

BROKER MANAGEMENT RATING REPORT

Next Capital Limited

REPORT DATE:

April 8, 2020

RATING ANALYSTS:

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APPLICABLE

METHDOLOGY:

Broker Management Ratings 2017:

<http://vis.com.pk/docs/BMR201701.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR2++
Rating Rationale	The rating signifies strong external control environment and risk management while regulatory compliance levels, internal control framework, HR & IT services, client relationship and financial management are considered sound
Rating Date	8 April 2020

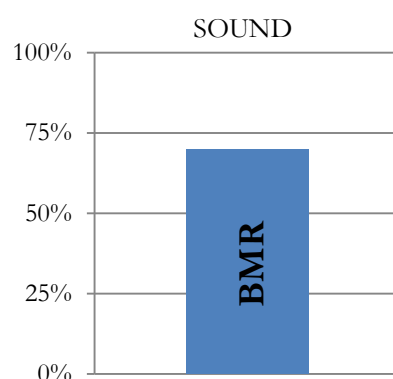
COMPANY INFORMATION

Incorporated in 2009	External auditors: M/s KPMG Taseer Hadi & Co. – Chartered Accountants
Public listed Company	Chairman of the Board: Lt. Gen. Tariq Waseem Ghazi (Retd.)
Shareholders with stake 10% or more (As of March 31, 2020):	Chief Executive Officer: Mr. Muhammad Najam Ali
<i>Mr. Mubammad Najam Ali ~ 27.49%</i>	
<i>Adnan Afridi ~ 10.59%</i>	

Corporate Profile

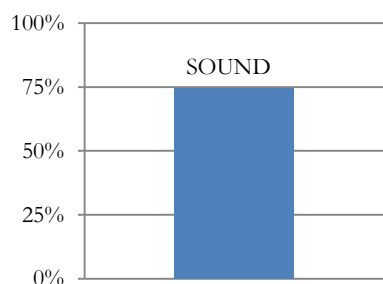
Incorporated in Dec'2009, Next Capital Limited (NCL) has completed a decade in the business of brokerage and advisory services. NCL caters primarily to equity broking services to domestic retail and high net worth (HNWI) clients, local institutions and foreign broker dealers along with limited presence in money market segment. Alongside, the company has a reputable market share in investment banking & corporate financial advisory business in Pakistan. NCL, besides a head office based in Karachi, runs its retail operations through a branch in Lahore.

The company is a member of Pakistan Mercantile Exchange Limited and holds a Trading Right Entitlement (TRE) certificate issued by the Pakistan Stock Exchange Limited (PSX). External auditors of the company are KPMG Taseer Hadi & Co. – Chartered Accountants and belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



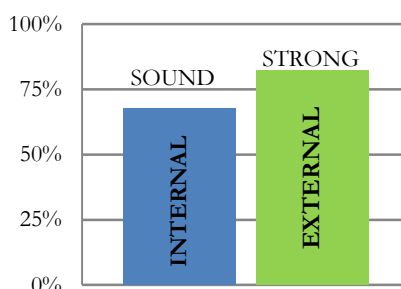
Rating Factors Scores

Regulatory Requirements & Supervision



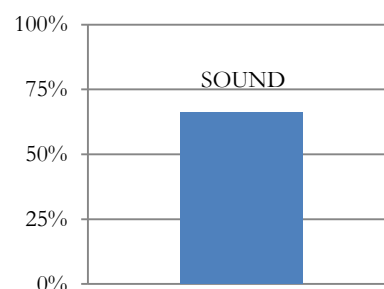
- Board size depicts strong corporate governance levels.
- 1/3rd of board size being represented by independent directors bodes well with best practices.
- Formation of risk management committee during 2018 has been noted positively.

Internal & External Control Framework



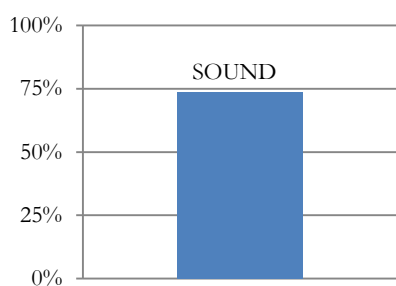
- Order recording system may be reviewed by internal audit on a monthly or quarterly basis.
- Holding period needs to be extended in employee trading guidelines and blackout period may also be mentioned.
- CEO's statement stating that 'no transaction entered during the year was fraudulent, illegal or in violation of market laws' may be added in annual account

Client Relationship & Fairplay



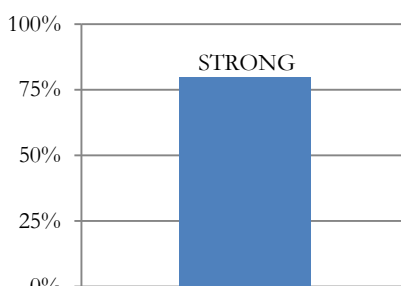
- Integrity of execution of trade is considered to be sound.
- Process for customer grievances, though in place, may be improved upon by adding a complaint section on website's header with greater visibility and complaint service via text messages.

HR & Infrastructure



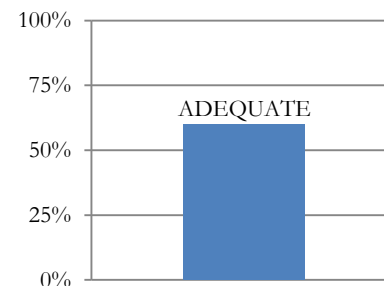
- The organizational structure is well defined with seasoned management team in place.
- Off-site backup is under own control, data storage at a third party warehouse is recommended.
- Frequency of reviewing internal IT manuals and policies may be enhanced.

Compliance & Risk Management



- Compliance and Internal Audit are functioning independently.
- Trade review procedures are in place and are reviewed on a monthly basis.

Financial Management



- Financial performance has witnessed improvement in the ongoing year HFY20; sustainability of the same will be observed overtime.
- Given limited proprietary investments, exposure to market risk is considered on lower side which is in line with best international practices.

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	Next Capital 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			
	04/08/2020	BMR2++	Stable	Reaffirmed
	02/26/2019	BMR2++	Stable	Reaffirmed
	02/23/2018	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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