

**NON-BANKING FINANCE COMPANIES (NBFCs) SECTOR REVIEW****NON-BANKING FINANCE  
COMPANIES (NBFCs)  
SECTOR REVIEW**

**1.1** Non-banking financial institutions (NBFIs) play a crucial role in broadening access to financial services and are increasingly being recognized around the globe as complementary to the banking system, capable of absorbing shocks and spreading risks at times of financial distress. As against banks, which typically have an edge in providing payment and liquidity related services and usually select a portfolio mix with an overriding objective of providing a certain return, NBFIs tend to offer enhanced equity and risk-based products. In this way, they encourage and improve the efficiency of investments and savings, and thus broaden the spectrum of risk-return options to investors. That is the reason, why mobilization of financial resources outside the traditional banking system has witnessed tremendous growth all over the world in recent years. Meanwhile, due to rapid diversification leading to evolution of the Universal Banking concept, the boundaries separating commercial banks and other activities of the non-banking financial sector are getting increasingly blurred.

**1.2** The non-banking financial sector in Pakistan is attempting to re-align itself in response to the fast

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changing market dynamics, while commercial banks continue their dominance by controlling major portion of the financial assets. As part of the overall financial sector reform process, the Non-Banking Finance Companies (NBFC) concept was introduced in 2002, whereby all the existing NBFIs with the exception of Modarabas and Development Financial Institutions (DFIs) have been re-classified as NBFCs, and were placed under the regulatory jurisdiction of SECP. This removed the overlap of regulatory responsibilities between SBP and SECP, which existed previously. In order to provide a uniform platform for conducting operations, and instilling an effective framework for regulation and monitoring of NBFCs, the Non-Banking Finance Companies Rules were notified in 2003. Accordingly, NBFCs have been allowed to function as companies, duly licensed by Commission and having multi-tiered capital requirements, to carry out any one or more of the following forms of business,

namely:

- (i) investment finance services;
- (ii) leasing;
- (iii) housing finance services;
- (iv) investment advisory services;
- (v) asset management services; and
- (vi) venture capital investment.

**1.3** The main objective behind implementation of the NBFC concept was to consolidate the non-banking financial sector, by allowing multiple business activities under one umbrella, so that a whole variety and range of financial products tailored to the needs of customers could be offered through a one-window operation. The aim is to promote stronger and more risk diversified institutions, better able to withstand competitive pressures, while providing impetus for mergers and acquisitions among existing NBFCs. This is expected to strengthen capitalization levels leading to enhanced



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risk absorption capacity, improved cost efficiency, and better business-handling capabilities through enhanced resources at disposal – both financial and personnel. As a consequence, a number of mergers and acquisitions have taken place in recent years, while some other NBFCs that could not meet the financial requirements are presently under liquidation. This process is inevitably changing the financial landscape through the emergence of fewer, but stronger institutions with better growth prospects.

**1.4** Entities engaged in leasing and investment finance services continue to show reasonable growth in business volumes. However, there has been a turnaround in the mutual fund sector in recent years, with substantial growth in assets under management and increasing interest in establishment of asset management and investment advisory companies, and launch of new funds. The buoyant stock market, ban on institutional investment in NSS, though recently removed, low interest rate environment of past years, withdrawal of condition of foreign collaboration for setting up asset management companies are the major contributory factors towards this unprecedented growth. Resultantly, this segment has acquired the leading position in the NBFCs sector, and the prospects of further growth remain promising. Meanwhile, growth in housing finance services remains limited, and the

development of discount houses and venture capital and discounting companies is at an initial stage.

**1.5** SECP has played an active role in creating an enabling regulatory environment for the development of the sector. In addition to introducing a uniform set of Prudential Regulations for NBFCs in January 2004, it issued various other directives and incorporated revisions in regulations at different stages, aimed at enhancing the capacity of the sector to cope with the increasing competitive pressures through product diversification and improved risk management. In continuation of this role, SECP has also recently proposed certain revisions in NBFCs Rules keeping in view of market developments, and to bring legal provisions in line with international best practices. Accordingly a single license regime is proposed for activities in leasing, investment finance services and housing finance services. Similarly, NBFCs seeking to undertake asset management and investment advisory services will also be required to obtain a single license for both the activities. The proposed amendments further address practical difficulties being faced by NBFCs, especially in the rapidly growing mutual fund segment, and include many new provisions aimed at improving the risk management functions and level of corporate governance across the sector. Meanwhile, the disclosure requirements for companies seeking to

mobilize deposits from public have also been enhanced to protect investors' interest. The requirement of minimum tenor of deposits is also proposed to be reduced to 7 days, as against the previous limit of 90 days for leasing and 30 days for investment finance and housing finance companies, which is likely to help fund mobilization.

**1.6** Pakistan's banking sector landscape has changed substantially in the last few years and the process continues. Privatization of state-owned banks, positive macroeconomic environment and higher inflows of liquidity in the system are the main factors resulting in substantial growth in the sector, which at the same time also triggered an increasing level of competition. As a consequence, commercial banks feel compelled to expand the range of their services and are increasingly encroaching on the traditional areas of operations of NBFCs, mainly fund-based avenues. The banks, with their relatively low cost of funds, huge operational capacity, and extensive outreach have a clear advantage, thereby making the operating environment highly competitive. This is adding to the difficulties faced by NBFCs: finding quality financing avenues and declining spreads. As a consequence, the income from financing operations is increasingly coming under pressure.

**1.7** Realizing the upcoming challenges, the market

players are re-adjusting their business strategies and areas of focus. There has been an increasing effort by companies to broaden the range of their business activities and product base, thereby diversifying their revenue streams. Meanwhile, previously relatively untapped areas like SMEs, Consumer, and Agriculture segments are also being explored to enhance avenues for fund deployment. There is now greater focus on utilizing the small size to the advantage of quick turnaround time for financing decisions, offering more personalized and improved services to customers, and attaining higher efficiency in operating costs. Meanwhile, the sector is also aiming to expand its outreach. This besides facilitating financing activities in the targeted segments is also expected to bring diversification in fund mobilization.

**1.8** The emerging financial scenario, characterized by intense competition leaves little room for complacency in finding new avenues and developing new products and services. Although the sector has started moving in the right direction, the pace with which these initiatives are being taken across different companies needs to be speeded-up so that NBFCs could realize their full potential and play a meaningful role in improving the efficiency of the overall financial system.

## INVESTMENT BANKS

**1.9** The investment banking in Pakistan took its roots in 1987, when GoP issued a

notification, allowing private sector to establish investment banks and investment finance companies. Till recently, the role of investment banks was restricted to financing operations. However, the increasing competition from commercial banks is forcing the sector to move from lending operations to specialized investment banking activities, especially corporate advisory services and other capital market related services.

**1.10** The size of the industry, in terms of number of organizations, continues to shrink, given that a few investment banks have merged into commercial banks and some are under liquidation. Recognizing the need of further diversification in their operations to better withstand competitive pressures, many investment banks have obtained license for leasing and other businesses allowed under NBFCs Rules. At the same time, some of the leasing companies have also followed and obtained investment-banking license, and are now striving to establish their presence in the investment banking field.

**1.11** Despite pressure on financing operations, the overall performance of the sector remained healthy during the last three to four years. This is attributable to higher growth achieved in financing activities to offset the impact of declining spreads, healthy returns on proprietary equity investments owing to a buoyant stock market for

most of the period, and rising trend in fee-based income. The positive economic environment and strong growth in nearly all sectors of the economy have provided an opportunity for these banks to establish their presence in financial advisory and other fee based avenues. Meanwhile, there is an increasing interest among investment banks to undertake brokerage activities, as an additional line of business. For some banks, which have taken a lead in this avenue, the revenue from brokerage operations, constitutes a sizeable portion of their overall fee based revenue.

**1.12** The sector faces competition from a wide array of segments, including commercial banks, which in addition to encroaching on fund based avenues are strengthening their financial advisory wings. Additionally, DFIs and securities firms involved in underwriting, capital market and financial advisory services, and accountancy firms offering corporate financials services are also adding to the competition. This is providing a strong impetus to investment banks to strengthen the human resource base as well as systems in order to retain and enhance the capacity to offer multiple products and services. However, as the competition intensifies, the limited availability of requisite human resources is emerging as a serious constraint. This, in turn has serious cost implications in terms of the rising scarcity premium for hiring quality professional staff.

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## LEASING COMPANIES:

**1.13** Being primarily involved in a single fund-based product, the effect of strong competition from commercial banks has been more pronounced in case of leasing companies, which also compete with DFIs, modarabas and investment banks in this segment. As a result, the number of companies engaged purely in leasing operations continues to decline. Most companies have opted for or are in the process of conversion into investment banks through obtaining additional license under the NBFCs Rules.

**1.14** Due to the intensified competition and increasing interest rate environment, leading to sharp upsurge in the borrowing costs, the financial viability of the smaller sized and relatively less established leasing companies is increasingly coming under pressure. However, the relatively large and more established players or companies backed by leading financial institutions are showing resilience in this challenging environment by re-aligning their business strategies to changing market dynamics. The focus is to avoid the pressure on spreads by targeting growth in previously untapped avenues, including SMEs, Consumer and most recently in Agriculture. Meanwhile, the sector is also aiming at expanding its outreach to smaller cities, which is expected to help in tapping the SMEs market. As against dominance of plant and machinery in the overall business mix, the sector during the last three to four

years has witnessed increasing proportion of auto leases, for both individual and commercial segments. Currently there is a rising interest towards leasing of equipment and exploring other avenues of consumer financing, while efforts are also being made to extend the scope of operating leases. Meanwhile, many new but fast growing sectors are also being targeted for expanding the scope of financing activities.

