

# RATING REPORT

## LSE Ventures Limited

### REPORT DATE:

May 14, 2025

### RATING ANALYSTS:

Musaddeq Ahmed Khan  
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### RATING DETAILS

Rating Category	Initial Rating	
	Long-term	Short-term
Entity Rating	A+	A1
Outlook/Rating Watch	<i>Stable</i>	
Rating Action	<b>Initial</b>	
Sukuk Rating	AA- (plim)	
Outlook/ Rating Watch	<i>Stable</i>	
Rating Action	<b>Preliminary</b>	
<i>Rating Date</i>	<i>May 14, 2025</i>	

### COMPANY INFORMATION

Incorporated in 2022	<b>External auditors:</b> Kreston Hyder Bhimji & Co. Chartered Accountants
Public Listed Company	<b>Chairperson:</b> Mr. Muhammad Iqbal <b>Chief Executive Officer:</b> Mr. Aftab Ahmad Ch.
<b>Key Shareholders (Above 10%):</b>	
- LSE Capital Limited 26.82%	
- Directors 13.08%	
- General Public 14.12%	

### APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria Methodology – Corporates

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

Instrument Rating

<https://docs.vis.com.pk/docs/Rating-the-Issue-Aug-2023.pdf>

VIS Issue/Issuer Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

## LSE Ventures Limited

## OVERVIEW OF THE RMC

## RATING RATIONALE

*LSE Ventures Limited was established on Jul 18, 2022, with the purpose of holding the legacy capital market infrastructure investments having been made during the time of the functioning of former Lahore Stock Exchange (LSE). The principal activity of the Company is to source and invest capital in growth-oriented enterprises and emerging ventures generating positive cash flows.*

**Profile of Chairman**

*Mr. Muhammad Iqbal Usman, a fellow of the Institute of Chartered Accountants of Pakistan, is a seasoned industrialist and capital markets expert with extensive experience in textiles, sugar, and construction. A Pakistan Stock Exchange member since 1990 and stock market investor. He has held key roles, including Chairman at Al-Abbas Sugar Mills, CEO of Security Stock Fund, and Director at BMA Capital Management.*

**Profile of CEO**

*Mr. Aftab, an MBA graduate from Nicholls State University and alumnus of Stanford's Executive Program, has over 30 years of experience spanning logistics, procurement, budget management, and financial markets. Currently, Mr. Aftab works for a market development entity-E-Finance Solutions Ltd, and renders board and committee level services to some*

**Company Profile**

LSE Ventures Limited ('LSEVL' or the 'Company') was registered on July 18, 2022 under the Companies Act, 2017 as a public unlisted company limited by shares. In June 2023, the Company obtained the listing status under the symbol "LSEVL" at Pakistan Stock Exchange (PSX) as a result of demerger scheme approved on April 26, 2023 by the Honorable Lahore High Court (LHC), accomplished through a reverse merger with Data Textiles Limited.

The Company's principal line of business is to invest in shares, bonds, stocks, units of mutual funds or any other securities or its related instruments or otherwise in all types of real assets and in such manner as may from time to time be determined by the Company and to hold, or sale such real assets, shares, bonds, stocks, units of mutual funds or any other securities or its related instruments, subject to the compliance with applicable laws. The head office / registered office of the Company is located at 19, Khayaban-e-Aiwan-e-Iqbal, Lahore, Pakistan.

LSEVL primarily manages the legacy equity investments made by the former Lahore Stock Exchange (LSE) during its operation as a stock exchange. These investments position LSEVL as a significant stakeholder in the domestic capital market, with major shareholdings in key capital market infrastructure entities, including the Pakistan Credit Rating Agency (PACRA), National Clearing Company of Pakistan Limited (NCCPL), Central Depository Company of Pakistan (CDC), and Pakistan Mercantile Exchange Limited (PMEX).

**Sukuk Structure**

The Company intends to issue a redeemable and convertible Sukuk amounting to PKR 2.0 billion to invest in the revival of Jamshoro Joint Venture Limited (JJVL). The Sukuk will be offered to LSEVL's existing shareholders through a one-to-one rights swap. The Sukuk will have a tenor of up to four years, including a one-year grace period. After the grace period, the principal amount will be repaid in equal installments every six months over the remaining term. Sukuk holders will have the option to convert their holdings into ordinary shares of LSEVL at a conversion price of PKR 30 per share after 12 months from the issue date. The Sukuk will be secured through a ranking charge, which will be upgraded to pari-passu status within 180 days, on JJVL's assets, including land, buildings, and plant & machinery for PKR 2.0 billion, with a margin of 25%. Additionally, the security includes a pledge of JJVL shares by its sponsors. A Facility Payment Account (FPA) is to be established, holding an amount equal to one upcoming installment amount for the tenor of the Sukuk on a rolling basis. An amount equivalent to one-sixth of each forthcoming installment—comprising only the rental/profit amount during the first year and both the principal and profit/rental amount thereafter—will be transferred from the Collection Account (maintained separately by JJVL) to the FPA. The management of this account will be undertaken by the designated Escrow Agent.

