



## Rating Action

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## PACRA EMPHASIZES RATING WATCH ON FIRST DAWOOD INVESTMENT BANK

First Dawood Investment Bank was severely impacted during the liquidity crises in the first half of FY09. Besides weakening of revenue generation prospects, the overall risk absorption capacity of the bank deteriorated owing to complete erosion of its equity. Moreover, liquidity constraints undermined the bank's ability to timely service its debt obligations. Although the bank continued to perform on its TFC and few other obligations, it did not honour its most financial commitments. This corresponds to PACRA's definition of rating "D", which states that obligations have a high risk of default or are currently in default.

Since then, the management is making efforts to revive bank's operations by restructuring its financial profile. The restructuring plan includes, interalia, debt equity swaps, renegotiation of lending rates and terms of loans with lenders, and injection of fresh equity. The bank has made significant progress as to its restructuring plan. Majority of the lenders have either formally agreed or given in principle approval to continue their relationship with the bank on relatively softer terms. The management expects to complete this process by end Dec09.

The Rating Agency recognizes the advancements made by the management to re-build FDIB's overall profile. In this context, the complete execution of restructuring plan and rebuilding of equity to an adequate level would remain critical. The long-term and short-term entity ratings of First Dawood Investment Bank Limited (FDIBL) are **BB** (Double B) and **B** (Single B), respectively. The rating of secured TFC of PKR 345mln is at **BB** (Double B). However, these ratings would be on "Rating Watch" and any derailment in the restructuring process would have negative implications.

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