

**MODARABA SECTOR UPDATE****MODARABA SECTOR****PERFORMANCE AND PROSPECTS**

- **Stiff competition from commercial banks**
- **Resource mobilization constraints: previously an impediment to growth**
- **On going sector consolidation**
- **Positive outlook with the formulation of Religious Board and sector's quest for exploring new avenues**

During the fiscal year 2005 the business in the Modaraba sector gathered momentum mainly on account of healthy economic growth. However, the sector's overall performance remained somewhat subdued due to increasing competition from commercial banks. Though most of the modarabas capitalized on the upsurge in the stock market through capital gains on the equity portfolio, continued squeeze in spreads kept the income streams under pressure, resulting in a decline in the overall profitability. However, some modarabas managed to keep their overall profitability intact owing to the strategic market penetration that helped in volume growth. Although Pakistan's financial sector scene is dominated by commercial banks, the Modaraba sector had the strategic advantage of being Islamic financial institutions providing Shariah compliant products and services. However, this strategic edge seems to be eroding as a number of commercial banks have ventured into the arena

of Islamic financing and this trend is likely to be emulated by most banks. Banks are relatively better placed than non-banking financial institutions to offer competitive rates to creditworthy clients. Another factor, which gives banks an edge, is their wide spread outreach. Further, the diversification in the product range of modarabas remained limited due to the reason that in order to launch any product they have to get permission from the Religious Board, which was non-existing in the past four years. Whereas, Islamic Banking Department (IBD) has been created by the SBP that has provided a comprehensive set of definitions and modes of Islamic Banking and Finance, which implies banks do not

need to get permission from the regulatory body every time they launch new product.

After a lapse of four years Federal Government constituted the Religious Board for modrabas in 2005, which is expected to help in strengthening the sector. The benefit of this development will be manifold, as modarabas will also be able to enter into the new avenues. In order to enhance the risk absorption capacity of the overall sector, acquisitions and voluntary mergers are being encouraged by the Security and Exchange Commission of Pakistan (SECP) to strengthen the sector. During 2005, the sector witnessed some mergers and

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acquisitions<sup>1</sup>. The recent mergers in the sector are indicative of a general strategic shift towards consolidation that is needed to usher the financial stability and operational flexibility.

Going forward, identification of untapped credit avenues, improvement in operational efficiency and innovation of financial products have assumed critical importance for modarabas to maintain their relative performance amidst the increasingly competitive environment. Instead of competing with banks, modarabas should carve out their niche in business segments by providing Shariah compliant products to messes. Modarabas' performance is expected to improve with diversification of business volumes and revenue streams in the coming years. Most of them have already undertaken various steps in this regard, which include equity brokerage, venture capital business, house financing and operating leasing in telecom sector. This trend is likely to be followed by other

entities as well.

The sector has historically been suffered from the problem of resource mobilization resulting in limited opportunities for growth. Realizing this impediment, SECP has allowed modarabas to issue *musharika* based Term Finance Certificates. Further, the access to Shariah compliant funding lines through the establishment of Islamic banks should augur well for the financial flexibility of modarabas. While the sector has experienced noticeable development over the previous years, there is still a long way to go before it plays its potential role in the growth of the economy.

## REGULATORY REGIME

The tax-exempt status of modarabas, if 90% of the profits are distributed, gives them a comparative advantage over other financial entities, particularly to leasing modarabas over leasing companies. The modarabas are, therefore, not compelled to maintain growth – like leasing companies – to minimize tax burden through the deferral of tax liability. As a result, the modarabas are able to focus on the quality of their loan portfolios. Moreover, the performance of the sector is likely to improve faster if bonus shares were allowed as part of the 90% distribution for tax purposes, as allowed to Mutual Fund industry.

In a major move to strengthen and provide a level-playing field to the

country's non-banking financial sector including modarabas, the SECP issued revised prudential regulations for modarabas on January 28, 2004 following issue of prudential regulations for Non-Banking Finance Companies (NBFCs) on January 21, 2004. It is expected that these would contribute towards improving the risk management capabilities and promoting corporate governance in the Modaraba sector. The revised regulations have been divided into four segments that covers: a) comprehensive definitions of all the key activities of modarabas, b) guidelines for risk management in respect of corporate and individual borrowers, c) operations of Modaraba and d) Know Your Customers and anti money-laundering issues.

The new regulations have introduced a complete set of definitions of all the key activities of a Modaraba keeping in view the prudential regulations for NBFCs. A separate set of regulations has also been incorporated for modarabas to extend housing finance facilities to individuals. Criteria for provisions against non-performing assets of Modaraba have also been reviewed and conditions for reversal of provisions have been specified. Also, the enhanced disclosure requirements have helped in maintaining greater transparency in the sector.

<sup>1</sup> During the financial year 2005, three modarabas namely First National Modaraba, First General Modaraba and First Hajveri Modaraba merged into First Paramount Modaraba, Dawood Investment Bank and First Fidelity Leasing Modaraba, respectively. Further, Mr. Jahangir Siddiqui has acquired Al-Mal Corporation – the management company of Modaraba Al Mali – in collaboration with DCD group. The name of the management company has accordingly been changed to JS Finance Limited.



## PACRA RATING ACTIONS

### [April 28, 2006: PACRA Maintains Entity Ratings of Sui Northern Gas Pipelines Limited \(SNGPL\)](#)

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Sui Northern Gas Pipelines Limited at '**AA-**' (Double A Minus) and '**A1+**' (A One Plus), respectively. The ratings denote a very low expectation of credit risk and a very strong capacity for timely payment of financial commitments.

The ratings reflect SNGPL's low financial and business risk, primarily emanating from the GOP-guaranteed return. The ratings also recognize the company's improving internal cash generation and financial coverage ratios, and the exceptionally strong liquidity.

**About the Company:** Established in 1963 as a private limited company and currently listed on the Karachi, Lahore and Islamabad Stock Exchanges, Sui Northern Gas Pipelines Limited (SNGPL) is the largest integrated gas company in the country, engaged in the business of purchase, purification, transmission and distribution (T&D) of natural gas. The company caters to the natural gas requirements of around 70% of the country's population, based in Punjab and NWFP. Its transmission system comprises over 5,122 km of high-pressure pipelines ranging from "4 to 36" in diameter. The distribution activities covering more than 277 towns to nearly 2.5 mln consumers in Punjab and NWFP are organized via regional offices

through a distribution network of over 42,285 km.

### [April 19, 2006: PACRA Assigns 'A+' Rating to the Proposed Secured TFC Issue of First International Investment Bank Limited \(Interbank\)](#)

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of '**A+**' (Single A plus) to the proposed secured TFC issue of PKR 500mln by First International Investment Bank Limited (Interbank). The rating indicates a low expectation of credit risk and a strong capacity for timely payment of financial commitments.

The rating reflects Interbank's sustained strong risk absorption capacity, which is primarily an outcome of its conservative stance towards risk supported by an effective credit risk management system. However, at the same time, the bank, due to relatively fine pricing, to ensure good credit quality, and high cost structure, continues to experience subdued profitability. The management, to overcome this impediment and being cognizant of the changing operating environment in the fund-based business, has identified fee-based investment banking activities as main revenue drivers. However, as most of these initiatives are at an initial stage of implementation, any significant impact on revenues and profitability is expected to materialize in the medium-term.

**About the bank:** First International Investment Bank Limited (Interbank), incorporated in 1990 and listed on Karachi and Lahore Stock Exchanges, is a joint venture of the Packages Group

(PG), American Express Bank N.Y. (Amex) and International Finance Corporation, who collectively hold majority of the bank's equity. The current CEO, Mr. Samir Ahmed, who joined the bank in June 2004, has over 20 years of banking and capital markets experience in various senior management positions both locally and abroad.

**About the TFC Issue:** Interbank is planning to issue secured listed TFCs of PKR 500mln during the current year. The proposed TFC issue is for a tenor of 5 years carrying a profit rate of 6-months KIBOR plus 225bps. Principal redemption will be in eight equal semi annual installments commencing from the 18th month after the issuance. The instrument will be secured by way of first parri passu charge on present and future assets of the bank with a 25% margin. The bank intends to utilize the proceeds of the TFCs to establish its asset management business, strengthen the brokerage function and further expand the investment portfolio.

### [April 17, 2006: PACRA Assigns 5-Star Fund Rating to Unit Trust of Pakistan \(UTP\)](#)

The Pakistan Credit Rating Agency (PACRA) has assigned a **5-Star** fund rating (Category: Balanced Fund) to Unit Trust of Pakistan (UTP), which reflects superior performance relative to its peer. The rating is a composite measure of two factors namely a) returns, and b) risk associated with the returns measured by Sharpe Ratio.

**About the fund:** UTP was Pakistan's first open-end scheme in the private sector. It was established under a Trust Deed



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executed in April 1997. Currently, Central Depository Company (CDC) is the trustee of the Fund. The primary objective of UTP is aimed at preserving investors' capital while maximizing value and maintaining a stable stream of income. The objective is achieved by providing investors with balanced exposure to equity securities, debt instruments and short-term placements.

***About the Asset Manager:***

Incorporated in 1995, ABAMCO is the largest private sector asset management company in Pakistan, managing assets of around PKR 27bln. It is a subsidiary of Jahangir Siddiqui & Company Limited (JSCL), the flagship and main holding company of the JS group. Other institutional shareholders of ABAMCO include AMVESCAP Plc. – a leading global asset management company – and International Finance Corporation, a part of the World Bank Group.

ABAMCO has an asset manager rating of 'AM2', which reflects the company's very strong capacity to manage the risks inherent in asset management. The Chief Executive of ABAMCO, Mr. Najam Ali, is a Chartered Accountant with extensive exposure to the financial sector. The Chief Investment Officer is an MBA with significant buy-side and sell-side experience in Pakistan's financial and capital markets. The fund manager of UTP is also an MBA having considerable experience in the financial sector.

**April 15, 2006: PACRA Assigns 5-Star Fund Rating to Meezan Islamic Fund (MIF)**

The Pakistan Credit Rating Agency (PACRA) has assigned a **5-Star** fund rating to Meezan Islamic Fund (Category: Islamic Fund), which reflects a superior performance relative to its peers.

