



The Pakistan Credit Rating Agency Limited

PRESS RELEASE**Date**

14-Jun-2019

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www.pacra.com**Applicable Criteria**

- Methodology | Financial Institution (Jun 18)
- Methodology | Criteria | Rating Modifier (Jun 18)
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale (Jun 18)

Related Research

- Sector Study | DFIs (Jun 19)

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PACRA Maintains Entity Ratings of PAIR Investment Company Limited

Rating Type	Entity	
	Current (14-Jun-2019)	Previous (26-Dec-2018)
Action	Maintain	Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

Development Financial institutions (DFIs) largely operate on turf common to commercial banks. Limited depth in participation towards development of long gestation projects, low funding base, and high competition become their key challenges. Joint Venture Financial Institutions are DFIs jointly conceived by the two sovereigns with primary objective of identifying and nurturing multiple development initiatives. Their ratings are mainly characterized by sovereign ownership, adequate standards of governance, and relatively conservative risk appetite.

The ratings assigned takes into account PAIR's ability to sustain its position among peers. The Company's lending portfolio enhanced, during the year, in volumes. The lending portfolio quality is deteriorated by addition of a major group into 'non-performing category'; though related provisioning has been created. This is one major reason which reduced the profitability. 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; minor portion vested in Equities, Sukuk & TFCs and funds. During the year, investment book remained largely same providing good cushion to liquidity. Borrowing from financial institution remains the primary source of funding, while management's attention is required for enhancing the deposit base as it lately decreased further. Liquidity position and capitalization indicators remained stable. Going forward, PAIR is focusing on strengthening the credit portfolio by tapping new customers. 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. The CEO is not in Pakistan, though taking care of the company's affairs from abroad. The ratings are dependent on the company's ability to sustain its financial profile while managing the associated risks encompassing active recovery of infected portfolio. The concentration level in funding and advances needs to be pro-actively managed. Consistent efforts by the management to add further diversity to their portfolio and at the same time stability at 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 CEO and four non-executive directors. PAIR's board comprises three directors representing Pakistan and three directors representing Iran. All the team members carry vast experience from diversified sectors. Mr. Hamid Eftekhari Kondelaji, CEO since Aug'17, has been nominated by IFIC and confirmed by the Ministry of Finance. Since Mr. Hamid was not granted work permit, he is operating from abroad.

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.