

## BROKER MANAGEMENT RATING REPORT

### Intermarket Securities Limited

**REPORT DATE:**

7 April, 2021

**RATING ANALYSTS:**

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**APPLICABLE**

**METHDODOLOGY:**

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

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2+</b>
<b>Rating Rationale</b>	The rating signifies sound regulatory compliance levels and financial management, internal and external control environment is robust, compliance and risk management frameworks are effective; HR, IT and customer service are sufficiently proactive.
<b>Rating Date</b>	7 April, 2021

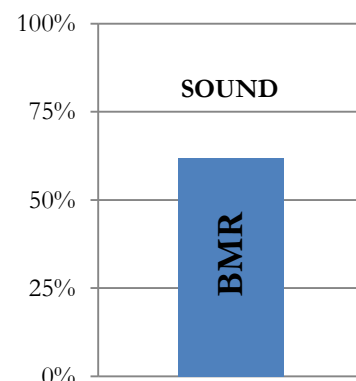
### COMPANY INFORMATION

<b>Incorporated on</b> September 2002	<b>External auditors:</b> Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants
<b>Public Un-Listed Company</b>	<b>Chairman of the Board:</b> Mr. Azneem Bilwani
<b>Key Shareholders (with stake 5% or more):</b> <i>Azneem Bilwani ~ 99.99%</i>	<b>Chief Executive Officer:</b> Mr. Wajid Hussain

### Corporate Profile

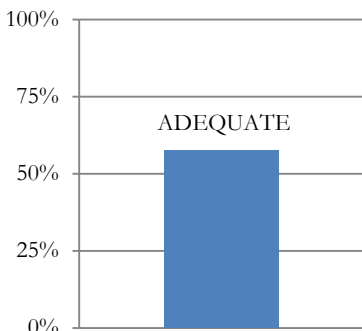
Intermarket Securities Limited (IMSL) operates under the umbrella Intermarket Group (IMG), a business conglomerate with stakes in wide range of sectors across Pakistan, including construction, information technology and external trade and financial services. IMSL primarily provides brokerage services for domestic and international retail and institutional clients. IMSL operates as the financial, equity research and corporate advisory arm of IMG.

IMS is registered with Securities & Exchange Commission of Pakistan and holds Trading Rights Entitlement Certificate (TREC) issued by Pakistan Stock Exchange Limited (PSX). External auditors of the company are Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants. Auditors are on the approved list of auditors published by the State Bank of Pakistan (SBP).



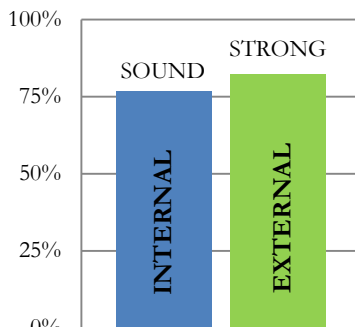
**Rating Factors Scores**

**Regulatory Requirements & Supervision**



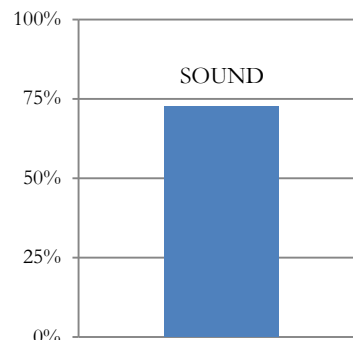
- Room for improvement exists in board size. Additionally it would facilitate the formation of a risk management committee.
- General recovery in the stock market has led to an improvement in the net capital balance.

**Internal & External Control Framework**



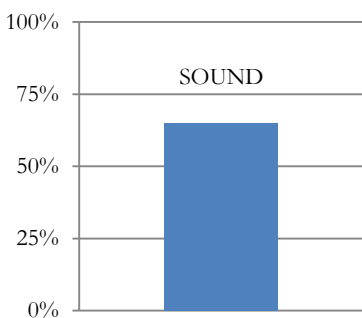
- Employee Trading Policy (ETP) may prescribe timely reporting to the compliance officer.
- Including statement of compliance with code and CEO's separate statement for no violating or illegal transactions done would add to the external control framework.

**Client Relationship & Fairplay**



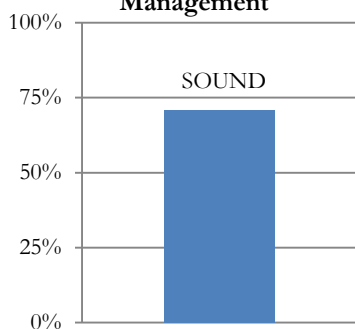
- Trade procedures are in place.
- Disclosing commission rates on the website may be continued for better client services.

**HR & Infrastructure**



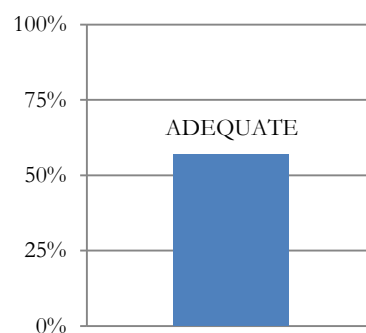
- Full integration of the ERP platform has been noted.
- Maintaining off-site back up records with third party and practicing disaster recovery exercises frequently would strengthen the business continuity framework.

**Compliance & Risk Management**



- Internal audit is outsourced and separate from compliance and risk management department.

**Financial Management**



- Owing to the jump in industry trading volumes, profitability profile has witnessed improvement. During 1QFY21, IMS posted a PAT of 63.7m (FY20 19.9m)
- Efficiency ratio has declined which augers well for the company.
- Overall capital structure is supported by low levels of leverage and gearing.

## 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)

<b>REGULATORY DISCLOSURES</b>		<b>Appendix II</b>		
<b>Name of Rated Entity</b>	Intermarket 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>			
	4/7/2021	BMR2+	Stable	Upgrade
	3/5/2020	BMR2	Stable	Reaffirmed
	12/14/2018	BMR2	Stable	Reaffirmed
	10/6/2017	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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