



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-2023	BMR1	-	Stable	Maintain	-
14-Dec-2022	BMR1	-	Stable	Maintain	-
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	-

**Rating Rationale and Key Rating Drivers**

JS Global Capital Limited (“JSGCL” or “the Company”) has a leading position in the equity brokerage space. The Company provides brokerage services whereas MFS, MTS, and corporate finance aids the topline. The assigned rating incorporates the business acumen of the primary sponsor “JS Bank Limited”. The rating takes note of JSGCL’s strong multitier organizational structure, with most department heads reporting directly to the CEO. JSGCL has a well-experienced management team, a sound governance framework, and well-established compliance protocols which bodes well for the rating. JSGCL has implemented robust internal controls to ensure regulatory compliance and efficient operations. The internal audit is performed by the parent Company regularly and reports directly to the audit committee, enhancing the effectiveness of the internal audit function. Comprehensive guidelines and policies have been developed and implemented across the Company and products. The Company has devised a comprehensive Disaster Recovery and business continuity plan to tackle any uncertain events. The Company provides prudent services to its clients in the form of complaint management, access to technical and fundamental reports, and a dynamic reporting mechanism which is a strengthening factor. During 9MCY23, JSGCL witnessed a notable increase in revenue of ~51% due to effective marketing strategies attracting new clientele. The Company earned ~ PKR 476mln in revenue during 9MCY23(SPLY: ~PKR 314mln). JSGCL reported a net profit of ~ PKR 88mln during 9MCY23 (SPLY: ~PKR 26mln). JSGCL does not engage in proprietary trading which reduces exposure to market risk providing comfort to the rating. The Company has a strong capitalization level with the Company’s equity standing at ~PKR 2,350mln at end-Sep’23 (SPLY: ~PKR 2,260mln). As part of its long-term strategic plans, JSGCL plans to further solidify its business model by advancing digital transformation and diversity in revenue streams.

Going forward, pivotal factors for enhancing the rating perspective include improvement in core income, management’s ability to retain its market share, and enhancing the volumes and diversity of revenue to improve its competitive position in the brokerage industry. Meanwhile, upholding sound internal controls, retention of key management personnel and diligent monitoring of risks is important.

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>	Assessment Framework   Broker Management Rating(Nov-23)
<b>Related Research</b>	Sector Study   Brokerage & Securities(Jan-23)
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## Ownership

**Ownership Structure** JS Bank Limited (JSBL) is the major shareholder of JSGCL with an ownership stake of ~93%. The remaining shares are vested with the general public and other market participants. JSBL is the subsidiary of Jahangir Siddiqui & Company Limited (JSCL).

**Stability** JS Bank Limited is a subsidiary (~75%) of Jahangir Siddiqui & Co. Limited (JSCL). Other shareholders include banks and financial institutions, and foreign investors while the remaining stake is distributed amongst local individuals and other shareholders. The bank's shareholding pattern is expected to remain stable in the foreseeable future.

**Business Acumen** Jahangir Siddiqui & Company Limited has established a considerable presence in major sectors of Pakistan's economy. JSCL and its subsidiary companies are involved in trading securities, maintaining strategic investments, investment advisory, brokerage, asset management, agency telecommunication, commercial banking, power generation, and other businesses.

**Financial Strength** During 9MCY23, the Group reported a profit after tax of ~PKR 7,523mln for the nine months ended Sep 30, 2023. The Group has reported improvement in its assets base which increased to PKR 1179,020 million as of Sep 30, 2023. PACRA has assigned a long-term credit rating of AA and a short-term rating of A1+ to JSCL.

## Governance

**Board Structure** The Company's Board of Directors (BoD) comprises eight members, which include three independent directors, four non-executive directors, and one executive director. The board is currently chaired by Mr. Shahab Anwar Khawaja, an independent director.

**Members' Profile** All the directors are seasoned professionals and possess manifold experiences in the relevant fields. The board members are skilled and experienced to manage business operations efficiently. The presence of independent directors strengthens the governance framework.

**Board Effectiveness** To ensure an effective control environment and compliance with reporting standards, the Company has constituted three board committees: i) Audit Committee, ii) Risk Management Committee, and iii) Human Resource and Remuneration Committee. The Committees are chaired by independent directors.

**Financial Transparency** JSGCL has appointed M/S KPMG Taseer Hadi & Co. Chartered Accountants as the external auditors. The auditors have expressed an unqualified opinion on the financial statements of JSGCL for CY22. The firm is placed in Category A of the SBP's panel of auditors.

## Management

**Management Team** The management team comprises seasoned professionals possessing worthy educational credentials and expertise in their domains. The CEO, Mr. Imtiaz Gaddar has over 20 years of capital markets experience and has worked with well-known companies such as JP Morgan - Pakistan and Bank Alfalah Limited.

**Organizational Structure** JS Global has a multi-tier organizational structure consisting of the 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. To streamline operations, three committees exist at the senior management level, (i) Management Committee, (ii) Investment Committee, and (iii) IT Digitization Committee.

**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 a strong client reporting mechanism with account statements and market reports communicated to the clients on regular basis.

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

**Extent Of Automation / Integration** The front and back-end software is procured from an approved vendor with complete integration. The system is capable to generate real-time MIS pertaining to order placements, execution and risk management, and compliance.

**Continuity Of Operations** JSGCL has a detailed disaster recovery plan to ensure business continuity at the time of disaster. Backups are maintained on a timely basis.

