

**Date**

25-Jun-20

**Analyst**

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**Applicable Criteria**

- [PACRA\\_Methodology\\_FI | Jun-19](#)
- [Methodology | Correlation Between Long-Term And Short-Term Rating Scale | Jun-19](#)
- [Criteria | Rating Modifier | Jun-19](#)

**Related Research**

- [Sector Study | DFIs | Jun-20](#)

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**PACRA Maintains Entity Ratings of PAIR Investment Company Limited**

Rating Type	Entity	
	Current (25-Jun-20)	Previous (14-Dec-19)
<b>Action</b>	Maintain	Maintain
<b>Long Term</b>	AA	AA
<b>Short Term</b>	A1+	A1+
<b>Outlook</b>	Stable	Stable
<b>Rating Watch</b>	-	-

JVFI's are largely engaged in providing credit lines on turf common to commercial banks. Limited growth in advances, over last many years, is evident of conservative risk appetite of these institutions. Key reliance on treasury function funded through borrowings from money market. Their ratings are mainly characterized by sovereign ownership and relatively conservative risk appetite. The ratings assigned takes into account PAIR's ability to sustain its position among peers. Enhanced net profitability was recorded in CY19 – a positive sign. The Company's lending portfolio remained largely same, during CY19. Asset quality is deteriorated, some additions in 'non-performing category, related provisioning, if any, will have implications on profitability in the upcoming year. This along with realised loss on sale of securities affected the profitability. The management is positive about healthy income from treasury function to support profitability in CY20. Management has created an adequate mix of sectors in advances, though client concentration remains high. The capital and treasury division's primary focus of investment was Government securities; remaining portion was vested in Equities and Sukuk & TFCs. During the year, investment book increased providing good cushion to liquidity. The company has taken sizable exposure into government securities, wherein market risk dominates. Borrowing from financial institution remains the primary source whereas COI's minuscule part of funding base. Liquidity position and capitalization indicators remained stable. Going forward, PAIR is focusing on strengthening the existing relationships. Management is cognizant of the fact that they need to find new niche for growth and development, hence new avenues like SME segment, are being explored. However, nothing material is on the horizon, over the medium term. New MD/CEO has joined since March 1, 2020. Covid-19 has posed challenges to almost all segments of the economy, worldwide and domestically, where sectors are getting negatively impacted. The ramifications would continue to unfold, warranting vigilance and timely actions where needed. The ratings are dependent on the company's ability to sustain its financial profile while managing the concentration level in funding and advances. Consistent efforts by the management to add new sectors/names to further diversify their portfolio, manage provisioning expense and effect on profitability and stability at MD/CEO's position remains critical for the ratings.

**About the Entity**

PAIR Investment Company Limited (PAIR) was incorporated in January 2007. The company is a joint venture between Pakistan and Iran, having equal ownership stake. The Ministry of Finance (MoF) manages the ownership interests of the Government of Pakistan, while Iran Foreign Investment Company (IFIC) represents the Government of Iran. PAIR's business activities can be divided into fund based and non-fund based. The overall control of the company vests with six-member board of directors including the MD/CEO and Chairman. PAIR's board of directors comprises three directors representing Pakistan and three directors representing Iran. All the management team members carry vast experience from diversified sectors. Under the terms of the Memorandum of Understanding MD/CEO Mr. Hamid Eftekhari was appointed in August 2017. However, short after his appointment he was refused business visa by relevant Pakistan authorities. The matter lingered on for long, to resolve the same, his replacement Mr. Abbass Danishvar was nominated by IFIC. He has taken charge of the office of MD/CEO effective March 01, 2020.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.