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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION

APPRAISAL OF
PAKISTAN INDUSTRIAL CREDIT
AND
INVESTMENT CORPORATION, LIMITED

February 5, 1963

CURRENCY EQUIVALENTS

U.S. \$1.00 = 4.762 Rupees
1 Rupee = U.S. \$0.21
1,000,000 Rupees = U.S. \$210,000

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

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PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

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SUMMARY

(i) The Pakistan Industrial Credit and Investment Corporation Ltd. (PICIC) has asked the Bank for a fourth loan of \$20 million. This sum, together with other resources now available and expected to become available to PICIC, should meet the foreign exchange credit demands on PICIC until early 1964.

(ii) PICIC was established in 1957 to assist in the creation, expansion and modernization of private industrial enterprise, to encourage private participation, both foreign and domestic, in industrial enterprise and to assist in the creation of a capital market. Its original share capital of Rs. 20 million was increased to Rs. 30 million in 1961 and plans are afoot to increase it to Rs. 40 million this spring. This share capital has been supplemented by an interest-free, long-term, subordinated advance of Rs. 30 million from the Government in 1957 and another Rs. 30 million in 1961 on similar conditions, but with an interest rate of 4%. In addition, PICIC has received conventional loans totalling \$29.2 million from the Bank and \$42.0 million directly or indirectly from the Governments of France, Germany, Japan, U.K. and the United States.

(iii) There has been a steady improvement in the quality of PICIC's management, staff and procedures. This improvement was sufficient to justify the release, in September 1962, of the second half of the Bank's third loan and to justify a recommendation that projects requiring less than \$500,000 from the proceeds of the proposed new loan need not obtain prior approval from the Bank.

(iv) The bulk of PICIC's operations to date has been in the field of foreign exchange lending, the result of Pakistan's severe shortage of foreign exchange. Such operations, involving commitments of \$59.5 million, account for about 90% of all sums approved by PICIC's Board to date. Equity participations, either directly or through the underwriting process, were originally intended to be a major PICIC activity, but have in fact represented only a minor part of it. Loans in domestic currency have also been small. It is difficult, because it is premature, to evaluate PICIC's portfolio. It appears, however, that there has been no serious trouble in obtaining regular service on its loans, and no situations have arisen to endanger PICIC's investments.

(v) PICIC is in a satisfactory financial condition. Its gross income has grown steadily from Rs. 1.6 million in its first 13 months of operation, to Rs. 12.1 million in 1962. Earnings after tax amounted to Rs. 3.7 million in 1962, or 11% of net worth at the beginning of the year. PICIC has retained roughly half of its net earnings and proposes to continue to do so. Dividends in recent years have been paid at the rate of 6%, and this policy is also likely to be pursued.

(vi) The level of operations in the next several years is difficult to estimate. It appears, however, that about Rs. 150 million of commitments may be expected in 1963 and Rs. 160 million in 1964. In making these projections, account is taken of the fact that the Government, the Bank and PICIC have agreed that PICIC be used as an intermediary for Bank lending to a large number of projects involving water transportation facilities in East Pakistan.

These investments are expected to yield a relatively low return, but will play an important role in the development of East Pakistan.

(vii) On the basis of these projections, there should be a steady development in PICIC's income and an increase in the return on its net worth.

(viii) The proposed loan of \$20 million, together with other foreign exchange availabilities, should cover the expected calls on PICIC for the next year or 18 months. PICIC may run into a cash shortage this year in servicing its debt. This, however, is a temporary situation and is not expected to be serious because of PICIC's ability to sell quickly some of its temporary investments and its ability to obtain prepayment of some of its foreign exchange loans.

(ix) In consideration of PICIC's increasingly satisfactory performance and prospects and of its capacity to invest foreign exchange resources usefully, it would be appropriate to provide the new loan requested, under conditions conventional for Bank loans to similar institutions.

I. INTRODUCTION

1. The Pakistan Industrial Credit and Investment Corporation Limited (PICIC) has requested a fourth Bank loan of \$20 million. This amount, together with other planned borrowing, and with uncommitted balances from existing loan agreements, is expected to meet the foreign exchange credit demands of PICIC's clients until early 1964. The three previous Bank loans (Nos. 185, 236 and 286 PAK) were made in 1957, 1959 and 1961 and were for \$4.2 million, \$10 million and \$15 million respectively.

2. This appraisal is based on information provided by PICIC and upon material gathered by missions which visited Karachi in August 1962 and January 1963. Attention is drawn to the previous appraisal of PICIC (TO-278a), issued on June 2, 1961 which contains more detailed background not repeated here.

II. THE COMPANY

Purpose

3. PICIC was established to assist in the creation, expansion and modernization of private industrial enterprises, to encourage private capital participation from both local and foreign sources and to assist generally in the creation of a securities market. It was incorporated on October 2, 1957, and commenced business on November 26, 1957.

Financial Resources

4. Share Capital: PICIC has an authorized capital of Rs. 150 million (\$31.5 million equivalent). The initial paid-in capital was Rs. 20 million (\$4.2 million equivalent), consisting of two million shares of Rs. 10 par value each. Of these, 60% were subscribed by Pakistani shareholders and the balance by United States, Canadian, United Kingdom and Japanese private interests. The 40% held by non-Pakistanis, were purchased with foreign currencies, with the exception of 200,000 shares paid for out of Rupee funds held by British banks and insurance companies. PICIC was permitted by the State Bank of Pakistan to retain the foreign exchange funds in foreign currency accounts abroad; they are being used, on a revolving basis, to meet obligations pending reimbursement from the proceeds of foreign loans.

5. In April 1961, PICIC raised an additional Rs. 10 million (\$2.1 million equivalent) in share capital by means of a rights issue to shareholders. The issue was completely subscribed, the rights carrying a premium of 7%. To allow for a German participation in PICIC's equity and yet retain the original 60:40 relationship between Pakistani and non-Pakistani shareholders, the foreign shareholders waived half of their rights in favor of the Germans against payment of a premium of Rs. .70 per share. A list of foreign shareholders as at December 31, 1962 is given in Annex I.

6. In order to increase its borrowing base, PICIC proposes to make another rights issue of Rs. 10 million in the spring of 1963. IFC is considering a participation in this issue.

7. Government Advances: At its inception in 1957, PICIC was granted a 30-year interest-free advance of Rs. 30 million by the Government of Pakistan. A 15-year grace period was provided, with the first repayment of Rs. 2 million falling due in 1972. Except for portions which become due for repayment, the outstanding amount of this loan is subordinated to all other debt and to share capital in the event of a winding up. In 1961, PICIC was granted a second advance of Rs. 30 million by the Government, also subordinated to long-term debt and share capital, but bearing an interest rate of 4% per annum; a grace period of only four years was granted, with an amortization schedule spread over 36 years in semi-annual repayments commencing in August 1965. Initial repayments are token, the first one being only Rs. 11,000. By August 31, 1962, PICIC had fully drawn down both Government advances.

8. Surplus: On December 31, 1962 PICIC had accumulated reserves and surplus totalling Rs. 5.66 million. PICIC proposes to continue to retain approximately 50% of its net annual earnings in reserves.

9. Foreign Borrowing: During PICIC's early years, the Bank and the U.S. Development Loan Fund matched loan funds. Thus, each granted PICIC foreign currency loans of \$4.2 million in 1957 and \$10 million in 1959. When in 1961 the Bank granted a loan of \$15 million, DLF lent only \$7.5 million, but gave PICIC a letter of intent to lend an additional \$7.5 million in its next fiscal year. However, no agreement has been signed. Other medium and long-term credits have resulted from allocations to PICIC of loans granted to the Pakistan Government by the Federal Republic of Germany (\$17.5 million), Japan (\$7.3 million), France (\$3 million), U.K. (\$2.5 million) and Canada (\$2.5 million - terms presently under negotiation). A schedule of PICIC's borrowings as at December 31, 1962, together with their major terms, is summarized in Annex II. A total of Rs. 119.34 million equivalent had been drawn down on December 31, 1962 and Rs. 164.35 million of commitments was still outstanding.

Debt/Equity Ratio

10. In accordance with paragraph 69 of its Articles of Association, PICIC is authorized to borrow and extend guarantees up to the equivalent of three times the amount of its share capital, reserves, undistributed surplus and the Government advances outstanding. For the purpose of establishing PICIC's debt/equity ratio, debt has been interpreted as the drawn down and still outstanding portion of its debt. On this basis the ratio as of December 31, 1962 was 0.83:1. It is estimated that the debt/equity ratio will reach 3:1 by the middle of 1965.

Management and Staff

11. The Board: PICIC's Board, all but one of whose members are chosen by the shareholders, consists of 17 Directors of whom 12 represent Pakistani shareholders; four, foreign shareholders; and one, the Government of Pakistan. (A list of incumbents as of December 31, 1962, is shown in Annex III.) The Board meets about four times a year, while the Executive Committee, composed of the Chairman, one Pakistani Director from West

Pakistan and one from East Pakistan, the Government Director and one foreign Director, meets about 10 times a year. The Executive Committee at present is empowered to sanction loans up to Rs. 2.5 million, while the Board sanctions loans for larger amounts.

12. The Chairman: The Chairman of the Board until January 31, 1963 was Mr. Mohammed Ali, who held office since February 1960. He has been succeeded by Mr. A.W. Adamjee, who was elected Chairman for a period of three years. Mr. Adamjee is a leading industrialist, and was PICIC's first Chairman. He will not be a full-time chairman as Mr. Mohammed Ali was, and this will throw more of the burden of the conduct of day-to-day operations on the General Manager.

13. Management: The General Manager Mr. N.M. Uquaili, who was formerly an official of the Central Bank, joined PICIC at its inception, and served as Joint General Manager until 1960 when he took over his present position. He is highly respected by the Government and the industrial community in Pakistan. He has managed the affairs of the Corporation competently.

14. Mr. S.U. Durrani, who visited the Bank in 1961 as a special trainee, has recently been appointed Deputy General Manager. The creation of this post is expected to greatly assist the General Manager in the day-to-day administration of the Corporation and leave him free to devote more time to matters of policy.

15. Head Office and Branches: PICIC's Head Office is in Karachi; it has a branch office in Dacca, East Pakistan, and one in Lahore, West Pakistan. The branch offices are significant units for the preliminary screening of applications and end-use field operations. The Dacca office employs a staff of 12, including 6 professionals and the Lahore office has a staff of 8, of whom 3 are professionals.

16. Staff: The expansion of PICIC's activities has been made possible by the consistent efforts of its management to strengthen the organizational structure of the Corporation and to improve the quality of its staff. (See Annex IV.) Mr. Iqbaluddin Ahmed, who spent five weeks with the IFC as a special trainee in 1962, has been appointed Chief of Operations. It is proposed to create a separate End-Use Department with Mr. A.A. Lohdi, the present Secretary, as officer-in-charge. It is expected that this arrangement will ensure more individual attention being given to end-use supervision. While in mid-1961 PICIC had a total professional staff of 10, it now has 20 professional staff members directly associated with project appraisal and end-use supervision. They include a group of young, energetic engineers and financial analysts, who operate on a working party basis. Under the guidance of an AID advisor, a Department of Market Research, headed by a Pakistani with a Doctorate from an American university, has been established recently. The staff is competent and dedicated. Pay increases and the continuing prestige associated with employment by PICIC, have contributed to the good morale of PICIC's personnel.

