



The Pakistan Credit Rating Agency Limited

## Rating Report

### Jahangir Siddiqui & Co. Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
	AA	A1+	Stable	Maintain	-
29-Jan-2018	AA	A1+	Stable	Maintain	-
21-Jun-2017	AA	A1+	Stable	Maintain	-
31-May-2016	AA	A1+	Stable	Maintain	-
26-Jun-2015	AA	A1+	Stable	Maintain	-

#### Rating Rationale and Key Rating Drivers

The ratings reflect JSCL's strong presence as a Holding Company in the financial sector with a basket of strategic investments most prominent of which are JS Bank, Bank Islami Pakistan Ltd, EFU Life and EFU General Insurance. While JS Bank is on its path to establish itself in the medium sized banking sector, Bank Islami, lately, achieved pre-provisioning operational break-even. Meanwhile, EFU Life and EFU General continue as a stable income stream for the company. JSCL has made significant progress with its diversification strategy in energy, petroleum, and infrastructure segment. It is in the process of making investments in LPG storage and Oil Marketing Company. JSCL is envisaging an investment accretion of around PKR 4bln in the near term. This is predominantly being funded by its debt instruments. Although the investment activity has increased the debt exposure for the company, it still remains within moderate limits.

Ratings draw strength from the company's moderately leveraged capital structure and continuing growth trajectory in its existing strategic investments. Meanwhile, strict financial discipline in terms of coverages remains critical for the ratings.

#### Disclosure

<b>Name of Rated Entity</b>	Jahangir Siddiqui & Co. Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Entity Rating
<b>Applicable Criteria</b>	Methodology   Corporate Ratings(Jun-18),Methodology   Criteria   Rating Modifier(Jun-18),Methodology   Correlation Between Long-Term And Short-Term Rating Scale   Jun18(Jun-18),Methodology   Holding Company (Jun-18)
<b>Related Research</b>	Sector Study   Holding Company(Aug-18)
<b>Rating Analysts</b>	Adnan Dilawar   adnan@pacra.com   +92-42-35869504





## The Pakistan Credit Rating Agency Limited

### JAHANGIR SIDDIQUI & CO. LTD. BALANCE SHEET

	31-Mar-18	31-Dec-17	31-Mar-17	31-Dec-16	PKR mln 31-Dec-15
	3M	Annual	3M	Annual	Annual
<b>A. INVESTMENTS</b>					
1. Equity Securities					
a. Strategic Equity Investments					
i. Subsidiaries / Associates / Joint Ventures	9,519	8,894	8,110	7,892	6,541
ii. Others	18,508	17,794	21,906	19,429	15,785
	28,027	26,689	30,016	27,321	22,326
b. Other Equity Investments	3,524	3,033	3,960	3,780	2,259
	31,551	29,721	33,976	31,101	24,584
2. Debt Securities					
a. Government Securities	-	-	-	-	26
b. Listed Debt Instruments	-	-	-	-	-
c. Unlisted Debt Instruments and others	-	-	400	400	-
	-	-	400	400	26
3. Investment Properties	2	2	-	2	-
<b>Total Investments</b>	31,553	29,723	34,376	31,503	24,610
<b>B. FINANCES</b>					
1. Loans	50	55	1	-	3
2. Others	-	-	-	-	-
3. Less: Provisions	-	-	-	-	-
<b>Total Finances</b>	50	55	1	-	3
<b>C. OTHER EARNING ASSETS</b>					
1. Deposits with Banks	2,280	1,427	374	730	2,000
2. Placements (including Reverse REPO)	-	-	-	-	-
<b>Total Other Earning Assets</b>	2,280	1,427	374	730	2,000
<b>D. TOTAL EARNING ASSETS</b>	33,882	31,205	34,751	32,232	26,613
<b>E. FIXED ASSETS</b>	6	6	7	5	10
<b>F. OTHER NON-EARNING ASSETS</b>					
1. Cash and Bank Balances	1	0	1	0	1
2. Deferred Tax Asset	-	-	-	-	-
3. Others	385	203	415	325	399
<b>Other Non-Earning Assets</b>	386	203	416	326	400
<b>G. TOTAL ASSETS</b>	34,274	31,415	35,173	32,563	27,022
<b>H. BORROWINGS</b>					
1. Listed TFCs	356	356	412	291	430
3. Privately Placed TFCs	3,832	2,349	1,101	1,221	957
2. Banks and Other Financial Institutions (including REPO)	742	804	372	434	-
4. Others	-	-	-	-	-
<b>Total Borrowings</b>	4,930	3,509	1,885	1,945	1,387
<b>I. OTHER LIABILITIES (Non-Interest Bearing)</b>					
1. Deferred Tax Liability	58	22	211	162	-
2. Dividend Payable	12	11	-	-	-
3. Others	400	353	318	401	332
<b>Total Other Liabilities</b>	470	386	529	564	332
<b>J. EQUITY</b>					
1. Ordinary Share Capital	9,159	9,159	9,159	9,159	9,159
2. Reserves:					
a. Capital Reserve (Share Premium)	4,498	4,498	4,498	4,498	4,498
b. Revenue Reserve	-	-	-	-	-
c. Unappropriated Profit	2,370	2,127	2,171	1,761	1,139
	6,868	6,625	6,669	6,259	5,637
<b>Pure Equity</b>	16,027	15,784	15,829	15,419	14,797
3. Surplus/(Deficit) on Revaluation of Investments	12,847	11,736	16,930	14,636	10,505
<b>Total Equity</b>	28,874	27,520	32,759	30,055	25,302
<b>L. TOTAL LIABILITIES &amp; EQUITY</b>	34,274	31,415	35,173	32,563	27,022

\* prorated on the basis of CY17

## Credit Rating Scale & Definitions

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.

Long Term Ratings		Short Term Ratings	
<b>AAA</b>	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments	<b>A1+</b>	The highest capacity for timely repayment.
<b>AA+</b> <b>AA</b> <b>AA-</b>	<b>Very high credit quality.</b> 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.	<b>A1</b>	A strong capacity for timely repayment.
<b>A+</b> <b>A</b> <b>A-</b>	<b>High credit quality.</b> 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.	<b>A2</b>	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
<b>BBB+</b> <b>BBB</b> <b>BBB-</b>	<b>Good credit quality.</b> 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.	<b>A3</b>	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
<b>BB+</b> <b>BB</b> <b>BB-</b>	<b>Moderate risk.</b> 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>	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.
<b>B+</b> <b>B</b> <b>B-</b>	<b>High credit risk.</b> 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.	<b>C</b>	An inadequate capacity to ensure timely repayment.
<b>CCC</b> <b>CC</b> <b>C</b>	<b>Very high credit risk.</b> 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.		
<b>D</b>	Obligations are currently in default.		



**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, a) some material identifiable event and/or b) deviation from expected trend. 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 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) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults, or/and f) 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.

**Disclaimer:** PACRA's ratings are an assessment of the credit standing of entities/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.

### **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

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- (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.
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- (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)
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- (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)
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- (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)
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- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(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 | 18-(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 | 18-(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-(f-VII)

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