



The Pakistan Credit Rating Agency Limited

## Rating Report

### JS Investments Limited | RMR

#### Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
27-Jun-2024	RM 3	-	Stable	Maintain	-
27-Jun-2023	RM 3	-	Stable	Maintain	-
30-Jun-2022	RM 3	-	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

The assigned rating reflects executive profile, sponsor strength and the modest positioning of JS Investments Limited (“JSIL-RMC” or the “Company”) in the competitive asset management industry. The rating incorporates a sound governance framework and satisfactory control infrastructure.

The company launched its first ever Rental REIT Fund “JS Rental REIT” (JSRR) in June’22 with the objective of investing in REIT projects directly or through SPV to generate income/return for unit holders. The initial fund size of JSRR was PKR 657mln which stood at PKR 736mln as of Dec’23 (Mar’24:PKR 727mln). The building under the fund called “The center” is situated at Abdullah Haroon Road, near Zainab Market. The property is in prime commercial zone of Karachi surrounded by government buildings and corporate offices. The performance of the fund is measured through the management fee amounting to PKR 7.9mln. The company’s equity stood at ~PKR 1.7bln at year-end Dec’23 (Mar’24: PKR 1.7bln) which is well above the minimum capital requirement. JSIL also has licenses for asset management, private equity, and venture capital to further support the core income. The rating finds comfort in the potential synergies from RMC’s association with JS bank Limited and the established presence of JS Group in financial sector.

The rating is dependent upon the Company’s ability to sustain its market share and uphold strong investment processes and control environment. Meanwhile, retention of key management, sound governance practices, and consistent performance of funds is critical. Any sustained downturn in fund performance and/or significant loss in market share will impact the rating.

#### Disclosure

<b>Name of Rated Entity</b>	JS Investments Limited   RMR
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	REIT Manager Rating Rating
<b>Applicable Criteria</b>	Assessment Framework   REIT Manager Rating(Oct-23),Methodology   Rating Modifiers(Apr-24)
<b>Related Research</b>	Sector Study   Real Estate(Jun-24)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504

## Profile

**Background** JS Investments Limited (JS-RMC or the "Company") is a public Listed company, licensed by SECP to carry out REIT Management Services and Asset Management Services in accordance with NBFC Rules, 2003 and REIT Regulations, 2015. The Company was incorporated in Pakistan on February 22, 1995 under the Companies Ordinance 1984. The Company is a subsidiary of JS Bank Limited which is a subsidiary of JSCL (Jahangir Siddiqui & Co. Limited), Ultimate Parent. JS Investments Limited ("JSIL-RMC" or the "Company") has launched a Rental REIT fund. The initial fund size is ~PKR 657.79mln.

**Market Share** As of March'24, approximately 25RMCs (REIT Management Companies) are registered with the SECP, with total assets amounting to PKR 14.6bln (approximately 0.4% of total assets of NBFCs) (Dec'23: approximately 24 RMCs with approximately PKR 12.6bln in assets or approximately 0.4% of NBFCs' total assets). JSIL-RMC is licensed to undertake REIT management services. The real estate sector of Pakistan is thriving and flush with private sector investment owing to the incentive packages given by the current government for the real estate sector.

**Fund Mix** The Company launched the closed-end Rental REIT Fund "JS Rental REIT Fund" at the end of June 2022. The fund size targeted was approximately PKR 650mln. JS Lands (pvt) Ltd is the sole strategic investor of the fund.

## Ownership

**Ownership Structure** JS Bank holds 84.56% of JS Investments Limited.

**Stability** JS Group is engaged in a diverse set of activities with its focus on the financial sector, including asset management, securities, and commodities brokerage, commercial banking, and insurance. Besides its concentration in the financial sector.

**Business Acumen** JS Bank Limited is a subsidiary (71.21%) of Jahangir Siddiqui & Co. Limited (JSCL). The business acumen of the bank is considered strong. JSCL is the holding company for JS Group.

**Financial Strength** JS Bank Limited has an unconsolidated asset base of PKR 621bln at end-Mar'24 accompanied by equity of PKR 41bln. The long-term credit rating of JS Bank is 'AA-' and the short-term rating is 'A1+'.

## Governance

**Board Structure** JSIL-RMC's control vests in eight-member board of directors including the CEO. There are three independent directors while all other directors except the CEO are non-executive.

