

## BROKER MANAGEMENT RATING REPORT

### Pearl Securities Limited

**REPORT DATE:**

April 5, 2021

**RATING ANALYSTS:**

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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>	5 April, 2021

**APPLICABLE METHDOLOGY:**

Broker Management Ratings 2020: <https://s3-us-west-2.amazonaws.com/backupsqvis/docs/BMR202007.pdf>

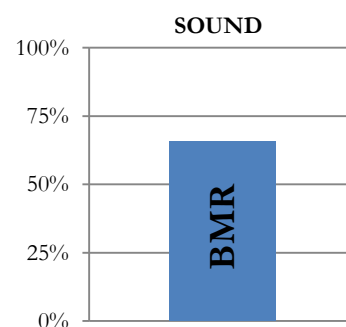
#### COMPANY INFORMATION

<b>Incorporated in 2000</b>	<b>External auditors:</b> M/s Crowe Hussain Chaudhry & 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%	

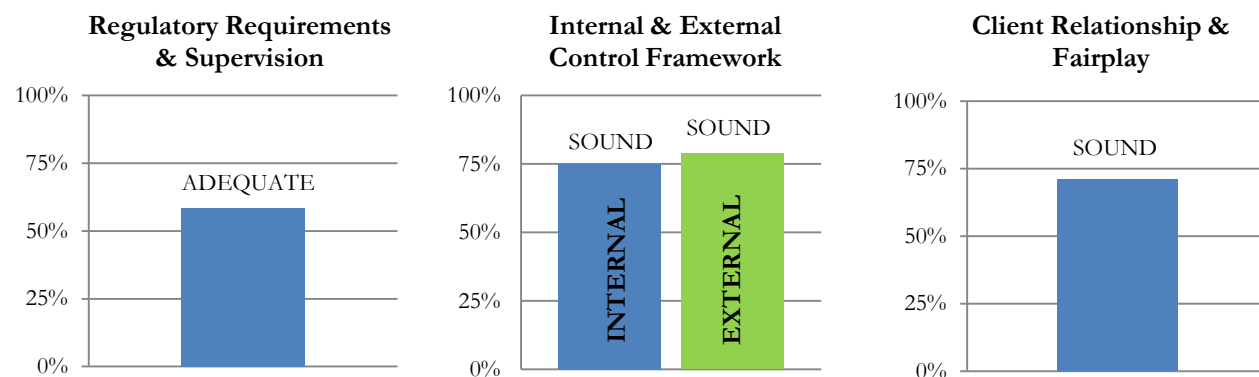
#### Corporate Profile

Incorporated in 2000, Pearl Securities Limited (PSL) is engaged in provision of equity, commodities, money market & interbank foreign exchange brokerage 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 Crowe Hussain Chaudhry & 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**



- Room for improvement exists in board size to avoid repetition of common committee members.
- Owing to the general recovery in trading volumes, net capital balance has witnessed improvement.

- Daily reporting of personal trades to compliance officer has been noted.
- Employee trading policy may be further enhanced by adding guidelines for trading in blackout periods.
- Directors' Report, CEO statement and Statement of Compliance with Code may be made part of annual reports.

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



- Organizational structure is well defined.
- Adequacy of internal control environment is sound.
- Frequently practicing disaster recovery measures would enhance business continuity framework.

- Availability of compliance framework for research advisors and analysts would strengthen compliance management.

- Improvement in core brokerage income has positively impacted profitability during HFY21.
- Gearing and leverage indicators have improved on account of improvement in equity base, though still remaining on the higher side.
- Discontinuation of underwriting and consultancy license has been noted. Going forward, diversification in revenue streams would lower operational risk of the company.

## MANAGEMENT QUALITY SCALE &amp; DEFINITIONS

## Appendix I

## VIS Credit Rating Company Limited

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### 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

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**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)

REGULATORY DISCLOSURES		Appendix II			
<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><u>RATING TYPE: BMR</u></b>				
	4/5/2021	BMR2	Stable	Reaffirmed	
	10/17/2019	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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