



Rating Action

Lahore: (09-May-2008)

Analyst

Aisha Khalid
(+92-42-586 9504)
aisha@pacra.com
www.pacra.com

PACRA ASSIGNS RATINGS TO FIRST FIDELITY LEASING MODARABA

The Pakistan Credit Rating Agency (PACRA) has maintained the entity ratings of First Fidelity Leasing Modaraba (FFLM) at “A-” (Single A minus) for the long-term and “A2” (A two) for the short-term. Meanwhile, PACRA has assigned “A” (Single A) rating to the proposed *Sukuk* issue of PKR 200mln by FFLM. The ratings denote a low expectation of credit risk and a strong capacity for timely payment of financial commitments

The ratings reflect FFLM’s low leveraged capital structure and good asset quality. Although the management plans to expand its *Musharika* business mainly relating to development projects, it intends to keep its contribution towards the total assets limited. At the same time, with the ongoing restructuring of Modaraba’s asset base its performance is expected to improve.

The Proposed Sukuk issue: FFLM intends to issue its first rated *Sukuk* of PKR 200mln in the near-term for a tenure of 5 years. The profit payment is based on six months KIBOR plus 225bps with no floor and a cap of 13%. The principal repayment is in 6 equal semi-annual instalments payable after a grace period of two years. The issue is secured by hypothecation over unencumbered Ijara assets/current assets of the company plus 25% margin and through an exclusive charge by way of equitable mortgage of immovable property plus 25% margin.

The Modaraba: FFLM, listed on all the three stock exchanges of the country, was established in 1991 and is managed by Fidelity Capital Management (Pvt.) Limited. While the Modaraba operates principally through its head office in Lahore, it also has branch in Islamabad. During FY07, a group of individuals comprising Chief Executive of the Modaraba and his associates acquired the majority shareholding of the management company of the Modaraba.

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

PACRA’s comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings.

PACRA’s opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security’s market price or suitability for a particular investor.