The rating is a composite measure of two factors namely a) returns, and b) risk associated with the returns measured by Sharpe Ratio.

***About the fund:*** MIF, an open-end scheme, was established under a Trust Deed executed in June 2003 between Al Meezan Investment Management Limited as management company and, Central Depository Company of Pakistan Limited (CDC) as trustee. The primary objective of MIF is to provide the maximum total return to the unitholders from investment in shariah compliant investments for the given level of risk.

***About the Asset Manager:***

Incorporated in February 1995, Al Meezan Investment Management Limited (AMIM) is a subsidiary (65% shareholding) of Meezan Bank Limited (MBL), the first scheduled Islamic commercial bank in the country, which operates strictly under the principles of Islamic Shariah. The main sponsors of the bank are some leading financial institutions based in Pakistan, Kuwait, Bahrain and Saudi Arabia including Pakistan Kuwait Investment Company (Pvt) Limited (PKIC), which also owns 30% shareholding in AMIM. PKIC is a very well managed and a financially strong entity carrying a long-term credit rating of 'AAA' by PACRA.

The Chief Executive of AMIM, Mr. Mohammad Shoaib, is a CFA Charter holder and also has Masters degree in Business Administration with over 16 years of experience in the capital markets. The Head of Investments is an MBA with extensive experience of more than 10 years in the financial sector of the country.

AMIM is catering to different investment objectives of a diverse client base. Currently, the company is managing three funds with assets under management of more than PKR 7bln. AMIM, in addition to MIF, manages two closed-end funds namely Al Meezan Mutual Fund Limited and Meezan Balanced Fund.

**April 12, 2006: PACRA Assigns 3-Star Fund Rating to UTP-Islamic Fund (UTP-ISF)**

The Pakistan Credit Rating Agency (PACRA) has assigned a **3-Star** fund rating to UTP-Islamic Fund (Category: Islamic Fund), which reflects an average performance relative to its peers. The rating is a composite measure of two factors namely a) returns, and b) risk associated with the returns measured by Sharpe Ratio.

***About the fund:*** UTP-ISF, an open-end scheme, was established under a Trust Deed executed in December 2002.

Currently, Central Depository Company (CDC) is the trustee of the Fund. The primary objective of UTP-ISF is to provide an avenue of investments to those who wish to invest their savings in such schemes which are based on profit / loss sharing basis and are shariah compliant.

***About the Asset Manager:***

Incorporated in 1995, ABAMCO is the largest private sector asset management company in Pakistan, managing assets of around PKR 27bln. It is a subsidiary of Jahangir Siddiqui & Company Limited (JSCL), the flagship and main holding company of the JS group. Other institutional shareholders of ABAMCO include AMVESCAP Plc. – a leading global asset management company – and International Finance Corporation, a part of the World Bank Group.



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ABAMCO has an asset manager rating of 'AM2', which reflects the company's very strong capacity to manage the risks inherent in asset management. The Chief Executive of ABAMCO, Mr. Najam Ali, is a Chartered Accountant with extensive exposure to the financial sector. The Chief Investment Officer is an MBA with considerable buy-side and sell-side experience in Pakistan's financial and capital markets. The fund manager of UTP-ISF is a graduate in commerce having extensive experience in the financial sector.

### [April 07, 2006: PACRA Places Ratings of Azgard Nine Limited and Its TFCs on RatingWatch](#)

The Cabinet Committee on Privatization has recently approved the sale of Pak-American Fertilizers Limited to the consortium of Azgard Nine Limited and Jahangir Siddiqui group. The consortium, being led by Azgard Nine, is in the process of arranging requisite funds. Following this development, PACRA has placed the ratings (Long-term: A, Short-term: A1, TFCs: A+) of Azgard Nine Limited on Rating Watch.

This would be followed by a detailed review of the implications of this transaction, particularly with reference to likely impact on the risk profile of the company.

### [April 07, 2006: PACRA Assigns 4-Star Fund Rating to Pakistan Income Fund \(PIF\)](#)

The Pakistan Credit Rating Agency (PACRA) has assigned a **4-Star** fund rating (Category: Income Fund) to Pakistan Income Fund (PIF), which reflects a good performance relative to its peers. The rating is a composite measure of three factors namely a) returns, b) risk associated with the returns

measured by Sharpe Ratio, and c) credit quality of the assets.

**About the fund:** PIF, an open-end scheme, was established under a Trust Deed executed between Arif Habib Investment Management Limited (AHIML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee in February 2002. The primary objective of PIF is to deliver a regular income stream while protecting investor's capital. The fund invests in CFS (Continuous Funding System) and spread transactions in the capital market and a range of debt securities including government securities, corporate sector bonds (TFCs) and reverse-repo transactions in the money market.

**About the Asset Manager:** AHIML, incorporated in August 2000, is one of the largest asset management companies in Pakistan managing assets of above PKR 17bln at end-05. The majority stake in the company is held by Arif Habib Securities Limited (AHS). AHS, which started as a traditional security firm, is now acquiring the character of a holding company for Arif Habib Group.

AHIML has an asset manager rating of 'AM2', which reflects the company's very strong capacity to manage the risks inherent in asset management. The Chief Executive, Mr. Nasim Beg, is a Chartered Accountant with over 30 years of experience in the financial sector, including mutual fund industry. The head of Income Funds is an MBA having extensive experience in Pakistan's financial and capital markets.

### [April 05, 2006: PACRA Assigns 5-Star Fund Rating to Pakistan Capital Market Fund \(PCM\)](#)

The Pakistan Credit Rating Agency (PACRA) has assigned a **5-Star** fund rating (Category: Absolute Return Fund) to Pakistan Capital Market Fund (PCM), which reflects its superior performance. The rating is a composite measure of two factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio.

**About the fund:** PCM is a broad based, absolute-return fund, investing in a combination of equity, debt and money market securities, with the underlying objective of seeking the optimum absolute return from Pakistan's capital market. The Fund does not have set allocation limits for any asset class (with the exception of an upper limit of 30% and 25% of NAV for investments in government securities and CFS, respectively) and can even invest 100% of its NAV in any class. If a particular asset class offers relatively higher return prospects than other asset class, the Fund is likely to have higher allocation in that particular asset class and vice versa.

**About the Asset Manager:** AHIML, incorporated in August 2000, is one of the largest asset management companies in Pakistan managing assets of above PKR 17bln at end-05. The majority stake in the company is held by Arif Habib Securities Limited (AHS). AHS, which started as a traditional security firm, is now acquiring the character of a holding company for Arif Habib Group.

AHIML has an asset manager rating of 'AM2', which reflects the company's very strong capacity to manage the risks inherent in asset management. The Chief Executive, Mr. Nasim Beg, is a



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Chartered Accountant with over 30 years of experience in the financial sector, including mutual fund industry. The head of Equity Funds is an MBA with over 10 years of experience in equity research and portfolio management.

### [April 04, 2006: PACRA Assigns 5-Star Fund Rating to Pakistan Strategic Allocation Fund \(PSAF\)](#)

The Pakistan Credit Rating Agency (PACRA) has assigned a **5-Star** fund rating (Category: Equity Fund) to Pakistan Strategic Allocation Fund (PSAF), which reflects a superior performance relative to its peers. The rating is a composite measure of two factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio.

**About the fund:** The Pakistan Strategic Allocation Fund (PSAF), a closed-end equity fund, was established under a trust deed executed between Arif Habib Investment Management Limited (AHIML) as Investment Adviser and Central Depository Company of Pakistan Limited (CDC) as Trustee. The fund started investing activities in August 2004. PSAF is a value based asset allocation fund, the objective of which is to invest mainly in equity securities. The overall exposure in equity market depends on the valuation of the market based on a detailed quantitative model, which also calculates fair values of the selected equity stocks using automated software. When the equity market is fairly overvalued or not trading at sustainable levels, the funds are divested from equities and deployed in fixed income investments.

**About the Asset Manager:** AHIML, incorporated in August 2000, is one of the largest asset management companies in

Pakistan managing assets of above PKR 17bIn at end-05. The majority stake in the company is held by Arif Habib Securities Limited (AHS). AHS, which started as a traditional security firm, is now acquiring the character of a holding company for Arif Habib Group.

AHIML has an asset manager rating of 'AM2', which reflects the company's very strong capacity to manage the risks inherent in asset management. The Chief Executive, Mr. Nasim Beg, is a Chartered Accountant with over 30 years of experience in the financial sector, including mutual fund industry. The head of Equity Funds is an MBA with over 10 years of experience in equity research and portfolio management.

### [April 03, 2006: PACRA Assigns 5-Star Fund Rating to Pakistan Stock Market Fund \(PSMF\)](#)

The Pakistan Credit Rating Agency (PACRA) has assigned a **5-Star** fund rating (Category: Equity Fund) to Pakistan Stock Market Fund (PSM), which reflects a superior performance relative to its peers. The rating is a composite measure of two factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio.

**About the fund:** PSM, an open-end equity fund, was established under a Trust Deed executed between Arif Habib Investment Management Limited (AHIML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee in February 2002. The Fund primarily invests (normally 70%) in selective high quality liquid shares. The remaining portion (30%) is allocated to shares of listed companies that offer good value in terms of potential dividend yield or growth in the

stock price but may not be traded in volumes. Equity investment decisions are based on the fair value of a company – as determined by the research division and approved by the Investment Committee – and its degree of under or over-pricing as compared to the market price.

**About the Asset Manager:** AHIML, incorporated in August 2000, is one of the largest asset management companies in Pakistan managing assets of above PKR 17bIn at end-05. The majority stake in the company is held by Arif Habib Securities Limited (AHS). AHS, which started as a traditional security firm, is now acquiring the character of a holding company for Arif Habib Group.

AHIML has an asset manager rating of 'AM2', which reflects the company's very strong capacity to manage the risks inherent in asset management. The Chief Executive, Mr. Nasim Beg, is a Chartered Accountant with over 30 years of experience in the financial sector, including mutual fund industry. The head of Equity Funds is an MBA with over 10 years of experience in equity research and portfolio management.