17. The A. F. Ferguson Company was engaged to conduct a comprehensive review of PICIC's accounting operations. As a result of this study, a new accounting system, better suited to PICIC's expanding operations, has been introduced. PICIC's Management now employs an administrative budget, and projections of operations and of operating results several years ahead are now prepared as a matter of routine. The next step will be the mechanization of accounts, which has been decided upon by management.

18. A steady improvement has been observed in the quality of PICIC's project appraisals. Foreign currency loans from whatever source, as well as Rupee loans, equity participations and underwriting operations are being appraised with the same degree of thoroughness and caution. Although marked improvement has been evident in the compilation and interpretation of financial and technical data, PICIC's management is aware of the need for continuing improvement in technical and end-use supervision, and corrective steps are underway. The position of Chief Engineer is still vacant, but the German Government has agreed to make available to PICIC the services of an engineer. The choice of the incumbent is expected to be finalized shortly. PICIC is also endeavoring to obtain the services of an industrial engineer from Japan. The United Kingdom has agreed to provide the services of a person experienced in security analysis, under the Colombo Plan. It is understood that a suitable person will shortly be available. PICIC proposes to further strengthen its staff of qualified financial analysts and to train them for end-use under the direct supervision of the proposed Chief of End-Use. Troublesome projects are already receiving closer and continued attention of the management.

19. The third Loan Agreement with PICIC dated June 27, 1961, provided that PICIC's account should not be credited with more than \$7.5 million until a date to be mutually agreed upon by PICIC and the Bank. This restriction was imposed because of weaknesses of staff and organization, reported in the previous appraisal of PICIC. In view of the improvements that occurred in the following year in PICIC's staff and organization, the remaining \$7.5 million was released in September 1962. It is not thought necessary to impose any similar limitation on withdrawals from the proposed loan.

20. Until now PICIC has submitted all its IBRD sub-loans to the Bank for approval and subsequent credit to the Loan Account. However, PICIC has attained a degree of efficiency in its operations which justifies consideration for granting a free limit. PICIC is increasingly concentrating on larger projects and the average size of projects submitted by PICIC (excluding the IWT projects) under Loan 286 PAK is over \$500,000. Additionally, arising from the trend of recent discussions with IDBP, PICIC's lowest lending limit may be Rs. 1.0 million (\$210,000 equivalent). It is essential therefore that, if a free limit is to be granted, it should be in an amount which would be of practical benefit to PICIC. It is recommended therefore that PICIC be given freedom of action for projects not exceeding \$500,000, up to a total of \$5.0 million. It is estimated that not more than 20% of PICIC's projects will fall within this limit. The free limit, however, will not apply to the IWT projects, all of which will require the Bank's prior approval.

III. CREDIT AND INVESTMENT OPERATIONS UNTIL DECEMBER 31, 1962

21. Until December 31, 1962, PICIC's Board of Directors had approved 318 loans in both foreign and local currency, totalling Rs. 400.9 million. Signed loan agreements totalled Rs. 320.71 million, while disbursements were Rs. 153.17 million. For details of loan operations, see Annex V.

22. Rupee Lending: During its first two years of operations, when ample Rupee resources were available, PICIC's Rupee lending remained substantially below the level of its Rupee resources, primarily because the local commercial banks were willing to lend on medium term by renewing short-term borrowings. By 1960, however, surplus Rupee funds were no longer a problem as increasing amounts of Rupees were needed for repayment of DLF borrowings. Rupee lending commitments, after falling steadily in 1960 and 1961, increased in 1962, but remained a small fraction of PICIC's overall operations. Since its start, PICIC has made 58 loans in Rupees, compared to 260 in foreign currency. While 40 of the 58 were approved since January 1, 1961, their total was a mere Rs. 8.0 million, or 21% of total Rupee approvals, because of a need to retain in reserves a part of Rupee funds for possible underwriting and equity participations.

23. Foreign Currency Lending: Foreign currency lending has been, and is expected to remain, PICIC's primary business; PICIC has been a major private institutional source of foreign currency for industrial expansion. Approvals, commitments and disbursements of loans in foreign currency, have grown steadily. In the 2-year period, January 1, 1961 to December 31, 1962, PICIC approved 102 foreign currency loans totalling Rs. 232.2 million, compared to 158 loans totalling Rs. 130 million in the preceeding 37 months.

24. As of December 31, 1962, PICIC had committed a total of \$59.46 million in foreign exchange, out of which the Bank provided 38% as evidenced by the following breakdown of total commitments in foreign currency operations.

	<u>(\$ million)</u>	<u>(Rs. million)</u>	<u>%</u>
Bank Loans 185, 236 and 286	22.60	107.58	38.1
DLF Loans 15, 100 and 194	16.42	78.16	27.6
Japanese credits	3.83	18.23	6.4
German credits	12.93	61.54	21.8
French credits	1.18	5.61	1.9
U.K. credits	<u>2.50</u>	<u>11.90</u>	<u>4.2</u>
	59.46	283.02	100 %

The status of the three Bank loans as of December 31, 1962 is given in Annex VI.

25. While the Pakistan Government in a special 1957 agreement freed PICIC from any foreign exchange risk under the first Bank Loan (185PAK) for a period of four years, PICIC, as a matter of continuing policy, has from the beginning passed such risks to its borrowers. When the German Mark and the Dutch Guilder were revalued, borrowers of these currencies accepted their increased liability.

26. Equity Participations: PICIC has made equity investments in the following four ways: by direct purchase of securities in the market when a share is at an attractive price, as a means of employing idle funds and of improving its earning position (see paragraph 27 below); through underwriting operations; by direct investment in equity; by exercise of option or conversion rights set forth in its loan agreements. As of December 31, 1962, PICIC held shares totalling Rs. 14.01 million. It had invested Rs. 4.67 million in shares bought on the Karachi Stock Exchange; underwritten shares of four projects in the amount of Rs. 15.1 million of which about Rs. 1.32 million had to be taken up; invested Rs. 5.0 million directly in projects; and acquired shares under options amounting to Rs. 3.02 million. For details see Annex VII.

27. Investment in Shares: Soon after its inception PICIC applied for recognition as an "Investment Company". This recognition, which was accorded by Government in 1959, made it possible for dividend income earned by PICIC to be free of income tax liability. Returns from Government Bonds realize about $3\frac{1}{2}\%$ gross (or about 1.75% net - Government Bonds are not exempt from tax). Up to the end of 1961 PICIC placed part of its liquid funds on call loan at different commercial banks, yielding interest from 3 to 4%. Early in 1962 the commercial banks entered into an agreement whereby call loans could only be accepted between the banks, which resulted in PICIC being excluded from making such call loans except as an ordinary depositor. The effect of this action was to reduce PICIC's earnings on time deposits to 2% per annum. PICIC, therefore, increased the investment of some of its surplus short-term funds in industrial equities. Such investments were particularly attractive in view of the comparatively higher returns coupled with the tax exemption enjoyed by PICIC as a recognized "Investment Company". As at December 31, 1962 PICIC had realized capital gains of Rs. 853,422, as a result of sales of some of its investments, which it allocated to its capital reserve account. In respect to investments held as at December 31, 1962, PICIC enjoys a paper profit of Rs. 1.4 million equivalent. (See Annex VIII.)

28. Other Operations: PICIC has played a part in stimulating foreign equity participations in Pakistani enterprises. As of December 31, 1962, PICIC estimates it was responsible for generating Rs. 11.7 million of local currency investments in nine projects and had been instrumental in arranging direct loans from abroad for two projects (Valika and Ismail Cement) in the amount of \$7.5 million. These include the IFC investment of \$4 million in Ismail Cement Industries Ltd. (See Annex X.)

29. The following table illustrates the progress of PICIC's lending operations and the growing average size of its loans.

	<u>Dec. 1957 - 1960</u>		<u>1961 - Dec. 1962</u>	
	(Thousands of Rupees)			
	<u>Number of Loans</u>	<u>Average Amount</u>	<u>Number of Loans</u>	<u>Average Amount</u>
Under Rs. 500,000	81	297	42	347
From Rs. 500,000 to Rs. 1 million	49	788	29	669
From Rs. 1 million to Rs. 2.5 million	40	1,647	50	1,825
Above Rs. 2.5 million	<u>6</u>	<u>5,250</u>	<u>21</u>	<u>5,461</u>
	176		142	

30. Another development, significant of the growth of entrepreneurship in Pakistan, is the increasing amount of investment in new enterprises among PICIC's lending operations, compared with the amount of investments in expansions and modernizations. In its first 37 months, 44% of PICIC's loan sanctions were for new enterprises; in the 2 years after January 1961, 62% of sanctions fell in that category. Sanctions in respect of new projects include 67 cases where the borrowers are entering the industrial field for the first time. In this manner PICIC is helping to broaden industrial entrepreneurship.

31. Geographical distribution of PICIC's operations remained about the same as previously reported. As of December 31, 1962 PICIC's total loan sanctions in West Pakistan (including Karachi) amounted to Rs. 264 million as against Rs. 137 million in East Pakistan. It will be noted that East Pakistan received 34% of PICIC's total financing, indicating a larger concentration of loans in West Pakistan. PICIC has made continued and concerted efforts to increase its investments in East Pakistan. The following are some reasons advanced for the lag in East Pakistan:

- a) Provision for East Pakistan in the Industrial Investment Schedule (see paragraph 47) constitutes 31.5% of total scheduled investments. PICIC's investments in East Pakistan are proportionate to this provision.
- b) West Pakistan is more developed, has a more highly developed entrepreneurial community, and consequently the rate of industrial growth is higher.

32. For a comparison of PICIC's lending operations by size, industry, geographical distribution and type of enterprise, reference is made to Annex XI.

33. Loans to enterprises manufacturing textile and jute products continue to loom largest among PICIC's approvals. Indeed concentration on such projects has increased; 33% of the amounts approved by the Board from January 1961 through December 1962, were in this field. It is notable that more than half of the loans approved by PICIC for financing from the proceeds of the three Bank loans has gone into this industry. PICIC's financing of cotton textiles,

however, was based on estimates of the requirements of the industry resulting from the two special surveys made by PICIC in 1960 and 1961, both of which were submitted to the Bank. It is understood that a third survey of this industry is underway and is expected to be completed in February 1963. PICIC's future financing of cotton textiles will be determined by the findings of this survey. With the possible exception of the textile industry, PICIC's portfolio is fairly well distributed.

