



Date

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Applicable Criteria

- Methodology | FI | Jun-20
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale | Jun-20
- Criteria | Rating Modifier | Jun-20

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-21)	Previous (25-Jun-20)
Action	Maintain	Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

JVFI 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. Improved net profitability was recorded in CY20 – a positive sign. Advances witnessed a meager increase in CY20. NPLs to advances ratio largely remained same though NPLs increased. The management is positive about healthy income from treasury function to further enhance the profitability. 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 and Sukuk & TFCs. 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 strengthening the existing relationships. Management is cognizant of the fact that they need to find new niche for growth and development. COVID-19 is an ongoing challenge. While it has taken a toll on many businesses, its ramifications are still unfolding. The proactive measures taken by the regulators and other concerning bodies have mitigated the potential damages much anticipated from this pandemic. As a result, the banking industry remained protected and in fact posted record profits. Vigilance is required as the loan repayment cycle resumes amid variants of the pandemic continue to re-emerge. 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 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. Mr. Abbass Danishvar (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.