



Rating Action

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Applicable Criteria and Related Research

- Joint Venture Financial Institutions - Viewpoint | May-16
- Bank Rating Methodology

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PACRA MAINTAINS ENTITY RATINGS OF PAK BRUNEI INVESTMENT COMPANY LIMITED

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term entity ratings of Pak Brunei Investment Company Limited (PBIC) at 'AA+' (Double A plus) and 'A1+' (Single A One Plus), respectively. These ratings denote a very low expectation of credit risk and indicate a very strong capacity for timely payment of financial commitments.

Pak Brunei Investment Company Limited is a joint venture, equally owned by Governments of Pakistan and Brunei; sovereign parentage implies strong support. The company has established two subsidiaries, i) Primus Investment Management Limited - an asset management company, and ii) Awwal Modaraba Management Limited - modaraba management company - that has lately launched Awwal Modaraba with PBIC being a major shareholder in it. Establishing a specialized leasing company is also on the agenda. While, build-up of a sizeable revenue stream from these investments may take time.

PBIC maintains a strong financial profile, characterized by low-leveraging, liquid investment portfolio, and good asset quality. During CY15, the company, mainly benefiting from gains on trading investment portfolio, managed a sizeable increase in pre-provision profit. While the significant income originated from trading bonds, the loans and advances book also registered considerable growth. The company took provisioning against few loans by deciding not to avail FSV benefit. As a result, provisioning charges had a substantial impact on net interest earnings. Despite reduced net interest income, ROE remained intact. Going forward, the company while gradually expanding its financing business across all areas, intends to continue focusing on its niche of advisory based revival financing to relatively smaller corporate customers and SME Financing.

The company through its strategic investments intends to expand its business profile by establishing subsidiaries in Private Equity, SME and Revival financing, however achieving reasonable size and dividend stream may take time. Moreover, management of related risks is critical. At the same time, upholding high governance standards and maintaining good asset quality would remain important.

The Company: Pak Brunei Investment Company Limited (PBIC) commenced commercial operations in August 2007. The company is principally engaged in promoting financing activities while prudent management of risk remains its strongest forte. PBIC has been following a strategy of diversified expansion to build various revenue streams.

The BoD, including the Managing Director (MD), comprises four members with equal representation of the joint venture partners. All directors of the company are non-executive with the exception of the MD, Ms. Ayesha Aziz. She has been associated with PBIC since inception and has over 22 years of varied experience in the banking and financial sector. The company has an established organizational structure, with strong core management team in place, and remains well positioned to capitalize on any emerging opportunities.

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.

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