



The Pakistan Credit Rating Agency Limited

Rating Report

Jazaa Global (Pvt.) Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
30-Jul-2024	BBB-	A3	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Jazaa Global (Private) Limited ('Jazaa' or 'The Company') ratings reflect the adequate financial profile of the Company. The effective use of brand equity signifies adept navigation in both local and global markets. The company's extensive portfolio of ethnic products meets the diverse needs of consumers across 55+ countries and 100+ cities within Pakistan, showcasing a rich variety of over 200 stock-keeping units (SKUs). The production plant is located in Karachi with an annual capacity of Rice being at 40,400 MT and Salt at 4000 MT. The sponsors' industry-specific experience, coupled with their strategic insights, enhances the company's operational prowess. Furthermore, comfort for the assigned rating has also been drawn from sponsors resolute commitment to supporting the Company in case of any financial needs.

Jazaa operates in both local and international markets, with approximately 50% of its total revenue stemming from exports and the remainder from the domestic market. The company's revenue streams are diverse, with rice contributing approximately 60% of its total revenue. On the financial profile side, the company experienced a positive trend in its top line, primarily due to increased sales volume. In FY23, the company achieved a total revenue of ~PKR 1,703mln (FY22: ~PKR 1,247mln), marking an increase of ~ 37%. However, the Company faced challenges with rising raw material costs due to inflation, impacting its gross profit margin declined from ~36.5% in FY22 to about ~26.9% in FY23. Furthermore, because of higher finance costs, the net profit margin stayed relatively low at around 1.4% in FY23, similar to FY22. The Company has experienced an increase in net working capital days compared to FY22, driven by extended inventory and trade receivable cycles. This adjustment adversely affected cash flow coverage, exacerbated by heightened finance costs, resulting in a decline in the interest coverage ratio during FY23. The Company has a moderately leveraged capital structure comprised by the short-term debt which has increased substantially to cater to the increasing needs of working capital management. Jazaa's executive leadership consistently demonstrates effective financial management, essential for maintaining an adequate credit profile. The company's proactive response to market dynamics and adherence to global standards in product quality, customer satisfaction, and industry benchmarks are supportive factors for its credit rating assessment.

The ratings are dependent upon the management's ability to sustain margins while remaining self-sufficient and in surplus for expansionary measures. Sound financial discipline remains critical. Prudent management of the working capital, maintaining sufficient cash flows, and coverages remain crucial for the ratings.

Disclosure

Name of Rated Entity	Jazaa Global (Pvt.) Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology Rating Modifiers(Apr-24),Methodology Corporate Rating(Jul-23)
Related Research	Sector Study Food Products(Dec-23)
Rating Analysts	Usama Ali usama.ali@pacra.com +92-42-35869504



Profile

Legal Structure Jazaa Global (Pvt.) Limited “Jazaa” or “the Company was incorporated in 2015 as a Private Limited Company under the repealed Companies Act’ 17.
Background The Concept Jazaa was launched on Mar’16 driving the vision of the late Mr. Junaid Jamshaid, aiming to benefit consumers and establish itself as a leading company both locally and internationally.
Operations The Company is offering a wide variety of ethnic products that cater to the needs of its consumers both in Pakistan and worldwide. Jazaa Global takes pride in being available in 55+ countries around the world and 100+ cities within Pakistan with a diverse range of quality 200+ stock keeping units (SKUs). Production plant is located at Karachi with annual capacity of Rice being at 40,400 MT and Salt at 4000 MT.

Ownership

Ownership Structure The Company’s ownership is divided into four members, Mr. Shahid Tawawallah holds ~37.5%, followed by Taimur Junaid ~25%, Abbas Jabbar ~19% and Muhammad Ali holds ~18.5%.
Stability The Company is jointly owned by Tawawallah, Bantva Memon and Junaid Jamshed (Late) family. Although no formal succession plan exists.
Business Acumen The sponsors hold extensive experience and expertise in trading sector. Their strong business skills have helped the Company to achieve sustainable success over the years. Sponsors have industry specific working experience, knowledge and strategic thinking capabilities.
Financial Strength Jazaa has diversified into various food segments. As at FY 23 the Asset base of the company stood at PKR 938 mln while equity base stood at PKR 199 mln. Through its diverse set of business, it is generating a turnover of ~PKR 1.7bln and posted a PAT of ~PKR 24.4 mln.

