



## Rating Action

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## PACRA MAINTAINS ENTITY RATINGS OF PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term entity ratings of Pakistan Kuwait Investment Company (Private) Limited (PKIC) at "AAA" (Triple A) and "A1+" (A one plus), respectively. These ratings denote lowest expectation of credit risk and indicate exceptionally strong capacity for timely payment of financial commitments.

Pakistan Kuwait Investment Company (Private) Limited is equally owned by Government of Pakistan (GoP) through State Bank of Pakistan (SBP) and by Government of Kuwait through Kuwait Investment Authority (KIA), representing their respective governments. The ratings recognize the company's strong financial profile emanating from robust risk absorption capacity and sound liquidity. The company maintains a relatively small advances portfolio, while investments represent significantly in the total assets. The company largely maintained its pre-provision profitability during CY15; however, higher provisioning on investment portfolio resulted in lower net profits on YoY basis. Going forward, the management, while continuing to prudently increase its advances book, would focus on non-fund based revenue stream. Given limited depth in participation towards development of long gestation projects, JVFI's largely operate on turf common to commercial banks where limited outreach, low funding base, and high competition remain key challenges for JVFI's.

The ratings are dependent on the management's ability to sustain its financial profile while managing the associated risks as advances increase. Consistent efforts by the management to add further diversity as well as sustainability to PKIC's operations, as envisaged in its business strategy, would remain critical while upholding the strong governance standards.

**The Company:** PKIC was established in March 1979 as an equally-owned joint venture between the governments of Pakistan (through State Bank of Pakistan) and Kuwait (through Kuwait Investment Authority). The company maintains a strategic investments book in different companies and funds. The earning profile of the company continues to take comfort from its healthy strategic investment portfolio, mainly 30% stake in Meezan Bank Limited, that generates stable dividend income. Currently, PKIC is in the process of divesting its interest in Pak Kuwait Takaful Company Limited - one of its associate.

The BoD, including the Managing Director, comprises six members with equal representation of the joint venture partners. All directors of the company are non-executive with the exception of the MD, Mr. Mansur Khan. He has been associated with PKIC since Feb-14 and has over 25 years of varied experience in the banking and development sector. PKIC has an established structure with a relatively stable and experienced management team.

## Applicable Criteria and Related Research

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

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