



The Pakistan Credit Rating Agency Limited

**Rating Report**

**JS Global Capital Limited | CP | Nov-21**

| Report Contents                            |
|--|
| 1. Rating Analysis                         |
| 2. Financial Information                   |
| 3. Rating Scale                            |
| 4. Regulatory and Supplementary Disclosure |

| Rating History     |                  |                   |         |             |              |
|--------------------|------------------|-------------------|---------|-------------|--------------|
| Dissemination Date | Long Term Rating | Short Term Rating | Outlook | Action      | Rating Watch |
| 04-Jan-2022        | AA               | A1+               | Stable  | Initial     | -            |
| 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 has issued the CP to take position in the Ready Buy Future Spread (RBFS) transaction in anticipation of 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**

|                              |   |
|------------------------------|---|
| <b>Name of Rated Entity</b>  | JS Global Capital Limited   CP   Nov-21   |
| <b>Type of Relationship</b>  | Solicited   |
| <b>Purpose of the Rating</b> | Debt Instrument Rating  |
| <b>Applicable Criteria</b>   | 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) |
| <b>Related Research</b>      | Sector Study   Brokerage & Securities(Jan-21)   |
| <b>Rating Analysts</b>       | 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, xi) Corporate Finance and x) Internal Audit. 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** The SBP in its recent monetary policy meeting increased the Policy Rate by 150 basis points, and has hinted towards further tightening, which has taken the market by surprise. Not only the quantum of monetary tightening was steeper, it has also raised the Policy Rate expectations going ahead. Subsequent to the MPS announcement, inflation numbers also overshoot the market consensus where the CPI has jumped to double digits, clocking in at 11.52% for the month of Nov-2021. The equity market corrected by around 5.5% post the MPS, before recovering slightly towards the end of Nov'21. Considering the extremely attractive valuations, the stock market may perform well resulting in good trading volumes for the industry. 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 ("JSGCL") raised PKR 1,000mln through an Unlisted and Unsecured Commercial Paper ("CP"). The proceeds are used to fund the ongoing RBFS business segment (Ready Buy Future Sell). The CP has a tenor of 6 months and carry a profit rate of 175 basis points over 6-month KIBOR. The profit rate fixed at the time of issue (29 Nov 2021) is 12.03% (KIBOR: 10.28% + 1.75%) and the CP is set to mature on 30 May 2022.

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

**Credit Enhancement** The instrument is unsecured.



PKR mln

JS Global Capital Limited  
Public Listed

| Sep-21 | Dec-20 | Dec-19 | Dec-18 |
|--------|--------|--------|--------|
| 9M     | 12M    | 12M    | 12M    |

## A BALANCE SHEET

|  |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| 1 Finances                                 | 277          | 425          | 850          | 1,331        |
| 2 Investments                              | 202          | 477          | 164          | 173          |
| 3 Other Earning Assets                     | 665          | 124          | 1,198        | 1,568        |
| 4 Non-Earning Assets                       | 3,493        | 4,365        | 1,880        | 1,768        |
| 5 Non-Performing Finances-net              | -            | -            | -            | -            |
| <b>Total Assets</b>                        | <b>4,637</b> | <b>5,391</b> | <b>4,092</b> | <b>4,840</b> |
| 6 Funding                                  | 76           | 123          | 1,612        | 2,045        |
| 7 Other Liabilities (Non-Interest Bearing) | 2,229        | 2,821        | 243          | 183          |
| <b>Total Liabilities</b>                   | <b>2,305</b> | <b>2,944</b> | <b>1,855</b> | <b>2,228</b> |
| <b>Equity</b>                              | <b>2,332</b> | <b>2,446</b> | <b>2,237</b> | <b>2,612</b> |

