

# RATING REFLECTIONS

JCR-VIS Credit Rating Company Limited

NATIONAL EXCELLENCE, INTERNATIONAL REACH

April, 2011

## **BRR Guardian Modaraba – Entity & Sukuk Issue of Rs. 800 million**

**On July 9, 2010, JCR-VIS Credit Rating Company Limited (JCR-VIS) assigned ‘D’ rating to the entity & Sukuk issue of BRR Guardian Modaraba (BGM).**

On July 8, 2010, JCR-VIS received an email from BGM, with an attached letter (dated July 6, 2010) addressed to the Trustee of BGM - Sukuk (Musharikhah TFC), M/s Bank Alfalah Limited, seeking restructuring of BGM-Sukuk (Musharikhah TFC), amounting to Rs. 800m.

A little before this, JCR-VIS had concluded its review of outstanding ratings of BGM, with the entity & Sukuk ratings revised to ‘BBB/A-3’ and ‘BBB+’, respectively. Financial distress at an associated concern also impacted the franchise of the group, which in turn affected BGM’s access to funding. While having revised the ratings downwards on June 23, 2010 in view of the

weakening in risk profile of the institution on a timeline basis, JCR-VIS nevertheless believed that BGM had the ability to meet its upcoming obligations. This view was supported by the presence of more than adequate cash (Rs. 44m) and liquid assets to pay off the markup payment falling due on July 7, 2010. The management of BGM had also

communicated its willingness to honor all outstanding obligations on a timely basis.

Despite having the ability to meet its Sukuk obligations, the company decided to restructure the terms of the same, In view of non-payment of profit payable on July 7, 2010, JCR-VIS assigned ‘D’ rating to the entity and privately placed musharikhah TFC of BGM.

### **About the Issuer:**

Major certificate holders of the modaraba at the end of FY10 were B.R.R. Investment (Pvt.) Limited (16.6%) and S.M. Atiq-ur-Rehman (12.5%). Remaining holding of the modaraba rested with various financial institutions (26.7%), public sector companies (9.4%), directors (0.1%) and individuals (34.7%).

TABLE - I			Rating/Outlook History	
Rating Actions	Entity	Sukuk Rs. 800m		
Oct. 28, 2002	A-/A-2 - Stable	-		
Mar. 17, 2005	A-/A-2 - Stable	-		
Jan. 24, 2006	A-/A-2 - Positive	-		
Aug. 24, 2006	A-/A-2 - Rating Watch	-		
Dec. 22, 2006	A-/A-2 - Rating Watch – Positive	-		
Jun. 5, 2007	A/A-2 – Stable	-		
Oct. 20, 2007	A/A-2 – Stable	‘A+’ - Stable		
Jun. 17, 2008	-	‘A+’ - Stable		
Nov. 3, 2009	A-/A-2 - Stable	‘A’ - Stable		
Jun. 23, 2010	BBB/A-3 - Negative	‘BBB+’ - Negative		
Jul. 9, 2010	D – Default	D - Default		