



The Pakistan Credit Rating Agency (Pvt) Limited

PACRA News

January - February 2003



In this issue:

- **Message from the Chief Executive**
- **PACRA's Profile**
- **Sectoral Review**
Leasing Companies
- **Recent Developments**
Updated national economic, financial and business news
- **Sovereign Ratings of Selected Countries**
Ratings notified by Standard & Poor's, Moody's and Fitch Ratings
- **PACRA Rating Actions**
- **PACRA Ratings**
List of PACRA's publicly disseminated ratings as at February 28, 2003
- **Interest Rate Trends**

The Pakistan Credit Rating Agency (Pvt) Limited

Head Office: Awami Complex, FB-1, Usman Block New Garden Town, Lahore

Ph: (92)-(42)-586-9504 Fax: (92)-(42)-583-0425

Branch Office: Room No. 910, Business Avenue, Shahrah-e-Faisal, Karachi

Ph: (92)-(21)-438-1822-3 Fax: (92)-(21)-438-1824

URL: <http://www.pacra.com>

Email: pacra@pacra.com



MESSAGE FROM THE CHIEF EXECUTIVE

PACRA has been considering launching its newsletter for some time. However, the launch had been deferred till such time that PACRA's rating universe reaches a critical mass and the general awareness about credit rating increases to a point where a greater reliance is placed on credit rating for investment decisions. In our opinion, these two conditions have now been achieved. Given the mandatory requirement of credit rating of most financial sector entities, decisions for fund placement and deposits are being generally influenced by the credit rating of various deposit institutions. Again, in recent years, the contours of a vibrant and growing debt market have become clearly visible. The pricing of debt securities is, therefore, fast becoming a function of the credit rating of such instruments. It is equally important for potential investors to evaluate the risk-return paradigm at the time of selecting individual debt instruments for investment. Under these circumstances, a wider dissemination of credit ratings has become important and useful for all market participants. Since 1996, PACRA has been disseminating its credit ratings through the press as well as through its own Website. Despite this, however, we continue to receive enquiries from a large cross-section of market participants regarding the rating of specific institutions and instruments. There is, thus, clearly a need for regular dissemination in a consolidated form. It is also felt that PACRA, having emerged as a critical component of the financial infrastructure in the country, needs to provide this service to a large cross-section of the corporate and financial sector. We hope market participants would find this useful and we would urge them to provide a candid feedback on the coverage as well as the format of this newsletter.

PACRA News:

Editor: Sobia Aslam

Technical Advisor: Imtiaz Mahmood



PACRA'S PROFILE

PACRA, the first credit rating agency in the country, was incorporated in 1994 as a joint venture among Fitch, the international rating agency, International Finance Corporation and the Lahore Stock Exchange. This arrangement was made possible through the efforts of IFC in pursuance of their commitment to help in creating a platform for facilitating the evolution of a corporate debt market in Pakistan. At the time of PACRA's inception, it was difficult to forecast business prospects, and even less so, about its role in achieving the broad objective. It is indeed a matter of great satisfaction that within less than one decade, PACRA has become a household name and an important component of the financial infrastructure. This has been possible through a series of propitious events. Realising the benefits of having a credit rating agency in place, regulators – both SBP and SECP – independently decided to introduce mandatory rating requirements with the objective of providing a certain level of comfort to depositors and investors. Again, in the last few years, major initiatives in monetary policy contributed to the emergence of a corporate debt market, which inevitably increased the level of reliance on credit ratings. PACRA's business prospects, therefore, have grown from strength to strength. On a cumulative basis, PACRA, by the end of February 2003, has notified about 180 ratings, which include over 100 entity ratings, and over 60 instrument ratings. In many cases, ratings were done as a one-time exercise either on account of regulatory requirements or because of change in plans of the rated entity to issue the intended debt security. Thus, PACRA's ratings currently cover 54 entities and 39 debt securities (TFCs). The ratings coverage* for entities includes top tier companies in the corporate as well as in the financial sector.

PACRA's Board of Directors:

Name of Director	Profile
Mr. M. Khalil Mian Chairman	Former Senior Partner, A.F. Ferguson Former Chairman Investment Corporation of Pakistan (ICP) Former Chairman Securities and Exchange Commission of Pakistan (SECP) Policy Board
Mr. Saeed Ahmed Qureshi Director	Former Secretary General Finance and Former Deputy Chairman Planning Commission, Government of Pakistan
Sheikh Sajjad Hassan Director	Former Secretary Revenue Division and Former Chairman Central Board of Revenue (CBR)
Mr. Samir Ahmad Director	Managing Director Lahore Stock Exchange (LSE)
Mr. Javed Masud Managing Director	Former Member Corporate Law Authority (CLA)

* A list of publicly disseminated ratings is given separately.



