

Date

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Applicable Criteria

- Methodology | Broker Entity Rating | Aug-23
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jul-23
- Methodology | Rating Modifiers | Apr-23

Related Research

- Sector Study | Brokerage & Securities | Jan-23

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PACRA Maintains Broker Entity Ratings of JS Global Capital Limited

Rating Type	Entity	
	Current (14-Dec-23)	Previous (14-Dec-22)
Action	Maintain	Maintain
Long Term	AA	AA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

JS Global Capital Limited (“JSGCL” or “the Company”) is primarily engages in providing equity brokerage services, alongside offering services of MTS/MFS, and corporate finance. The clientele is fairly diversified between institutions/corporates and HNWIs/Retails. The business model of equity brokers is inherently susceptible to market volatility. Rising interest rates, political uncertainty, and increasing inflationary pressure during FY23 have impeded investors' sentiments, adversely impacting volumetric activity at PSX. However, as the FY24 began, there was a noticeable recovery in investor confidence. During 9MCY23, JSGCL experienced a significant increase in revenue of ~51% despite subdued market volumes for 1HCY23. The Company earned a revenue of ~ PKR 476mln during 9MCY23(SPLY: ~PKR 314mln). However, topline diversity is limited, with brokerage income constituting ~97% of the topline during 9MCY23. JSGCL reported a net profit of ~ PKR 88mln during 9MCY23 (SPLY: a net profit of ~PKR 26mln). The profitability surged due to effective management of finance costs in an increasing interest rate environment, and gains on Ready-Buy-Future-Spread transactions. JSGCL has a strong equity base of ~PKR 2,350mln at end-Sep'23 (SPLY: ~PKR 2,260mln). Market risk is negligible as the investment book of JSGCL remains limited to bank placements, RBFS, and other low-risk investments. JSGCL has a strong multitier organizational structure, with most department heads reporting directly to the CEO. The management is experienced, and the control framework is robust and well-established. Strong risk management and compliance procedures provide support to the ratings. The assigned ratings incorporate and take comfort from a strong sponsor profile and corporate governance framework. As part of its long-term strategic plans, JSGCL plans to further solidify its business model through the advancement of digital transformation initiatives and diversity in revenue streams. Conversion of new retail accounts to active traders remains a key focus of JSGCL, materializing in its industry-leading market share.

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 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.

About the Entity

JS Global Capital Limited (“JSGCL” or “The Company”) was incorporated as a private limited company in 2000. Subsequently, the Company obtained a listing on the Pakistan Stock Exchange in 2005. The Company operates through nine branches, including the head office which is situated in Karachi. 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 three independent directors, four non-executive directors, and one executive director. 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.