

BROKER MANAGEMENT RATING REPORT

BMA Capital Management Limited

REPORT DATE:

21 May, 2021

RATING ANALYSTS:

Muhammad Tabish
muhammad.tabish@vis.com.pk

Batool Zaidi
batool.zaidi@vis.com.pk

APPLICABLE

METHODOLOGY:

Broker Management Ratings
2020: <https://s3-us-west-2.amazonaws.com/backupsqvis/docs>

Rating Category	Latest Rating
Broker Management Rating	BMR2+
Rating Rationale	The rating signifies strong client relationship management and compliance levels, sound internal and external controls, HR & IT services while regulatory framework and financial management are considered adequate.
Rating Date	21 May, 2021

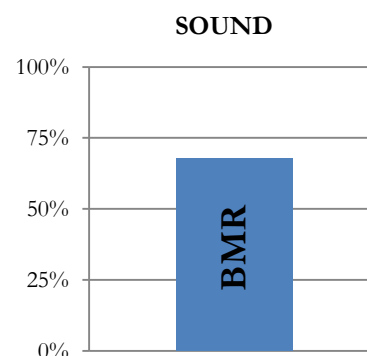
COMPANY INFORMATION

Incorporated in 1992	External auditors: RSM Avais Hyder Liaquat Nauman Chartered Accountants
Public limited Company	Chairman of the Board: Mr. Moazzam M. Malik
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Moazzam M. Malik
<i>Ganjbaksh Mauritius Limited ~ 49%</i>	
<i>Mr. Moazzam Mazhar Malik ~ 29%</i>	
<i>Mr. Muddassar Mazhar Malik ~ 14%</i>	
<i>Ms. Shehla Mazhar ~ 8%</i>	

Corporate Profile

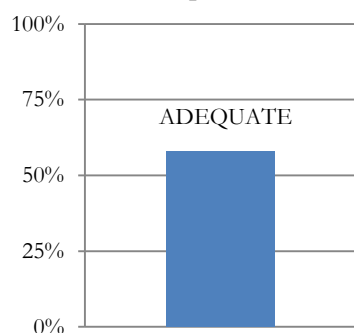
Operating in the broking business for over 25 years, BMA Capital Management Limited (BMA) is primarily engaged in provision of equity brokerage services with presence in money market, commodity and forex segments. The company caters to domestic retail and high net worth (HNWI) clients, local institutions and foreign broker dealers. Alongside, it also provides corporate advisory services. BMA's operations run through its head office in Karachi along with a network of 16 branches spread nationwide.

The company holds a Trading Right Entitlement (TRE) certificate issued by the Pakistan Stock Exchange Limited (PSX) since 1992. External auditors of the company are RSM Avais Hyder Liaquat Nauman Chartered Accountants. Auditors are on the approved list of auditors published by the State Bank of Pakistan (SBP).



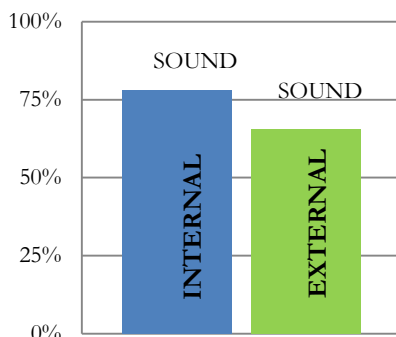
Rating Factors Scores

Regulatory Requirements & Supervision



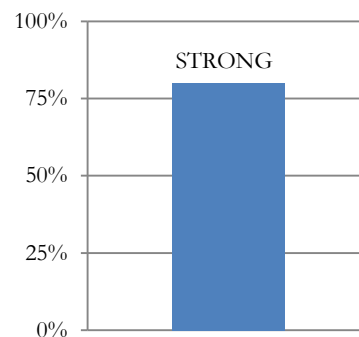
- General improvement in the market trading volumes has led to improvement in net capital balance.
- Room for improvement exists in board size, formation of a risk management committee is recommended to align regulatory framework with best international practices.

Internal & External Control Framework



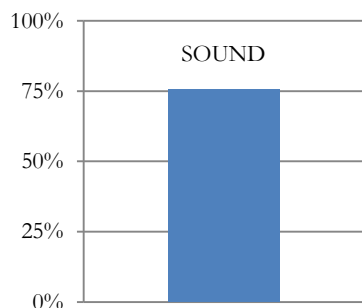
- Inclusion of director’s report in the annual accounts along with statement of compliance with code would enhance disclosure levels.
- Improvement in frequency of reviewing internal control system and compliance has been noted.

Client Relationship & Fairplay



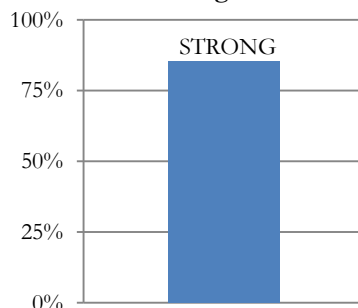
- Including daily market and equity research reports on website would enhance client services.

HR & Infrastructure



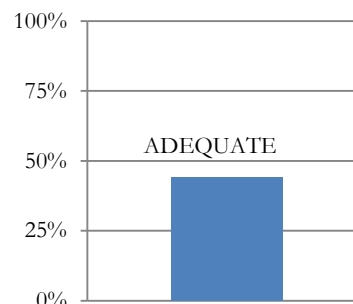
- Fully integrated ERP platform present.
- Frequency of practicing disaster recovery exercises and reviewing internal policies and manuals may be increased.

Compliance & Risk Management



- Increase in total trade value generated through Institutional Delivery System (IDS) has been noted.
- Internal audit and compliance departments are placed independently.

Financial Management



- BMA’s branch network has been increased to 16 from 11. During the year, total number of clients grew by 50%. Despite increase in overall industry trading volumes, BMA was able to sustain its market share with slight improvement.
- Profitability profile has witnessed significant improvement during FY20.
- Efficiency ratio has declined though remaining on the higher side.
- Utilization of running finance remained on the higher side which has surpassed prior year’s level, leverage stood at 2.7x (FY19 1.9x)

MANAGEMENT QUALITY SCALE & DEFINITIONS

Appendix I

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: BROKER MANAGEMENT RATING

BMR1A

Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.

BMR1++, BMR1+, BMR1

Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.

BMR2++, BMR2+, BMR2

Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.

BMR3++, BMR3+, BMR3

Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.

BMR4++, BMR4+, BMR4

Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.

BMR5

Weak regulatory compliance and business practices

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.vis.com.pk/images/criteria_outlook.pdf

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	BMA Capital Management Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BMR			
	5/21/2021	BMR2+	Stable	Reaffirmed
	3/27/2020	BMR2+	Stable	Reaffirmed
	1/07/2019	BMR2+	Stable	Reaffirmed
	12/08/2017	BMR2+	Stable	Initial
Instrument Structure	N/A			
Statement by the Rating Team	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	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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