For PACRA, the journey of the last nine years has been exciting, rewarding, and most of all extremely satisfying. This satisfaction flows not only from our expanding business, but from the reliance our clients place on our professional judgment and integrity. We would, therefore, like to believe that we have tried to live up to our mission statement: **To be accepted as a leading credit rating agency in the country through highest standards of professionalism and ethics.** It has not been easy to live up to this challenge. In the initial years, PACRA placed a very heavy reliance on its principal shareholder and technical partner Fitch. Fitch representatives were members of PACRA's rating committee; and on several occasions, Fitch deputed its analysts to hold training workshops for PACRA's analysts. This level of reliance, however, continued to decline progressively, as PACRA accumulated experience and skills. By 1997, according to the perception of Fitch, PACRA as a rating agency had come of age, as Fitch started to utilize the services of our analysts for specific rating assignments by its other overseas affiliates. Thus, from time to time, PACRA's analysts visited Hong Kong, Oman and Egypt for various assignments.

PACRA's declining reliance on technical support of Fitch has ensured that the quality and size of PACRA's operations remain un-affected after the recent decision of termination of affiliation with Fitch. This mutually-agreed arrangement is an outcome of a change in Fitch's global strategy of reducing the number of its overseas affiliates. However, even after this formal dissociation, Fitch will continue to rely on PACRA's support for international rating of specified local banks.

PACRA continues to strive at maintaining its professional standards and reliability. Given the extent of reliance that the market has begun to place on our ratings, we are not unmindful of the onerous responsibility we carry. While the accumulated knowledge and experience is of immense benefit to our professional staff, a conscious effort is made to continue with the learning process and to ensure that we remain on our toes while monitoring ratings already assigned. The monitoring function also requires a high level of cooperation and full disclosure from rating clients. In this, with very few exceptions, we acknowledge the trust and confidence that our clients continue to place in us. At the same time, training continues to be an important function within the company. PACRA is a founder member of Association of Credit Rating Agencies in Asia (ACRAA), which was established in 2001. As a member of this Association, PACRA's analysts are continually benefiting from the training facilities provided by the Association to all member companies through training workshops held from time to time in various countries.



PAKISTAN'S LEASING SECTOR

The leasing sector has had a brief but eventful history. There are currently 27 companies involved in the leasing business – in addition to leasing modarabas – and the numbers are going down fast due to mergers and acquisitions within the sector. Revenues of leasing companies are growing at an average rate of 10 to 15 percent, even though margins have shrunk in the last three years. The paid-up capital of leasing companies was closed to PKR 5.43 billion as at June 30, 2002.

The concept of leasing and hire purchase is not new to Pakistan. Informal leasing existed even before the introduction of organized leasing in the mid-eighties. Leasing began to grow rapidly in the nineties, a time when international financial institutions stopped giving long-term development-related credit lines and banks were hesitant to get into long-term banking.

In December 2000, a requirement was imposed on all leasing companies to increase the paid-up capital to Rs 200 million. After allowing several extensions, the deadline was finally fixed at 30th June 2001. This has triggered off a series of mergers. As many as 11 mergers and acquisitions have taken place in the sector in the last five years and more are expected in the coming years.

In a major move to strengthen and consolidate the country's financial sector, the SBP and the SECP jointly announced a plan to encourage reduction in the number of Non-Banking Finance Institutions (NBFIs) by allowing them to combine all their activities in a single corporate entity under the generic name of Non-Banking Finance Companies (NBFCs). In order to eliminate the existing overlap of regulatory jurisdiction of NBFIs, effective 1st December 2002, SECP has been vested with exclusive jurisdiction over all NBFCs including leasing companies.

While all NBFIs in future will be incorporated as NBFCs, even for performing a single business activity, the existing NBFIs will have the option to become NBFCs or retain their existing identity. The existing investment banks will continue to operate in accordance with the current regulatory framework, but in future, no fresh license will be issued in the present shape. Instead, the license will be issued to institutions desiring to perform investment and corporate advisory services. The proposed changes would provide greater operational flexibility to individual entities and the process of merger across financial sector entities is likely to gain momentum. The activities that could be undertaken by an NBFC include investment banking, housing finance, venture capital, asset management, discounting services, investment advisory services and leasing.

Leasing in Pakistan is of various types, but there are several sub-sectors (within the main leasing sector) that command a significant and increasing share, such as vehicle leasing. Initially, leasing companies were the key financial entities providing consumer financing in Pakistan with particular emphasis on vehicle leasing. The last few years have depicted a mixed trend for the leasing sector as the demand continued to stagnate except for the car lease business. The share of financing for vehicles out of the total leasing business had increased from 27.2 percent in



FY00 to 37.1 percent in FY01, as the total amount financed increased from Rs 10.4 billion to Rs 14.6 billion during the same period.

