



Rating Action

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PACRA ASSIGNS ENTITY AND TFC RATINGS TO JAHANGIR SIDDIQUI & Co. LIMITED

The Pakistan Credit Rating Agency (PACRA) has reviewed the entity ratings of Jahangir Siddiqui and Co. Limited (JSCL). The company has long term entity rating of “AA” (double A) [Previous: AA+] and short term rating of “A1+” (A one plus) [Previous A1+]. Meanwhile, the existing three TFC issues are assigned “AA” (double A) rating (Previous: AA+). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect strong risk absorption capacity of the company attributable to a robust equity base, low leveraged capital structure and sizable investment portfolio with considerable liquidity. The company’s earnings, due to high exposure to the stock market, remain vulnerable to inherent market vicissitude, signifying high business risk. Furthermore, the predictability and sustainability of these cash flows remain low. The strategic investments of the company have not yielded the envisaged results. Meanwhile, the company has taken several initiatives to strengthen its management structure, systems and controls, and performance monitoring mechanism for its key investments, which are expected to bode well.

The company: JSCL, listed on KSE, was established in 1991. Starting as a traditional securities firm, JSCL is now the main investment holding company of JS Group, with focus on the financial sector, including asset management, brokerage, banking, micro finance and insurance. Its non-financial interests include textile, fertilizer, media services and transport. Mr. Jahangir Siddiqui (43%) and JS Family through other group companies remains the largest shareholder in JSCL. There are eight members on the Board of Directors which include the Chief Executive Officer, two independent directors and two JS family members.

TFC Issues: JSCL’s second unsecured TFC issued in December 2004 was redeemed in December 2009. 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 (Sep10). 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 (Jan13). 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.

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