



The Pakistan Credit Rating Agency Limited

Rating Report

JS Global Capital Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
14-Dec-2023	AA	A1+	Stable	Maintain	-
14-Dec-2022	AA	A1+	Stable	Maintain	-
14-Dec-2021	AA	A1+	Stable	Maintain	-
14-Dec-2020	AA	A1+	Stable	Maintain	-
14-Dec-2019	AA	A1+	Stable	Maintain	-
14-Jun-2019	AA	A1+	Stable	Maintain	-
13-Dec-2018	AA	A1+	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

JS Global Capital Limited (“JSGCL” or “the Company”) is primarily engages in providing equity brokerage services, alongside offering services of MTS/MFS, and corporate finance. The clientele is fairly diversified between institutions/corporates and HNWI/Retails. The business model of equity brokers is inherently susceptible to market volatility. Rising interest rates, political uncertainty, and increasing inflationary pressure during FY23 have impeded investors' sentiments, adversely impacting volumetric activity at PSX. However, as the FY24 began, there was a noticeable recovery in investor confidence. During 9MCY23, JSGCL experienced a significant increase in revenue of ~51% despite subdued market volumes for 1HCY23. The Company earned a revenue of ~ PKR 476mln during 9MCY23(SPLY: ~PKR 314mln). However, topline diversity is limited, with brokerage income constituting ~97% of the topline during 9MCY23. JSGCL reported a net profit of ~ PKR 88mln during 9MCY23 (SPLY: a net profit of ~PKR 26mln). The profitability surged due to effective management of finance costs in an increasing interest rate environment, and gains on Ready-Buy-Future-Spread transactions. JSGCL has a strong equity base of ~PKR 2,350mln at end-Sep’23 (SPLY: ~PKR 2,260mln). Market risk is negligible as the investment book of JSGCL remains limited to bank placements, RBFS, and other low-risk investments. JSGCL has a strong multitier organizational structure, with most department heads reporting directly to the CEO. The management is experienced, and the control framework is robust and well-established. Strong risk management and compliance procedures provide support to the ratings. The assigned ratings incorporate and take comfort from a strong sponsor profile and corporate governance framework. As part of its long-term strategic plans, JSGCL plans to further solidify its business model through the advancement of digital transformation initiatives and diversity in revenue streams. Conversion of new retail accounts to active traders remains a key focus of JSGCL, materializing in its industry-leading market share.

Going forward, pivotal factors for enhancing the rating perspective include improvement in core income, management’s ability to retain its market share, and enhancing the diversity of revenue to improve its competitive position in the brokerage industry. Meanwhile, upholding sound internal controls, retention of key management personnel, and diligent monitoring of risks is important.

Disclosure

Name of Rated Entity	JS Global Capital Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Broker Entity Rating(Aug-23),Methodology Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology Rating Modifiers(Apr-23)
Related Research	Sector Study Brokerage & Securities(Jan-23)
Rating Analysts	Hassaan Ahmad Hassaan.Ahmad@pacra.com +92-42-35869504



Profile

Background JS Global Capital Limited (“JSGCL” or “The Company”) was incorporated as a private limited company in the year 2000 and commenced operations in 2003. Subsequently, the Company was converted into a public unquoted company and the Company obtained a listing on the Pakistan Stock Exchange in 2005.

Operations JSGCL provides the services of Equity & Commodity Brokerage, Money Market, Corporate Finance, and Research. The clients are divided into three broad categories: i) Foreign ii) Institutions & Corporates and iii) Retail and HNWI.

Ownership

Ownership Structure JS Bank Limited (JSBL) is the major shareholder of JSGCL with an ownership stake of ~93%. The remaining shares are vested with the general public and other market participants. JSBL is the subsidiary of Jahangir Siddiqui & Company Limited (JSCL).

Stability JS Bank Limited is a subsidiary (~75%) of Jahangir Siddiqui & Co. Limited (JSCL). Other shareholders include banks and financial institutions, and foreign investors while the remaining stake is distributed amongst local individuals and other shareholders. The bank’s shareholding pattern is expected to remain stable in the foreseeable future.