Although the share of the leasing sector in fixed capital formation is modest by international standards, it continues to be constrained by the prevailing economic slow down. At the same time, with commercial banks emerging as potential competitors in the leasing arena with relatively lower cost of funds, spreads in the entire leasing sector would come under pressure. The increasing competition is crowding an already over-crowded sector. Managements would, therefore, be compelled to reduce the cost of funds by increasing resource mobilization efforts and finding new options for fund mobilization.

The strategy of maintaining spreads in the current environment would also require identifying new, untapped market segments through intensive marketing efforts. The trend of deterioration in asset quality has lately been arrested in most companies as managements develop more prudent credit evaluation criteria along with stepping up recovery efforts and also adopting a more conservative provisioning policy. These efforts have already started yielding positive results, as reflected in a sharp decline in infection in new leases, with improvement in provisioning coverage against the previously infected portfolio.

Restoration of initial year tax depreciation benefit for leasing companies in the Finance Ordinance 2001, along with the enhancement of minimum value of vehicles for the calculation of tax depreciation, from PKR 600k to PKR 750k, is likely to have a positive impact on cash flows of leasing companies. However, transfer of deferred tax reserve to deferred tax liability, in terms of SECP's circular No.16 dated September 09, 1999, will have a negative impact both on the capital structure and the borrowing capacity. Going forward, expensing of deferred tax in the subsequent years would have a dampening effect on net earnings, although there will be neutral effect on cash flows. However, the long-term growth potential in the demand for consumer leasing will remain linked to national economic growth. Currently, with limited demand for industrial credit, the entire financial sector is concentrating on consumer financing. Consequently, the hitherto exclusive preserve of the leasing sector is under a serious threat of "poaching" by commercial banks. And this situation is not likely to change in the foreseeable future. Leasing companies would thus be hard-pressed to maintain their spreads and hence profitability. In PACRA's opinion, the critical factor for individual leasing companies would be the overall quality of management, and, in particular, the capacity and ability to effectively manage risk and to explore new avenues for business expansion.



RECENT DEVELOPMENTS

1. Commercial banks allowed to set up subsidiaries for Islamic banking

The State Bank of Pakistan (SBP) on 1st January 2003, authorized commercial banks to set up subsidiaries for Islamic banking in the country, in a move to promote this kind of banking activity in Pakistan. Commercial banks have multiple branches in all parts of the country and with this authorization, they will be allowed to dedicate a few of these branches solely for the purpose of Islamic banking. Detailed criteria for the setting up and licensing of these branches has been issued by the SBP.

2. Saving schemes' profit rates reduced

On 1st January 2003, the Finance Ministry reduced by 1 to 1.5 percentage points the interest rate on all national savings schemes. The return on Defence Savings Certificates, Regular Income Certificates, Special Savings Certificates / Special Savings Accounts and Savings Accounts have been fixed at 10.03 percent, 9.12 percent, 8.67 percent and 5 percent per annum, respectively, for certificates issued / accounts opened after January 1, 2003. According to the government, low interest rates encourage investment and promote growth.

3. SECP issues directive to some insurance companies to discontinue business

On January 1st, 2003, the SECP disallowed 12 out of 48 insurance companies in Pakistan from doing business, as they failed to meet the requirement of raising their minimum paid-up capital of Rs 50 million by December 31, 2002. However, three of these 12 companies (Jupiter Insurance Co, Credit Insurance Co and Union Insurance Co) were later allowed to continue their business as they had met the paid up capital requirement. Those companies, which were disallowed from underwriting fresh insurance business, do, however, have a commitment to acquit themselves to current policyholders.

4. Export finance rate slashed further

From 1st January 2003 onwards, the export refinance rate has been slashed further from 7 to 6 percent by the SBP, making money cheaper for exporters. On 1st February 2003, this rate was once again slashed by 0.5%.

5. SBP issues Master Circular to banks

The SBP has issued a circular for external auditors of banks to comply with a set of guidelines. The auditors have to verify transactions with other banks, transactions related to shares, lending to directors, staff provident funds etc., all of which are expected to improve transparency within the banking sector.



6. Six month T-bill rates slashed further

The SBP on 6th February 2003 further reduced the rate of six-month T-bills by 58bps from 3.94% to 3.36%. This action is an indication from the government to urge banks to lower their rates as well, so as to boost investment in the country, though analysts feel this action alone is not going to be enough for the government to get its desired results.

7. Monetary expansion projected to hit 16% for 2002-2003

The SBP, on January 30, 2003, issued a monetary policy statement stating that monetary expansion is projected at more than 16 percent, as against the target of 10.8 percent due to increased foreign exchange flows into the country. The statement also outlined the monetary stance to be followed till June 2003.

