

## BROKER MANAGEMENT RATING REPORT

### Integrated Equities Limited

**REPORT DATE:**

December 7, 2018

**RATING ANALYSTS:**

Muhammad Tabish

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**APPLICABLE**

**METHODOLOGY:**

Broker Management Ratings 2017:

[http://jcrvis.com.pk/docs/BMR2](http://jcrvis.com.pk/docs/BMR201701.pdf)

[01701.pdf](http://jcrvis.com.pk/docs/BMR201701.pdf)

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR3++</b>
<b>Rating Rationale</b>	The rating signifies sound internal control framework, client relationship management, risk management and HR & IT services along with adequate regulatory compliance levels, external controls and financial management.
<b>Rating Date</b>	December 7, 2018

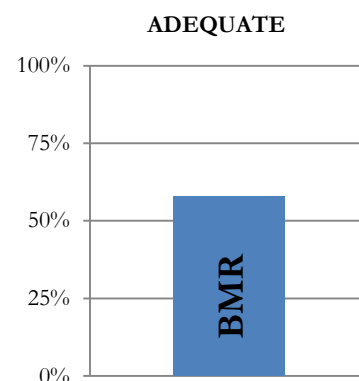
### COMPANY INFORMATION

<b>Incorporated in 2008</b>	<b>External auditors:</b> Nasir Javaid Maqsood Imran, Chartered Accountants
<b>Public Limited</b>	<b>Chairman of the Board:</b> Sardar Ali Wattoo
<b>Key Shareholders (with stake 5% or more):</b> Mr. Sardar Ali 92.65%; Ms. Sadia Ali 7.35%	<b>Chief Executive Officer:</b> Sardar Ali Wattoo

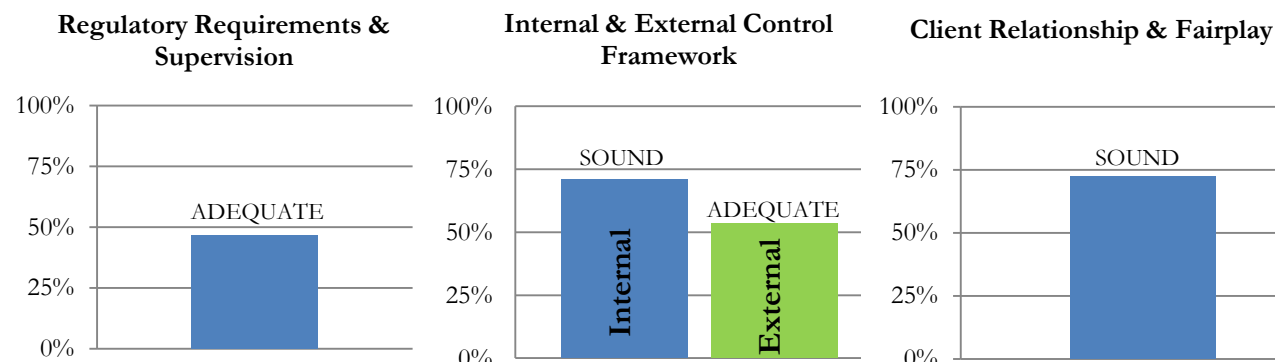
### Corporate Profile

Integrated Equities Limited (IEL) was incorporated in 2008 under the Companies Ordinance 1984 as a Public Limited Company. IEL is owned by the Aequitas Group which came in to creation with the acquisition of Pakistan Credit Rating Agency Limited (PACRA) in 2003. The group has extended its operation in to numerous business sectors including financial services, rating services, software services and renewable energy. IEL has a number of functional units including Equity Brokerage, Research, and Investment Banking and Projects Advisory services.

The Company holds a Trading Right Entitlement Certificate (TREC) issued by the Pakistan Stock Exchange Limited (PSX). Majority shareholding of the company is kept by Mr. Sardar Ali owning around 92.65% whereas the remaining ownership of 7.35% is held by Ms. Sadia Ali. External auditors of the company are Nasir Javaid Maqsood Imran, Chartered Accountants. Auditors belong to category 'B' on the approved list of auditors published by the State Bank of Pakistan (SBP).



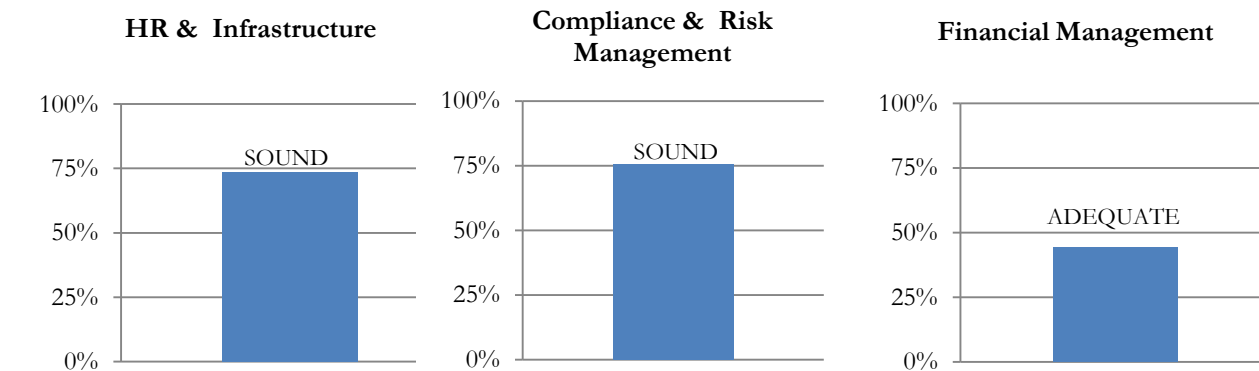
## Rating Factors Scores



- Increase in Board size along with appointment of an independent director would enhance corporate governance standards.
- Chairing of Board Audit Committee (BAC) by an independent director and constitution of board level Risk Management Committee may be considered to strengthen the board level governance.
- Capitalization is considered satisfactory for the size of operations.

- Minimum holding period and prohibition of trading through employee's immediate relatives may be specified in employee trading guidelines.
- Inclusion of Directors' Report, CEO statement and Statement of Compliance with Code in annual Financial Statements would enhance the public disclosures.
- Appointment of 'A' category of external auditors would strengthen overall control environment.

- Additional coverage of FACTA has added value to the Risk Disclosure Document.
- Customer complaint header is available on the homepage of website; addition of sms text complaint services would further add to customers services.
- Placement of updated daily market research reports and trading related reports on website would enhance the client service.



- Organizational structure is considered sound.
- IT infrastructure is sufficient; however, one fully integrated ERP platform would provide consolidated reporting.
- Off-site third party maintenance of data and more frequent DR exercises would strengthen the business continuity.

- Stringent credit evaluation policy and well-defined credit limits would improve operational risk management.
- Compliance and Risk management function may be segregated for clarity and control purposes.
- For better control environment, internal compliance report frequency may be improved to monthly reporting to management.

- Focus on consultancy income needs to be enhanced to recoup its share in revenues.
- Given the decline in topline and fixed nature of operating expenses, earning profile has remained under pressure. However, support from one-off gain from sale of assets led to marginal profit for the year.

## JCR-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

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#### **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.jcrvis.com.pk/images/criteria\\_outlook.pdf](http://www.jcrvis.com.pk/images/criteria_outlook.pdf)

## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES		Appendix II		
<b>Name of Rated Entity</b>	IEL 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>			
	12/7/2018	BMR3++	Stable	Reaffirmed
	10/24/2017	BMR3++	Stable	Initial
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	JCR-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.			
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