

BROKER MANAGEMENT RATING REPORT

Adam Securities Limited

REPORT DATE:

February 7, 2022

RATING ANALYSTS:

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Rating Category	Latest Rating
Broker Management Rating	BMR2+
Rating Rationale	The rating signifies strong external control framework. Client services, internal controls, risk management, and financial management are considered sound, while regulatory framework and HR & infrastructure are adequate.
Rating Date	February 7, 2022

APPLICABLE METHDOLOGY:

Broker Management Ratings 2020:

<https://docs.vis.com.pk/docs/BMR202007.pdf>

COMPANY INFORMATION

Incorporated in 2001
External auditors: M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants

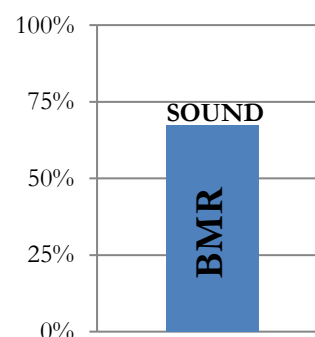
Public Un-listed Company
Key Shareholders (with stake 5% or more):
CEO and Chairman of the board: Mr. M. Aftab Haji Ghani

Noman Abdul Majeed Adam – 98.87%

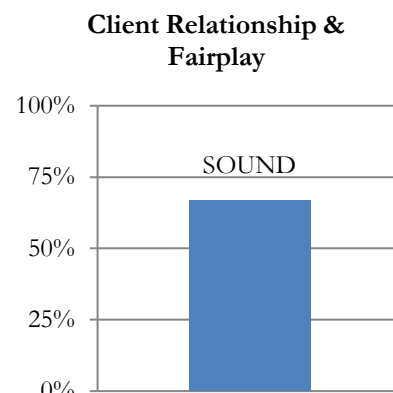
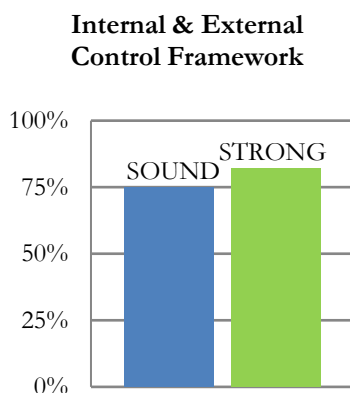
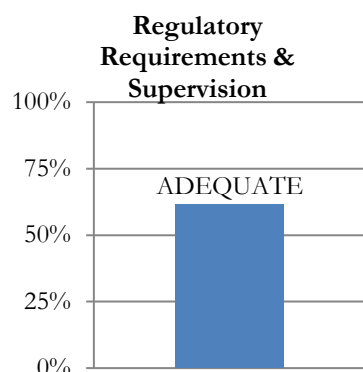
Corporate Profile

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 renewed its license of consultant to the issue.

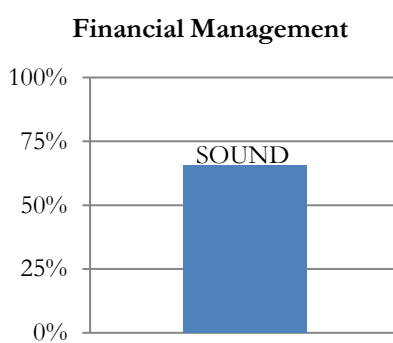
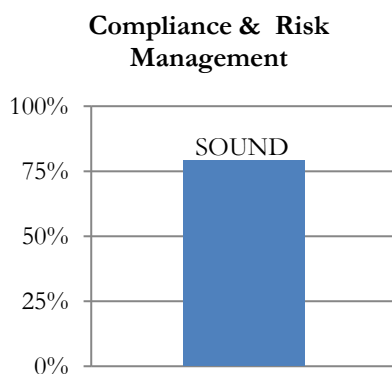
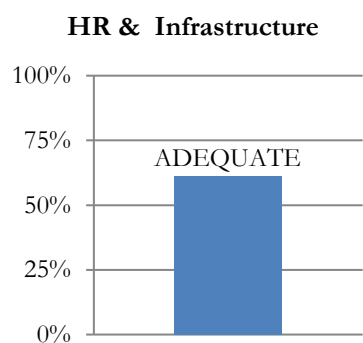
ASL is a TREC holder of Pakistan Stock Exchange for Trading & Self Clearing. The Company is also a Member of Pakistan Mercantile Exchange Limited (PMEX). External auditors are M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants. Auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP). The Company operates through its head office based in Karachi.



Rating Factors Scores



- Board size was increased to five members with independent representation which is expected to strengthen the supervisory framework. Addition of risk management committee has been noted.
- Revisions have been made in the internal policies, including Employee Trading Policy, whereby the scope of policies has been enhanced. Continuous improvement in the same will further strengthen internal control framework.
- External control framework is strong with 'A' rated auditors on the panel. Disclosure levels in financial statements may be further enhanced.
- Client services and facilitation tools have been improved over time.
- Increased geographical footprint may increase clientele and augment the topline.
- Including market and equity research reports on website may facilitate and enhance client facilitation.



- The Company has an adequate organizational structure with a balanced mix of experienced managers. Further clarity in roles and reporting lines may enhance the HR & infrastructure.
- Date back up to a third party offsite had been implemented for strengthening business continuity.
- Risk management staff is independently present.
- Internal audit and risk management staff are segregated and function independent of each other.
- Credit policy has been formulated.
- Overall, compliance and risk management is sound.
- Profitability of the Company recorded a significant increase in FY21 on the back of higher capital gains and brokerage income.
- Comparison of recurring revenues with recurring expenses depicts deterioration. Improvement in operational efficiency will be important.
- The Company remains exposed to higher market risk due to large proprietary book, however, the same provides a comfortable liquidity cushion.
- Capitalization indicators are considered sound, with equity of Rs. 927.9m (FY20: Rs. 591.4m) and manageable levels of gearing and leverage levels.

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			
	2/7/2022	BMR2+	Stable	Upgrade
	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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