8. SECP introduces Code of Corporate Governance for Insurance Companies

To ensure good business practices by the insurance companies of Pakistan, the SECP on 31st January 2003, introduced a Code of Corporate Governance for all insurance companies operating in Pakistan.

Source: Newspapers



SOVEREIGN RATINGS OF SELECTED COUNTRIES

Region	Country Name	Rating Assigned (Long-Term/Short-Term)*		
		S&P	Moody's	FitchRatings
Africa				
	Egypt	BB+/B	Ba2/NP	BB+/B
	South Africa	BBB-/A3	Baa2/P2	BBB-/F3
America				
	Argentina	SD/SD	Ca/NP	DDD/C
	Brazil	B+/B	B3/NP	B/B
	Canada	AAA/A1+	Aaa/P1	AA+/F1+
	U.S.A.	AAA/A1+	Aaa/P1	AAA/F1+
Asia Pacific				
Middle East				
	Bahrain	A-/A2	Baa3/P3	A-/F1
	Kuwait	A+/A1+	A2/P1	AA-/F1+
North Asia				
	China	BBB/A3	Baa1/P2	A-/F1
	Hong Kong	A+/A1	A3/P1	AA-/F1+
	Japan	AA-/A1+	Aaa/P1	AA/F1+
	Korea	A-/A2	A2/P1	A/F1
	Taiwan	AA-/A1+	Aa3/P1	A+/F1
South Asia				
	India	BB/B	Ba2/NP	BB/B
	Indonesia	CCC+/C	Caa1/NP	B/B
	Iran	---	---	B+/B
	Malaysia	BBB+/A2	Baa1/P2	BBB+/F2
	Pakistan	B/B	B3/NP	---
	Philippines	BB+/B	Ba2/NP	BB+/B
	Thailand	BBB-/A3	Ba1/NP	BBB-/F3
Others				
	Australia	AAA/A1+	Aaa/P1	AA+/F1+
	New Zealand	AA+/A1+	Aaa/P1	AA/F1+
Europe				
	Belgium	AA+/A1+	Aaa/P1	AA/F1+
	France	AAA/A1+	Aaa/P1	AAA/F1+
	Germany	AAA/A1+	Aaa/P1	AAA/F1+
	Italy	AA/A1+	Aaa/P1	AA/F1+
	Netherlands	AAA/A1+	Aaa/P1	AAA/F1+
	Russia	BB/B	Ba3/NP	BB-/B
	Spain	AA+/A1+	Aaa/P1	AA+/F1+
	Switzerland	AAA/A1+	Aaa/P1	AAA/F1+
	U.K.	AAA/A1+	Aaa/P1	AAA/F1+

* Rating Scales are available at www.standardandpoors.com, www.moodys.com, www.fitchratings.com



PACRA RATING ACTIONS

February 28, 2003: Orix Leasing

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term entity rating of ORIX Leasing Pakistan Limited (OLP) to 'AA' (Double A) and the short-term rating is maintained at 'A1+' (Single A one plus). The entity ratings are applicable to the senior unsecured creditors of the company. The ratings of the secured TFCs (First Tranche: PKR 742mln, Second Tranche: PKR 758mln) have been upgraded to 'AA+' (Double A Plus). These ratings indicate a low expectation of credit risk and a very strong capacity for timely payment of financial commitments.

OLP's ratings reflect a continuing low risk profile of the lease portfolio and maintained performance from core operations. Meanwhile, diversification - customers as well as products - remains the main strength of the company. The ratings take into account the recent equity injection, which, while reducing the gearing, also has positive implication for the risk absorption capacity.

PACRA also recognises support through affiliation with ORIX Corporation Japan (ORIX) and most importantly, the quality of senior management with demonstrated capability of effective management in a difficult operating environment. OLP, having a track record of successfully implementing well-designed business plans, is likely to retain its leadership position in a competitive environment by innovating and defining new niches for itself.

PACRA Upgrades Ratings of [Orix Leasing Pakistan Limited](#)

PACRA Maintains Ratings of [First International Investment Bank Limited \(Interbank\)](#)

PACRA Upgrades Ratings of [Pakistan Industrial Credit & Investment Corporation \(PICIC\)](#) with Positive Outlook

PACRA Assigns Credit Ratings to [First Grindlays Modaraba](#)

PACRA Maintains Ratings of [Khadim Ali Shah Bukhari & Company Limited](#)

PACRA Assigns Credit Ratings to [First Punjab Modaraba](#)

PACRA Upgrades Entity Ratings and also Assigns Rating to the Proposed TFC of [Trust Leasing Corporation Limited](#)

