

BROKER FIDUCIARY RATING REPORT

Intermarket Securities Limited

REPORT DATE:

July 04, 2023

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR3+
Rating Rationale	The rating signifies adequate governance and financial sustainability while client services and internal controls are considered sound.
Rating Date	July 04, 2023

COMPANY INFORMATION

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

APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings 2021
<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

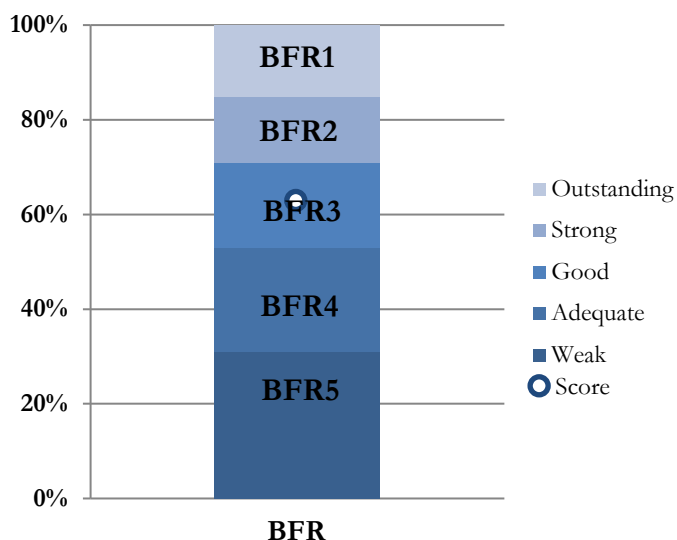
APPLICABLE RATING SCALE(S)

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

Intermarket Securities Limited

CORPORATE PROFILE OVERALL GRADING

Intermarket Securities Limited (IMSL) operates under the umbrella of 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)

Business and Financial Sustainability Indicators

	H'FY23*	FY22	FY21
Size of Net Worth (Rs. In Millions)	762	850	1,058
Gearing x (total interest bearing debt/ total equity)	0.3x	0.16x	0.0x
Leverage x (total liabilities/ total equity)	0.58x	0.41x	0.58x
Liquid Assets/ Total Liabilities (x)	0.71x	1.29x	1.36x
Short term Investments/ Total Equity (%)	18%	29%	5%

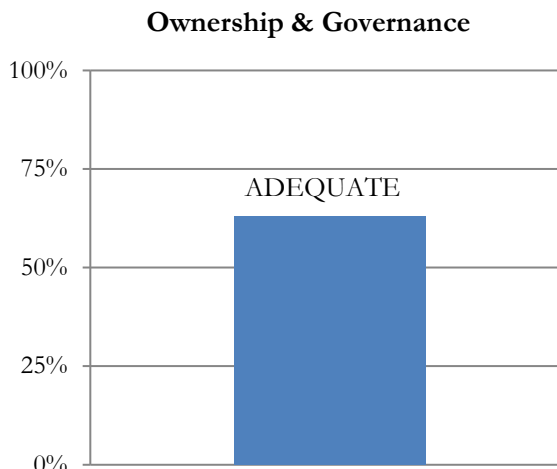
**Unaudited Accounts*

Intermarket Securities Limited

Rating Indicators

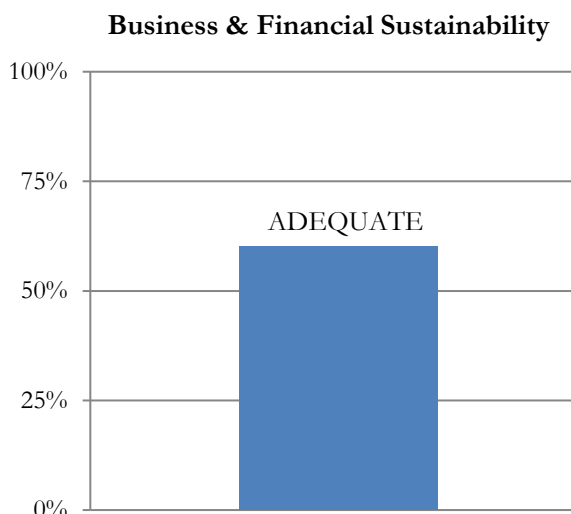
Ownership & Governance

- The Board of directors consists of three members and one independent director. At present, the company has 3 board committees. However, repetition of members has been observed across the committees.
- Increasing the board size along with inclusion of certified members may strengthen the governance framework. Additionally it may avoid repetition of common members in board committees.
- Disclosures in the financial statements is deemed sound given availability of director’s report, auditor’s report and statement of compliance with code. However, inclusion for CEO statement may be considered to further strengthen external reporting framework.



