



Rating Action

Lahore : 12-Mar-2015

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Applicable Criteria and Related Research

- Corporate Rating Methodology

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PACRA ASSIGNS ENTITY RATINGS TO MCB-ARIF HABIB SAVINGS & INVESTMENTS LIMITED

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

The ratings reflect MCBAH's strong and sound franchise augmenting its relative positioning in a competitive market. The merger has improved stability and diversity of income streams on the back of larger AUMs and enhanced other income. This has been significantly achieved with a sizeable share of retail investors - marketed through iconic message of 'Bachat Ka Doosra Naam'. The company's experienced management and requisite systems are well placed to tap the growth opportunities in the mutual fund industry. MCBAH plans to acquire debt; however, the well guided TORs and prudent investment framework provide comfort. The sustained improvement in profit lends more than adequate support to cash flow as well as interest coverages. 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 products 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 thirteen open end mutual funds alongwith two pension schemes with AUMs of ~ PKR 48bln at end-Jan15. MCBAH also manages a SMA portfolio of ~ PKR 10bln. 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 Executive Vice Chairman.

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.

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