The Pakistan Credit Rating Agency Limited

PRESS RELEASE

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Applicable Criteria

- Methodology | Financial Institution Rating | Oct-24
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Apr-25
- Methodology | Rating Modifiers | Apr-25

Related Research

- Sector Study | Development Financial Institutions (DFIs) | Jun-24

PACRA Maintains Entity Ratings of PAIR Investment Company Limited

Rating Type	Entity	
	Current (20-Jun-25)	Previous (21-Jun-24)
Action	Maintain	Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

The assigned ratings of PAIR Investment Company Limited ("PAIR" or "the Company") reflect the strength derived from its ownership structure, being a joint venture (J.V.) between the Government of Pakistan and the Government of Iran. The primary mandate of Development Finance Institutions (DFIs) is to promote economic and social development by financing commercially viable projects that may not be fully served by traditional financial institutions. The Company's risk profile benefits from its conservative business philosophy, which avoids spread-based transactions and emphasizes core, sustainable profit streams. However, NIM during CY24 witnessed compression, primarily driven by the income reversal on a classified exposure to non-government debt securities. This results in net markup income of PKR 1,407mln in CY24 (CY23: PKR 1,701mln). In CY24, credit loss allowances and write-offs rose significantly to PKR 573.7 mln, an increase of PKR 402.8 mln year on year. This uptick was largely attributable to exposures in private debt securities of issuers with heightened sensitivity to macroeconomic headwinds, which necessitated the restructuring of their debt obligations. The Company's lending book recorded moderate growth over the last five quarters, underpinned by prudent diversification across key sectors such as textile, sugar, telecommunications, rice, steel, energy, tyres, and financial services. The Company's investment portfolio grew by 14.4% during CY24 to PKR 25,923mln, with momentum continuing into 1QCY25, reflecting a further increase. The Company's investment book is primarily composed of floating-rate Pakistan Investment Bonds (PIBs), a strategic choice aimed at mitigating interest rate risk and maintaining the portfolio's average duration at an optimal level. The management team is cohesive and well-integrated, with a demonstrated commitment to preserving asset quality. The ratings also incorporate the management's focused efforts to prudently manage the relatively high concentration in the advances portfolio, which remains largely extended to financially sound counterparties. This is also supported by the gradual reduction in gross infection ratio over the years from 18.7% in CY23 to 15.8% in 1QCY25. The total asset base grew by 10.9% amounting to PKR 40.4bln during CY24 and PKR 45.5bln in 1QCY25. Asset growth has been largely attributed to the expansion of the investment book, necessitated by a cumulative policy rate cut of over 1,000 basis points. The increase in investments was essential to sustain core income levels amid the lower interest rate environment. The Company has maintained its CAR (Capital Adequacy ratio) ratio at 45.3% during CY24 indicating a solid buffer against potential credit and market shocks, thereby underscoring its strong risk absorption capacity. The liquidity position and capitalization indicators remain stable. Borrowings from financial institutions remain the primary source of funding, while contributions from Certificates of Investment (COIs) have also increased, further diversifying the funding base. In the DFI industry, limited growth in advances, over the last many years, is evidence of the conservative risk appetite of these institutions. CY24 was a challenging year for the DFI industry in terms of Net Interest Margin (NIM) generation. However, consequent to interest rate cuts by SBP, NIM started to improve from 4QCY24.

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 PAIR Board is composed of an equal number of directors from Iran and Pakistan—three from each country—although one Pakistani seat is currently vacant. Mr. Abbas Daneshvar, the Company's MD/CEO oversees the Company's operations.

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.

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