### [March 31, 2006: PACRA Assigns 5-Star Fund Rating to Pakistan Premier Fund \(PPF\)](#)

The Pakistan Credit Rating Agency (PACRA) has assigned a **5-Star** fund rating to Pakistan Premier Fund Limited (PPF), which reflects a superior performance relative to its peers. The rating is a composite measure of two factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio.

**About the fund:** PPF, a closed-end mutual fund, is a public



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limited company and listed on all the three stock exchanges in Pakistan. The Fund was established in 1995 and Arif Habib Investment Management Ltd. (AHIML) is its Investment Advisor since December 2002. The Fund's investment strategy is aimed at accumulating long-term *value* stocks (companies run by quality management, having a high average ROE and sustainable earning growth), some of which may be less liquid but are at a discount to their fair value. Equity investment decisions are based on the fair value of a company – as determined by the research division and approved by the Investment Committee – and its degree of under or over-pricing as compared to the market price.

#### **About the Asset Manager:**

AHIML, incorporated in August 2000, is one of the largest asset management companies in Pakistan managing assets of above PKR 17bIn at end-05. The majority stake in the company is held by Arif Habib Securities Limited (AHS). AHS, which started as a traditional security firm, is now acquiring the character of a holding company for Arif Habib Group.

AHIML has an asset manager rating of 'AM2', which reflects the company's very strong capacity to manage the risks inherent in asset management. The Chief Executive, Mr. Nasim Beg, is a Chartered Accountant with over 30 years of experience in the financial sector, including mutual fund industry. The head of Equity Funds is an MBA with over 10 years of experience in equity research and portfolio management.

#### **March 30, 2006: PACRA Continues RatingWatch on the Ratings of Atlas Bank Limited (Formerly Dawood Bank Limited)**

The Pakistan Credit Rating Agency (PACRA) had placed the ratings of Dawood Bank Limited on RatingWatch due to the acquisition of majority shareholding by the Atlas Group, and the Group's plans to merge Dawood Bank Limited with Atlas Investment Bank.

The name of Dawood Bank Limited has been changed to Atlas Bank Limited. The long-term and short-term ratings of "BBB-" (Triple B Minus) and "A3" (A Three) previously notified for Dawood Bank remain applicable to Atlas Bank. However, these ratings will remain on RatingWatch until the merger has been finalized. Thereafter, the ratings will be revised after a thorough evaluation of the new shareholding structure and other implications of the merger.

#### **March 29, 2006: PACRA Assigns 4-Star Fund Rating to Atlas Stock Market Fund (ASMF)**

The Pakistan Credit Rating Agency (PACRA) has assigned a **4-Star** fund rating to Atlas Stock Market Fund (ASMF) (Category: Equity Fund), which reflects a good performance relative to its peers. The rating is a composite measure of two factors namely a) returns, and b) risk associated with the returns measured by Sharpe Ratio.

**About the fund:** ASMF, an open-end scheme, was established under a trust deed executed in May 2004 between Atlas Asset Management Limited (AAML) as management company and Central Depository Company of

Pakistan Limited (CDC) as trustee. The objective of ASMF is to provide investors one window facility to invest in a diversified portfolio of equity securities offering consistent returns and growth. The Fund aims to achieve this objective mainly by investing in equity securities that are paying regular dividend, have growth prospects or are actively traded. Any amounts that have not been invested in equity securities may be invested in corporate debt instruments or government securities or placed in money market instruments, reverse repurchase agreements or spread transactions. ASMF also holds assets in the form of cash deposits with banks to take advantage of suitable investment opportunities as they emerge.

**About the Asset Manager:** Atlas Asset Management Limited (AAML), sponsored by the Atlas Group, was incorporated on August 20, 2002. Atlas Group, established in 1962, is one of the well-known business groups of the country with strong presence in manufacturing, finance and trading sectors. Over a span of 44 years, the group has diversified into various industrial and service oriented businesses. Though each company within the group works independently, the overall strategic direction of the group is set by the Group Executive Committee. Shirazi Investments (Pvt) Limited, the parent company of the asset manager, holds 88% of the total shareholding.

AAML has an asset manager rating of 'AM3+', which reflects the company's strong capacity to manage the risks inherent in asset management. The Chief Executive of AAML, Mr. Habib-ur-Rahman, is a chartered accountant with extensive exposure to the financial sector and played a pivotal role in establishing the first asset management company in the



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private sector. The fund manager of ASMF is an MBA and also holds a gold medal in Masters in Commerce with considerable experience in equity research and investment management.

**March 28, 2006: PACRA Assigns 4-Star Fund Rating to National Investment (Unit) Trust (NIT)**

The Pakistan Credit Rating Agency (PACRA) has assigned a **4-Star** fund rating to National Investment (Unit) Trust (NIT), which reflects a good performance relative to its peers. The rating is a composite measure of two factors namely a) returns, and b) risk associated with the returns measured by Sharpe Ratio.

**About the fund:** NIT, an open-end scheme, was established in public sector in 1962 under a trust deed executed between National Investment Trust Limited (NITL) as management company and National Bank of Pakistan (NBP) as trustee. NIT is not only the oldest mutual fund in the country but it is also the largest single investor in the stock market with net assets of PKR 79bn at end-05. The primary objective of NIT is to meet investor's diverse income and liquidity needs and to offer best possible returns on their investments. NIT is a pure equity fund with listed equity securities constituting around 90% of its total assets. The Fund's strategy is to build a portfolio of high dividend yielding securities with an increasing emphasis on active trading in equities.

**About the Asset Manager:** NITL, the management company, was incorporated as a public limited company on 23 October 1962. The principal activity of the company is to manage the National Investment (Unit) Trust. The company, with its primary focus of attracting retail investors has

established a countrywide network of 19 branches. Additionally it has arrangements with different commercial banks and NIT units are available at more than 100 branches of those commercial banks. The BoD of NITL comprises ten members. The present Chairman and Managing Director, Mr. Tariq Iqbal Khan, is a Chartered Accountant with extensive experience in the financial sector. The Head of Asset Management, an MBA, has an experience of more than 16 years with NIT.

**March 27, 2006: PACRA Assigns 3-Star Fund Rating to Crosby Dragon Fund (CDF)**

The Pakistan Credit Rating Agency (PACRA) has assigned a **3-Star** fund rating (Category: Equity Fund) to Crosby Dragon Fund (CDF), which reflects an average performance relative to its peers. The rating is a composite measure of two factors namely a) returns, and b) risk associated with the returns measured by Sharpe Ratio.

**About the fund:** CDF, an open-end scheme, was established under a trust deed, executed on Sep 20, 2003, between Crosby Asset Management (Pakistan) Limited as management company and Jahangir Siddiqui Investment Bank Limited as trustee. The objective of CDF is to generate optimum returns for its investors by investing primarily in equity securities with a defensive contingent strategy to diversify its investment into debt instruments to mitigate the impact of market volatility. The investment in a particular stock is primarily based on expected capital appreciation, its marketability and linkage with the market cycle.

**About the Asset Manager:** Crosby Asset Management (Pakistan) Limited (CAML), the

asset management company, incorporated in 1983 and acquired by Crosby group in 2003, is a wholly owned subsidiary of Crosby Asset Management International Limited, a company incorporated in Hong Kong, which, in turn, is a subsidiary of Crosby Capital Partners (CCP). CCP, the parent company of Crosby group of companies, was established in 1984 and is an independent investment management firm with dual headquarters in London and Hong Kong with business focus on Asian region. The BoD of CAML comprises three members. The Chief Executive, Mr. Mumtaz Hussain Syed, is an MBA from LUMS with vast experience in the financial and corporate sector in Pakistan. The Fund Manager of CDF has accumulated an extensive experience of above 8 years of capital markets while working with different brokerage houses.

**March 17, 2006: PACRA Maintains Entity & TFCs Ratings of Jahangir Siddiqui & Company Limited (JSCL)**

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Jahangir Siddiqui & Co. Ltd at **"AA+"** (Double A plus) and **"A1+"** (A one plus), respectively. The ratings of the three unsecured listed TFC issues of PKR 500mln each are also maintained at **"AA+"** (Double A plus). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect the very strong risk absorption capacity of the company emanating from a sound capital structure and the highly liquid profile of assets. The company, over the years, has demonstrated the ability to manage the vulnerability to which its earnings are exposed due to



sizeable exposure to the stock market. At the same time, JSCL has been active in identifying strategic investment opportunities that, while offering diversification, could be developed into stable revenue streams.

**About the Company:** Jahangir Siddiqui & Co. Limited, a listed company, was established in 1991. Starting as a traditional securities firm, JSCL is now the main holding company for Jahangir Siddiqui Group. With its considerably expanded equity and asset base, the company is embarked upon new initiatives with a dynamic approach in identifying new growth opportunities and a proven ability to take quick but prudent investment decisions. Most of JSCL's current strategic investments are concentrated in the financial sector and include investment banking (Jahangir Siddiqui Investment Bank Limited – 62% holding), asset management (ABAMCO Limited – 52% holding), and equity brokerage and advisory services (Jahangir Siddiqui Capital Markets Limited – 75% holding). JSCL, through JSIBL, has recently acquired Pakistan branches of American Express Bank and is in the process of merging the acquired branches with JSIBL and consequential conversion into commercial bank.

#### **About the TFC Instruments:**

JSCL issued its first unsecured TFC in April 2003 for a tenor of five years at a floating rate of 5-year PIB yield plus 150bps payable semi-annually with a floor and cap of 7.5% and 13.0% per annum. The principal redemption will begin after a grace period of forty-two months (i.e., from October 2006) in 4 equal semi-annual installments. The issue includes a call option exercisable anytime after the first 6 months at 3 months notice at a premium of 1.0% on the outstanding face value. The second unsecured TFC

was issued during December 2004 for a tenor of 5 years carrying fixed profit of 8.29% payable semi-annually. The major portion of principal would be paid in two semi-annual installments beginning 54th month after the issue (i.e., from June 2009). A call option is exercisable from 30th month till 54th month at a premium of 1.0% of the then outstanding principal. The third unsecured TFC was issued in September 2005 for a tenor of 5 years. The instrument carries profit at the rate of 6-month KIBOR plus 175bps payable semi-annually with a floor of 6% and a ceiling 16%. The principal redemption would start from 36th month after the issue. However, the major portion (75%) would be redeemed at the time of maturity. A call option is exercisable from 30th month till 54th month at a premium of 1.0% of the then outstanding principal.

