

**Date**

25-Jun-22

Analyst

Sehar Fatima

sehar.fatima@pacra.com

+92-42-35869504

www.pacra.com

Applicable Criteria

- Methodology | Financial Institution Rating | Jun-21
- Criteria | Correlation Between Long-term & Short-term Rating Scales | Jun-21
- Criteria | Rating Modifiers | Jun-21

Related Research

- Sector Study | DFIs | Jun-21

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA

PACRA Maintains Entity Ratings of PAIR Investment Company Limited

Rating Type	Entity	
	Current (25-Jun-22)	Previous (25-Jun-21)
Action	Maintain	Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

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.

PAIR has been growing at a steady pace over the years and has sustained its position in the market by keeping a growth stance with an element of prudence. During CY21, advances witnessed an adequate increase whereas investment book recorded greater rise primarily vested in government securities. Net markup income recorded decline where mix is sizably tilted towards mark-up earned from investments. However, non-mark-up income enhanced to PKR 174mln (CY20: PKR 71mln). Net profitability declined, during CY21, given inched up non-mark up expenses and provisioning expense. Asset quality remained intact as infection remained harnessed in recent years. During 1QFY22, company has recuperated where advances of the company witnessed an increase of 13.2%. Net profitability witnessed sizable increase YoY to stand at PKR 110mln. The high interest rate environment is likely to help boost the mark-up based earnings. The company has taken sizable exposure into government securities, wherein market risk dominates. The capital and treasury division's primary focus of investment during the year was Government securities specifically PIBs; remaining portion was vested in Equities, commercial papers, TFCs and sukuks. Borrowing from financial institution remains the primary source whereas COI's remain minuscule part of funding base. Liquidity position and capitalization indicators remained stable. Going forward, PAIR is focusing on building new relationships as well as strengthening the existing relationships. Management is cognizant of the fact that they need to find new niche for growth and development. PAIR is focusing on strengthening the credit portfolio by tapping new customer segments.

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 strengthening of equity base 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 five-member board of directors including the MD/CEO and Chairman. PAIR's board composition consists of equal number of directors from both countries, three directors representing Iran and three directors representing Pakistan, one directorship representing Pakistan lies vacant. All the management team members carry vast experience from diversified sectors. Mr. Abbas Daneshvar (nominated by IFIC) 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.