**1.15** The above mentioned initiatives, though the degree of implementation varies across different companies in the sector, together with strong overall credit demand emanating from the positive macro economic environment, helped the sector to achieve reasonable growth in leasing business, and consequently profitability. However, due to the sharp rising trend in interest rates during FY06, the spreads registered a notable decline, as a major portion of the borrowings are based on KIBOR-plus arrangements compared to sizeable proportion of fixed rate leases. This has encouraged a general trend in the sector to move towards floating interest rate assets for effective management of the interest rate risk.

**1.16** Although an appropriate move in the current scenario, the increasing penetration into new avenues and sectors, and launch of new products expose the companies to a relatively high risk in maintaining the quality of their financing book. Hence,

there is a greater need for these companies to strengthen their credit appraisal and monitoring capabilities, and also make a joint effort through sharing of information for meeting these upcoming challenges. In this regard, the formation of a National Register and Credit Burea are positive developments. These are expected to safeguard the interests of the leasing sector in terms of preventing multiple lease finance facilities to a single entity, in addition to providing a centralized source of information on defaulters. Going forward, the relative success of various companies in maintaining their competitive edge would depend on the efficacy with which managements utilizes their resources in tapping the newly identified avenues and developing their specific niche markets.



## PACRA RATING ACTIONS

### January 31, 2007: PACRA Maintains 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. The rating of the proposed issue of listed secured Term Finance Certificates of PKR 2,500mIn is also maintained at "AA+" (double A plus). These ratings indicate a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect OLP's low-risk asset profile and sustained market leadership in an increasingly competitive operating environment. The company has an outstanding management team with a demonstrated track record of proactively realigning its strategies with the changing business dynamics. Although OLP's interest spreads are under pressure, the company has managed the impact on its profitability through volume expansion, while maintaining its cautious approach towards risk. The ratings also recognize the implicit support of ORIX Corporation, Japan as a key factor.

**About the TFC Issues:** The company is currently in the process of issuing a listed,

secured TFC of PKR 2,500mIn. The issue will have a tenor of 5 years, carrying profit at the rate of 6-months KIBOR *plus* 150bps without any floor and cap, payable semi-annually. The principal redemption will be in six equal semi-annual installments beginning 30th month after issuance. OLP will have early repayment option exercisable fully or partially at any redemption date after 1 year of issuance at a 30days notice and without any premium. The issue will be secured by way of registered charge over specific leased assets and associated lease receivables with a 25% security margin.

**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, currently comprising 31 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 over US\$ 65bIn as at September 30, 2006, ORIX Corporation has operations in 24 countries and regions.

### January 25, 2007: PACRA Assigns 'AAA' Rating to Standard Chartered Bank (Pakistan) Limited (SCBPL)

The Pakistan Credit Rating Agency (PACRA) has assigned a long-term rating of "AAA" (Triple A) and a short-term rating of "A1+" (A One Plus) to Standard Chartered Bank (Pakistan) Limited (SCBPL). The bank's three listed, subordinated TFCs are also assigned "AAA" rating. These ratings denote the lowest expectation of credit risk emanating from an exceptionally strong capacity for timely payment of financial commitments. The ratings remain subject to a formal review by PACRA on release of audited financial statements for the year 2006.

The ratings reflect the bank's sound financial profile, a leading market position, robust risk management systems, and a quality management team. At the same time, PACRA recognizes the financial strength and international profile of the parent – Standard Chartered Bank (SCB) – in the banking industry and continuing strong support to SCBPL. The intrinsic value of group support is to be seen in the context of the strong international rating of SCB. The management has devised a comprehensive strategy and, while capitalizing on the strength of the combined entity, intends to further improve its market



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standing through sustained growth in the targeted segments.

Going forward, the management aims to position the bank for sustained growth in the fast changing market dynamics with strong emphasis on proactive risk management. In this regard, it has plans to further expand its outreach, especially focusing on non-metropolitan cities. Although the business strategy of the bank focuses on relatively high-growth segments, this is well in line with the business model of the Standard Chartered Group, which primarily operates in these segments in more than 50 countries in Asia Pacific Region, South Asia, the Middle East, and Africa. The management is expected to draw substantial benefits from the cumulative expertise and technical resources of the group in managing the associated risks.

SCBPL has strong capitalization levels. Meanwhile, the asset quality is robust, evidenced by low NPLs to gross finances ratio. The risk management framework, service standards, support systems and processes employed by the bank are of high quality, common to other group entities. The group exercises a high degree of supervision and provides support through an established structured mechanism. Given the increasing importance of the operations in Pakistan in the overall business of the Group, the degree of support available to the bank is

expected to be substantially high.

**About the bank:** SCBPL, a majority owned subsidiary (around 99%) of Standard Chartered Bank (SCB), is in the process of being listed on all stock exchanges in Pakistan. SCB, incorporated in the United Kingdom, has an international rating of "A+" by Standard & Poor's and Fitch. Subsequent to merger of Union Bank Limited and Standard Chartered Bank (Pakistan) Branches, with and into SCBPL, effective December 30, 2006, it has emerged as the sixth largest bank in Pakistan in terms of total assets. The bank has a network of 115 branches across 22 cities. The BoD of SCBPL mainly comprises personnel holding key positions in Standard Chartered Group. The bank's CEO has an extensive local and international banking experience. He has been with the group since 1991, and has held various senior positions, including the CEO of Pakistan's operations since July 2003. Prior to the merger, SCB's Pakistan Operations has developed a strong foothold in consumer and wholesale banking, and offers a wide range of products and services. Union Bank's niche in Consumer and SMEs segments synchronize well with the overall business model of the new entity. SCBPL has made appreciable progress towards integration of the two entities in a quick time.

**About the TFCs:** After the merger, SCBPL has acquired all the assets and liabilities of

Union Bank Limited, including its three listed unsecured subordinated TFCs. The first TFC (PKR 750mln) was issued during December 2002 for a tenor of 5<sup>1/2</sup> years at a floating rate of latest cut-off yield on 5 year PIB plus 225bps with a floor of 11.00% and a cap of 15.50%. Major principal redemption will be in three instalments, commencing from June 2007. The bank issued second unsecured subordinate TFCs (PKR 750mln) for a tenor of 7 years during December 2003. The profit payment is at a floating rate of latest cut-off yield of 5 years PIB plus 75bps with a floor of 5% and cap of 10.75%. Major principal redemption will be in six unequal instalments, commencing from the 54th month of issue. The third TFC of PKR 1,000 million was issued in January 2006, for 7-year tenor, with profit payable at a floating interest rate of 6-months KIBOR + 2%. Principal redemption will be in six unequal installments, commencing from the 54th month of issue.

## **January 24, 2007: PACRA Assigns the Asset Manager Rating to National Investment Trust Limited (NITL)**

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of "AM2-" to National Investment Trust Limited (NITL). The rating denotes 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.

The rating reflects the company's strong franchise, sound control systems, and established infrastructure including its extensive outreach. Although the management's focus on preparing the entity for privatization has constrained the pursuit of aggressive marketing strategy, or other initiatives adopted by the industry in recent years for improving service standards, mainly linked with technological advancement, the entity has demonstrated a strong capacity to effectively manage the Fund [National Investment (Unit) Trust], while also providing an improved level of service to investors. This was mainly a result of the reform process initiated under the guidance of the present Managing Director in early 2002, aimed at gradual restructuring of the portfolio through effective investment strategies, strengthening in-house research capabilities, stream lining of the systems and processes, and reinforcement of the overall control environment. These initiatives led to a substantial improvement in the performance of the Fund. Moreover, since the current MD has been instrumental in turnaround of the company, his continuity till the completion of the privatization process remains a critical rating factor. Meanwhile, pending the privatization, the rating would remain on rating watch.

**About the company:** NITL, an unquoted public limited company, was established in 1962 with a mandate to manage National Investment (Unit) Trust. The Fund is the largest open-end mutual fund in the country, with net assets of over PKR 70bln at end-Sep06. Government of Pakistan controls NITL by virtue of its power to appoint the Managing Director, and majority shareholding in the company, directly and indirectly through government controlled entities. In line with the Cabinet Committee on Privatization approval, the process for privatization of the management rights of the Fund is currently in process.

### January 23, 2007: PACRA Assigns the Asset Manager Rating to MCB Asset Management Company Limited (MCB-AMC)

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of "AM3" to MCB Asset Management Company Limited (MCB AMC). The rating has been assigned a 'Positive Outlook'. The rating denotes the company's strong capacity to manage the risks inherent in asset management and the asset manager meets high investment management industry standards and benchmarks. The rating reflects the company's capacity to establish a strong asset management platform in an increasingly competitive operating environment. This capacity emanates from a well-qualified management team,

implementation of effective supporting systems and risk management policies, and association with a leading commercial bank – MCB Bank Limited. The management has devised a well chalked out plan to achieve rapid expansion in assets under management by capitalizing on the strong franchise and distribution network of its parent bank. However, given the short-track record of the company, the extent of success in achieving these plans and the related timeline remains to be seen. Meanwhile, efficacy of the systems and processes also needs to be fully tested.

**About the company:** MCB AMC, a wholly owned subsidiary of MCB Bank Limited (MCB) commenced operations in Feb06. MCB, the fourth largest bank in Pakistan in terms of asset size, has an extensive network of around 950 branches. The major shareholding in the bank is held by Nishat Group – one of the distinguished business groups in Pakistan, with interest in textiles, cement, and financial sectors. The bank has very strong financial position, evidenced by a long-term entity rating of AA+ by PACRA.

The current Chief Executive, a CFA charter holder, has experience in research with leading international investment banks. In his previous assignment, he was heading the investment banking division in MCB. The management is in the final process of simultaneously launching both a money



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market fund and an equity fund in early 2007.

**January 23, 2007: PACRA Withdraws the Ratings of Crosby Asset Management (Pakistan) Limited and Crosby Dragon Fund**

Following the decision of the management of Crosby Asset Management (Pakistan) Limited to terminate their rating relationship with PACRA, PACRA has withdrawn the asset manager rating (AM4) of Crosby Asset Management (Pakistan) Limited and star rating (3 Star) of Crosby Dragon Fund.