Business Acumen Jahangir Siddiqui & Company Limited has established a considerable presence in major sectors of Pakistan’s economy. JSCL and its subsidiary companies are involved in trading securities, maintaining strategic investments, investment advisory, brokerage, asset management, agency telecommunication, commercial banking, power generation, and other businesses.

Financial Strength During 9MCY23, the Group reported a profit after tax of ~PKR 7,523mln for the nine months ended Sep 30, 2023. The Group has reported improvement in its assets base which increased to PKR 1179,020 million as of Sep 30, 2023. PACRA has assigned a long-term credit rating of AA and a short-term rating of A1+ to JSCL.

Governance

Board Structure The Company’s Board of Directors (BoD) comprises eight members, which include three independent directors, four non-executive directors and one executive director. The board is currently chaired by Mr. Shahab Anwar Khawaja, an independent director.

Members’ Profile All the directors are seasoned professionals and possess manifold experiences in the relevant fields. The board members are skilled and experienced to manage business operations efficiently. The presence of independent directors strengthens the governance framework.

Board Effectiveness To ensure an effective control environment and compliance with reporting standards, the Company has constituted three board committees: i) Audit Committee, ii) Risk Management Committee, and iii) Human Resource and Remuneration Committee. The Committees are chaired by independent directors.

Transparency JSGCL has appointed M/S KPMG Taseer Hadi & Co. Chartered Accountants as the external auditors. The auditors have expressed an unqualified opinion on the financial statements of JSGCL for CY22. The firm is placed in Category A of the SBP’s panel of auditors.

Management

Organizational Structure JS Global has a multi-tier organizational structure consisting of the following departments, I) Finance, ii) Risk Management & Compliance, iii) IT, iv) Equity Operations, v) Research, vi) International Sales, vii) Online Trading, viii) Commodity Trading, xi) Corporate Finance and x) Internal Audit. To streamline operations, three committees exist at the senior management level. (i) Management Committee, (ii) Investment Committee, and (iii) IT Digitization Committee.

Management Team The management team comprises seasoned professionals possessing worthy educational credentials and expertise in their domains. The CEO, Mr. Imtiaz has over 20 years of capital markets experience and has worked with well-known companies such as JP Morgan - Pakistan and Bank Alfalah Limited.

Management Effectiveness The front and back-end software is procured from an approved vendor with complete integration. The system is capable to generate real-time MIS pertaining to order placements, execution and risk management, and compliance.

Control Environment JSGCL has a strong control environment supported by the internal audit being performed at the group level and reporting directly to the Audit Committee. Mr. Syed Muhammad Javed who is an ACCA having experience of over 10 years heads the Risk Management & Compliance Department under the supervision of Mr. Tanzeel ur rehman, who is an MBA with ~19 years of experience. The control framework could be improved further with the appointment of separate heads of departments for the Risk Management and Compliance function.

Business Risk

Industry Dynamics 1HCY23 has been a challenging year for the brokerage industry. High political uncertainty along with high inflation crippled the economic condition of the country. Market volumes remained subdued as investors opted for the safer fixed market returns resulting from the high-interest rates prevailing in the economy. However, the start of 2HCY23 has seen a recovery in the confidence of investors. The resumption of the IMF program and the recent steps taken by the government to address longstanding economic issues such as the reduction of circular debt has boosted the market volumes. That being said, political turmoil still prevails in the country and many investors are still waiting for the conclusion of the election process before showing their hands.

Relative Position The Company stands amongst the top brokerage houses in the country. JSGCL has improved its relative standing during the 9MCY23 in equity brokerage; however, the corporate finance/advisory segment has room for improvement.

Revenues JSGCL’s operating revenue is mainly concentrated in equity brokerage while the corporate finance/advisory department is also in place to augment the revenue streams. Additionally, JSGCL also provides and earns from commodity brokerage and MFS/MTS services. The revenue from equity brokerage increased by ~44% during 6MCY23 to stand at ~PKR 277mln (SPLY: ~PKR 192mln). The Company earned a topline of ~PKR 476mln during 9MCY23 (9MCY22: ~PKR 314mln)

Cost Structure JSGCL reported net profit of PKR ~60mln in 6MCY23 compared to a net profit of ~PKR 11mln in SPLY while the profit after tax stood at ~PKR 88mln during 9MCY23 (9MCY22: ~PKR 26mln). This profit is on account of increased revenue from equity brokerage and gain on remeasurement of investments.

