

## BROKER MANAGEMENT RATING REPORT

### Pearl Securities Limited

**REPORT DATE:**

October 24, 2019

**RATING ANALYSTS:**

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**APPLICABLE**

**METHODOLOGY:**

Broker Management Ratings 2017:

<http://vis.com.pk/docs/BMR201>

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2</b>
<b>Rating Rationale</b>	The rating signifies sound internal and external control framework, risk management, client relationship and HR & IT services while regulatory compliance levels and financial management are adequate.
<b>Rating Date</b>	22 October 2019

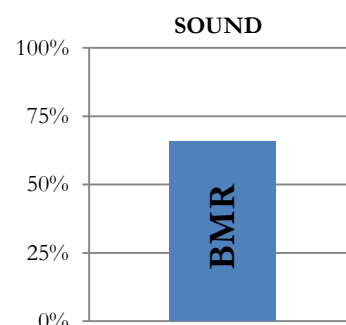
### COMPANY INFORMATION

<b>Incorporated in 2000</b>	<b>External auditors:</b> M/s Muniff Ziauddin & Co. Chartered Accountants
<b>Public limited Company</b>	<b>Chairman of the Board:</b> Syed Alamgir Shah
<b>Key Shareholders (with stake 5% or more):</b>	<b>Chief Executive Officer:</b> Ms. Farah Zubair
- General Provident and Investment Fund of Khyber Pakhtunkhwa – 39.3%	
- Mrs. Fatima Usman – 30.7%	
- Ms. Alia Dhedhi – 6.7%	
- Mr. Amir Nazeer Dhedhi – 6.7%	
- Mr. Muhammad Arfeen Dhedhi – 6.7%	
- Mrs. Naik Parveen – 6.7%	

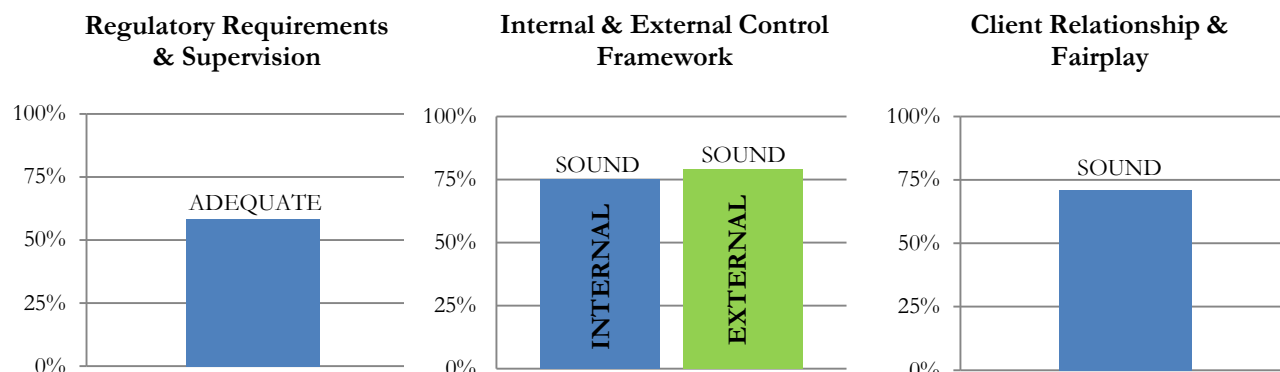
### Corporate Profile

Incorporated in 2000, Pearl Securities Limited (PSL) is engaged in provision of equity, commodities, money market & interbank foreign exchange brokerage, along with financial consultancy and underwriting services. Presently, the company operates through its head office based in Karachi and six branches in the provinces of Sindh, Punjab and KP.

The Company is a Trading Right Entitlement Certificate (TREC) holder of PSX and a member of Pakistan Mercantile Exchange Limited (PMEX). Majority shareholding of the company is vested with Government of Khyber Pakhtunkhwa-GPI Fund and Ms. Fatima Usman. External auditors of the company are M/s Muniff Ziauddin & Co. Chartered Accountants. Auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP).



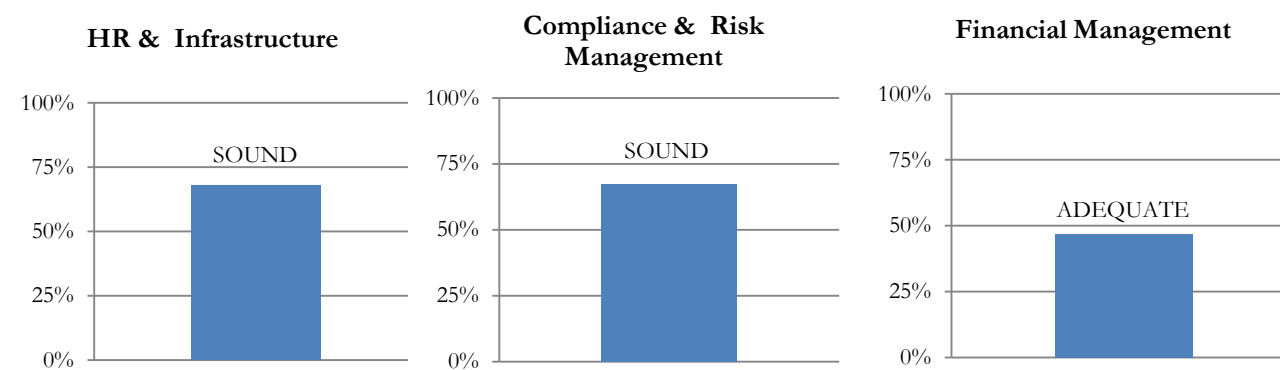
**Rating Factors Scores**



- Chairing of Board Audit Committee (BAC) by an independent director and constitution of board level Risk Management Committee may be considered to strengthen the board level governance.
- Net capital balance has witnessed a downward trend.

- The ‘conflict of interest’ policy may be shared with both staff and customers.
- Minimum holding period and blackout period may be specified in employee trading guidelines.
- Directors’ Report, CEO statement and Statement of Compliance with Code may be made part of annual reports.

- Adding a specific complaint header on website’s homepage along with sms text complaint service would add to customer services.



- Organizational structure commensurate with the size of business operations.
- Maintenance of third party offsite records and more frequent DR exercises would reduce risk in DR function.

- Separate department heads for Internal Audit and Compliance function would be considered in line with best practices.
- Greater proportion of IDS clients would have a positive impact on operational risk management.

- Strong reliance on retail brokerage in depressed market volumes exerted pressure on profitability.
- Twin effect on reducing cost and increasing income is needed to reduce cost-income ratio to support profitability.
- Going forward, management aims to increase its share of advisory income to reduced reliance on brokerage commission.

## 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](http://www.vis.com.pk/images/criteria_outlook.pdf)

<b>REGULATORY DISCLOSURES</b>		<b>Appendix II</b>		
<b>Name of Rated Entity</b>	Pearl Securities Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Management Rating (BMR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: BMR</b>			
	10/22/2019	BMR2	Stable	Initial
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	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.			
<b>Probability of Default</b>	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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