

# RATING REFLECTIONS

JCR-VIS Credit Rating Company Limited

NATIONAL EXCELLENCE, INTERNATIONAL REACH

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## Invest Capital Investment Bank Limited

Rating of Investment Capital Investment Bank Limited (Invest Bank) has been outstanding with JCR-VIS Credit Rating Company Limited (JCR-VIS) since June 19, 2008. Given the merger of Al Zamin Leasing Modaraba (AZLM) and Al Zamin Leasing Corporation Limited (AZLC) with and into Invest Bank in 2010, all liabilities of AZLM and AZLC, including the outstanding instruments were assigned to Invest Bank.

In July 2009, JCR-VIS placed the entity ratings of Invest Bank under 'Rating Watch – Developing Status' in response to the potential merger of AZLM and AZLC with and into the bank. On completion of the merger in early 2010, the rating of the bank was maintained at A-/A-2. In line with notching guidelines for secured obligations, rating of TFC-2 issued by AZLM was reaffirmed at 'A' while rating of TFC-2 issued by AZLC was upgraded to 'A'. The amalgamated entity's debt leverage was on the higher side.

Moreover, quality of the portfolio inherited from AZLCL and AZLM reflected impairment, with high net infection. The ability of the management to scale down the administrative expenses was considered critical to alleviate the pressure on profitability. The institution had identified multiple revenue streams; however, those were linked to the recovery in economic activity.

The ratings of Invest Bank were again placed under 'Rating Watch – Developing Status' in July 2010 on account of the decision by the Board of Directors regarding approval of sale of shares held by Invest Capital Group in the bank to Zahidjee Group. Following this, the shareholding of Zahidjee Group increased to 56.80%. Sale of its wholly-owned subsidiary, namely, Invest Capital Markets Limited (ICML) with its entire business, assets and liabilities of brokerage trading to Invest Capital Group was also approved by the Board.

JCR-VIS revised the entity ratings of Invest Bank to 'D' in view of non-payment against an unrated restructured instrument, despite commitment by major sponsors to discharge all financial commitments of the bank, whenever falling due. The defaulted instrument represented 11.2% of total liabilities of the institution at end-December 2009. JCR-VIS also revised the rating of the outstanding TFC-2 issued by former AZLC to 'C'.

### **About the Issuer**

ICIBL is a public limited company, registered as an NBFC with licenses to carry out Leasing and Investment Finance Services. The shares of ICIBL are quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the company is situated in Karachi.

TABLE - I		Rating/Outlook History	
Rating Actions	Entity	AZLM* TFC-2	AZLC* TFC-2
Jun. 19, 2008	A-/A-2 – Positive	-	-
Mar. 12, 2009	A-/A-2 – Stable	-	-
Jul. 2, 2009	A-/A-2 – Stable Rating Watch	-	-
Feb. 19, 2010	A-/A-2 – Stable	A – Stable	A – Stable
Jul. 30, 2010	A-/A-2 Rating Watch Developing	A Rating Watch Developing	A Rating Watch Developing
Jun. 04, 2010	-	Matured	-
Sep. 3, 2010	D – Default	-	C

\*Note: Rating history of TFCs issued by AZLM and AZLC is presented from the point these entities were merged into Invest Bank.