**January 22, 2007: PACRA Withdraws Entity Ratings of Jahangir Siddiqui Investment Bank Limited (JSIBL)**

Following the merger of Jahangir Siddiqui Investment Bank Limited (JSIBL) with and into JS Bank Limited, PACRA has withdrawn entity ratings of JSIBL (long-term "A+" and short-term "A1").

Meanwhile, PACRA is in the process of assigning entity ratings to JS Bank Limited.

**January 18, 2007: PACRA Assigns Star Ratings to Asset Allocation Funds Based on Performance During FY06**

The Pakistan Credit Rating Agency Limited (PACRA) has completed its review of the performance of mutual funds, leading to assigning of star ratings to funds. The review included all asset allocation funds, which were fully

operational during FY06. An asset allocation fund is a fund that can invest in any class of asset in any proportion according to criteria set in its offering document.

The star ratings measure the performance of the funds not only on the returns given by these funds over the period of analysis (12 months of FY06) but also the risk – measured by variability in return over monthly periods. The rating of a fund is comparable only to ratings of other funds in the same category. The following is a list of PACRA's latest publicly disseminated star ratings of asset allocation funds:

FUND	ASSET MANAGER	STAR RATING
1)- Pakistan Capital Market Fund	Arif Habib Investment Management Limited	3-Star
2)- UTP Aggressive Asset Allocation Fund	JS ABAMCO Limited	5-Star



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## January 18, 2007: PACRA Assigns Star Ratings to Balanced Mutual Funds Based on Performance During FY06

The Pakistan Credit Rating Agency Limited (PACRA) has completed its review of the performance of mutual funds, leading to assigning of star ratings to funds. The review included all balanced funds, which were fully operational during FY06. A balanced fund is a fund that carries a mix of interest-based and equity securities and invests at least around 30% of its net assets in equities at all times.

The star ratings measure the performance of the funds not only on the returns given by these funds over the period of analysis (12 months of FY06) but also the risk – measured by variability in return over monthly periods. The rating of a fund is comparable only to ratings of other funds in the same category. The following is a list of PACRA's latest publicly disseminated star ratings of balanced funds:

FUND	ASSET MANAGER	STAR RATING
1)- BSJS Balanced Fund Limited	JS ABAMCO Limited	5-Star
2)- First Dawood Mutual Fund	Dawood Capital Management Limited	4-Star
3)- Unit Trust of Pakistan	JS ABAMCO Limited	5-Star

## January 18, 2007: PACRA Assigns 5-Star Fund Rating to Atlas Fund of Funds Based on Performance During FY06

The Pakistan Credit Rating Agency Limited (PACRA) has completed its review of the performance of funds of funds during FY06 and has assigned "5-Star" rating to Atlas Fund of Funds. The rating reflects a superior performance. A fund of fund is a fund that mainly invests in other funds with such investments forming at least around 50% of its net assets at all times.

The star ratings measure the performance of the funds not only on the returns given by these funds over the period of analysis (12 months of FY06) but also the risk – measured by variability in return over monthly periods. The rating of a fund is comparable only to ratings of other funds in the same category.

## January 18, 2007: PACRA Assigns Star Ratings to Closed-Ends Equity Funds Based on Performance During FY06

The Pakistan Credit Rating Agency Limited (PACRA) has completed its review of the performance of mutual funds, leading to assigning of star ratings to funds. The review included all closed-end equity funds, which were fully operational during FY06. An equity fund is a fund that invests at least around 50% of its net assets in equities at all times.

The star ratings measure the performance of the funds not only on the returns given by these funds over the period of analysis (12 months of FY06) but also the risk – measured by variability in return over monthly periods. The rating of a fund is comparable only to ratings of other funds in the same category. The following is a list of PACRA's latest publicly disseminated star ratings of closed-end equity funds:

FUND	ASSET MANAGER	STAR RATING
1)- First Capital Mutual Fund Limited	First Capital Investments Limited	5-Star
2)- Pakistan Premier Fund Limited	Arif Habib Investment Management Limited	4-Star
3)- Pakistan Strategic Allocation Fund	Arif Habib Investment Management Limited	4-Star
4)- UTP Large Cap Fund	JS ABAMCO Limited	4-Star

## January 18, 2007: PACRA Assigns Star Ratings to Open-Ends Equity Funds Based on Performance During FY06

The Pakistan Credit Rating Agency Limited (PACRA) has completed its review of the performance of mutual funds, leading to assigning of star ratings to funds. The review included all open-end equity funds, which were fully operational during FY06. An equity fund is a fund that



invests at least around 50% of its net assets in equities at all times.

The star ratings measure the performance of the funds not only on the returns given by these funds over the period of analysis (12 months of FY06) but also the risk – measured by variability in return over monthly periods. The rating of a fund is comparable only to ratings of other funds in the same category. The following is a list of PACRA's latest publicly disseminated star ratings of open-end equity funds:

FUND	ASSET MANAGER	STAR RATING
1)- Atlas Stock Market Fund	Atlas Asset Management Limited	5-Star
2)- National Investment (Unit) Trust	National Investment Trust Limited	4-Star
3)- Pakistan Stock Market Fund	Arif Habib Investment Management Limited	5-Star

**January 18, 2007: PACRA Assigns 5-Star Fund Rating to Dawood Money-Market Fund Based on Performance During FY06**

The Pakistan Credit Rating Agency Limited (PACRA) has completed its review of the performance of money-market mutual funds during FY06, and has assigned "5-Star" rating to Dawood Money Market Fund. The rating reflects a superior performance. A money-market fund is a fund

that invests in money market and other short-term interest based instruments / securities including spread transactions. The weighted average maturity of its assets is less than 90 days at all times.

The star ratings measure the performance of the funds not only on the returns given by these funds over the period of analysis (12 months of FY06) but also the risk – measured by variability in return over monthly periods. Additionally, the credit quality of assets is also considered. The rating of a fund is comparable only to ratings of other funds in the same category.

**January 18, 2007: PACRA Assigns Star Ratings to Income Funds Based on Performance During FY06**

The Pakistan Credit Rating Agency Limited (PACRA) has completed its review of the performance of mutual funds, leading to assigning of star ratings to funds. The review included all income funds, which were fully operational during FY06. An income fund is a fund that invests in interest-based instruments / securities and weighted average maturity of its assets is more than 90 days at all times.

The star ratings measure the performance of the funds not only on the returns given by these funds over the period of analysis (12 months of FY06) but also the risk – measured by variability in return over monthly periods. Additionally, the credit quality of assets is also considered. The rating of

a fund is comparable only to ratings of other funds in the same category. The following is a list of PACRA's latest publicly disseminated star ratings of income funds:

FUND	ASSET MANAGER	STAR RATING
1)- Atlas Income Fund	Atlas Asset Management Limited	5-Star
2)- MetroBank-Pakistan Sovereign Fund	Arif Habib Investment Management Limited	4-Star
3)- Pakistan Income Fund	Arif Habib Investment Management Limited	4-Star
4)- UTP Income Fund	JS ABAMCO Limited	5-Star

**January 18, 2007: PACRA Assigns Star Ratings to Islamic Funds Based on Performance During FY06**

The Pakistan Credit Rating Agency Limited (PACRA) has completed its review of the performance of mutual funds, leading to assigning of star ratings to funds. The review included all Islamic funds, which were fully operational during FY06. An Islamic fund is a fund that invests in *shariah* compliant instruments only.

The star ratings measure the performance of the funds not only on the returns given by these funds over the period of analysis (12 months of FY06) but also the risk – measured by variability in return over monthly periods. The rating of a fund is comparable only to



ratings of other funds in the same category. The following is a list of PACRA's latest publicly disseminated star ratings of Islamic funds:

FUND	ASSET MANAGER	STAR RATING
1)- Al Meezan Mutual Fund Limited	Al Meezan Investment Management Limited	4-Star
2)- Meezan Balanced Fund	Al Meezan Investment Management Limited	5-Star
3)- Meezan Islamic Fund	Al Meezan Investment Management Limited	5-Star
4)- UTP Islamic Fund	JS ABAMCO Limited	5-Star

### January 17, 2007: PACRA Maintains The Ratings of IGI Investment Bank Limited While Assigning a Negative Outlook

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of IGI Investment Bank Limited (IGI IBL) (formerly First International Investment Bank- Interbank) at "A" and "A1" respectively. The ratings of the secured, listed TFCs issue of PKR 500mln is maintained at "A+". These ratings indicate a low expectation of credit risk and a strong capacity for timely payment of financial commitments.

The ratings reflect the bank's conservative risk appetite, which, supported by an

adequately leveraged capital structure, has ensured a strong risk absorption capacity. However, the bank's profitability remains low, mainly an outcome of a) intense competition in the bank's core financing operations resulting in continuing squeeze in spreads, and b) limited inroads into stable – indeed growing – fee-based businesses. Although the management is striving hard to develop non-fund based revenue streams, building the requisite human and infrastructure resources has proven to be an uphill task. While adequate progress has been made in this regard since the appointment of the current Chief Executive, given the increasingly competitive peer setting and the bank's relatively recent efforts to diversify and expand revenue streams, the impact on the bottom line is limited. In PACRA's opinion, therefore, IGI IBL's performance – both in absolute terms and relative to peers – is likely to remain subdued. The negative rating outlook is a reflection of this opinion.

**About the bank:** IGI IBL, initially incorporated in 1990 as Interbank, is majority owned by Packages group (55%), directly by individuals and through different group companies mainly International General Insurance Company of Pakistan Limited (IGI). Recently there is an increasing realization by the group to strengthen its profile within the financial sector, as group companies now offer the full

range of non-banking financial services. As a result, all group companies in the financial segment are being branded together as "IGI Financial Services".