PACRA Upgrades Ratings of [Jahangir Siddiqui Investment Bank Limited](#)

PACRA Maintains Entity and TFC Ratings with Positive Outlook and also Assigns Rating to the Proposed TFC Issue of [Network Leasing Corporation Limited](#)

PACRA Assigns Short-Term Rating of to the TFC Issue of [Gatron \(Industries\) Limited](#)

PACRA Upgrades Entity and Maintains TFC Ratings of [Atlas Investment Bank Limited](#)

February 25, 2003: First International Investment Bank (Interbank)

PACRA has maintained the entity ratings of Interbank at 'A' (Single A) and 'A1' (A one) for the long-term and short-term, respectively. The entity ratings are applicable to the senior unsecured creditors of the bank. The ratings of the unsecured TFCs, namely Regular Income (Series R1) of Rs.136 mln and Money Multiplier (Series M1) of Rs.57.04 mln, have been maintained at 'A' (single A), while that of the secured TFC of Rs.326 mln has been maintained at 'A+' (single A plus). These ratings denote a low expectation of credit risk and strong capacity for timely payment of financial commitments.



Interbank's ratings reflect bank's maintained performance, high liquidity and effective risk management policies evidenced by good asset quality. The ratings also recognize strength of the sponsors and quality of the senior management.

February 20, 2003: Pakistan Industrial Credit & Investment Corporation (PICIC)

PACRA has upgraded the long-term rating to 'A+' (single A plus) for PICIC, while the short-term rating has been maintained at 'A1' (A one). Both ratings have a positive outlook. These ratings denote a low expectation of credit risk and strong capacity for timely payment of financial commitments.

PICIC's ratings reflect the considerable improvement in the earning potential of the Corporation, given the improving risk profile of the loan portfolio and diversification in the asset base as well as revenue sources.

February 07, 2003: First Grindlays Modaraba

PACRA has assigned the entity ratings at 'AA+' (Double A plus) and 'A1+' (Single A one plus) for the long-term and short-term, respectively. These are the highest ratings assigned by PACRA to any modaraba / leasing company and indicate low expectation of credit risk and very strong capacity for timely payment of financial commitments.

The ratings reflect FGM's continued outstanding performance and asset quality as well as the strong support factor through its affiliation with the Standard Chartered Group in Pakistan.

February 06, 2003: Khadim Ali Shah Bukhari & Company (KASB)

PACRA has maintained entity ratings of Khadim Ali Shah Bukhari & Co. Ltd. (KASB) at "A" (single A) for long-term and "A1" (A one) for short-term. The assigned ratings denote a high credit quality with low expectation of credit risk and a strong capacity for timely payment of financial obligations. These ratings are applicable to the senior unsecured creditors of the company.

The ratings assigned to KASB reflect the continuing low credit risk emanating from the sound capital structure of the company. At the same time, the ratings also take into account the volatility risk in performance arising from stock market fluctuations.

February 04, 2003: First Punjab Modaraba

PACRA has assigned the ratings of 'A-' (Single A Minus) and 'A2' (A Two) for the long-term and short-term, respectively, to First Punjab Modaraba. The ratings denote a low expectation of credit risk and a strong capacity for timely payment of financial commitments.

The ratings of First Punjab Modaraba reflect a stable performance and maintained asset quality. Given the predominantly equity based structure, the Modaraba continues to have a strong capacity to absorb potential risk. While the Modaraba is well positioned to target leveraged growth, the management has so far retained its conservative strategy of limited growth with a low reliance on borrowing.



February 03, 2003: Trust Leasing

PACRA has assigned an instrument rating of 'A' (Single A) to TLC's proposed TFC issue of PKR 300mln (including a greenshoe option of PKR 50mln). The long-term entity rating has been upgraded to 'A-' (Single A Minus) and the short-term rating is maintained at 'A2' (A Two). These ratings denote a low expectation of credit risk and a strong capacity for timely payment of financial commitments.

TLC's ratings reflect the increasing risk absorption capacity and the ongoing process of improving risk profile of the loan portfolio through provisioning and settlement of NPLs. While FY03 performance will be pressurised by provisioning requirement, the potential risk of loss is expected to be substantially mitigated. Thereafter, the net earnings, with maintained asset quality, are projected to register significant increase. However, these can be impacted by falling returns due to increasing competition and declining interest rates.

January 27, 2003: Jahangir Siddiqui Investment Bank (JSIBL)

PACRA has upgraded the long-term rating to 'A' (Single A) and short term rating to 'A1' (A one) for Jahangir Siddiqui Investment Bank Limited (JSIBL). These ratings are applicable to senior unsecured creditors of the bank. JSIBL's ratings indicate a low expectation of credit risk and strong capacity for timely repayment of financial commitments.

