



The Pakistan Credit Rating Agency Limited

Rating Report

Jahangir Siddiqui & Co. Ltd.

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
27-Jul-2023	AA	A1+	Stable	Maintain	-
29-Jul-2022	AA	A1+	Stable	Maintain	-
30-Jul-2021	AA	A1+	Stable	Maintain	-
07-Aug-2020	AA	A1+	Stable	Maintain	-
09-Aug-2019	AA	A1+	Stable	Maintain	-
08-Feb-2019	AA	A1+	Stable	Maintain	-
16-Aug-2018	AA	A1+	Stable	Maintain	-
29-Jan-2018	AA	A1+	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The rating reflects that Jahangir Siddiqui & Co. Ltd. ('JSCL' or 'the Company') is a strong holding Company in the financial sector with significant investments in various areas. Its portfolio includes banking (JS Bank, BankIslami Pakistan), insurance (EFU Life Assurance and EFU General Insurance), brokerage (JS Global Capital), and asset management (JS Investments). JS Bank is on its path to establish itself as a medium sized bank offering innovative financial services, while BankIslami seeks to expand its presence in the growing Islamic Banking sector. On June 27, 2023, Next Capital (Pvt) Ltd., on behalf of JS Bank, submitted a public offer to acquire 24.9% shares of BankIslami. This acquisition aims to enhance JS Group's financial presence and strengthen its position in the banking sector. JSCL holds a significant stake in EFU General Insurance and EFU Life Assurance and plans to maintain them. After experiencing volatility in the markets for some time, JS Global and JS Investments are expected to improve their performance. JSCL is on its way to diversify its investment portfolio. It has already made significant investments in LPG storage and infrastructure, through its wholly-owned subsidiary, Energy Infrastructure Holding (Pvt.) Ltd. (EIHPL). The investments are predominantly funded by equity. JS Petroleum Ltd is en route to establishing an LPG storage terminal at Port Qasim, Karachi. The Company income stream remained stable with major portion comprised of dividend income received from EFUG and EFUL. This along with other income and investment in derivatives supplements the revenue stream. The Company has a very strong capital structure with low leveraging of ~8.0% at 1QCY23 (CY22: ~9%), with adequate coverages. During CY23, the Company fully repaid the outstanding principal along with the accrued mark-up against its OTC listed TFC X. The final payment of TFC XI is also expected during the current calendar year. The company's portfolio has been impacted by the overall capital market downturn. However, over the years, they have been exhibiting resilience.

The ratings are dependent on the management's ability to execute its envisaged strategy of growth and expansion amidst the prevailing tough environment. Timely materialization of these initiatives into sustainable ventures is critical. Strong performance of subsidiaries, stable dividends, and effective management of financial profile and liquidity remains important.

Disclosure

Name of Rated Entity	Jahangir Siddiqui & Co. Ltd.
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology Rating Modifiers(Jun-22),Methodology Holding Company Rating(Jun-22)
Related Research	Sector Study Holding Company(Aug-22)
Rating Analysts	Muhammad Zain Ayaz zain.ayaz@pacra.com +92-42-35869504



Profile

Background Jahangir Siddiqui and Co. Ltd. ('the Company' or 'JSCL') is a Holding Company (Holdco) incorporated in 1991, and is listed on Pakistan Stock Exchange (PSX). JSCL, the successor to brokerage business started in the early seventies by Mr. Jahangir Siddiqui, was established in 1991. Starting as a traditional securities firm, JSCL is now the main investment arm for Mr. Jahangir Siddiqui's (JS) business interests.

Structural Analysis JSCL's structure encompasses holding investments of JS Group ('the Group') in various sectors of the economy. JSCL's portfolio of investments is categorized into a) Core Investments (~39% of total investments), b) Strategic Investment (~47%) and c) Trading Investments (~14%). Investments in the financial segment dominate the portfolio – significant concentration exists in banking (~28% of total investments) and insurance (~31%) sectors.

Ownership

Ownership Structure JSCL's ownership comprises corporate as well as individual shareholding. The former includes Related Parties, Banks, DFIs, NBFCs, Insurance companies, and Modarabas. Whereas the latter comprises sponsoring individuals, Directors, and the general public. Through personal shareholding of Mr. Jahangir Siddiqui and group companies, JS Group holds a majority stake in the Company (~84%).

Stability Ownership is seen as stable as major stake rests with JS Group and the holding company structure is in place.

Business Acumen JS Group is a well-renowned business group in Pakistan. The Group has varied interests in the financial sector, including asset management, financial advisory, brokerage, insurance, and banking. JS Group also has investments in industries namely textile, energy, infrastructure, media services, telecom, and technology.

Financial Strength JSCL's diversified portfolio has been instrumental in building up the financial strength of JS Group. The Group has maintained profitable operations in recent years although witnessing lower profits in recent years mainly on account of higher finance costs and losses in the ailing equity market. As at CY22, the Company's consolidated asset base stood at PKR 646bln, and equity base stands at PKR 46bln. The Company's consolidated topline stood at PKR 80bln during CY22.

