

JCR-VIS Credit Rating Company Limited

Founder Shareholder - Islamic International Rating Agency (IIRA), Bahrain
Joint Venture Partner - Credit Rating & Information Services Ltd. (CRISL), Bangladesh
Member - Association of Credit Rating Agencies in Asia (ACRAA)

Press Release

JCR-VIS Reaffirms Entity Ratings of Sindh Leasing Company Limited

Karachi, May 28, 2018: JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed the entity ratings of Sindh Leasing Company Limited (SLCL) at 'A+/A-1' (Single A Plus/A-One). Outlook on the assigned ratings is 'Stable'. Previous rating action was announced on June 20, 2017.

The assigned ratings reflect profile of Government of Sindh (GoS: sponsor of SLCL), board level governance, asset quality and leverage indicators. However, ratings are constrained by the lease, loan and advances portfolio which is considered nascent due to high levels of client and sector concentration.

During the period under review, net financing portfolio exhibited growth, primarily emanating from lease disbursement. Although portfolio infection has not emerged so far, on the back of all performing loans, there is considerable portfolio concentration in the sugar sector, financial profile of which is considered weak. Being a commodity, sugar is prone to price and demand risk. Hence, this volatility has translated into weakening of borrowers' financial profile. Asset quality would remain a function of prudent underwriting which JCR-VIS will continue to track.

During the ongoing year, GoS injected equity to the tune of Rs. 1.5b resulting in an increase in net equity of SLCL to Rs. 3.5b. Moreover, SLCL has started issuance of Certificate of Investments (CoIs) to further raise funds in order to grow the financing portfolio further. We understand that disbursements in sectors other than sugar would reduce sector concentration, going forward. Leverage indicators are considered sound and are expected to remain at manageable levels, going forward. Liquidity profile of the institution derives support from sizeable liquid asset carried on the balance sheet. Excess liquidity is expected to be absorbed as the company forges ahead with its growth plans.

For further information on this rating announcement, please contact undersigned (Ext: 201) at 35311861-70 or fax to 35311872-3.



Javed Callea
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Applicable Rating Criteria: Non-Bank Financial Companies

<http://jcrvis.com.pk/Images/NBFC.pdf>

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