The bank, listed on Karachi and Lahore Stock Exchanges, provides services in five cities with the head office at Karachi. The current CEO, 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 and is spearheading the bank's progress towards developing non-fund based revenues.

### January 16, 2007: PACRA Maintains Asset Manager Rating of Atlas Asset Management Limited (AAML)

The Pakistan Credit Rating Agency (PACRA) has maintained asset manager rating of Atlas Asset Management Limited (AAML) at "AM3+". The rating reflects the company's strong capacity to master the risks inherent in asset management and the asset manager meets high investment management industry standards and benchmarks.

The rating reflects the company's experienced management team, effective risk management framework, and a structured investment process. Given increasing competition in the asset management industry, AAML is working on launching new funds to offer more options to



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potential investors. Moreover, AAML is expanding its outreach, with a focus on leveraging the established franchise of Atlas group in addition to utilizing infrastructure of different group companies for developing distribution setups.

**About the company:** AAML, incorporated in August 2002, is majority owned (88%) by Shirazi Investments (Pvt) Limited – the holding company of Atlas group. Atlas group, established in 1962, is one of the well-known business groups of the country with strong presence in manufacturing, financial, and trading sectors. The group has recently entered into commercial banking – Atlas Bank Limited. AAML's board of directors, in addition to two Shirazi family members, comprises independent experienced professionals including a representative of ING – a global asset manager and technical partner of AAML. Mr. M. Habib-ur-Rahman, the CEO of AAML, has extensive experience of the mutual fund industry.

### [January 11, 2007: PACRA Upgrades the Entity Ratings of JS ABAMCO Limited](#)

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term and the short-term ratings of JS ABAMCO to "AA-" (Double A minus) and "A1+" (A one plus), respectively. These ratings denote very low expectation of credit risk emanating from very strong capacity for timely

payment of financial commitments.

JS ABAMCO's ratings reflect sustained improvement in its performance and, in turn, the capital structure while maintaining a low risk business profile. The ratings also recognize the continuing efforts by the management to strengthen the human and infrastructure resources that provides a strong platform for the company's growth plans. Meanwhile, the company's strong franchise value in the country's asset management industry and association with the JS group are also key rating factors.

**About the company:** Incorporated in 1995, JS ABAMCO Limited (formerly ABAMCO Limited) is the oldest and largest private sector asset management company in Pakistan, registered with the Securities & Exchange Commission of Pakistan (SECP) as an investment advisor for closed-end funds and asset management company for open-end funds. Currently, the company is managing nine funds (including six open-end and three closed-end funds) with assets under management of over PKR 22bIn (as at June 30, 2006). It is a subsidiary of Jahangir Siddiqui & Company Limited (JSCL) which has a very strong market standing emanating from its reputation as a well-managed and strong entity carrying a long-term rating of 'AA+' from PACRA. The company is in the process of being listed at the Karachi Stock Exchange through an

offer for sale of 20% of the existing issued shares.

### [January 11, 2007: PACRA Upgrades the Asset Manager Rating of JS ABAMCO Limited](#)

The Pakistan Credit Rating Agency (PACRA) has upgraded the asset manager rating of JS ABAMCO Limited (JS ABAMCO) to "AM2+". The rating denotes 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.

The rating reflects JS ABAMCO's leadership position in the asset management sector emanating from the established track record, diverse product base, experienced and well-qualified management team, and association with a financially strong group. At the same time, the company has strengthened its infrastructure in terms of research, risk management, distribution, and human resources. The management, capitalizing on the company's considerably enhanced capacity, intends to expand assets under management while also launching a series of new funds.

**About the company:** Incorporated in 1995, JS ABAMCO Limited (formerly ABAMCO Limited) is the oldest and largest private sector asset management company in



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Pakistan, registered with the Securities & Exchange Commission of Pakistan (SECP) as an investment advisor for closed-end funds and asset management company for open-end funds. Currently, the company is managing nine funds (including six open-end and three closed-end funds) with assets under management of over PKR 22bn (as at June 30, 2006). It is a subsidiary of Jahangir Siddiqui & Company Limited (JSCL) which has a very strong market standing emanating from its reputation as a well-managed and strong entity carrying a long-term rating of 'AA+' from PACRA. The company is in the process of being listed at the Karachi Stock Exchange through an offer for sale of 20% of the existing issued shares.

### January 11, 2007: PACRA Maintains The Ratings of Nishat Mills Limited (NML)

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

NML's ratings reflect its strong risk absorption capacity emanating from a sound capital structure supported by substantial revaluation surplus on the company's equity investment portfolio. The company continues to pursue

its strategy of diversification, both in terms of products and markets, while improving production efficiency and gradually increasing the proportion of value added products in the sales mix. This strategy helps NML in maintaining its strong competitive position and in turn, low level of business risk.

**About the company:** Nishat Mills Limited 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, Sheikhupura, Ferozewatwan and Lahore. NML is the flagship company of the Nishat Group – 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 in a paper sack unit and a garment factory. Returns on these investments would be in the form of dividends which are expected to start accruing in the medium-term.

### January 10, 2007: PACRA Maintains the IFS Rating of International General Insurance Company of Pakistan Limited (IGI)

The Pakistan Credit Rating Agency (PACRA) has maintained the Insurer Financial Strength (IFS) rating of International General Insurance Company of Pakistan Limited at "AA". PACRA also maintains the **Positive Outlook** assigned to the rating. The rating denotes the very strong capacity to meet policyholder and contract obligations. At the same time, risk factors are considered modest, and the impact of adverse business and economic factors is expected to be very limited.

IGI's rating reflects its robust financial flexibility emanating from a very strong equity base and liquidity. The rating also factors in the company's healthy profitability driven by sound underwriting policies and the stable investment income stream. Meanwhile, the management's strategy of volume expansion, without compromising the underwriting quality, along with its initiatives to explore new business avenues are expected to help the company in meeting the challenges of increasing competition within the sector.

**About the company:** Packages Group- the majority shareholder of IGI- is one of the larger conglomerates of the country with interests in paper and board, milk and



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dairy, chemicals, investment banking and insurance. The company, listed on Karachi and Lahore stock exchanges, has history of more than fifty years of successful commercial operations.

IGI is the Global Network Partner of R&SA Global Network Limited for their global businesses in Pakistan. The current chief executive officer has over 13 years of experience in key management positions in the financial sector. Under the supervision of the new CEO, the organizational structure of the company was revamped during 2005. The company's operations are divided into various departments headed by general managers.

### [January 09, 2007: PACRA Maintains Entity & TFC Ratings of First Dawood Investment Bank Limited](#)

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term rating at "A+" (Single A plus), and the short-term rating at "A1" (A One) of First Dawood Investment Bank Limited (FDIB). These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments. The ratings of secured TFCs of PKR 345mln has also been maintained at "AA-" (Double A minus). This rating denotes a very low expectation of credit risk emanating from a very strong capacity for timely payments of financial commitments.

FDIB's ratings reflect the bank's sound asset quality and strong risk absorption capacity augmented by substantial amount of unrecognised reserves. While the improved profitability during FY06 was mainly an outcome of higher returns on equity investments, the ratings recognize the management's ongoing efforts at expanding and diversifying the revenue base through focusing on fee-based investment banking activities. Although contribution of fee-based income is showing a rising trend, given the increasing competition in the sector, it will take some time before a reasonable and stable revenue stream from these avenues could emerge.

**About the TFC Issues:** FDIB has fully redeemed the first tranche of its TFCs of PKR 253mln in September 2006. The bank currently has in issue TFCs worth PKR 345mln, issued in July 2002. The instrument carries interest at 175bps + the SBP discount rate with a floor of 12.25% and a ceiling of 16.25%, payable semi-annually. The instrument is of a perpetual nature and have a call and put option exercisable at the end of every five years from the date of issue. The TFCs are secured by way of registered charge over all present and future assets and receivables of FDIB with a margin of 20%.

**About the bank:** Dawood Leasing Company Limited, operating since 1995, was converted into First Dawood Investment Bank (FDIB) in 2004. Since then the company has undergone a paradigm shift, with investment banking

gradually displacing leasing as the management's core focus, with further expansionary plans in the pipeline. At the same time, the management is also pursuing diversification in funding operations by emphasizing on other long-term assets. FDIB, listed on the Karachi stock exchange, is sponsored by a branch of the reputable Dawood family, which is one of the leading business groups in Pakistan.

### [January 09, 2007: PACRA Maintains the Asset Manager Rating of Dawood Capital Management Limited \(DCM\)](#)

The Pakistan Credit Rating Agency (PACRA) has maintained the asset manager rating of Dawood Capital Management Limited (DCM) at "AM3". The rating reflects the company's strong capacity to manage the risks inherent in asset management and the asset manager meets high investment management industry standards and benchmarks.

The company's strong capacity emanates from reasonably experienced management team, association with a strong and expanding business group, adequate risk management policies, and reasonable supporting systems. Meanwhile, the relative size and diversity of funds under management remains limited, an outcome of short-track record. However, as the funds under management increase the company would be required to strengthen its human resource base to



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provide an effective platform in the increasingly competitive environment. The rating also recognizes the management's well-conceived business plan of focusing on small retail investors through offering innovative products and following a distinctive marketing strategy. However, as the implementation of this strategy is at an initial stage, the impact thereof on business expansion and the related timeline remain to be seen.

**About the company:** DCM was incorporated in 1993 as a venture capital company, and listed on Karachi Stock Exchange. The company was acquired by the First Dawood Group in 1999. During 2003, the company changed its objective to undertake asset management and investment advisory business. The sponsoring group is a branch of the reputable Dawood family, which is one of the leading business groups in Pakistan. The combined effective holding of the Group in the company is around 60%. Apart from First Dawood Investment Bank (FDIB), the sponsoring group also operates two leasing modarabas, and is further diversifying its operations through joint venture arrangements by setting up an Islamic Bank, Takaful Insurance and Wind Power generation project. DCM currently has two funds under management, with total assets under management aggregating to around PKR 2bln. The management is in the final process of launching an Islamic fund in early 2007.