The ratings reflect JSIBL's improvement in performance, robust growth and the enhanced stability in the income stream stemming from greater reliance on mark-up based sustainable sources of income, while maintaining strong liquidity and good asset quality. These rating also takes into account the increased investment in equity securities, which expose the bank to relatively higher market volatility while at the same time due to high quality equity portfolio, earnings are expected to rise in the short run, resulting in an improvement in risk absorption capacity of the bank.

January 14, 2003: Network Leasing

PACRA has assigned an instrument rating of 'A-' (Single A Minus) to NLC's proposed TFC issue of Rs.300mln (including a greenshoe option of Rs.50mln). The rating also recognizes the tangible credit enhancement feature, whereby another financial institution has guaranteed the principal redemption on a rollover basis. The rating denotes a low expectation of credit risk and a strong capacity for timely payment of financial commitments.

The rating of the TFC in issue of Rs.100mln has been maintained at 'BBB+' (Triple B Plus), while a positive outlook has been assigned to the entity ratings, which have been maintained at 'BBB' (Triple B) and 'A3' (A Three) for the long-term and short-term, respectively. These ratings denote a low expectation of credit risk, and an adequate capacity for timely payment of financial commitments.

NLC's ratings recognise the steady growth in earning assets, improved access to lower cost funds and targeted growth in business volume, while maintaining the asset quality. Although the company remains well positioned to maintain growth in its identified market niche, the



performance will remain constrained by increasing competition in the sector as well as the difficult operating environment.

January 10, 2003: Gatron (Industries) Limited

PACRA has assigned short-term rating of "A1+" (A One Plus) to the secured TFC of PKR 274 mln of Gatron (Industries) Limited. A short-term rating is being notified as only the last installment of the TFCs remains outstanding being payable on June 17, 2003. This rating denotes obligations supported by the highest capacity for timely repayment.

PACRA's rating reflects the improving trend in financial coverages and gearing attributable mainly to sustained profitability, strong cash flows and conservative capital structure supplemented by the marked reduction in the outstanding debt obligations.

January 09, 2003: Atlas Investment Bank

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term entity rating of Atlas Investment Bank Limited (AIBL) to "A-" (Single A minus) and maintained short-term entity rating at "A2" (A two). The entity ratings are applicable to senior unsecured creditors of the bank.

The long-term ratings of both tranches of secured TFCs (Rs.200mln and Rs.100mln), issued by Atlas Lease Limited (ALL) and vested in AIBL subsequent to the merger of both the entities, have also been maintained at "A" (Single A). These ratings denote a low expectation of credit risk and strong capacity for payment of financial commitments.

While updating the ratings, PACRA has taken note of the substantially enlarged equity base, diversified operations and other benefits achieved through the amalgamation with ALL, as well as the bank's enhanced exposure to capital market exposing it to its inherent volatility. However, the management has been able to mitigate the risk and insulate the bank's income stream through the broad spectrum of diversification within the capital market operations.



List of Publicly Disseminated Ratings (As At February 28, 2003)

Entity Ratings:

Sr. No.	Name of the Organisation	Type of Rating	Date of Notification	Rating Assigned		
				FS/MF	LT	ST
FINANCIAL SECTOR						
BANKING COMMERCIAL						
1.	Askari Commercial Bank Limited	Entity	06/29/2002		AA	A1+
2.	AlBaraka Islamic Bank (Pakistan Branches)	Entity	07/01/2002		A	A1
3.	Bank Alfalah Limited	Entity	06/11/2002		AA-	A1+
4.	Bank Al Habib Limited	Entity	06/25/2002		AA	A1+
5.	The Bank of Punjab	Entity	06/29/2002		A	A1
6.	Metropolitan Bank Limited	Entity	06/26/2002		AA+	A1+
7.	Muslim Commercial Bank Limited	Entity	09/10/2002		AA	A1+
8.	Prime Commercial Bank Limited	Entity	07/01/2002		A	A1
9.	Soneri Bank Limited	Entity	06/29/2002		AA-	A1+
10.	Union Bank Limited	Entity	07/18/2002		A-	A2
BANKING INVESTMENT						
1.	Atlas Investment Bank Limited	Entity	01/02/2003		A-	A2
2.	Crescent Investment Bank Limited	Entity	07/25/2002		BBB-	A3
3.	First International Investment Bank Limited	Entity	02/21/2003		A	A1
4.	Jahangir Siddiqui Investment Bank Limited	Entity	01/22/2003		A	A1
DFIS / INVESTMENT COMPANIES / BROKERAGE HOUSES / MUTUAL FUNDS						
1.	BSJS Balanced Fund Limited	MF ¹	02/18/2003	AA(f)	---	---
2.	House Building Finance Corporation (HBFC)	Entity	11/18/2002		A	A1
3.	Jahangir Siddiqui & Co. Limited	Entity	12/02/2002		AA	A1+
4.	Khadim Ali Shah Bukhari & Co. Limited	Entity	01/29/2003		A	A1
5.	National Investment (Unit) Trust – NIT	MF	10/02/2002	A(f)	---	---
6.	Pakistan Industrial Credit & Investment Corporation Limited (PICIC)	Entity	02/17/2003		A+	A1
7.	Unit Trust Of Pakistan	MF	01/22/2003	AA(f)	---	---
INSURANCE COMPANIES						
1.	International General Insurance Company of Pakistan Limited (IGI)	IFS ²	07/25/2002	AA	---	---
2.	Muslim Insurance Company Limited	IFS	09/19/2002	A	---	---
3.	New Jubilee Insurance Company Limited (NJI)	IFS	02/21/2003	AA	---	---
LEASING COMPANIES						
1.	Askari Leasing Limited	Entity	04/25/2002		A+	A1

