

## CORPORATE GOVERNANCE REPORT

### Pakistan Kuwait Investment Company (Private) Limited (PKIC)

**REPORT DATE:**

December 29, 2017

**RATING ANALYSTS:**

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#### RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	Corporate Governance	Corporate Governance
Entity	CGR-9	CGR-9
Rating Date	Dec 29, 17	Dec 14, 16

#### COMPANY INFORMATION

Incorporated in 1979	External auditors: KPMG Taseer Hadi & Co., Chartered Accountants
Private Limited Company	Chairman of the Board: Mr. Abdullah A. Al-Ramadhan
Key Shareholders (with stake 5% or more):	Managing Director: Mr. Mansur Khan
Kuwait Investment Authority – 50%	
State Bank of Pakistan – 50%	

#### APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria: Corporate Governance Ratings (August 2017)

<http://jcrvis.com.pk/docs/CGR-Methodology-201708.pdf>

## Pakistan Kuwait Investment Company (Private) Limited

### OVERVIEW OF THE INSTITUTION

*PKIC was incorporated as a private limited company in 1979. The respective shareholdings of the Governments of Kuwait and Pakistan in PKIC are held through the Kuwait Investment Authority and the State Bank of Pakistan.*

### RATING RATIONALE

PKIC is primarily engaged in provision of corporate finance, advisory and investment banking services to companies operating in diverse sectors in Pakistan. The vision of the company is to facilitate the expansion and modernization of industries in Pakistan. The company was established under a Joint Venture Agreement (JVA) between the Government of Pakistan (GoP) and Government of Kuwait (GoK) in March 1979. PKIC operates through its head office in Karachi, while it has also a representative office in Lahore.

#### Rating Drivers:

- The assigned rating incorporates presence of sound Board level governance framework at PKIC. Board members possess relevant industry experience. As per the joint venture agreement between two shareholders, each shareholder nominates 3 directors on the Board with Board Chairman being nominated by GoK, while MD is nominated by GoP. In line with the best corporate governance practices, positions of Chairman and Managing Director are held by different resources. Improvement was witnessed in board committees composition as the Chairman of the Board and the Chairman of Board Risk Committee (BRC) are held by separate resources. Board and its committees exercise active oversight of key areas including strategy, financial performance, control framework, credit approvals and hiring of key management personnel.
- Turnover was witnessed in the senior management positions during the period under review. Position of Chief Financial Officer (CFO) was filled through promotion of an internal resource. Management has also appointed internal resources to the positions of officiating Human Resource and officiating Head of Corporate Finance & Investment Banking. Management is in process of appointing permanent resources for these positions. Management team is supported by a well-defined organizational structure with clearly defined reporting lines. Management has also developed and implemented a succession plan which identifies possible replacements of key senior resources. Hence, risk from turnover in key positions is partly mitigated.
- PKIC's risk management, control and compliance framework are considered satisfactory. The company maintains adequate systems and processes to identify, measure and control market, credit and liquidity risk, as well as to ensure compliance with all regulatory requirements and policies. In line with the regulatory requirement, approximately all the policies have been updated within the company's defined internal timeframe of 2 years.
- Disclosure of information to public via the company's website and financial statements is considered adequate. Official website of the company is updated at regular intervals with the latest developments and information about the company. Probability of information asymmetry is considered limited given that both the sponsors have equal representation on the board.
- Given the current mix of company's income, the management may consider enhancing its advances portfolio to increase income from its core activity.

**ISSUE/ISSUER RATING SCALE & DEFINITIONS****Appendix IV**

<b>CGR 10</b> Highest level of corporate governance	<b>CGR 4, CGR 4+, CGR 4++</b> Moderately low level of corporate governance
<b>CGR 9, CGR 9+, CGR 9++</b> Very high level of corporate governance	<b>CGR 3, CGR 3+, CGR 3++</b> Low level of corporate governance
<b>CGR 8, CGR 8+, CGR 8++</b> High level of corporate governance	<b>CGR 2, CGR 2+, CGR 2++</b> Very low level of corporate governance
<b>CGR 7, CGR 7+, CGR 7++</b> Moderately high level corporate governance	<b>CGR 1, CGR 1+, CGR 1++</b> Lowest level of corporate governance
<b>CGR 6, CGR 6+, CGR 6++</b> Satisfactory level of corporate governance	
<b>CGR 5, CGR 5+, CGR 5++</b> Adequate level of corporate governance	

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**Governance Watch:** ‘Governance Watch’ may be assigned to highlight identifiable governance events that necessitate re-evaluation of the assigned rating. A ‘Governance Watch’ announcement means that the status of the assigned rating is uncertain and an event or deviation from an expected trend has occurred or is expected and additional information is necessary to take a rating action.

## JCR-VIS Credit Rating Company Limited

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

REGULATORY DISCLOSURES		Appendix V			
<b>Name of Rated Entity</b>	Pakistan Kuwait Investment Company (Private) Limited				
<b>Sector</b>	Development Finance Institution (DFI)				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Corporate Governance Rating				
<b>Rating History</b>		<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
		<b>RATING TYPE: ENTITY</b>			
	12/29/2017	CGR-9	-	-	Reaffirmed
	12/14/2016	CGR-9	-	-	Reaffirmed
	12/23/2015	CGR-9	-	-	Reaffirmed
	12/26/2014	CGR-9	-	-	Reaffirmed
	8/16/2013	CGR-9	-	-	Reaffirmed
	10/18/2012	CGR-9	-	-	Reaffirmed
	3/8/2011	CGR-9	-	-	Reaffirmed
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
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