**Members' Profile** The board carries diversified experience (23 Years on average) in different business areas, especially in banking and investment management. The board members possess strong profile and skills suited to the financial services industry.

**Board Effectiveness** To ensure an effective control environment and compliance with reporting standards, JSIL has constituted an Audit Committee, HR Committee and Executive Risk Management Committee at board level.

**Transparency** JSIL has outsourced its internal audit department to M/S BDO Ebrahim & Co. for effective monitoring of control systems. The external auditors of the Company are M/S KPMG Taseer Hadi & Co. They have a satisfactory QCR rating and are classified in the 'A' category of SBP Panel of Auditors.

## Management

**Organizational Structure** JSIL has a well-defined organizational structure based on eleven departments, i) HR and Administration, ii) Compliance and Risk Management, iii) Business Development, iv) Investments and Research, v) Information Technology, vi) Finance, vii) Internal Audit and viii) Operations ix) Marketing x) Customer Experience Unit xi) Product Development

**Management Team** The management team of JSIL comprises of experienced and qualified professionals. Ms. Iffat Zehra Mankani is the CEO of JSIL since April 2021. She is a veteran of financial industry with over 20 years of experience in capital markets. Mr. Musab Iqbal is the Vice President-REIT, leading the REIT Department and has extensive experience working for Multinational Real Estate Investment advisory firms and in designing detailed project feasibilities, project valuation, acquisition, divestments and development recommendation for real estate projects of any magnitude.

**Management Effectiveness** We offer a state-of-the-art IT infrastructure featuring an in-house Tier III data center, the most advanced firewall security, and high-speed L2 and L3 connectivity. Our time-tested and trusted ERP application, complemented by user-friendly customer portals and well-designed MIS reports on BI, ensures seamless operations. Additionally, our robust CRM system effectively addresses all customer and sales needs.

**Oversight Of Third-Party Service Providers** The valuation of the property is conducted by Oceanic International Pvt Limited. While Digital Custodian Company Limited is the trustee of the scheme. Grant Thornton would be the external auditor of the Fund while the legal advisor are HaiderMota & Co.

**Control Environment** The compliance and risk management department is being led by Mr. Malik Zafer Javaid. The department ensures compliance with all applicable statutory regulations and internal investment guidelines. Segregation of these functions, in line with best practices, along with minimizing overlap in others is important to strengthen the control environment. The Company is working to fortify its KYC/AML practices.

## Investment Risk And Portfolio Management

**Investment Risk Management** A strong risk management framework, monitoring culture and platform are the hallmark of a seasoned and mature RMC. The investment decision making process is well-structured with the CEO providing critical support. The members of investment committee also include the CIO, COO+Company Secretary and Fund Managers.

**Investment Decision Making** The investment committee reviews the investment strategy. Induction of an independent research head has further enhanced effectiveness.

**Investment Research & Analysis** The research department, which falls under the purview of CIO, is headed by Mr. Hussain Haider. The CIO with two decades of experience in investment management, equity advisory & private banking for clients spread across three continents.

## Customer Relationship

**Investor Services** JSIL-RMC has establish investor services platform for investor education and facilitation

**Investor Reporting** The information provided to investors is communicated through regular reporting in light of its comprehensiveness, clarity, consistency, accuracy and timing.

**Distribution & Sales Network** The RMC marketing strategies, well-structured sales team and association with other players in the real estate industry would be examined

## Investment Performance

**REIT Funds Under Management** The initial fund size is approximately PKR 657mln and would eventually reach to PKR 5bln. The site has a land area of 3,988 sq.yds, whereas each floor has an area of 12,646 sq.ft with market value of approximately PKR 3.4bln. The structure is relatively new and consists of 19 floors including parking, MEP and a lobby.

**Performance** Achieving competitive investment results to sustain and improve REIT funds is the principal objective of an RMC and would remain imperative for the rating. In long run, the REIT funds of an RMC with noted strengths will usually be superior or at par with peers.