**Auditors' Opinion**

M/s. Crowe Hussain Chaudhury & Co., Chartered Accountants, the auditors of the Company for FY24, have retired. Consequently, the Board of Directors has appointed M/s. Kreston Hyder Bhimji & Co., Chartered Accountants, as the statutory auditors for FY25.

The appointed auditors have received a satisfactory rating under the Quality Control Review (QCR) Program of the Institute of Chartered Accountants of Pakistan (ICAP) and remain on SBP auditors A category list. They have confirmed compliance with the International Federation of Accountants (IFAC)

*corporates and not for profit initiatives.*

Code of Ethics, as adopted by ICAP. Additionally, the firm is registered with the Audit Oversight Board of Pakistan.

**Shareholding Structure**

S. No	Shareholding Pattern	%
1	Joint Stock Companies	44.05%
2	LSE Capital Limited	26.82%
3	General Public	14.12%
4	Directors, Chief Executive Officer, and their spouse and minor children.	13.08%
5	Others	1.93%
Total		100%

**Organization Structure**

The organizational structure depicts a hierarchical framework led by the CEO, Mr. Aftab Ahmad Ch., overseeing multiple departments. Key roles include the CFO, Mr. Muhammad Usman, managing the Financial Management Department, supported by a Head of Finance along with a team of managers and officers. Other departments, such as Corporate & Secretarial (led by Company Secretary Mr. Inam Ullah), Compliance (headed by Chief Compliance Officer Mr. Rana Naveed Ahmed), Legal & Arbitration (managed by Mr. Muhammad Ali Malik), and Investment Banking (headed by Mr. Adil Jahangir Syed), report directly to the CEO. Additionally, Human Resources, Digitalized Operations & Development, and Digitalized Asset Solution departments provide operational and technical support. Each department has tiered positions, ranging from heads to managers, officers, and general staff, reflecting a well-defined delegation of responsibilities for streamlined operations.

**Governance Framework**

The governance framework of LSEVL is underpinned by a well-structured Board of Directors comprising seasoned professionals from diverse backgrounds, ensuring comprehensive oversight and strategic decision-making. With seven directors, including independent members and gender diversity, the Board upholds sound governance practices, reflective in adherence to regulations, regular meetings, and compliance with the Directors’ Training Program for a majority of the members. The establishment of specialized committees—Audit and Human Resources & Remuneration—further strengthens the governance structure by focusing on critical areas.

**Board of Directors**

S. No	Name of Directors	Category
1	Mr. Muhammad Iqbal	Chairman/Non-Executive Director
2	Mr. Aftab Ahmad Ch.	Chief Executive Officer
3	Ms. Aasiya Riaz	Non-Executive Director
4	Ms. Minahil Ali	Non-Executive Director
5	Mr. Shahnawaz Mahmood	Independent Director
6	Mr. M. Tabassum Munir	Independent Director
7	Dr. Zahid Mahmood	Independent Director

1. **Mr. Muhammad Iqbal – Chairman (Non-Executive Director):** Mr. Muhammad Iqbal Usman, a fellow of the Institute of Chartered Accountants of Pakistan, is a seasoned industrialist and capital markets professional with extensive experience in the textile, sugar, and construction sectors. A member of the Pakistan Stock Exchange since 1990, he is a stock market investor. He has held prominent roles, including Chairman of Al-Abbas Sugar Mills Ltd. and Acme Mills Pvt. Ltd., CEO of Security Stock Fund, and Director of BMA Capital Management. Currently, he serves as Director at Suraj Textile Mills and Director/Chairman of Acme Mills. He with his family members also owns Icon Global (Pvt.) Ltd., Icon Management (Pvt.) Ltd. and Icon Capital Management (Pvt.) Ltd. engaged in textiles, finance, and equity markets.
2. **Mr. Aftab Ahmad Ch. – Chief Executive Officer:** Mr. Aftab Ahmad is a seasoned capital markets professional with over three decades of experience in financial markets, logistics, procurement, and public governance. He has played key roles in Pakistan's stock exchanges, contributing to the establishment of the Pakistan Stock Exchange and promoting market reforms.