#### **[March 17, 2006: PACRA Maintains Ratings of Jahangir Siddiqui Investment Bank Limited \(JSIBL\) and Places Them on RatingWatch](#)**

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term ratings of Jahangir Siddiqui Investment Bank Limited (JSIBL) at "A+" (Single A plus) and "A1" (A one) respectively. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payments of financial commitments. The ratings have been placed on rating watch pending the outcome of the expected amalgamation with American Express Bank Limited (Pakistan Branches).

JSIBL's ratings reflect its robust performance emanating from its continued success in optimising earnings from capital market operations. The volatility risk emanating from these operations

is mitigated by the bank's strong capital structure, as well as the sound risk management techniques employed.

**About the bank:** Jahangir Siddiqui Investment Bank Limited (JSIBL) commenced commercial operations in September 1993. Jahangir Siddiqui and Company Ltd. (JSCL) – the principal shareholder, with 62.41% stake in JSIBL – assumed control of the bank in September 1999. Starting as a traditional securities firm, JSCL is now the main holding company of the Jahangir Siddiqui Group. With its considerably expanded equity and asset base, the company is embarked upon new initiatives, with a dynamic approach in identifying new growth opportunities with the proven ability to take quick but prudent investment decisions.

The present board of directors of the bank comprises seven members, majority of whom have been nominated by JSCL. Access to quality human resource, with the requisite skill sets and experience, is an important benefit derived from the bank's association with the JS Group.

JSIBL is expected to merge with American Express Bank in the near future. Consequently, the rating has been placed on rating watch. The merged entity will be a commercial bank with an initial network of five branches. In the post-amalgamation scenario, the new entity is likely to face new challenges and far more intense competition.

#### **[March 16, 2006: PACRA Assigns Short-Term Rating to the Secured TFC Issue of Shahmurad Sugar Mills Limited \(SSML\)](#)**

The Pakistan Credit Rating Agency (PACRA) has assigned a short-



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term rating of 'A3' (A Three) to the secured TFCs of PKR 200mIn of Shahmurad Sugar Mills Limited. The rating denotes a low expectation of credit risk and an adequate capacity for timely payment of financial commitments.

The rating assigned to SSML's secured TFCs recognizes the company's highly leveraged capital structure and strained cash flows. At the same time, the sponsors demonstrated financial support in times of high liquidity requirement is also a critical rating factor. As only one instalment amounting to PKR 36mIn, payable in May06 is outstanding, the TFC issue has been assigned a short-term rating of 'A3'.

**About the TFC Issue:** SSML issued a secured TFC of PKR 200mIn in FY02 of a 4-year tenor. It carries a floating rate of SBP Discount Rate plus 2.5% p.a. with a cap of 17.5% and a floor of 15.5%. The profit is payable on a semi-annual basis, while the principal redemption in six semi-annual instalments commenced in Nov 03. The TFC in issue is secured by a first ranking pari passu charge on fixed assets (excluding land) of the company.

**About the company:** Incorporated in 1980, Shahmurad Sugar Mills Limited (SSML) is listed on the Karachi Stock Exchange. SSML operates from Jhok Sharif, District Thatta, in lower Sindh. SSML is a part of the Al Noor Group that has business interests in sugar, insurance and modaraba sectors and is also active in the trading of commodities. Al Noor Group hold more than 40% shareholding of SSML. The nine-member Board of Directors includes seven family members and two nominees of the NIT.

### March 10, 2006: PACRA Assigns 4-Star Fund Rating to Atlas Income Fund (AIF)

The Pakistan Credit Rating Agency (PACRA) has assigned a 4-Star fund rating to Atlas Income Fund (AIF), which reflects a good performance relative to its peers. The rating is a composite measure of three factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio, and c) credit quality of the assets.

**About the fund:** AIF, an open-ended scheme, was established under a Trust Deed executed on February 20, 2003 with Atlas Asset Management Limited (AAML) as the management company. Presently, Central Depository Company of Pakistan Limited (CDC) is the trustee. The objective of AIF is to provide investors one window facility to invest in diversified portfolio offering good returns and consistent growth. The Fund aims to deliver this objective mainly by investing in CFS, spread transactions, debt securities, money market instruments, and government securities.

**About the Asset Manager:** Atlas Asset Management Limited (AAML), sponsored by the Atlas Group, was incorporated on August 20, 2002. Atlas Group, established in 1962, is one of the well-known business groups of the country with strong presence in manufacturing, finance and trading sectors. Over a span of 44 years, the group has diversified into various industrial and service oriented businesses. Though each company within the group works independently, the overall strategic direction of the group is set by the Group Executive Committee. Shirazi Investments (Pvt) Limited, the parent company of the asset manager, holds 88% of the total shareholding.

AAML has an asset manager rating of 'AM3+', which reflects the company's strong capacity to manage the risks inherent in asset management. The Chief Executive of AAML, Mr. Habib-ur-Rahman, is a chartered accountant with extensive exposure to the financial sector and played a pivotal role in establishing the first asset management company in the private sector. The fund manager of AIF is Masters in Mathematics and also holds a postgraduate diploma in Finance and Economics with 9 years of experience in financial and capital markets of Pakistan.

### March 08, 2006: PACRA Assigns Short-Term Rating to the Secured TFC Issue of Maple Leaf Cement Factory Limited (MLCF)

The Pakistan Credit Rating Agency (PACRA) has assigned a short-term rating of 'A1' (A One) to the secured TFCs of PKR 250mIn of Maple Leaf Cement Factory Limited. The rating denotes a strong capacity for timely repayment of financial obligations.

The rating reflects the improving trend in profitability of MLCFL on the back of robust cement demand and firm cement prices. The rating also factors in the strong cashflow generation capacity over the remaining tenor of TFCs. As only one installment amounting to PKR 45mIn, payable in July 06 is outstanding, the TFC issue has been assigned a short-term rating of 'A1'.

**About the TFC Issue:** TFCs of PKR 250mIn were issued in Jul 02 to meet the cost of a new coal grinding system. The tenor of the instrument is four years and the profit rate is five years' PIB rate + 250bps subject to a floor of 15.25% and a ceiling of 17.75%. While the profit is payable semi-annually, the redemption of the



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principal is in six equal installments commencing in Jan 04. The issue is secured by way of a first pari passu charge on the present and future fixed assets (excluding land and buildings) of the company.

**About the company:** Maple Leaf Cement Factory Limited (MLCFL) is one of the largest cement factories in Pakistan, with an overall annual production capacity of around 1.9mln tons. The company has a diversified product range and is one of the few cement companies in Pakistan capable of producing grey, white, sulphate resistant and low alkali cement.

MLCFL is a subsidiary of Kohinoor Textile Mills Limited, holding 50.13% of the company's issued subscribed and paid-up capital. The Kohinoor group is one of the leading textile manufacturers of the country. While effectively family controlled, the company is run by professional management. The main sponsor, who is also the chairman of the company, is a leading industrialist and currently holds the office of Chairman of All Pakistan Cement Manufacturers Association (APCMA). He is mainly responsible for making policy decisions and providing commercial guidelines to group companies.

### **March 08, 2006: PACRA has Withdrawn the Ratings of Attock Petroleum Limited (APL)**

Following the decision of the management of Attock Petroleum Limited to terminate their rating relationship with PACRA, PACRA has withdrawn its credit ratings for the company (long-term 'AA' and short-term 'A1+').

### **March 08, 2006: SBP Governor Visits PACRA Offices**

The Governor of the State Bank of Pakistan, Dr. Shamshad Akhtar, paid a visit to PACRA offices in Lahore, yesterday. She was accompanied by Mr. Jameel Ahmad, Director, Banking Supervision Department. During discussions with PACRA's Chairman and Managing Director, the focus was on the expected role of credit rating agencies under the Basel II framework. It may be noted that the State Bank of Pakistan has already approved PACRA as an External Credit Assessment Institution (ECAI). PACRA's ratings would, therefore, be recognized for purposes of determining risk weightage of banks' loan portfolio till such time that banks develop their own internal rating systems to the satisfaction of the State Bank of Pakistan.

### **February 21, 2006: PACRA Maintains Entity Ratings of Standard Chartered Modaraba (SCM)**

The Pakistan Credit Rating Agency (PACRA) has maintained the entity ratings of Standard Chartered Modaraba (SCM) at "AA+" (Double A plus) and "A1+" (A one plus) for the long-term and short-term, respectively. The ratings indicate low expectation of credit risk and very strong capacity for timely payment of financial commitments.

The ratings reflect SCM's strong capital structure and consistently very low risk profile. The ratings also factor in the Modaraba's strong brand recognition that is reinforced by the management's proactive approach towards business. At the same time, the strong support factor drawn from SCM's affiliation with the Standard Chartered Group in Pakistan (SC) remains a key rating factor.

### **About the Modaraba:**

Established in 1987, SCM is a perpetual, multi-purpose Modaraba, listed on the Karachi and Lahore stock exchanges. Standard Chartered Services of Pakistan (Pvt.) Ltd – a wholly owned subsidiary of Standard Chartered Bank – manages the Modaraba. Standard Chartered Bank, incorporated in England with limited liability by Royal Charter 1853, is listed on both the London Stock Exchange and the Stock Exchange of Hong Kong. It carries a long-term rating of "A+" by Fitch Ratings. In Pakistan, it is the largest foreign bank with 44 branches nationwide including three Islamic banking branches.

The Modaraba is primarily engaged in lease financing of plant, machinery and vehicles and operates from offices in Karachi, Lahore and Islamabad. The management plans on leveraged volume expansion while focusing on its core business of leasing, going forward.