## **January 08, 2007: PACRA Maintains the Entity Ratings of ORIX Investment Bank Pakistan Limited (OIBPL)**

The Pakistan Credit Rating Agency (PACRA) has maintained the entity ratings of ORIX Investment Bank Pakistan Limited (OIBPL) at "A+" (Single A plus) and "A1" (A one) for long-term and short-term, respectively. The ratings denote a low expectation of credit risk and a strong capacity for timely payment of financial commitments.

OIBPL's ratings reflect its sustained performance, mainly an outcome of its success in establishing stable fee-based revenues – corporate finance advisory and brokerage – ahead of most peers. However, given a higher degree of reliance on human resource for sustenance of fee-based businesses, induction of additional professional staff and their retention would remain critical for effective management of expanding business volume. Meanwhile, the bank's asset quality and risk absorption capacity remain strong.

About the bank: ORIX Investment Bank Pakistan Limited (OIBPL) was incorporated in July 1995 and commenced operations in the subsequent year. Listed on both Karachi and Lahore Stock Exchanges, OIBPL was sponsored by ORIX Corporation, Japan (ORIX) and ORIX Leasing Pakistan Limited (OLP). ORIX is the single

largest shareholder (30%) of OIBPL, followed by OLP (15%). Other shareholders include local and foreign financial institutions and individuals. The bank's business activities include short-term lending, fund placements, treasury operations, money market brokerage, equity broking and financial and advisory services.

The Board of Directors (BoD) comprises seven members including the CEO. Three directors are nominees of ORIX, two of OLP, while SaudiPak Industrial & Investment Company and Pak-Kuwait Investment Company has appointed one nominee each. The CEO - Mr. Naim Farooqui - has experience of more than 21 years in development and investment banking.

## **January 03, 2007: PACRA Assigns the Asset Manager Rating to First Capital Investments Limited (FCIL)**

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of "AM4+" to First Capital Investments Limited (FCIL). The rating denotes the company's adequate capacity to manage the risks inherent in asset management and the asset manager meets adequate investment management industry standards and benchmarks.

The rating reflects FCIL's relatively new but qualified management team, association with a strong and expanding business group, and adequate



supporting systems. The rating also recognizes the initiatives taken by the management to streamline business processes and investment strategy leading to better performance of its mutual fund. However, despite being in the business for a reasonable time, the size and number of funds under management have remained limited. This has obviated the need to expand the organization or to emulate the more rigorous risk management systems in place among some of the peer asset management companies.

About the company: First Capital Investments Limited (FCIL), commencing operations in early 1995, is registered as an Investment Advisor under the Non-Banking Finance Companies, Rules 2003. FCIL is sponsored by First Capital Securities Corporation Limited (FCSC) – a First Capital / WorldCall group company – with 66% shareholding. The main sponsors of the group include Mr. Sulieman Ahmed Said Al-Hoqani – an Omani investor – and Mr. Salmaan Taseer and associates. FCSC, a leading investment and financial services company and listed on all three bourses, serves as the main holding company for the group. The group has interests in a number of companies that are offering financial, insurance, media & telecommunication, and real estate services. The Chief Executive, who joined FCIL in 2005, has over 6 years of experience in the financial markets of Pakistan.

FCIL currently has one fund under its management – First Capital Mutual Fund Limited (FCMF) – launched in Mar 1995. This is a closed-end *equity fund*, having net assets over PKR 330mln at end-Sep06. FCIL is also offering corporate investment advisory services and intends to aggressively expand this line of business.

### [December 27, 2006: PACRA Maintains IFS Rating of Habib Insurance Company Limited \(HIC\)](#)

The Pakistan Credit Rating Agency (PACRA) has maintained the Insurer Financial Strength (IFS) rating of Habib Insurance Company Limited (HIC) at “A+” (Single A Plus). The rating denotes strong capacity to meet policyholder and contract obligations. At the same time, risk factors are considered moderate, and the impact of any adverse business and economic factors is expected to be modest.

The rating reflects HIC’s sound underwriting practices and a strong financial base. The company follows a steady growth pattern dictated by its prudent risk identification criteria and is less influenced by desire to target a higher market share. At the same time, the rating recognizes association with Habib Group.

About the company: Habib Insurance Company, in operation since 1942, is listed on Karachi and Lahore Stock

Exchanges. Habib Group – one of the oldest and most well known groups with significant investments in the industrial and service sectors – is the majority shareholder in HIC.

With a nationwide network of 15 branches, HIC underwrites all types of general insurance business. The company enjoys a higher degree of staff loyalty, reflected by a low turnover, and while ensuring job rotation provides continuous training.

### [December 26, 2006: PACRA Maintains IFS Rating of New Jubilee Insurance Company Limited \(NJI\)](#)

The Pakistan Credit Rating Agency (PACRA) has maintained the Insurer Financial Strength (IFS) rating of New Jubilee Insurance Company Limited (NJI) at “AA” (double A). The rating denotes a very strong capacity to meet policyholder and contract obligations. Risk factors are considered modest, and the impact of any adverse business and economic factors is expected to be modest.

The rating reflects NJI’s sound underwriting practices and a strong financial base, which adequately supports the management’s lately adopted accelerated growth stance. At the same time, the rating recognizes the company’s balanced business mix and efforts at further strengthening of risk management systems. This is expected to ensure that the company remains well positioned to meet the



challenges of the increasingly competitive environment in the insurance sector.

About the company: NJI, established in 1953 as an insurance company, is listed on Karachi and Lahore stock exchanges of Pakistan. Major shareholding groups of NJI include Aga Khan Development Network and Hashoo group. Mr. Tahir Ahmed, appointed as Chief Executive in July 2005, is a graduate engineer and also a Chartered Insurer in addition to having an MBA degree. He possesses extensive experience in the field of insurance.

The company operates through an extensive network of 24 branches and sales units throughout the country. NJI, with slightly less than 10% market share, has maintained its position as the third largest general insurance company operating in Pakistan with an established franchise.

### [December 21, 2006: PACRA Assigns the Asset Manager Rating to KASB Funds Limited \(KFL\)](#)

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of "AM3+" to KASB Funds Limited (KFL). The rating reflects the company's strong capacity to manage the risks inherent in asset management and the asset manager meets high investment management industry standards and benchmarks.

The rating reflects KFL's capacity to establish a strong asset management platform in an increasingly competitive operating environment. This capacity emanates from (1) its association with KASB group, having extensive capital market exposure (2) technical assistance and equity investment by an asset manager of international standing – Merrill Lynch Investment Managers Group Limited – and (3) an experienced and well-qualified management team. This is further supported by a strong focus on corporate governance, a structured investment process, and effective supporting systems and risk management policies. While the management has developed a well-conceived business strategy to overcome inherent constraints – limited assets under management – primarily an outcome of short track record, the extent of success in achieving these plans and the related timeline remains to be seen.

About the company: KFL, sponsored by KASB group, commenced operations in January 2005. Founded by (late) Mr. Khadim Ali Shah Bukhari in early fifties, KASB group has gained extensive experience in the domestic financial market. Stock market operations and advisory services remained the mainstay of the group till its acquisition of KASB Bank Limited (KBL) in 2002. Now, within financial services, the group's interests include commercial banking, brokerage (KASB Securities

Limited – KSL) and asset management business. At the same time, the group has increasing interest in other sectors. The Chief Executive of KFL has over 13 years of experience in the financial markets of Pakistan, and has been associated with the group since the beginning of her career.

Currently KFL has one fund under management – KASB Liquid Fund – launched in May 2006. This is an open-end *money market fund*, having net assets of over PKR 1.3bn at end-Oct 2006.

### [December 11, 2006: PACRA Maintains Ratings of Pakistan Industrial Credit and Investment Corporation Limited \(PICIC\) on RatingWatch](#)

In July 2005, the Pakistan Credit Rating Agency Limited (PACRA) placed the entity ratings of Pakistan Industrial Credit and Investment Corporation Limited (Long-term: AA, Short-term A1+) on Rating Watch on account of the proposed merger with its subsidiary – PICIC Commercial Bank Limited. While the earlier proposal has been overtaken by the new development regarding prospects of acquisition of PICIC by NIB Bank Limited, PICIC's ratings remain on Rating Watch.

NIB is in the process of initiating a formal due diligence exercise. PACRA would continue monitoring all related developments, while the ratings would remain on



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the Rating Watch till the conclusion of the proposed transaction.

### [December 11, 2006: PACRA Places Ratings of NIB Bank Limited on Rating Watch](#)

The Pakistan Credit Rating Agency Limited (PACRA) has placed entity ratings of NIB Bank Limited (Long-term: A+, Short-term: A1) on Rating Watch with positive implications.

The rating action emanates from NIB Bank's intention to acquire majority ownership stake in Pakistan Industrial Credit and Investment Corporation Limited (PICIC). NIB is in the process of initiating a formal due diligence exercise.

PACRA would continue monitoring all related developments, while the ratings would remain on the Rating Watch till the conclusion of the said transaction. The ratings would be reaffirmed thereafter, particularly after reviewing the implications with reference to business prospects and the risk profile of the merged entity.

### [December 01, 2006: PACRA Maintains Asset Manager Rating of Arif Habib Investment Management Limited \(AHIML\)](#)

The Pakistan Credit Rating Agency (PACRA) has maintained the asset manager rating of Arif Habib Investment Management Limited (AHIML) at "AM2". The rating reflects

the company's very strong capacity to master the risks inherent in asset management and the asset manager meets very high investment management industry standards and benchmarks.

