



On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the period ended March 31, 2020. 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 outbreak of novel coronavirus COVID-19 has taken over the world economies without any differentiation. The loss of countless lives has led to the imposition of strict social protocols including enforced lockdowns to limit the spread of the disease. The World Health Organization keeping in view the severity has declared it as a pandemic in the middle of March 2020. Since the economies are struggling to keep up with the challenges of keeping the ball of earnings rolling and save human lives. Global supply chains and international trade have is severely affected, stock markets have seen gloomy days like never before. For Pakistan Experts estimated a relatively higher number of infections in the country however owing to timely and strict lockdown the reported number of cases is less than was previously feared, Yet the possibility of the subsequent second wave cannot be ruled out.

In these hard times, some key support measures have been taken to contain the social and economic fallout of the pandemic. SBP has reduced the Policy Rate by a cumulative 4.25% in less than a months' time and has also made amendments in prudential regulations for corporates & commercial banks for giving credit breaks, has offered special refinance schemes to hospitals and has gone an extra mile by offering discounted loans to the non-financial sector for salvaging the salaries and employment payments by the COVID-19 affected organizations. The government has announced in its PKR 1.2 trillion stimulus package has provided relief for all sectors of the society including the underprivileged, businesses, and the industries. On the IMF front, Pakistan has received an emergency loan of USD 1.39 billion while further assistance is also expected from other multilateral agencies. Pakistan expected to benefit from postponing debt payments to international agencies.

In its monetary policy announced in April taking into account various factors including plummeted global oil prices, retail sales, credit card spending, cement production, export orders, tax collections, etc. suggest a significant slowdown in most parts of the economy the growth estimates are marked at -1.5 percent in FY20 before recovering to around 2 percent growth in FY21. On the inflation front, the CPI and SPI show a significant decline hence inflation is expected to be to fall to 7-9 percent range next fiscal year.

Financial Overview

The earnings for the first quarter FY 2020 showed growth both in terms of markup income and non-markup income. During the three month period ended 31 March 2020, the Company earned Net Revenue from Funds ("NRFF") PKR 253.094 million which is an increase of 26% over the last year same period the decision of investment in T bills made in Q4 FY2019 had proved beneficial for the company further the gross additional disbursement of PKR 1.491 billion in Q1 FY 2020 has also played its role. Non-markup income has increased by 15% over the same period last year, a considerable increase in fee & commission income was witnessed which is in line with the directives of the board of directors to enhance the non-markup lines.

Total assets declined by PKR 935 million and closed at PKR 20.539 billion as against PKR 21.474 billion of the total asset as of December 2019. Mainly on account of maturity of T-bills of PKR 1.82 billion which were anticipated and were factored in while deriving the budgeted revenues. Gross advances increased by PKR 1.234 billion net of repayments, closing at PKR 7.884 billion from PKR 6.648 billion at the opening of FY 2020. The portfolio saw some additional classifications. Outstanding of NPL increased by PKR 324.022 million due to additionally classified whereas the incremental charge of PKR 10.523 million was taken against the NPL during the year. Subsequent to the quarter-end PKR 124.18 million was fully recovered in cash and the said facility stand adjusted bringing down the total NPL exposure from PKR 2.146 billion as at Q1- FY 2020 ended to PKR 2.022 billion. The management has received the various proposal for relief in terms of restructuring of the facilities due to the prevalent COVID-19 circumstances. Credit Committee is evaluating each request individually taking into account the hardship being faced by the respective borrowers as well as the directives announced by State Bank of Pakistan ("SBP").

Equity markets around the globe have seen their worst times after the COVID-19 hit some 212 countries. PSX also plummeted in the same manner. Considering the extraordinary situation SBP allowed the financial institution to take the impairment charge in a systematic manner until the year-end. Consequently, a charge of PKR 55,379 was taken for the impairment in the value of the investment. Had the relaxation been not provided by the SBP in the manner described above the charge for the Q1-FY 2020 would have been higher by PKR 221.517 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

Though the lockdowns and strict restriction movements have contained the impact of COVID-19 for the time being in the country yet the exact time when it will be safe to say it's over is hard to tell. We expect that the credit off-take to remain lower than the original estimates while we can see some of the borrowers going out of business too while the yields on the assets are decreasing in line with the rate cuts, therefore, some real tough times calling for a vigilant and stable approach instead of a growth strategy would be the right way for the organization having the dynamics like ours.

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 PAİR.

PAİR

On Behalf of the Board of Director



Chairman of the Board of Directors
15 June 2020
Islamabad – Pakistan

