



## Rating Action

Ratings (xx-Sep-2015)

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## **PACRA MAINTAINS RATINGS OF FIRST FIDELITY LEASING MODARABA**

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term 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. Modaraba's business profile remains limited; keeping the profitability under pressure. A significant portion of FFLM's assets constitute non-earning investment properties. Although the management is making efforts to liquidate these assets, delays have constrained the performance of the Modaraba. Meanwhile, FFLM has experienced fresh loan infection; though with management's close monitoring, net loss is expected to be limited. Nevertheless, the ratings draw comfort from the management's riskaverse strategy to keep the Modaraba debt-free.

The ratings are dependent on continuation of the management's strategy to maintain equity based capital structure while generating profitability from core business. Any sizeable leveraging, leading to asset - liability mismatch, and/or material deterioration in the value of investment properties could have negative implications for ratings.

**About the company:** FFLM, established in 1991 and listed on all the three stock exchanges of the country, 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 management company of 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***

- Bank Rating Methodology

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