His work spans financial inclusion, policy development, investor relations, and gender diversity. Mr. Aftab has also provided advisory services in South Asia and served on boards of major capital market entities. An MBA graduate from Nicholls State University and alumnus of Stanford's Executive Management Program, he currently leads E-Finance Solutions Ltd. and supports nonprofit initiatives.

3. **Ms. Aasiya Riaz – Non-Executive Director:** Ms. Aasiya Riaz has been the Joint Director and Chief Operating Officer of the Pakistan Institute of Legislative Development and Transparency (PILDAT) since its inception in 2001. She oversees the formulation and implementation of policies and projects aimed at strengthening democracy and democratic institutions in Pakistan. She holds an MSc in Media and Communication and fellowships on Democracy and Rule of Law, including the Reagan-Fascell Fellowship.
4. **Ms. Minahil Ali – Non-Executive Director:** Ms. Minahil is a practicing lawyer with seven years of legal experience, currently practicing at the Islamabad High Court and other civil courts. She previously served as a Senior Associate at AB & Co. and as Head of the Law Department at Lords College International. Holding an LL.M in International Commercial Law from Brunel University, London, and a Bachelor's in Law from the University of London, she has advised corporate clients and government bodies on contentious and non-contentious issues.
5. **Mr. Shahnawaz Mahmood – Independent Director:** Mr. Shahnawaz Mahmood is the CEO/Director of Finnect, a company promoting digital products. Previously, he served as Deputy Managing Director of Pak-China Investment Company for six years, leading strategic initiatives in advisory, project financing, and attracting Chinese investments, including the acquisition of Pakistan Stock Exchange. He has contributed to Pakistan's Public-Private Partnership initiatives as Head of Projects at Infrastructure Project Development Facility (IPDF) and worked on corporate governance reforms with SECP and United Nations Development Program (UNDP). He holds MBA from Bangor University and MSc degrees from London School of Economics and Political Science and Quaid-i-Azam University, Islamabad.
6. **Mr. M. Tabassum Munir – Independent Director:** Mr. Muhammad Tabassum Munir is a seasoned stockbroker and the founder and CEO of MTM Securities Pvt. Ltd. He has served on the Board of Directors of the erstwhile Lahore Stock Exchange for several years, where he was also a convener and member of various Board Committees. Currently, he is also serving as Director on the Board of Hi-Tech Lubricants (Pvt) Limited. With extensive experience across industrial and financial sectors, Mr. Munir has consistently driven business growth, enhanced operational efficiency, and contributed to strategic decision-making in leadership roles, bringing a holistic approach to organizational success and sustainable
7. **Dr. Zahid Mahmood – Independent Director:** Dr. Zahid Mahmood has been affiliated with the capital market for many years and currently serves as the Chief Executive Officer of Wisdom Securities (Pvt.) Limited. A medical professional by training, he holds an MBBS degree with a specialization in surgery. He has also served on the Boards of Directors of various companies and was Chairman of the Board of M/s Meta Tech Health Limited.

### **Investment Policy**

The risk management framework of LSEVL reflects a strong and comprehensive approach, designed to mitigate financial and operational risks effectively. By focusing on growth-stage companies with proven positive cash flows, LSEVL prioritizes stability and minimizes exposure to speculative ventures. The requirement for an investment-grade credit rating and a detailed Private Placement Memorandum (PPM) ensures rigorous due diligence, reducing informational asymmetry and bolstering investment decisions. Furthermore, aligning the Minimum Acceptable Rate of Return (MARR) with the Weighted Average Cost of Capital (WACC) plus a risk premium demonstrates a disciplined financial strategy that accounts for profitability and risk exposure. The framework also incorporates strong governance safeguards, including mandatory board representation, financial controls, and provisions for equity dilution and liquidation rights, which protect LSEVL's interests and enhance transparency. Additionally, requiring investee companies to transition to public entities fosters regulatory compliance and further reduces risks. However,

the framework could benefit from enhancements, such as sector-specific risk management and post-investment monitoring mechanisms.

**Asset mix**

Asset mix of the Company comprises mainly of long-term investments in associates and other ventures, constituting 87.5% of total assets.

(Rs. in million)	June 30, 2024	%	Sept 30, 2024	%
<b>Investment in Associates</b>	527.6	18.4%	527.6	17.8%
<b>Financial Asset</b>	2,082.0	72.8%	2,068.7	69.7%
<b>Trade &amp; other receivables</b>	154.6	5.4%	201.0	6.8%
<b>Cash and Bank Balances</b>	3.0	0.1%	69.6	2.3%
<b>Total Assets</b>	<b>2,859.6</b>		<b>2,968.1</b>	

Notable investments include that of:

**National Clearing Company of Pakistan Limited (NCCPL)** is a significant institution of Pakistan's Capital Market providing clearing and settlement services to the Pakistan Stock Exchange Limited.