### **February 17, 2006: PACRA Assigns 5-Star Fund Rating to UTP-Income Fund (UTP-IF)**

The Pakistan Credit Rating Agency (PACRA) has assigned a 5-Star fund rating to UTP-Income Fund (UTP-IF), which reflects a superior performance relative to its peers. The rating is a composite measure of three factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio, and c) credit quality of the assets. UTP-IF is the first fund to be rated under the new criteria.

**About the fund:** UTP-IF, an open-ended scheme, was established under a Trust Deed executed in July 2002. Currently, Central Depository Company (CDC) is the trustee of the Fund. The primary objective of UTP-IF is to optimize the returns without compromising the safety of



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capital. The Fund primarily invests in CFS / spread transactions, corporate debt instruments, money market placements, and government securities.

#### **About the Asset Manager:**

Incorporated in 1995, ABAMCO is the largest private sector asset management company in Pakistan, managing assets of above PKR 26bln. It is a subsidiary of Jahangir Siddiqui & Company Ltd. (JSCL), the flagship and main holding company of the JS group. Other institutional shareholders of ABAMCO include AMVESCAP Plc. – a leading global asset management company – and International Finance Corporation, a part of the World Bank Group.

ABAMCO has an asset manager rating of 'AM2', which reflects the company's very strong capacity to manage the risks inherent in asset management. The Chief Executive of ABAMCO, Mr. Najam Ali, is a Chartered Accountant with extensive exposure to the financial sector. The Chief Investment Officer is an MBA with considerable buy-side and sell-side experience in Pakistan's financial and capital markets. The fund manager of UTP-IF is also an MBA with a good experience in the related field.

#### **February 17, 2006: PACRA Maintains Ratings of WorldCall Communications Limited and Places Them on RatingWatch Positive**

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of WorldCALL Communications Limited (WCL) at "A+" (single A plus) and "A1" (A one), respectively. These ratings denote a low expectation of credit risk.

PACRA has assigned a rating of "AA-" (double A minus) to the

proposed second secured TFC issue of PKR 350mln by WCL, while maintaining the rating of first secured TFC issue of PKR 350mln at "AA-" (double A minus). These ratings denote a very low expectation of credit risk and very strong capacity for timely payment of financial commitments.

The ratings reflect WCL's stable cash flow generation and sound coverages. The ratings are placed on the **Rating Watch Positive** pending the implementation of the proposed merger of four WorldCALL group communication sector entities including WCL into WorldCALL Telecom Limited (WTL). The positive implication is in recognition of the strong potential of the new company to manage the business risk, while maintaining a low leveraged capital structure thereby minimizing the financial risk. The merged company's performance prospects are likely to improve owing to a diversified product range supported by the requisite infrastructure in addition to cost efficiencies, tax benefits and operational synergies.

#### **About the company:**

WorldCALL/First Capital group, entering the communication sector in 1995 through WCL, has ventured into its various dimensions through different companies. Recently, the group has initiated the merger of WCL, WorldCALL Multimedia Limited and WorldCALL Broadband Limited into WTL. The merged entity would have diversified businesses namely, a) telephony using WLL network, b) payphones c) broadband network in Karachi and Lahore providing cable TV, internet, telephony and interconnectivity services, d) LDI services, and e) calling cards.

**About the TFC issue:** WCL issued its first secured TFCs of

PKR 350mln during September 2002 for a tenor of 5 years. The profit payment is based on SBP discount rate *plus* 175bps with a floor of 12.25% and a cap of 16.25%. Principal redemption is in seven equal semi-annual installments, which commenced from September 2004. The instrument is secured by a first *pari passu* hypothecation charge of PKR 437.5mln on the present and future fixed assets of the company. WCL is planning to issue the second secured TFCs issue of PKR 350mln during FY06. The tenor of the instrument would be 5 years carrying profit based on 6month KIBOR *plus* 275bps. Principal redemption would be in six equal semi-annual instalments beginning after a grace period of 2 years. The issuer will have call option exercisable after 2 years of issuance. The instrument would be secured by way of a first *pari passu* charge over specific present and future fixed assets of the payphone and prepaid calling card projects with a 25% margin.

#### **February 15, 2006: PACRA Maintains the Asset Manager Ratings of ABAMCO Limited**

The Pakistan Credit Rating Agency (PACRA) has maintained the asset manager rating of ABAMCO Limited at "AM2". The rating reflects the company's very strong capacity to manage the risks inherent in asset management and the asset manager meets very high investment management industry standards and benchmarks.

This capacity emanates from ten years of track record, an experienced and well-qualified management team, comprehensive investment management strategy, and association with a financially strong group. The prospective capability of the company is further enhanced by strengthening



some of the important supporting systems and processes providing higher level of independence from the reference shareholder and autonomy in decision-making. The company is now well poised to attain its growth plans and maintain its leadership position among private sector asset management companies in the face of increasing competition.

#### **About the company:**

Incorporated in 1995, ABAMCO is the largest private sector asset management company in Pakistan, registered with the Securities & Exchange Commission (SECP) as Investment Advisor for closed-end funds and Asset Management Company for management of open-end funds. It is a subsidiary of Jahangir Siddiqui & Company Ltd. Other institutional shareholders of ABAMCO include AMVESCAP Plc. – a leading global asset management company, International Finance Corporation, and MCB Bank Ltd. The current Chief Executive is a chartered accountant with considerable exposure to the financial sector.

Currently, the company is managing ten funds (five open-end and five closed-end) with assets under management crossing PKR 26bln mark. Various other funds and structured products like index fund, sector fund, capital guarantee product, pension fund are in the pipeline. Additionally, the management is planning to launch the first open-end index fund in Pakistan.

#### **February 15, 2006: PACRA Maintains Ratings of Atlas Investment Bank Limited and Places Them on RatingWatch**

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Atlas Investment Bank Limited (AIBL) at **"A+"** (Single A plus)

and **"A1"** (A one) respectively. These ratings denote a low expectation of credit risk and a strong capacity for timely payment of financial commitments. The rating of the secured TFC issue of PKR 100mln has been maintained at **"AA-** (Double A minus). This rating denotes a very low expectation of credit risk and a very strong capacity for timely payment of financial commitments. All of these aforementioned ratings have been placed on **Rating Watch** pending the outcome of the expected merger with Dawood Bank Limited.

The ratings reflect successful execution of management strategy aimed at increasing diversification of earnings while retaining its niche in fund-based operations. The bank's credit risk profile - as reflected in its asset quality - is being largely maintained through effective risk management systems and controls.

**About the instruments:** At present the bank has one secured TFC of PKR 100mln in issue carrying a profit rate of 15% p.a. payable semi-annually. This has an outstanding balance of PKR 33.3 million with the final payment due in August 2006. The issue is secured by a first pari passu charge on leased assets and related receivables with a 30% margin on the principal value.

**About the bank:** The Atlas Group continues to be the major stakeholder (around 68%) in AIBL, followed by National Investment Trust (NIT) (13%). Its eight member BoD comprises one nominee of NIT, while the remaining seven represent the Atlas Group. The management team consists of experienced individuals, mainly MBAs and Chartered Accountants, and the management's strategy is marked

by a clear vision and continuity of policies. The Atlas Group, established in 1962, has diversified into various industrial and service-oriented businesses including auto, engineering, financial, and trading sectors. The Atlas Group has acquired majority shareholding in Dawood Bank Limited and plans to merge the two entities. The new entity is expected to be better placed within the changing dynamics of a financial sector characterised by increasing competition. This merger is expected to offer several synergies, the most pertinent of which are a reduction in the cost of funds and increased outreach.

#### **February 13, 2006: PACRA Maintains Entity Ratings of First Habib Modaraba (FHM)**

The Pakistan Credit Rating Agency (PACRA) has maintained the ratings of First Habib Modaraba (FHM) at **"AA"** (Double A) and **"A1+"** (A one plus) for long-term and short-term, respectively. "A1+" is the highest short-term rating on PACRA's rating scale. The ratings indicate a very low expectation of credit risk emanating from very strong capacity for timely payment of financial commitments.

The ratings reflect the efficacy of FHM's business strategy and prudent risk management policies, which have enabled it to maintain infection free asset portfolio while ensuring sustainability of performance, despite the increasingly competitive operating environment. At the same time, the ratings factor in the Modaraba's strong equity base, which is currently the highest in the entire Modaraba sector.

**About the Modaraba:** FHM is a Habib Group (HG) entity. The Habib Group (HG) is one of the largest business groups of



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Pakistan, with presence in most sectors of the economy, especially the financial sector. Listed in 1985, FHM is a perpetual multipurpose Modaraba. It is engaged primarily in the leasing business. The leasing portfolio is balanced between plant & machinery and vehicle leasing. The Modaraba's operations are being managed by a highly experienced and stable management team.

FHM maintains a steady growth pattern and track record of sound profitability emanating from established core operations. Going forward, in order to maintain its position in the increasingly competitive financial market, the management plans on leveraged volume expansion that will be facilitated through improving geographical outreach.

**January 30, 2006: PACRA Assigns Rating to the Proposed TFC Issue of Pakistan Mobile Communications Limited (Mobilink)**

The Pakistan Credit Rating Agency (PACRA) has assigned an instrument rating of "AA-" (double A minus) to the proposed listed secured TFC issue of PKR 4bln (inclusive of a green shoe option of PKR 1bln) by Pakistan Mobile Communications Limited (Mobilink). The rating denotes a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The rating reflects Mobilink's sustained market leadership and strong financial performance emanating from continuing growth in volumes. Though the increase in financial leverage owing to continuing debt acquisition for supporting expansion has been substantial, the corresponding increase in cash flows allows the company to maintain gearing and

respective coverages at an adequate level. The rating also incorporates the company's success in sustaining its positioning in an increasingly competitive cellular industry despite some negative publicity on the quality of service.

***About the company:*** Mobilink, a part of the Orascom Telecom Group, is Pakistan's largest cellular telecommunication service provider, with more than half of the total market share. Mobilink's parent company, Orascom Telecom (OT), has grown to become a leading mobile telecommunication company in seven emerging markets across the Middle East, Africa and South Asia. In addition to GSM operations, Orascom Telecom has other subsidiaries in the areas of Internet and satellite technologies.

