



Rating Action

Lahore : 31-Mar-2016

Analyst

Haider Imran
(+92-42-35869504)
haider.imran@pacra.com
www.pacra.com

PACRA Maintains IFS Rating of Dawood Family Takaful

The Pakistan Credit Rating Agency (PACRA) has maintained the IFS rating of Dawood Family Takaful Limited (DFTL) at "A-" (**Single A Minus**). The rating denotes strong capacity of the company to meet policyholder and contractual obligations.

The rating reflects DFTL's ability to continue capturing takaful volumes, though this is enough only to sustain market share (~1% in 2015). This is helping the company in gradually bridging the gap towards operational break-even. However, it requires continued business expansion and maintained efficiency. Herein, the company is eyeing bancassurance as an important source of contribution. The Takaful Fund (PTF) combined with Shareholders' Fund (SHF) amount to an aggregate surplus at end-Dec15. SHF, on a standalone basis, is in loss which is shrinking every year. A sound IT infrastructure provides support to the operational efficacy of DFTL. The company has adequate risk absorption capacity. However, investment book of shareholders' fund still has a proportion of non-performing sukuk investments; some of them are being repaid at agreed restructured terms.

The rating is dependent upon continued improvement in surplus in takaful fund, continued independence of management from sponsors and sustained liquidity position. At the same time, consistent decline in operating loss of the operator is important. Upholding strong governance practices is critical. The sponsors financial profile was relatively stretched, which is now improving.

About the company:

Dawood Family Takaful Limited (DFTL) is an unlisted Shariah-compliant Life Insurer which came into existence in May 2007 and commenced operations beginning 2009. It operates through a branch network of 41 branches, with the Head Office in Karachi. DFTL is majorly owned by First Dawood Group (FDG) holding 44% stake, followed by the Bank of Khyber (15%), and GulfCap (8%).

DFTL has a seven-member BoD, which includes CEO, three representatives of FDG, including one executive director (Mr. Rafique Dawood), one of BoK, and two independent directors. Mr. Nasir Mahmood, who had been associated with the company for five years as Head of Individual Marketing and Agency Administration, was appointed CEO in Mar'14. Mr. Mahmood has vast insurance industry experience related to marketing and business development. A team of professionals assists the CEO.

Applicable Criteria and Related Research

- Life Insurance and Family Takaful - Viewpoint | Mar-16
- Insurer Financial Strength Rating Methodology

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 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.