



The Pakistan Credit Rating Agency Limited

Rating Report

Jahangir Siddiqui & Co. Ltd.

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
26-Jul-2024	AA	A1+	Stable	Maintain	-
27-Jul-2023	AA	A1+	Stable	Maintain	-
29-Jul-2022	AA	A1+	Stable	Maintain	-
30-Jul-2021	AA	A1+	Stable	Maintain	-
07-Aug-2020	AA	A1+	Stable	Maintain	-
09-Aug-2019	AA	A1+	Stable	Maintain	-
08-Feb-2019	AA	A1+	Stable	Maintain	-
16-Aug-2018	AA	A1+	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The ratings reflect Jahangir Siddiqui & Co. Ltd's ('JSCL' or 'the Company') strong presence as a Holding Company in the financial sector with a portfolio of investments mainly in banking (JS Bank Limited, BankIslami Pakistan Limited), insurance (EFU Life Assurance and EFU General Insurance), brokerage (JS Global Capital) and asset management segments (JS Investments). In August 2023, JSCL entered into a share swap arrangement with a ratio of 1.318 between JSBL and BIPL. As part of this arrangement, JSCL transferred 235,684,306 shares of BIPL to JSBL. JSBL acquired an additional 67.33% stake in BIPL, raising its total shareholding to 75.12% in BIPL. This acquisition effectively made BIPL a subsidiary of JSBL and an integral part of JSCL. JSCL holds a significant stake in EFU General Insurance and EFU Life insurance and plans to maintain them. JSCL is on its way to diversifying its investment portfolio. It has already made investments in LPG storage, infrastructure and insurance sector through its wholly-owned subsidiary, Energy Infrastructure Holding (Pvt.) Ltd. (EIHPL). The Company's short-term investments comprise investments in the technology, fertilizer, and banking sectors. The Company income stream remained stable, with a major portion comprising of dividend income received from EFUG and EFUL, During CY23, the dividend income has increased by 23% compared to CY22. This along with other income and investment in other instruments of capital market, money market and mutual funds supplements the revenue stream. The Company has a very strong capital structure with low leveraging of ~5.9% at CY23 (CY22: ~8.9%), with adequate coverages. The Company has demonstrated resilience and improved its portfolio in alignment with the current positive market outlook.

The ratings are dependent on the management's ability to execute its envisaged strategy of growth and expansion amidst the prevailing tough environment. Timely materialization of these initiatives into sustainable ventures is critical. Strong performance of subsidiaries, stable dividends, and effective management of financial profile and liquidity remains important.

Disclosure

Name of Rated Entity	Jahangir Siddiqui & Co. Ltd.
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology Holding Company Rating(Jul-23),Methodology Rating Modifiers(Apr-24)
Related Research	Sector Study Holding Company(Aug-23)
Rating Analysts	Muhammad Atif Chaudhry Atif.Chaudhry@pacra.com +92-42-35869504



Profile

Background Jahangir Siddiqui and Co. Ltd. ('the Company' or 'JSCL') is a Holding Company (Holdco) incorporated in 1991, and is listed on Pakistan Stock Exchange (PSX). JSCL, the successor to brokerage business started in the early seventies by Mr. Jahangir Siddiqui, was established in 1991. Starting as a traditional securities firm, JSCL is now the main investment arm for Mr. Jahangir Siddiqui's (JS) business interests.

Structural Analysis JSCL's structure encompasses holding investments of JS Group ('the Group') in various sectors of the economy. JSCL's portfolio of investments is categorized to a) Core Investments (~61% of total investments), b) Strategic Investment (~31%) and c) Trading Investments (~8%). Investments in the financial segment dominate the portfolio – significant concentration exists in banking (~43% of total investments) and insurance (~26%) sectors.

Ownership

Ownership Structure JSCL's ownership comprises corporate as well as individual shareholding. The former includes Related Parties, Banks, DFIs, NBFCs, Insurance companies, and Modarabas. Whereas the latter comprises sponsoring individuals, Directors, and the general public. Through personal shareholding of Mr. Jahangir Siddiqui and group companies, JS holds a majority stake in the Company.

Stability Ownership is seen as stable as major stake rests with JS and the holding company structure is in place.

Business Acumen JS Group is a well-renowned business group in Pakistan. The Group has varied interests in the financial sector, including asset management, financial advisory, brokerage, insurance, and banking. JS Group also has investments in industries namely textile, energy, infrastructure, media services, telecom, and technology.