¹ Mutual Fund Rating

² Insurer Financial Strength



Sr. No.	Name of the Organisation	Type of Rating	Date of Notification	Rating Assigned	
				FS/MF	LT ST
2.	Crescent Leasing Corporation Limited	Entity	11/07/2002	A+	A1
3.	Dawood Leasing Company Limited	Entity	02/21/2003	A+	A1
4.	Now KASB Leasing Limited (Formerly Pak-Apex Leasing Company Limited)	Entity	11/15/2002	BBB+	A2
5.	National Development Leasing Corporation Limited (NDLC)	Entity	11/25/2002	A	A1
6.	Network Leasing Corporation Limited	Entity	12/11/2002	BBB	A3
7.	Orix Leasing Pakistan Limited	Entity	02/24/2003	AA	A1+
8.	Pacific Leasing Company Limited	Entity	11/25/2002	BBB	A3
9.	Trust Leasing Corporation Limited	Entity	01/28/2003	A-	A2
10.	Union Leasing Limited	Entity	10/21/2002	A-	A1
MODARABAS					
1.	First Grindlays Modaraba	Entity	02/04/2003	AA+	A1+
2.	First Habib Modaraba	Entity	02/17/2003	AA-	A1+
3.	First Punjab Modaraba	Entity	01/29/2003	A-	A2
INDUSTRIAL CORPORATES					
1.	Al-Abbas Sugar Mills Limited	Entity	04/19/2002	A-	A2
2.	Engro Chemical Pakistan Limited	Entity	05/30/2002	A+	A1
3.	Gulistan Textile Mills Limited	Entity	07/21/2001	BBB+	A2
4.	Packages Limited	Entity	07/10/2002	AA-	A1+
5.	Pak-Arab Refinery Company Limited (PARCO)	Entity	02/18/2002	AAA	A1+
6.	Security Papers Limited	Entity	08/16/2002	AA	A1+
7.	Tri-Pack Films Limited	Entity	06/28/2002	A+	A1
8.	WorldCall Communications Limited	Entity	05/14/2002	A+	A1

Term Finance Certificates (TFCs) Ratings:

Sr. No.	Name of the Organisation	Type of Rating	Date of Notification	Rating Assigned	
				LT	ST
1.	Al-Noor Sugar Mills Limited	TFCs	04/17/2002	BBB+	
2.	Atlas Investment Bank Limited (Originally Issued By Atlas Lease Limited)	TFCs – 1 st Tranche	01/02/2003	A	
3.	---	TFCs – 2 nd Tranche	01/02/2003	A	
4.	Bank Alfalah Limited	TFCs	08/27/2002	A+	
5.	Crescent Leasing Corporation Limited	TFCs	11/07/2002	AA-	
6.	Dawood Leasing Company Limited	TFCs – 1 st Tranche	02/21/2003	AA-	
7.	---	TFCs – 2 nd Tranche	02/21/2003	AA-	
8.	Engro Chemical Pakistan Limited	TFCs – 1 st Tranche	05/30/2002	AA-	
9.	---	TFCs – 2 nd Tranche	05/30/2002	AA-	