Governance

Board Structure JSCL has an eight-member Board of Directors (BoD), including the CEO. The Board consists two Executive Director, four non-Executive Directors (including one from the sponsor's family), and two Independent Directors.

Members' Profile Justice (R) Agha Rafiq Ahmed Khan is Chairman of the BoD. He has practiced at the Supreme Court of Pakistan and has prudent knowledge of corporate laws. During CY22, Mr. Asad Nasir has been appointed as Chief Executive Officer (CEO). Additionally, Ms. Samar Ali Shahid has also been appointed as an independent director.

Board Effectiveness JSCL's Board constitutes three committees for effective monitoring and oversight. The Board met six times during CY22. The Board's subcommittees include Audit Committee, Executive Committee, HR & Remuneration Committee.

Transparency KPMG Taseer Hadi & Co., Chartered Accountants are the external auditors of the Company, and they issued an unqualified audit report for year ended Dec-22.

Management

Organizational Structure The Company has optimized its organizational structure as per the needs of the business. There are four major departments including a) Investments, b) Finance, c) Human Resources and Administration, and d) Corporate Affairs. All departments report to the CEO

Management Team The CEO, Mr. Asad Nasir, has over 20 years of diversified financial services experience including Private Equity, Corporate Finance Advisory, Capital Market Advisory, Transaction Services and Audit. He carries over two decades of experience at key positions. Mr. Najmul Hoda Khan, the CFO, carries over a decade of experience in finance. While, Mr. Syed Ali Hasham serves as Company Secretary. The senior management of JSCL comprises well-qualified and experienced professionals having a relatively long association with the Company.

Management Effectiveness At management level, an Investment Committee (IC) is in place, comprising CEO, CFO, and CIO, and it is convened regularly.

Control Environment To manage trading portfolio, the Company use an in-house developed automated system, which captures transactional data for Ready and Deliverable Future Markets' contracts for buying and selling transactions.

Investment Strategy

Investment Decision-Making The investments oversight framework encompasses the structure whereby board members are represented on the boards of investee companies. The board members seek requisite information from the IC prior to attending the board meeting of investee companies. The BoD through its Executive Committee (EC), evaluates existing and future investments. EC meetings are scheduled to take place at the close of each quarter with a pre-defined timeline

Investment Policy The Company has a prudent investment strategy as it focuses on investing in the financial services sector mostly. These include, life and general insurance, brokerage and investment companies. The Company preserves liquidity through its ample dividend income, short term listed securities, and treasury bills held

Investment Committee Effectiveness The IC presents an investment dashboard highlighting performance of investee companies on a quarterly basis. The management has planned new initiatives to strengthen the oversight framework going forward

Business Risk

Diversification JSCL's investment portfolio can be considered fairly diverse, having significant concentration in banking (~28% of total investments) and insurance (~31%) sectors. Others include Energy (~13%), Telecommunication (~9%) and Textile (~3%).

Portfolio Assessment The portfolio of JSCL constitutes long-term investments in subsidiary companies and associates while also including trading investments, which provide cushion to generate liquidity. The value of these trading investments stands at PKR 4.0bln as at CY22 (6.5bln CY21). Total investments of the Company stood around PKR ~28bln (PKR~33bln as at CY21)

Income Assessment During CY22, JSCL's total investment income stream witnessed decrease of ~8.4% clocking in at PKR 1,378mln (CY21: PKR 1,506mln). This is mainly due to Realized Loss on Disposal of Investments. However, the Company's net income dipped due higher taxes and operating expenses stood at PKR 345mln during CY22 (CY21: 786mln). During 1QCY23, total investment income stood at PKR 613mln, (1QCY22: PKR 564mln) mainly due to higher capital gains amidst downturn in the capital markets. Subsequently, the Company's net income increased by ~76% and stood at PKR 354mln (1QCY22: PKR 201mln).

Financial Risk

Coverages On the back of using running finance facility, the Company has incurred finance charges of PKR 190mln during CY22 (CY21: PKR 232mln). Coverages of the Company remain adequate with interest cover standing at 7.2x in CY22 (CY21: 6.5x) and debt coverage standing at 0.6x (CY21: 0.9x). In 1QCY23, debt coverage ratio is standing at ~0.2% (1QCY22 : ~0.7%)

Capital Structure JSCL's borrowings comprise long-term loans in the shape of (i) Term Finance Certificates (TFCs), and (ii) Term Loans from commercial banks. JSCL has two Term Finance Certificates (TFC 11th being listed on PSX) and one term loan. Total funding of the Company stood at PKR 2,835mln as at CY22 (CY21: PKR 3,968mln) against equity base of PKR 28.9bln (CY21: PKR 30.4bln). The leveraging ratio stood at ~8.9% as at CY22 (CY21: 11.5%). As at 1QCY23, the leveraging ratio stood at 8% (1QCY22: 10.7%).

