



The Pakistan Credit Rating Agency Limited

Rating Report

JS Global Capital Limited | CP | TBI

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Rating History					
Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
26-Nov-2021	AA	A1+	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

The ratings take into account JS Global Capital Limited’s (“JSGCL” or “The Company”) established position as one of the top-tier brokerage houses of the industry. The ratings incorporate the stable and sizeable market share, established brand name and a sound operating platform. The strong sponsor profile, zero leveraged capital structure and well managed liquidity indicators bodes well for the rating. Following the recent boom in traded volumes of the stock exchange, core revenue of the Company surged by ~110% to ~PKR 911mln for 9MCY21 (SPLY: ~PKR 430mln) and the Company maintained its market share. The Company’s investment portfolio is compliant to its investment policy and is dominated by bank placements and equity spread transactions which provide stable stream of income. The rating takes into account the Company’s strong financial profile with the Net Capital Balance of ~PKR 870mln and an equity base of ~PKR 2.3bln at end-Sep’21. Whereas, the topline of the Company depicts diversified revenue stream supplemented by consultancy income, RBFS trade, margin financing and investment return on financial assets. The Company remained profitable during 9MCY21 and generated a profit after tax of ~PKR 400mln (SPLY: ~PKR 136mln). JSGCL is issuing the CP for the purpose to take position in the Ready Buy Future Spread (RBFS) transaction. JSGCL is anticipating a surge in market volumes on the back of reclassification from Emerging Markets to Frontier Markets by MSCI.

The ratings are dependent on the management’s ability to strengthen revenue base by augmenting consultancy and advisory services. Retaining market share and sustaining profitability from core operations remain critical. Meanwhile, upholding strong internal controls and diligent monitoring of risks is important.

Disclosure	
Name of Rated Entity	JS Global Capital Limited CP TBI
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology Debt Instrument Rating(Jun-21),Methodology Broker Entity Rating(Jun-21),Criteria Correlation Between Long-term & Short-term Rating Scales(Jun-21),Criteria Rating Modifiers(Jun-21)
Related Research	Sector Study Brokerage & Securities(Jan-21)
Rating Analysts	Afnan Iqbal afnan.iqbal@pacra.com +92-42-35869504



Issuer Profile

Profile JS Global Capital Limited ("JSGCL" or the "Company") was incorporated as a private limited company on June 28, 2000. The Company commenced its operations in May 2003 and obtained listing on PSX on February 7, 2005. The Company carries the legacy of stock brokerage business initiated in the early seventies by Mr. Jahangir Siddiqui, one of the leading entrepreneurs in Pakistan with over 50 years of business experience in various industries. With its head office based in Karachi, the principal business activities of the Company are Share brokerage, Money Market, Forex, Commodity brokerage, Advisory, Underwriting, Book Runner and Consultancy services.

Ownership JS Bank Limited (subsidiary of Jahangir Siddiqui & Co. Limited) is the major shareholder of JS Global Capital Limited with an ownership stake of ~93%. The remaining stake lies with the general public and other market participants.

Governance JS Global's board comprises of eight members including the CEO. There are four non-executive directors and two executive directors. The Chairman, Mr. Shahab Anwar Khawaja, and Mr. Iftikhar Ahmed Rao are associated with the board as independent directors which enhances the board's overall strength. To ensure compliance, and in line with best corporate governance practices, the Company has formulated three board committees, i) Audit Committee, ii) HR & Remuneration Committee and iii) Risk Management Committee.

Management JS Global has a strong multi-tier organizational structure consisting of following departments, i) Finance, ii) Risk Management & Compliance, iii) IT, iv) Equity Operations, v) Research, vi) International Sales, vii) Online Trading, viii) Commodity Trading, and xi) Corporate Finance. The CEO, Mr. Kamran Nasir joined JS Group in 2010 and has been leading JS Global Capital Limited as its Chief Executive Officer since 2011. He is a Chartered Accountant from ICAEW and brings with him rich experience of Investment Banking and handling complex financial matters. His Investment Banking experiences ranges from advising companies on mergers, acquisitions, divestitures, debt raising and re-profiling including taking companies public.

Business Risk Despite attractive market fundamentals, during CY21 through October, the stock market has delivered a modest 5.6% return. The prevailing market valuations reflect overblown pessimism and positive view on the stock market are driven by: (i) attractive valuations, (ii) robust corporate profitability, (iii) abundant market liquidity, and (iv) easier financial conditions. The successful completion of the review will pave the way for the release of the USD 1bln from the IMF and facilitate flows from other multilateral agencies such as the Asian Development Bank, World Bank, and Islamic Development Bank. The upcoming reclassification from emerging to frontier markets may also improve the market volumes as experienced in the past. JS Global is one of the most prominent players in the brokerage industry with a significant market share. The brokerage revenue which constitutes ~86% of the operating income surged by ~80% to clock in at ~PKR 734mln for 9MCY21. In line with the improved revenues, the profit after tax for 9MCY21 also depicted a strong growth and stood at ~PKR 400mln.

Financial Risk For the assessment of client's credit worthiness, the Company has formulated detailed KYC/CDD policies. Limits have been defined, which are strictly monitored. The Company is not running any proprietary book, hence not exposed to market risk. JSGCL has a strong capitalization level with regulatory Net Capital Balance (NCB) standing at PKR 870mln at end-Sep'21 which is well above the minimum regulatory requirement. The Company's equity base stood at ~PKR 2,332mln at end-Sep'21 (Sep'20: 2,380mln). The Company's strong equity base and debt-free capital structure provides high risk absorption capacity.

