

Date

23-Jun-23

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Applicable Criteria

- Methodology | Financial Institution Rating | Jun-22
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jun-22
- Methodology | Rating Modifiers | Jun-22

Related Research

- Sector Study | DFIs | Jun-22

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PACRA Maintains Entity Ratings of PAIR Investment Company Limited

Rating Type	Entity	
	Current (23-Jun-23)	Previous (25-Jun-22)
Action	Maintain	Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

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 CY22, advances witnessed an increase whereas investment books recorded a greater rise primarily vested in government securities. The net markup income of the company increased to stand at PKR 1,111.8mln (CY21: PKR 736.6mln), where the mix is sizably tilted towards markup earned from investments. However, non-mark-up income declined to PKR 110mln (CY21: PKR 174mln). Asset quality remained intact as infection remained harnessed in recent years. During 1QFY23, the company has recuperated where advances witnessed an increase of 13%. Net profitability witnessed a sizable increase YoY to stand at PKR 158mln (CY21: PKR 110mln). The high-interest rate environment is likely to help boost markup-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; the remaining portion was vested in Equities, commercial papers, TFCs, and sukuks. Borrowing from financial institutions remains the primary source whereas COIs remain a minuscule part of the funding base. Liquidity position and capitalization indicators remained stable. Going forward, PAIR is focusing on building new relationships as well as strengthening existing relationships. Management is cognizant of the fact that they need to find a new niche for growth and development. PAIR is focusing on strengthening its credit portfolio by tapping new customer segments. JVFI's are largely engaged in providing credit lines on turf common to commercial banks. Limited growth in advances, over the last many years, is evidence of the conservative risk appetite of these institutions. Key reliance on treasury function funded through borrowings from the money market. The ratings of JVFI's are mainly characterized by sovereign ownership and relatively conservative risk appetite.

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 strengthen of equity base remain 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 the 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 a five-member board of directors including the MD/CEO and Chairman. PAIR's board composition consists of an 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.