The rating recognizes the company's leading market position, qualified and experienced management, disciplined investment process, solid technology platform, effective controls and risk management policies, and continuous initiatives by the management for refinement in the systems and processes to further enhance the efficiency of operations.

**About the company:** Arif Habib Investment Management Limited, incorporated in August 2000, is one of the largest private sector asset management companies in Pakistan. The majority stake (62%) in the company is held by Arif Habib Securities Limited (AHS) – the holding company for Arif Habib Group. The group is engaged in investment and financial advisory services, brokerage, and has expanded and diversified its operations through acquisition of majority stakes in various industrial concerns. The group also recently launched a new commercial bank – Arif Habib Rupali Bank – through acquisition of Pakistan's operations of Rupali Bank of Bangladesh. The current Chief Executive of AHIML, a known figure in the country's mutual fund industry, is a Chartered Accountant with over three

decades of experience in the financial sector.

AHIML currently has 7 funds under management, 5 open-end and 2 closed-end, including equity, income, asset allocation, and Islamic funds, with total assets under management currently aggregating to around PKR 20bln.

### [November 28, 2006: PACRA Assigns Entity Ratings to Arif Habib Investment Management Limited \(AHIML\)](#)

The Pakistan Credit Rating Agency (PACRA) has assigned a long-term entity rating of "A+" (Single A plus) and a short-term rating of "A1" (A one) to Arif Habib Investment Management Limited. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect AHIML's leading position in a rapidly evolving asset management industry. The company on the back of its experienced management, quality systems and processes, strong control environment, and a successful track record is well placed to exploit the emerging opportunities and maintain its market position and robust performance. The strong risk absorption capacity of the company and association with the Arif Habib Group are also key rating factors.



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**About the company:** Arif Habib Investment Management Limited (AHIML), incorporated in August 2000, is one of the largest private sector asset management companies in Pakistan. The majority stake (62%) in the company is held by Arif Habib Securities Limited (AHS) – the holding company for Arif Habib Group. The group is engaged in investment and financial advisory services, brokerage, and recently expanded and diversified its operations through acquisition of majority stakes in various industrial concerns. The group also recently launched a new commercial bank – Arif Habib Rupali Bank – through acquisition of Pakistan's operations of Rupali Bank of Bangladesh. The current Chief Executive of AHIML, Mr. Nasim Beg, is a Chartered Accountant with over 30 years of experience in the financial sector, including mutual fund industry.

AHIML currently has 7 funds under management, 5 open-end and 2 closed-end, including equity, income, asset allocation, and Islamic funds, with total assets under management currently aggregating to around PKR 20bln.

### [November 22, 2006: PACRA Assigns Entity Ratings to Network Microfinance Bank Limited](#)

The Pakistan Credit Rating Agency (PACRA) has assigned a long-term entity rating of “**BBB**” (Triple B) and short-term rating of “**A3**” (A three)

to Network Microfinance Bank Limited (NMBL). The ratings denote low expectation of credit risk and an adequate capacity for timely payment of financial commitments.

NMBL's ratings reflect its reasonably designed governance standards and a prudent growth stance that is expected to help in retaining an adequate capital structure. Meanwhile, the profitability is likely to remain constrained compared to other financial institutions, given the nature of the bank's business rendering a high cost structure. However, this is in line with the sponsor's socially motivated strategy to use banking as a vehicle to help in poverty alleviation.

**About the bank:** NMBL, established under the Microfinance Institution Ordinance 2001, is listed on Karachi Stock Exchange. The bank started its operations in January 2005, with the principle objective to provide microfinance services to poor and underprivileged communities. The main sponsors of the bank are Jahangir Siddiqui & Company Limited and Network Leasing Corporation Limited, collectively holding 50% of the bank's equity. Currently, NMBL can only operate district-wide owing to minimum level of capital base as prescribed under the law. The bank carries out its operations through its head office in Karachi as well as through mobile bank branches.

The Chief Executive Officer of the bank, Mrs. Musaret Siddiqi, is a qualified Chartered Accountant. She has accumulated rich experience of domestic microfinance sector during her stay of around 10 years with Network Leasing Corporation Limited.



## 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.	Alfalah GHP Investment Management Limited	AMR <sup>1</sup>	09/06/2006	AM3	---	---
2.	Arif Habib Investment Management Limited	AMR	11/16/2006	AM2	---	---
3.	Arif Habib Investment Management Limited	Entity	11/13/2006	---	A+	A1
4.	Atlas Asset Management Limited	AMR	12/27/2006	AM3+	---	---
5.	Dawood Capital Management Limited	AMR	12/28/2006	AM3	---	---
6.	First Capital Investments Limited	AMR	12/28/2006	AM4+	---	---
7.	JS ABAMCO Limited	AMR	12/30/2006	AM2+	---	---
8.	JS ABAMCO Limited	Entity	12/30/2006	---	AA-	A1+
9.	KASB Funds Limited	AMR	12/12/2006	AM3+	---	---
10.	MCB Asset Management Company Limited	AMR	12/29/2006	AM3	---	---
11.	National Investment Trust Limited	AMR	12/30/2006	AM2-	---	---
<b>MUTUAL FUNDS</b>						
<b>Asset Allocation Fund Category</b>						
1.	Pakistan Capital Market Fund (PCM)	FR <sup>2</sup>	01/12/2007	3-Star	---	---
2.	UTP Aggressive Asset Allocation Fund (UTP-AAAF)	FR	01/12/2007	5-Star	---	---
<b>Balanced Fund Category</b>						
3.	BSJS Balanced Fund Limited (BBF)	FR	01/12/2007	5-Star	---	---
4.	First Dawood Mutual Fund (FDMF)	FR	01/12/2007	4-Star	---	---
5.	Unit Trust Of Pakistan (UTP)	FR	01/12/2007	5-Star	---	---
<b>Equity Funds Category</b>						
<b>Closed-End</b>						
6.	First Capital Mutual Fund (FCMF)	FR	01/12/2007	5-Star	---	---
7.	Pakistan Premier Fund Limited (PPF)	FR	01/12/2007	4-Star	---	---
8.	Pakistan Strategic Allocation Fund (PSAF)	FR	01/12/2007	4-Star	---	---
9.	UTP Large Cap Fund	FR	01/12/2007	4-Star	---	---
<b>Equity Funds Category</b>						
<b>Open-End</b>						
10.	Atlas Stock Market Fund (ASMF)	FR	01/12/2007	5-Star	---	---
11.	National Investment (Unit) Trust – NIT	FR	01/12/2007	4-Star	---	---
12.	Pakistan Stock Market Fund (PSMF)	FR	01/12/2007	5-Star	---	---
<b>Fund of Funds Category</b>						
13.	Atlas Fund of Funds (AFoF)	FR	01/12/2007	5-Star	---	---

<sup>1</sup> Asset Manager Rating

<sup>2</sup> Fund 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>Income Funds Category</b>						
14. Atlas Income Fund (AIF)	FR	01/12/2007	5-Star	---	---	
15. Metrobank-Pakistan Sovereign Fund (MSF)	FR	01/12/2007	4-Star	---	---	
16. Pakistan Income Fund (PIF)	FR	01/12/2007	4-Star	---	---	
17. UTP-Income Fund (UTP-IF)	FR	01/12/2007	5-Star	---	---	
<b>Islamic Funds Category</b>						
18. Al Meezan Mutual Fund (AMMF)	FR	01/12/2007	4-Star	---	---	
19. Meezan Balanced Fund (MBF)	FR	01/12/2007	5-Star	---	---	
20. Meezan Islamic Fund (MIF)	FR	01/12/2007	5-Star	---	---	
21. UTP-Islamic Fund (UTP-ISF)	FR	01/12/2007	5-Star	---	---	
<b>Money-Market Funds Category</b>						
22. Dawood Money Market Fund (DMMF)	FR	01/12/2007	5-Star	---	---	
<b>DFIs / INVESTMENT COS. / BROKERAGE HOUSES</b>						
1. First Capital Equities Limited (FCEL)	Entity	09/04/2006		A	A1	
2. House Building Finance Corporation (HBFC)	Entity	06/30/2006		A	A1	
3. Investment Corporation of Pakistan (ICP)	Entity	10/06/2005		AA	A1+	
4. Jahangir Siddiqui & Company Limited	Entity	02/20/2006		AA+	A1+	
5. JS Global Capital Limited (Formerly JS Capital Markets Limited)	Entity	06/30/2006		AA-	A1+	
6. KASB Securities Limited	Entity	09/08/2006		A+	A1	
7. Pakistan Industrial Credit & Investment Corporation Limited (PICIC) <sup>™</sup>	Entity	06/27/2006		AA	A1+	
8. Pakistan Kuwait Investment Company (Pvt) Limited	Entity	06/12/2006		AAA	A1+	
9. Pak-Libya Holding Company (Pvt) Limited	Entity	06/22/2006		AA-	A1+	
<b>MODARABAS</b>						
1. First Fidelity Leasing Modaraba <sup>™</sup>	Entity	04/17/2006		A-	A2	
2. First Habib Modaraba	Entity	02/03/2006		AA	A1+	
3. First Punjab Modaraba	Entity	04/03/2006		A	A1	
4. Modaraba Al-Mali	Entity	06/13/2006		A-	A2	
5. Standard Chartered Modaraba	Entity	02/16/2006		AA+	A1+	
<b>LEASING COMPANIES</b>						
1. Askari Leasing Limited	Entity	12/30/2004		A+	A1	
2. Network Leasing Corporation Limited	Entity	10/18/2006		D	D	
3. ORIX Leasing Pakistan Limited	Entity	12/30/2006		AA+	A1+	
4. Union Leasing Limited	Entity	02/27/2006		A+	A1	
<b>BANKING COMMERCIAL</b>						
1. AlBaraka Islamic Bank (Pakistan Branches)	Entity	06/30/2006		A-	A1	
2. Askari Commercial Bank Limited	Entity	06/19/2006		AA+	A1+	
3. Atlas Bank Limited (Formerly Dawood Bank Limited)	Entity	09/14/2006		A-	A2	
4. Bank Al Habib Limited	Entity	06/13/2006		AA	A1+	