***About the TFC Issue:*** The company plans to issue listed secured TFCs of PKR 4bln (inclusive of a green shoe option of PKR 1bln). The IPO amount is PKR 800mln. The proposed issue has a tenor of seven years, principal being payable after a grace period of four years in six equal semi-annual installments. The issue has been secured by way of first parri passu charges on two pools of assets with 25% margin. The first pool comprises present and future receivables and collections, and the second comprises present and future movable fixed assets of the company. The TFCs carry a coupon rate of 6 months KIBOR+ 285bps, with no floor or ceiling, being payable on a semi-annual basis in arrears.

**January 30, 2006: PACRA Maintains Entity Ratings of ORIX Leasing Pakistan Limited**

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings

of ORIX Leasing Pakistan Limited (OLP) at "AA+" (Double A plus) and "A1+" (A one plus) respectively. These ratings indicate a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

OLP's second tranche of TFCs (PKR 747mln), due for final redemption in August 2006, has been assigned a short-term rating of "A1+".

The ratings reflect OLP's sustained market leadership and robust financial performance, backed by a low-risk asset profile. The company's continued policy of diversification and product innovation augurs well for sustaining performance levels in a highly competitive environment. The ratings also recognize the outstanding professional management team, with a track record of successfully implementing well-designed business plans. The implicit support of ORIX Corporation, Japan is also a key factor.

***About the TFC Issues:*** The company's TFC - first tranche of PKR 742mln has been fully redeemed in April 2005. The second tranche of PKR 747mln was issued in August 2002. The issue has a tenor of 4years with bullet payment of principal, carrying a coupon rate of SBP discount plus 2% with a floor of 10% and cap of 13%, payable semi-annually. The issue is secured by way of registered charge over specific leased assets and their related receivables.

***About the company:*** ORIX Leasing Pakistan Limited (OLP), the largest leasing company in the country, commenced operations in 1987. The company's geographical coverage has been steadily increasing over the years,



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currently comprising 29 offices in 26 cities. OLP has invested in the five leasing joint-ventures of ORIX group within the MENA and central Asian regions, and an investment bank in Pakistan, with participation in management of the investee companies. OLP's major shareholder, ORIX Corporation, provides technical support and policy guidelines. With a consolidated asset base of around US\$ 56bn as at September 30, 2005, ORIX Corporation has operations in 24 countries.

### January 27, 2006: PACRA Maintains Entity and TFCs Ratings of Trust Leasing & Investment Bank Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Trust Leasing & Investment Bank Limited (TLIBL) at "AA-" (Double A Minus) and "A1+" (A One Plus) respectively. The ratings of each of the three secured Term Finance Certificates: TFC I (PKR 250mIn), TFC II-Tranche 1 (PKR 375mIn) and TFC II-Tranche 2 (PKR 375mIn) respectively, have been maintained at "AA" (Double A). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

TLIBL's ratings reflect the company's overall low risk profile, supported by the company's strong capital structure and prudent collateralization policy. The ratings also recognize the effectiveness of the management's comprehensive business strategy, which has enabled the company sustain healthy spreads while keeping a high pace of volume growth in a highly competitive environment. While the changed status of the company – from a leasing company to an Investment Bank – provides opportunities of

diversification of income sources, it could take some time before TLIBL consolidates its position among its more established peers.

**About the company:** TLIBL, formerly Trust Leasing Corporation Limited, was incorporated in July 1992, and is listed on all the three stock exchanges of Pakistan. Following the grant of investment finance services license in early 2005, TLIBL also recently acquired membership of the LSE and is presently in the setting-up phase of investment banking operations. This is expected to provide opportunities for increased diversification within the revenue stream in the medium-term. Meanwhile, being a medium-sized NBFC, the company is primarily focused on finance lease operations. Vehicles comprise the bulk portion of the lease portfolio. TLC's Board of Directors comprises eight members, mainly eminent professionals with extensive exposure to business and finance.

### January 23, 2006: PACRA Maintains the Ratings of Mishat Mills Limited NML

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term ratings of Nishat Mills Limited at 'A+' (Single A Plus) and 'A1' (A One), respectively. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect the company's demonstrated resilience to the various business risks inherent in the changing textile landscape over the years. This is likely to sustain given the steady progression towards a higher level of quality and value-addition, ongoing product development, and further diversification of markets. While the company's profitability is likely to remain

modest, its risk absorption capacity is strong owing to its improved capital structure and the substantial surplus on its sound portfolio of strategic investments.

**About the Corporation:** Nishat Mills Limited (NML) is the single largest textile composite unit in Pakistan. The company is a leading exporter of textile products having extensive spinning, weaving, dyeing, printing, finishing and stitching facilities at Faisalabad, Sheikhpura, Ferozewatwan and Lahore. NML is the flagship company of the Nishat Group of Companies – one of the largest conglomerates with interests in the textiles, cement and financial sector. The Nishat Group family members and associated concerns collectively hold around 47% of NML's equity.

NML's product range is composed of various varieties of yarn, grey fabric, processed fabrics and made-ups. The proportion of processed fabrics and made-ups in the total sales mix is currently less than half, but this is steadily increasing. The bulk of its earnings are export-based.

The company is making strategic investments worth a total of PKR 440mIn in a paper sack and garment factory, namely Nishat Shuaiba Paper Products Ltd and Gulf Nishat Apparel Ltd. Returns on these investments will be in the form of dividends which are expected to start accruing in the medium-term.



## List of Publicly Disseminated Ratings

### Entity Ratings:

	Name of the Organisation	Type of Rating	Date of Notification MM/DD/YYYY	Rating Assigned		
				FS/FR/ AMR/DG	Long- Term	Short- Term
<b>FINANCIAL SECTOR</b>						
<b>ASSET MANAGEMENT COMPANIES</b>						
1.	ABAMCO Limited	AMR <sup>1</sup>	12/20/2005	AM2	---	---
2.	Arif Habib Investment Management Limited	AMR	12/20/2005	AM2	---	---
3.	Atlas Asset Management Limited	AMR	12/08/2005	AM3+	---	---
4.	Crosby Asset Management (Pakistan) Limited	AMR	12/30/2005	AM4	---	---
<b>MUTUAL FUNDS</b>						
<b>Equity Funds</b>						
1.	Atlas Stock Market Fund (ASMF)	FR <sup>2</sup>	03/24/2006	4-Star	---	---
2.	Crossby Dragon Fund (CDF)	FR	03/22/2006	3-Star	---	---
3.	National Investment (Unit) Trust – NIT	FR	03/20/2006	4-Star	---	---
4.	Pakistan Premier Fund (PPF)	FR	03/20/2006	5-Star	---	---
5.	Pakistan Stock Market Fund (PSMF)	FR	03/16/2006	5-Star	---	---
6.	Pakistan Strategic Allocation Fund (PSAF)	FR	03/21/2006	5-Star	---	---
<b>Income Funds</b>						
7.	Atlas Income Fund (AIF)	FR	02/16/2006	4-Star	---	---
8.	Pakistan Income Fund (PIF)	FR	02/10/2006	4-Star	---	---
9.	UTP-Income Fund (UTP-IF)	FR	02/10/2006	5-Star	---	---
<b>Balanced Funds</b>						
10.	Unit Trust of Pakistan (UTP)	FR	03/22/2006	5-Star	---	---
<b>Islamic Funds</b>						
11.	Meezan Islamic Fund (MIF)	FR	04/13/2006	5-Star	---	---
12.	UTP-Islamic Fund (UTP-ISF)	FR	03/14/2006	3-Star	---	---
<b>Absolute Return Funds</b>						
13.	Pakistan Capital Market Fund (PCM)	FR	03/22/2006	5-Star	---	---
<b>DFIs / INVESTMENT COS. / BROKERAGE HOUSES</b>						
1.	House Building Finance Corporation	Entity	08/31/2005		A	A1
2.	Investment Corporation of Pakistan (ICP)	Entity	10/06/2005		AA	A1+
3.	Jahangir Siddiqui & Company Limited	Entity	02/20/2006		AA+	A1+
4.	Jahangir Siddiqui Capital Markets Limited	Entity	06/25/2005		AA-	A1+
5.	Pakistan Industrial Credit & Investment Corporation Limited (PICIC)	Entity	06/30/2005		AA	A1+
6.	Pakistan Kuwait Investment Company (Pvt) Limited	Entity	06/23/2005		AAA	A1+
7.	Pak Libya Holding Company (Pvt) Limited	Entity	05/17/2005		AA-	A1+

