



## The Pakistan Credit Rating Agency Limited

### Rating Report

## JS Global Capital Limited | BFR

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#### Rating History

Dissemination Date	Rating	Outlook	Action	Rating Watch
13-Dec-2024	BFR 1	Stable	Maintain	-
14-Dec-2023	BFR 1	Stable	Maintain	-
14-Dec-2022	BFR 1	Stable	Maintain	-
27-Apr-2022	BFR 1	Stable	Initial	-

### Rating Rationale

Factor	Comment
<b>Ownership</b>	The ownership structure is considered strong, boosted by the strong business acumen of the sponsoring group. The Company is ~93% owned by JS Bank Limited.
<b>Governance</b>	JSGCL is governed by a robust eight-member board, including three independent directors four non-executive directors, and one executive director (CEO). Four board committees, each chaired by independent directors, strengthens the oversight framework.
<b>Management and Client Services</b>	The Company has a well-developed organizational structure and an experienced management team. Dedicated departments are present for client services, including complaint management and award-winning research reports.
<b>Internal Controls and Regulatory Compliance</b>	JSGCL maintains a robust control environment reinforced by a group-level internal audit that reports directly to the audit committee. Well-drafted policies and a dedicated Head of Compliance ensures adherence to regulatory requirements.
<b>Business Sustainability</b>	During 9MCY24, the Company focused on onboarding new retail clients, constantly appearing in the top ten Brokers rankings released by the PSX with respect to new UINs. As a result, the topline of the Company grew by an impressive ~71% during the period. Moreover, net profitability grew by ~157% during 9MCY24.
<b>Financial Sustainability</b>	JSGCL's effective management of its proprietary investment book limits exposure to market risk. A low-leveraged capital structure and a strong equity base provides comfort.

### Key Rating Drivers

JS Global Capital Limited ('JSGCL' or the 'Company') is a leading brokerage house in the country. The Company has solidified its market positioning further by enhancing its retail footprint, resulting in a growth of market share during 9MCY24. During the year, Mr. Khalilulah Usmani took over as the CEO, following Mr. Imtiaz Gadar's resignation. Going forward, it is imperative from a ratings perspective to maintain topline growth, revenue diversification, and profitability. Moreover, retention of key management personnel remains critical.

#### Disclosure

<b>Name of Rated Entity</b>	JS Global Capital Limited   BFR
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Broker Fiduciary Rating (BFR)
<b>Applicable Criteria</b>	Assessment Framework   Broker Fiduciary Rating(Jan-24)
<b>Related Research</b>	Sector Study   Brokerage & Securities(Jan-24)
<b>Rating Analysts</b>	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** Jahangir Siddiqui & Co. Limited (JSCL) holds 71.21% shares of JS Bank Limited. 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 1QCY24, the Group reported a profit after tax of ~PKR 4,204m for the three months ended March 31, 2024. The Group has reported improvement in its assets base which increased to PKR 1,305 billion as of March 31, 2024. 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, including three independent directors, four non-executive directors, and one executive director (CEO). 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.

**Financial** 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 CY2023. The firm is placed in Category A of the SBP’s panel of auditors.

## Management And Client Services

**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. During the period under review, the CEO, Mr. Imtiaz Gadar, resigned from his position. Mr. Khalilullah Usmani has been appointed as the CEO of JSGCL. He was previously serving as the country head of sales of JSGCL.

**Client Servicing** The Company offers multiple account opening mediums. Similarly, various channels, including a mobile app, are available to customers to execute and monitor their transactions. The Company has a strong client reporting mechanism with account statements and market reports communicated to the clients on regular basis.

**Complaint Management** A sound complaint management system is in place. Complaints can be made via e-mail, SMS, calls, and website.

**Extent Of Automation / Integration** 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.

**Continuity Of Operations** JSGCL has a detailed disaster recovery plan to ensure business continuity at the time of disaster. Backups are maintained on a timely basis.

## Internal Controls And Regulatory Compliance

**Risk Management Framework** JSGCL has a strong control environment supported by internal audit performed at the group level, reporting directly to the Audit Committee. There are separate and dedicated heads of department for the Risk Management and Compliance functions, strengthening risk governance.

**Regulatory Compliance** The Risk Management & Compliance Department ensures regular monitoring of controls and systems, which ensures all functions are in line with the applicable policies and procedures.

## Business Sustainability

**Operating Environment** CY24 has been a transformative year for the brokerage industry in Pakistan. Despite ongoing political uncertainty and high inflation, the economic conditions have significantly improved. The Karachi Stock Exchange (KSE-100) index has surged past the 110,000 mark, reflecting renewed confidence among investors. Declining interest rates pushed investors to divest from fixed income avenues towards the equity market, resulting in boosted volumes for the brokerage industry.

**Performance** 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 ~74% during 9MCY24 to stand at ~PKR 797mln (SPLY: ~PKR 460mln). JSGCL reported net profit of PKR ~227mln in 9MCY24 compared to a net profit of ~PKR 88mln in SPLY. This profit is on account of increased revenue from equity brokerage and gain on re-measurement of investments.

