

BROKER MANAGEMENT RATING REPORT

Adam Securities Limited

REPORT DATE:

January 18, 2021

RATING ANALYSTS:

Muhammad Tabish

mubammad.tabish@vis.com.pk

Batool Zaidi

batool.zaidi@vis.com.pk

Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The rating signifies sound external control frame work, HR & IT services and risk management, while client relationship, regulatory compliance levels, internal controls and financial management are considered adequate.
Rating Date	18 January, 2021

APPLICABLE METHDOLOGY:

Broker Management Ratings 2020: <https://s3-us-west2.amazonaws.com/backupsqvis/docs/BMR20007.pdf>

COMPANY INFORMATION

Incorporated in 2001

Public Un-listed Company

Key Shareholders (with stake 5% or more):

Noman Abdul Majeed Adam – 98.87%

External auditors: M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants

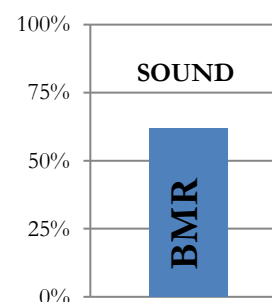
Chairman of the Board: Mr. Noman Abdul Majeed Adam

Chief Executive Officer: Mr. Noman Abdul Majeed Adam

Corporate Profile

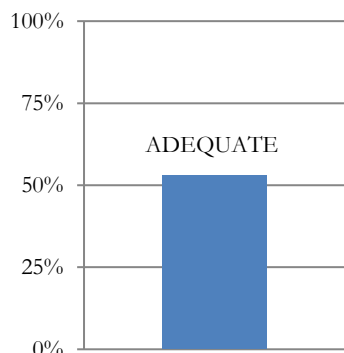
Adam Securities (ASL) was incorporated in 2001 as a private limited company but later changed its status to public unlisted company in 2016. ASL is principally engaged in provision of equity brokerage facilities to domestic retail and institutional clients. Major shareholding of the company is vested 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 is operating through its head office based in Karachi.



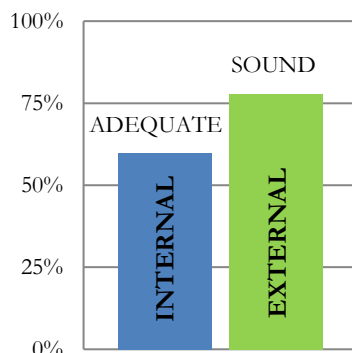
Rating Factors Scores

Regulatory Requirements & Supervision



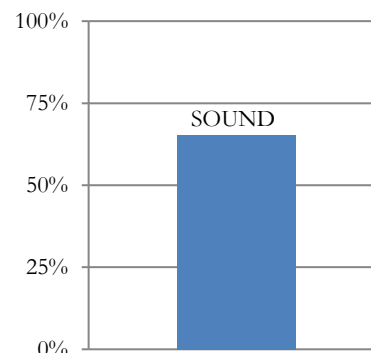
- Increase in board size would avoid common members in board committees and facilitate the formation of a risk committee.
- Improvement in net capital balance has been noted.

Internal & External Control Framework



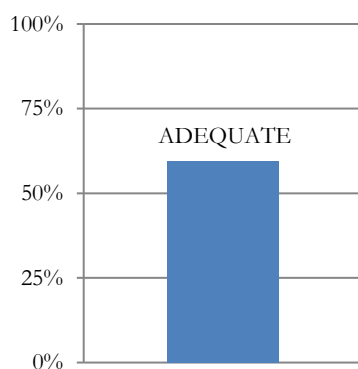
- Employee trading guidelines maybe further developed prescribing blackout period and minimum holding period for securities.
- Adding Statement of Compliance with Code and CEO's independent statement in annual accounts would add to external control framework.

Client Relationship & Fairplay



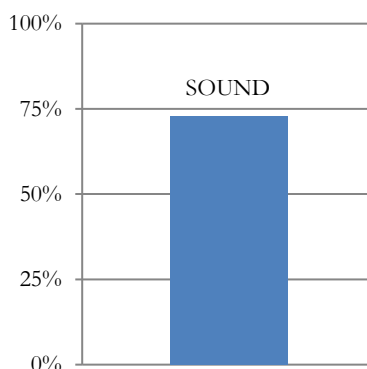
- Geographical diversification of the business may provide an effective path to fast growth.
- Including market and equity research reports on website would enhance client service.

HR & Infrastructure



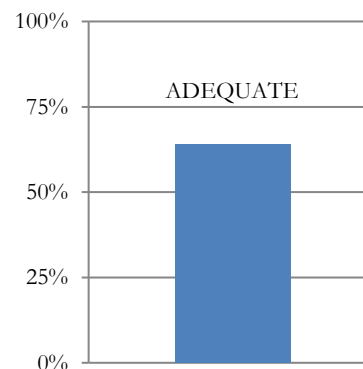
- Off-site back up is under own control, back-up with third party data services would enhance business continuity framework.
- Risk management staff is independently present.

Compliance & Risk Management



- Internal audit and risk management staff are independently present.
- A well-defined credit policy document would enable better risk management.

Financial Management



- Given the significant increase in capital gains during FY20, profitability has witnessed an improvement by two-fold.
- Efficiency ratio has declined by 27% on account of higher capital gain for the review period, leverage indicators remain to be satisfactory.

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.

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

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			
	1/18/2021	BMR2	Stable	Reaffirmed
	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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