Business & Financial Sustainability

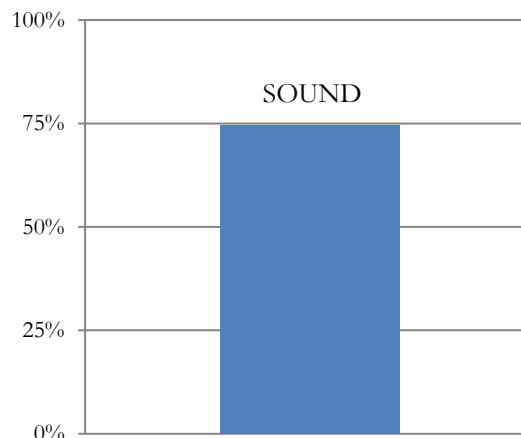
- During the year, the Company’s earning profile witnessed deterioration on account of decline in core income owing to slowdown in market activity and lower trading volumes. The momentum continued during the HFY23. Consequently, profitability profile was impacted, with the Company recording a loss.
- The Company’s cost to income ratio has declined on timeline basis however, still remaining on the higher side. Curtailment of administrative expenses along with recovery in revenues will remain important.
- Liquidity profile is considered adequate with liquid assets providing 0.71x coverage to total liabilities at end 1H’FY23. (FY22: 1.29x, FY21: 1.36x).
- Capitalization indicators are considered manageable, gearing was recorded at 0.30x end 1H’FY23 (FY22: 0.16x) and leverage was recorded at 0.58x end 1H’FY23 (FY22: 0.41x).
- Market risk is considered to be on the lower side given short term investment to equity stood at 28.75% in FY22 and 18.09% in 1H’FY23.
- Enhancing the stream of revenues, while managing costs together with keeping capitalization indicators in check will remain important for rating, going forward.



Management & Client Services

- Management and client service procedures are considered sound. However, some room for improvement exists. Availability of research reports and disclosure of commission rates on the website may be considered for further strengthening client services.
- Complaint management tools may be further improved through greater visibility on website.
- Disaster recovery (DR) practices are conducted only once a year while data backup is under own control. The same may be improved by increasing frequency of DR exercises along with backing up data at additional off-site locations.

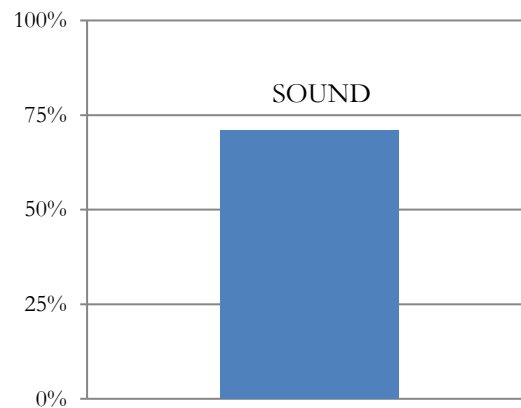
Management & Client Services



Internal Controls & Regulatory Compliance

- Having an independent risk management department may be considered to provide impetus to the risk management framework
- Policies and procedure are defined and are in place. However, scope of internal policies may be enhanced, and dissemination of policies to all stakeholders may be enhanced.

Internal Controls & Regulatory Compliance



Broker Fiduciary Rating Explained

In Securities Broker Fiduciary Rating (SBF), the strength of fiduciary role of the securities brokers is captured through the relative financial strength of the securities broker firm and its sponsors along with depth of internal control and governance framework, which are key rating ingredients. Responsiveness of the risk and internal control structure, quality of HR and soundness of the business infrastructure determine the strength of management and level of service quality of a stock broker. VIS Credit Rating Co. Ltd. (VIS) has developed a rating system that evaluates brokerage firms on the basis of such practices and the systems instituted to safeguard investor interests are at the forefront.

Intermarket Securities Limited

REGULATORY DISCLOSURES		Appendix I			
Name of Rated Entity	Intermarket Securities Limited				
Sector	Brokerage				
Type of Relationship	Solicited				
Purpose of Rating	Broker Fiduciary Rating (BFR)				
Rating History	Rating Date	Rating	Rating Outlook	Rating Action	
	RATING TYPE: BFR				
	04-July-23	BFR3+	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	N/A				
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