RATING REPORT

First Credit and Investment Bank Limited

REPORT DATE:
January 04, 2017

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 30 2016*		*December 30 2015*	

COMPANY INFORMATION

Incorporated in 1989	**External auditors:** Grant Thornton Anjum Rahman Chartered Accountants
Non-Banking Finance Company	**Chairman of the Board:** Mr. Wajahat A. Baqai
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Mr. Ahsanullah Khan
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://www.jcrvis.com.pk/Images/NBFC.pdf*

First Credit and Investment Bank Limited

RATING RATIONALE

Profile of Sponsors: Ratings taken into account the profile of major sponsors of the company, namely, National Bank of Pakistan (NBP) and Water and Power Development Authority, with each having a shareholding of 30.8%.

Credit and Market Risk: Placements represented significant part of FCIBL's asset base as at end-June'2016. This exposure is against institutions rated in the A band. 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 sectoral concentration is present in investment grade microfinance banks. Strong focus on recoveries has continued while negotiation for restructuring of a number of non-performing exposures is underway. Given the size of the listed equity portfolio in relation to company's own equity and most fixed income exposures linked to benchmark rates, market risk emanating from the investment portfolio is considered limited. During FY16, exposure has also been built ready future transactions. Board approved scrip wise and overall investment limits are in place.

Liquidity: Major portion of the company's balance sheet still continues to be funded by equity. In contrast to the preceding year, borrowings have been mobilized and deployed at higher rates to earn a spread. As at end-1Q17, gearing ratio of the company stood at 0.3x and is expected to remain at manageable levels, going forward. Liquidity profile of the company draws support from sizeable liquid asset in relation to outstanding obligations. Liquid assets in relation to outstanding borrowings was sizeable at around 3x at end-June'2016.

Capitalization: SECP as per amendment in regulations has specified the minimum equity requirement (MER) for the companies undertaking business of deposit taking investment finance companies at Rs. 750m. SECP has given time period of one year to existing NBFCs to meet the MER provided that during the interim period of one year, the total deposit of such NBFCs shall be capped at the existing level. At end-1Q17, net equity of FCIBL stood at Rs. 722.4m with shortfall in MER being Rs. 27.6m. FCIBL has received extension for compliance with MER till 30th June'2017. Risk adjusted capitalization levels of the company are considered adequate with Capital Adequacy Ratio reported at over 100% at end-June'2016.

Profitability: Despite decline in average KIBOR rates, total income of the bank increased to Rs. 99m (FY15: Rs. 81.2m) during FY16. Increase primarily emanated from capital gains earned on three transactions. With increase in income and expenses remaining around prior year level, profit before provisions almost doubled to Rs. 52.7m (FY15: Rs. 27.5m). Net profit of the company for FY16 almost doubled to Rs. 43.9m (FY15: Rs. 23m).

Operating Environment: With significant additional liquidity available with Commercial Banks and resultant competition for rates, investment avenues for NBFCs are expected to remain limited. Diversifying revenue sources with greater contribution of fee income in overall revenues is considered important. In this regard, a new resource has been inducted by FCIBL as the head of investment and corporate banking and license to act as a trustee has also been obtained which will facilitate in diversifying revenue streams.

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. Wajahat A. Baqai is a seasoned banker with over 20 years of banking and credit experience. At National Bank of Pakistan, he is Senior Executive Vice President and Head of Credit Management Group.

Profile of CEO

Mr. Ahsanullah Khan is a Graduate of Commerce and Law from University of Karachi. Mr. Khan has extensive knowledge and working experience of over 35 years with local and international financial institutions.

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

FINANCIAL SUMMARY *(amounts in PKR millions)*

BALANCE SHEET	**JUNE 30, 2016**	**JUNE 30, 2015**	**JUNE 30, 2014**
Long Term Investments	85.9	199.5	413.5
Short Term Investments	138.7	65.4	71.3
Cash & Bank Balances	16.3	8.9	0.4
Total Assets	1,012	692.6	737.5
CODs	-	5	5
Borrowings	290	15.6	81.36
Net Worth	717	672.8	649.4
INCOME STATEMENT	**JUNE 30, 2016**	**JUNE 30, 2015**	**JUNE 30, 2014**
Net Mark-up Income	77.9	47.8	43.2
Non-Markup Income	17.7	23.8	4.8
Operating Expenses	43.2	43.9	42.4
Profit Before Tax and provisions	52.6	27.0	5.5
Profit After Tax	43.9	23.0	1.4

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	
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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Rating History:

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
		RATING TYPE: ENTITY		
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