



Rating Action

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PACRA ASSIGNS IFS RATING TO DAWOOD FAMILY TAKAFUL LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned the Insurer Financial Strength (IFS) rating “A-” (Single A minus) to Dawood Family Takaful Limited (DFTL). The rating denotes a strong capacity to meet participant (policyholder) and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be small.

The rating reflects DFTL’s sound capital base and sufficient liquidity engendering strong risk absorption capacity. The rating takes into account DFTL’s experienced management, strong control environment and advanced technology infrastructure, facilitating the company in establishing sound takaful operations. However, given depressed socio-economic fundamentals of the country, DFTL may take relatively longer period to break-even than envisaged.

The rating is dependent on successful execution of the management’s plans of fast penetrating the takaful market to achieve economy of scale and, hence, profitability. Meanwhile, retention and cohesiveness of senior management is critical to ensure consistency in policies and strategy. In addition, any material deterioration in the company’s equity, thereby reducing its risk absorption capacity by a significant margin, would have negative implications for the rating.

About the company:

Dawood Family Takaful Limited (DFTL) – Shariah compliant life Insurer – established in May 2008, formed Participants Takaful Fund and Participants Investment Fund in December 2008. DFTL has a network of 19 branches with its head office in Karachi. DFTL has diverse shareholding structure with First Dawood Group (FDG) holding the majority stake (25%), followed by the Bank of Khyber (BoK) (15%), and GulfCap (8%). Allied Bank Limited and Habib Metropolitan Bank each hold 5% in DFTL. The risk profile of FDG in the financial segment has been severely impacted by the money market crisis faced by the local market (end of CY08).

DFTL’s seven member BoD has seen changes in the last two years as an outcome of restructuring in FDG. The Chief Executive, Mr. Abdul Haleem Nasri, with over 20 years of international experience in the takaful sector, joined DFTL in November 2007. A committed team of professionals assists the CEO, whose continued commitment is critical for achieving the desired level of business in initial years of the company's operations.

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