

## Pak Brunei Investment Company Limited

Chairman: Mr. Khairuddin Abdul Hamid; Managing Director: Ms. Ayesha Aziz

July 4, 2014

**Analysts:** Waqas Munir, FRM  
Muniba Khan

### Rating Rationale

The ratings assigned to Pak Brunei Investment Company Limited (PBIC) incorporate the sovereign ownership of the company, with Government of Pakistan and Brunei being equal shareholders. Comfort is also drawn from the strong asset quality maintained by the company, which is reflective of the sound risk and control infrastructure in place. The management team of PBIC has depicted stability; personnel at the senior management level possess the necessary skill set to deliver on the company's goals, as envisioned in the strategy for the organization. The company had set up an asset management subsidiary in 2011. Future initiatives entail plans to offer Shari'ah compliant products and services through a Modaraba Management Company and scaling up the services of the advisory group.

In addition to conventional lending, business model of PBIC advocates revival financing for mid-sized corporate entities that may be undergoing financial stress. Gross loan portfolio increased to Rs. 6.8b (FY12: Rs. 5.8b). Exposure to power sector comprises the largest proportion of advances at 24% followed by sugar (19%) and textile (14%) sector. The portfolio features client wise concentration; as such, per party exposures are considered within prudent limits and concentration is attributable to small size of the portfolio itself. SME activities have also picked up pace during FY13; however share of the same in the overall advances portfolio is still modest. These initiatives are likely to enable the company to enhance the spreads on financings.

Investment portfolio of the company comprises a sizeable proportion of the balance sheet; size of the same varies with the volume of money market activity over the year. On a timeline basis, price risk associated with the same has increased as the company has substantially enhanced its holding of long term government paper to Rs. 3.9b in 1Q14. Moreover, exposure to equity market has been more than doubled from the year-end level of Rs. 266m. The portfolio also includes certain high risk TFCs acquired at deep discount, with the specific intent to benefit from price appreciation. In most cases, principal repayments have resumed.

Funding sources of the company primarily comprise borrowings from financial institutions. Notable growth has been witnessed in COIs during the ongoing year. Liquidity profile of the institution is considered sound, drawing comfort from the quality of assets and maturity profile of assets and liabilities (adjusted for repo).

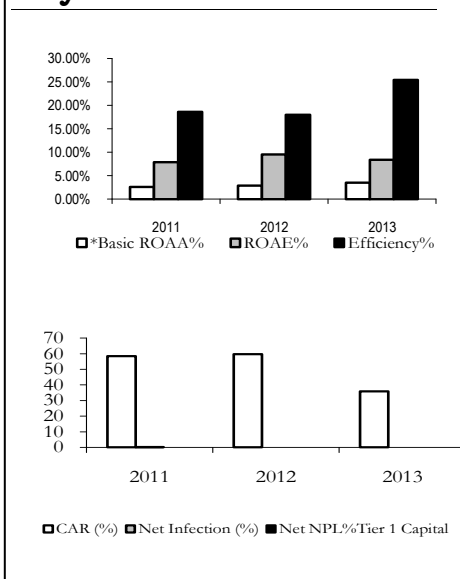
With a decline in mark-up spreads and reduced treasury activities, core earnings of the company declined to Rs. 644m in FY13 (FY12: Rs. 884m). The impact on bottom line was contained on the back of dividend income and one-off gain on sale of a company's shares & assets, with net profit reported at Rs. 705.7m (FY12: Rs. 783.8m).

### Overview of the Institution

PBIC is a Development Finance Institution (DFI) which provides financial support to industrial and agricultural projects. Operations for the company commenced in August 2007. PBIC is regulated by the State Bank of Pakistan (SBP). The financial statements for 2013 were audited by M/s. Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants <sup>JCR-VIS</sup>

Category	Latest	Previous
Entity	AA+/A1+ Jun 30, '14	AA+/A1+ Jun 28, '13
Outlook	Stable Jun 30, '14	Stable Jun 28, '13

### Key Financial Trends



	2013	2012	2011
Net Advances (Rs. in b)	6.80	5.78	4.65
Deposits (Rs. in b)	0.57	2.82	0.98
Borrowings	26.39	2.42	23.36
Profit / (Loss) (Rs. in m)	705.7	783.8	604.1
Equity (Rs. in b)	8.25	8.58	7.93
CAR (%)	35.9	59.8	58.5
Liquid Assets % Deposits & Borrowings (adj. for REPO)	26	43	87
Net Infection (%)	0.00	0.00	0.03

## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: ENTITY</u>				
30-Jun-14	AA+	Stable	A-1+	Reaffirmed
28-Jun-13	AA+	Stable	A-1+	Reaffirmed
29-Jun-12	AA+	Stable	A-1+	Initial