<sup>™</sup> Rating Watch



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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
5.	Bank Alfalah Limited	Entity	06/12/2006		AA	A1+
6.	The Bank of Punjab	Entity	06/20/2006		AA	A1+
7.	Faysal Bank Limited (FBL)	Entity	06/26/2006		AA	A1+
8.	First Women Bank Limited	Entity	09/23/2006		BBB+	A2
9.	Habib Metropolitan Bank Limited	Entity	06/27/2006		AA+	A1+
10.	KASB Bank Limited	Entity	06/29/2006		BBB+	A2
11.	MCB Bank Limited <i>(Formerly Muslim Commercial Bank Limited)</i>	Entity	05/02/2006		AA+	A1+
12.	Mybank Limited	Entity	06/27/2006		A-	A2
13.	NIB Bank Limited <sup>rw</sup>	Entity	06/30/2006		A+	A1
14.	Prime Commercial Bank Limited <sup>rw</sup>	Entity	06/28/2006		A+	A1
15.	Soneri Bank Limited	Entity	06/26/2006		AA-	A1+
16.	Standard Chartered Bank (Pakistan) Limited	Entity	01/22/2007		AAA	A1+
<b>MICROFINANCE INSTITUTIONS</b>						
1.	Network Microfinance Bank Limited	Entity	11/13/2006		BBB	A3
<b>BANKING INVESTMENT</b>						
1.	First Dawood Investment Bank Limited	Entity	12/28/2006		A+	A1
2.	IGI Investment Bank Limited <i>(Formerly First International Investment Bank Limited)</i>	Entity	12/30/2006		A	A1
3.	ORIX Investment Bank Pakistan Limited	Entity	12/30/2006		A+	A1
4.	Trust Leasing & Investment Bank Limited	Entity	12/30/2005		AA-	A1+
<b>INSURANCE COMPANIES</b>						
1.	Atlas Insurance Limited <i>(Formerly Muslim Insurance Company Limited)</i>	IFS <sup>3</sup>	12/08/2006	A+	---	---
2.	East West Insurance Company Limited	IFS	06/13/2006	A-	---	---
3.	Habib Insurance Company Limited	IFS	11/10/2006	A+	---	---
4.	International General Insurance Company of Pakistan Limited (IGI)	IFS	11/10/2006	AA	---	---
5.	New Jubilee Insurance Company Limited (NJI)	IFS	11/13/2006	AA	---	---
6.	Reliance Insurance Company Limited	IFS	05/03/2006	A-	---	---
7.	Shaheen Insurance Company Limited	IFS	08/30/2006	A-	---	---
8.	United Insurance Company of Pakistan Limited	IFS	05/15/2006	A-	---	---
<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	Entity	05/30/2006		A	A1
2.	Nishat Mills Limited	Entity	12/29/2006		A+	A1
<b>SUGAR &amp; ALLIED</b>						
1.	Al-Abbas Sugar Mills Limited	Entity	05/09/2006		A	A1
<b>FUEL &amp; ENERGY</b>						
1.	Attock Refinery Limited (ARL)	Entity	06/21/2006		AA-	A1+

<sup>rw</sup> Rating Watch

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

<sup>4</sup> Developer Grading



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			MM/DD/YYYY	FS/ FR/ AMR/DG	Long-Term	Short-Term
2.	National Refinery Limited (NRL)	Entity	06/22/2006		AAA	A1+
3.	Pak-Arab Refinery Limited (PARCO)	Entity	05/16/2006		AAA	A1+
4.	Pakistan State Oil Company Limited (PSO)	Entity	12/26/2006		AAA	A1+
5.	Sui Northern Gas Pipelines Limited (SNGPL)	Entity	04/20/2006		AA-	A1+
<b>CEMENT</b>						
1.	Dewan Cement Limited	Entity	06/30/2006		A	A1
2.	Kohat Cement Company Limited	Entity	06/19/2006		A	A1
<b>ENGINEERING</b>						
1.	Pak Elektron Limited (PEL)	Entity	06/09/2006		A	A1
<b>TRANSPORT &amp; COMMUNICATION</b>						
1.	Pakistan Mobile Communications Limited (Mobilink)	Entity	11/02/2006		AA-	A1
2.	WorldCall Telecom Limited (WTL)	Entity	06/21/2006		A+	A1
<b>CHEMICAL &amp; PHARMACEUTICALS</b>						
1.	Engro Chemical Pakistan Limited	Entity	05/15/2006		AA	A1+
<b>PAPER &amp; BOARD</b>						
1.	Packages Limited	Entity	06/12/2006		AA	A1+
<b>MISCELLANEOUS</b>						
1.	Trakker (Pvt) Limited	Entity	08/07/2006		A-	A2
2.	Tri-Pack Films Limited	Entity	04/28/2006		A+	A1



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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	06/19/2006	02/04/2005	AA
2.	Askari Commercial Bank Limited – TFCs-II	1,500.00	06/19/2006	10/31/2005	AA
3.	Azgard Nine Limited	2,144.00	05/30/2006	09/19/2005	A+
4.	Azgard Nine Limited (ST-TFCs)	2,500.00	05/30/2006	<i>Privately Placed</i>	A+
5.	Bank Al Habib Limited – TFCs-I	1,350.00	06/13/2006	07/16/2004	AA-
6.	Bank Al Habib Limited – TFCs-II	1,500.00	09/15/2006	<i>To be issued</i>	AA-
7.	Bank Alfalah Limited – TFCs-I	650.00	06/12/2006	12/21/2002	AA-
8.	Bank Alfalah Limited – TFCs-II	1,250.00	06/12/2006	11/24/2004	AA-
9.	Bank Alfalah Limited – TFCs-III	1,325.00	06/12/2006	11/25/2005	AA-
10.	Chanda Oil & Gas Securitization Company Limited – Securitised	1,000.00	06/27/2006	02/16/2005	A
11.	Financial Receivables Securitisation Company Limited – Securitised	700.00	02/16/2006	01/17/2007	AA-
12.	First Dawood Investment Bank Limited (2 <sup>nd</sup> Tranche)	345.00	12/28/2006	07/27/2002	AA-
13.	IGI Investment Bank Limited ( <i>Formerly First Int'l Investment Bank Ltd.</i> )	500.00	12/30/2006	<i>To be issued</i>	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.	MCB Bank Limited ( <i>Formerly Muslim Commercial Bank Limited</i> )	1,600.00	05/02/2006	08/10/2002	AA
18.	ORIX Leasing Pakistan Limited	4,000.00	12/30/2006	<i>To be issued</i>	AA+
19.	Pakistan Mobile Communications Limited (Mobilink)	3,261.64	11/29/2005	05/31/2006	AA-
20.	Prime Commercial Bank Limited <sup>FW</sup>	800.00	06/28/2006	02/12/2005	A
21.	Soneri Bank Limited	1,200.00	06/26/2006	05/05/2005	A+
22.	Sui Southern Gas Company Limited (2nd Tranche)	1,250.00	02/07/2006	06/11/2002	AA
23.	Trust Leasing & Investment Bank Limited – 1 <sup>st</sup> Tranche	250.00	12/30/2005	06/03/2003	AA
24.	Trust Leasing & Investment Bank Limited – 2nd Tranche	375.00	12/30/2005	07/18/2004	AA
25.	Trust Leasing & Investment Bank Limited – 3rd Tranche	375.00	12/30/2005	11/15/2005	AA
26.	Standard Chartered Bank (Pakistan) Limited ( <i>Originally Issued By Union Bank Limited</i> ) – TFCs-I	750.00	01/22/2007	12/21/2002	AAA
27.	Standard Chartered Bank (Pakistan) Limited ( <i>Originally Issued By Union Bank Limited</i> ) – TFCs- II	750.00	01/22/2007	01/20/2004	AAA
28.	Standard Chartered Bank (Pakistan) Limited ( <i>Originally Issued By Union Bank Limited</i> ) – TFCs-III	1,000.00	01/22/2007	02/02/2006	AAA
29.	WorldCall Telecom Limited (WTL) – TFCs-I	350.00	06/21/2006	10/01/2002	AA-
30.	WorldCall Telecom Limited (WTL) – TFCs-II	350.00	06/21/2006	11/29/2006	AA-

