RATING REPORT

First Credit and Investment Bank Limited

REPORT DATE:
May 16, 2025

RATING ANALYST:
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RATING DETAILS				
	Latest Rating		Previous Rating	
Rating Category	**Long-term**	**Short-term**	**Long-term**	**Short-term**
Entity	A	A1	A	A2
Rating Outlook/Watch	Stable		Stable	
Rating Date	*May 16, 2025*		*Feb 26, 2024*	
Rating Action	Upgrade		Reaffirmed	

COMPANY INFORMATION	
Incorporated in 1989	**External auditors:** Muniff Ziauddin & Co., Chartered Accountants
Non-Banking Finance Company	**Chairman of the Board:** Mr. Faisal Ahmed Topra **CEO:** Muhammad Mohsin Ali
Key Shareholders (with stake 5% or more):	
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 RATING SCALE(S)
VIS Entity Rating Criteria: Non-Bank Financial Companies **https://docs.vis.com.pk/docs/NBFCs202003.pdf** **VIS Rating scale** **https://docs.vis.com.pk/docs/VISRatingScales.pdf**

First Credit and Investment Bank Limited

RATING RATIONALE

First Credit and Investment Bank Limited ('FCIBL' or the 'Investment Bank') reflects its stable credit profile, supported by strong sponsorship from two major state-owned entities, which provide a solid foundation for potential financial support if needed. Corporate governance is strong, with a well-structured board and adherence to regulatory requirements. The Investment Bank maintains a conservative approach to lending, with a focus on secured term finance facilities, and its asset quality remains manageable. The investment portfolio is predominantly composed of low-risk government securities, mitigating exposure to credit risk. The assigned ratings take into account the improvement in profitability profile supported by a positive spread on arbitrage and income from other sources. This increased the equity base in the absence of payouts, supporting the capitalization. However, returns on assets and equity need further improvement to cover the opportunity cost of capital. Liquidity is adequate, with a comfortable coverage of short-term obligations, as reflected in the upgrade of the short-term rating. Going forward, the Investment Bank's strategic initiatives, including diversification into brokerage services and potential deposit-taking, signals a shift towards broader funding access, which could enhance financial flexibility and market presence.

Company Profile

First Credit and Investment Bank Limited was incorporated in August, 1989, as a private company with its liability limited by shares under the name of 'First Credit and Discount Corporation (Private) Limited', and thereafter converted into a public company. Subsequently, the name of the Investment Bank was changed to 'First Credit and Investment Bank Limited'. The Investment Bank is licensed to undertake business of investment finance services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP). The Investment Bank is holding the status of Non-Deposit Taking with effect from July 01, 2018. The Investment Bank is an associated undertaking of Water and Power Development Authority (WAPDA) and National Bank of Pakistan (NBP), which each hold 30.8% shareholding in the Investment Bank. FCIBL is listed on Pakistan Stock Exchange (PSX).

Auditors' Report

The financial statements for FY24 were audited by Crowe Hussain Chaudhry & Co., Chartered Accountants, a QCR-rated firm classified as 'Category A' on the State Bank of Pakistan's (SBP) Panel of Auditors. The firm issued an unmodified and unqualified audit opinion as of Jun'24.

However, as of Jun'24, Crowe Hussain Chaudhry & Co. completed their five-year term and were no longer eligible for reappointment. As a result, Muniff Ziauddin & Co., Chartered Accountants, also a QCR-rated firm and categorized as 'Category A' on the SBP's Panel of

OVERVIEW OF THE INSTITUTION

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 and is listed on the Pakistan Stock Exchange (PSX).

Profile of Chairman

Mr. Faisal Ahmed Topra (a nominee of NBP) is a seasoned professional with cumulative experience of over 25 years in product development, strategic planning, credit and investment banking. He holds an MBA degree from Southeastern University Washington (USA) and M. Phil in Management Sciences from Szabist University.

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 Institute of Cost & Management Accountants (ICMA). He has around three decades of diverse professional experience in the financial services sector.

Auditors, were appointed as the new auditors of the Investment Bank for the fiscal year ending Jun'25.

Key Rating Drivers:

Strong sponsorship through backing of two major state-owned entities

FCIBL's ratings are strengthened by the support of two major state-owned entities, WAPDA and NBP, each holding a 30.8% ownership stake. As key government institutions, these entities are expected to provide support to the Investment Bank when required.

