

BROKER MANAGEMENT RATING REPORT

BMA Capital Management Limited

REPORT DATE:

January 24th, 2019

RATING ANALYSTS:

Muhammad Tabish

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APPLICABLE

METHDOLOGY:

Broker Management Ratings 2017:

<http://jcrvis.com.pk/docs/BMR201701.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR2+
Rating Rationale	The rating signifies strong internal controls, client relationship and HR & IT services; sound regulatory compliance levels, external control framework and risk management while financial management is adequate.
Rating Date	24th January 2019

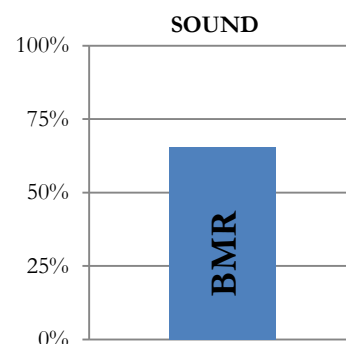
COMPANY INFORMATION

Incorporated in 1992	External auditors: RSM Avais Hyder Liaquat Nauman Chartered Accountants
Public limited Company	Chairman of the Board: Mr. Moazzam M. Malik
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Moazzam M. Malik
Ganjbaksh Mauritius Limited – 49.0%	
Mr. Moazzam Mazhar Malik – 29.0%	
Mr. Muddassar Mazhar Malik – 14.0%	
Ms. Shehla Mazhar – 8.0%	

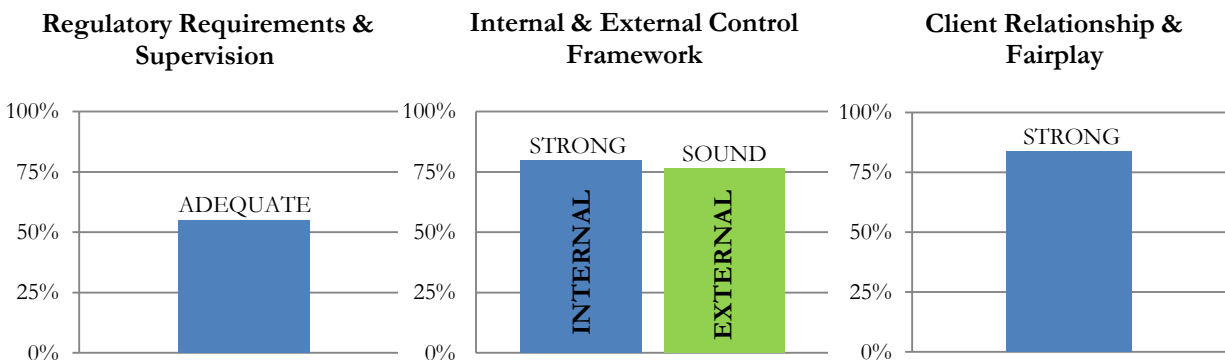
Corporate Profile

BMA Capital Management Limited was incorporated in 1992 under the Companies Ordinance 1984 as a public limited company. BMA is principally engaged in provision of equity, fixed income brokerage as well as corporate advisory services. BMA operates through its head office together with the branch network of nine branches country wide.

The company holds a Trading Right Entitlement (TRE) certificate issued by the Pakistan Stock Exchange Limited (PSX) since 1992. Majority shareholding (51%) of the company is vested with the Mazhar family whereas 49% of BMA’s ownership is represented by Ganjbaksh Mauritius Limited (GML). External auditors of the company are RSM Avais Hyder Liaquat Nauman Chartered Accountants. Auditors are on the approved list of auditors published by the State Bank of Pakistan (SBP).



Rating Factors Scores



- Room for improvement exists in board size.
- Formation of Board level Risk Management committee and HR committee would add to governance levels.
- Net capital balance has witnessed a downward trend.

- Internal control environment is supported by well-defined policy framework; however, an independent ‘conflict of interest policy’ may be developed to enhance the same.
- Directors’ Report, CEO statement and Statement of Compliance with Code may be made part of annual reports.
- Quality of external control framework is considered sound.

- Execution of trades and reporting to clients is considered strong.
- Adding complaint header on website’s homepage along with sms text complaint service would add to customer services.



- The organizational structure is well defined with clarity being present in reporting lines along with sound professional management.
- Off-site backup is currently being maintained under own control and at third party; JCR-VIS believes placement of all records at third party data warehouse would minimize operational risk.

- Compliance, Internal Audit and Risk Management functions are independently placed.
- Reduction in IDS clients emanating from low volumes in the market has resulted in increased credit risk profile.
- Improvement in trade review procedures and policies was observed.

- Strong reliance on retail brokerage in depressed market volumes during FY18 exerts pressure on profitability.
- Cost-income ratio has also been deteriorated significantly on the back of negative bottom line reported.
- Going forward, financial performance would remain sensitive to volatilities of stock market and is subject to risks associated with it.

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

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

JCR-VIS Credit Rating Company Limited

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

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	BMA Capital Management 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			
	1/07/2019	BMR2+	Stable	Reaffirmed
	12/08/2017	BMR2+	Stable	Initial
Instrument Structure	N/A			
Statement by the Rating Team	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.			
Probability of Default	JCR-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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