34. It is still premature to evaluate PICIC's portfolio. Rupee cost overruns have appeared in some projects; in most instances, the shortfalls have been met by the sponsors. A number of projects have been delayed, in many cases as a result of difficulties experienced in obtaining government allocations of such building materials as cement and reinforcing steel. Some smaller projects have run into difficulties on account of inadequate working capital. In a few cases PICIC had to make a second Rupee loan to allow construction of a project to be completed. In larger projects overruns normally are covered by advances from the sponsors, who in most cases are also managing agents. In some instances, these advances subsequently are capitalized.

35. There have been delays in repayments totalling as of December 31, 1962, Rs. 1 million for five projects (four of which are situated in East Pakistan). One company has recently made a public issue, from the proceeds of which it is expected to pay off the amount now owed to PICIC of Rs. 0.47 million. Of the remainder, 3 have also started making token repayments. Except for the aforementioned delays, PICIC's portfolio is sound and no difficulties are anticipated.

IV. FINANCIAL POSITION

36. As of December 31, 1962, PICIC was in a satisfactory financial position, as may be seen in Annex XII which gives comparative summary balance sheets through December 31, 1962. Assets on that date amounted to Rs. 183.58 million of which the major part represented outstanding loans and equity investments amounting to Rs. 141.78 million. Of this amount Rs. 103.09 million were in foreign currency loans, Rs. 24.68 million in Rupee loans and Rs. 14.01 million in equity investments, as described in paragraph 26. Of the Rs. 27.69 million temporary investments Rs. 22.34 million were invested in Government bonds. These funds will be utilized gradually in underwriting operations in which PICIC expects to become increasingly active.

37. Of the liabilities, Rs. 79.27 million represent outstanding foreign currency borrowing, Rs. 60 million Government advances and Rs. 35.66 million for PICIC's net worth after the proposed allocation of profits as of December 31, 1962.

38. Gross income (see Annex XIII) has been growing steadily. While gross income in 1958 (13 months) was Rs. 1.62 million, it amounted to Rs. 8.69 million in 1961 and reached Rs. 12.10 million in 1962. The larger part of this income is from interest on loans, i.e. Rs. 6.38 million in 1961 and Rs. 7.72 million in 1962. Interest on temporary investments and miscellaneous income contributed in 1961 Rs. .82 and Rs. .92 million, respectively. The figures for 1962 are Rs. 1.23 and Rs. 2.61 million, respectively. (Annex XIV relates to miscellaneous income.)

39. Administrative expenses for the fiscal years 1960 through 1963 are as under (1963 estimated):

	(Thousands of Rupees)			
	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Salaries and wages	647	1,009	1,207	1,300
Other	<u>524</u>	<u>556</u>	<u>667</u>	<u>710</u>
	1,171	1,565	1,874	2,010

The increase in salaries and wages in 1961 over 1960 was 56% and in 1962 over 1961, 20%. This is due to adjustments of salaries and wages to prevailing local rates and to increases in staff to maintain proper efficiency. PICIC's other administrative expenses increased in 1961 6% over 1960, but in 1962 it increased 20% over 1961.

40. Interest payable and financial expenses were in 1961 41% of gross income. It is expected that by 1964 this percentage will have gone up to 56% of gross income. On the other hand, interest receivable is expected to go up from 64% of gross income in 1962 to 87% in 1964.

41. PICIC enjoys the following tax advantages which reduce its tax liabilities:

- a) 10% of gross income is tax free, provided this amount is paid into reserves and until such reserves equal the paid-in capital.
- b) Dividends paid to PICIC as owner of equity shares are free of tax.

42. PICIC's after tax earnings (see Annex XIII) for fiscal 1962 amounted to Rs. 3.66 million. This is more than PICIC earned during its first 37 months ended December 31, 1960, which amounted to Rs. 3.28 million. Expressed in percentages of net worth at the beginning of the year and taking into account that in 1961 the share capital was increased from Rs. 20 million to Rs. 30 million, net income during the fiscal years 1958 through 1962 was 2%, 5%, 9%, 13.6% and 10.9% respectively.

43. After the proposed allocation of profits as of December 31, 1962 as stated in Annex XIII, PICIC's reserves and undistributed surplus amounted to Rs. 5.66 million which represented 4.4% of the amount of loans outstanding. No bad debts reserve as such has been established. The Articles of Association make no provision for the setting aside of a special reserve for repayment of the Government advances. The management believes these obligations can be met by proper management of resources and need not be considered as yet, because repayments of the second advance starting in 1965 are token, while repayments of the first advance (Rs. 1 million semi-annually) do not start before 1972.

44. PICIC intends to continue to retain approximately 50% of its annual net earnings. Out of the remainder it is proposed to continue to pay a dividend of 6% per annum. This dividend policy appears appropriate and necessary.

V. RELATIONS WITH THE GOVERNMENT

45. PICIC's financing has inevitably to be within the framework of the Government's Second Five Year Plan, but within this framework PICIC is free to chalk out its own investment policy. It has in fact been acting with considerable independence in determining the sectors which it should finance within the Plan, and in choosing its projects. The need for a private development bank framing its policies without interference has been recognized by Government, and PICIC's relationship with the Government has been close. The Government, however, has been exercising pressure on PICIC to accelerate the pace of its lending activity. As an institution entrusted with an important role in the private sector, within the Second Plan, PICIC has to reconcile the Government's desire for a rapid lending pace with the high standards necessary for a private, non-political investment institution.

46. A reflection of this difference of view is the tendency for the Industrial Development Bank of Pakistan (IDBP) to increase the size of its loans, especially those in foreign currencies. IDBP is the successor of the Pakistan Industrial Finance Corporation (PIFCO), the conversion of which into IDBP was recommended by the Pakistan Credit Enquiry Commission. The Commission recommended that IDBP make loans up to Rs. 1.0 million of which the foreign exchange component should not exceed Rs. 0.5 million. However, IDBP's charter contains a provision that, with government approval, it may lend in excess of this limit. Such approvals have been forthcoming readily and the Bank has been informed by PICIC that IDBP has recently sanctioned six projects ranging from Rs. 500,000 to Rs. 14,300,000, about which PICIC said it had serious doubts. PICIC regards the demarcation of functional activity between itself and IDBP to be of great importance. The Government has stated that, following a meeting with the Managers of PICIC and IDBP, IDBP would in future deal with loans up to Rs. 2.5 million in local currency and not exceeding Rs. 1.5 million in foreign currency, while PICIC would deal with loans above Rs. 2.5 million in local currency and about Rs. 1.5 million in foreign currency.

47. Early in the Second Plan period an Industrial Investment Schedule (IIS) was promulgated with investment targets for many categories of industry, and both PICIC and IDBP were empowered to grant government approval to their borrowers along with loan approvals for such categories. In recent months, however, certain categories of the schedule have become exhausted. In these instances, additional investments by PICIC have had to await specific government approval tantamount to an industries license. A procedure has recently been evolved within Government whereby a committee (at which PICIC is represented) would grant approvals for industrial categories which may have been exhausted in the IIS. The Government has advised the Bank that a recently prepared revised Industrial Investment Schedule will be promulgated shortly, and will be constantly kept under review.

48. Several months ago the Government of Pakistan issued a directive that relending terms for foreign exchange loans for industrial purposes was to be a maximum of $7\frac{1}{2}\%$. This meant that in future PICIC's lending rate could be no higher than $7\frac{1}{2}\%$, whereas previously it had averaged 8%. On representation made by PICIC, Government, while insisting upon a maximum lending rate of $7\frac{1}{2}\%$, agreed to make available funds at rates which would give an average

of slightly over 5 $\frac{1}{2}$ %, thereby allowing PICIC a margin of nearly 2%. The Government has given the Bank its assurance that if at any time, because of rising interest rates, the spread is narrowed, and for this or some other reason PICIC's earning capacity should fall below a certain level, detrimental to its normal growth, the limitation will be reviewed.

VI. I.W.T. - DEVELOPMENT OF INLAND WATER
TRANSPORT IN EAST PAKISTAN

49. One of the most pressing of East Pakistan's development needs is the improvement of the inland water transport facilities in that Province. This will call for investments in a series of projects for new passenger and freight carrying vessels, and for the improvement of existing repair and maintenance facilities. The Bank was asked to provide finance.

50. Because of the large number of projects involved, the majority of which would be small, the Bank and PICIC decided it would be appropriate to use PICIC as an intermediary. So as to accelerate Bank assistance, it was proposed that PICIC be permitted to use a portion of the funds from the Third Bank loan to PICIC for river fleet projects. In this connection the Bank agreed that any investments by PICIC in river transport would not be at the expense of its industrial activities. Consequently, the proposed Fourth Loan to PICIC would have to take into account requirements of perhaps as much as \$10 million for the river transport projects.

51. PICIC, in accepting the Bank's proposals, requested a special appraisal mission be sent to East Pakistan. The mission visited Pakistan in September-October 1962.

52. A special section was created at PICIC's Dacca Office in June 1962 to appraise the IWT Projects. The Chief Engineer of East Pakistan Industrial Development Corporation's Narayanganj Dockyard also assisted in the appraisal. To examine the technical feasibility of the projects, PICIC appointed Burness Corlett & Partners Limited of London (Consulting Naval Architects) as its Consultants. One of the directors of the Consultants' firm also visited Dacca in October to advise on technical matters. These Consultants will, in respect of projects sanctioned, further advise PICIC with regard to suitability of the vessels to be financed and assist in drawing up of tender specifications, etc.

53. The total number of applications received by PICIC was 80, of which 11 suitable projects were approved. Only about 10% of the total amount of these 11 projects were on the passenger side, because passenger operations are mainly carried by small launch operators whose projects were too small for PICIC financing, or whose organization was not in a condition to meet PICIC's standards. See Annex XXI for a list of IWT projects, which PICIC is now considering.

54. From the outset PICIC had recognized that IWT projects were unlike other industrial projects and would require special treatment. Besides, there were certain peculiar problems facing IWT industry which also had to be sorted out to ensure satisfactory implementation of IWT projects. These considerations are briefly discussed hereunder:

- a) Debt/Equity Ratio - The debt element in the financing of IWT projects inevitably has to be higher than equity. This is true not only because of the shortage of capital in East Pakistan, but also because comparatively small local currency requirements arise in the acquisition of vessels which, if not built locally, are wholly foreign currency financed. After careful consideration, PICIC decided to relax its usual debt/equity ratio requirement to 70:30. In cases where the required Rupee financing falls short of this ratio, PICIC insists upon a cash deposit for the shortfall.
- b) Repairs and Maintenance Facilities - There is a need to improve existing facilities, particularly in the Narayanganj and Khulna Shipyards, and consultants are being engaged by the Government to advise the Government on this matter.

55. On the whole, the rates of return on investment of IWT companies have not been very encouraging in the past (ranging from net 2.5% to 9%) mainly due to very low utilization of available capacity and high operating costs entailed in operating old and uneconomic-sized vessels. Although the expansion and modernization of the fleet of existing operators has been estimated to result in considerable improvement in their earning capacity, the returns will still be low compared to other industries. The return on investment of new IWT companies (5% net) will be restricted by the high capital cost of new vessels. However, as water transport is in the nature of a public utility rather than an industry, it is not comparable with industry in general and, therefore, the estimated returns may be considered satisfactory. Although PICIC's proposed investment in the IWT projects will appreciably increase its portfolio in East Pakistan, it will still represent a relatively small proportion of the Corporation's total portfolio.