Corporate Governance Framework

The Board of Directors (BoD) of FCIBL comprises eight members, including the Chief Executive Officer (CEO). The composition remained unchanged during the review period. The Board includes three independent directors, four non-executive directors, and one executive director, who also serves as the CEO. The detailed composition is presented in the table below:

Name	Role
Mr. Faisal Ahmed Topra	Chairman/ Non-Executive Director/ Nominee (NBP)
Mr. Asad Ullah Saleem	Non-Executive Director/ Nominee (NBP)
Mr. Syed Irfan Hussain Rizvi	Non-Executive Director/ Nominee (WAPDA)
Mr. Masood Raza	Non-Executive Director/ Nominee (WAPDA)
Ms. Nina Afridi	Independent Director
Mr.Jamal Naseem	Independent Director
Mr. Amjad Iqbal	Independent Director
Mr. Muhammad Mohsin Ali	Executive Director/CEO

One-third of the Board comprises independent directors, including female representation. Additionally, the Board has established three committees: the Board Audit Committee (BAC), the Board HR & Remuneration Committee (BHR&RC), and the Board Risk Management Committee (BRMC). Both BAC, and BHR&RC are chaired by independent directors. During the year, the Board convened four meetings, while the BAC held four meetings, the BHR&RC held two meetings, and the BRMC held one meeting. The attendance of Board members across these meetings was deemed satisfactory.

As required under the Code of Corporate Governance 2019, an annual evaluation of the Board of Directors of the Investment Bank is conducted. In FY24, the Board's overall performance, assessed based on approved criteria, was rated as Satisfactory. Additionally, FCIBL complies with the Directors' Training requirements as per the Listed Companies (Code of Corporate Governance) Regulations 2019.

Asset Mix

Rs. in millions	Jun'23	%	Jun'24	%	Mar'25	%
Cash and Bank Balances	122.1	6.6%	139.9	3.5%	71.7	1.9%
Investment	1,185.1	64.0%	3,323.5	84.0%	3,092.9	83.5%
Advances(net)	334.1	18.0%	212.9	5.4%	205.3	5.5%
Other Assets	210.0	11.3%	279.7	7.1%	335.4	9.1%
Total Assets	**1,851.3**	**100.0%**	**3,955.9**	**100.0%**	**3,705.3**	**100.0%**

As of Jun'24, FCIBL's asset base expanded by 113.7%, largely driven by a 188.4% increase in short-term repo borrowings. The growth in the balance sheet was primarily channeled into the investment portfolio, which rose by 180.4% during the same period. This was done to capitalize on the arbitrage opportunity and to earn a spread on investments. This increase was primarily aimed at capitalizing on the spread between the cost of repo-based funding and the returns on government securities, thereby enabling the Investment Bank to generate a low-risk arbitrage income and improve profitability without materially increasing credit exposure. In contrast, the Investment Bank's lending activity remained subdued, as indicated by a 36.6% decline in the advances portfolio. However, by Mar'25, the asset base recorded a slight contraction, mainly due to a drawdown in short-term repo borrowings. The reduction in liabilities was mirrored on the asset side by a corresponding decline in the investment portfolio.

Loan Portfolio and Asset Quality

As of end-Mar'25, gross long-term advances declined to Rs. 207.6 mn (Jun'24: 214.5 mn; Jun'23: Rs. 334.1 mn), with the portfolio primarily comprising secured term finance facilities. The reduction reflects the Investment Bank's continued conservative approach towards lending in light of broader credit risk considerations. Management intends to enhance financing operations with quality securities and also maintain focus on recoveries.

Total NPLs stood at Rs. 13.0 mn (Jun'24: Rs. 13.0 mn; Jun'23: Rs. 14.0 mn), while provisioning against these amounted to Rs. 2.4 mn (Jun'24: Rs. 2.4 mn; Jun'23: Rs. 0.9 mn). As a result of the contraction of the overall loan portfolio, the gross infection ratio slightly rose to 6.3% (FY24: 6.1%; FY23: 4.2%), while the net infection ratio to 5.2% (FY24: 5.0%; FY23: 3.9%). Despite this, the provisioning coverage remained stable at 18.1% (FY24: 18.1%; FY23: 6.7%).

The non-performing loan is secured through a pari passu charge over all fixed assets of the borrower. Provisions have been maintained for the full outstanding amount, net of the Forced Sale Value (FSV) of the underlying collateral, after applying a regulatory margin of 25%, in accordance with the applicable regulations and reporting standards.