## B INCOME STATEMENT

|                                      |            |            |            |            |
|--------------------------------------|------------|------------|------------|------------|
| 1 Fee Based Income                   | 954        | 613        | 370        | 478        |
| 2 Operating Expenses                 | (559)      | (566)      | (571)      | (652)      |
| 3 Non Fee Based Income               | 115        | 259        | 349        | 280        |
| <b>Total Operating Income/(Loss)</b> | <b>510</b> | <b>307</b> | <b>147</b> | <b>106</b> |
| 4 Financial Charges                  | (8)        | (17)       | (40)       | (7)        |
| <b>Pre-Tax Profit</b>                | <b>502</b> | <b>290</b> | <b>107</b> | <b>99</b>  |
| 5 Taxes                              | (102)      | (83)       | (60)       | (73)       |
| <b>Profit After Tax</b>              | <b>400</b> | <b>207</b> | <b>47</b>  | <b>26</b>  |

## C RATIO ANALYSIS

### 1 Cost Structure

Financial Charges / Total Operating Income/(Loss)

Return on Equity (ROE)

|       |       |       |      |
|-------|-------|-------|------|
| 1.6%  | 5.5%  | 27.1% | 6.7% |
| 23.7% | 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)

|       |       |       |       |
|-------|-------|-------|-------|
| 50.3% | 45.4% | 54.6% | 53.9% |
| 8.56  | 3.53  | 3.72  | -2.18 |

### 3 Liquidity

Liquid Assets / Total Assets (D+E+F)

Liquid Assets / Trade Related Liabilities

|       |       |       |       |
|-------|-------|-------|-------|
| 22.3% | 20.9% | 16.0% | 25.6% |
| 60.7% | 47.8% | 47.2% | 60.5% |

### 4 Credit & Market Risk

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

Equity Instruments / Investments

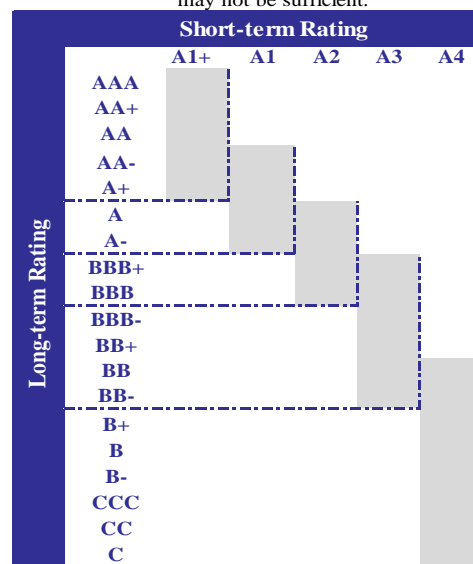
|       |       |       |       |
|-------|-------|-------|-------|
| 50.0% | 46.6% | 37.2% | 53.1% |
| 20.3% | 5.2%  | 79.4% | 82.1% |

**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   | <b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments  |
| AA+   |   |
| AA    | <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.   |
| AA-   |   |
| A+    |   |
| A     | <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.  |
| A-    |   |
| BBB+  |   |
| BBB   | <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.   |
| BBB-  |   |
| BB+   | <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.                           |
| BB    |   |
| BB-   |   |
| 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-    |   |
| CCC   | <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. |
| 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     | 1,000,000,000       | 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                 |
| Maturity       | 30-May-22                 |
| Option         | None                      |

| Due Date Principal* | Opening Principal | Principal Repayment* | Due Date Markup/ Profit* | 6M Kibor | Markup/Profit rate<br>6M Kibor +<br>175bps | Markup/Profit Payment | Installment Payable      | Principal Outstanding    |
|---------------------|-------------------|----------------------|--------------------------|----------|--|-----------------------|--------------------------|--------------------------|
|                     | PKR in mln        |                      |                          |          |  | PKR in mln            |                          |                          |
| Issuance            |                   |                      |                          |          |  |                       |                          |                          |
| 29-Nov-21           | 943,409,394       | 1,000,000,000        | 30-May-22                | 10.28%   | 12.03%                                     | 56,590,606            | Full Payment on Maturity | Full Payment on Maturity |
|                     |                   | 1,000,000,000        |                          |          |  | 56,590,606            |                          |                          |