<sup>1</sup> Asset Manager Rating

<sup>2</sup> Fund Rating



The Pakistan Credit Rating Agency Limited

# PACRA News Quarterly

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	Name of the Organisation	Type of Rating	Date of Notification		Rating Assigned	
			MM/DD/YYYY	FS/ FR/ AMR/DG	Long-Term	Short-Term
<b>MODARABAS</b>						
1.	First Fidelity Leasing Modaraba	Entity	02/08/2005		A-	A2
2.	First Habib Modaraba	Entity	02/03/2006		AA	A1+
3.	First Punjab Modaraba	Entity	12/31/2004		A	A1
4.	Standard Chartered Modaraba <i>(Formerly First Grindlays Modaraba)</i>	Entity	02/16/2006		AA+	A1+
<b>LEASING COMPANIES</b>						
1.	Askari Leasing Limited	Entity	12/30/2005		A+	A1
2.	Network Leasing Corporation Limited	Entity	12/30/2005		BBB	A3
3.	ORIX Leasing Pakistan Limited	Entity	01/24/2006		AA+	A1+
4.	Union Leasing Limited	Entity	02/27/2006		A+	A1
<b>BANKING COMMERCIAL</b>						
1.	AlBaraka Islamic Bank (Pakistan Branches)	Entity	06/27/2005		A-	A1
2.	Askari Commercial Bank Limited	Entity	06/09/2005		AA+	A1+
3.	Atlas Bank Limited <sup>FW</sup> <i>(Formerly Dawood Bank Limited)</i>	Entity	05/05/2005		BBB-	A3
4.	Bank Al Habib Limited	Entity	06/15/2005		AA	A1+
5.	Bank Alfalah Limited	Entity	06/09/2005		AA	A1+
6.	The Bank of Punjab	Entity	06/14/2005		AA-	A1+
7.	First Women Bank Limited	Entity	06/29/2005		AA	A1+
8.	KASB Bank Limited	Entity	05/05/2005		BBB+	A2
9.	Metropolitan Bank Limited	Entity	06/10/2005		AA+	A1+
10.	MCB Bank Limited <i>(Formerly Muslim Commercial Bank Limited)</i>	Entity	05/18/2005		AA	A1+
11.	NIB Bank Limited	Entity	07/20/2005		A+	A1
12.	Prime Commercial Bank Limited	Entity	06/27/2005		A+	A1
13.	Soneri Bank Limited	Entity	03/18/2005		AA-	A1+
14.	Union Bank Limited	Entity	06/25/2005		AA-	A1+
<b>BANKING INVESTMENT</b>						
1.	Atlas Investment Bank Limited <sup>FW</sup>	Entity	12/30/2005		A+	A1
2.	First Dawood Investment Bank Limited <i>(Formerly Dawood Leasing Company Limited)</i>	Entity	12/30/2005		A+	A1
3.	First International Investment Bank Limited	Entity	12/30/2005		A	A1
4.	Jahangir Siddiqui Investment Bank Limited <sup>FW</sup>	Entity	02/10/2006		A+	A1
5.	ORIX Investment Bank Pakistan Limited	Entity	12/30/2005		A+	A1
6.	Trust Leasing & Investment Bank Limited	Entity	12/30/2005		AA-	A1+
<b>INSURANCE COMPANIES</b>						
1.	Atlas Insurance Company Limited <i>(Formerly Muslim Insurance Co. Ltd.)</i>	IFS <sup>3</sup>	10/27/2005	A+	---	---
2.	East West Insurance Company Limited	IFS	09/21/2005	BBB	---	---
3.	Habib Insurance Company Limited	IFS	10/06/2005	A	---	---
4.	Int'l General Insurance Co. of Pakistan Ltd. (IGI)	IFS	10/13/2005	AA	---	---
5.	New Jubilee Insurance Company Limited (NJI)	IFS	10/27/2005	AA	---	---

<sup>FW</sup> Rating Watch

<sup>3</sup> Insurer Financial Strength Rating



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Name of the Organisation	Type of Rating	Date of Notification MM/DD/YYYY	Rating Assigned		
			FS/ FR/ AMR/DG	Long- Term	Short- Term
<b>REAL ESTATE DEVELOPERS &amp; PROJECTS</b>					
1. Eden Developers (Pvt) Limited	DG <sup>4</sup>	09/07/2005	PE2	---	---
<b>INDUSTRIAL CORPORATES</b>					
<b>TEXTILE</b>					
1. Azgard Nine Limited <sup>FW</sup> (Formerly Legler Nafees Denim Mills Limited)	Entity	02/24/2005		A	A1
2. Nishat Mills Limited	Entity	01/06/2006		A+	A1
<b>SUGAR &amp; ALLIED</b>					
1. Al-Abbas Sugar Mills Limited	Entity	02/17/2005		A	A1
<b>FUEL &amp; ENERGY</b>					
1. Attock Refinery Limited (ARL)	Entity	03/02/2005		AA-	A1+
2. National Refinery Limited (NRL)	Entity	04/27/2005		AAA	A1+
3. Pak-Arab Refinery Limited (PARCO)	Entity	12/30/2004		AAA	A1+
4. Pakistan State Oil Company Limited (PSO)	Entity	01/24/2006		AAA	A1+
5. Sui Northern Gas Pipelines Limited (SNGPL)	Entity	04/20/2006		AA-	A1+
<b>TRANSPORT &amp; COMMUNICATION</b>					
1. Pakistan Mobile Communications Limited (Mobilink)	Entity	10/07/2005		AA-	A1
2. WorldCall Communications Limited	Entity	02/10/2006		A+	A1
<b>CHEMICAL &amp; PHARMACEUTICALS</b>					
1. Engro Chemical Pakistan Limited	Entity	04/05/2005		AA-	A1+
<b>PAPER &amp; BOARD</b>					
1. Packages Limited	Entity	05/24/2005		AA	A1+
<b>MISCELLANEOUS</b>					
1. Tri-Pack Films Limited	Entity	05/23/2005		A+	A1

<sup>4</sup> Developer Grading



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## Term Finance Certificates (TFCs) Ratings:

Sr. No.	Name of the Organisation	Amount PKR (mln)	Date of Notification (MM/DD/YYYY)	Date of Issue (MM/DD/YYYY)	Rating Assigned
1.	Askari Commercial Bank Limited – TFCs-I	1,500.00	06/09/2005	02/04/2005	AA
2.	Askari Commercial Bank Limited – TFCs-II	1,500.00	06/09/2005	10/31/2005	AA
3.	Atlas Investment Bank Limited <sup>rw</sup> – TFCs-III	100.00	12/30/2005	08/16/2001	AA-
4.	Azgard Nine Limited <sup>rw</sup>	2,000.00	02/24/2005	09/19/2005	A+
5.	Bank Al Habib Limited	1,350.00	06/15/2005	07/16/2004	AA-
6.	Bank Alfalah Limited – I	650.00	06/09/2005	12/21/2002	AA-
7.	Bank Alfalah Limited – II	1,250.00	06/09/2005	11/24/2004	AA-
8.	Bank Alfalah Limited – III	1,500.00	09/02/2005	11/25/2005	AA-
9.	Chanda Oil & Gas Securitization Company Limited – Securitised	1,000.00	06/08/2004	02/16/2005	A
10.	First Dawood Investment Bank Limited (1 <sup>st</sup> Tranche)	253.05	12/30/2005	09/21/2001	AA-
11.	First Dawood Investment Bank Limited (2 <sup>nd</sup> Tranche)	345.00	12/30/2005	07/27/2002	AA-
12.	First Dawood Investment Bank Limited (Interbank)	500.00	04/14/2006	<i>To be issued</i>	A+
13.	Gulistan Textile Mills Limited	320.67	12/22/2005	09/05/2001	A-
14.	Jahangir Siddiqui & Company Limited – TFCs-I	500.00	02/20/2006	04/18/2003	AA+
15.	Jahangir Siddiqui & Company Limited – TFCs-II	500.00	02/20/2006	12/23/2004	AA+
16.	Jahangir Siddiqui & Company Limited – TFCs-III	500.00	02/20/2006	09/30/2005	AA+
17.	Maple Leaf Cement Factory Limited	250.00	02/21/2006	07/20/2002	A1 <sup>*</sup>
18.	MCB Bank Limited ( <i>Formerly Muslim Commercial Bank Limited</i> )	1,600.00	05/18/2005	08/10/2002	AA-
19.	ORIX Leasing Pakistan Limited (2 <sup>nd</sup> Tranche)	758.00	01/24/2006	08/01/2002	A1+ <sup>*</sup>
20.	Pakistan Mobile Communications Limited (Mobilink)	4,000.00	11/29/2005	<i>To be issued</i>	AA-
21.	Prime Commercial Bank Limited	800.00	06/27/2005	02/12/2005	A
22.	Shahmurad Sugar Mills Limited	230.00	03/10/2006	05/21/2002	A3 <sup>*</sup>
23.	Soneri Bank Limited	1,200.00	03/18/2005	05/05/2005	A+
24.	Sui Southern Gas Company Limited (1 <sup>st</sup> Tranche)	1,000.00	01/06/2005	06/01/2001	AA
25.	Sui Southern Gas Company Limited (2 <sup>nd</sup> Tranche)	1,250.00	01/06/2005	06/11/2002	AA
26.	Trust Leasing & Investment Bank Limited (1 <sup>st</sup> Tranche)	250.00	12/30/2005	06/03/2003	AA
27.	Trust Leasing & Investment Bank Limited (2 <sup>nd</sup> Tranche)	375.00	12/30/2005	07/18/2004	AA
28.	Trust Leasing & Investment Bank Limited (3rd Tranche)	375.00	12/30/2005	11/15/2005	AA
29.	Union Bank Limited – TFCs-I	750.00	06/25/2005	12/21/2002	A+
30.	Union Bank Limited – TFCs-II	750.00	06/25/2005	01/20/2004	A+
31.	Union Bank Limited – TFCs-III	1,000.00	06/25/2005	<i>To be issued</i>	A+
32.	WorldCall Communications Limited – TFCs-I	350.00	02/10/2006	10/01/2002	AA-
33.	WorldCall Communications Limited – TFCs-II	350.00	02/10/2006	<i>To be issued</i>	AA-

