The Pakistan Credit Rating Agency Limited

JAHANGIR SIDDIQUI & CO. LIMITED (JSCL)

INSTRUMENT RATINGS REPORT

	NEW [MAY-16]	PREVIOUS [JUN-15]
Listed Secured Term Finance Certificate - VIII	AA+	AA+
Outlook	Stable	Stable

REPORT CONTENTS

MAY 2016

TFC 8

- During Apr-14, JSCL issued the 8th TFC of PKR750mln with a tenor of 5 years.
- The issues have initiated semi-annual principal repayments from May13 and Oct14, respectively.
- This year in near term TFC VII is seeking to be get matured by the JSCL.

Profile & Ownership

- Jahangir Siddiqui & Co. Ltd. (JSCL), successor to brokerage business started in early seventies by Mr. Jahangir Siddiqui, was established in 1991 and is listed on the Pakistan Stock Exchange (PSX).
- JSCL's operations encompass strategic investments in various sectors of the economy. JSCL, JS group's holding company has portfolio of investments categorized into a) subsidiaries & associates, b) available for sale, and c) held for trading. Investments in the financial segment dominate the portfolio, with significant concentration in the banking and insurance sector.

Governance

- JSCL's overall control vests in its eight members BoD. The eight member board includes two JS family members along with three other group nominees, including JSCL's CEO, and two independent directors. Chief Justice (R) Mr. Mahboob Ahmed is chairman of the BoD.
- The CEO, Mr. Suleman Lalani, FCA, carries over two decades of experience at key positions within the JS Group.

Investment

- During CY15, JSCL offloaded its entire stake in Singer Pakistan Limited along with a majority stake of Hum Network Limited (HNL). Currently JSCL holds 1.27% stake in HNL. JSCL partly offloaded its stake in PIBT (Dec15: 11.83%, Dec14: 21.07%) and realized a gain on its investment.
- During the year, JSCL increased its stake in the insurance and technology sector. In addition to that the company also subscribed to cash requirements pertaining to its investments in the banking sector.
- JSCL's short term investments primarily comprise equity market investments. The company has recently increased this exposure with intent to build sound investments trading portfolio.

Performance

- During CY15, JSCL witnessed a sizeable increase in its revenue stream due to a one-time gain of ~PKR 3 bln realized through sale of some of its investments.
- The company booked impairment charge on two of its stressed investments and observed rise in the overall operating expenses during the year.
- The rise in operating expenses is on account of an increase in the personnel expenses and a one-time donation of PKR 50 mln to a charitable trust for the purpose of CSR.

Capital Structure

- During CY15, JSCL witnessed an improvement in its equity on account of a right issue amounting to PKR 1.5 bln and sound profitability.
- The sound equity base resulted in a low leveraged capital structure for the company. The immaculate financial discipline supports the company ratings.

RATING RATIONALE

The instrument rating reflects JSCL's strong risk absorption capacity emanating from a sizeable investment portfolio mainly financed through equity. These are pre-dominantly strategic in nature; notably most are listed with adequate liquidity. During the year, the company generated sizeable funds through a right issue and offloading some of its investments. The proceeds were utilized to meet the commitments and enhance the shareholding in the financial sector investments. The company has also built a non-strategic book of investments having a market value of ~PKR 2 bln along with sizeable cash placements. This includes a sizeable investment in a technology sector company. JSCL's financial profile continues to benefit from the ensuing dividend stream, though currently low, which is expected to increase with improving underlying entities. The oversight framework for the strategic investments is improving. The company plans to build exposure in the power sector. The company's sizeable book of investments engenders strong ability to raise requisite funds. JSCL plans to issue a debt instrument. The rating of the instrument draws comfort from the security structure.

