

RATING REPORT

R.F.J. Equity (Private) Limited

REPORT DATE:

December 1, 2015

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Initial Rating	
	Long-term	Short-term
Entity	BB	A-3
Rating Outlook	Stable	
Rating Date	December 1, 2015	

COMPANY INFORMATION

Incorporated in 2006	External auditors: M. Rafiq & Co. – Chartered Accountants
Private Limited Company	Chairman of the Board: Jehangir Abdul Rasheed
Key Shareholders (with stake 5% or more): Mr. Abdul Rasheed Jan – 99.91%	Chief Executive Officer: Jehangir Abdul Rasheed

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria Methodology – Securities Firms Rating (May 2015)

<http://www.jcrvis.com.pk/Images/Securities%20methodology%201%20-2015.pdf>

R.F.J. Equity (Private) Limited

OVERVIEW OF THE INSTITUTION

In 2006, R.F.J. Equity (Private) Limited (REL) was incorporated as a private limited company. REL is part of the Westbury Group of Companies (WGC), a conglomerate having presence in the industrial, commercial and financial sectors.

RATING RATIONALE

R.F.J. Equity (Private) Limited (REL) was incorporated as a private limited company in 2006. Majority stake of the company is held by associated parties of Westbury Group of Companies (WGC). The sponsor is a well-known conglomerate of Pakistan having presence in the industrial, commercial and financial sectors.

With the company being non-operative in the brokerage business since inception, only limited number of personnel has been employed; besides the CEO, the company has a company secretary and one additional employee. Management envisages participation in underwriting activities, going forward.

Over the past couple of years, the company's revenue base has largely been supported by investment income. During the outgoing year, the company participated in underwriting of shares, commission from which amounted to Rs. 0.8m. Profit after tax of REL depicted considerable jump in FY15 on account of gain on measurement of investments at fair value; 70% of the revenue base for the year comprises gains made on the proprietary book.

Over the years, the company's equity base has improved on account of sizeable increase in unrealized gain on re-measurement of investments and capital injection of Rs. 9.9m. Paid-up capital stood at Rs. 42.7m (FY14: Rs. 32.9m) while total equity amounted to Rs. 85.6m (FY14: Rs. 45.9m; FY13: Rs. 45.9m) by end-FY15. After excluding unrealized gain on the prop book, adjusted equity stood at Rs. 56.9m. The company has not paid out any cash dividend since inception. In line with larger equity base, debt leverage of the company reduced to 0.04x (FY14: 0.07x; FY13: 0.05x) by end-FY15.

Investment portfolio of REL exhibited sizeable growth in FY15 vis-à-vis preceding years. The company underwrote shares of Pakistan Refinery Limited (PRL) amounting to Rs. 50.0m during the outgoing year. Given that this issuance was undersubscribed, the company had to purchase 11% of these shares amounting to Rs. 5.6m (0.5m shares). Total investments (at market value) were consequently reported higher at Rs. 34.5m (FY14: Rs. 0.1m; FY13: Rs. 1.1m).

FINANCIAL SUMMARY (amounts in PKR millions)			Appendix I
BALANCE SHEET	30-Jun-15	30-Jun-14	30-Jun-13
Trade Debts	0.0	0.0	0.0
Investments	73.3	38.9	39.9
Cash and Bank balances	3.7	0.1	0.2
Total Assets	89.3	49.2	48.2
Trade and Other Payables	0.0	0.0	0.0
Short Term running finance	3.6	3.2	0.0
Net Worth	85.7	45.9	45.9
INCOME STATEMENT	30-Jun-15	30-Jun-14	30-Jun-13
Total Revenue	31.3	0.3	0.3
Underwriting Income	0.8	0.0	0.0
Unrealized Gain on Investments	28.79	0.01	0.09
Administrative Expenses	1.1	0.2	0.2
Finance Costs	0	0.0	0.0
Profit Before Tax	30.2	0.0	0.1
Profit After Tax	29.9	0.0	0.1
RATIO ANALYSIS	30-Jun-15	30-Jun-14	30-Jun-13
Liquid Assets to Total Liabilities (x)	10.43x	0.05x	0.56x
Liquid Assets to Total Assets	42.7%	0.4%	2.7%
Debt Leverage (x)	0.04	0.07	0.05
Gearing (x)	0.00	0.00	0.00
Efficiency (%)	86.0%	105.6%	92.9%
ROAA (%)	43.2%	0.0%	0.2%
ROAE (%)	45.5%	0.0%	0.2%

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix II

Medium to Long-Term**AAA**

Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-

High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-

Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-

Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-

Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC

Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC

A high default risk

C

A very high default risk

D

Defaulted obligations

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

Short-Term**A-1+**

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1

High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2

Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3

Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B

Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C

Capacity for timely payment of obligations is doubtful.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES		Appendix III			
Name of Rated Entity	R.F.J. Equity (Private) Limited				
Sector	Brokerage				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	01-Dec-15	BB	A-3	Stable	Initial
Instrument Structure	N/A				
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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