

BROKER MANAGEMENT RATING REPORT

Pearl Securities Limited

REPORT DATE:

September 13, 2022

RATING ANALYST:

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Rating Category	Latest Rating
Brokerage Management Rating	BMR2
Rating Rationale	The rating signifies sound supervision framework, internal and external control environment, client relationship, compliance and risk management and HR, IT frameworks while regulatory requirement and financial management are adequate.
Rating Date	September 13, 2022

APPLICABLE METHODOLOGY:

 Broker Management Rating 2020: <https://docs.vis.com.pk/docs/BMR202007.pdf>

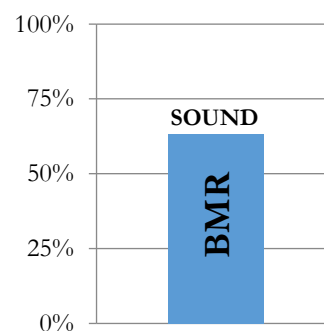
COMPANY INFORMATION

Incorporated in 2000	External auditors: M/s Crowe Hussain Chaudhry & Co. Chartered Accountants
Public limited Company	Chairman of the Board: Syed Alamgir Shah
Key Shareholders (with stake 5% or more):	Chief Executive Officer: 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

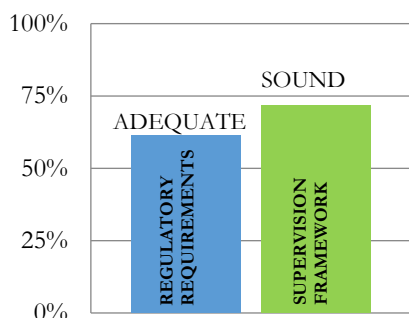
Incorporated in 2000, Pearl Securities Limited (PSL) is engaged in provision of equity, commodities, money market & interbank foreign exchange brokerage services. Presently, the Company operates through its head office based in Karachi and six branches in the provinces of Sindh, Punjab and KP.

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).



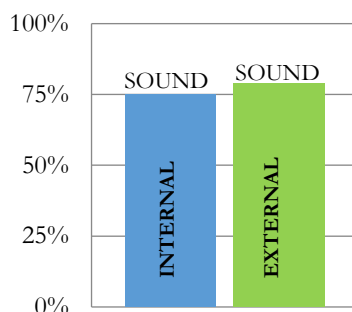
Rating Score Factors

Regulatory Requirements and Supervision Framework



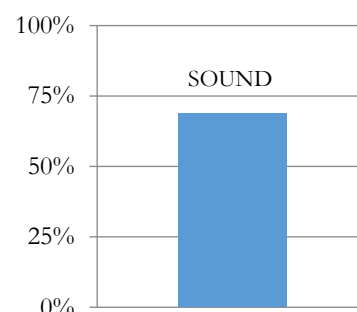
- While the Company at present, has three board level committees, Audit, Investment and HR, the committees' composition is constrained with only two members with no independent representation. Inclusion of other board members in committees will enhance the supervisory framework.
- Inclusion of certified members on the board may also be considered
- Decline in net capital balance over time constrains trading capacity of the Company.

Internal & External Control Framework



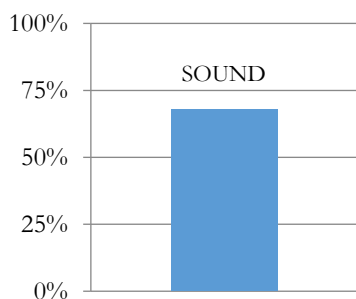
- Overall internal and external control remain sound, however, scope of internal policies may be enhanced further.
- In addition, sharing of reports with all stakeholders may further strengthen the internal control framework.
- Similarly, external disclosure levels may be enhanced through including director's report, CEO statement, and statement of compliance with code to the annual financial statements

Client Relationship & Fairplay



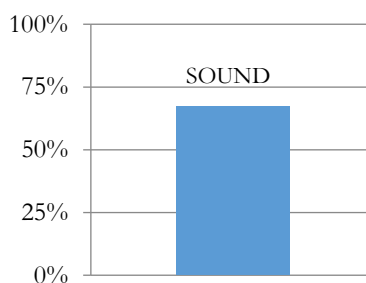
- Client relationship and fair play is sound, periodic reporting to customers is done on daily basis.
- Customer facilitation tools are well in place with availability of web based and mobile trading, prompt trading alerts and research reports for clients. However, customer grievance procedures may be improved through availability of tracking based complaint mechanism.

HR & Infrastructure



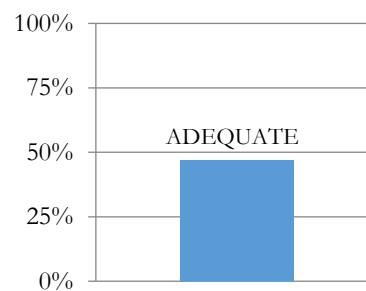
- Organizational structure is well defined.
- Complete integration of Enterprise Resource System (ERP) may further strengthen operational infrastructure.

Compliance & Risk Management



- Addition of risk department may strengthen its risk management.
- Compliance framework for research advisors and analysts is important for strengthening compliance management.

Financial Management



- Market risk remains elevated with short-term investments to equity at 2.38x as at Dec 31, 2021. Rationalization of the same remains important for rating.
- With subdued market activity in the recent half year end, we expect pressure on profitability metrics to remain high.
- Similarly, improvement in cost to income ratio will also be critical for maintenance of profitability profile.
- Liquidity as at Dec 31, 2021 remains adequate. Capitalization indicators depict notable increase at the end of Dec 31, 2021. Going forward, rationalization of the same in line with the assigned rating will be key.

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	Pearl Securities 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			
	13/8/22	BMR2	Stable	Reaffirmed
	4/5/2021	BMR2	Stable	Reaffirmed
	10/17/2019	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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