

BROKER MANAGEMENT RATING REPORT

Adam Securities Limited

REPORT DATE:

January 13, 2020

RATING ANALYSTS:

Muhammad Tabish

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APPLICABLE

METHODOLOGY:

Broker Management Ratings 2017:

<http://vis.com.pk/docs/BMR2017>

[01.pdf](#)

Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The rating signifies sound external control framework, client relationship and risk management along with adequate regulatory compliance levels, internal controls, client relationship, HR & IT services and financial management.
Rating Date	13 January 2020

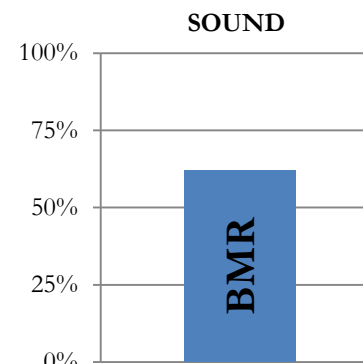
COMPANY INFORMATION

Incorporated in 2001	External auditors: M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants
Public Un-listed Company	Chairman of the Board: Mr. Noman Abdul Majeed Adam
Key Shareholders (with stake 5% or more): Noman Abdul Majeed Adam – 98.87%	Chief Executive Officer: Mr. Noman Abdul Majeed Adam

Corporate Profile

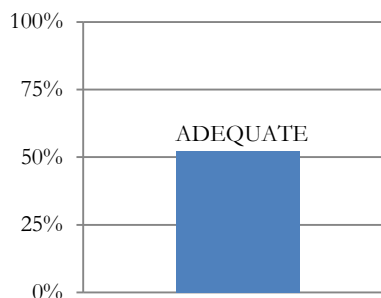
Adam Securities (ASL) was incorporated in 2001 as a private limited company but later changed its status to public unlisted company in 2016. ASL is principally engaged in provision of equity brokerage facilities to domestic retail and institutional clients. Major shareholding of the company is vested with Mr. Noman Abdul Majeed. During outgoing year, the company has acquired license of consultant to the issue.

ASL is a TREC holder of Pakistan Stock Exchange. The company is also a Member of Pakistan Mercantile Exchange Limited (PMEX). External auditors are M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants. Auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP). The company has operations in 2 branches of Karachi



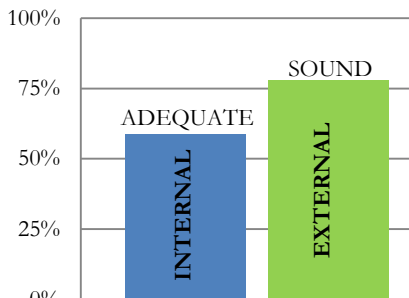
Rating Factors Scores

Regulatory Requirements & Supervision



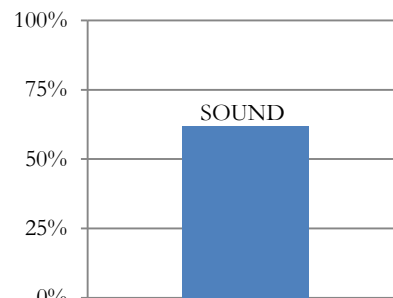
- Addition of one director on board has been noted, however, further increase in board size would avoid common members in board committees.
- Independent director with relevant experience and qualification may be considered for best governance practices.
- Net capital balance has witnessed reduction on a timeline basis.

Internal & External Control Framework



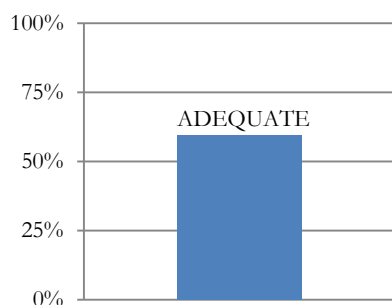
- Employee trading guidelines and conflict of interest policy maybe further developed.
- Inclusion of CEO statement and Statement of Compliance with Code in annual Financial Statements would enhance disclosure level.

Client Relationship & Fairplay



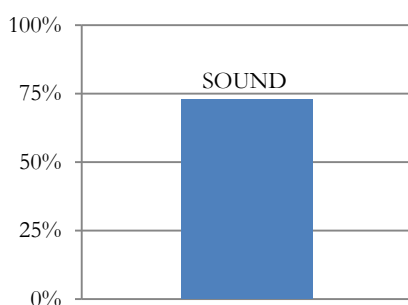
- Complaint header on website's homepage and addition of sms text complaint service has improved overall client relationship management.
- Uploading market and equity research reports on website would enhance client service.

HR & Infrastructure



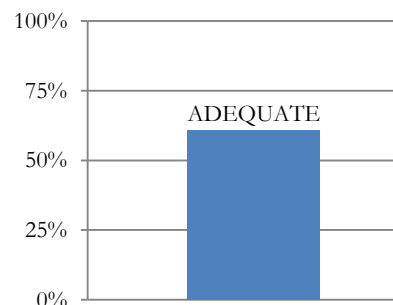
- IT infrastructure and policies are considered adequate.
- Maintenance of off-site data backup at third party would strengthen business continuity and contingency planning.

Compliance & Risk Management



- Internal audit and risk management function may be segregated for better control purposes.

Financial Management



- Given sizeable market share, ASL's commission per share and quantum of clientele remains the lowest amongst peers.
- ASL has initiated 2 new business lines i.e. corporate finance advisory and commodities. This will facilitate in revenue diversification, which is warranted.

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	Adam 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			
	1/13/2020	BMR2	Stable	Upgrade
	1/9/2019	BMR3++	Stable	Reaffirmed
11/21/2017	BMR3++	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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