56. It can be reasonably expected that there will be considerable improvement in the estimated financial results if PICIC is successful in obtaining for IWT operators tax holiday benefits and improved port facilities for handling landing, storage, etc.

VII. FINANCIAL PROSPECTS

57. PICIC's projected lending operations, cash flows, earnings and balance sheets, together with their underlying assumptions until mid-1965 are set forth in Annexes XV through XX. It is expected that toward the end of 1963 the first draft for the Third Five Year Plan may be ready, which will enable PICIC to develop more concrete long range projections.

58. The Government expects PICIC to invest Rs. 750 million (\$157.50 million) in the Second Plan period, but PICIC itself feels that this amount should be reduced to Rs. 625 million (\$131.25 million), which reflects its belief that its investment targets should be related realistically to PICIC's ability to properly process loan applications. On December 31, 1962, PICIC had reached the Rs. 284 million investment mark (\$59.6 million). This will leave over two years to attain the planned target figure. PICIC's projections show that foreign currency operations for 1963, 1964 and for half of 1965 are expected to reach Rs. 140 million (\$29.4 million), Rs. 150 million (\$31.5 million) and Rs. 85 million (\$25.5 million), respectively. PICIC expects that its combined foreign and local currency operations for 1963 will reach Rs. 150 million. (See Annex XVI.)

59. PICIC's total borrowing as of December 31, 1962 amounted to \$91.2 million. The amount actually committed as of that date is \$59.46 million. This would leave a balance of \$31.74 million out of which PICIC has earmarked \$13.2 million for projects which are under consideration. A balance of \$18.5 million remains available for lending.

60. PICIC's available resources until early 1964 for loan commitments in foreign currency are: (in million \$)

Total borrowing facilities (Annex II)*	91.2	
Already committed (paragraph 59)		59.46
Projects under consideration by PICIC		13.22
Balance of available lines of credit		<u>18.52</u>
	91.2	91.20

* Included are AID - \$7.5 million and Canada - \$2.5 million not yet finalized.

61. As at December 31, 1962 PICIC's balance of available lines of credit was: (in million \$)

DLF	4.92	
AID	7.50 (not yet finalized)	
Japan	2.30	
Germany	1.30	
Canada	<u>2.50 (not yet finalized)</u>	
	18.52	
Proposed Fourth Bank loan	20.00	
Expected volume of foreign currency lending operations in 1963		29.40
Balance available	<u>38.52</u>	<u>9.12</u>
		38.52

62. For fiscal years 1963 and 1964, PICIC has calculated its profitability in line with the restrictions on its lending rate imposed by the Government. (See Annex XVIII and paragraph 48). The projections contained in Annex XVIII show continued heavy dependence on interest from loans in foreign currency as the principal source of net income, which should increase in 1963 and 1964 to 9.6% and 12.7% of net worth, respectively. (Net worth includes the planned rights issue of Rs. 10 million early in 1963.)

63. The cash flows (Annex XVII) show that in 1963 and 1964, PICIC will not generate enough cash to cover its debt service obligations. This cash problem has arisen because PICIC did not carefully enough adjust the repayment terms of its borrowers to the terms of its loans from DLF. The position, however, is not serious since PICIC may, on request and without difficulty, obtain prepayment of its loans in amounts sufficient to cover the shortfall. In addition PICIC may sell parts of its investments to generate the required cash for liquidation of debt. This procedure might conceivably result in sales at inappropriate times, but not much cash appears to be involved and the problem seems to be a temporary one.

64. The balance sheet projections contained in Annex XIX indicate that on the basis of drawn down and outstanding debt, PICIC is expected to show a debt/equity ratio of approximately 3:1 during the second half of 1965.

VIII. ECONOMIC JUSTIFICATION

65. The role of PICIC in assisting industrial growth in Pakistan has been significant. It is the most important institutional source for long-term industrial finance under private control, and is one of the principal sources of foreign exchange loans to private industry. It has introduced and established the concept of sound planning of individual projects and its standards in project appraisal and planning are becoming increasingly understood and followed by the industrial community. Projects sanctioned by PICIC account for about 13% of total foreign exchange financing in the private sector since the beginning of the Second Five Year Plan. This percentage may in fact be much higher inasmuch as many projects//may not be consummated. PICIC's financing is expected to continue to have an important impact on the foreign exchange position of Pakistan. To date Rs. 362 million has been sanctioned in foreign exchange, and it is estimated by PICIC that when these projects have been fully implemented the foreign exchange savings/earnings generated would amount to about Rs. 110 million per annum. In addition to its lending, investment and underwriting activities, PICIC indirectly exercises a beneficial influence in developing and broadening the local capital market. Family owned concerns seeking to borrow from PICIC for modernizing or expanding their plants are encouraged to make 49% of their shares available to the public. This has been done in the several projects.

// sanctioned from other sources

IX. CONCLUSION AND RECOMMENDATIONS

66. PICIC's financial position is sound and its earnings potential appears good. Its reserves are beginning to provide a margin against possible losses and its policy of not distributing more than approximately 50% of net income in dividends appears sound.

67. In consideration of PICIC's satisfactory performance record, its demonstrated capacity to absorb productively additional foreign funds, and its good earnings prospects, further Bank assistance to PICIC in the amount requested appears justified. PICIC should be given freedom of action for projects, excluding the Inland Water Transport projects, not exceeding \$500,000, up to an amount of \$5,000,000. Provisions for the fourth Bank loan should be on conventional Bank terms for similar institutions.

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

List of Foreign Shareholders as at December 31, 1962

<u>Name of Shareholder</u>	<u>No. of Shares</u>	
<u>U.S. Shareholders</u>		
International Basic Economy Corporation	59,525	
John D. Rockefeller	23,810	
David Rockefeller	23,810	
Bank of America	86,309	
Transoceanic AOFC Ltd.	77,380	
Henry J. Kaiser Company	104,166	375,000
<u>U.K. Shareholders</u>		
The Commonwealth Development Finance Corp. Ltd.	66,625	
Imperial Chemical Industries Ltd.	25,000	
Associated Electrical Industries Ltd.	6,700	
English Electric Co. Ltd.	6,700	
The General Electric Co. Ltd.	6,700	
The Chartered Bank	43,375	
The National & Grindlays Bank Ltd.	96,750	
The Eastern Bank Ltd.	18,250	
The Mercantile Bank Ltd.	18,250	
Norwich Union Life Insurance Society Ltd.	9,375	
Norwich Union Fire Insurance Society Ltd.	4,250	
Prudential Assurance Co. Ltd.	16,275	
Royal Exchange Assurance	5,625	
Royal Insurance Co. Ltd.	3,750	
The Liverpool & London & Globe Insurance Co. Ltd.	1,875	
The Northern Assurance Co. Ltd.	3,000	
The Scottish Union & National Insurance Co. Ltd.	3,000	
Commercial Union Assurance Co. Ltd.	3,000	
Eagle Star Insurance Co. Ltd.	3,000	
Atlas Assurance Co. Ltd.	3,000	
Guardian Assurance Co. Ltd.	3,000	
The London & Lancashire Insurance Co.	3,000	
Alliance Assurance Co. Ltd.	3,000	
The Employer's Liability Assurance Corp. Ltd.	3,000	
The South British Insurance Co. Ltd.	1,500	
Caledonian Insurance Co.	1,500	
Union Insurance Society of Canton Ltd.	1,500	
North British & Mercantile Insurance Co. Ltd.	1,500	
Pearl Assurance Co. Ltd.	750	

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<u>U.K. Shareholders</u>	<u>No. of Shares</u>	
The Yorkshire Insurance Co. Ltd.	750	
The London Assurance	1,500	
Phoenix Assurance Co. Ltd.	750	366,250
 <u>Canadian Shareholders</u>		
The Western Assurance Co.	3,000	3,000
 <u>Japanese Shareholders</u>		
The Bank of Kobe Ltd.	20,833	
The Bank of Tokyo Ltd.	20,837	
The Dai Ichi Bank Ltd.	20,833	
The Daiwa Bank Ltd.	20,833	
The Fuji Bank Ltd.	20,833	
The Mitsui Bank Ltd.	20,833	
The Mitsubishi Bank Ltd.	20,833	
The Nippon Kangyo Bank Ltd.	20,833	
The Industrial Bank of Japan Ltd.	20,833	
The Sanwa Bank Ltd.	20,833	
The Sumitomo Bank Ltd.	20,833	
The Tokai Bank Ltd.	20,833	250,000
 <u>German Shareholders</u>		
Deutsche Bank	200,000	
Dresdner Bank	5,000	<u>205,000</u>
		1,199,250

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ANNEX II

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

Schedule of PICIC's Foreign
Borrowings as at December 31, 1962

(Dollars and Rupees equivalent in millions)

<u>Existing Loan Agreements</u>	<u>Dollars</u>	<u>Rupees equivalent</u>	<u>Interest Rate</u>	<u>Procurement tied to lending country</u>	<u>Prior Approval of sub-projects required</u>	<u>Semi-Annual Repayments</u>
IBRD 185	4.20	20.00	5-3/4%	No	Yes	1962-1972
IBRD 236	10.00	47.60	variable 1/	No	Yes	1962-1969
IBRD 286	15.00	71.40	variable 2/	No	Yes	Tied to sub projects
DLF 15	4.20	20.00	5%	No) Over \$250,000	1959-1964
DLF 100	10.00	47.50	5-1/2%	No		1960-1964
DLF 194	7.50	35.70	5%	Above \$100,000		1963-1969
Japan	5.00	23.80	6%	Yes	No	1964-1971
Japan	2.30	10.90	6%	Yes	No	1965-1968
France	3.00	14.28	6%	Yes	Yes	Tied to sub projects
Germany	5.00	23.80	5-1/2%	No	Yes	Tied to sub projects
Germany	12.50	59.50	5-1/2%	No	Yes	
U.K.	2.50	11.90	1/4% above the ruling bank rate in the U.K.	Yes	No	1969-1987
Sub-totals:	<u>81.20</u>	<u>386.48</u>				
<u>Loan Agreements pending Signature</u>						
AID	7.50	35.70				
Canada	2.50	11.90	Terms and conditions being negotiated			
Totals:	<u>91.20</u>	<u>434.08</u>				

1/ Interest rates vary between 6% and 5-1/2%

2/ Until September 1962, the interest rate was 5-3/4%; thereafter 5-1/2%

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PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

Board of Directors and Executive Committee
as at December 31, 1962

Representing Pakistani Shareholders:

- Mr. Mohamed Ali Chairman. On leave prior to his retirement on January 31, 1963.
- Mr. A.W. Adamjee Deputy Chairman. Elected Chairman for 3 years effective as of February 1, 1963.
- Mr. K.G. Ahmed
Mr. Mohamed Bashir
Mr. M. Shabbir Ahmed
Mr. Ahmed Dawood
Mr. Amirali H. Fancy
Mr. A. Jalil
Mr. Pir Mohammed Mahfooz
Mr. M.A. Rangoonwala
Mr. Fakhruddin Valibhai
Mr. Abdul Aleem

Representing Foreign Shareholders:

- Mr. G.T. Gillespie, National & Grindlays Bank, London - representing British shareholders.
- Mr. R.W. Purcell, International Basic Economy Corporation, New York - representing American shareholders.
- Mr. H. Kamiya, Bank of Tokyo, Karachi - representing Japanese shareholders.
- Dr. Paul Krebs, Deutsche Bank, Frankfurt - representing German shareholders.