Sustainability Going forward, JSGCL plans to enhance its footprint in the retail universe. JSGCL is working on a customized mobile app for this purpose and the relevant human resource has also been taken on board.

Financial Risk

Credit Risk The Company has developed and implemented risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure of the clients.

Market Risk The investment book of JSGCL remains limited to bank placements, RBFs, and other low-risk investments and does not engage in proprietary book investments, limiting the exposure to market risk

Liquidity Risk The Current Liabilities of the Company stood at ~PKR 3,049mln at end-Sep’23, compared with ~PKR 2,777mln at end-Dec’22. Whereas the current assets stood at ~PKR 4,405mln at end-Sep’23, compared to ~PKR 4,251mln at end-Dec’22. JSGCL has secured short-term financing facilities from different banks to utilize in case of liquidity needs.

Capital Structure JSGCL has a strong capitalization level with the Company’s equity standing at ~PKR 2,350mln at end-Sep’23. The ratings take comfort from a low-leveraged capital structure.



PKR mln

JS Global Capital Limited
Listed Public Limited

Sep-23	Dec-22	Dec-21	Dec-20
9M	12M	12M	12M

A BALANCE SHEET

1 Finances	401	426	453	420
2 Investments	869	734	1,578	476
3 Other Earning Assets	2,027	2,401	1,878	2,180
4 Non-Earning Assets	2,192	1,796	2,680	2,314
5 Non-Performing Finances-net	-	-	-	-
Total Assets	5,489	5,357	6,590	5,390
6 Funding	394	723	687	107
7 Other Liabilities (Non-Interest Bearing)	2,745	2,374	3,707	2,837
Total Liabilities	3,139	3,097	4,394	2,944
Equity	2,350	2,261	2,196	2,446

B INCOME STATEMENT

1 Fee Based Income	702	528	1,095	641
2 Operating Expenses	(615)	(709)	(749)	(566)
3 Non Fee Based Income	122	450	218	231
Total Operating Income/(Loss)	209	269	564	306
4 Financial Charges	(87)	(149)	(29)	(17)
Pre-Tax Profit	122	120	535	290
5 Taxes	(33)	(44)	(125)	(83)
Profit After Tax	88	76	411	207

C RATIO ANALYSIS

1 Cost Structure

Financial Charges / Total Operating Income/(Loss)	41.8%	55.3%	5.1%	5.5%
Return on Equity (ROE)	6.0%	5.6%	24.7%	13.3%

2 Capital Adequacy

Equity / Total Assets (D+E+F)	42.8%	42.2%	33.3%	45.4%
Free Cash Flows from Operations (FCFO) / (Financial Charges + Current Maturity of Long	45.9%	49.6%	358.5%	352.6%

3 Liquidity

Liquid Assets / Total Assets (D+E+F)	31.2%	22.8%	44.7%	24.1%
Liquid Assets / Trade Related Liabilities	78.0%	61.8%	135.8%	55.2%

4 Credit & Market Risk

Accounts Receivable / Short-term Borrowings + Advances from Customers + Payables to C	43.8%	31.2%	70.8%	46.6%
Equity Instruments / Investments	86.2%	80.4%	89.7%	46.8%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA-	
A+	
A	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A-	
BBB+	
BBB	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB-	
BB+	
BB	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB-	
B+	
B	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B-	
CCC	
CC	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



*The correlation shown is indicative and, in certain cases, may not hold.

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults, or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):
 a) Broker Entity Rating
 b) Corporate Rating
 c) Debt Instrument Rating
 d) Financial Institution Rating
 e) Holding Company Rating
 f) Independent Power Producer Rating
 g) Microfinance Institution Rating
 h) Non-Banking Finance Companies Rating

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Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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