

## Date

14-Dec-22

## Analyst

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## Applicable Criteria

- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jun-22
- Methodology | Rating Modifiers | Jun-22
- Methodology | Broker Entity Rating | Jun-22

## Related Research

- Sector Study | Brokerage & Securities | Jan-22

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## PACRA Maintains Entity Ratings of JS Global Capital Limited

Rating Type	Entity	
	Current (14-Dec-22)	Previous (14-Dec-21)
<b>Action</b>	Maintain	Maintain
<b>Long Term</b>	AA	AA
<b>Short Term</b>	A1+	A1+
<b>Outlook</b>	Stable	Stable
<b>Rating Watch</b>	-	-

JS Global Capital Limited (“JSGCL” or the “Company”) is one of Pakistan’s largest and oldest Brokerage houses primarily providing the services of equity brokerage to retail, HNWI, and corporate & institutional clients. Besides this, the Company also offers other services as well which include MTS/MFS and corporate finance. To augment its bottom line, the Company also engages in Ready Buy Future Spread Transactions (RBFS) from time to time, based on market expectations. The business model of equity brokers is inherently prone to market volatility. During CY22, rising inflation and interest rate environment along with political turmoil impaired the investor’s sentiments, resulting in a decline of volumetric activity at PSX. Consequently, the revenue from equity brokerage declined by ~58% during the 9MCY22 to stand at ~PKR 306mln (9MCY21: ~PKR 734mln) due to which the operating profitability remained under stress. Alternate revenue streams including interest income however meant that the bottom line for the Company stood at PKR26mn during 9MCY22. Going forward, JSGCL plans to further solidify its business model with enhancement in market share and diversity in revenue streams augmented by an influx in corporate finance/advisory services. The recent volatility in trading volumes has heightened the exposure to business risk while going forward, capital market activity is expected to remain subdued amidst high inflation and interest rate environment. The assigned ratings incorporate and take comfort from a strong sponsors profile and corporate governance framework. 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. JSGCL’s equity stood at ~PKR 2.2bln at end-Sep’22 proving comfort to the assigned ratings.

The ratings are dependent on the management’s ability to sustain and strengthen the 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.

## About the Entity

JS Global Capital Limited (“JSGCL” or “The Company”) was incorporated as a private limited company in the year 2000 and commenced operations in 2003. Subsequently, the Company was converted into a public unquoted company and the Company obtained a listing on the Pakistan Stock Exchange in 2005. JSGCL provides the services of Equity & Commodity Brokerage, Money Market, Corporate Finance, and Research. 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). 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. The Company’s Board of Directors (BoD) comprises eight members, which include two independent directors, four non-executive directors, and two executive directors. The board is currently chaired by Mr. Shahab Anwar Khawaja, an independent director.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA’s comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security’s market price or suitability for a particular investor.