Alternates:

- Mr. E.A. Sparkes, National & Grindlays Bank, Karachi - representing British Director.
- Mr. E. Van Oenen, Bank of America, Karachi - representing American Director.
- Mr. M. Juergensen, Deutsche Asiatisch Bank, Karachi - representing German Director.

February 1, 1963

Representing Government of Pakistan:

Mr. Vaqar Ahmed, Director General, Investment Promotion
and Supplies, Government of Pakistan.

Executive Committee as of December 31, 1962.

Members:	Mr. A.W. Adamjee	(Chairman)
	Mr. Ahmed Dawood	(Karachi)
	Mr. A. Jalil	(East Pakistan)
	Mr. Vaqar Ahmed	(Government Director)
	Mr. H. Kamiya	(Foreign Director)

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PAKISTAN INDUSTRIAL CREDIT & INVESTMENT CORPORATION LTD.

Organization Chart as of December 31 1962

General Manager : N.M. Uquaili

Deputy General Manager : S.U. Durrani

<u>ECONOMIC & GENERAL DIV.</u>	<u>ECONOMIC RESEARCH DIV.</u>	<u>OPERATIONS DEPARTMENT</u>	<u>ACCOUNTS & FINANCE DEPT.</u>	<u>LEGAL & SECRETARIAT DEPT.</u>	<u>REGIONAL OFFICE DACCA</u>	<u>REGIONAL OFFICE LAHORE</u>
Chief: S.M. Ahmed	Dr. N.H. Engle(Adviser)	Chief: Iqbaluddin Ahmed	Chief: A.A. Lodhi	Secretary: A.A. Lodhi	Jt. General Manager: M.G. Dastgir	Dy. General Manager: Ch. Bashir Ahmed
		<u>PROJECT DIVISION</u>	<u>ACCOUNTS DIVISION</u>	<u>LEGAL DIVISION</u>		
Financial Analyst K.M. Nurul Islam	Officer-in-Charge Dr. A. Qadir	Chief Engineer (Vacant)	Senior Accountant Z. Hasan	Law Officer S.M. Husain	Engineers Mahboob Rahman Padiuzzaman	Engineer G.R. Ghelani
Assistants	Marketing Research Officers	Engineers	Accountant Mahmud Ali Khan	Officers Gr.III Kadiruddin Khan Samiuddin Khan	Financial Analysts Badrudduja Ansari S.M. Ehtishamullah M. Sydullah	Financial Analyst F.A. Mushtaq
Clerks	Tahir Abbas Zafar Shah Khan Tajammul Husain Irshad Ali	K.A. Hakeem(Chem) M.Zainul Abedin(Mech) Khursheed Ahmed(Text) Mushtaq Ahmed(Chem) Nasirul Haq(Mech)	Officers Gr.III S.M. Jureshi J.B. Sidhwa Nazir Ahmed	Assistant	Marketing Research Officer Q.M. Zaman	Marketing Research Officer A.G. Mir
Typist	Stenotypist	Senior Financial Analyst G.H.Y. Dayala	Assistants	Clerk	Marketing Research Officer Q.M. Zaman	Assistants
	Librarian	Financial Analysts S.M. Hanif R.A.J. Rego S.H. Tehsin Mutiuir Rehman Khalid Siraj Adalat Khan Amir-un-Nabi	Clerks	SECRETARIAT DIVISION (Shares, Services & Adm. Sections)	Stenographer	Clerk
	Typists	Assistant Clerk	Typists	Officer-in-Charge (Vacant)	Stenotypist (Vacant)	Typists
		<u>POST SANCTION & END-USE DIVISION</u>	Internal Auditor M.Q. Gandhi	Investment Officer Hameed Khan	Clerks	
		Officer-in-Charge S.Z. Kazi	<u>INSURANCE SECTION</u>	Public Relations Officer M. Nasir Khan	Typist	
		Financial Analysts Zamir Hasan Abdul Haq	Officer-in-Charge U.A. Zuberi	Assistants		
		Clerks	Clerk	Personal Assistants		
		<u>L.C. SECTION</u>	Typist	Stenotypist		
		A.S.K. Qadri(Incharge)		Receptionists		
		Assistant		Clerks		
		Clerks		Typists		

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD

Summary of Loan Operations - 1958 to 12.31.1962

(Millions of Rupees)

	<u>1958</u> <u>13 months</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>Total</u>
<u>Local Currency Loans</u>						
Sanctioned	14.27	15.16	.94	2.40	5.77	38.54
Committed	11.13	15.09	2.40	1.70	6.70	37.02
Disbursed	5.00	8.23	10.89	6.20	3.51	33.83
Repayments	-	1.33	2.97	3.01	1.84	9.15
At the end of the year:						
Sanctioned not committed	3.14	3.21	1.75	2.45	1.52	1.52
Committed not disbursed	6.13	12.99	4.50	none	3.19	3.19
<u>Disbursements outstanding</u> (see Annex IX)	<u>5.00</u>	<u>11.90</u>	<u>19.82</u>	<u>23.01</u>	<u>24.68</u>	<u>24.68</u>
<u>Foreign Currency Loans</u>						
Sanctioned	28.88	34.22	67.27	94.40	137.63	362.40
Committed	6.49	44.00	57.10	62.00	114.10	283.69
Disbursed	-	9.81	33.20	28.08	48.25	119.34
Repayments	-	-	2.18	6.49	7.58	16.25
At the end of the year:						
Sanctioned not committed	22.39	12.61	22.78	55.18	78.71	78.71
Committed not disbursed	6.49	40.68	64.58	98.50	164.35	164.35
<u>Disbursements outstanding</u> (see Annex IX)	<u>-</u>	<u>9.81</u>	<u>40.83</u>	<u>62.42</u>	<u>103.09</u>	<u>103.09</u>

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PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD

Status of Bank Loans PAK-185, 236 and 286,
as at December 31, 1962

(U.S. \$ Thousands)

	<u>Date of</u> <u>Approval</u>	<u>Net Amount</u> <u>Credited to</u> <u>Loan Account</u>	<u>Disbursed</u> <u>as at Dec.</u> <u>31, 1962</u>
<u>PAK-185, effective March 7, 1958 \$4.2 million</u>			
1. Crescent Sugar Mills & Distillery Ltd.	4/ 8/1959	1,117	1,117
2. Pakistan Wool Scouring & Pressing Co.	4/30, 1959	245	245
3. Packages Limited	4/ 30, 1959	158	158
4. Hilal Tanneries Ltd.	4/30/1959	33	33
5. Crescent Textile Mills Ltd.	4/30/1959	261	261
6. Dadabhoy Ceramic Industries Ltd.	4/30/1959	74	74
7. Ahmed Bawany Textile Mills Ltd.	8/ 6, 1959	250	250
8. Gul Ahmed Textile Mills Ltd.	8/ 6, 1959	209	209
9. Batala Engineering Co. Ltd.	8/25/1959	247	247
10. Jupiter Textile Mills Ltd.	8/25/1959	157	157
11. Colony Textile Mills Ltd.	8/25/1959	281	281
12. Valika Textile Mills Ltd.	11/ 6/1959	211	211
13. Chemicals Corporation of Pakistan Ltd.	11/ 6/1959	152	135
14. Punjab Vegetable Ghee and General Mills Ltd.	11/ 6/1959	84	84
15. Burewala Textile Mills	8/19, 1960	251	251
16. Star Textile Mills	7/28/1960	164	164
17. Crescent Textile Mills	6, 20/1962	200	185
Administrative expenditures (three Opel cars and two air-conditioners)	1/ 4/1960	<u>4</u>	<u>4</u>
<u>TOTAL PAK-185:</u>		<u>\$ 4,098</u>	<u>\$ 4,066</u>

PAK-236, effective December 29, 1959 \$10 million

1. Bawany Violin Textile Mills Ltd.	4/13/1960	312	312
2. Karnaphuli Paper Mills	9/ 2/1960	641	365
3. Olympic Textile Mills Ltd.	10/ 7/1960	314	314
4. Batala Engineering Company	12/21/1960	526	410
5. Rahimani Industries	1/18, 1961	342	234
6. Aziz Limited	1/19/1961	180	180
7. Souvenir Tobacco Company	3/31/1961	308	303
8. Rawalpindi Flour Mills	3/16/1961	248	220
9. Atlas flour Mills (Cancelled)	-	-	-
10. Firdous Textile Mills	3/16/1961	155	155
11. Aftab Flour Mills	3/24/1961	170	28
12. United Textile Mills	3/24/1961	153	147
13. Modern Ceramics (cancelled)	-	-	-
14. Dawood Cotton Mills	5/ 5/1961	389	372

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<u>PROJECT</u>	<u>Date of Approval</u>	<u>Net Amount credited to Loan Account</u>	<u>Disbursed as at Dec. 31, 1962</u>
<u>PAK-236, effective December 29, 1959 \$10 million (Cont'd)</u>			
15. Fateh Textile Mills	6/ 9/1961	525	384
16. F.P. Textile Mills	6/ 9/1961	210	199
17. Valika Woollen Mills	8/11/1961	179	171
18. Dawood Chemicals	8/15/1961	1,440	67
19. Dacca Jute Mills	12/13/1961	358	92
20. Batala Engineering Co.	1/26/1962	840	467
21. Crescent Jute Mills	3/28/1962	233	206
22. Adamjee Industries Ltd. (Textile)	4/20/1962	420	166
23. Bawany Violin Textile Co.	4/20/1962	509	377
24. Dyer Textile Co.	4/20/1962	468	95
25. Habib (Match) Industries	4/25/1962	298	-
26. Husein Textile Mills	9/19/1962	521	-
<u>TOTAL PAK-236:</u>		<u>\$ 9,739</u>	<u>\$ 5,264</u>

PAK-286, effective date December 19, 1961 \$15 million

1. Ismail Cement Industries	12/22/1961	3,000	958
2. Hafiz Textile Co.	4/30/1962	521	86
3. Transferred to 185/17 Crescent Textile	6/20/1962	-	-
4. Colony Textile Co.	7/13/1962	256	142
5. Nishat Textile Co.	7/20/1962	510	29
6. Transferred to 236/13	9/ 7/1962	-	-
7. Dost Mohamad Textile Co.	9/14/1962	652	24
8. Gul Ahmed Textile Co.	9/14/1962	524	110
9. Karim Jute Mills	10/17/1962	458	-
10. Valika Textile Co.	11/14/1962	777	-
11. Pakistan Wool Scouring & Pressing	11/14/1962	252	-
12. Pakistan Board Manufacturing Co.	11/26/1962	530	-
13. Ahsan Hahi Jute Mills	12/14/1962	459	-
14. Hamidia Jute Mills	12/14/1962	459	-
<u>TOTAL PAK-286:</u>		<u>\$ 8,398</u>	<u>\$ 1,349</u>
<u>Balance:</u>		<u>6,602</u>	

Projects under Consideration

<u>IWT:</u> Pakistan River Steamers Ltd.	3,855
Pakistan Flotilla Co.	181
Star Shipping Line Ltd.	168
Pakistan Waterways Ltd.	630
PAKbay Shipping Co. Ltd.	170
Chalna Lighterage Ltd.	105
Crescent Jute Mills Ltd.	549
Firdous Textile Mills	273
Dost Industries Limited	158
<u>TOTAL PROJECTS UNDER CONSIDERATION:</u>	<u>\$ 6,089</u>

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD

Purchase of Shares Through Direct Investment in Equity,
Exercise of Option and Underwriting from 1st October 1958
until 31st December 1962.