**Financial Sustainability** JS Investments Limited was established in 1995 and is listed on the Pakistan Stock Exchange. The Company is part of the Jahangir Siddiqui (JS) Group. JS Bank Limited holds approximately 85% shareholding in the Company. JS Investments possesses licenses for Asset Management, Investment Advisory, Private Equity, Venture Capital and REIT management Services. The equity base of the Company was PKR 1.74bln as of Mar'24 (SPLY: PKR 1.66bln). While the Company has reported net gain during 3MCY24 amounting to PKR 72mln (SPLY: -5.5mln). The AMC segment of the Company comprises of total 16 funds - including 10 conventional, 4 Shariah-compliant, one dedicated equity fund, one exchange traded fund - and 4 pension schemes with AUM based PKR 66.28bln as of CY23 (Mar'24: PKR 60.61bln). The AMC rating of the Company is AM2+.



The Pakistan Credit Rating Agency Limited

JS Investment Limited  
Public Listed Limited

PKR mln

Mar-24 Dec-23 Dec-22 Dec-21  
3M 12M 12M 12M

## A BALANCE SHEET

1 Earning Assets	1,474	1,437	1,176	1,382
2 Non-Earning Assets	687	686	596	603
<b>3 Total Assets</b>	<b>2,161</b>	<b>2,122</b>	<b>1,772</b>	<b>1,985</b>
4 Total Borrowing	190	184	238	269
5 Other Liabilities	234	272	178	173
<b>6 Total Liabilities</b>	<b>423</b>	<b>457</b>	<b>416</b>	<b>442</b>
<b>7 Shareholders' Equity</b>	<b>1,737</b>	<b>1,665</b>	<b>1,355</b>	<b>1,504</b>

## B INCOME STATEMENT

1 Investment Income	183	642	197	53
2 Operating Expenses	(100)	(384)	(356)	(332)
<b>3 Net Investment Income</b>	<b>82</b>	<b>258</b>	<b>(159)</b>	<b>(279)</b>
4 Other Income	0	23	45	25
5 Total Income	82	281	(114)	(254)
6 Other Expenses	-	-	-	-
7 Total Finance Cost	(7)	(27)	(28)	(34)
<b>8 Profit Or (Loss) Before Taxation</b>	<b>75</b>	<b>254</b>	<b>(142)</b>	<b>(289)</b>
9 Taxation	(3)	56	(8)	(11)
<b>10 Profit After Tax</b>	<b>72</b>	<b>310</b>	<b>(149)</b>	<b>(300)</b>

## C RATIO ANALYSIS

### 1 Investment Performance

i. Investment Income / Average AUMs	N/A	N/A	N/A	N/A
ii. ROE	16.9%	20.5%	-10.4%	-19.9%
iii. ROA	13.4%	15.9%	-7.9%	-15.1%

### 2 Financial Sustainability

i. Coverages				
a. Total Borrowing / EBITDA	N/A	N/A	N/A	N/A
b. EBITDA / Finance Cost	0.00%	0.00%	0.00%	0.00%
ii. Capitalization				
a. Total Borrowing / (Total Borrowing + Shareholders' Equity)	9.8%	10.0%	14.9%	15.2%

REIT Manager Rating Scale				
An independent opinion on a REIT Manager's quality of investment and operations management.				
Scale	Definition			
<b>RM1</b>	<b>Very high</b> quality of investment and operations management.			
<b>RM2++</b> <b>RM2+</b> <b>RM2</b>	<b>High</b> quality of investment and operations management.			
<b>RM3++</b> <b>RM3+</b> <b>RM3</b>	<b>Good</b> quality of investment and operations management.			
<b>RM4++</b> <b>RM4+</b> <b>RM4</b>	<b>Adequate</b> quality of investment and operations management.			
<b>RM5</b>	<b>Weak</b> quality of investment and operations management.			
<p><b>Outlook (Stable, Positive, Negative, Developing)</b> 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'.</p>	<p><b>Rating Watch</b> 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.</p>	<p><b>Suspension</b> 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.</p>	<p><b>Withdrawn</b> 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 surveill the opinion due to lack of requisite information.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
<p><b>Surveillance.</b> 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.</p>				

**Disclaimer:** PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of PACRA documents may be used, with due care and in the right context, with credit to PACRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

### **Rating Team Statements**

(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

### **Restrictions**

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (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)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

### **Conduct of Business**

- (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).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (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)

### **Independence & Conflict of interest**

- (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)

### **Proprietary Information**

(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent