



The Pakistan Credit Rating Agency Limited

Rating Report

JS Global Capital Limited | BMR

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
13-Dec-2024	BMR1	-	Stable	Maintain	-
14-Dec-2023	BMR1	-	Stable	Maintain	-
14-Dec-2022	BMR1	-	Stable	Maintain	-
14-Dec-2021	BMR1	-	Stable	Maintain	-
14-Dec-2020	BMR1	-	Stable	Maintain	-
27-Dec-2019	BMR1	-	Stable	Maintain	-
28-Jun-2019	BMR1	-	Stable	Maintain	-
31-Dec-2018	BMR1	-	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

JS Global Capital Limited ('JSGCL' or the 'Company') has a leading presence in the brokerage space. The Company's strategic focus on enhancing its retail footprint enhanced its market share further. JSGCL is engaged in equity and commodity brokerage, while operations are well supported through MFS/MTS, corporate finance, and money market operations. CY24 has been a boon for the brokerage industry so far, with the reduction in interest rates providing the impetus to institutions to shift their fixed income exposures towards the equity market. Moreover, improving macroeconomic indicators renewed investor sentiments, with the KSE-100 Index breaching previous historic high levels on a regular basis. The assigned ratings reflect the strong business acumen and diversified portfolio of the sponsoring group, as well as the robust governance framework in place. JSGCL's organizational structure is well-established, with most department heads reporting directly to the CEO. The management team is experienced, and the internal control framework is thorough and reliable. During the year, Mr. Khalilullah Usmani, who has been with JSGCL for over a decade, succeeded Mr. Imtiaz Gadar as CEO. JSGCL has strong client services, with customers able to access reward-winning research reports and online portal for efficient decision making. The Company's strong compliance framework, coupled with group-level internal audits, further enhances its control environment. The Company has developed a comprehensive Disaster Recovery and Business Continuity Plan to address potential unforeseen events. JSGCL's revenue surged by ~71% during 9MCY24, with the Company earning ~PKR 812mln during the period (SPLY: ~PKR 476mln). Net profitability improved an impressive ~157%, with the Company earning ~PKR 227mln during 9MCY24 (SPLY: ~PKR 88mln). JSGCL has a strong equity base of ~PKR 2,686mln at end-Sep'24 (SPLY: ~PKR 2,452mln).

Going forward, pivotal factors from the rating perspective include the growth of core income, the management's capacity to sustain market share, and the expansion of revenue volumes and diversity to strengthen its competitive position in the brokerage sector. Additionally, maintaining robust internal controls, retaining key management personnel, and closely monitoring risks will be essential.

Disclosure

Name of Rated Entity	JS Global Capital Limited BMR
Type of Relationship	Solicited
Purpose of the Rating	Broker Management Rating
Applicable Criteria	Assessment Framework Broker Management Rating(Nov-23)
Related Research	Sector Study Brokerage & Securities(Jan-24)
Rating Analysts	Hassaan Ahmad Hassaan.Ahmad@pacra.com +92-42-35869504



Brokerage & Securities

The Pakistan Credit Rating Agency Limited

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, 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 4,204mln 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 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 CY23. The firm is placed in Category A of the SBP's panel of auditors.

Management

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.

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.

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.

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

Business Risk 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.

Business Profile 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's.

Revenue And Profitability Analysis 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.

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 Profile 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.

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



		PKR mln			
JS Global Capital Limited		Sep-24	Dec-23	Dec-22	Dec-21
Public listed Company		9M	12M	12M	12M
A BALANCE SHEET					
1	Finances	433.08	670	426	453
2	Investments	1,120	714	734	1,578
3	Other Earning Assets	2,136	1,231	1,045	608
4	Non-Earning Assets	4,011	3,636	3,152	3,950
5	Non-Performing Finances-net	0	0	-	-
	Total Assets	7,699	6,251	5,357	6,590
6	Funding	433	327	631	687
7	Other Liabilities (Non-Interest Bearing)	4,581	3,472	2,374	2,753
	Total Liabilities	5,013	3,799	3,005	3,440
	Equity	2,686	2,452	2,261	2,196
B INCOME STATEMENT					
1	Fee Based Income	951	861	528	1,095
2	Operating Expenses	(796)	(1,017)	(709)	(749)
3	Non Fee Based Income	253	526	450	218
	Total Operating Income/(Loss)	408	371	269	564
4	Financial Charges	(85)	(112)	(149)	(29)
	Pre-Tax Profit	322	259	120	535
5	Taxes	(95)	(72)	(44)	(125)
	Profit After Tax	227	187	76	411
C RATIO ANALYSIS					
1 Cost Structure					
	Financial Charges / Total Operating Income/(Loss)	20.9%	30.1%	55.3%	5.1%
	Return on Equity (ROE)	15.8%	13.3%	5.6%	22.4%
2 Capital Adequacy					
	Equity / Total Assets (D+E+F)	34.9%	39.2%	42.2%	33.3%
	Free Cash Flows from Operations (FCFO) / (Financial Charges + Current Maturity of Long Term Debt + Uncovered Short Term Borrowings)	251.5%	77.1%	49.6%	358.5%
3 Liquidity					
	Liquid Assets / Total Assets (D+E+F)	49.4%	47.9%	48.1%	64.0%
	Liquid Assets / Trade Related Liabilities	101.3%	103.3%	130.5%	194.3%
4 Credit & Market Risk					
	Accounts Receivable / Short-term Borrowings + Advances from Customers + Payables to Customers	74.3%	44.3%	32.6%	70.8%
	Equity Instruments / Investments	88.7%	83.3%	80.4%	89.7%

Broker Management Rating	
An independent opinion on the quality of management and services provided by a broker	
Scale	Definition
BMR 1A	Excellent. Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.
BMR 1++ BMR 1+ BMR 1	Strong. Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.
BMR 2++ BMR 2+ BMR 2	Sound. Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.
BMR 3++ BMR 3+ BMR 3	Adequate. Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.
BMR 4++ BMR 4+ BMR 4	Inadequate. Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.
BMR 5	Weak. Weak regulatory compliance and business practices.

<p>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’.</p>	<p>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.</p>	<p>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.</p>	<p>Withdrawn 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>Harmonization 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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