

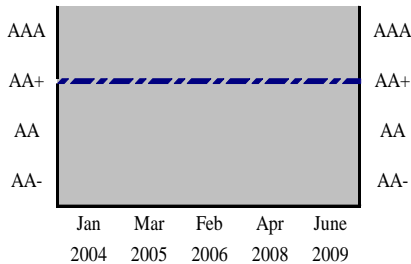


RATINGS (JUNE 2009)

JAHANGIR SIDDIQUI & CO. LTD. (JSCL)

	New	Previous
Entity		
Long Term	AA+	AA+
Short Term	A1+	A1+
TFCs - Listed		
<i>Unsecured</i>		
2 nd Issue (PKR 500mln)	Redeemed	AA+
3 rd Issue (PKR 500mln)	AA-	AA+
<i>Secured</i>		
4 th Issue (PKR 1,100mln)	AA-	AA+
TFCs - Privately Placed		
5 th Issue (PKR 1,250mln)	AA-	AA+

HISTORY – LT ENTITY RATING



FINANCIAL DATA (PKR mln)

	Mar-09 *	Jun-08	Jun-07
Total Assets	23,987.3	37,494.4	15,601.2
Equity ^	19,837.7	31,027.9	8,277.3
Net Income / (loss)	(1,968.9)	17,201.7	2,232.8
ROA (%)	n.m**	64.80	16.47
ROE (%)	n.m**	85.52	43.85

^ Adjusted Equity including surplus / (deficit) on revaluation of investments

* Based on 9 months un-audited accounts

** Not meaningful

ANALYSTS

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PROFILE

- Jahangir Siddiqui (43%) is the largest shareholder in JSCL. Lately, new foreign shareholders were offered sizeable minority shareholding (around 11%).
- The CEO of the company, Mr. Munaf Ibrahim, is an experienced professional and has been with the company since 1993. Mr. Ali Jehangir Siddiqui and Mr. Ali Raza Siddiqui are actively involved in decision-making in their capacity as members of the BoD Executive Committee.

RATING RATIONALE AND KEY DRIVERS

- The ratings reflect very strong risk absorption capacity of the company emanating from its sizeable strategic investment portfolio, which while being liquid in nature largely represent promising companies. Although these investments have witnessed significant valuation losses, business prospects of these companies remain sound. At the same time, JSCL's revenues remain dependent on stock market performance; however, the company carries the ability to manage the associated risk. Moreover, with the induction of foreign shareholder, corporate governance framework of the company is expected to strengthen further.
- The ratings are dependent on improvement in the performance prospects of subsidiaries and their ability to generate steady cash flows for the group. Meanwhile, maintaining adequate liquidity profile remains critical.

ASSESSMENT

- JSCL, listed on Karachi Stock exchange and majority owned by Jahangir Siddiqui and Family, was established in 1991. Starting as a traditional securities firm, JSCL has now acquired the status of an investment company. It is involved in a diverse set of activities with focus on the financial sector, including asset management, brokerage, banking, micro finance and insurance. Its non-financial interests include textile, media services and transportation.
- JSCL's executive committee is responsible for identifying and making decision regarding strategic investments and reports to the BoD. The committee regularly reviews the company's operations based on monthly performance reports. Though executive committee members are experienced professionals with proven track record, establishing effective parameters for strategic investments and onward monitoring would streamline the process and reduce the company's reliance on a few key individuals.
- JSCL increased its holding in certain existing investee companies in the field of insurance and oil marketing companies in FY08. These initiatives are expected to strengthen the investment portfolio of the company. JSCL's other initiatives, relatively modest in terms of amount of investment include media company and consumer credit rating company.
- JSCL reported unprecedented levels of profit after tax during FY08 driven by substantial upsurge in the stock market. In addition to accounting the capital gains on the investee companies, JSCL earned significant gains on the trading portfolio. The volatile nature of the company's earnings, due to its strong correlation with stock market movement, was evident during the downfall of the equity markets. The company posted net losses of PKR 1,968mln for 9M period ending March-09, mainly driven by a PKR 4,186mln provisioning expense for impairment against investments. JSCL's revenue stream is expected to remain a function of the performance of the stock market and dividend inflows from investee companies. Meanwhile, JSCL has yet to realize sizeable revaluation loss (PKR 11,910.2mln at end-Mar09) on AFS portfolio, putting pressure on the profitability of the company.
- Going forward, the management intends to maintain its focus on diversification through strategic investments, mainly in companies involved in infrastructure development with low risk base. Meanwhile, the company's other strategic initiatives, while likely to remain non-earning in the initial phase, are expected to develop into stable revenue stream over the medium-term.
- JSCL successfully placed 22.02mln shares to offshore investors in lieu of the right entitlement of major shareholders waived in the favor of aforesaid offshore investors which included Saj Capital Management and J.P. Morgan Whitefriars. This resulted in fresh equity injection of PKR 10bln. This offering, along with strong profitability during FY08, augmented the company's capital structure. Although JSCL has a sizeable exposure to market risk and ensuing losses after the downfall of the equity market impacted the risk absorption capacity of the company, the company remains adequately capitalized and is well positioned to tap feasible investment opportunities as the economic environment improves in the country.

TFC ISSUES

- JSCL's first unsecured TFC issued in April 2003 was redeemed in April 2008. The second unsecured TFC was issued in Dec04 for a tenor of 5 years. The major portion of principal would be paid in two semi-annual installments beginning 54th month (Jun10). The third unsecured TFC was issued in Sep05 for a tenor of 5 years. Although the principal redemption has started from 36th month (Sep08), the major portion (75%) would be redeemed at the time of maturity. The fourth secured TFC was issued in Nov06 with principal redemption due in two equal installments beginning 60th month (Nov11). JSCL issued its fifth TFC issue in July07 for a tenor of 6 years with principal redemption due in two equal installments beginning 66th month (Dec12). Both secured instruments have largely similar structure in the form of first ranking floating charge with 25% margin on all present and future movable assets of the company, with certain exclusions. All the TFCs have *Call Options* exercisable at different periods from the corresponding dates of issue.