JS Global Capital Limited

CREDIT RATING REPORT | DEC-24

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Rating History

Dissemination Date	Long-Term Rating	Short-Term Rating	Outlook	Action	Rating Watch
13-Dec-24	**AA**	**A1+**	**Stable**	**Maintain**	**-**
14-Dec-23	AA	A1+	Stable	Maintain	-
14-Dec-22	AA	A1+	Stable	Maintain	-
14-Dec-21	AA	A1+	Stable	Maintain	-
14-Dec-20	AA	A1+	Stable	Maintain	-

About the Entity

JS Global Capital Limited was incorporated as a private limited company in 2000. Subsequently, the Company obtained a listing on the Pakistan Stock Exchange in 2005. 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. The sponsoring group has established a considerable presence in major sectors of Pakistan's economy. The group's companies are involved in trading securities, maintaining strategic investments, investment advisory, brokerage, asset management, agency telecommunication, commercial banking, power generation, and other businesses. 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.

Rating Rationale

JS Global Capital Limited ('JSGCL' or the 'Company') has enhanced its market presence through a focus on onboarding retail clientele. The Company 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. As a result, market volumes improved by ~119% during 9MCY24 when compared with SPLY. The trend is expected to continue during 1HCY25 though political stability and further macroeconomic improvements remain crucial factors. JSGCL's revenue surged by ~71% during 9MCY24, with the Company earning ~PKR 812mln during the period (SPLY: ~PKR 476mln). Effective management of expenses and diversified income streams boosted the bottom-line by an impressive ~157%, with the Company earning ~PKR 227mln as net profit during 9MCY24 (SPLY: ~PKR 88mln). JSGCL has a strong equity base of ~PKR 2,686mln at end-Sep'24 (SPLY: ~PKR 2,452mln). Market risk is negligible as the investment book of JSGCL remains limited to bank placements, Ready-Buy-Future-Spreads, and other low-risk avenues. The assigned ratings incorporate the strong business acumen and diversified portfolio of the sponsoring group. A robust governance framework provides additional oversight. 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. During the year, Mr. Khalilulah Usmani, who has been associated with JSGCL for over a decade, took over as CEO in place of Mr. Imtiaz Gadar. A strong compliance framework and group-level internal audits enhance the control environment of the Company. The Company's strategic plan to invest in digital transformation has provided effective results. Conversion of new retail accounts to active traders remains a key focus of JSGCL, materializing in its industry-leading market share.

Key Rating Drivers

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 volumes and 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.

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RELATED RESEARCH

- Sector Study | Brokerage & Securities | Jan-24

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RATING ANALYSIS

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 HNWIs.

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 4,204mln 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.

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

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. Mr. Khalilullah has over 20 years of capital markets experience and has worked with a well-known company; Optimus Securities Pakistan.
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 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.

Business Risk

Industry Dynamics	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.
Relative Position	The Company stands among the top brokerage houses in the country. JSGCL has improved its relative standing during CY24 in equity and has potential for growth in the corporate finance/advisory.
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 ~74% during 9MCY24 to stand at ~PKR 797mln (SPLY: ~PKR 460mln).
Cost Structure	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.
Sustainability	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 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 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.
Capital Structure	JSGCL has a strong capitalization level with the Company's equity standing at ~PKR 2,686mln at end-Sep'24.

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FINANCIAL SUMMARY (PKR mln)

