has **successfully paid of itsfinancial liabilities more than Rs.200 million** during the year and has still managed to distribute profit despite falling stock prices.

Future Prospect/Strategy

In future, the certificate holders will reap consistent profitability and rising dividend payout as the modaraba will be **free from its financial liabilities and our rental income from property has always depicted a rising trend** over the years.

- Further, **we expect that improvement in stock market will also add up huge gains** to our profitability and liquidity.
- We intend to **pursue income mainly from Investment properties in future.**



Financial Analysis

Current year profit before modaraba fee and taxation is **51 million** as compared to **Rs.74 million** of the previous year.

Income

- Total Income of the Modaraba disclosed in Annual Accounts for the year 2019 more or less has remained the same i.e **227 million** as compared to prior year.
- The total income of your modaraba from its operational activities i.e Rental Income Property, Ijara&Musharaka is **Rs. 215 million with 10 % increase of Rs. 21 million** as compared to prior year **Rs. 194 million**.
- During the year, Rental Income of the modaraba increased by **10% i.e 18 million** mainly due to increase in Rental Income from properties of **16 million**.
- Ijara Income of the Modaraba also increased by **7%** from **10 million** to **17 million**.
- Despite of the increase in income from operational activities by **7 million**, the main hindrance in recording increased profits this year was the prevailing slump in stock market due to which loss on revaluation of investments increased by **19 million** i.e to **Rs. 80 million** in current years as compared to prior year revaluation loss of **Rs. 61 million**. In the best interest of certificate holders we have given our best efforts to not dispose of our stock market investments in loss and due to this reason Return on Investments have declined to **18 million** with **44% decline of Rs. 14 million** as compared to **32 million** of prior year.

Expenses

Total expenses of modaraba during the year were **176 million** with **17%** increase of **25 million** as compared to **Rs. 151 million** of prior year.

Main contributors to the increased expenses were:

- Financial charges** of **Rs.26 million** with around **200%** increase mainly due to recording of finance cost on settlement of Musharaka of **21 million** during the year.
- Repairs Maintenance Cost** increased by **4 million** mainly due to carrying out civil work on 18 & 19 the floor of Saima tower.
- Electricity expenses** of **Rs.6 million** (net off receipts from tenants) with **3 times (300%)** increase of 4 million as compared to **Rs. 1 million** of prior year. Main reason for increase was the increase in electricity prices by the government in last quarter of year ended June 30, 2019.

Payout /Liquidity

Despite of the prevailing volatile economic condition and slump in stock market, your modaraba has still managed to payout dividend of Rs.0.24 per certificate i.e Rs.21 million mainly due to increase in its operational profitability (Rental Income, Ijara). Also, our tight cash flow position has limited our distribution of profits this year.

During the year, your modaraba has successfully paid debts amounting to Rs.212 million.



B.R.R. Guardian Modaraba

(An Islamic Financial Institution)

SIX YEARS' FINANCIAL SUMMARY

2019	2018	2017	2016	2015	2014
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----- (Rs. In million) -----

Profit & Loss Account

Operating income	244.41	254.01	313.62	243.01	206.96	234.38
Other income	8.60	11.65	148.43	29.41	94.10	14.31
Amortization on ijarah assets	25.40	39.68	22.22	30.27	33.56	26.61
Financial charges	26.42	11.84	24.78	37.31	79.44	135.55
Administrative expenses	149.61	139.45	155.60	138.08	136.88	103.89
Provision/(Reversal) for doubtful debts/receivables	(51.90)	(38.18)	16.55	(5.06)	(26.30)	(64.50)
Unrealized loss / (gain) on revaluation of held-for-trading investment	79.60	60.85	(43.43)	(0.09)	(33.47)	(14.54)
Net Profit	44.84	64.92	169.67	46.72	70.23	41.44
Dividend	20.73	29.36	78.05	21.07	31.61	18.73

Balance Sheet

Paid-up Capital	863.62	863.62	780.46	780.46	780.46	780.46
Reserves	510.12	528.28	483.98	276.14	210.67	73.84
Certificate Holders Equity	1,373.75	1,391.90	1,264.44	1,056.60	991.13	854.29
Borrowings	212.19	350.60	408.35	588.64	699.71	949.22
Lease portfolio	44.77	79.79	50.73	94.35	121.50	162.20
Morabaha & Musharaka Portfolio	59.36	48.57	19.80	36.88	110.71	215.99

Performance Indicators

Earnings / (Loss) per certificate (Rs.)	0.52	0.75	2.17	0.60	0.90	0.53
Profit paid per certificate (Rs.)	0.24	0.34	1.000	0.270	0.405	0.24
Profit paid per certificate (%)	2.40%	3.40%	10.00%	2.70%	4.05%	2.40%
Profit payout (after statutory reserves) (%)	90.00%	90.00%	90.02%	90.21%	90.01%	90.00%
Break-up value per certificate (Rs.)	15.91	16.12	16.20	13.54	12.70	10.95
Market value per certificate (Rs.)	8.12	8.74	9.43	6.95	7.73	6.00
Price Earnings ratio	15.62	11.65	4.35	11.58	8.59	11.32
Income/Expense ratio	1.29	1.39	1.73	1.24	1.29	1.17
Financial Charges/Total Expenses (%)	15.01%	6.20%	9.29%	17.00%	28.40%	48.43%