

## Rating Report Bay Leasing & Investment Limited

**Ratings**

Long Term : **BBB<sub>2</sub>**  
 Short Term : **ST-3**  
 Date of Ratings : **30 May 2010**  
 Valid till : **30 June 2011**

**Analysts**

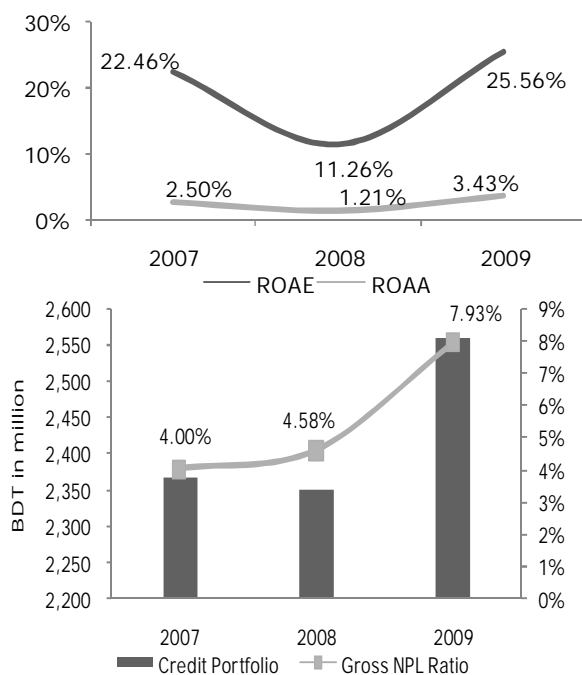
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**1.0 RATINGS RATIONALE**
**Financial Highlights**

Particulars	BDT in million	
	2009	2008
Loans, Advances & Leases	2,559.76	2,349.33
Non Performing Loans	202.88	107.59
Shareholder's Equity	803.28	422.26
Total Assets	5,222.47	3,903.19
Deposits & Other Accounts	1,665.20	1,430.20
Operating Income	255.43	65.09
Operating Expenses	31.26	13.84
Net Profit (after tax)	156.62	45.02

Credit Rating Agency of Bangladesh Limited (hereinafter called as CRAB) has awarded BBB<sub>2</sub> (Triple B two) rating in the long term and ST-3 rating in the short term to Bay Leasing & Investment Ltd (hereinafter called as 'BLIL' 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>2</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>2</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.

BLIL started its operation as non banking financial institution in 1996 and as a merchant banker and portfolio manager in 1998. Total operating income of BLIL was BDT 255.43 million in 2009 which was BDT 65.09 million in 2008. The total operating income of the Company comprised 46.53% of investment income, followed by 28.39% of net interest income and 24.30% of profit from merchant banking operation.

During 2009, net interest income was BDT 72.52 million which was net interest loss of BDT 22.10 million in 2008 due to high growth in borrowings and deposits & other accounts than the loans, advances & leases. As a result the net interest margin has increased to 2.77% in 2009 from (0.88%) in 2008.

The cost to income ratio of BLIL decreased to 12.24% from 21.47% due to high growth in operating income than the operating expense. The profit (after tax) also increased by 247.89% to BDT 156.62 million in 2009 from BDT 45.02 million in 2008 which has increased the return on average assets and return on average equity to 3.43% from 1.21% and to 25.56% from 11.26% in 2008 respectively.

The asset structure of the Company was mainly dominated by the loans, advances & leases which had a growth of 8.96% in 2009. However, the non performing loan had a growth of 88.57% which was 7.93% of total loans, advances & leases (2008:4.58%) and 25.26% of equity. Of the total NPL, fresh NPL generation was BDT 138.64 million which was 5.42% of total loans & advances.

The Company was mainly funded by borrowings from banks and other financial institutions which was 59.56%. However, 40.44% of the funds were generated by the customer deposits & other accounts which had a growth of 16.43%.

As per regulatory requirement capital and reserve (capital adequacy) of an NBFIs should be at least 6% of total liabilities or BDT 250 million whichever is higher, against which BLIL had capital base of BDT 831.50 million.

The Company has its strength in profitability, capital generation and earnings diversification. However, the principal concern of the Company is higher growth in non performing loans and lack of human resources in all tier of the management.