



The Pakistan Credit Rating Agency Limited

BROKER MANAGEMENT RATING REPORT

JS GLOBAL CAPITAL LIMITED

BROKERAGE HOUSE	RATING (INITIAL)	DATE	DEFINITION	RATING SCALE	
JS Global Capital Limited (JSGCL)	BMR1	Nov-17	Aims to facilitate users to differentiate between brokers on the basis of quality of management and services provided.	BMR1	Very Strong
				BMR2	Strong
				BMR3	Good
				BMR4	Adequate
				BMR5	Weak
<small>(+) may be appended to a rating</small>					

RATING RATIONALE

JS Global Capital Limited (JSGCL) is ultimately owned by Jahangir Siddiqui & Co. Ltd which carries extensive experience in capital markets. JSGCL's leading market position in the brokerage industry emanating from an established franchise with sizeable and growing market share distinguishes it from other market players. JSGCL's experienced management team has a strong focus to deliver quality service to its foreign, institutional and retail clients. It offers various value added services to its clients including online trading, research portal and mobile app. A robust IT infrastructure is in place to ensure smooth running of the operations. Strong risk management framework exists with active involvement of the top management to constantly monitor its effectiveness. The rating derives comfort from the Company's policy prohibiting proprietary trading stocks, thus limiting the market risk and liquidity risk. The rating also reflects strong financial profile with Net Capital Balance of PKR 1,858mln as on June 30, 2017. Going forward, with a focus to provide quality services and continue to be a market leader, the Company is in process of acquiring an internationally acclaimed brokerage house software which will be functional by next year. Moreover, the Company has opened four new branches during the year and plans to continue with its nation-wide expansion in the upcoming year. Also, the Company conducted road shows outside Pakistan during the year and aims to continue with the momentum.

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BROKER MANAGEMENT RATING

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JSGCL PROFILE	
Incorporated	2000
Major business lines	<ul style="list-style-type: none"> ▪ Brokerage – shares, money market, forex, commodity ▪ Margin Financing ▪ Financial advisory & consultancy ▪ Underwriting & book running
Legal status	Listed
Number of branches	12

INDUSTRY SNAPSHOT
<ul style="list-style-type: none"> ▪ Fragmented industry with 305 brokers (SECP list of registered brokers as on Nov 30, 2016). ▪ Total number of registered UINs as on June 30, 2017 – 245,758. ▪ Total number of listed scrips - 529 as on June 30, 2017. ▪ Stringent regulatory framework governed by SECP, PSX, NCCPL and CDC.

OWNERSHIP & GOVERNANCE	STRONG
<ul style="list-style-type: none"> ▪ JSGCL is a part of Jahangir Siddiqui Group. Major shareholders include JS Bank Limited with 67% shareholding and Global Investment House K.S.C.C. (Kuwait) with 27% shareholding. ▪ Board comprises eight members including CEO. During CY17, the Chairman resigned and a new Chairman was duly appointed. ▪ Board has six nominee directors, one independent director, and one executive director. Effective board owing to strong business acumen of the board members having local and international business exposure. However, board's effectiveness can further be enhanced by increasing the independent directors. ▪ As part of good corporate governance practice, Audit Committee is chaired by an independent director. 	

MANAGEMENT QUALITY	VERY STRONG
<ul style="list-style-type: none"> ▪ JSGCL is headed by Mr. Muhammad Kamran Nasir (CEO) since Jan'11. He has 18 years of experience in the financial sector. ▪ Experienced management team with multi-tier organizational structure and strong departmentalization. ▪ Low staff turnover with regular in-house and external trainings for employees. ▪ Member of Financial Markets Association of Pakistan and Management Association of Pakistan. 	

CLIENT SERVICE	STRONG
<ul style="list-style-type: none"> ▪ JSGCL, in collaboration with its major shareholder, JS Bank, offers nation-wide account opening through the JS Bank network. ▪ A number of value added services are offered to clients including online trading, research portal and mobile app. ▪ To create public awareness about investment, investor awareness programs are conducted by the Company. ▪ Competent and experienced trading staff. ▪ Strong client reporting mechanism with various reports being sent to clients on daily, monthly, quarterly and yearly basis. Also, clients have ready access to their holding position, trading, general ledger etc. ▪ Although the Company has good complaint management system, it can further enhance it by outlining its complaint handling process on its website. 	

