

Sindh Leasing Company Limited

Chairman: Mr. Muhammad Bilal Sheikh; CEO: Mr. Naim Farooqui

May 5, 2015

Analysts: Sobia Maqbool, CFA
Muniba Khan

Rating Rationale

The ratings assigned to Sindh Leasing Company Limited (SLCL) incorporate the ownership and implicit support of the Government of Sindh (GoS). Along with SLCL, GoS has also undertaken other projects in the financial services sector including a commercial bank and recently launched insurance and modaraba companies.

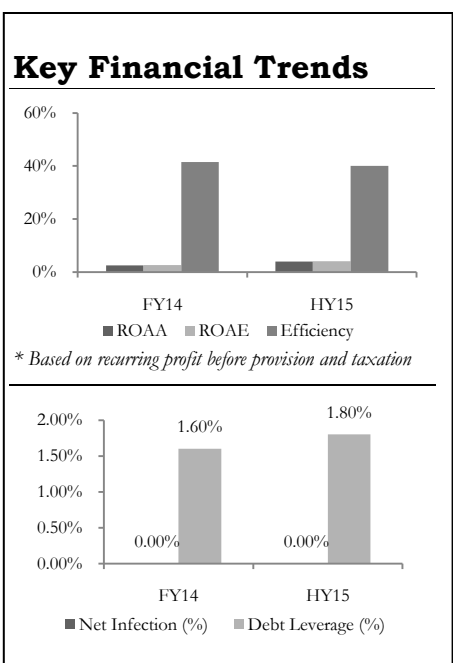
SLCL was established with an initial capital of Rs. 1b; with lending activities gradually picking up pace, the need for borrowings has so far not arisen. The institution currently carries sizeable amount of liquid assets on its books, representing almost 88% of the resource base. Excess liquidity will be absorbed as the company forges ahead with its growth plans and borrowings are planned to be mobilized in the coming years. Debt leverage is projected to increase to 4.7x by end FY17. The support of GoS with respect to resource mobilization is evident by the expected funding to be made available under securities lending arrangement.

Asset mix at end December 2014 featured almost 88% deployment in bank deposits. Proportion of assets (adjusted as per NBFCS regulation) mobilized in leasing operations is currently below the regulatory floor of 70%. This is expected of a company having only recently commenced operations. The management is targeting significant growth in its financing portfolio in the coming periods, with net financing portfolio to comprise 84% of assets by end-FY17. With growth in lending activity and seasoning of the portfolio, underwriting quality will be tested over time.

SLCL reported profit after tax of Rs. 27m in FY14; profitability has increased in the on-going year, with half year profit reported at Rs. 21.4m. As the lease portfolio continues to grow, the earnings mix of the institution will evolve in favor of income from lending activities. Currently, major source of income is bank placements. Profitability is likely to depict an improving trend if the company is able to maintain sound asset quality and keep cost of doing business under check, while pursuing its growth targets.

An integrated ERP system is installed at SLCL; complete installation at branches is underway. There are certain gaps in the organizational structure which will need to be addressed as the business grows. These gaps pertain to the current vacancies in risk management and marketing departments. Overall governance infrastructure is considered sound, with three of the seven members on the Board being independent directors; all Board committees are chaired by independent directors. Both the Board and management team include personnel having experience specific to the financial services sector.

Category	Latest	Previous
Entity	A/A-2 <i>Apr 28, '15</i>	- -
Outlook	Stable <i>Apr 28, '15</i>	-



	FY14	HY15
Total Assets (Rs. in m)	1,046.1	1,067.2
Net Leases (Rs.in m)	22.5	77.5
Net Infection (%)	-	-
Profit / (Loss) (Rs.in m)	27.0	21.4
Equity (Rs. in m)	1,027.0	1,048.4
Liquid Assets (Rs. in m)	982.0	934.6
Debt Leverage (%)	1.6%	1.8%

Overview of the Institution

SLCL was incorporated in 2013 as an unlisted public company under the Companies Ordinance, 1984. The company is wholly owned by the GoS. The company is operating with a network of 2 branches. Financial statements for 2014 were audited by M/s Jalis Ahmad & Co., Chartered Accountants JCR-VIS

Note: Assets & liabilities, where applicable, are net of lease key money

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