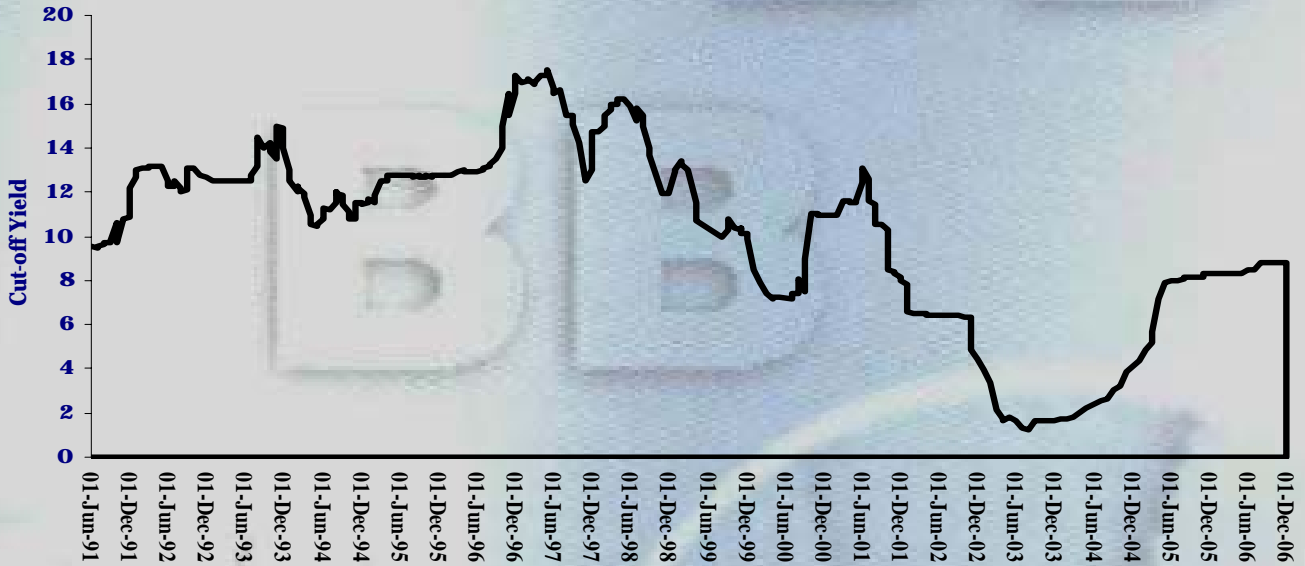
<sup>FW</sup> Rating Watch



## INTEREST RATE TRENDS

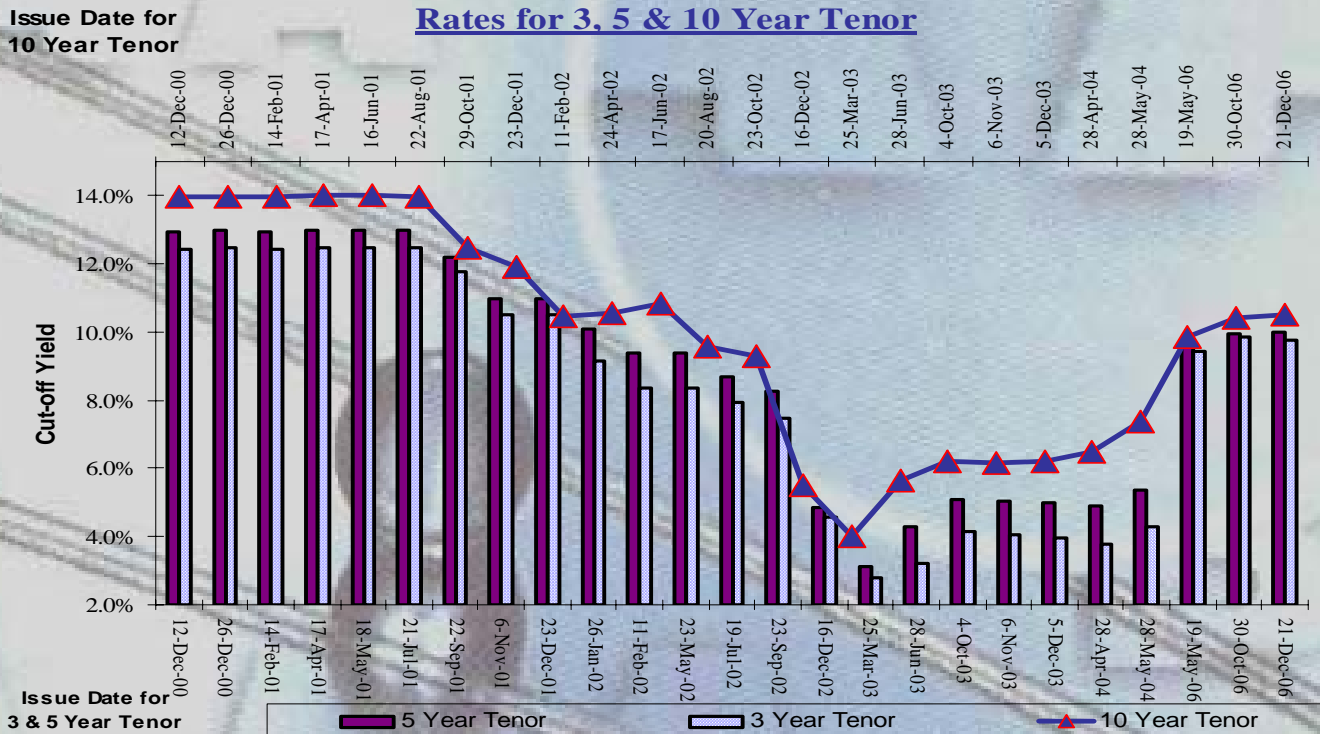
### Short Term: (Treasury Bills)

6-Month Treasury Bills Cut-Off Yield



### Long Term: (PIBs)

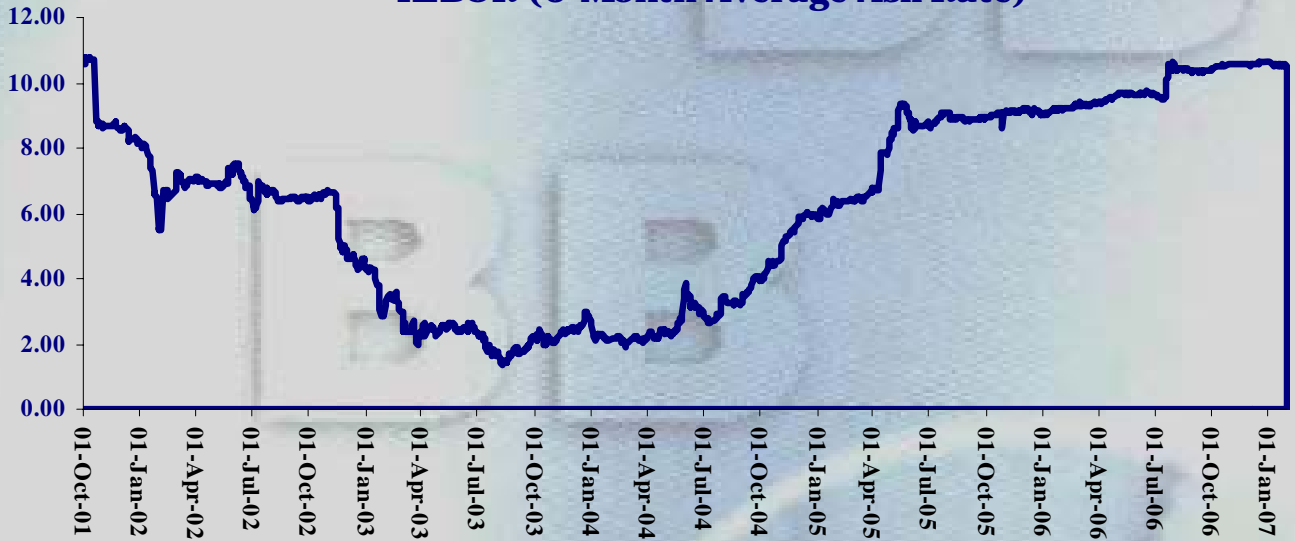
Rates for 3, 5 & 10 Year Tenor





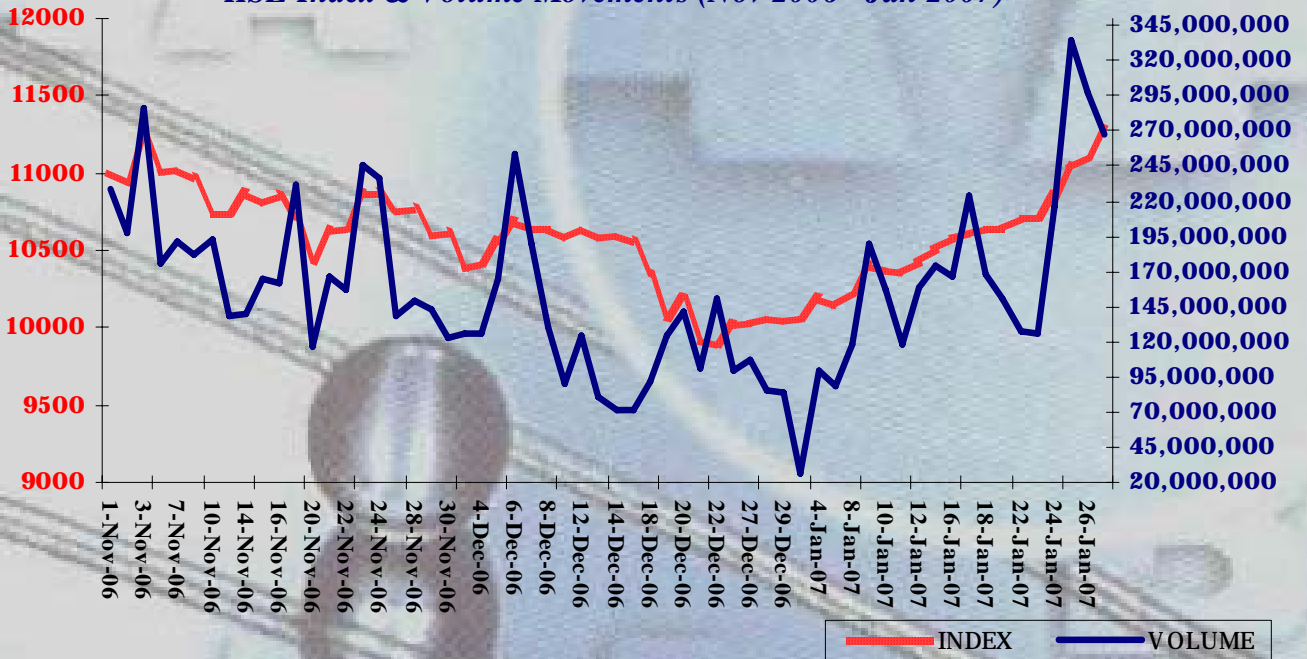
## KIBOR:

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



## KSE-100 Index:

### KSE Index & Volume Movements (Nov 2006 - Jan 2007)





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