

RATING REPORT

First Credit and Investment Bank Limited

REPORT DATE:

January 9, 2020

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 31, 2019		December 28, 2018	

COMPANY INFORMATION

Incorporated in 1989	External auditors: Crowe Hussain Chaudhury & Co. 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%	
Sardar Mohammad Ashraf D. Baluch (Pvt.) Limited - 7.4%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Non-Bank Financial Companies (October, 2017)

<http://vis.com.pk/kc-meth.aspx>

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 Mobsin Ali has been the CEO & President of the bank since FY17. Mr. Mobsin 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.

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. FCIBL initiated as a deposit taking investment finance company which had to maintain a minimum equity requirement of Rs. 750m. However, the Board decided to convert it into non-deposit investment finance company which has a minimum equity requirement of Rs. 100m. Management intends to apply for status of deposit taking status investment company once the equity of the company is higher than the minimum requirement.

Key Rating Drivers

Ratings derive strength from the strong sponsor profile of the company.

Majority stake of the company lies with National bank of Pakistan (NBP) and Water and Power Development Authority (WAPDA), each having a share of 30.8%. Remaining shares are held by other corporates, general public and executives.

The company built up its loan portfolio during the outgoing year; growth in portfolio was sourced by cash and bank balances.

Asset base of the company largely comprises advances portfolio and short term placements, at end-June 2019. During the outgoing year, a sizeable proportion of the company's cash and bank balances were diverted towards building its loan portfolio; growth in portfolio was a function of both higher exposure in existing clients as well addition of new ones. No infection is witnessed in the freshly disbursed loans. While credit risk emanating from the financing and investment portfolio is considered manageable, further diversification in sectoral exposures is desired. Overall sectorial concentration remains prevalent in sugar, cement and oil & gas sectors. At end-FY19, the exposure to aforementioned sectors constituted 81.8% (FY18: 75.8%) of the total investment and finances portfolio.

Given the decline in liquid assets, liquidity profile of the company has deteriorated during the year. Nonetheless, leverage indicators remain within manageable levels.

Historically, liquid assets of the company formed a sizeable proportion to total assets. However, with the recent growth in portfolio, liquid assets as a proportion of outstanding obligations declined to 0.05x by end-FY19. Balance sheet of the company is primarily funded through equity. However, the management continues to increase the quantum of short term borrowings to earn a positive spread by placing the funds in banks at a higher rate. Resultantly, company's gearing and leverage ratios increased to 0.93x (FY18:0.84x) and 0.86x (FY18: 0.82x), respectively at end-FY19.

Growth in topline coupled with controlled increase in expenses has improved bottom-line of the company.

With growth in advances, top line of the company improved to Rs. 56.8m in FY19 vis-à-vis Rs. 51.4m in the previous year. Subsequently, total income of the company also increased to Rs. 64.7m (FY18: Rs. 57.7m) during June 2019. With controlled increase in expenses, efficiency level of the company improved from 71.3% in FY18 to 69.4% in FY19; the same improved to 60.5% in 1Q20.

First Credit and Investment Bank Limited
Appendix I

FINANCIAL SUMMARY					
<i>(amounts in PKR millions)</i>					
<u>BALANCE SHEET</u>	30-Jun-16	30-Jun-17	30-Jun-18	30-Jun-19	30-Sep-19
Long Term Investments	85.9	71.0	40.0	29.5	26.9
Short Term Investments	138.7	60.2	84.1	93.2	91.0
Long Term Loans and Advances	43.6	122.5	351.9	524.1	458.4
Current portion of non-current assets	44.8	70.6	59.9	127.0	148.9
Cash & Bank Balances	16.3	219.3	209.1	36.3	77.9
Total Assets	1,012.0	1,155.3	1,327.4	1,385.3	1,090.5
CODs	-	-	-	-	-
Borrowings	290.0	415.6	589.6	616.6	340.5
Paid Up Capital	650.0	650.0	650.0	650.0	650.0
Net Worth	717.0	723.9	722.3	718.6	722.0
<u>INCOME STATEMENT</u>					
Net Mark-up Income	77.9	50.2	51.4	56.8	19.0
Non-Markup Income	17.7	3.7	6.3	7.9	1.5
Operating Expenses	43.2	46.6	41.2	44.9	12.4
Profit Before Tax and provisions	52.6	7.5	16.6	19.8	8.1
Profit After Tax	43.9	7.1	9.2	9.5	6.4
<u>RATIO ANALYSIS</u>					
Efficiency (%)	53.63	87.8%	71.3%	69.4%	60.5%
ROAA (%)	4.34%	0.70%	0.80%	0.72%	1.86%
ROAE (%)	6.12%	0.99%	1.27%	1.32%	3.58%
Debt Leverage (x)	0.43	0.61	0.84	0.93	0.51
Gearing (x)	0.40	0.57	0.82	0.86	0.47
Liquid Asset to Total Liabilities (x)	1.28	1.59	1.07	0.05	0.21

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix II

RATING SCALE & DEFINITIONS: ISSUES / ISSUERS

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).

AAA-, 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: 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.vis.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.vis.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.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'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.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when 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				
	12/31/2019	A-	A-2	Stable	Reaffirmed
	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	
Instrument Structure	N/A				
Statement by the Rating Team	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	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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