Investment Mix

Investments Portfolio - Net of Provisions	Jun'23	Jun'24	Mar'25
Investment in Government Securities (PIBs)	1,069.8	3,179.9	2,925.3
Investment in Term Finance Certificates/Sukuk-Unlisted	85.6	103.0	112.1
Investment in Term Finance Certificates/Sukuk-Listed	17.1	16.9	16.9
Quoted Shares	12.6	20.7	35.7
Certificate of Deposit	-	3.0	3.0
Total Investments	**1,185.1**	**3,323.5**	**3,093.0**

As of Mar'25, the investment portfolio reflected a low credit risk profile, with approximately 95% of total investments allocated to Pakistan Investment Bonds (PIBs). Within this allocation, floating-rate PIBs (FPIBs) accounted for 97% of the PIB holdings, with a tenor of 10 years. The predominance of floating-rate instruments mitigates sensitivity to interest rate fluctuations.

Major exposures within the Sukuk and TFCs portfolio include Three Star Hosiery (Private) Limited, New Allied Electronics Industries (Private) Limited, and Deewan Cement Limited (Pre-IPO). No new investments were made during the review period; the increase in carrying value was attributable to reversal of provisions. All Sukuk and TFC exposures, both listed and unlisted, were classified as non-performing, resulting in a non-performing investment ratio of 100%. Provisioning coverage stood at 48.2% as of end-3QFY25 (FY24: 53.7%; FY23: 62.0%).

The quoted equity portfolio registered a gain in value, driven by capital gains, aligned with the bullish momentum in the equity market, as the KSE-100 Index reached historical highs. As of Jun'24, the portfolio exhibited sectoral concentration in Commercial Banks (~40%), Chemicals (~33%), and Oil and Gas Exploration (~15%).

Profitability

During FY24, FCIBL demonstrated uptick in profitability. Net markup income increased by 15%, amounting to Rs. 73.8 mn (FY23: Rs. 64.0 mn), primarily driven by growth in total markup income, which rose to Rs. 403.7 mn (FY23: Rs. 255.3 mn). This was supported by an increase in the average return on markup-bearing assets to 16.1% (FY23: 14.9%), reflective of higher benchmark interest rates prevailing during FY24.

Given a contraction in the long-term lending portfolio, markup earned from long-term finances slightly decreased to Rs. 64.6 mn (FY23: Rs. 69.1 mn). Nonetheless, the average return on advances notably improved to 24.8% (FY23: 20.1%), slightly mitigating the impact of the reduced lending volumes. Income from markup-bearing investments rose by 85% to Rs. 316.3 mn (FY23: Rs. 170.7 mn), driven primarily by an increase in holdings of government securities and improved average yield at 15.0% (FY23: 13.5%). Moreover, markup income from fund placements with financial institutions climbed to Rs. 22.8 mn (FY23: Rs. 15.5 mn), benefiting from higher deposit balances and an increased yield of 17.4% (FY23: 15.6%).

Markup expenses increased to Rs. 329.8 mn (FY23: Rs. 191.2 mn) due to higher borrowings, although the average cost of funds slightly improved to 15.7% (FY23: 16.1%). Consequently, the spread enhanced positively to 0.5%, recovering from a negative spread of 1.1% recorded in FY23.

Non-markup income also experienced growth, rising to Rs. 45.2 mn (FY23: Rs. 24.1 mn). Capital gains on securities improved to Rs. 29.0 mn (FY23: Rs. 18.7 mn), while dividend income remained relatively stagnant. An increase was observed in fee and commission income, which escalated to Rs. 10.4 mn (FY23: Rs. 2.2 mn), owing to expanded brokerage commissions from money market activities. This growth aligns with FCIBL's initiative of expanding its money market and forex brokerage businesses, supported by recruitment of professionals from the market, with further expansion expected. Additionally, the Investment Bank recorded an unrealized gain on securities classified as FVPL of Rs. 3.9 mn (FY23: Nil).

Administrative expenses increased modestly to Rs. 96.9 mn (FY23: Rs. 88.4 mn), driven by inflation-induced salary increments and allowance adjustments. Additionally, there was a provision charge against accrued markup amounting to Rs. 6.9 mn, contrasting with a reversal of Rs. 3.0 mn in FY23. Moreover, reversals for diminution in the value of long-term investments amounted to Rs. 27.1 mn (FY23: Rs. 25.8 mn). After accounting for taxation, FCIBL reported an increase in net profit to Rs. 31.7 mn for FY24 (FY23: Rs. 13.0 mn), with an improved efficiency ratio of 96.0% (FY23: 99.7%), highlighting slight improvement in operational efficiency and financial management.

