

## BROKER MANAGEMENT RATING REPORT

### Intermarket Securities Limited

**REPORT DATE:**

November 06, 2023

**RATING ANALYSTS:**

 Shaheryar Khan Mangan  
[shaheryar@vis.com.pk](mailto:shaheryar@vis.com.pk)
**APPLICABLE**
**METHODOLOGY:**

 Broker Management Ratings  
 2020:

<https://docs.vis.com.pk/docs/BMR202007.pdf>
**APPLICABLE RATING SCALE(S):**

 VIS Issue/Issuer Rating Scale: <https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2+</b>
<b>Rating Rationale</b>	The rating signifies adequate regulatory compliance levels and financial management, sound internal controls, compliance and risk management framework, HR, IT and client management while external control environment is considered strong.
<b>Rating Date</b>	November 06, 2023

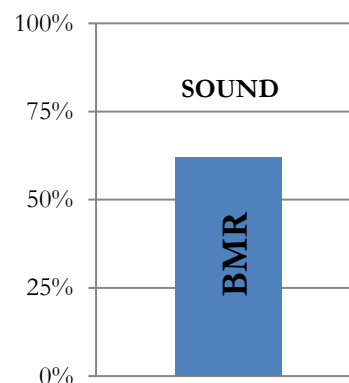
#### COMPANY INFORMATION

<b>Incorporated on</b> September 2002	<b>External auditors:</b> Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants
<b>Public Un-Listed Company</b>	<b>Chairperson of the Board:</b> Mrs. Erum Bilwani
<b>Key Shareholders (with stake 5% or more):</b>	<b>Chief Executive Officer:</b> Mr. Wajid Hussain
<i>Mrs. Erum Bilwani ~ 51%</i>	
<i>Mr. Muhammad Uraib Azneem Bilwani ~ 49%</i>	

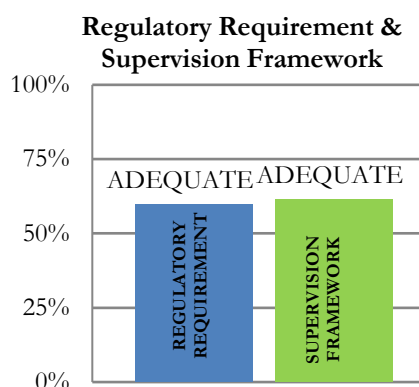
#### Corporate Profile

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.

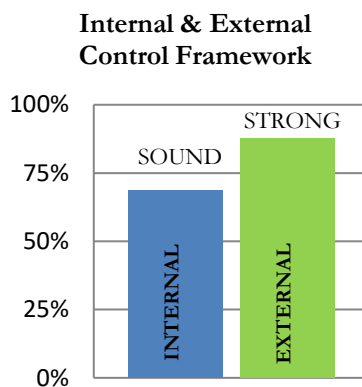
IMS is registered with Securities & Exchange Commission of Pakistan and holds Trading Rights Entitlement Certificate (TREC) issued by Pakistan Stock Exchange Limited (PSX). External auditors of the company are Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants. Auditors are on the approved list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



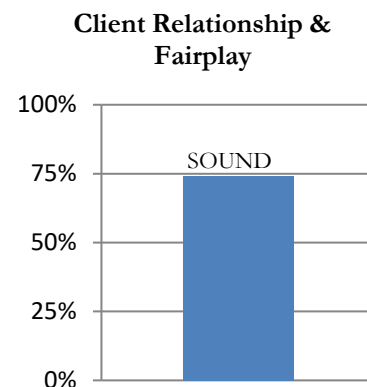
**Rating Factors Scores**



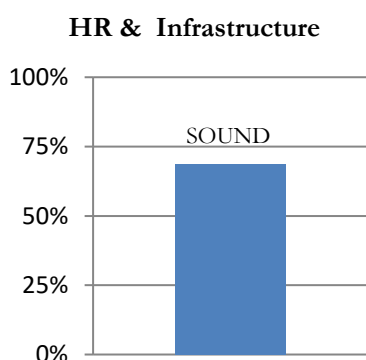
- Recent inclusion of independent director on the board has been noted. Current board size represents 5 members out of which two are independent. However, further inclusion of certified members may be considered to further strengthen overall governance framework.
- Moreover, board committees headed by independent directors may ensure transparency in the governance.



- Internal policies and procedures are defined and are in place. However, the scope of the same along with dissemination of policies to all stakeholders may be considered.
- Disclosure levels in the financial statements are considered sound on the back of availability of director's report, auditor's report, statement of compliance with code as well as the CEO's statement.



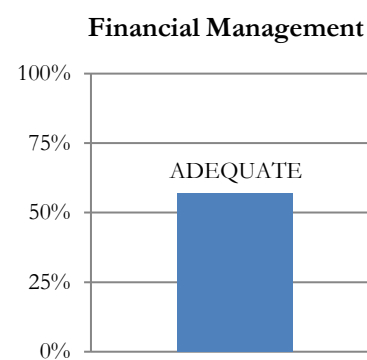
- Client servicing procedures are considered sound. Nevertheless, further room for improvement exists wherein availability of research reports coupled with disclosure of commission rates on website may be considered
- Similarly, investor grievance management tools may be more pronounced through greater visibility on the Company's website.



- Overall HR and infrastructure of the Company is considered sound. Organizational structure is aligned with the size of the Company's operations.
- Disaster recovery (DR) practices are conducted only once in a year while the data backup is under own control. Nonetheless, the same may be improved by increasing the frequency of the disaster recovery practices along with setting up a backup data at a third party warehouse.



- The Company follows a conservative risk management strategy wherein no credit limits are extended to the retail as well as institutional customers.
- IDS Clients account for up to 50% of the value traded, thereby limiting the credit risk.



- The Company's brokerage revenue has witnessed decline amid challenging macroeconomic environment. Consequently, profitability of the Company was also adversely impacted, sustainin losses.
- Company's cost-to-income ratio has deteriorated with efficiency standing at 96.7% in FY23 (FY22: 91.3%, FY21: 66.4%).
- Company's Liquidity profile has also deteriorated with liquid assets providing 0.94x coverage to tot liabilities at end Jun'23 (Jun'22: 1.29x, Jun'21: 1.36x).
- Gearing and Leverage ratios of the Company hav increased due to a rise in short-term borrowing: reaching 0.53x and 1.06x respectively in FY2 (FY22: 0.16x and 0.41x respectively). Meanwhil the Company's equity has depicted a reduction du to the losses incurred.
- Market risk is considered to be on the lower sid given short term investment to equity reported a 28.75% in FY22 and 26.94% in FY23.
- Going forward, enhancing the stream of revenue: while managing costs together with keepin capitalization indicators in check will remai important for rating, going forward.

<b>REGULATORY DISCLOSURES</b>		<b>Appendix I</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>RATING TYPE: BMR</b>			
	11/06/2023	BMR2+	Stable	Reaffirmed
	06/22/2022	BMR2+	Stable	Reaffirmed
	04/07/2021	BMR2+	Stable	Upgrade
	03/05/2020	BMR2	Stable	Reaffirmed
	12/14/2018	BMR2	Stable	Reaffirmed
10/06/2017	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>	N/A			
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