

KASB Modaraba

Chairman & Chief Executive: Mr. Syed M. Hussaini

July 04, 2008

Analysts: Zia Usmani
Amir Shafique

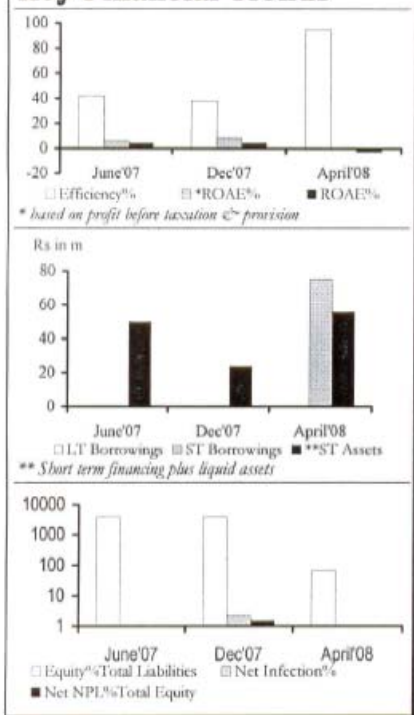
Category	Latest	Previous
Entity	BBB/A-3 June 11, '08	N/A N/A
Outlook	Stable June 11, '08	N/A

Rating Rationale

Following the acquisition of Network Leasing Corporation Limited (NLCL), KASB Capital Limited is the ultimate owner of KASB Modaraba Management (Pvt.) Limited (formerly Technology Ventures Private Limited), a subsidiary of NLCL with 97% shareholding. KASBMML owns 10% shares of KASB Modaraba (formerly First Mehran Modaraba). The KASB group is one of the leading groups operating in the country since 1995. Over the years the group has evolved into a financial services provider with a Bank, an Asset Management Company and an Investment Banking/Securities trading firm in its portfolio of companies.

The modaraba has an experienced management team comprising a mix of personnel from the KASB Group and employees of NLCL. Procedural manuals have been prepared and are in place.

Key Financial Trends



KASBM inherited a virtually non-existent portfolio from First Mehran Modaraba. The Modaraba is in the process of building a diversified credit portfolio, with major focus on ijarah. Although, financing has so far largely comprised auto leases, capital expenditure financing and working capital financing, the management has resolved to further diversify towards more avenues such as mortgage financing and commodities trading. Reliable quality indicators will emerge over time. The net credit portfolio as of April 2008 stood at Rs. 111.4m.

Access to debt funds from market sources needs to be established and will be critical to meet the modaraba's growth projections for the next financial year. Presently, KASBM has accessed Rs. 75m short-term borrowing from Network Leasing Corporation Limited (NLCL) being used to finance long-term assets leading to maturity mismatch and a current ratio of 0.76x as of April 2008. This will however be repaid once proposed equity injection of around Rs. 200m expected in the current year is completed. Due to losses inherited from First Mehran Modaraba the net equity as of April 2008 stood at Rs. 49.5m.

As sizeable revenue streams have yet to be developed, initial setup costs along with financial charges on borrowing have resulted into a net loss of Rs. 1.3m for the ten months ended April'08.

The company is in the process of developing its control infrastructure. Most key area processes and procedures have been laid down. However, technology based systems are currently inadequate and a new system is under deployment.

Overview of the Institution

KASB Modaraba (formerly First Mehran Modaraba) is managed by KASB Modaraba Management (Pvt.) Limited (formerly Technology Ventures Private Limited). The management company is a subsidiary of Network Leasing Corporation Limited (NLCL). KASB Capital Limited has acquired 53.9% shares of NLCL. KASBM is listed on Karachi and Lahore stock exchange with 42.94% of Modaraba certificates being held by the general public while KASB group holds 21.4%. [JCR-VIS]

Note: Assets and liabilities, where applicable, are net of lease key money

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