Name of Companies	Shares Purchased	Shares Sold	No. of Holdings	Cost Price per Share	Rupees (Lakhs)	Market Quotation per Share as at 29-12-62	Rupees (Lakhs)
<u>Through Direct Investment in Equity:</u>							
Colony Textile Mills Ltd.	16,772	8,772	8,000	65.91	5,27,263.62	131.00	10,48,000.00
Charsadda Sugar Mills (6% Pref.)	12,500		12,500	100.02	12,50,204.52	100.00	12,50,000.00
Bawany Violin Textile Mills (7-1/2% Participating Pref.)	7,500		7,500	100.00	7,50,000.00	100.00	7,50,000.00
Ahmed Bawany Textile Mills	60,000		60,000	10.00	6,00,000.00	12.90	7,74,000.00
Batala Engg.Co.(Pak)Ltd.(7-1/2% Pref.)	2,000		2,000	100.00	2,00,000.00	84.25	1,68,500.00
Batala Engg.Co.(Pak)Ltd.	17,400		17,400	50.00	8,70,000.00	82.75	14,39,850.00
*Dawood Chemicals Ltd.	80,000		80,000	10.00	8,00,000.00	-	-
	<u>196,172</u>	<u>8,772</u>	<u>187,400</u>		<u>49,97,468.14</u>		<u>54,30,350.00</u>
<u>Through Exercise of Options:</u>							
Burewala Textile Mills Ltd.	6,000		6,000	103.62	6,21,750.00	432.00	25,92,000.00
Steel Corporation of Pakistan	62,500	3,000	59,500	10.00	5,95,000.00	11.60	6,90,200.00
Premier Sugar Mills Ltd.(8% Pref.)	5,000		5,000	100.03	5,00,127.50	100.00	5,00,000.00
Frontier Sugar Mills and Distillery Ltd. (8% Pref.)	5,000		5,000	100.00	5,00,000.00	115.00	5,75,000.00
(Colony) Sarhad Textile Mills Ltd.	1,800	-	1,800	90.60	1,63,084.00	83.00	1,49,400.00
(Colony) Thal Textile Mills Ltd.	13,600	1,000	12,600	50.86	6,40,836.00	60.25	7,59,150.00
	<u>93,900</u>	<u>4,000</u>	<u>89,900</u>		<u>30,20,797.50</u>		<u>52,65,750.00</u>
<u>Through Underwriting:</u>							
**Ismail Cement Industries Ltd.	-	-	-	-	-	-	-
**Johnson & Phillips (Pak) Ltd.	-	-	-	-	-	-	-
Spencer & Co. Ltd.	4,917		4,917	10.00	49,170.00	19.99	98,290.83
Spencer & Co. Ltd. (8% Pref.)	29,905		29,905	10.00	2,99,050.00	12.75	3,81,288.75
East Pakistan Cold Storage Ltd.	97,500		97,500	10.00	9,75,000.00	9.70	9,45,750.00
	<u>132,322</u>	<u>-</u>	<u>132,322</u>		<u>13,23,220.00</u>		<u>14,25,329.58</u>

*PICIC was not required to take up shares as these issues were over-subscribed.

**Not quoted on the Stock Exchange.

February 1, 1963

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

Purchase, Sales and Holdings of Industrial Shares Bought at the
Karachi Stock Exchange from 1st October 1958 until 31st Dec.1962

Sl.No.	Name of the Companies	Start of Transactions	Shares		Number of Holdings	Cost Price per Share	Rupees (Lakhs)	Market quotation per share as at 29-12-1962	Rupees (Lakhs)
			Purchased	Sold					
*1.	Adamjee Jute Mills Ltd. (1)	Oct. 58	9,400	3,400	6,000	10.14	60,844.10	19.70	1,18,200.00
2.	Amin Jute Mills Ltd. (2)	Oct. 58	20,423	-	20,423	10.65	2,17,599.85	15.30	3,12,471.90
*3.	Karnaphuli Paper Mills Ltd.	Oct. 58	32,800	4,800	28,000	12.43	3,47,926.52	24.63	6,89,640.00
4.	Pakistan Tobacco Co. Ltd.	Oct. 58	37,500	-	37,500	13.11	4,91,493.75	15.12	5,67,000.00
*5.	Adamjee Industries Ltd.	Oct. 58	12,000	-	12,000	13.92	1,67,060.00	24.05	2,88,600.00
6.	Zeal Pak Cement Factory Ltd.(3)	Nov. 58	9,375	-	9,375	10.37	97,308.62	20.70	1,94,062.50
*7.	Batala Engineering Co.Ltd(7½% Pref)	Dec. 58	4,000	-	4,000	89.10	3,56,405.12	84.25	3,37,000.00
8.	Glaxo Laboratories (Pak) Ltd.	May 59	1,580	-	1,580	121.52	1,92,004.50	187.00	2,95,460.00
9.	Brook Bond (Pak) Ltd.	Aug. 59	10,000	-	10,000	12.75	1,27,526.75	12.90	1,29,000.00
*10.	Wazirali Industries Ltd.	Oct. 61	10,100	-	10,100	8.37	84,538.50	8.25	83,325.00
11.	Lipton (Pakistan) Ltd.	Aug. 59	1,000	-	1,000	12.01	12,016.25	13.70	13,700.00
12.	Pakistan Cables Ltd.	Jun. 60	8,800	-	8,800	12.54	1,10,347.50	15.08	1,32,704.00
13.	Pakistan Oxygen Ltd.	Jun. 60	4,600	-	4,600	14.06	64,605.25	15.02	69,092.00
*14.	Khewra Soda Co. Ltd.	Jun. 60	13,800	-	13,800	13.36	1,84,322.50	11.30	1,55,940.00
15.	Latif Bawany Jute Mills Ltd.	Mar. 61	4,300	-	4,300	11.73	50,424.25	13.00	55,900.00
16.	Pakistan Refinery Ltd.	Oct. 61	3,950	-	3,950	102.37	4,04,361.50	186.50	7,36,675.00
*17.	Murree Brewery Ltd. (4)	Nov. 61	3,750	-	3,750	9.53	35,737.50	12.60	47,250.00
18.	Kohinoor Rayon Ltd.	Jun. 62	20,000	-	20,000	10.00	2,00,000.00	13.80	2,76,000.00
*19.	Valika Cement Industries Ltd.	Aug. 62	15,000	-	15,000	10.00	1,50,000.00	14.05	2,10,750.00
**20.	Latif Bawany Jute Mills Ltd.	Mar. 61	50,000	-	50,000	11.54	5,77,045.60	13.00	6,50,000.00
**21.	Colony Woollen Mills Ltd.	Jun. 61	600	-	600	110.18	66,106.00	110.00	66,000.00
22.	Karachi Electric Supply Corpn.	Dec. 59	1,785	785	1,000	100.00	1,00,000.00	180.50	1,80,500.00
23.	Hashimi Can Company Ltd.	Aug. 62	5,000	-	5,000	14.71	73,536.00	16.30	81,500.00
*24.	Nishat Textile Mills Ltd. (5)	Aug. 62	7,500	-	7,500	18.09	1,35,666.00	16.46	1,23,450.00
25.	Rawalpindi Electric Power Co.	Sep. 62	19,690	40	19,650	13.69	2,64,607.50	15.15	2,97,697.50
26.	National Investment Trust	Nov. 62	1,000	-	1,000	100.00	1,00,000.00	-	-
			307,953	9,025	298,928				
						TOTAL:	46,71,483.56		61,11,917.90

(1) Includes 1000 bonus shares

(2) " 1021 " "

(3) " 1875 " "

(4) " 1250 " "

(5) The Co. has declared 20% bonus.

* These companies have been financed by PICIC.

** Purchased from P.I.D.C.

February 1, 1963

PAKISTAN INDUSTRIAL CREDIT & INVESTMENT CORPORATION LTD.

Options not yet Exercised as of December 31, 1962

<u>Name of the Company</u>	<u>No. of Shares</u>	<u>Take-up Price</u>		<u>Market Value(12-31-1962)</u>		<u>Remarks</u>
		<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	
A. LISTED ON THE STOCK EXCHANGE						
1. Bawa Jute Mills Ltd.	108,052	10	1,080,520	12.00	1,296,624	
2. Premier Sugar Mills Ltd.	5,000	100	500,000	112.00	560,000	
3. Souvenir Tobacco Co. Ltd.	68,920	10	689,200	12.80	892,176	
4. Punjab Vegetable Ghee & General Mills Ltd.	4,250	100	425,000	95.00	403,750	-- PICIC has the right to sell to the Managing Agents the optioned shares at Rs 120/=
5. Asbestos Cement Industries Ltd.	12,410	10	124,100	12.00	148,920	
6. Frontier Sugar Mills Ltd.	5,123	100	512,300	115.00	589,145	
7. Ismail Cement Industries Ltd.	57,000	50	<u>2,850,000</u>	80.35	<u>4,579,950</u>	
	SUB-TOTAL:		6,181,120		8,460,565	
B. NOT LISTED ON THE STOCK EXCHANGE						
8. Asiatic Cotton Mills Ltd.	60,000	10	600,000			
9. Nishat Jute Mills	48,629	10	486,290			
10. Crescent Sugar Mills Ltd.	530,000	10	5,300,000			
11. Rawalpindi Flour Mills	59,000	10	590,000			
12. Bogra Cotton Mills Ltd.	52,500	10	525,000			
13. Chemical Industries of Pakistan Ltd.	194,000	10	1,940,000			
14. Habib Sugar Mills Ltd.	440,000	5	2,200,000			
15. Dawood Chemicals Ltd.	199,920	10	1,999,200			
16. Hyesons Sugar Mills Ltd.	238,600	10	2,386,000			
	SUB-TOTAL:		<u>16,026,490</u>			
	GRAND TOTAL:		22,207,610			

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.Foreign Equity Participations Generated through
PICIC own Financing as at December 31, 1962

(Rupees in Thousand)

