

## Rating Report (Surveillance) Bangladesh Industrial Finance Company Ltd.

**Ratings**

Long Term : **BBB<sub>1</sub>**  
 Short Term : **ST-3**  
 Date of Ratings : **20 May 2010**  
 Valid till : **30 June 2011**

**Previous Ratings**

Date of Ratings	Long Term	Short Term
2009	BBB <sub>2</sub>	ST-3
2008	BBB <sub>2</sub>	ST-3

**Analysts**

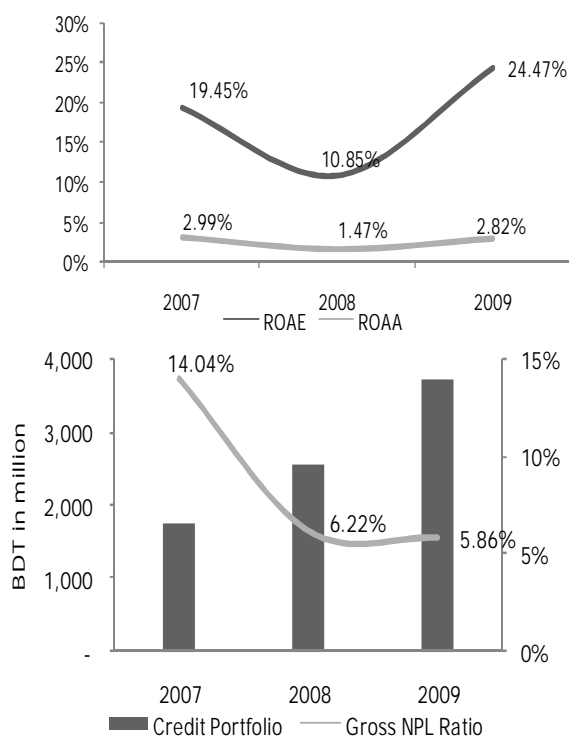
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**1.0 RATINGS RATIONALE**
**Financial Highlights**

Particulars	BDT in million	
	2009	2008
Loans, Advances & Leases	3,693.60	2,554.18
Non Performing Loans	216.41	158.82
Shareholder's Equity	553.16	461.31
Total Assets	4,992.46	3,819.05
Deposits & Other Accounts	2,308.57	1,258.64
Operating Income	227.13	174.27
Operating Expenses	56.77	43.11
Net Profit (after tax)	124.12	47.51

Credit Rating Agency of Bangladesh Limited (hereinafter called as CRAB) has upgraded long term to BBB<sub>1</sub> (Triple B one) and retained short term rating to ST-3 of Bangladesh Industrial Finance Company Ltd (hereinafter called as 'BIFC' or 'the Company'). CRAB performed the rating surveillance based on financial statements up to 31 December 2009 and other relevant information.



Financial Institutions rated 'BBB<sub>1</sub>' have adequate capacity to meet their financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the Financial Institutions to meet their financial commitments. BBB<sub>1</sub> rated FIs are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics. Financial Institutions rated ST-3 in the short term are considered to have average capacity for timely repayment of obligations, although such capacity may be impaired by adverse changes in business, economic, or financial conditions. Financial Institutions rated in this category are characterised with satisfactory level of liquidity, internal fund generation, and access to alternative sources of funds.

Total operating income of BIFC was BDT 227.13 million registering a growth of 30.33% whereas the operating expense has a growth of 31.68% in 2009. The total operating income of the

Company was mainly dominated by investment income, 59.64% of total operating income. During 2009, net interest income increased by 13.17% and investment income increased by 44.47% over that of 2008. Of the total investment income 84.45% was capital gain from investment and 15.55% from dividend income. The pre provision profit of BIFC had a growth of 29.89%. However, the total profit (before tax) was BDT 149.12 million registering a growth of 140.07% which was possible due to 69.24% decrease in total provision. The profit (after tax) also increased by 161.28% to BDT 124.12 million in 2009 from BDT 47.51 million in 2008.

In 2009 BIFC's ROAA and ROAE increased to 2.82% from 1.47% and to 24.47% from 10.85% in 2008 respectively due to high growth in net profit. The net profit margin in 2009 also increased to 54.65%. However, net interest margin of the Company decreased to 2.42% in 2009 from 2.98% in 2008 due to high growth in average interest earning assets than the net interest income. For the last two years the cost to income ratio and staff cost to income ratio were almost stable.

In 2009 BIFC's 73.98% asset was dominated by loans, advances & lease finance which had a growth of 44.61% during the period under review. Although BIFC's non-performing loans, advances & leases increased by BDT 216.41 million, gross NPL ratio reduced to 5.86% in 2009 (2008:6.22%) resulted from higher growth (44.61%) in total loans, advances & leases.

The NPL was 39.12% of equity in 2009 against 34.43% in 2008. In 2009 the fresh NPL generation was BDT 86.77 million which was 2.35% of total loans whereas in 2008 this percentage was 2.75%. During 2009, BIFC's cash recovery was BDT 9.92 million (2009:0.27% & 2008:0.44% of total loans) and rescheduling was BDT 19.25 million (2009:0.52% & 2008:5.03% of total loans).

In 2009 the Company's top 10 large group loan exposures was BDT 691.87 million against total sanction limit of BDT 929.02 million. The top 10 group exposure was 18.73% of total loans & advances and 125.08% of total equity.

The total investment of the Company has decreased by 31.74% in 2009, the income of which comprised 59.64% of the Company's total income. The yield on average investment portfolio of the Company was 27.26% in 2009 and market value of the total quoted securities was BDT 144.16 million as on 31 December 2009. However the cost price of such securities was BDT 155.36 million against which the Company has maintained excess provision.

As per regulatory requirement capital and reserve (capital adequacy) of a NBFIs should be at least 6% of total liabilities or BDT 250 million whichever is higher, against which BIFC had excess capital base.

Of the total sources of funds in 2009 BIFC's 43.96% fund were generated from borrowings from other FI, Banks which was 59.26% in 2008. In 2009 BIFC's total deposits increased by 83.42% and of the total deposits & borrowings highest amount were collected from term deposits, 54.98%.

The ratings also take into account the qualitative factors. The rating considers the credit policy and approval process practices are in place to protect the quality of the portfolio. The shareholding and organizational structure, composition of Board, management team, the



## CRAB Ratings

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independence of the management from the Board of Directors were also key factors in arriving ratings.

BIFC has its strength in profitability position. On the other hand, principal concern of the Company is non-performing loans.