



Rating Action

Lahore : 22-Sep-2016

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PACRA MAINTAINS ENTITY RATINGS OF FIRST FIDELITY LEASING MODARABA

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term entity ratings of First Fidelity Leasing Modaraba at **BBB+** (Triple B plus) and **A2** (A two), respectively. The ratings denote low expectation of credit risk and an adequate capacity for timely payment of financial commitments.

The ratings reflect adequate financial profile of FFLM supported by its equity based capital structure. However, resultant benefits have been limited due to stressed asset structure. FFLM's asset base largely comprises non-earning assets (89% at end-Mar16) mainly less liquid investment property - Enplan - and sizeable net non-performing advances. This, while exhibiting weak earning profile of the Modaraba, kept the Modaraba's performance under pressure (loss for the periods, 9MFY16: 4mln; 9MFY15: 5mln). Although the management is making continuous efforts to liquidate its exposure in "Enplan", persistent delays constrained the performance of the Modaraba. Meanwhile limited success is experienced by the management in recovery of non-performing book.

The ratings are dependent on the management's ability to envisage a business plan for the Modaraba. This strategy, at minimum, should help overcome continuing losses. Timely liquidation of investment in "Enplan" is important to bring viability to the Modaraba. Any significant decline in its value, resulting in erosion in equity, would have negative implications for the ratings. Meanwhile, any debt acquisition should be considered carefully.

ABOUT FFLM: FFLM, established in 1991 and listed on Pakistan Stock Exchange, is managed by Fidelity Capital Management (Pvt.) Limited. The Modaraba operates through its registered office in Lahore. The Chief Executive of the Modaraba and his associates hold the majority shareholding in the Modaraba management company and the Modaraba. The board of directors of Modaraba Management Company, chaired by Siyyid Tahir Nawazish, comprises four members including the CEO. The CEO, Mr. Wasim-ul-Haq Osmani, a Chartered Accountant with extensive experience in the financial sector, has been with the Modaraba since 1994.

Applicable Criteria and Related Research

- Modaraba - Viewpoint | Sep-16
- Non-Banking Finance Companies Methodology

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