

RATING REPORT

First Credit and Investment Bank Limited

REPORT DATE:

January 02, 2018

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A-	A-2	A-	A-2
Rating Outlook	Stable		Stable	
Date	December 29 2017		December 30 2016	

COMPANY INFORMATION

Incorporated in 1989	External auditors: Grant Thornton Anjum Rahman Chartered Accountants
Non-Banking Finance Company	Chairman of the Board: Mr. Rehmat Ali Hasnie
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Muhammad Mohsin Ali
National Bank of Pakistan (NBP) - 30.8%	
Water and Power Development Authority (WAPDA) - 30.8%	
Sardar Mohammad Ashraf D. Baluch & Co. (Pvt.) Ltd - 27.1%	
Lilley International (Pvt.) Ltd - 10.2%	

APPLICABLE METHODOLOGY(IES)
JCR-VIS Entity Rating Criteria <http://jcrvis.com.pk/docs/NBFCs%20201710.pdf>

First Credit and Investment Bank Limited

OVERVIEW OF THE INSTITUTION

First Credit and Investment Bank Limited (FCIBL) was incorporated in 1989 under the name of 'First Credit and Discount Corporation (Pvt.) Limited' as a private company.

The company holds an investment banking services license from Securities and Exchange Commission Pakistan (SECP) and is listed on the Pakistan Stock Exchange (PSX).

Profile of Chairman

Mr. Rehmat Ali Hasnie has been appointed as chairman in FY17.

He is the senior executive vice president and group chief of investment banking group at National Bank of Pakistan Limited. He has a Master's degree in Development Banking from USA.

Profile of CEO

Mr. Muhammad Mohsin Ali has been appointed CEO & President of the bank in FY17.

Mr. Mohsin Ali is a fellow member of cost & management accountant. Before promoted to the current position, he has been serving as CFO of FCIBL for the last many years.

Financial Summary

Assets: 1QFY18: Rs. 1.4b; FY17: Rs. 1.2b; FY16: Rs. 1.0b

Equity: 1QFY18: Rs. 728.5m; FY17: Rs. 723.9m; FY16: Rs. 717.0m

RATING RATIONALE

Profile of Sponsors: The ratings of First Credit and Investment Bank Limited (FCIBL) take into account its association with strong primary sponsors, namely, National Bank of Pakistan Limited (NBP) and Water and Power Development Authority (WAPDA), with each having a shareholding of 30.8%.

Credit and Market Risk: The major proportion, almost two third, of asset base consisted of short-term placements with microfinance banks and cash and bank balances at end-1QFY18. This exposure is against institutions rated in the A band and above. During FY17, the bank has enhanced credit exposure related to investment and finances in sectors including sugar, petroleum, electrical goods, and hotel industry. Given sound credentials of counterparties, credit risk is considered manageable. Moreover, given the size of the listed equity portfolio in relation to company's own equity and most fixed income exposures linked to floating rates, market risk emanating from the investment portfolio is considered limited. Exposure in ready future transactions was nil at end-FY17. Board approved scrip wise and overall investment limits are in place.

Liquidity & Funding: While major portion of balance sheet continues to be funded through equity; gearing, though remained low, increased to 0.85x (FY17: 0.57x) by end-1QFY18. Liquidity profile of the company draws support from sizeable liquid asset in relation to outstanding obligations; liquid assets as a proportion of outstanding borrowings further increased to 1.59x (FY16: 1.28x) by end-FY17.

Capitalization: The bank is slightly short of the regulatory minimum equity requirement (MER) of Rs. 750m for deposit taking investment finance companies. At end-1Q18, net equity of FCIBL stood at Rs. 728.5m with shortfall of Rs. 21.5m against MER. The regulator has granted extension in meeting MER till December 31, 2017. Meanwhile, the bank can only raise institutional deposits from sponsors i.e., NBP and WAPDA. Risk adjusted capitalization levels of the bank are considered strong with Capital Adequacy Ratio reported at 129.3% at end-June'2017.

Profitability: During FY17, in spite of higher income from fund placements with financial institutions, total income declined to Rs. 79.9m (FY16: Rs. 99.0m) due to one-time capital gains from certain investments and financing during FY16. With higher finance cost, income before provisions declined to Rs. 7.5m (FY16: Rs. 52.7m). With lower net reversal in overall provision (FY17: Rs. 4.4m; FY16: Rs. 13.9m), bottom line declined to Rs. 7.1m (FY16: Rs. 43.9m) in FY17. Net profit of Rs. 4.6m was recorded in 1QFY18.

FINANCIAL SUMMARY *(amounts in PKR millions)*

<u>BALANCE SHEET</u>	30-Sep-17	30-Jun-17	30-Jun-16	30-Jun-15
Long Term Investments	68.4	71.0	85.9	199.5
Short Term Investments	63.5	60.2	138.7	65.4
Placements	604.0	464.0	550.0	211.5
Loans & Finances	121.1	122.5	43.6	34.5
Cash & Bank Balances	6.4	219.3	16.3	8.9
Total Assets	1,355.4	1,155.3	1,012.0	692.6
CODs	-	-	-	5.0
Borrowings	171.9	187.5	290.0	15.6
Net Worth	728.5	723.9	717.0	672.8
<u>INCOME STATEMENT</u>	30-Sep-17	30-Jun-17	30-Jun-16	30-Jun-15
Net Mark-up Income	13.7	50.2	77.9	47.8
Non-Markup Income	1.8	3.7	17.7	23.8
Operating Expenses	9.2	46.6	43.2	43.9
Profit Before Tax and provisions	6.2	7.5	52.6	27.0
Profit After Tax	4.6	7.1	43.9	23.0
<u>RATIO ANALYSIS</u>	30-Sep-17	30-Jun-17	30-Jun-16	30-Jun-15
Efficiency (%)	59.54	87.78	53.63	84.20
ROAA (%)	1.46	0.85	5.10	3.00
ROAE (%)	2.53	0.98	6.30	3.50
Debt Leverage (x)	0.87	0.61	0.43	0.04
Gearing (x)	0.85	0.57	0.40	0.40
Liquid Asset to Total Liabilities (x)	1.39	1.59	1.28	1.10

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix II

Medium to Long-Term

AAA

Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-

High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-

Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-

Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-

Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC

Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC

A high default risk

C

A very high default risk

D

Defaulted obligations

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities

Short-Term

A-1+

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1

High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2

Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3

Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B

Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C

Capacity for timely payment of obligations is doubtful.

and not on the basis of the credit quality of the issuing entity alone.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES				Appendix III	
Name of Rated Entity	First Credit and Investment Bank 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	Rating Action
	RATING TYPE: ENTITY				
	12/29/2017	A-	A-2	Stable	Reaffirmed
	12/30/2016	A-	A-2	Stable	Reaffirmed
	12/30/2015	A-	A-2	Stable	Reaffirmed
	12/24/2014	A-	A-2	Stable	Maintained
	12/31/2013	A-	A-2	Negative	Reaffirmed
	12/28/2012	A-	A-2	Negative	Reaffirmed
	1/31/2012	A-	A-2	Negative	Maintained
Instrument Structure	N/A				
Statement by the Rating Team	JCR-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	JCR-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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