<u>Name of the Project</u>	<u>Amount</u>	<u>Foreign Partic- ipating Parties</u>	<u>Country</u>
Quetta Biologicals (EMM) Ltd. Quetta	33	Evans Medical Supplies Limited	U.K.
Dadabhoj Ceramics Industries Limited, Karachi	300	Yamaka Shoton Ltd.	Japan
Isphahani Marshall Ltd., Chittagong	250	Marshall Sons & Co. Ltd.	U.K.
Brush Rahman Ltd., Lahore	300	Brush Electrical Engg. Co. Ltd.	U.K.
Pakistan Fabric Co. Ltd. Narayanganj	6,046	Mr. W.C. Brown of Belton, South Carolina	U.S.A.
Pak. Clays, Rawalpindi	800	Sponsors of the Project	East Africa
Al-Hilal Veg. Ghee & Oil Mills Limited, Multan	600	Sponsors of the Project	East Africa
Habib Sugar Mills Ltd., Nawabshah	3,000	ICOM Handels Trust Schaan	Switzerland
Allauddin & Taiwa Textile Mills Limited	400	Taiwa Company Ltd.	Japan
<u>TOTAL:</u>	<u>11,729</u>		

Loans arranged from Abroad

Valika Cement Limited	\$3.5 million	KFW	Germany
Ismail Cement Industries Ltd.	\$4.0 million	IFC	

February 1, 1963

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

Comparative Picture of Loans Sanctioned

(Rupees in Millions)

	<u>Dec. 1, 1957 - Dec. 31, 1960</u>			<u>Jan. 1, 1961 - Dec. 31, 1962</u>			<u>Dec. 1, 1957 - Dec. 31, 1962</u>		
	(37 months)			(24 months)			(61 months)		
<u>SIZE</u>	<u>No. of Projects</u>	<u>Amount</u>	<u>%</u>	<u>No. of Projects</u>	<u>Amount</u>	<u>%</u>	<u>No. of Projects</u>	<u>Amount</u>	<u>%</u>
Under Rs. 500,000	81	24.1	15	42	14.6	6	123	38.7	10
From Rs. 500,000 - 1,000,000	49	38.6	24	29	19.4	8	78	58.0	14
From Rs. 1,000,000 - 2,500,000	40	65.9	41	50	91.5	38	90	157.4	39
Over Rs. 2,500,000	6	32.1	20	21	114.7	48	27	146.8	37
	<u>176</u>	<u>160.7</u>	<u>100</u>	<u>142</u>	<u>240.2</u>	<u>100</u>	<u>318</u>	<u>400.9</u>	<u>100</u>
<u>INDUSTRIAL CATEGORIES</u>									
Textile & Jute Products	30	41.2	26	49	79.8	33	79	121.0	30
Engineering	33	24.5	15	20	16.6	6	53	41.1	11
Food Products & Processing	54	47.6	29	21	30.3	13	75	77.9	19
Chemicals & Pharmaceuticals	16	20.3	13	17	30.5	13	33	50.8	13
Cement, Ceramics & Glass	9	8.2	5	8	17.6	7	17	25.8	6
Paper Products & Printing	8	8.1	5	7	18.5	8	15	26.6	7
IWT (Inland Water Transport)	-	-	-	11	37.6	16	11	37.6	9
Miscellaneous	26	10.8	7	9	9.3	4	35	20.1	5
	<u>176</u>	<u>160.7</u>	<u>100</u>	<u>142</u>	<u>240.2</u>	<u>100</u>	<u>318</u>	<u>400.9</u>	<u>100</u>
<u>GEOGRAPHICAL SPREAD</u>									
Karachi	42	31.2	19	51	62.7	26	93	93.9	23
West Pakistan (excl. Karachi)	83	73.1	46	48	97.1	40	131	170.2	43
East Pakistan	51	56.4	35	43	80.4	34	94	136.8	34
	<u>176</u>	<u>160.7</u>	<u>100</u>	<u>142</u>	<u>240.2</u>	<u>100</u>	<u>318</u>	<u>400.9</u>	<u>100</u>
<u>NEW/EXPANSION & MODERNIZATION</u>									
New	100	70.7	44	66	150.3	62	166	221.0	55
Expansion & Modernization	76	90.0	56	76	89.9	38	152	179.9	45
	<u>176</u>	<u>160.7</u>	<u>100</u>	<u>142</u>	<u>240.2</u>	<u>100</u>	<u>318</u>	<u>400.9</u>	<u>100</u>
<u>LOCAL & FOREIGN CURRENCY LOANS</u>									
Local	18	30.5	19	40	8.0	3	58	38.5	10
Foreign Currency	158	130.2	81	102	232.2	97	260	362.4	90
	<u>176</u>	<u>160.7</u>	<u>100</u>	<u>142</u>	<u>240.2</u>	<u>100</u>	<u>318</u>	<u>400.9</u>	<u>100</u>

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

Balance Sheets as of December 31, for the Fiscal
Years 1958 (13 months), 1959, 1960, 1961 and 1962

(Millions of Rupees)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	Unaudited <u>1962</u>
<u>ASSETS:</u>					
Cash and Bank Balances	14.46	2.83	2.62	7.74	7.07
Temporary investments in:					
Government securities and U.K.					
Government bonds	29.73	28.84	15.63	23.37	27.69
Interest and accrued charges	.50	.96	2.33	3.26	5.10
Other current assets	.02	.17	1.05	1.32	1.65
Fixed Assets (Net)	.11	.12	.31	.34	.29
<u>Assistance to Industries (Net)</u>					
Outstanding Rupee Loans	5.00	11.90	19.82	23.01	24.68
Outstanding foreign currency loans	-	9.81	40.83	62.42	103.09
Equity investments at cost	.80	3.06	7.34	9.92	14.01
<u>Total Assets:</u>	<u>50.62</u>	<u>57.69</u>	<u>89.93</u>	<u>131.38</u>	<u>183.58</u>
<u>LIABILITIES:</u>					
Provision for taxation	.21	.52	.84	1.64	1.92
Proposed dividend	-	.75	1.00	1.57	1.80
Accounts payable	.02	.42	2.22	2.02	4.93
<u>Current Liabilities:</u>	<u>.23</u>	<u>1.69</u>	<u>4.06</u>	<u>5.23</u>	<u>8.65</u>
<u>Foreign Currency Borrowing:</u>	-	5.04	33.95	52.50	79.27
Paid-in Capital	20.00	20.00	20.00	30.00	30.00
Capital Reserve	-	.29	.39	.69	.84
Special Reserve	-	.26	.77	1.64	2.84
General Reserve	.20	.34	.70	1.25	1.95
Undistributed earnings	.19	.07	.06	.07	.03
<u>Net Worth:</u>	<u>20.39</u>	<u>20.96</u>	<u>21.92</u>	<u>33.65</u>	<u>35.66</u>
Government advances	30.00	30.00	30.00	40.00	60.00
Equity and Government Advances:	<u>50.39</u>	<u>50.96</u>	<u>51.92</u>	<u>73.65</u>	<u>95.66</u>
<u>Total Liabilities:</u>	<u>50.62</u>	<u>57.69</u>	<u>89.93</u>	<u>131.38</u>	<u>183.58</u>

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

Statements of Earnings as of December 31, for the fiscal years 1958 (13 months), 1959, 1960, 1961 and 1962

(Millions of Rupees)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	Unaudited <u>1962</u>
<u>Gross Income:</u>					
Interest on temporary investments and bank deposits	1.52	1.18	.87	.82	1.23
<u>From Industrial Assistance:</u>					
Interest on loans	.07	1.11	3.73	6.38	7.72
Dividends from investments	-	.10	.23	.57	.54
Miscellaneous income	.03	.17	.33	.92	2.61
	<u>1.62</u>	<u>2.56</u>	<u>5.16</u>	<u>8.69</u>	<u>12.10</u>
<u>Expenses:</u>					
Administrative Expenses	.87	.68	1.17	1.57	1.87
Interest paid and other financial expenses	-	.13	1.31	2.74	5.07
	<u>.87</u>	<u>.81</u>	<u>2.48</u>	<u>4.31</u>	<u>6.94</u>
<u>Income before taxes:</u>	<u>.75</u>	<u>1.75</u>	<u>2.68</u>	<u>4.38</u>	<u>5.16</u>
<u>Income tax</u>	<u>.36</u>	<u>.72</u>	<u>.82</u>	<u>1.38</u>	<u>1.50</u>
<u>Net Income:</u>	<u>.39</u>	<u>1.03</u>	<u>1.86</u>	<u>3.00</u>	<u>3.66</u>

Allocation of Net Income

Carried forward	-	.19	.07	.06	.07
Net income	.39	1.03	1.86	3.00	3.66
Capital gains on sales of investments	-	.29	.10	.30	.15
	<u>.39</u>	<u>1.51</u>	<u>2.03</u>	<u>3.36</u>	<u>3.88</u>
Capital Reserve	-	.29	.10	.30	.15
Special Reserve	-	.26	.51	.87	1.20
General Reserve	.20	.14	.36	.55	.70
Dividend	-	.75	1.00	1.57	1.80
Carry forward	.19	.07	.06	.07	.03
	<u>.39</u>	<u>1.51</u>	<u>2.03</u>	<u>3.36</u>	<u>3.88</u>
<u>Net income in % of:</u>					
Net worth (at the beginning of the year)	2%	5%	9%	13.6%	10.9%
Share capital	2%	5%	9.3%	15.0%	12.2%
Dividend rate	-	3-3/4%	5%	6.0%	6.0%

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

Items included in Miscellaneous Income

1. $\frac{1}{2}\%$ of the principal of loans for project examination and technical assistance; to be paid at the time of signing of the Loan Agreement.
2. Commitment charge of $\frac{3}{4}\%$ per 3 months on loan amounts committed and undisbursed.
3. Letter of credit commission of $\frac{3}{4}\%$ for the first quarter and $1/8\%$ for each subsequent quarter.
4. An underwriting commission of $2\frac{1}{2}\%$ of amounts underwritten.
5. A commission of 20% of the premium on all marine insurance of imported capital goods financed by and insured through PICIC.
6. An agency commission of $\frac{3}{4}\%$ per annum of the principals of loans outstanding administered by PICIC on behalf of the Pakistan government. No agency fees have yet been earned.

February 1, 1963

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

Schedule of Yearly Sanctions, Commitments and Disbursements as of December 31, for the Fiscal Years 1963, 1964 and for the first six months of 1965.

