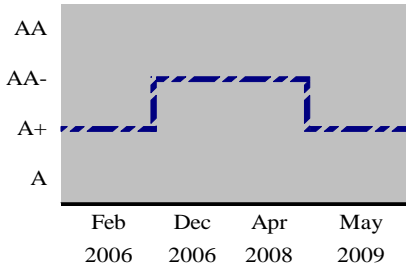


RATING (JUNE 2009)

JS INVESTMENTS LIMITED (JSIL)

| | New | Previous |
|---------------|-----|----------|
| Entity | | |
| Long-term | A+ | AA- |
| Short-term | A1 | A1+ |

LT ENTITY RATING - HISTORY



FINANCIAL DATA

Amount in PKR mln

| | 31-Mar-09 ^ | 30-Jun-08 | 30-Jun-07 |
|------------------------|-------------|-----------|-----------|
| Total Assets | 1,827 | 4,277 | 2,547 |
| Equity | 1,270 | 2,128 | 1,726 |
| Adj. Equity | 363 | 1,966 | 1,640 |
| Net Income | (578) | 404 | 521 |
| ROE (%) | (8.5) | 21.0 | 35.6 |
| Debt / Adj. Equity (%) | 241.7 | 70.4 | 47.4 |

^ Figures are based on unaudited, 9-months period ended Mar 31, 2009

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RATING RATIONALE AND KEY DRIVERS

- The ratings reflect pressure on the company's financial profile, primarily owing to the substantial revaluation deficit on the company's investment portfolio. This has adversely impacted the company's risk absorption capacity and increased leveraging to a high level. The management is contemplating various options to enhance the equity base. Meanwhile, the sharp decline in AUM has suppressed management fee revenue, a trend visible across the entire asset management industry in the recent period. Nevertheless, the sound financial profile of the JS Group remains a source of comfort.
- The ratings are dependent upon strengthening of the company's financial profile through additional equity injection. Meanwhile, development of a stable income stream, while managing exposure to market risk would be important.

ASSESSMENT

- After witnessing a peak of around PKR400bln in assets under management in Mar08, the industry AUM has declined to almost half in recent times. The constrained liquidity in the inter-bank market led to significant redemption in fixed income funds. Owing to revaluation deficit, income funds have taken noticeable discount in valuation, as they were carrying high exposure on relatively less liquid corporate bonds. Meanwhile, the downturn in stock markets eroded the value of investments in equity funds. JSIL also witnessed considerable decline in its overall AUM in line with the industry trend (Mar08: PKR41,649mln ; Mar09: PKR22,306mln). However, it has maintained its leading position in the industry (Mar08: 10.5%; Mar09: 11%). Nonetheless, the performance and liquidity profile of the company's funds has remained superior compared to peers.
- Owing to the substantial decline in AUM, management fee revenue of the company registered sharp decline in recent months. The company posted a net loss of PKR578mln (9 months ending Mar09), mainly due to substantial diminution in value of investments in own funds. The business model of JSIL of investing over and above the seed capital in its own funds (as per regulatory limits) generates significant market risk to the company. The recent meltdown of the equity markets has highlighted this risk as the company witnessed significant equity erosion due to revaluation losses on own funds (revaluation deficit of PKR948mln at end Mar-09) thus impairing the depth of its equity base. As allowed by SECP regulations, this deficit is being routed through P&L on quarterly basis if market values do not recover. Performance prospects of the company largely depend on the revival of the asset management industry. This includes i) improvement in operating environment ii) revival of capital markets and easing of liquidity position in money markets and iii) renewed investor confidence in the industry. Nonetheless, JSIL, on the back of its leading position, superior infrastructure, and product lines (including capital protected funds and launch of funds with low risk profile) and successful channel management strategy, would be better placed to capitalize upon the emerging opportunities, going forward. JSIL has relatively superior systems and processes that have remained intact despite pressure on the company's financial profile.
- The management plans to strengthen its balance sheet in the near term to consolidate the equity profile. The company is highly leveraged at present (LT Debt / Total Debt: 58% as on end-Mar09). A proportion of leverage pertains to the IFS operations that the company intends to dispose off in the near future. The planned balance sheet strengthening is expected to reduce leverage to comfortable levels.

PROFILE

- Incorporated in 1995, JSIL is the leading private sector asset management company in Pakistan. It is a subsidiary of Jahangir Siddiqui and Company Limited (JSCL) - 52% shareholding at end-Dec08. Starting as a traditional securities firm, JSCL now functions as a holding company for JS Group, mainly for its interest within the financial sector. JSIL went public on April 24, 2007 with some members of the JS family divesting a portion of their holding through an offer for sale.
- JSIL's seven-member board, including four independent directors, is diverse in terms of experience and background and plays a constructive role in developing business strategy. The CEO of JSIL, a chartered accountant with extensive experience in related fields, has been associated with the company since 2004. He is assisted by a team of experienced professionals.
- JSIL meets very high investment management industry standards and benchmarks in terms of systems and process, quality of human resource, control environment and risk management systems, also evidenced by the Asset Manager Rating of "AM2+" assigned to the company by PACRA. The company is currently managing fourteen funds (eleven open-end and three closed-end funds), a pension saving scheme and an Islamic pension saving scheme. The size of AUM of open and closed-end funds as on end-Mar09 is PKR16,071mln and PKR6,058mln, respectively.