

Press Release

VIS Upgrades Management Quality Rating of Faysal Asset Management Limited

Karachi, February 18, 2020: VIS Credit Rating Company Ltd. has upgraded the Management Quality Rating (MQR) of Faysal Asset Management Limited (FAML) to 'AM2' (AM-Two) from 'AM3+' (AM-Three Single Plus). The rating signifies asset manager exhibiting very good management characteristics. Outlook on the assigned rating has been revised from 'Positive' status to 'Stable'. The previous rating action was announced on June 24, 2019.

Faysal Asset Management Limited (FAML) underwent a significant change in their ownership and control structure with Faysal Bank Limited (FBL) acquiring 99.99% of interest in FAML, during the last quarter of 2018. Subsequent to this acquisition, FBL injected an additional equity by way of right share issue, amounting to Rs. 280m allowing the asset management company to meet the minimum equity requirement of Rs. 230m. In order to ensure operational and financial viability of the asset management company, FBL plans to inject a further Rs. 500m into the company for which regulatory approvals are in place.

With the aggressive stance of the management, Assets Under Management (AUM) of the company grew significantly from Rs. 10.3b at end-May 2019 to Rs. 19.9b at end-January 2020. With industry AUMs growing at a lower rate in comparison to FAML, market share increased to 2.3% (FY19: 1.7%, FY18: 1.4%) at end-HY20. Change in rating takes into account the support of FBL through its branch network to enhance the operational and financial viability of the asset management company. Benefit from FAML's access to its sponsor's branch network and resource utilization will be tested over time. Despite growth in AUMs, concentration in funds compare less favorably to peers.

During the period under review, performance for larger funds compared less favorably to peers. With changes at senior management level, improvement in performance metrics is expected, going forward and is one of the key rating drivers. Change in rating also takes into account the curtailment of historical operational loss and projected financial breakeven by end-2020. The rating will remain contingent upon planned achievement of operational efficiency, sustained growth in AUMs, improved concentration in funds and funds' performance in top quartiles.

For further information on this rating announcement, please contact the undersigned (Ext: 201) or Ms. Muniba Abdullah, CFA (Ext: 215) at 021-35311861-70 or fax to 021-35311873 or info@vis.com.pk.

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Applicable Rating Criteria: Asset Management Companies (June 2019)
<http://vis.com.pk/kc-meth.aspx>