

First Credit and Investment Bank Limited

January 8, 2015

Chairman: Mr. Wajabat Ali Baqai; CEO: Mr. Ahsanullah Khan

Analysts: Talha Iqbal
Maham Qasim

Category	Latest	Previous
Entity	A-/A-2 Dec 24, '14	A-/A-2 Dec 31, '13
Outlook	Stable Dec 24, '14	Negative Dec 31, '13

Rating Rationale

The assigned rating incorporates institutional backing of First Credit and Investment Bank Limited (FCIBL), with National bank of Pakistan (NBP) and Water and Power Development Authority, each having a 30.8% stake in the institutions.

As per Non-Banking Finance Companies (NBFCs) regulations, companies undertaking business of investment finance were required to have a minimum capital of Rs. 1b by June 30, 2013. In relation to this requirement, FCIBL is currently short by Rs. 350.6m. The NBFCs Reform Committee had proposed that minimum capital requirement for investment finance institutions be fixed at Rs. 300m for the time being and enhanced to Rs. 600m by June'16 and further to Rs. 1b by June'18. However, any final decision in this respect has yet to be taken. The company has applied for the renewal of its license with effect from January 16, 2014 for a period of three years vide letter dated December 9, 2013. The company is currently awaiting response from the Securities & Exchange Commission of Pakistan (SECP) in this regard.

Operating activities of the bank remained subdued over the last year. Total assets of FCIBL decreased to Rs. 738m (FY13: Rs. 838m) by end June'14 on account of repayment of borrowings and retirement of short-term certificate of deposits. Balance sheet composition has remained similar to the preceding year with investments representing three fourth of the total asset base. Exposure to credit risk has declined on a timeline basis on account of recoveries against non-performing exposures; however same continues to remain sizeable. Net exposure of FCIBL in non-performing debt instruments and finance facilities amounted to Rs. 73m and represented one-tenth of the institution's own equity. Apart from these, FCIBL had exposure to restructured instruments to the tune of Rs. 79m. Market risk on books primarily stems from the company's holding in PIBs of Rs. 172m, with maturities falling due in 2022.

In recent years, the company has continued to deleverage, with borrowings (including Certificates of Deposits) reducing to Rs. 86.4m by end June 2014 (FY13: Rs. 187.2m; FY12: Rs. 561.6m). Accordingly, debt leverage stood lower at 0.14x (FY13: 0.3x) at end FY14. Liquid assets carried on balance sheet are well in excess of the outstanding borrowings. In view of this, FCIBL is likely to be able to meet its outstanding obligations in a comfortable manner.

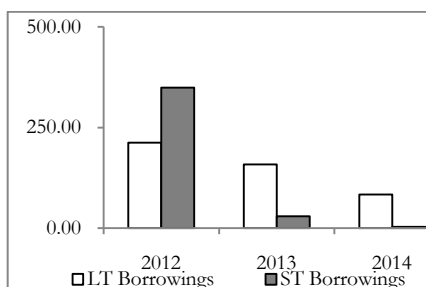
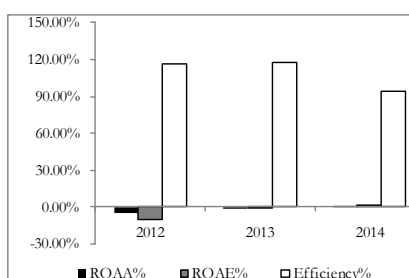
Profitability of FCIBL posted improvement in FY14 on the back of reduced expenses, notwithstanding the decline in revenues during the period. The management is projecting improved profitability, going forward, on the back of expected reversals against previously provided exposures and certain one-time gains. While the core focus of the senior management is recoveries, the company is currently also negotiating with SECP to lift the ban on accepting deposits. Once this permission is received, funds are planned to be mobilized from financial institutions apart from undertaking money market borrowings. The funds are planned to be utilized as placements or for secured financing, including car financing. Quality of fresh exposures assumed by the institution will be monitored for impact on the risk profile.

Mr. Ahsanullah Khan has recently been appointed as the CEO for a term of three years. Mr. Ahsanullah has prior experience in fields of commercial banking and leasing. The Board of Directors (BoD) comprises ten members; of these, 4 directors await approval under fit and proper test criteria. The remaining 6 directors include 2 nominees from NBP, 2 nominees from WAPDA, 1 independent director with the CEO being the only executive director on board.

Overview of the Institution

FCIBL was incorporated in 1989, as a private limited company. Later in 2003, it was converted into a public limited company and got license for conducting investment finance services. The bank is listed on the Karachi Stock Exchange. The financial statements for FY14 have been audited by M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants

Key Financial Trends



(in Rs. millions)	2012	2013	2014
Total Assets	1,221	838	738
Financings	75	56	51
Investments	993	644	548
Profit before tax / (Loss)	-85	-14	4
Equity (Rs. in m)	637	640	639
Borrowings and CoDs	562	187	86.4
Debt Leverage	0.9	0.3	0.15
Liquid Assets % Borrowings and CoDs	111	154	318

JCR-VIS Credit Rating Company Limited

Affiliate of Japan Credit Rating Agency, Ltd.

'First Credit and Investment Bank Limited' Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
Rating Type: Entity				
12/24/2014	A-	Stable	A-2	Maintained
12/31/2013	A-	Negative	A-2	Reaffirmed
12/28/2012	A-	Negative	A-2	Reaffirmed
1/31/2012	A-	Negative	A-2	Maintained
12/28/2010	A-	Stable	A-2	Reaffirmed