**Strategy** Going forward, JSGCL plans to enhance its footprint in the retail universe more significantly. JSGCL's launched Zindagi app has been a significant tool for developing its retail clients. From a total of around 250mln retail clients, Zindagi app has obtained a market of 50mln users.

## Financial Sustainability

**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 for the Company stood at ~PKR 4,659mln at end-Sep'24, compared with ~PKR 3,787mln at end-Dec'23. Whereas the current assets of JSGCL stood at ~PKR 6,665mln at end-Sep'24, compared to ~PKR 5,196mln at end-Dec'23.

**Capitalization** JSGCL has a strong capitalization level with the Company's equity standing at ~PKR 2,686mln at end-Sep'24.



**THE PAKISTAN CREDIT RATING AGENCY**

JS Global Capital Ltd.  
PUBLIC LISTED LIMITED  
FINANCIAL SUMMARY

FS PRINT MODE      DISABLED

Sep-24 CY24 9M Management	Dec-23 CY23 12M Audited	Dec-22 CY22 12M Audited	Dec-21 CY21 12M Audited
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**BALANCE SHEET**

	Sep-24 CY24 9M Management	Dec-23 CY23 12M Audited	Dec-22 CY22 12M Audited	Dec-21 CY21 12M Audited
1 FINANCES	389.24	670.34	425.97	453.31
2 INVESTMENTS	1,119.64	711.25	733.66	1,578.17
3 OTHER EARNING ASSETS	354.02	-	299.97	-
4 NON-EARNING ASSETS	5,836.52	4,869.58	4,210.18	4,558.02
5 NON-PERFORMING FINANCES-net	-	-	-	-
<b>TOTAL ASSETS</b>	<b>7,699.42</b>	<b>6,251.18</b>	<b>5,669.79</b>	<b>6,589.51</b>
6 FUNDING	568.09	340.88	639.16	696.72
7 OTHER LIABILITIES (NON-INTEREST BEARING)	4,445.10	3,463.52	2,367.27	2,736.16
<b>TOTAL LIABILITIES</b>	<b>5,013.19</b>	<b>3,804.41</b>	<b>3,006.43</b>	<b>3,432.88</b>
<b>TOTAL EQUITY</b>	<b>2,686.23</b>	<b>2,451.71</b>	<b>2,260.54</b>	<b>1,921.60</b>

**INCOME STATEMENT**

INCOME				
1 FEE BASED INCOME	812.38	772.31	480.99	1,060.76
2 OPERATING EXPENSES	(796.07)	(918.06)	(709.26)	(748.61)
3 NON-FEE BASED INCOME	391.34	439.60	450.31	249.31
<b>TOTAL OPERATING INCOME (LOSS)</b>	<b>407.65</b>	<b>293.85</b>	<b>222.03</b>	<b>561.47</b>
4 FINANCIAL CHARGES	(78.81)	(111.56)	(148.80)	(28.63)
<b>PRE-TAX PROFIT</b>	<b>322.31</b>	<b>258.98</b>	<b>120.38</b>	<b>532.83</b>
5 TAXES	(95.09)	(71.68)	(44.26)	(124.81)
<b>PROFIT AFTER TAX</b>	<b>227.22</b>	<b>187.30</b>	<b>76.12</b>	<b>408.02</b>

**RATIOS**

BUSINESS SUSTAINABILITY				
1 PRE-TAX MARGIN	0.40	0.34	0.25	0.50
2 EBITDA MARGIN	0.57	0.57	0.56	0.53
3 EBIT RETURN ON ASSETS	0.08	0.06	0.04	0.09

**FINANCIAL SUSTAINABILITY**

1 TOTAL INVESTMENTS / EQUITY	0.42	0.29	0.32	0.82
2 LIQUID CAPITAL BALANCE (LCB) / EQUITY	0.35	0.38	0.40	0.55
3 (CASH, CASH EQUIVALENTS & GOVERNMENT SECURITIES) / TOTAL ASSETS	0.18	0.10	0.16	0.22
4 TOTAL DEBT / TOTAL ASSETS	0.06	0.05	0.11	0.11

### Broker Fiduciary Rating Scale & Definitions

An independent opinion on a broker's quality of management and client services, and sustainability of operations

Scale	Definition
<b>BFR 1</b>	<b>Very Strong.</b> Very Strong quality of management and client services, and very high likelihood of sustaining operations.
<b>BFR 2++</b> <b>BFR 2+</b> <b>BFR 2</b>	<b>Strong.</b> Strong quality of management and client services, and high likelihood of sustaining operations.
<b>BFR 3++</b> <b>BFR 3+</b> <b>BFR 3</b>	<b>Good.</b> Good quality of management and client services, and above average likelihood of sustaining operations.
<b>BFR 4++</b> <b>BFR 4+</b> <b>BFR 4</b>	<b>Adequate.</b> Adequate quality of management and client services, and average likelihood of sustaining operations.
<b>BFR 5</b>	<b>Weak.</b> Weak quality of management and client services, and weak likelihood of sustaining operations.

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> 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'.</p>	<p><b>Rating Watch</b> 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.</p>	<p><b>Suspension</b> 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.</p>	<p><b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the rating remains suspended for six months, or/and d) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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**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.

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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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