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	Sep-24 9M	Dec-23 12M	Dec-22 12M	Dec-21 12M
A. BALANCE SHEET				
1. Finances	433	670	426	453
2. Investments	1,120	714	734	1,578
3. Other Earning Assets	1,384	2,333	2,401	1,878
4. Non-Earning Assets	4,763	2,534	1,796	2,680
5. Non-Performing Finances-net	0	0	0	0
Total Assets	7,699	6,251	5,357	6,590
6. Funding	433	327	2,697	2,858
7. Other Liabilities (Non-Interest Bearing)	4,581	3,472	399	582
Total Liabilities	5,013	3,799	3,097	3,440
Equity	2,686	2,452	2,261	2,196
B. INCOME STATEMENT				
1. Fee Based Income	1,084	861	339	1,040
2. Operating Expenses	(796)	(1,017)	(709)	(749)
3. Non Fee Based Income	120	526	497	252
Total Opearting Income/(Loss)	408	371	128	543
4. Financial Charges	(85)	(112)	(149)	(29)
Pre-Tax Profit	322	259	(21)	514
5. Taxes	(95)	(72)	(44)	(125)
Profit After Tax	227	187	(65)	389
C. RATIO ANALYSIS				
1. Cost Structure				
Financial Charges / Total Opearting Income/(Loss)	20.9%	30.1%	116.6%	5.3%
Return on Equity (ROE)	13.8%	13.3%	-6.4%	22.0%
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%	138.3%	550.9%
3. Liquidity				
Liquid Assets / Total Assets (D+E+F)	49.5%	30.3%	22.8%	44.7%
Liquid Assets / Trade Related Liabilities	101.6%	65.2%	61.8%	135.8%
4. Credit & Market Risk				
Accounts Receivable / Short-term Borrowings + Advances from Customers + Payables to Customers	74.3%	44.3%	31.2%	70.8%
Equity Instruments / Investments	86.7%	83.3%	80.4%	89.7%

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RATING SCALE

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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
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ 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.
A+ 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.
BBB+ 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.
BB+ 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.
B+ 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.
CCC CC C	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.
D	Obligations are currently in default.

Scale	Short-Term Rating
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.

Rating Modifiers | Rating Actions

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. Rating actions may include "maintain", "upgrade", or "downgrade".

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 Company

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REGULATORY DISCLOSURE

1. **Rating Team Statements**
   I. **Rating** is just an opinion about the creditworthiness of the entity and does not constitute a 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))**
   II. **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)]**
      iv. Explanation: for the purpose of the above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee.
2. **Restrictions**
   i. 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))**
   ii. 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 a business relationship with the customer. **(Chapter III; 10-7-(d))**
   iii. PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of the entity subject to rating. **(Chapter III; 10-7-(k))**
3. **Conduct of Business**
   i. 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))**
   ii. PACRA uses due care in the 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 verify or validate information received in the rating process or in preparing this Rating Report. **(Clause 11-(A)(p))**
   iii. PACRA prohibits its employees and analysts from soliciting money, gifts, or favors from anyone with whom PACRA conducts business. **(Chapter III; 11-A-(q))**
   iv. PACRA ensures before the 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))**
   v. PACRA maintains the principle of integrity in seeking rating business. **(Chapter III; 11-A-(u))**
   vi. PACRA promptly investigates in the event of 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))**
4. **Independence & Conflict of Interest**
   i. 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 ii) fee mandate - signed with the payer, which can be different from the entity.
   ii. PACRA does not provide consultancy/advisory services or other services to any of its customers or their associated companies and associated undertakings that are being rated or have been rated by it during the preceding three years, unless it has an adequate mechanism in place ensuring that the provision of such services does not lead to a conflict of interest situation with its rating activities. **(Chapter III; 12-2-(d))**
   iii. 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. **(Chapter III; 12-2-(f))**
   iv. PACRA ensures that the rating assigned to an entity or instrument is not 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))**
   v. PACRA ensures that the analysts or any of their family members shall not buy, sell, or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause, however, does not apply to investments in securities through collective investment schemes. **(Chapter III; 12-2-(l))**
   vi. PACRA has established policies and procedures 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))**
5. **Monitoring and Review**
   i. 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 an effective manner after appropriate consultation with the entity/issuer. **(Chapter III; 17-(a))**
   ii. PACRA reviews all the outstanding ratings periodically on an annual basis. Provided that public dissemination of annual review and in an instance of change in rating will be made. **(Chapter III; 17-(b))**
   iii. PACRA initiates an 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))**
   iv. 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))**
6. **Probability of Default**
   i. 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, the actual transition of rating may not follow the pattern observed in the past. **(Chapter III; 14-3(f)(vii))**
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