Financial Strength JSCL's diversified portfolio has been instrumental in building up the financial strength of JS Group. The Group has maintained profitable operations in recent years although witnessing higher profits in recent years mainly on account of higher return on investments. As at CY23, the Company's consolidated asset base stood at PKR 1,245bln, and equity base stands at PKR 75bln. The Company's consolidated topline stood at PKR 149bln during CY23. The Company has shown significant improvement in its financial position.

Governance

Board Structure JSCL has seven-member Board of Directors (BoD), including the CEO. The Board consists one Executive Director, two non-Executive Directors (including one from the sponsor's family), and four Independent Directors.

Members' Profile Justice (R) Agha Rafiq Ahmed Khan is Chairman of the BoD. He has practiced at the Supreme Court of Pakistan and has prudent knowledge of corporate laws. During CY23, Mr. Rehan Hassan has been appointed as independent director.

Board Effectiveness JSCL's Board constitutes three committees for effective monitoring and oversight. The Board met five times during CY23. The Board's subcommittees include Audit Committee, Executive Committee, HR & Remuneration Committee.

Transparency KPMG Taseer Hadi & Co., Chartered Accountants are the external auditors of the Company, and they issued an unqualified audit report for year ended Dec-23.

Management

Organizational Structure The Company has optimized its organizational structure as per the needs of the business. There are four major departments including a) Investments, b) Finance, c) Human Resources and Administration, and d) Corporate Affairs. All departments report to the CEO.

Management Team The CEO, Mr. Asad Nasir, has over 21 years of diversified financial services experience including Private Equity, Corporate Finance Advisory, Capital Market Advisory, Transaction Services and Audit. Syed Ali Hasham, the CFO, carries over a decade of experience. Mr. Zahid Ullah Khan, the CIO, has over 16 years of experience in investment valuation. While, Mr. Babar Din serves as Company Secretary. The senior management of JSCL comprises well-qualified and experienced professionals having a relatively long association with the Company.

Management Effectiveness At management level, an Investment Committee (IC) is in place, comprising CEO, CFO, and CIO, and it is convened regularly.

Control Environment To manage trading portfolio, the Company use an in-house developed automated system, which captures transactional data for Ready and Deliverable Future Markets' contracts for buying and selling transactions.

Investment Strategy

Investment Decision-Making The investments oversight framework encompasses the structure whereby board members are represented on the boards of investee companies. The board members seek requisite information from the IC prior to attending the board meeting of investee companies. The BoD through its Executive Committee (EC), evaluates existing and future investments. EC meetings are scheduled to take place at the close of each quarter with a pre-defined timeline.

Investment Policy The Company has a prudent investment strategy as it focuses on investing in the financial services sector mostly. These include, life and general insurance, brokerage and investment companies. The Company preserves liquidity through its ample dividend income, short term listed securities, and treasury bills held.

Investment Committee Effectiveness The IC presents an investment dashboard highlighting performance of investee companies on a quarterly basis. The management has planned new initiatives to strengthen the oversight framework going forward.

Business Risk

Diversification JSCL's investment portfolio can be considered fairly diverse, having significant concentration in banking (~43% of total investments) and insurance (~26%) sectors. Others include Energy (~13%), Telecommunication (~6%) and Textile (~3%).

Portfolio Assessment The portfolio of JSCL constitutes long-term investments in subsidiary companies and associates while also including trading investments, which provide cushion to generate liquidity. The value of these trading investments stands at PKR 2.5bln as at CY23 (CY22: 6.8bln). Total investments of the Company stood around PKR ~30.7bln (PKR~29.9bln as at CY22).

Income Assessment During CY23, JSCL's total investment income stream witnessed increase of ~13% clocking in at PKR 1,570mln (CY22: PKR 1,384mln). This is mainly due to increased in dividend income from related parties. However, the Company's net income dipped due higher taxes and operating expenses stood at PKR 290mln during CY23 (CY22: 345mln). During 1QCY24, total investment income stood at PKR 522mln, (1QCY23: PKR 616mln) and the bottom line stood at 272mln and 353mln respectively.