Sr. No.	Name of the Organisation	Type of Rating	Date of Notification	Rating Assigned	
				LT	ST
10.	First International Investment Bank Limited	TFCs	02/21/2003	A+	
11.	---	TFCs-M	02/21/2003	A	
12.	---	TFCs-R	02/21/2003	A	
13.	Gatron Industries Limited	TFCs	01/07/2003		A1+
14.	Gulistan Textile Mills Limited	TFCs	07/21/2001	A-	
15.	Jahangir Siddiqui & Co. Limited	TFCs	12/02/2002	AA	
16.	KASB Leasing Limited (Formerly Pak-Apex Leasing Company Limited)	TFCs	11/15/2002	A-	
17.	Maple Leaf Cement Factory Limited	TFCs	10/28/2002	A-	
18.	National Development Leasing Corporation Limited (NDLC)	TFCs	11/25/2002	A+	
19.	Network Leasing Corporation Limited	TFCs-I	12/11/2002	BBB+	
20.	---	TFCs-II	12/11/2002	A-	
21.	Nishat Mills Limited	TFCs	06/10/2002	A+	
22.	Orix Leasing Pakistan Limited	TFCs – 1 st Tranche	02/24/2003	AA+	
23.	---	TFCs – 2 nd Tranche	02/24/2003	AA+	
24.	Pacific Leasing Company Limited	TFCs	11/15/2002	BBB+	
25.	Packages Limited	TFCs	07/10/2002	AA-	
26.	Pak-Arab Refinery Company Limited (PARCO)	TFCs	02/18/2002	AAA	
27.	Pakistan PTA Limited (Formerly ICI Pakistan Limited)	TFCs-I	07/10/2002	A	
28.	---	TFCs-II	07/10/2002	A	
29.	Paktel Limited	S-TFCs ¹	09/19/2002	A	
30.	Shahmurad Sugar Mills Limited	TFCs	04/09/2002	BBB	
31.	Sui Southern Gas Company Limited (SSGC)	TFCs – 1 st Tranche	02/28/2002	AA	
32.	---	TFCs – 2 nd Tranche	02/28/2002	AA	
33.	Trust Investment Bank Limited (Originally Issued By PILCORP)	TFCs-I	01/10/2002	A-	
34.	---	TFCs-II	01/10/2002	A-	
35.	Trust Leasing Corporation Limited	TFCs	01/28/2003	A	
36.	Union Bank Limited	TFCs	10/21/2002	A-	
37.	Union Leasing Limited	TFCs	10/21/2002	A	
38.	WorldCall Communications Limited	TFCs	06/20/2002	AA-	

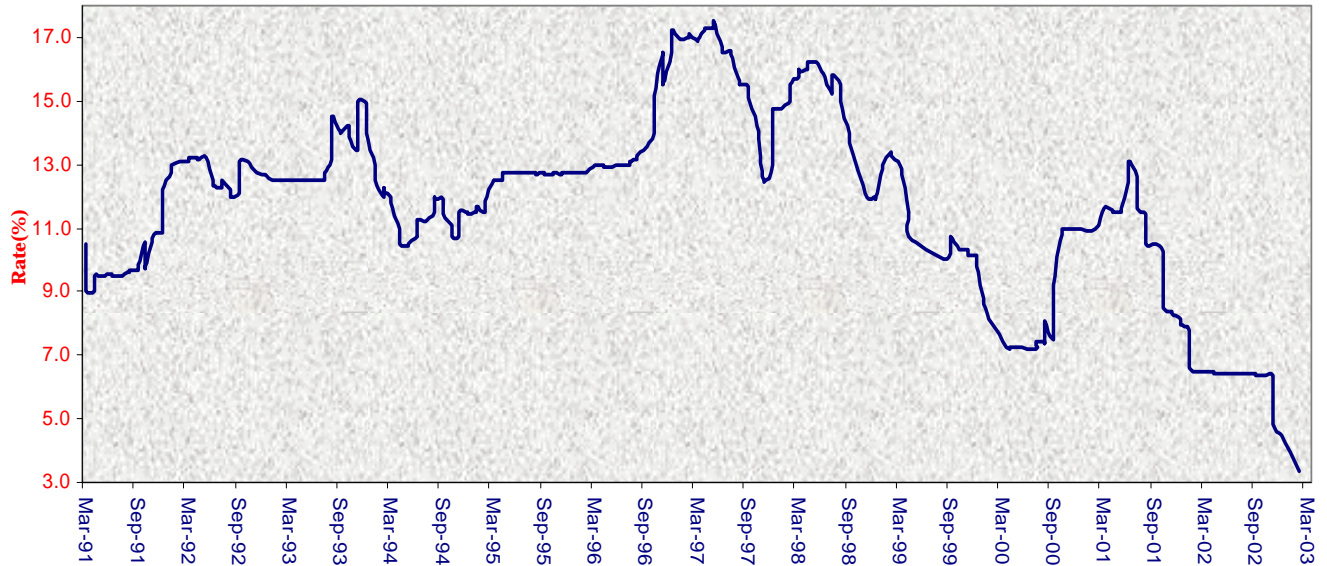
¹ Securitised Term Finance Certificate



INTEREST RATE TRENDS

Short Term: (Treasury Bills)

Cut Off Yield (March 1991 - February 2003)



Long Term: (PIBs)