KEY RATING DRIVERS

The rating is dependent on the sustained positioning of the company and compliance with major convents of the instrument

The Pakistan Credit Rating Agency Limited

JAHANGIR SIDDIQUI & CO. LTD.
BALANCE SHEET

	31-Dec-15 Audited	31-Dec-14 Audited	31-Dec-13 Audited
A. INVESTMENTS			
1. Equity Securities			
a. Strategic Equity Investments			
i. Subsidiaries / Associates / Joint Ventures	6,541	6,980	5,537
ii. Others	15,785	15,340	6,412
	22,326	22,321	11,949
b. Equity Investments	2,259	54	199
	24,584	22,374	12,148
2. Debt Securities			
a. Government Securities	26	26	491
b. Listed Debt Instruments (TFCs, Preference Shares)	-	-	-
c. Un-Listed Debt Instruments and others	-	-	-
	26	26	491
Total Investments	24,610	22,400	12,639
B. FINANCES			
1. Loans	3	4	405
2. Others	-	-	-
3. *Less: Provisions*	-	-	-
Total Finances	3	4	405
C. OTHER EARNING ASSETS			
1. Deposits with Banks	2,000	135	1,539
2. Placements (including Reverse REPO)	-	-	-
Total Other Earning Assets	2,000	135	1,539
D. TOTAL EARNING ASSETS	**26,613**	**22,538**	**14,583**
E. FIXED ASSETS	10	9	10
F. OTHER NON-EARNING ASSETS			
1. Cash and Bank Balances	1	0	3
2. Deferred Tax Asset	-	-	-
3. Others	399	373	372
Other Non-Earning Assets	400	373	375
G. TOTAL ASSETS	**27,022**	**22,921**	**14,968**
H. BORROWINGS			
1. Current Maturity of long term loan	430	322	370
2. Banks and Other Financial Institutions (including REPO)	-	-	-
3. TFCs	957	894	659
4. Others	-	-	-
Total Borrowings	1,387	1,216	1,029
I. OTHER LIABILITIES (Non-Interest Bearing)			
1. Deferred Tax Liability	-	-	-
2. Dividend Payable	-	-	-
3. Others	332	241	170
Total Other Liabilities	332	241	170
J. EQUITY			
1. Share Capital	-	-	-
a. Ordinary Shares	9,159	7,633	7,633
b. Preference Shares	-	-	-
	9,159	7,633	7,633
2. Reserves:			
a. Capital Reserve (Share Premium)	4,498	4,498	4,498
b. Revenue Reserve	-	-	-
c. Unappropriated Profit	1,139	(1,692)	(1,880)
	5,637	2,806	2,618
Pure Equity	14,797	10,439	10,251
3. Surplus/(Deficit) on Revaluation of Investments	10,505	11,025	3,518
Total Equity	25,302	21,464	13,769
L. TOTAL LIABILITIES & EQUITY	**27,022**	**22,921**	**14,968**

STANDARD RATING SCALE & DEFINITIONS

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.

Long Term Ratings

AAA	**Highest credit quality.** Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA+ 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.
A+ 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.
BBB+ 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.
BB+ BB BB-	**Speculative.** Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	**Highly speculative.** Significant 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.
CCC CC C	**High default 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.
D	Obligations are currently in default.

Short Term Ratings

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.

B: The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.

C: An inadequate capacity to ensure timely repayment.

Rating Watch
Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. Rating Watch may carry designation – Positive (rating may be raised, negative (lowered), or developing (direction is unclear). A watch should be resolved with in foreseeable future, but may continue if underlying circumstances are not settled.

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'.

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) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, or e) the entity/issuer defaults.

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Name of Issuer Jahangir Siddiqui & Co. Ltd
Sector Investment Holding Company
Type of Relationship Solicited

Purpose of the Rating
Independent Risk Assessment
Regulatory Requirement

Rating History

Dissemination Date	Long Term	Outlook	Action
23-May-16	AA+	Stable	Maintain
26-Jun-15	AA+	Stable	Maintain
26-Jun-14	AA+	Stable	Maintain
31-Mar-14	AA+	Stable	Initial
28-Jan-14	AA+	Stable	Preliminary

Instrument Details

Instrument	Size of Issue (PKR mln)	Tenor (yrs) & Maturity	Intallment Frequency	Rate	Major Principal Redemption	Call Option	Outstanding Principal end-Mar15 (PKR mln)	Trustee
PPTFC-VIII: secured, subordinated	750	5yrs - Apr-2019	Semi-annual	6Mkibor+175bps	equal semi annual payments at the tenth year	Exercisable in full at any time on a coupon payment date at 30 days notice at a premium of 0.25% of then outstanding principal	722	Pak Brunei Investment Co. Limited

Related Criteria and Research

Rating Methodology Holding Company
Sector Research

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Rating Team Statement

Rating Procedure
Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.

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