(Millions of Rupees)

	Cumulative as of Dec. 31, 1962	1963		1964		(6 months) 1965	
		During the year	Cumu- la- tive	During the year	Cumu- la- tive	During the year	Cumu- la- tive
<u>Amount Sanctioned:</u>							
Foreign Currency	362	140	502	150	652	85	737
Local Currency	<u>38</u>	<u>10</u>	<u>48</u>	<u>10</u>	<u>58</u>	<u>5</u>	<u>63</u>
<u>Totals:</u>	400	150	550	160	710	90	800
<u>Amount Committed:</u>							
Foreign Currency	284	171	455	147	602	70	672
Local Currency	<u>37</u>	<u>9</u>	<u>46</u>	<u>9</u>	<u>55</u>	<u>4</u>	<u>59</u>
<u>Totals:</u>	321	180	501	156	657	74	731
<u>Amount Disbursed:</u>							
Foreign Currency	119	109	228	143	371	71	442
Local Currency	<u>34</u>	<u>8</u>	<u>42</u>	<u>9</u>	<u>51</u>	<u>5</u>	<u>56</u>
<u>Totals:</u>	153	117	270	152	422	76	408

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ANNEX XVI

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD

Estimated Industrial Category-wise Breakdown of PICIC's
Sanctions as of December 31, 1963, 1964 and for the First
Six Months 1965

(Rupees in Millions)

	<u>Cumulative to Dec. 31, 1962</u>	<u>During 1963</u>	<u>Cumulative to Dec. 31, 1963</u>	<u>During 1964</u>	<u>Cumulative to Dec. 31, 1964</u>	<u>Jan.-June 1965</u>	<u>Cumulative to June 30, 1965</u>
<u>Industrial Categories</u>							
Textile & Jute Products	121.0	21.0	142.0	18.0	160.0	10.0	170.0
Engineering	41.1	18.0	59.1	30.0	89.1	25.0	114.1
Food Products & Processing	77.9	29.0	106.9	22.0	128.9	17.0	145.9
Chemicals & Pharmaceuticals	50.8	30.0	80.8	30.0	110.8	22.0	132.8
Cement, Ceramics & Glass	25.8	9.0	34.8	10.0	44.8	3.0	47.8
Paper Products & Printing	26.6	25.0	51.6	30.0	81.6	5.0	86.6
IWT (Inland Water Transport)	37.6	11.0	48.6	-	48.6	-	48.6
Miscellaneous	<u>20.1</u>	<u>7.0</u>	<u>27.1</u>	<u>20.0</u>	<u>47.1</u>	<u>8.0</u>	<u>55.1</u>
<u>TOTAL:</u>	<u>400.9</u>	<u>150.0</u>	<u>550.9</u>	<u>160.0</u>	<u>710.9</u>	<u>90.0</u>	<u>800.9</u>

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PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

Estimated Cash Flow Statement as of December 31, for the
Fiscal Years 1963, 1964 and for the first six months 1965

(Millions of Rupees)

<u>SOURCES</u>	<u>1963</u>	<u>1964</u>	<u>(6 months) 1965</u>
Profit before tax	6.51	8.92	5.33
Depreciation	<u>.06</u>	<u>.07</u>	<u>.04</u>
	6.57	8.99	5.37
Increase in paid-up capital	10.00	-	-
Drawdowns from borrowings	109.00	143.00	71.00
Repayments of:			
-Rupee loans	3.02	3.64	2.19
-Foreign currency loans	15.33	27.03	20.76
Sale of Government bonds	-	15.00	-
	<u>143.92</u>	<u>197.66</u>	<u>99.32</u>
 <u>APPLICATIONS</u>			
Increase in Fixed Assets	.20	.10	.05
Disbursement of:			
-Rupee loans	8.00	9.00	5.00
-Foreign currency loans	109.00	143.00	71.00
Repayments of borrowings	25.56	37.83	9.72
Income tax	1.92	2.12	2.86
Dividend payments	1.80	2.40	2.40
Investments in Government bonds	-	2.00	2.00
To Cash Funds	(2.56)	1.21	6.29
	<u>143.92</u>	<u>197.66</u>	<u>99.32</u>
 Debt Service Coverage	0.92:1	0.98:1	

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PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

Projections of Statements of Earnings as of December 31, for
the Fiscal Years 1963, 1964 and for the first Six Months of 1965

	(Millions of Rupees)		
	<u>1963</u>	<u>1964</u>	(6 months) <u>1965</u>
<u>Gross Income:</u>			
Interest on temporary investments and bank deposits	.85	1.00	.57
<u>From Industrial Assistance:</u>			
Interest on Loans	14.48	22.67	14.58
Miscellaneous income	1.51	1.32	1.36
Dividends from Investments	<u>1.03</u>	<u>1.01</u>	<u>.49</u>
	<u>17.87</u>	<u>26.00</u>	<u>17.00</u>
<u>Expenses:</u>			
Administrative expenses	2.01	2.30	1.29
Interest paid and other financial expenses	<u>9.35</u>	<u>14.78</u>	<u>10.38</u>
	<u>11.36</u>	<u>17.08</u>	<u>11.67</u>
<u>Income before taxes:</u>	6.51	8.92	5.33
Income Tax	<u>2.12</u>	<u>2.86</u>	<u>1.66</u>
<u>Net Income:</u>	<u>4.39</u>	<u>6.06</u>	<u>3.67</u>

Allocation of Net Income

Carried Forward	.03	2.02	5.68
Net Income	<u>4.39</u>	<u>6.06</u>	<u>3.67</u>
	<u>4.42</u>	<u>8.08</u>	<u>9.35</u>
Proposed Dividend	2.40	2.40	
Carried Forward	<u>2.02</u>	<u>5.68</u>	
	<u>4.42</u>	<u>8.08</u>	
<u>Net Income in % of:</u>			
Net Worth	9.6%	12.7%	
Share Capital	14.6%	15.2%	
Dividend rate	6 %	6 %	

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.

Projected Balance Sheets as of December 31, for the Fiscal years 1963, 1964 and for the First Six Months of 1965

	(Millions of Rupees)		(6 months)
	1963	1964	1965
<u>ASSETS:</u>			
Cash and Bank Balances	2.02	.22	5.40
Temporary investments in:			
Government securities and U.K.			
Government bonds	27.69	14.69	16.69
Interest and accrued charges	8.07	11.71	13.30
Other Current Assets	1.67	1.54	1.56
Fixed Assets (Net)	.43	.46	.47
<u>Assistance to Industries (net)</u>			
Outstanding Rupee Loans	29.66	35.02	37.83
Outstanding foreign currency loans	196.76	312.73	362.97
Equity investments at cost	<u>14.01</u>	<u>14.01</u>	<u>14.01</u>
<u>Total Assets:</u>	<u>280.31</u>	<u>390.38</u>	<u>452.23</u>
<u>LIABILITIES:</u>			
Provision for taxation	2.12	2.86	1.66
Proposed dividend	2.40	2.40	-
Accounts payable	<u>5.43</u>	<u>5.93</u>	<u>6.43</u>
<u>Current Liabilities:</u>	<u>9.95</u>	<u>11.19</u>	<u>8.09</u>
<u>Foreign Currency Borrowing:</u>	<u>162.71</u>	<u>267.88</u>	<u>329.16</u>
Paid-up Capital	40.00	40.00	40.00
Reserves and surplus	<u>7.65</u>	<u>11.31</u>	<u>14.98</u>
<u>Net Worth:</u>	<u>47.65</u>	<u>51.31</u>	<u>54.98</u>
Government advances	<u>60.00</u>	<u>60.00</u>	<u>60.00</u>
Equity and Government Advances:	<u>107.65</u>	<u>111.31</u>	<u>114.98</u>
<u>Total Liabilities:</u>	<u>280.31</u>	<u>390.38</u>	<u>452.23</u>
Debt/Equity Ratio	1.50:1	2.41:1	

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.Assumptions for the Projected Financial StatementsA. Balance Sheet:

1. Foreign currency sanctions during the remaining 2-1/2 years of the Second Five Year Plan are assumed to be as under:

1963	Rs. 140 million
1964	Rs. 150 million
1965 ($\frac{1}{2}$ year)	Rs. 85 million

2. On the basis of past experience it is assumed that amount committed each year would be 75% of amount sanctioned in case of foreign currency loans and 90% in case of local currency loans. The corresponding percentages for 1960 were 82.3% and 95% and for 1961, 75.3% and 94.1% respectively. Actual disbursements are assumed to be as under:

	<u>Local Currency</u>	<u>Foreign Currency</u>
In the year of commitment	40%	25%
In the following year	60%	50%
In the next following year	-	25%
	<u>100%</u>	<u>100%</u>

On the above basis yearly sanctions, commitments and disbursements are as per the attached ANNEX XV.

3. Recovery of loans are assumed to be $12\frac{1}{2}\%$ of the net amount outstanding at the beginning of each year.

4. Interest and commitment charges, etc., remaining outstanding at the end of each year are assumed to be 3% of loans outstanding. The average for the last three years is 2.7%.

5. Repayment of PICIC borrowings has been shown on the basis of agreed amortization schedules in the case of the first two IBRD lines of credit and the three AID lines. For the Third IBRD Loan, and German and Japanese lines of credit, repayment has been assumed on 10 years basis commencing January 1, 1964.

6. Accrued interest on investments is assumed to be 1% of investments which is approximately the average for the last three years.

7. Accrued liabilities have been assumed to increase about Rs. 5 million per year.

8. Dividends have been assumed on the basis of 6% of paid-up capital. Payment is shown in the year subsequent to which they relate.

B. Profit and Loss Account:

9. Interest on dividend incomes have been calculated on the following basis:

- (a) Interest and foreign loans $7\frac{1}{2}\%$ per annum;
- (b) Interest on rupee loans $6\frac{1}{2}\%$ per annum;
- (c) Commitment charge 1%;
- (d) Project examination and technical assistance fee $\frac{1}{2}\%$ of loans committed;
- (e) L/C commission is taken at 1/6% of amount disbursed;
- (f) Return on investments is assumed to be 4% on Government securities and industrial shares; and,
- (g) Capital gains on sale of investments have not been taken into account.

10. Interest expense is calculated on the following basis:

- (a) Foreign loans 5-3/4%;
- (b) Government advances 4% except the first interest-free advance of Rs. 30 million.

11. Administrative expenses and salaries are estimated to gradually increase on account of salaries of professional staff (including foreign staff). (This increase has been assumed at Rs. 2 lakhs each year.)

12. Other income has been conservatively assumed to rise by approximately Rs..15 million each year.

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LTD.Inland Water Transport Projects
sanctioned by PICIC as at December 31, 1962

Seven IWT projects have been approved by PICIC as at December 31, 1962 and submitted for the Bank's approval. They are:

	US\$
1. Pakistan River Steamers	3,855,000
2. Star Shipping Line Limited	168,000
3. Pakistan Flotilla Co. Ltd.	180,000
4. Pak Water Ways Ltd.	630,000
5. Pak Bay Shipping Co. Ltd.	170,000
6. Chalna Lighterage Ltd.	105,000
7. High Speed Navigation Co. Ltd. (Passenger ships)	<u>610,000</u>
Total	<u>5,718,000</u>

A further 4 projects are being finalized by PICIC for submission to the Bank:

	US\$
1. Inland Transport & River Navigation Co. Ltd.	420,000
2. Orient Agencies Ltd.	588,000
3. Bengal Shipping Line Ltd.	588,000
4. Green & White Navigation Co. Ltd.	<u>588,000</u>
Total	<u>2,184,000</u>

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