Instrument Rating Considerations

About The Instrument JS Global Capital Limited plans to raise PKR 1,500mln (inclusive of Green Shoe Option of PKR 500mln) through an Unlisted Commercial Paper ("CP"). The proceeds will be utilized to fund the ongoing RBFS business segment (Ready Buy Future Sell) in which JSGCL already has a leadership position in the market. The CP will have a tenor of 6 months and will carry a profit rate of 175 basis points over 6 month KIBOR. The Commercial Paper will be unsecured and will be issued under the commercial paper Regulations, 2013 and the Companies Act, 2017.

Relative Seniority/Subordination Of Instrument The claims of Commercial Paper holders will rank subordinate to other claims.

Credit Enhancement The instrument is unsecured.



JS Global Capital Limited
Listed Public Limited

PKR mln

Jun-21	Dec-20	Dec-19	Dec-18
6M	12M	12M	12M

A BALANCE SHEET

1 Finances	414	425	850	1,331
2 Investments	243	479	164	173
3 Other Earning Assets	1,722	1,618	1,198	1,568
4 Non-Earning Assets	2,505	2,868	1,880	1,768
5 Non-Performing Finances-net	-	-	-	-
Total Assets	4,885	5,391	4,092	4,840
6 Funding	1,965	2,477	1,612	2,045
7 Other Liabilities (Non-Interest Bearing)	481	467	246	187
Total Liabilities	2,446	2,944	1,858	2,232
Equity	2,439	2,446	2,234	2,609

B INCOME STATEMENT

1 Fee Based Income	531	613	370	478
2 Operating Expenses	(338)	(566)	(571)	(652)
3 Non Fee Based Income	115	259	349	280
Total Operating Income/(Loss)	307	307	147	106
4 Financial Charges	(5)	(17)	(40)	(7)
Pre-Tax Profit	302	290	107	99
5 Taxes	(81)	(83)	(60)	(73)
Profit After Tax	222	207	47	26

C RATIO ANALYSIS

1 Cost Structure

Financial Charges / Total Operating Income/(Loss)
Return on Equity (ROE)

1.6%	5.5%	27.1%	6.7%
21.0%	13.7%	3.8%	1.8%

2 Capital Adequacy

Equity / Total Assets (D+E+F)
Free Cash Flows from Operations (FCFO) / (Financial Charges + Current Maturity of Long Term Debt + Uncovered Short Term Borrowings)

49.9%	45.4%	54.6%	53.9%
464.8%	352.8%	371.7%	-218.4%

3 Liquidity

Liquid Assets / Total Assets (D+E+F)
Liquid Assets / Trade Related Liabilities

16.7%	20.9%	16.0%	25.6%
43.6%	47.9%	47.2%	60.5%

4 Credit & Market Risk

Accounts Receivable / Short-term Borrowings + Advances from Customers + Payables to Customers
Equity Instruments / Investments

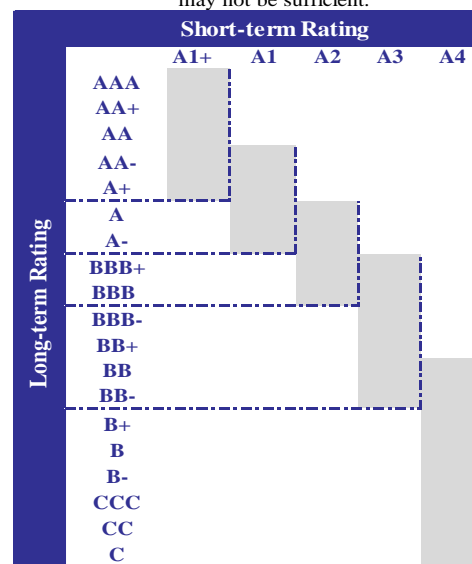
37.5%	46.6%	37.2%	53.1%
10.5%	5.7%	80.9%	85.4%

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

Scale	Short-term Rating Definition
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
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



**The correlation shown is indicative and, in certain cases, may not hold.*

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.

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 Companies Rating

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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

Restrictions

- (3) 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)
- (4) 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 business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (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.
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (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)
- (11) PACRA promptly investigates, in the event of a 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)

Independence & Conflict of interest

- (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)
- (14) 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; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be 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)
- (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)
- (17) PACRA has established policies and procedure 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)

Monitoring and review

- (18) 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 effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (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)

Proprietary Information

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Regulatory and Supplementary Disclosure

Nature of Instrument	Size of Issue (PKR)	Tenor	Security	Quantum of Security	Nature of Assets	Proposed Trustee	Book Value of Assets (PKR mln)
Commercial Paper	1,500,000,000 (Inclusive of Green Shoe Option of 500,000,000)	6 Months	Unsecured	Not Applicable	Not Applicable	Pak Brunei Investment Company	Not Applicable

Name of Issuer	JS Global Capital Limited						
Issue Date	29-Nov-21	Tentative					
Maturity	30-May-22						
Option	None						

Due Date Principal*	Opening Principal	Principal Repayment*	Due Date Markup/Profit*	Markup/Profit rate	6M Kibor Plus 175bps	Markup/Profit Payment	Installment Payable	Principal Outstanding
	PKR in mln							
Issuance								
29-Nov-21	943,409,394	1,000,000,000	30-May-22	Tentative	12.03%	56,590,606	Full Payment on Maturity	Full Payment on Maturity
		1,000,000,000				56,590,606		