



Rating Action

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PACRA MAINTAINS RATINGS OF THE SECURITIZED TFCs OF FINANCIAL RECEIVABLES SECURITIZATION COMPANY LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the ratings of the asset-backed term finance certificates issue of PKR 700mln (Class A; 550mln; Class B: 150mln) by Financial Receivables Securitization Company Limited (FRSCL) at 'A+' (Single A Plus). The rating denotes a low expectation of credit risk emanating from a strong capacity for timely payment to the TFCs holders.

FRSCL's ability to meet TFCs holder's obligations is a function of management fee generated by securitized mutual funds of JS Investments Limited (JSIL). JSIL has experienced contraction in its assets under management (AUM) base including securitized funds. Conversion of one of the securitized funds into open-end led to a net redemption of above PKR 1bln. This has constrained FRSCL's ability to meet its financial obligations. However, the company is carrying considerable surplus funds in the form of TDR and cash balances. This would help the company to meet upcoming payments, which have started tapering off with the repayment of principal amounts.

JSIL's success in averting the declining AUM is critical to continue enabling FRSCL fulfill its obligations from securitized cashflows. The management is confident that any further material decline is unlikely, and, lately, the industry has also shown restraint against further decline. Moreover, FRSCL can also exercise a put option on the originator (JSIL) for TFC Class 'B' Holders to meet the payment obligations, wherein JSIL intends to honor such call, if need arises.

About the Issuer FRSCL is a bankruptcy remote special purpose vehicle (SPV), which has acquired the right to receive the management fee receivable by JS Investments Limited on account of providing investment advisory and asset management services to mutual funds (2 closed-end and 4 open-end funds with total net assets of PKR 4,588mln and PKR 4,453mln at end-Mar11, respectively). The transaction between JSIL and FRSCL was a true sale.

About the Instrument The Listed TFCs - Class 'A' and Class 'B' - issued in January 2007, have a tenor of 7 years with floating coupon payable semi-annually. The TFCs carry interest at the rate of 6-month KIBOR plus 2.0% with a floor of 8.0% and a cap of 16.0%. The principal for Class 'A' is being redeemed in equal semi-annual installments since July 2008. Class 'B' certificates redemption started from July 2010.

About the Originator Incorporated in 1995 and listed in 2007, JS Investments Limited (JSIL) is the leading private sector asset management company in Pakistan. It is a subsidiary of Jahangir Siddiqui and Company Limited (JSCL) - 52% shareholding at end-Mar11. JSIL is managing fourteen funds - twelve open-end and two closed-end funds. The company had net assets of around PKR13.8bln at end-Apr11.

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