



Date

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Applicable Criteria

- Methodology | AMC | Jun-19

Related Research

- Sector Study | Asset Managers | Jun-20

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PACRA Upgrades Asset Manager Rating of Habib Asset Management Limited

Rating Type	Asset Manager	
	Current (26-Jun-20)	Previous (26-Dec-19)
Action	Upgrade	Maintain
AM Rating	AM2	AM3+
Outlook	Stable	Stable
Rating Watch	-	-

Habib Asset Management was in the process of transformation with Bank AL Habib acquiring entire shareholding (from 30%) in the Company to make it a wholly owned subsidiary of the bank. The process is now complete with the bank's acquisition of the remaining 70% stake. The bank has injected fresh capital of PKR 450mln in the Company to meet regulatory requirement and ensure future viability. A new management team is in place now and changes on board of directors are underway. On the back of these initiatives, the Company has gained significant market share through aggressive growth in AUMs, which stand at PKR 11.6bln in May (Dec 19: 6.9bln). The upgrade in rating reflects the Company's association with Bank AL Habib, its growing market share, strong governance framework and fortified equity base. The new management team intends to enhance fund slate, while strengthening overall risk management and control processes. The Company's market share is improving but AUM concentration remains high with tilt towards money market and fixed income funds. The Company is expected to benefit from access to large branch network of Bank AL Habib and its strong brand name. The overall fund performance remained above the benchmark except for the equity category, which unperformed and has limited size. The profitability of the Company remained under pressure lately but is expected to improve with higher AUMs and sizeable equity injection. The integration of the Company with the bank and cohesion of new management team will determine extend of synergies. The rating is dependent on the Company's ability to capitalize on synergies emanating from association with Bank Al Habib through increased market share. Diversification of the fund slate and maintaining strong fund performance will be critical. Strengthening systems and adhering to robust investment process is important.

About the Entity

Habib Asset Management Limited ("HAML" or "The Company"), was incorporated in September 2005, as a public unlisted company. The Company is licensed to carry out asset management and investment advisory services under the Non-Banking Finance Companies Regulations. During 4QFY20, Bank Al Habib has acquired 100% shareholding of the Company by acquiring the remaining 70% stake from the Habib family. The Company is expecting changes in the board structure as a result of the 100% shareholding by Bank Al Habib. Currently, the Board of Directors comprises six members including the CEO. Mr. Saeed Allahwala replaced Mr. Liaquat Habib Merchant as an Independent Director in CY19. The ex CEO, Mr. Imran Azim, has Joined the Company's board as a non-executive director. Mr. Kashif Rafi has been appointed as the new CEO of the Company. He holds an MBA in Finance from IBA and has an established track record in AMC industry.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.