Financial Risk

Coverages On the back of using running finance facility, the Company has incurred finance charges of PKR 117mln during CY23 (CY22: PKR 246mln). Coverages of the Company remain adequate with interest cover standing at 8.2x in CY23 (CY22: 9.7x) and debt coverage standing at 2.9x (CY22: 4.5x).

Capital Structure Total funding of the Company stood at PKR 1,871mln as at CY23 (CY22: PKR 2,835mln) against equity base of PKR 29.8bln (CY22: PKR 28.8bln). The leveraging ratio stood at ~5.9% as at CY23 (CY22: 8.9%).

Consolidated Position JSCL's diversified portfolio has been instrumental in building up the financial strength of the Group. The Group has maintained profitable operations over the years. During CY23, the Company has shown commendable performance in its financials.



The Pakistan Credit Rating Agency Limited

Jahangir Siddiqui & Co Ltd.
Holding company

	Mar-24	Dec-23	Dec-22	Dec-21
	3M	12M	12M	12M
	Management	Audited	Audited	Audited
A BALANCE SHEET				
1 Investments	2,431	2,468	5,177	9,824
2 Related Party Investments	29,136	29,196	26,768	23,258
3 Non-Current Assets	195	193	202	262
4 Current Assets	1,017	666	327	2,188
5 Total Assets	32,779	32,522	32,474	35,532
6 Current Liabilities	638	541	415	533
7 Borrowings	1,879	1,871	2,835	3,968
8 Related Party Exposure	-	-	-	-
9 Non-Current Liabilities	286	332	376	554
10 Net Assets	29,976	29,779	28,847	30,476
11 Shareholders' Equity	29,976	29,779	28,847	30,476
B INCOME STATEMENT				
1 Total Investment Income	522	1,562	1,378	1,506
a Cost of Investments	(11)	(114)	(245)	(267)
2 Net Investment Income	511	1,447	1,133	1,239
a Other Income	2	11	6	2
b Operating Expenses	(129)	(362)	(305)	(240)
4 Profit or (Loss) before Interest and Tax	384	1,097	835	1,001
a Taxation	(111)	(807)	(490)	(214)
6 Net Income Or (Loss)	273	290	345	786
C CASH FLOW STATEMENT				
a Total Cash Flow	(99)	597	757	1,018
b Net Cash from Operating Activities before Working Capital Changes	(99)	475	569	794
c Changes in Working Capital	168	(375)	867	(1,008)
1 Net Cash provided by Operating Activities	69	100	1,437	(214)
2 Net Cash (Used in) or Available From Investing Activities	(38)	1,411	(1,219)	(177)
3 Net increase (decrease) in long term borrowings	-	-	(313)	(313)
4 Net Cash (Used in) or Available From Financing Activities	(5)	(1,564)	(1,188)	1,022
5 Net Cash generated or (Used) during the period	26	(53)	(970)	632
D RATIO ANALYSIS				
1 Performance				
a Asset Concentration (Market Value of Largest Investment / Market Value of Equity Investments)	42.8%	43.0%	21.2%	N/A
b Core Investments / Market Value of Equity Investments	60.5%	60.6%	31.3%	N/A
c Marketable Investments / Total Investments at Market Value	5.6%	6.4%	15.3%	N/A
2 Coverages				
a TCF / Finance Cost	-13.2	8.2	4.0	4.4
b TCF / Finance Cost + CMLTB	-2.3	2.9	0.6	0.9
c Loan to Value (Funding / Market Value of Equity Investments)	0.1	0.1	0.1	N/A
3 Capital Structure (Total Debt/Total Debt+Equity)				
a Leveraging [Funding / (Funding + Shareholders' Equity)]	5.9%	5.9%	8.9%	11.5%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	6.3%	6.3%	9.8%	13.0%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA-	
A+	
A	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A-	
BBB+	
BBB	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB-	
BB+	
BB	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB-	
B+	
B	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B-	
CCC	
CC	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



*The correlation shown is indicative and, in certain cases, may not hold.

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'.

Rating Watch 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.

Suspension 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.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults, or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

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.

Note. This scale is applicable to the following methodology(s):
 a) Broker Entity Rating
 b) Corporate Rating
 c) Debt Instrument Rating
 d) Financial Institution Rating
 e) Holding Company Rating
 f) Independent Power Producer Rating
 g) Microfinance Institution Rating
 h) Non-Banking Finance Companies Rating

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(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

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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)
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- (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).
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- (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 | 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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