



Rating Action

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Analyst

Aman Zafar
(+92-42-35869504)
aman.zafar@pacra.com
www.pacra.com

Applicable Criteria and Related Research

- Asset Management Industry - Viewpoint | Mar-16
- Asset Manager Rating Methodology
- Corporate Rating Methodology

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PACRA MAINTAINS ENTITY RATINGS OF JS INVESTMENTS LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and the short-term entity ratings of JS Investments Limited at "A+" (Single A Plus) and "A1" (A one), respectively. These ratings denote low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments

The ratings reflect JSIL's strong risk absorption capacity emanating from sound equity base and a debt free capital structure. The company is challenged to hold its market position that has slid for last two years owing to decline in its AUMs. This has the company's revenue stream and hence resulted profitability. The management has embarked upon a plan to beef up its system share by increasing the AUM base with focus towards traditional corporate segment and enhancing the retail penetration. The success of these initiatives is crucial though the desired outcome may stretch over a longer horizon. The company's strong financial position permits gradual advancement towards its target. Integration into the parent bank (JS Bank) may support the company's intrinsic growth plans.

The ratings remain dependent, alongside a debt-free capital structure, upon management's ability to effectively execute its business strategy for growth in AUMs, in turn, augmenting competitive positioning in the industry. Herein, the challenge would be diversity of funds including contribution from the retail segment along with sustained improvement in fund's performance. The company enjoys low financial risk due to deleveraged structure; any debt acquisition should be planned carefully.

About the Company

Incorporated in 1995 and listed on PSX since April 24,2007, JS Investments Limited (JSIL) is a private sector asset management company in Pakistan. JSIL is a subsidiary of JS Bank Limited - 52% shareholding at end-Dec15. JS Bank, in operations since December 2006, has a country-wide network of 274 branches (at end-Dec15).It carries a long-term rating of "A+" and short-term rating of "A1+" by PACRA. The company has recently launched a capital protection scheme. JSIL is managing 10 open-end mutual funds and 2 pension schemes with collective AUMs of PKR 9,073mln at end-Dec15. The company also manages SMAs mandates amounting to PKR 496mln at end-Apr16.

JSIL's board of directors comprises eight members - including CEO. The chairman of the board (Mr. Nazar Muhammad Shaikh) alongwith a director (Mr. Muhammad Khalil ur Rehman) has resigned. Meanwhile, two new board members from JS Bank have been nominated, Muhammad Yousuf Amanullah (Chief Financial officer (CFO) at JS Bank) and Mr. Basir Shamsie (Head of Treasury at JS Bank); JSIL awaits SECP approval for both directors. The revised structure of the board include two group representatives, four representatives of the sponsoring bank and an independent director. The CEO, Dr. Ali Akhtar Ali, is a finance professional working in the financial industry for over a decade.

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.