



The Pakistan Credit Rating Agency Limited

**Rating Report**

**JS Global Capital Limited | BMR**

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**Rating History**

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
14-Dec-2021	BMR1	-	Stable	Maintain	-
14-Dec-2020	BMR1	-	Stable	Maintain	-
27-Dec-2019	BMR1	-	Stable	Maintain	-
28-Jun-2019	BMR1	-	Stable	Maintain	-
31-Dec-2018	BMR1	-	Stable	Maintain	-
17-Nov-2017	BMR1	-	Stable	Initial	-

**Rating Rationale and Key Rating Drivers**

The rating reflects JS Global Capital Limited's ("JSGCL" or "The Company") leading position in the brokerage industry and carries the legacy of stock brokerage business. The rating incorporates the stable market share, competitive position, automated technological framework and exclusive outreach to retail segment. JSGCL has a well experienced management team, sound governance framework and well established compliance protocols which bodes well for the rating. The Company has implemented strong control environment to deliver quality service to its clients. The internal audit function of the Company is outsourced to 'category 'A' auditor which further strengthen the control environment. The rating derives comfort from the company's investing policy, limiting the market risk and liquidity risk. Assessment of earning profile indicates swift escalation parallel with the improvement in traded volumes of the stock market. The advisory and consultancy income also intensified during 9MCY21. The rating also reflects the company's strong financial profile with Net Capital Balance of ~PKR 870mln at end-Sep'21. Furthermore, JSGCL has zero leveraging structure. Going forward, with a focus to provide quality services and continue to be a market leader, the company has deployed an internationally acclaimed brokerage house software 'Mubasher' in parallel to its existing system and implemented internally. The rating take into account the Company's association with a leading financial group,'JS Group' of the country.

Strengthened market share, sustainable profits, sound internal controls, client relationship, HR & IT services and risk management framework, regulatory compliance, external control environment will remain imperative. Further, rational diversification of business activity may provide support to the company's overall financial risk profile.

**Disclosure**

<b>Name of Rated Entity</b>	JS Global Capital Limited   BMR
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Broker Management Rating
<b>Applicable Criteria</b>	Methodology   Broker Management Rating(Jul-21)
<b>Related Research</b>	Sector Study   Brokerage & Securities(Jan-21)
<b>Rating Analysts</b>	Afnan Iqbal   afnan.iqbal@pacra.com   +92-42-35869504



### Ownership

**Ownership Structure** JS Bank Limited (JSBL) is the major shareholder of the company, holding ~93% stake. JS Bank is the subsidiary of Jahangir Siddiqui & Co. Limited. The remaining shareholders comprise the general public and other market participants at end-Sep'21.

**Stability** The Company continues to enjoy strong support from the sponsoring family.

**Business Acumen** JS Bank is a medium-sized commercial bank, operating with a network of 323 branches, and has witnessed fast growth and market share in recent times. JS Global's second largest shareholder, GIHL, Incorporated in 1998 and licensed by Central bank of Kuwait, is listed on Bahrain and London Stock Exchanges and offers a wide range of financial products and services. JSCL is the holding company for JS Group's business interest in banking, insurance, investment services, media, textile and port terminal operations.

**Financial Strength** The holding Company, JS Bank Limited has an equity base of ~PKR 22bln at end-Sep'21. JS Bank has a long-term rating of AA- and short-term rating of A1+.

### Governance

**Board Structure** JS Global's board of directors comprises eight members, including the CEO. Four directors are non-executive, while two are independent.

**Members' Profile** The board's Chairman, Mr. Shahab Anwar Khawaja served in the public sector for almost 36 years as a career Civil Servant of Pakistan Administrative Service and held many key positions such as Federal Secretary of Privatization and Industries and Production, Additional Secretary Population Welfare, Joint Secretary Economic Affairs Division, CEO of Small and Medium Enterprises Development Authority (SMEDA) and held Director's position in various renowned companies. Mr. Muhammad Yousuf Amanullah, is a fellow member of the Institute of Chartered Accountants of Pakistan. He is a certified Director from the Pakistan Institute of Corporate Governance. He previously served on the Boards of Jahangir Siddiqui Investment Bank Limited, JS Global Capital Limited, JS Value Fund Limited and JS Investments Limited.

**Board Effectiveness** 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. The independent director is a member of both the Audit and HR & remuneration committees.

**Financial Transparency** The company has appointed EY Ford Rhodes Sidat Haider as the external auditor. The auditor issued an unqualified opinion on the company's financial statements for CY20.

### Management

**Management Team** 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.

**Organizational Structure** 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.

**Client Servicing** The Company offers multiple account opening mediums. Similarly, various channels, including a mobile app, are available to customers to execute and monitor their transactions. The company has strong client reporting mechanism with account statements and market reports communicated to the clients on regular basis.

**Complaint Management** An adequate complaint management system is in place. Complaints can be made via e-mail, SMS, and calls.

**Extent Of Automation / Integration** Two database platforms are installed with full integration between back and front office. The system has the ability to generate timely reports. The system incorporates primary and secondary level protection.

**Continuity Of Operations** JSGL has a detailed disaster recovery plan to ensure the business continuity at the time of disaster. Moreover, backups are maintained on daily basis.

**Risk Management Framework** The Company's risk management framework revolves around the risk management committee. The committee is chaired by the Non-Executive director. Other members include an independent director and one Non Executive Director. The main purpose of the committee is to monitor the risks faced by the company at all levels and enlist the observations for the board to review.

**Regulatory Compliance** Risk Management & Compliance Department ensures regular monitoring of controls and systems, which ensures all functions are inline with the applicable policies and procedures.

### Business Sustainability

**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.

**Business Profile** The Company remains one of the prominent players in equity, fixed income and forex domain with a significant market share.

**Revenue And Profitability Analysis** Topline of the company is divided into two segments. Brokerage income contributes ~95% to the total revenues of the Company. Company revenue stream is underpinned by Advisory fee that contributes 5% in the total income. In 9MCY21 operating profits upraised owing to increase in core business income. The net profit margin showed significant surge in 9MCY21 to ~PKR 400mln (SPLY: ~PKR 136mln), showing an increase of 194%, due to elevation in brokerage commission.

### Financial Sustainability

**Credit Risk** For the assessment of client's credit worthiness, the Company has formulated detailed KYC/CDD policies. The board has approved per party and per scrip limits, which are strictly adhered to by the management which minimizes the credit risk.

**Market Risk** The company is not running any proprietary book, hence not exposed to market risk. JS Global's short term investments comprises quoted equity securities, which fall under the segment of ready futures. This limits the market risk, while correct execution of the transaction remains critical.

**Liquidity Profile** The liquidity profile of the Company is considered strong. At end-Sep'21, the current assets stood at ~PKR 3,425mln as compared to current liabilities of ~PKR 2,280mln.

**Financial Risk** JSGL has a strong capitalization level with regulatory Net Capital Balance (NCB) standing at ~PKR 870mln at end-Sep'21 which significantly exceeds the minimum regulatory requirement. During the year, company's equity base stood at (Sep'21: 2,332mln, Sep'20: PKR 2,446mln). The company's high risk absorption capacity emanates from (i) strong equity base and (ii) debt-free capital structure.



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)

1.4%	5.5%	27.1%	6.7%
27.4%	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%	54.7%	54%
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%

**Broker Management Rating**

An independent opinion on the quality of management and services provided by the broker

Scale	Definition
<b>BMR 1A</b>	<b>Excellent.</b> Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.
<b>BMR 1++</b> <b>BMR 1+</b> <b>BMR 1</b>	<b>Strong.</b> Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.
<b>BMR 2++</b> <b>BMR 2+</b> <b>BMR 2</b>	<b>Sound.</b> Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.
<b>BMR 3++</b> <b>BMR 3+</b> <b>BMR 3</b>	<b>Adequate.</b> Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.
<b>BMR 4++</b> <b>BMR 4+</b> <b>BMR 4</b>	<b>Inadequate.</b> Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.
<b>BMR 5</b>	<b>Weak.</b> Weak regulatory compliance and business practices.

<b>Outlook (Stable, Positive, Negative, Developing)</b> 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’.	<b>Rating Watch</b> 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.	<b>Suspension</b> 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.	<b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the rating remains suspended for six months, or/and d) PACRA finds it impractical to surveill the opinion due to lack of requisite information.	<b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.
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**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.

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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**

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- (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)

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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)
- (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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