**Central Depository Company of Pakistan Limited (CDC)** is the sole entity handling the electronic (paperless) settlement of transactions carried out at the PSX.

**LSE Financial Services Limited (LSEFSL)** is engaged in investing in margin finance products and other financial instruments. The company holds the license as an investment finance services entity under the non-banking finance companies (NBFC) framework of the country.

**The Pakistan Credit Rating Agency Limited (PACRA)** providing independent assessments of credit risk for entities and instruments across various sectors.

**Digital Custodian Company Limited (DCCL)** is Pakistan's first multi-assets servicing company, providing digitized custody, registry, repository, and trustee services for various financial and real assets. Utilizing blockchain-native capital market infrastructure, DCCL offers integrated corporate registry and smart contract solutions, operating as an unlisted public company under the LSE Enterprises group

**Pakistan Gasport Consortium Limited (PGPC)** – (Preference share) is a wholly owned subsidiary of Pakistan GasPort Limited (PGPL), whose sponsors have vast experience of establishing and operating energy sector projects. PGPC has established the country’s second and the largest LNG terminal at Port Qasim Karachi.

Investments	(%) Holding in Respective Company	Investment Value (Rs in M)	(%) Share in Total Investment value
<b>PACRA</b>	36.00%	52.4	2.0%
<b>LSEFSL</b>	28.03%	126.1	4.8%
<b>NCCPL</b>	23.53%	618.2	23.3%
<b>LSECL</b>	12.35%	339.1	12.8%
<b>CDC</b>	10.00%	744.4	28.1%

DCCL	9.99%	62.4	2.4%
Pakistan Mercantile Exchange Limited (PMEX)	7.25%	43.3	1.6%
International Learning Centre (Private) Limited (Berlitz)	5.00%	0.9	0.0%
Bank of Punjab (BOP)	0.02%	3.8	0.1%
Reckitt Benckiser Pakistan Limited	0.02%	1.8	0.1%
Mughal Energy Limited (GEMMEL)	0.01%	0.2	0.0%
PGPC – Preference share	0.00%	656	24.8%
<b>TOTAL</b>		<b>2,648.6</b>	

### Profitability

LSE Ventures demonstrates a solid revenue base, significantly driven by dividend income. In FY24, the Company generated PKR 285.58 million in revenue, with dividends accounting for 67% of this total, underscoring its reliance on dividend income.

In FY24, despite an operating profit of PKR 158.89 million and a share of profit from associates amounting to PKR 129.13 million, net profitability was somewhat constrained to PKR 187.11 million due to elevated taxation. The profitability trajectory improved in 1QFY25, with revenue doubling year-over-year to PKR 121.18 million, primarily driven by a threefold increase in dividend income. The Company anticipates growth in dividend income from its existing and potential investments by the end of FY25 and beyond, as outlined below:

PKR in million	2021	2022	2023	2024
PACRA	55.00	29.51	16.01	52.19
CDC	33.73	45.75	47.96	51.95
NCCPL	35.12	101.33	45.47	35.31

PKR in million	2025	2026
<b>Existing Investments</b>		
PGPCL	126.26	97.50
NCCPL	76.33	83.97
CDC	70.13	77.14
PACRA	120.00	120.00
LSECL	11.19	22.37
<b>Potential Investments</b>		
Jamshoro Joint Venture Limited	149.37	177.20
Greeno	37.34	44.30
Solar Project	42.89	53.68
MTS/ Others	74.69	88.60
<b>Total Dividend income</b>	<b>708.20</b>	<b>764.76</b>
<b>Profit for the year</b>	<b>409.06</b>	<b>425.49</b>

This growth trend, if sustained, bodes well for the Company's profitability outlook.

**Capital structure**

The existing capital structure of LSEVL, being entirely equity-dominated with zero debt, underscores its conservative financial approach and low financial risk profile. However, the planned introduction of leverage to fund the expansion of the investment portfolio marks a strategic shift. The extent to which this leverage is employed will play a crucial role in determining its impact on the Company's financial risk profile. While moderate leverage could enhance returns and provide growth opportunities, excessive debt could increase financial obligations and risk exposure. Maintaining a balance between equity and debt will be critical to sustaining financial stability. The same remains important from a ratings perspective.