Governance

Board Structure The Board of the Company comprises of 4 members, 3 Executive Directors and 1 Non-Executive Director.
Members’ Profile Mr. Shahid Tawawallah chairs the board and has an ample of more than 3 decades in rice and other commodities, he also serves as a CEO M/S MesKay & Femtee Trading Pvt. Ltd , a key player in rice sector. Mr. Shahid is a foreign graduate from Lock Heaven University USA. Mr. Muhammad Ali Jabbar serves as the CEO, a proactive and enthusiastic personality with extensive experience of over 2 decades in rice trading sector. He is assisted by team of experienced and professional people.
Board Effectiveness The Board of Directors has established the Executive, Audit, and Human Resources Committees. The Board convenes annually, with formal minutes of each meeting meticulously documented.
Financial Transparency The External Auditors of the Company M/S Clarkson Hyde Saud Ansari Chartered Accountant a QCR-rated firm expressed an unqualified opinion of Financial Statements for the period ended Jun’23 but reporting needs to be toned up as few notes to the accounts were not disclosed pertaining to FS.

Management

Organizational Structure The Company employs a horizontal organizational structure, with each department managed by department heads reporting directly to the CEO. The Company functions across 5 key areas: (i) Export Sales, (ii) Finance & Accounts, (iii) Marketing, (iv) Operations and (v) HR & Admin.
Management Team Muhammad Ali Jabbar, CEO of Jazaa Global and a distinguished Bantva Memon entrepreneur, has been in the rice industry since 2000. His dynamic leadership and industry expertise drive the company forward, supported by a skilled professional team.
Effectiveness There are no management committees in place. However, management meets monthly to ensure efficiency of the Company’s operations.
MIS The Company uses G-tech software specializing in inventory software management for manufacturers and tool manufacturers. Software is based on oracle and is being regularly monitored by the vendor.
Control Environment The Company has an effective internal audit department which helps to improve risk management, control and governance processes and brings improvement to business practices by forming SOP’s. The company is also HACCP, Halal, FDA, ISO 9001, ISO 22000 and Kosher Certificated. Company has 6-member internal audit function which reports to CEO.

Business Risk

Industry Dynamics In 2024, Pakistan’s convenience food market is growing at a 7.64% CAGR, driven by domestic products and strong urban distribution, yet rural areas offer expansion potential. Retail is evolving with large chains influencing consumer habits. The rice sector, a significant market contributor, faced a 22% production drop due to floods, affecting sales but mitigated by currency depreciation. Businesses must adapt to these changes to thrive.
Relative Position Jazaa is the nascent player in the industry with market penetrating strategy. The Company has yet to establish brand recognition to compete with the key players.
Revenues Jazaa plays in both markets local and international. About 50% of the total revenue is generated from exports while rest is generated from local market. The Company generates revenue from distinct streams, majority of the revenue (Top 10 products) is derived from Rice ~60%, followed by Spices ~11%, Bakery items ~11%, Pink salt ~8%, Desert ~5% and Kitchen Essentials ~4%. The Revenue of the Company witnessing increasing trend, during FY23, revenue of the Company clocked to ~PKR 1,703mln (FY22: ~PKR 1,247mln, FY21: ~PKR 650mln). The revenue increase is primarily due to higher prices combined with greater sales volume. During 6MFY24, revenue of the Company stood at ~PKR 1,135mln.
Margins During FY23, gross profit of the Company remained stagnant, reported at ~PKR 458mln (FY22: ~PKR 455mln, FY21: ~PKR 178mln). However, gross profit margin of the Company witnessed a dip, reported at ~27% in FY23 (FY22: ~36%). The decrease in gross profit margin was primarily due to a higher percentage increase in the cost of goods, driven by inflationary pressures, compared to the increase in revenue. Whereas, the Company was able to reduce its marketing and selling expenses which leads to improved operating profit margin, reported at ~6% in FY23 (FY22: ~4%). Net profit margin remains steady, reported at ~1.4% in FY23 (FY22: ~1.4%). As of 1HFY24 the Company recorded a dip in profit margin which stood at ~23.6%, following the same trajectory the net profit margin stood at ~1.3%.
Sustainability The company has shown growth trajectory since its inception and is planning to discover more international markets. Further, in order to improve margins in comparative to established market player management has plans for enhance production capacity and backward integration.

Financial Risk

Working Capital As of FY23, net working capital days of the Company increase to 94 days (FY22: 81days). Increase was owing to uptake in inventory days, which stood at 73 days in FY23 (FY22: 68 days), along with increase in trade receivable days which stood at 40 days (FY22: 31 days). Whereas, trade payable days of the Company increased to 20 days in FY23 (FY22: 17days). During 1HFY24 the net working capital days stood at 74 days backed by inventory days at 58, trade receivable days at 43 and trade payable days at 27.
Coverages Jazaa’s coverages profile remains inadequate, FCFO of the Company clocked to ~PKR 117mln in FY23 (FY22: ~PKR 55mln). Whereas, finance cost of the Company increased to ~PKR 73mln in FY23 (FY22: ~PKR 25mln). Owing to significant increase in finance cost interest coverage ratio of the Company decreased to 1.6X in FY23 (FY22: 2.2X). During 1HFY24 finance cost interest coverage stood at 1.4X taking a slight dip due to high prevailing rates.
Capitalization Jazaa’s capital structure remained highly leveraged, with debt-to-equity ratio of ~64% in FY23 (FY22: ~73.3%). As total borrowings of the Company stood at ~PKR 352mln as of FY23 (FY22: ~PKR 256mln) total exposure is taken in long current maturity. Sponsors of the Company injected ~PKR 82mln in core equity resulted an increase in total equity reported at ~PKR 198mln as of FY23 (FY22: ~PKR 92mln). As at 1HFY24 the debt-to-equity ratio stood at of ~63%.