During 3QFY25, FCIBL maintained its profitability. Total income for the period amounted to Rs. 488.7 mn, predominantly driven by investment income of Rs. 421.6 mn. This reflects continued portfolio reprofiling and use of treasury and money market operations. However, income from term finances and fund placements moderated to Rs. 45.2 mn, compared to SPLY, due to stagnant lending activity. Fees and commission income maintained upward momentum, reaching Rs. 12.9 mn, aligning with the Investment Bank’s focus on money market and forex brokerage business expansion. Additionally, unrealized gains on FVPL securities contributed Rs. 8.6 mn. Total expenses for 3QFY25 amounted to Rs. 448.7 mn, largely driven by finance costs of Rs. 375.6.1 mn, reflecting a higher average cost of funds at 16.8%. After accounting for taxation, net profit for 3QFY25 amounted to Rs. 48.1 mn, with a slightly improved efficiency ratio of 93.6%.

Management has identified intense competition from larger commercial banking institutions as a key challenge, leading FCIBL to pursue diversified revenue streams to sustain long-term growth. In response to these competitive pressures, management has expanded FCIBL’s money market and forex brokerage operations through targeted recruitment. According to management, this initiative has contributed to increased profitability during the year and is expected to further support earnings growth. Additionally, the Investment Bank has experienced growth within its treasury and money market activities, positively influencing its overall operational performance. Going forward, management’s strategy emphasizes both vertical and horizontal expansion within its core business activities, as well as diversification into new segments permitted by NBFC regulations.

Liquidity

The liquidity profile of FCIBL has improved, with liquid assets representing 82.3% of total assets as of Mar'25 (FY24: 84.9%; FY23: 66.0%). Liquid assets relative to total borrowings remained at a comfortable level, recorded at 108.2% (FY24: 108.3%; FY23: 113.6%). Total borrowings stood at Rs. 2,818.3 mn as of Mar'25 (Jun'24: Rs. 3,101.5 mn; Jun'23: Rs. 1,075.6 mn), reflecting an increase over the review period. The borrowing mix remains heavily concentrated in short-term repo borrowings (~99%), secured against PIBs.

As FCIBL currently operates as a non-deposit-taking institution, it is not exposed to liquidity pressures arising from deposit withdrawals. A review of current maturities as of Jun'24 indicates an on-balance sheet gap within the one-year bracket. This gap stems from the maturity structure of investments, which are scheduled beyond the one-year horizon, compared to short term repo position. Nevertheless, the institution regularly monitors asset and liability maturities to manage liquidity risk. Under current conditions, the institution's liquidity position appears adequate to support its operational requirements.

Management views the current declining interest rate environment as beneficial, presenting opportunities to access lower-cost financing from banks and other financial institutions. By leveraging these favorable borrowing conditions, management intends to optimize FCIBL's funding structure, reduce financing costs, and support profitability. This financial strategy aims to ensure adequate capital availability for operational growth and enhance the Investment Bank's overall financial stability.

Going forward, FCIBL has also applied for a deposit-taking license, which, if approved, will have implications for its liquidity and funding profile. However, prudent planning, robust risk management practices, and operational readiness will be essential to ensure a smooth and sustainable shift to a deposit-taking model.

Capitalization

The total equity base of FCIBL augmented to Rs. 826.5 mn as of Mar'25 (Jun'24: Rs. 786.9 mn; Jun'23: Rs. 723.9 mn). The growth in equity was primarily attributable to higher profitability recorded during the review period, coupled with unrealized gains on investments classified under fair value through other comprehensive income (FVOCI).

Despite the increase in equity, capitalization indicators have exhibited a weakening trend. Gearing and leverage ratios rose to 3.31x (FY24: 3.87x; FY23: 1.38x) and 3.39x (FY24: 3.95x; FY23: 1.45x) respectively, by end-3QFY25. However, adjusting for short-term repo borrowings, the capitalization profile appears comfortable. On an adjusted basis, gearing and leverage ratios were reported at 0.00x and 0.07x, respectively, indicating a conservative underlying capital structure and limited reliance on long-term external debt.

