



Rating Action

Lahore : 20-Sep-2011

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PACRA MAINTAINS ENTITY RATINGS OF PAK CHINA INVESTMENT COMPANY LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained long-term and short-term entity ratings of Pak China Investment Company Limited (PCICL) at "AA-" (Double A Minus) and "A1+" (A One Plus) respectively. These ratings indicate a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect the sovereign ownership - governments of Pakistan and China implying - strong sponsors support. The ratings incorporate robust liquidity and sound equity base ensuing high risk absorption capacity. To improve overall risk profile of the company, management intends to add short-term diverse exposures in fundamentally sound business sectors to its currently concentrated loan book. PCICL is eyeing on establishing non-funded revenue stream, wherein it intends to offer itself as a critical conduit to Chinese companies operating in Pakistan. However, establishing diversified revenue streams while managing related risks in current economic environment would be challenging. Although the company recently experienced rise in classified advances, its asset quality still remains strong. Given the nascent stage of the company, the governance function is critical in setting the strategic direction.

The company: Pak China Investment Company Limited (PCICL) an equal joint venture between the Government of Islamic Republic of Pakistan (through Ministry of Finance) and Government of People's Republic of China (through China Development Bank - CBD) was established in July 2007. The major objective of the company is to undertake financially viable projects to meet socio-economic development goals, while also focusing on business generation from Chinese companies or Chinese-linked businesses operating in Pakistan.

The six-member board has equal representation of both the sponsor countries. Moreover, both countries would have representation at the top management level. The positions of Chairman of the Board and Deputy Managing Director are nominated by Pakistan, whereas Vice Chairman of the Board and the Managing Director are appointed by China. Mr. Cao WenJiang joined as Managing Director in May 2011, possesses extensive overseas experience in banking sector, while, Mr. Javed Mahmood, Deputy Managing Director, has a considerable experience in banking and power sectors.

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