**LSE Ventures Limited**
**Appendix I**

<b>Financial Summary</b>			
<b>Balance Sheet (PKR Millions)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>9MFY25</b>
Long term investment	2,316.13	2,607.13	2,775.21
Cash & Bank Balances	83.90	3.02	52.67
Other Assets	60.07	246.88	311.7
<b>Total Assets</b>	<b>2,460.10</b>	<b>2,857.03</b>	<b>3,139.58</b>
Other Liabilities	262.94	414.87	547.84
<b>Total Liabilities</b>	<b>262.94</b>	<b>414.87</b>	<b>547.84</b>
Paid up Capital	1,795.98	1,795.98	1,795.98
Revenue Reserve	362.78	466.85	503.15
Equity (excl. Revaluation Surplus)	2,197.18	2,442.16	2,591.74

<b>Income Statement (PKR Millions)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>9MFY25</b>
Net Sales	126.60	285.58	365.23
Gross Profit	126.60	285.58	365.23
Operating Profit	238.29	296.98	313.75
Finance Costs	0.00	6.81	2.84
Profit Before Tax	238.29	290.17	310.91
Profit After Tax	221.88	187.10	215.90

<b>Ratio Analysis</b>	<b>FY23A</b>	<b>FY24A</b>	<b>9MFY25</b>
Gross Margin (%)	100.00%	100.00%	100.00%
Operating Margin (%)	188.22%	103.99%	85.90%
Net Margin (%)	175.26%	65.52%	59.11%
Funds from Operation (FFO) (PKR Millions)	-25.55	140.61	187.29
Gearing (x)	0.00	0.00	0.00
Leverage (x)	0.12	0.17	0.21
Debt Servicing Coverage Ratio* (x)	NA	21.41	67.35
Current Ratio (x)	1.36	1.71	1.76
Return on Average Assets* (%)	9.02%	7.04%	9.60%
Return on Average Equity* (%)	10.10%	8.07%	11.44%
Cash Conversion Cycle (days)	0.00	0.00	0.00

\*Annualized, if required

A - Actual Accounts

<b>REGULATORY DISCLOSURE</b>		<b>Appendix II</b>			
<b>Name of Rated Entity</b>	LSE Ventures Limited				
<b>Sector</b>	Miscellaneous				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity				
<b>Rating History</b>	<b>RATING TYPE: ENTITY</b>				
	<b>Rating Date</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Outlook/Rating Watch</b>	<b>Rating Action</b>
	May 14, 2025	A+	A1	Stable	Initial
	<b>RATING TYPE: SUKUK</b>				
	<b>Rating Date</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Outlook/Rating Watch</b>	<b>Rating Action</b>
	May 14, 2025	AA- (plim)		Stable	Preliminary
<b>Instrument Structure</b>	<p>Redeemable and Convertible Sukuk amounting to PKR 2.0 billion to invest in the revival of Jamshoro Joint Venture Limited (JJVL). The Sukuk will be offered to LSEVL’s existing shareholders through a one-to-one rights swap. The Sukuk will have a tenor of up to four years, including a one-year grace period. After the grace period, the principal amount will be repaid in equal installments every six months over the remaining term. Sukuk holders will have the option to convert their holdings into ordinary shares of LSEVL at a conversion price of PKR 30 per share after 12 months from the issue date. The Sukuk will be secured through a ranking charge, which will be upgraded to pari-passu status within 180 days, on JJVL’s assets, including land, buildings, and plant &amp; machinery for PKR 2.0 billion, with a margin of 25%. Additionally, the security includes a pledge of JJVL shares by its sponsors. A Facility Payment Account (FPA) is to be established, holding an amount equal to one upcoming installment amount for the tenor of the Sukuk on a rolling basis. An amount equivalent to one-sixth of each forthcoming installment—comprising only the rental/profit amount during the first year and both the principal and profit/rental amount thereafter—will be transferred from the Collection Account (maintained separately by JJVL) to the FPA. The management of this account will be undertaken by the designated Escrow Agent.</p>				
<b>Statement by the Rating Team</b>	<p>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 management quality only and is not a recommendation to buy or sell any securities.</p>				
<b>Probability of Default</b>	<p>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.</p>				
<b>Disclaimer</b>	<p>Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and</p>				

diversified creditor profile. Copyright 2025 VIS Credit Rating Company Limited.  
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<b>Due Diligence Meetings Conducted</b>	<b>Name</b>	<b>Designation</b>	<b>Date</b>
	<b>Mr. Aftab Ahmad Ch.</b>	CEO	November 29, 2024
	<b>Mr. Muhammad Usman</b>	CFO	