

## PAiR INVESTMENT COMPANY LIMITED

### DIRECTORS' REPORT FOR THE PERIOD ENDED MARCH 31, 2024

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAiR Investment Company Limited (PAiR) for the period ended March 31, 2024.

#### **Economic Review**

Macroeconomic stabilization measures have contributed to considerable improvement in both inflation and external economic position thus resulting in the moderate economic recovery. While inflation is still high the global commodity prices appears to have achieved normalcy however, the geopolitical events continues to shroud this stability. Moreover the upcoming budgetary measures may have implications for the near-term inflation outlook therefore the Monetary Policy Committee (MPC) decided to keep the policy rate unchanged at 22 percent in the statement issued on April 29, 2024 keeping the policy rate unchanged since June 2023, while the market was expecting some easing at this point.

The rationale for keeping the same policy rate unchanged is said to be based on various considerations including the fact that data for the first half of FY24 suggests that economic activity is recovering at a moderate pace, led by strong rebound in agriculture sector. While the current account recorded a sizable surplus in March 2024, which helped to stabilize the SBP's FX reserves despite substantial debt repayments and weak financial inflows. Inflation expectations of consumers inched up in April 2024, whereas those for businesses declined. Further leading central banks particularly in advanced economies have adopted cautious policy stance after noticing some slowdown in the pace of disinflation in recent months.

GDP growth is expected to range between 2 to 3 percent for FY -24 and appears to be mostly agricultural driven. The estimates are supported by significant increase in rice, cotton, maize and wheat harvests, according to the latest official numbers. On the other hand in the industrial sector, over the first nine months of FY24, Large Scale Manufacturing Index has experienced a slight YoY decrease of 0.1%. This downturn is largely due to a combination of high-interest rates, significant hikes in energy costs, and weak overall demand, which have collectively dampened economic activities.

Breaking all barriers, making new highs, PSX marched past 70,000 mark and as of writing this report continues to aim towards the heights never seen before. In addition to the signs of improvement in the economic indicators the positive sentiment stemmed from the agreement between Pakistan and KSA to expedite the planned Saudi investment package for Pakistan worth USD 5bn as well as the possibilities of US-Pakistan economic dialogue become visible as the high ranking officials of both sides agree to boost cooperation.

#### **Financial Overview**

PAiR continues to improve its performance in each quarter and March 2024 was a continuity of the same with profit before tax of PKR 533.566 million, doubling the bottom line as profit before tax clocked in at 141% over the same period last year. Both income from funds and other income showed progressive growth. Markup Income increased by 41% while other income increased by 11%, giving an aggregate increase of 22%

in the total income. A part from the interest rates, key success factor are the consistent average balances. PAIR maintains its strategy of focusing on the return on asset over the size of the assets. In terms of other income with the implementation of IFRS-9 the capital gains realized on equity investments held as Fair value through other comprehensive income, is not being routed through Profit and Loss. Therefore PKR 22 million is made part of the Equity.

Total asset grew organically by more than PKR 2.585 billion taking the asset size to PKR 39.027 billion translating into an increase of PKR 7% from the opening of the year. Though Net Investment increased by PKR 1.227 billion taking the net investment portfolio to PKR 23.878 billion, additions were made with caution keeping in view SBP- MPC's instance and cost of fund for the Company. While the credit off take for the March Quarter continues to show negative position yet, the team was able to manage a decent growth in the loan book. Net advances grew by 8% to close at PKR 11.562 billion. Credit loss allowance for diminution in value of investments amounted to PKR 0.439 million while Credit loss allowance against loans & advances came as as a net reversal of PKR 254.541 million. This was due to the settlement reached in one of the legacy non-performing loan account coupled with reversal required in loan losses to be maintained under Expected credit loss model. Given the economic circumstances the management is following cautious approach on further disbursements and is closely monitoring the loan book. No new account was classified as non performing portfolio.

### Credit Rating

Pakistan Credit Rating Agency Limited (PACRA) continues to maintains PAIR's long-Term Entity Rating at 'AA'(Double-A) and short-term Entity Rating at 'A1+' (A-One Plus). These ratings indicate a very low expectation of credit risk emanating a very strong capacity for timely payment of financial commitments. The ratings of PAIR primarily reflect the joint sovereign ownership of Pakistan and Iran.

### Future Outlook

Looking ahead, government may not be able to pursue a growth-oriented policy, given the demands for the domestic and external financing requirements, while the private sector is already facing headwinds due to elevated cost of doing business, thus resulting in negative credit off take. Respite in utility prices is not much visible due to the need to reduce circular debt phenomenon. While it will have its inflationary effect however the based effect is expected to offset the same. Prices appears to have achieved the new normal yet upside risks from geopolitical factors cannot be ruled out all together. While the structural changes are a must for the system some respite can be seen from the improvements in the broad based economic indicators. The management is and will be closely monitoring the developments to align the business decision in an effective manner.

### Appreciation and Acknowledgement

We take this opportunity to express our gratitude to our customers and business partners for entrusting their confidence in us in these turbulent times and assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors. We offer sincere appreciation to the Iran Foreign Investment Company, Ministry of Finance - Government of Pakistan, State Bank of Pakistan, and Securities & Exchange Commission of Pakistan for their guidance and

cooperation extended to us. Finally, we are also thankful to our associates, staff, and colleagues for all their continued dedication, enthusiasm, and loyalty towards the growth of PAİR.

On Behalf of the Board of Director



Zulfiqar Younas  
Acting Chairman of the Board of Directors



Abbas Daneshvar Hakimi Meibodi  
Managing Director/ Chief Executive Office

May 26, 2024  
Islamabad,  
Pakistan