First Credit and Investment Bank Limited — Appendix I

FINANCIAL SUMMARY				(Rs. in millions)
BALANCE SHEET	**Jun'22**	**Jun'23**	**Jun'24**	**Mar'25**
Property and equipment	11.0	21.6	24.8	22.2
Long Term Investments (incl. current portion)	363.2	1,138.5	3,272.8	3,027.2
Long-term loans and Finances (incl. current portion)	382.2	334.1	212.9	205.3
Net Investment In finance lease (incl. current portion)	0.4	0.4	0.0	0.0
Deferred Tax Assets	78.3	74.1	56.7	53.5
Short-term investments	1,075.8	46.6	50.7	65.7
Mark-up/Interest Accrued	41.4	74.3	153.6	207.1
Cash and Bank Balances	75.7	122.1	139.9	71.7
Other Assets	24.3	39.7	47.7	55.7
Total Assets	2,052.3	1,851.3	3,955.9	3,705.3
Lease Liability (incl. current portion)	6.7	16.5	18.7	8.4
Long-term loan (incl. current portion)	15.6	0.0	0.0	0.0
Short-term repo- borrowing	1,262.7	1,075.6	3,101.5	2,818.3
Total borrowings	1,278.4	1,075.6	3,101.5	2,818.3
Other Liabilities	45.3	35.3	48.9	52.0
Total Liabilities	1,330.4	1,127.4	3,169.1	2,878.8
Total Equity (excl. re-measurement on investments)	770.8	777.7	802.4	850.2
Total Equity (incl. re-measurement on investments)	721.8	723.9	786.9	826.5
INCOME STATEMENT	**FY22**	**FY23**	**FY24**	**3QFY25**
Income from term finances and funds placements	55.0	84.6	87.4	45.2
Income from investments	82.1	192.4	347.0	421.6
Unrealized gain/(loss) on investments	-4.8	0.0	3.9	8.6
Other Income	1.8	2.3	10.6	13.3
Operating Expenses	68.2	86.4	96.9	73.2
Reversal / (Provision)	15.4	28.8	20.2	18.1
Finance Cost	67.6	191.2	329.8	375.6
Profit Before Tax	13.3	29.8	42.0	57.7
Profit After Tax	8.2	13.0	31.7	48.1
RATIOS	**FY22**	**FY23**	**FY24**	**3QFY25**
Gross Infection (%)	3.76%	4.18%	6.07%	6.28%
Provisioning Coverage (%)	6.47%	6.65%	18.07%	18.07%
Net Infection (%)	3.52%	3.92%	5.03%	5.20%
Efficiency (%)	98.13%	99.65%	96.03%	93.61%
ROAA (%)	0.38%	0.67%	1.09%	1.67%*
ROAE (%)	1.07%	1.68%	4.01%	7.76%*
Leverage (x)	1.73	1.45	3.95	3.39
Leverage (x)**	0.09	0.07	0.08	0.07
Gearing (x)	1.66	1.38	3.87	3.31
Gearing (x)**	0.02	0.00	0.00	0.00
Liquid Asset to Total Borrowings (%)	114.23%	113.58%	108.25%	108.20%
Liquid Asset to Total Borrowings*** (%)	836.83%	NA	NA	NA
Liquid Asset to Total Assets (%)	71.15%	65.99%	84.87%	82.30%

* Annualized
** Adjusted for repo
*** Adjusted for repo and collateral

REGULATORY DISCLOSURES	**Appendix II**
Name of Rated Entity	First Credit and Investment Bank Limited
Sector	Non-Banking Finance Company (NBFC)
Type of Relationship	Solicited
Purpose of Rating	Entity Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook/ Rating Watch	Rating Action
RATING TYPE: ENTITY				
05/16/2025	A	A1	Stable	Upgrade
02/26/2024	A	A2	Stable	Reaffirmed
12/30/2022	A	A2	Stable	Reaffirmed
12/31/2021	A	A2	Stable	Upgrade
12/31/2020	A-	A2	Stable	Reaffirmed
12/31/2019	A-	A2	Stable	Reaffirmed
12/28/2018	A-	A2	Stable	Reaffirmed
12/29/2017	A-	A2	Stable	Reaffirmed
12/30/2016	A-	A2	Stable	Reaffirmed
12/30/2015	A-	A2	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	Meeting Date
1	Mr. Syed Mohsin	CFO	10th April 2025
2	Mr. Muhammad Kamran	AVP	