

RATING REPORT

First Credit and Investment Bank Limited

REPORT DATE:

December 31, 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, 2020		December 31, 2019	

COMPANY INFORMATION

Incorporated in 1989	External auditors: Crowe Hussain Chaudhury & Co. Chartered Accountants
Non-Banking Finance Company	Chairman of the Board: Mr. Asad Ullah Saleem
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mohammad 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 (March 2020)

<https://s3-us-west-2.amazonaws.com/backupsqvis/docs/NBFCs202003.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. Asad Ullah Saleem is a banker by profession. He is EVP Secretary, Board of Director's Secretariat. Earlier he has worked as Divisional Head in Corporate Banking and wing head in Corporate & Investment Banking Group, National Bank of Pakistan. He is an MBA from LUMS and M.A in Economics. He has been associated with various banks before joining the NBP.

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. He has more than 30 years diverse professional experience in various organizations including 25 years in the financial

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. The investment bank is holding the status of non-deposit taking institution with effect from July 2018. However, the management has plans to convert its status into deposit taking NBFC once the equity size of the company reaches the Minimum Equity Requirement (MER) of Rs. 750m specified for deposit taking NBFCs.

Key Rating Drivers

Ratings derive strength from the strong sponsor profile of the company

The company operates as the associated undertaking of Water and Power Development Authority (WAPDA) and National Bank of Pakistan (NBP) with each company holding 30.77% shareholding the Investment Bank. Both these sponsors have sound financial strength. VIS expects sponsor support to emanate in future in case need arises.

Adequate corporate governance framework

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

Significant increase in the investment portfolio, while the loan portfolio witnessed decline in FY20 and Q1'FY21 on account of maturities

Asset base of the company largely comprised advances and investment portfolio at end-Sep'2020. Quantum of loan portfolio declined during the period under review (Q1'FY21: Rs. 542.4m; FY20: 541.3m; FY19: Rs. 624.2m) on account of maturities. Maturities were primarily witnessed from clients in the hospitality and sugar sector. No fresh NPLs were observed in the loan portfolio. While credit risk emanating from the financing and investment portfolio is considered manageable, further diversification in sectoral exposures is warranted. Overall sectoral concentration remains prevalent in sugar, cement and oil & gas sectors. Due to limited client base, client wise concentration in portfolio is also present. Additional liquidity generated on account of maturities in loan portfolio as well short placements (TDRs) of the company were directed towards the investment portfolio, particularly PIBs. Total size of the investment portfolio including both long and short investments was reported at Rs. 848.2m (FY20: 863.8m; FY19: 122.7m) at end-Q1'FY21.

Liquidity profile of the company has improved on account of growth in liquid assets; gearing and leverage indicators have depicted an increasing trend as additional borrowing was acquired to deploy funds in the investment portfolio

With growth in liquid investment portfolio and decrease in advances portfolio, improvement has been observed in liquid assets to total liabilities ratio (Q1'FY21: 0.85x; FY20: 0.91x; FY19: 0.71x). Overall liquidity profile is considered satisfactory in the light of adequate liquid assets in relation to liabilities. The management continues to increase the quantum of short term repo borrowings to earn a positive spread by placing the funds in PIBs and equity portfolio. Resultantly, company's gearing and leverage ratios have increased in Q1'FY21 and FY20. Maintaining leverage indicators at manageable levels is considered important from ratings perspective.

services sector.

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

Growth in investment portfolio resulted in sizeable increase in the income for investments (both interest income and capital gains) in FY20 and Q1'FY21 vis-à-vis the corresponding period in the preceding years. Total income (excluding finance costs) of the company was reported at Rs. 97.0m (FY19: 64.6m) and Rs. 22.5m (Q1'FY19: Rs. 20.1m) in Q1'FY21. With controlled increase in expenses, efficiency level of the company improved from 69.7% in FY19 to 45.0% in FY20; the same further improved to 42.0% in Q1'FY21.

First Credit and Investment Bank Limited
Appendix I

FINANCIAL SUMMARY				
	<i>(amounts in PKR millions)</i>			
BALANCE SHEET	30-Jun-18	30-Jun-19	30-Jun-20	30-Sep-20
Long Term Investments	40.0	29.5	756.5	728.5
Short Term Investments	84.1	93.2	107.3	119.7
Long Term Loans and Advances	351.9	524.1	483.5	438.7
Deferred Tax Assets	73.0	74.1	70.0	74.7
Current portion of non-current assets	59.9	127.0	82.2	124.2
Cash & Bank Balances	209.1	36.3	27.6	50.2
Short Term Placements	430.0	420.0	40.0	40.0
Markup/Interest accrued	59.3	61.1	68.5	48.8
Total Assets	1,327.4	1,385.3	1,667.2	1,659.1
Borrowings	589.6	616.6	834.6	891.0
Issued, subscribed and paid up share capital	650.0	650.0	650.0	650.0
Net Worth	722.3	718.6	738.9	735.0
INCOME STATEMENT				
	30-Jun-18	30-Jun-19	30-Jun-20	30-Sep-20
Net Mark-up Income	51.4	56.8	76.6	17.3
Non-Markup Income	6.3	7.9	20.4	5.2
Operating Expenses	41.2	44.9	61.7	14.7
Profit Before Tax and Provisions	16.6	19.8	35.3	7.8
Profit Before Tax	15.8	15.2	37.8	8.7
Profit After Tax	9.2	9.5	28.7	7.2
RATIO ANALYSIS				
	30-Jun-18	30-Jun-19	30-Jun-20	30-Sep-20
Efficiency (%)	71.7%	69.7%	45.0%	42.0%
ROAA (%)	0.74%	0.70%	1.88%	1.74%
ROAE (%)	1.27%	1.32%	3.94%	3.93%
Leverage (x)	0.84	0.93	1.26	1.26
Gearing (x)	0.82	0.86	1.13	1.21
Liquid Asset to Total Liabilities (x)	0.78	0.71	0.91	0.85

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix II

VIS Credit Rating Company Limited

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.

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: 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				
	12/31/2020	A-	A-2	Stable	Reaffirmed
	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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Due Diligence Meetings Conducted	S.No	Name	Designation	Date	
	1	Muhammad Kamran	Chief Financial Officer	Dec 24, 2020	