Consolidated Position JSCL's diversified portfolio has been instrumental in building up financial strength of the group. The group has maintained profitable operations in over the years, although during CY22, it has witnessed lower profits due to factors such as higher taxes, inflation, an increase in policy rates, and losses in the ailing equity market.



The Pakistan Credit Rating Agency Limited

Financial Summary

PKR mln

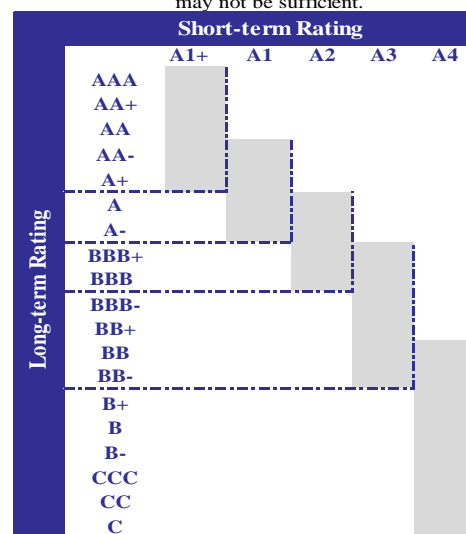
Jahangir Siddiqui & Co Ltd. Holding company	Mar-23 3M	Dec-22 12M	Sep-22 9M	Mar-22 3M	Dec-21 12M	Dec-20 12M
	Management	Audited	Management	Management	Audited	Audited
A BALANCE SHEET						
1 Investments	5,277	4,727	6,605	8,442	9,824	10,779
2 Related Party Investments	25,483	27,218	25,844	22,977	23,258	23,655
3 Non-Current Assets	195	202	250	265	262	240
4 Current Assets	757	327	299	1,709	2,188	180
5 Total Assets	31,713	32,474	32,998	33,393	35,532	34,853
6 Current Liabilities	1,276	415	480	375	533	399
7 Borrowings	2,404	2,835	2,926	3,507	3,968	2,894
8 Related Party Exposure	-	-	-	-	-	-
9 Non-Current Liabilities	367	376	461	202	554	287
10 Net Assets	27,665	28,847	29,130	29,310	30,476	31,273
11 Shareholders' Equity	27,665	28,847	29,130	29,310	30,476	31,405
B INCOME STATEMENT						
1 Total Investment Income	613	1,378	1,102	564	1,506	951
a Cost of Investments	(44)	(245)	(192)	(64)	(267)	627
2 Net Investment Income	569	1,133	910	500	1,239	1,578
a Other Income	3	6	1	0	2	5
b Operating Expenses	(101)	(305)	(218)	(85)	(240)	(243)
4 Profit or (Loss) before Interest and Tax	471	835	693	415	1,001	1,340
a Taxation	(117)	(490)	(423)	(214)	(214)	(135)
6 Net Income Or (Loss)	354	345	270	201	786	1,205
C CASH FLOW STATEMENT						
a Total Cash Flow	(43)	757	599	(197)	1,018	480
b Net Cash from Operating Activities before Working Capital Changes	(120)	569	412	(287)	794	(51)
c Changes in Working Capital	303	867	557	999	(1,008)	(16)
1 Net Cash provided by Operating Activities	183	1,437	969	713	(214)	(67)
2 Net Cash (Used in) or Available From Investing Activities	196	(1,219)	(844)	1,320	(177)	872
3 Net increase (decrease) in long term borrowings	-	(313)	(313)	(63)	(313)	(188)
4 Net Cash (Used in) or Available From Financing Activities	(446)	(1,188)	(1,177)	(469)	1,022	(1,073)
5 Net Cash generated or (Used) during the period	(67)	(970)	(1,052)	1,564	632	(268)
D RATIO ANALYSIS						
1 Performance						
a Asset Concentration (Market Value of Largest Investment / Market Value of Equity Investments)	22.7%	23.6%	24.3%	17.8%	N/A	19.7%
b Core Investments / Market Value of Equity Investments	32.2%	32.2%	30.6%	33.3%	N/A	33.8%
c Marketable Investments / Total Investments at Market Value	16.2%	14.3%	18.9%	25.3%	N/A	29.6%
2 Coverages						
a TCF / Finance Cost	-1.2	4.0	3.6	-3.5	4.4	1.1
b TCF / Finance Cost + CMLTB	-0.2	0.6	0.6	-0.7	0.9	0.5
c Loan to Value (Funding / Market Value of Equity Investments)	0.1	0.1	0.1	0.1	N/A	0.1
3 Capital Structure (Total Debt/Total Debt+Equity)						
a Leveraging [Funding / (Funding + Shareholders' Equity)]	8.0%	8.9%	9.1%	10.7%	11.5%	8.4%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	8.7%	9.8%	10.0%	12.0%	13.0%	9.2%

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	
CC	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.
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 conditions.
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 | Clause 11-(A)(p).
- (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)

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