



Rating Action

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Applicable Criteria and Related Research

- Asset Management Industry - Viewpoint | Apr-15
- Asset Manager Rating Methodology
- Corporate Rating Methodology

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PACRA MAINTAINS ENTITY RATING OF MCB-ARIF HABIB SAVINGS & INVESTMENTS LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term entity rating of MCB-Arif Habib Savings & Investments Limited (MCBAH) at "AA-" (**Double A Minus**) and short-term rating at "A1+" (**A One Plus**). These ratings denote very strong capacity for timely payment of financial commitments.

The ratings reflect MCBAH's well-maintained franchise augmenting its relative positioning in a competitive market. A well-diversified fund slate along with a consistent growth in AUMs bodes well for the company's revenue stream. The increased contribution of retail investors benefitting through the company's iconic message 'Bachat Ka Doosra Naam' helps in providing sustainability to the core income. The company's experienced management and requisite systems are well placed to tap the growth opportunities in the mutual fund industry. Well guided TORs and prudent investment framework provide comfort against the management's plan to supplement company's income through government securities investments. Sustained improvement in profitability lends more than adequate support to coverage's. The rating incorporates MCBAH's association with two prominent business conglomerates of Pakistan - particularly a leading bank, MCB Bank Limited.

The ratings are dependent on the company's ability to sustain its market standing by capitalizing on the self and group operating platform. Meanwhile, stability of the quality human resource, alongwith rationalization of the fund slate, would remain important. Achieving continuity in competitive fund performance is critical to ensure sustainability in the fee revenue.

About the company:

MCBAH is a subsidiary of MCB Bank Limited (MCB). MCB holds majority stake (51%) in the company, followed by Arif Habib Corporation Limited (30%). The company is managing fourteen open end mutual funds alongwith two pension schemes with AUMs of ~ PKR 49bln at end-Feb16. MCBAH also manages a SMA portfolio of ~ PKR 19.15bln. MCB, the fourth largest bank in Pakistan in terms of asset size and branch network, has a very strong financial position, evidenced by a long-term entity rating of AAA by PACRA. Arif Habib Corporation is the holding company for Arif Habib Group with interests in the financial and industrial sectors.

The eight members BoD comprises the CEO, two representatives from MCB, two representatives from AHG and three independent members. Mian Muhammad Mansha - Chairman MCB - serves as the Chairman on the board. Mr. Nasim Beg - a representative of AHG - acts as the Vice Chairman.

During CY16, Mr. Yasir Qadri, former CEO, left the company. Currently, Mr. Saqib Saleem (Chief Operating Officer and Company Secretary), has been appointed as the Acting Chief Executive Officer.

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.