

## **PAİR INVESTMENT COMPANY LIMITED**

### **DIRECTORS' REPORT FOR THE HALF YEAR ENDED JUNE 30, 2023**

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the half year ended June 30, 2023. These Financial Statements have been prepared in compliance with the requirements of BSD Circular Letter No. 5, dated March 22, 2019, and International Accounting Standard (IAS) 34, 'Interim Financial Reporting'.

#### **Economic Review**

The nation remained grappled with a range of obstacles including rising inflation, fiscal deficits, weak currency, political instability and a decline in capital flows that impeded the economic growth. The estimates of GDP growth for FY23 have been fixed 0.29% compared to 6.10% of growth recorded in FY22. Manufacturing sector has encountered negative growth which was primarily attributed to the impact of tight macroeconomic policies and higher cost of doing business, which exerted downward pressure on aggregate demand.

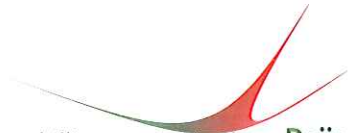
With that in the context an IMF program is seen as a must support however the 23<sup>rd</sup> program without completion ended on June 30, 2023. After much ado Pakistan and IMF reached an agreement for a new USD3.0bn Stand-By Arrangement (SBA), which replaces the 2019 Extended Fund Facility (EFF) program. The SBA is for a period of 9 months and is seen as critical to stabilize the economy from recent external shocks, preserve macroeconomic stability and provide a framework for financing from multilateral and bilateral partners along with the much-needed immediate financial relief, amend the credibility of Pakistan in the eyes of global financial community, paving the way for continuation of flows from multilateral agencies and the friendly countries.

While the policy rate was kept unchanged in the July 2023 Monetary Policy Committee Meeting ("MPC") at 22% having been increase by 15% since September 2021. The rate was kept at the June 2023 level as the committee considers that economic uncertainty has taken a decreased since the last meeting, whereas near-term external sector challenges have been largely addressed and investor confidence has shown improvement. The assertion made stays relevant for how long remains to be seen given the caretaker government setup is taking over after the assemblies having been dissolved on August 09, 2023.

#### **Financial Overview**

The upward trajectory of the financial number continues in 2023. Bottom line profit before tax and After Tax increased by 79% and 89% respectively for the first six month of 2023. Net Revenue from Funds ("NRFF") stood at PKR 727.078 million in comparison to PKR 480.733 million, an increase of 51% over the same period last year. On the other income side, dividend income was 37% more than the same period last year while the total other income was up by 23%. Accordingly total income increase came to 48% over the same period last year. In the rising interest scenario, the asset / liability combination of the company is as such that the funding lines adjust themselves rather swiftly while assets specially advances & debt securities are somewhat sticky and get repriced in due course of time. To manage the repricing gaps the focus is on the floating rate assets as monetary tightening continues. The interest rate seems to continue its march towards south and therefore it is expected that yield on the remunerative assets will continue to improve going forward and so will the funding cost.

The total asset that was PKR 32.741 billion as at the end of the Dec 31, 2022 increase by PKR 2.866 billion and closed at PKR 35.607 billion as at June 30, 2023. Net Investment increased approximately by PKR 1.329 billion



which comes to an increase of 6% while net advances increased by approximate a billion or 11% when compared to the December 31, 2022. Increase in the Investment was primarily in the government securities. Credit loss allowance for diminution in value of investments amounted to PKR 13.726 million with Disbursements in the loan book remained at the same level as that of same period last year. High cost of doing business is a challenge to the credit offtake yet the opportunities come by at all times hence the credit team is focused for on boarding the quality clients. There was no increase in the non performing portfolio, however as the IFRS – 9 was early adopted by the Company Credit loss allowance against loans & advances charge was taken for PKR 9.678 million.

### Credit Rating

Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed entity rating long-Term Entity Rating 'AA' (Double-A) and a short-term Entity Rating of 'A1+' (A-One Plus). These ratings indicate a very low expectation of credit risk emanating a very strong capacity for timely payment of financial commitments. The ratings of PAIR primarily reflect the joint sovereign ownership of Pakistan and Iran.

### Future Outlook

The signing of the SBA comes as a positive surprise and at a critical juncture, However, the 9-month tenure of the SBA and overall funding requirements of the country imply that whoever takes office following the October elections will have to negotiate a fresh program with the IMF. In order to put the economy on a self-sustaining growth path and regain macroeconomic stability, long-standing structural reforms need to be carried out immediately such as changing the economic growth model towards export-oriented sectors, expanding the tax base, rationalizing subsidies on utilities, eliminating losses of public sector enterprises, improving public sector governance, and spending more on education, healthcare, clean drinking water, etc. The challenges are known one has to look forward to the deliverability on the solution of the new setup to come in place.

### Appreciation and Acknowledgement

We take this opportunity to express our gratitude to our customers and business partners for entrusting their confidence in us in these turbulent times and assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors. We offer sincere appreciation to the Iran Foreign Investment Company, Ministry of Finance - Government of Pakistan, State Bank of Pakistan, and Securities & Exchange Commission of Pakistan for their guidance and cooperation extended to us. Finally, we are also thankful to our associates, staff, and colleagues for all their continued dedication, enthusiasm, and loyalty towards the growth of PAIR.

  
Managing Director / CEO

Date: 23 September 2023  
Islamabad – Pakistan

  
Chairman of the Board of Directors