

BROKER MANAGEMENT RATING REPORT

Next Capital Limited

REPORT DATE:

March 24, 2021

RATING ANALYSTS:

Muhammad Tabish

mubammad.tabish@vis.com.pk

Batool Zaidi

batool.zaidi@vis.com.pk

APPLICABLE

METHDOLOGY:

Broker Management Ratings 2020:

[https://s3-us-west-](https://s3-us-west-2.amazonaws.com/backupsqvis/docs/BMR202007.pdf)

[2.amazonaws.com/backupsqvis/docs/BMR202](https://s3-us-west-2.amazonaws.com/backupsqvis/docs/BMR202007.pdf)

[007.pdf](https://s3-us-west-2.amazonaws.com/backupsqvis/docs/BMR202007.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 and financial management are considered sound.
Rating Date	24 March, 2021

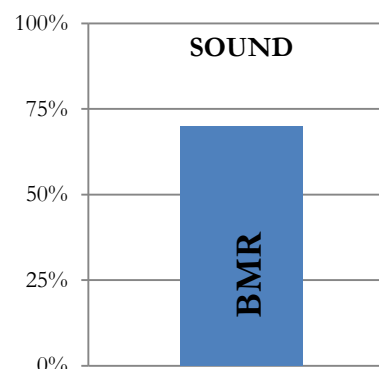
COMPANY INFORMATION

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 December, 2020):	Chief Executive Officer: Mr. Muhammad Najam Ali
<i>Mr. Muhammad Najam Ali ~ 27.49%</i>	

Corporate Profile

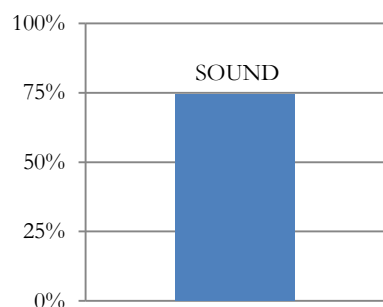
Incorporated in Dec'2009, Next Capital Limited (NCL) has completed a decade in the business of brokerage and advisory services. NCL caters primarily to equity broking services to domestic retail and high net worth (HNWI) clients, local institutions and foreign broker dealers. Alongside, the company has a reputable presence 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).



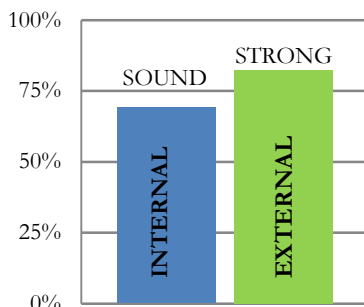
Rating Factors Scores

Regulatory Requirements & Supervision



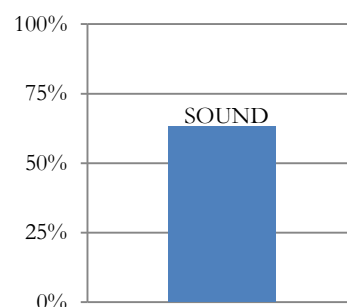
- Board size depicts strong corporate governance levels, however; formation of risk management committee would bode well with best governance practices.
- Owing to the general recovery in stock market, improvement in net capital balance has been noted.

Internal & External Control Framework



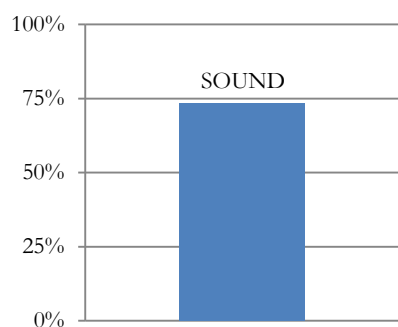
- Weekly reporting of personal trades to compliance officer has been noted.
- Guidelines for trading in blackout periods need to be added to the Employee Trading Policy (ETP).
- Including CEO's statement for fraudulent and illegal transactions to the annual financial statements would add to the disclosure and compliance requirements.

Client Relationship & Fairplay



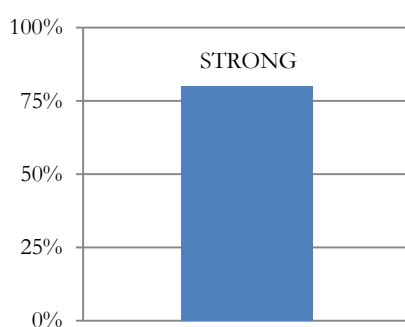
- Customer grievance procedures may be improved by sending complaints through sms texts acknowledged with number.

HR & Infrastructure



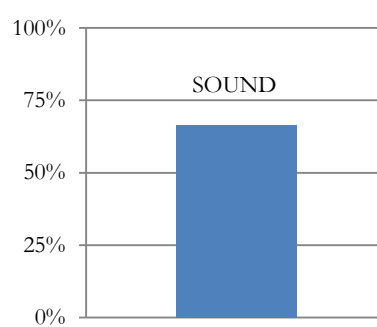
- Fully integrated ERP platform is present and the organizational structure is well defined.
- Frequently reviewing disaster recovery procedures would enhance business continuity framework.

Compliance & Risk Management



- The company's risk and internal audit affairs are managed by the same department and need to be separate. However; the compliance department is functioning separately.
- It is noted that the company keeps low period-end balances for propriety trading.

Financial Management



- In the backdrop of the surge in stock market activity, profitability profile witnessed improvement by two-fold at HY21 on account of higher brokerage revenue.
- Efficiency ratio has declined on a timeline basis primarily due to higher recurring revenue during FY20 and the ongoing fiscal year.

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.

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.

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.

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.

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.

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			
	03/24/2021	BMR2++	Stable	Reaffirmed
	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	<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 credit quality only and is not a recommendation to buy or sell any securities.</p>			
Probability of Default	<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>			
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