<sup>rw</sup> RatingWatch

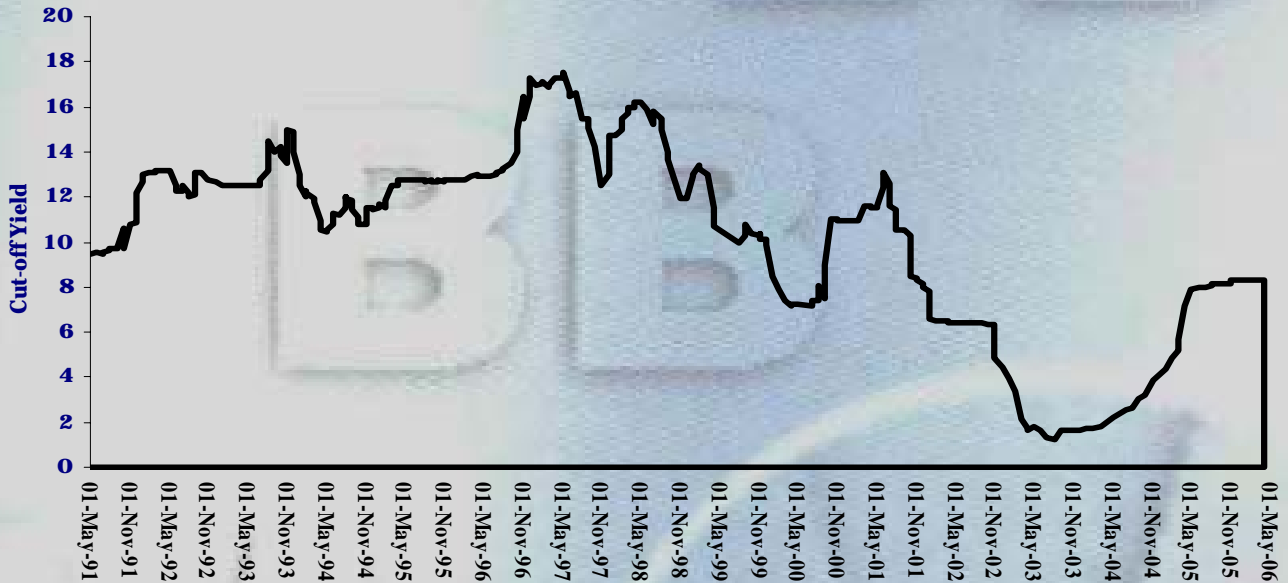
\* Short-term rating



## INTEREST RATE TRENDS

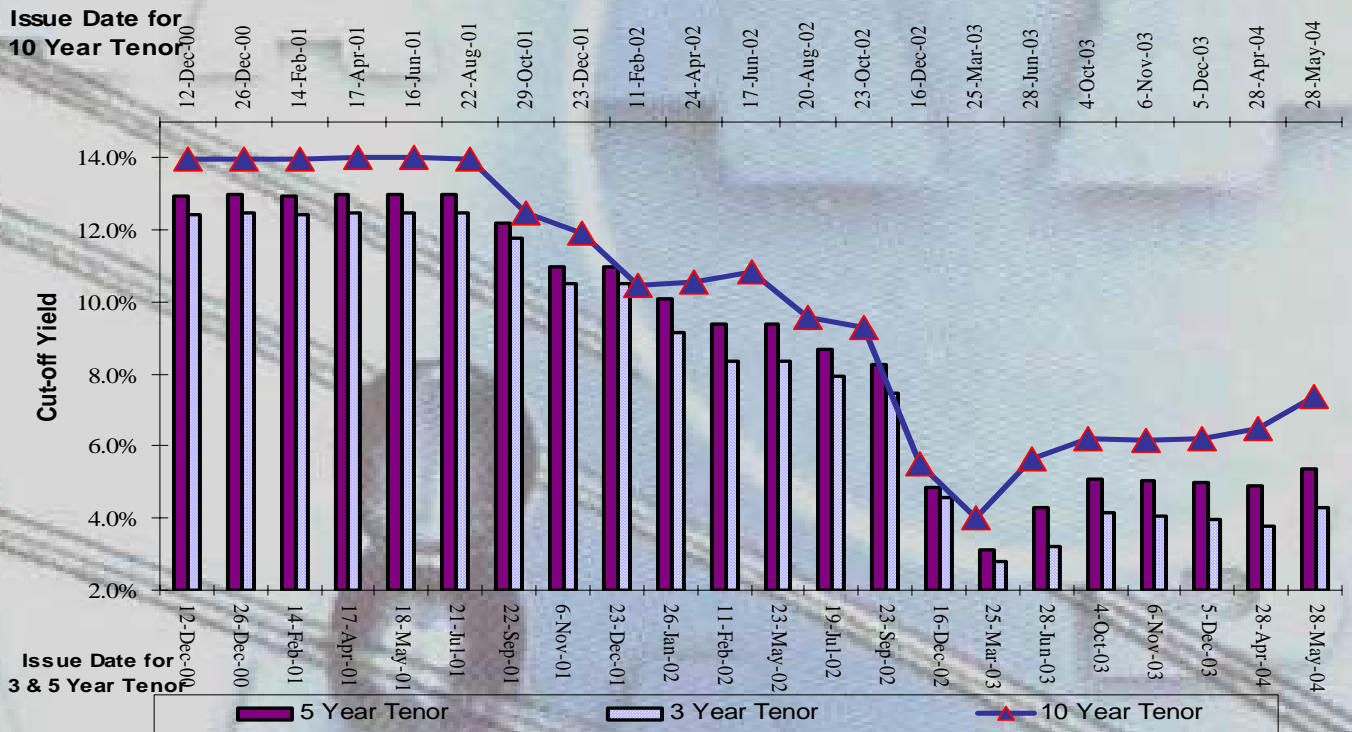
### Short Term: (Treasury Bills)

#### 6-Month Treasury Bills Cut-Off Yield



### Long Term: (PIBs)

#### Rates for 3, 5 & 10 Year Tenor

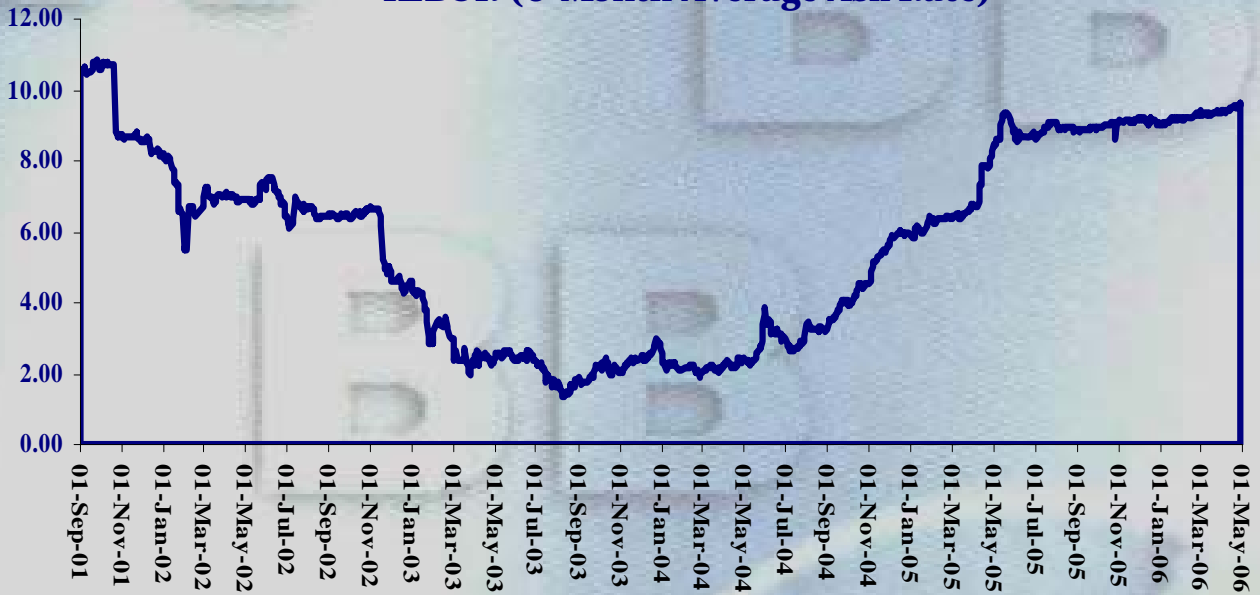




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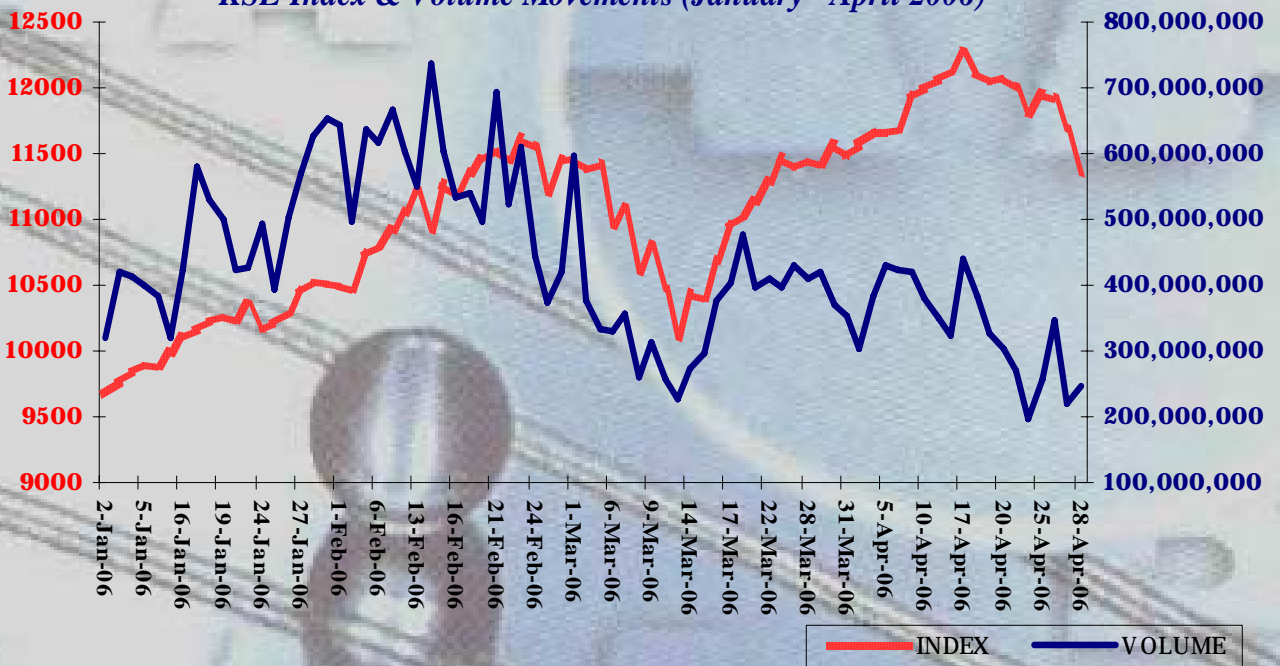
## KIBOR:

### KIBOR (6-Month Average Ask Rate)



## KSE-100 Index:

### KSE Index & Volume Movements (January - April 2006)





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