RATING REPORT

First Credit and Investment Bank Limited

REPORT DATE:
2nd January 2019

RATING ANALYSTS:
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RATING DETAILS

	Latest Rating		Previous Rating	
Rating Category	**Long-term**	**Short-term**	**Long-term**	**Short-term**
Entity	A-	A-2	A-	A-2
Rating Outlook	Stable		Stable	
Date	*December 28 2018*		*December 29 2017*	

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 - 19.7%	
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 with limited liability. It was later converted into a public company and its name was changed to First Credit and Investment Bank Limited. 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 the chairman of FCIBL since FY17. He is also 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 the CEO & President of the bank since FY17. Mr. Mohsin Ali is a fellow member of cost & management accountant. Before promoted to the current positon, he has been serving as CFO of FCIBL for the last many years.

RATING RATIONALE

First Credit and Investment Bank Limited (FCIBL) operates as a Non-Banking Finance Company providing both funded and non-funded based facilities and advisory services to existing and potential clients.

Rating Drivers

Sound Profile of Sponsors

Ratings taken into account the sound profile of major sponsors of the company, namely National Bank of Pakistan (NBP) and Water and Power Development Authority; each of these two sponsors possess 30.8% shareholding in the company.

Adequate internal controls

Existing governance framework of the company is considered satisfactory as indicated by the presence of three independent directors on the Board of Directors (BoD) comprising nine members. In line with best practices, the independent directors' chair board level committees namely Board Audit Committee (BAC), Board Human Resources and Remuneration Committee (BHRRC) and Board Risk Committee (BRC).

Manageable credit and market risk

A sizeable proportion of the overall asset base constitutes cash and bank balances and short term placements deployed with commercial and microfinance banks that are rated in the A band or above. While credit risk emanating from the financing and investment portfolio is considered manageable with net non-performing exposure at less than one-tenth of FCIBL's equity, overall sectorial concentration is present in cement and sugar sectors. At end-FY18, the exposure to aforementioned sectors constituted 68.6% (FY17: 50.0%) of the total investment and finances portfolio. No infection is witnessed in the freshly disbursed loans. Most of the prior non-performing investments have been provided for. Given sound credentials of performing counterparties, credit risk is considered manageable. Management expects concentration levels to reduce going forward due to focus on diversification.

As size of the listed equity portfolio in relation to company's own equity remains approximately 5% and most fixed income exposures are linked to floating rates, market risk emanating from the investment portfolio is considered limited.

Liquidity profile of the company is considered sound

Liquid assets of the company form a sizeable proportion to total assets. Liquid assets as a proportion of outstanding obligations decreased to 1.07x (FY17: 1.59x) by end-FY18 due to increase in quantum of short term borrowings. However, the same still remain more than sufficient to cover outstanding liabilities.

The company has become compliant with minimum equity requirement by opting status of non-deposit investment finance company; Gearing and Leveraging ratios have depicted an increasing trend

FCIBL has changed its status from deposit taking investment finance company which has a minimum equity requirement of Rs. 750m to non-deposit investment finance company which has a minimum equity requirement of Rs. 100.0m. Management intends to apply for status of deposit taking status investment company once the equity of the company is higher than Rs. 750m. Risk adjusted capitalization levels of the bank are considered strong with Capital Adequacy Ratio reported at 114.4% at end FY18.

Balance sheet of the company is primarily funded through equity. However, the management increased the quantum of short term borrowings in FY18 to earn positive spread by placing the funds in microfinance banks at a higher rate. Resultantly, company's gearing and leverage ratios increased to 0.80x (FY17: 0.57x) and 0.83x FY17: 0.61x), respectively at end-FY18. At end-Q1'FY19, gearing and leverage ratios decreased to 0.72x and 0.73x, respectively on account of reduction in short term borrowings.

Growth in topline coupled with curtailment in expenses has improved bottom-line of the company

Total income of the company increased by 28.4% compared to preceding year (FY18: Rs.102.6m; FY17: Rs.79.9m) due to increase in income from term finances and funds placements (FY18: Rs.89.7m; FY17: Rs.66.9m). Furthermore, reduction in administrative expenses as indicated by improving efficiency level (FY18: 71.3%; FY17: 87.8%) has aided growth in bottom-line. Going forward, the management is planning to initiate money market brokerage service which will result in modest growth in profitability.

First Credit and Investment Bank Limited **Appendix I**

FINANCIAL SUMMARY *(amounts in PKR millions)*

BALANCE SHEET	30-Sep-18	30-Jun-18	30-Jun-17	30-Jun-16
Long Term Investments	38.1	40.0	71.0	85.9
Short Term Investments	106.7	84.1	60.2	138.7
Cash & Bank Balances	253.4	209.1	219.3	16.3
Total Assets	1,298.0	1,327.4	1,155.3	1,012.0
CODs	-	-	-	-
Borrowings	541.7	589.6	415.6	190.0
Net Worth	738.0	733.1	723.9	717.0
INCOME STATEMENT	**30-Sep-18**	**30-Jun-18**	**30-Jun-17**	**30-Jun-16**
Net Mark-up Income	11.8	51.4	50.2	77.9
Non-Markup Income	1.8	6.3	3.7	17.7
Operating Expenses	10.7	41.2	46.6	43.2
Profit Before Tax and provisions	4.8	16.6	7.5	52.6
Profit After Tax	4.9	9.2	7.1	43.9
RATIO ANALYSIS	**30-Sep-18**	**30-Jun-18**	**30-Jun-17**	**30-Jun-16**
Efficiency (%)	69.0%	71.3%	87.8%	53.6%
ROAA (%)	1.50%	0.74%	0.66%	5.15%
ROAE (%)	2.67%	1.26%	0.99%	6.32%
Debt Leverage (x)	0.72	0.83	0.61	0.43
Gearing (x)	0.73	0.80	0.57	0.40
Liquid Asset to Total Liabilities (x)	1.07	1.07	1.59	1.28

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

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.

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 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				
	12/28/2018	A-	A-2	Stable	Reaffirmed
	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.				
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