**Risk Management Framework** JSGCL has a strong control environment supported by the internal audit being performed at the group level and reporting directly to the Audit Committee. Mr. Syed Muhammad Javed who is an ACCA having experience of over 10 years heads the Risk Management & Compliance Department under the supervision of Mr. Tanzeel ur rehman, who is an MBA with ~19 years of experience. The control framework could be improved further with the appointment of separate heads of departments for the Risk Management and Compliance function.

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

## Business Sustainability

**Business Risk** 1HCY23 has been a challenging year for the brokerage industry. High political uncertainty along with high inflation crippled the economic condition of the country. Market volumes remained subdued as investors opted for the safer fixed market returns resulting from the high-interest rates prevailing in the economy. However, the start of 2HCY23 has seen a recovery in the confidence of investors. The resumption of the IMF program and the recent steps taken by the government to address longstanding economic issues such as the reduction of circular debt has boosted the market volumes. That being said, political turmoil still prevails in the country and many investors are still waiting for the conclusion of the election process before showing their hands.

**Business Profile** JSGCL provides the services of Equity & Commodity Brokerage, Money Market, Corporate Finance, and Research. The clients are divided into three broad categories: i) Foreign ii) Institutions & Corporates and iii) Retail and HNWI's.

**Revenue And Profitability Analysis** JSGCL's operating revenue is mainly concentrated in equity brokerage while the corporate finance/advisory department is also in place to augment the revenue streams. Additionally, JSGCL also provides and earns from commodity brokerage and MFS/MTS services. The revenue from equity brokerage increased by ~44% during 6MCY23 to stand at ~PKR 277mln (SPLY: ~PKR 192mln). The Company earned a topline of ~PKR 476mln during 9MCY23 (9MCY22: ~PKR 314mln). JSGCL reported net profit of PKR ~60mln in 6MCY23 compared to a net profit of ~PKR 11mln in SPLY while the profit after tax stood at ~PKR 88mln during 9MCY23 (9MCY22: ~PKR 25mln). This profit is on account of increased revenue from equity brokerage and gain on remeasurement of investments.

## Financial Sustainability

**Credit Risk** The Company has developed and implemented risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure of the clients.

**Market Risk** The investment book of JSGCL remains limited to bank placements, RBFS, and other low-risk investments and does not engage in proprietary book investments, limiting the exposure to market risk

**Liquidity Profile** The Current Liabilities of the Company stood at ~PKR 3,049mln at end-Sep'23, compared with ~PKR 2,777mln at end-Dec'22. Whereas the current assets stood at ~PKR 4,405mln at end-Sep'23, compared to ~PKR 4,251mln at end-Dec'22. JSGCL has secured short-term financing facilities from different banks to utilize in case of liquidity needs.

**Financial Risk** JSGCL has a strong capitalization level with the Company's equity standing at ~PKR 2,350mln at end-Sep'23. The ratings take comfort from a low-leveraged capital structure.



PKR mln

JS Global Capital Limited  
Public listed Company

Sep-23	Dec-22	Dec-21	Dec-20
9M	12M	12M	12M

## A BALANCE SHEET

1 Finances	401	426	453	420
2 Investments	869	734	1,578	476
3 Other Earning Assets	2,027	2,401	1,878	2,180
4 Non-Earning Assets	2,192	1,796	2,680	2,314
5 Non-Performing Finances-net	0	0	0	0
<b>Total Assets</b>	<b>5,489</b>	<b>5,357</b>	<b>6,590</b>	<b>5,390</b>
6 Funding	394	723	687	107
7 Other Liabilities (Non-Interest Bearing)	2,745	2,374	3,707	2,837
<b>Total Liabilities</b>	<b>3,139</b>	<b>3,097</b>	<b>4,394</b>	<b>2,944</b>
<b>Equity</b>	<b>2,350</b>	<b>2,261</b>	<b>2,196</b>	<b>2,446</b>

## B INCOME STATEMENT

1 Fee Based Income	702	528	1,095	641
2 Operating Expenses	-615	-709	-749	-566
3 Non Fee Based Income	122	450	218	231
<b>Total Operating Income/(Loss)</b>	<b>209</b>	<b>269</b>	<b>564</b>	<b>306</b>
4 Financial Charges	-87	-149	-29	-17
<b>Pre-Tax Profit</b>	<b>122</b>	<b>120</b>	<b>535</b>	<b>290</b>
5 Taxes	-33	-44	-125	-83
<b>Profit After Tax</b>	<b>88</b>	<b>76</b>	<b>411</b>	<b>207</b>

## C RATIO ANALYSIS

### 1 Cost Structure

Financial Charges / Total Operating Income/(Loss)	42%	55%	5%	6%
Return on Equity (ROE)	6%	6%	25%	13%

### 2 Capital Adequacy

Equity / Total Assets (D+E+F)	43%	42%	33%	45%
Free Cash Flows from Operations (FCFO) / (Financial Charges + Current Maturity of Long Term Debt + Uncovered Short Term Borrowings)	46%	50%	358%	353%

### 3 Liquidity

Liquid Assets / Total Assets (D+E+F)	31%	23%	45%	24%
Liquid Assets / Trade Related Liabilities	78%	62%	136%	55%

### 4 Credit & Market Risk

Accounts Receivable / Short-term Borrowings + Advances from Customers + Payables to Customers	44%	31%	71%	47%
Equity Instruments / Investments	86%	80%	90%	42%

### Broker Management Rating

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

<p><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’.</p>	<p><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.</p>	<p><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.</p>	<p><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 surveil the opinion due to lack of requisite information.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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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**

(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 | 17-(a)

(19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)

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