Jazaa Global (Pvt.) Ltd. Rice	Jun-23 12M	Jun-22 12M	Jun-21 12M
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A BALANCE SHEET

1 Non-Current Assets	125	73	28
2 Investments	-	-	-
3 Related Party Exposure	-	-	-
4 Current Assets	814	479	267
<i>a Inventories</i>	392	291	170
<i>b Trade Receivables</i>	249	128	81
5 Total Assets	939	552	295
6 Current Liabilities	389	204	55
<i>a Trade Payables</i>	112	72	42
7 Borrowings	352	256	167
8 Related Party Exposure	-	-	-
9 Non-Current Liabilities	-	-	-
10 Net Assets	198	92	74
11 Shareholders' Equity	198	92	74

B INCOME STATEMENT

1 Sales	1,703	1,247	650
<i>a Cost of Good Sold</i>	(1,245)	(792)	(473)
2 Gross Profit	458	455	178
<i>a Operating Expenses</i>	(358)	(404)	(154)
3 Operating Profit	100	51	24
<i>a Non Operating Income or (Expense)</i>	11	3	(1)
4 Profit or (Loss) before Interest and Tax	111	55	23
<i>a Total Finance Cost</i>	(73)	(25)	(6)
<i>b Taxation</i>	(14)	(12)	(5)
6 Net Income Or (Loss)	24	18	12

C CASH FLOW STATEMENT

<i>a Free Cash Flows from Operations (FCFO)</i>	117	55	24
<i>b Net Cash from Operating Activities before Working Capital Changes</i>	44	30	18
<i>c Changes in Working Capital</i>	(100)	(64)	(149)
1 Net Cash provided by Operating Activities	(56)	(33)	(131)
2 Net Cash (Used in) or Available From Investing Activities	(71)	(57)	(17)
3 Net Cash (Used in) or Available From Financing Activities	177	90	151
4 Net Cash generated or (Used) during the period	50	(1)	2

D RATIO ANALYSIS

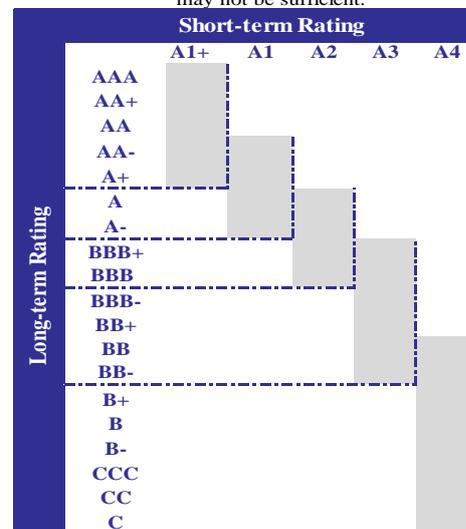
1 Performance			
<i>a Sales Growth (for the period)</i>	36.5%	91.8%	0.0%
<i>b Gross Profit Margin</i>	26.9%	36.5%	27.3%
<i>c Net Profit Margin</i>	1.4%	1.4%	1.9%
<i>d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)</i>	1.0%	-0.7%	-19.3%
<i>e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Sh</i>	16.9%	21.6%	16.6%
2 Working Capital Management			
<i>a Gross Working Capital (Average Days)</i>	114	98	141
<i>b Net Working Capital (Average Days)</i>	94	81	118
<i>c Current Ratio (Current Assets / Current Liabilities)</i>	2.1	2.3	4.9
3 Coverages			
<i>a EBITDA / Finance Cost</i>	1.8	2.7	5.3
<i>b FCFO / Finance Cost+CMLTB+Excess STB</i>	1.6	1.9	2.9
<i>c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)</i>	0.0	0.2	0.4
4 Capital Structure			
<i>a Total Borrowings / (Total Borrowings+Shareholders' Equity)</i>	64.0%	73.7%	69.3%
<i>b Interest or Markup Payable (Days)</i>	164.4	236.0	193.1
<i>c Entity Average Borrowing Rate</i>	24.0%	11.8%	3.3%

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)
- (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)

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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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