IT INFRASTRUCTURE ADEQUACY	VERY STRONG
<ul style="list-style-type: none"> ▪ Fully integrated IT system with the ability to generate real time reports. ▪ Robust IT monitoring system in place to ensure 24/7 connectivity with PSX, NCCPL and CDC, as well as provision of uninterrupted service to clients. ▪ Well defined Disaster Recovery and Business Continuity Plan. Functional testing of the plan was carried out this year in wake of inclusion of Pakistan into the MSCI Index. 	

RISK MANAGEMENT	STRONG
<ul style="list-style-type: none"> ▪ JSGCL has strong risk management system in place to monitor operational risk, credit risk, market risk and liquidity risk. Improving the risk management policies as well as rigorous implementation of the same would further enhance the risk framework. ▪ Detailed criteria for assigning credit/exposure limits. ▪ JSGCL, as a policy, does not engage in proprietary equity investments, thus limiting the impact of market risk. ▪ Liquidity risk is monitored by the top management on daily basis through various reports. 	

REGULATORY COMPLIANCE	VERY STRONG
<ul style="list-style-type: none"> ▪ Risk Management & Compliance Department ensures that all the regulatory requirements are adhered to. ▪ No observations were reported by the Regulators during the System Audit conducted in 2016. 	

BUSINESS AND FINANCIAL STABILITY	VERY STRONG
<ul style="list-style-type: none"> ▪ Profile - Prominent player in equity, fixed income and forex domain with sizeable and growing market share. The Company caters to foreign clients, institutions and retail investors. ▪ Credit Risk – As at end Jun-17, outstanding receivables exceeding 14 days constituted 22% of the total receivables. ▪ Liquidity Risk – Liquid assets were 1x of its trade related liabilities and short-term borrowings. ▪ Business Risk – Fee based income was 65% of the total income. Operating cost to brokerage income was 97% whereas net profit to total income stood at 33%. ▪ Financial Risk - Net Capital Balance (NCB) stood at PKR 1,858mln depicting strong capitalization which allows the Company to execute trade volumes up to PKR 46,450mln. The Company's capacity to handle large volumes was exhibited on the event of Pakistan's inclusion in the MSCI Index when it successfully handled volume of over US\$300mln (PKR 31,800mln). 	



The Pakistan Credit Rating Agency Limited

**Brokerage
Financials [Summary]**

JS GLOBAL CAPITAL LIMITED

BALANCE SHEET	30-Jun-17	31-Dec-16	31-Dec-15
EARNING ASSETS	<i>6M</i>	<i>Annual</i>	<i>Annual</i>
1. Financing and Placements	448	855	644
2. Investments	4,213	2,363	2,458
	4,661	3,219	3,102
NON-EARNING ASSETS			
3. Cash and Bank Balances	6	2	3
4. Trade receivables	1,470	923	171
5. Advances, Deposits and Other receivables	300	238	183
6. Others (including Fixed Assets)	69	76	75
TOTAL ASSETS	6,506	4,458	3,533
7. EQUITY	2,641	2,556	2,885
LIABILITIES			
8. Short Term Borrowings	973	-	-
9. Trade Payables	2,710	1,740	448
10. Other Liabilities	182	163	199
TOTAL EQUITY & LIABILITIES	6,506	4,458	3,533
INCOME STATEMENT	30-Jun-17	31-Dec-16	31-Dec-15
FEE-BASED INCOME			
11. Brokerage	341	451	453
12. Advisory and Consultancy Fees	3	13	42
	344	464	495
FUND-BASED & OTHER INCOME			
13. Financing and Placements	87	157	142
14. Gain on Sale of Investments	67	62	136
15. Others	29	56	84
TOTAL INCOME	527	738	856
OPERATING COST			
16. Personnel Expenses	(159)	(240)	(241)
17. Administrative Expenses	(171)	(258)	(232)
	(330)	(499)	(473)
18. FINANCIAL CHARGES	(25)	(1)	(7)
PRE-TAX PROFIT	172	239	376
19. TAXES	(55)	(68)	(125)
PROFIT AFTER TAX	117	171	251
RATIO ANALYSIS	30-Jun-17	31-Dec-16	31-Dec-15
CREDIT RISK			
20. (Accounts Receivable / Value Traded) * 365 days	14	14	3
21. Overdue (> 14 days) Accounts Receivable / Total Accounts Receivable	22%	32%	30%
22. Accounts Receivable / (Short Term Borrowings + Customer Advances + Accounts	40%	53%	38%
LIQUIDITY RISK			
23. Trade Receivables / Trade Payables	0.5	0.5	0.4
24. Liquid Assets / Trade Related Liabilities	1.4	1.1	5.0
25. Liquid Assets / (Short term Borrowings + Trade Payables)	1.0	1.1	5.0
BUSINESS RISK			
26. Net Profit (before tax) Margin	51%	52%	76%
27. Fee Based Income to Total Income	65%	63%	58%
28. Operating Cost-to-Brokerage Income	97%	111%	104%
29. Operating Cost-to-Total Income	63%	68%	55%
30. Net Brokerage Income to Net Profit before Tax	8%	-15%	6%
31. Net Profit (before tax) to Total Income	33%	32%	44%
32. Net Non-Earning Assets / Equity	40%	26%	8%
FINANCIAL RISK			
33. Total Debt / Equity	37%	0%	0%
34. NCB / Equity	71%	78%	82%

BROKER MANAGEMENT RATING SCALE AND DEFINITIONS

BMR1	The broker with this rating exhibits the highest level of effective ownership and governance structure; extremely well experienced and stable management; highest quality of customer service; most robust IT infrastructure and system; most well designed and stringently monitored risk management mechanism and control environment; strongest regulatory compliance; strongest business and financial sustainability prospects.
BMR2	The broker with this rating exhibits very high level of effective ownership and governance structure; very well experienced and stable management; very high quality of customer service; very robust IT infrastructure and system; very well designed and stringently monitored risk management mechanism and control environment; very strong regulatory compliance; very strong business and financial sustainability prospects.
BMR3	The broker with this rating exhibits high level of ownership and governance structure; well experienced and stable management; high quality of customer service; robust IT infrastructure and system; well designed and well monitored risk management mechanism and control environment; strong regulatory compliance; strong business and financial sustainability prospects.
BMR4	The broker with this rating exhibits adequate level of ownership and governance structure; experienced and stable management; satisfactory customer service; sound IT infrastructure and system; adequately designed and sufficiently monitored risk management mechanism and control environment; satisfactory regulatory compliance; sound business and financial sustainability prospects.
BMR5	The broker with this rating has ineffective ownership and governance structure; inexperienced management and high turnover; poor customer service; insufficient IT infrastructure and system; weak design and monitoring of risk management mechanism and control environment; weak regulatory compliance; low business and financial sustainability prospects.

Note: A plus (+) sign may be appended to a notch to denote relative standing within a category.

SURVEILLANCE AND VALIDITY OF THE RATING

PACRA shall not keep the Broker Management Rating under constant surveillance. The rating will be reviewed and updated at least once every six months. Any material happening during a period that may warrant a revision of rating will be incorporated in the next review.

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’.

Withdrawn

A rating is withdrawn on a) termination of rating mandate, or b) cessation of underlying entity.

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This disclaimer is in accordance with Section 14(3)(x) of the Credit Rating Companies Regulations, 2016.

Disclosure

Name of Rated Entity	JS Global Capital Limited		
Sector	Brokerage		
Type of Relationship	Solicited		
Purpose of the Rating	Brokerage Management Rating		
Applicable Criteria	Broker Management Rating Methodology		
Sector Study	Securities Brokers (Oct 2017)		
Rating Analyst	Ayesha Saleemi	ayesha.saleemi@pacra.com	042-3586 9504

Regulatory and Supplementary Disclosure

Rating Team Statements

(1) Broker Management Rating is an opinion on the quality of management and services provided by the broker 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 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 does not monitor BMR on continuous basis. Any potential change therein due to any event associated with the entity is incorporated in next review; | **Chapter III | 18-(a)**

(19) PACRA reviews all outstanding ratings on semi-annual basis | **Chapter III | 18-(b)**

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