

BROKER MANAGEMENT RATING REPORT

BMA Capital Management Limited

REPORT DATE:

27 March, 2020

RATING ANALYSTS:

Muhammad Tabish

muhammad.tabish@vis.com.pk**APPLICABLE****METHODOLOGY:**

Broker Management Ratings 2017:

[http://vis.com.pk/docs/BMR201](http://vis.com.pk/docs/BMR201701.pdf)[701.pdf](http://vis.com.pk/docs/BMR201701.pdf)

Rating Category	Latest Rating
Broker Management Rating	BMR2+
Rating Rationale	The rating signifies strong client relationship management and compliance levels, sound internal and external controls, HR & IT services while regulatory framework and financial management are considered adequate.
Rating Date	27 March, 2020

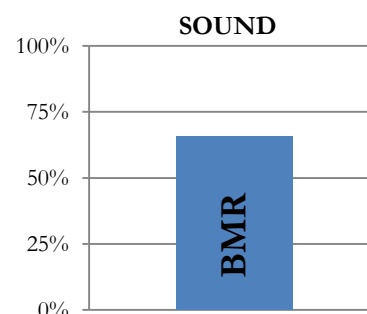
COMPANY INFORMATION

Incorporated in 1992	External auditors: RSM Avasi 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
<i>Ganjbaksh Mauritius Limited ~ 49%</i>	
<i>Mr. Moazzam Mazhar Malik ~ 29%</i>	
<i>Mr. Muddassar Mazhar Malik ~ 14%</i>	
<i>Ms. Shehla Mazhar ~ 8%</i>	

Corporate Profile

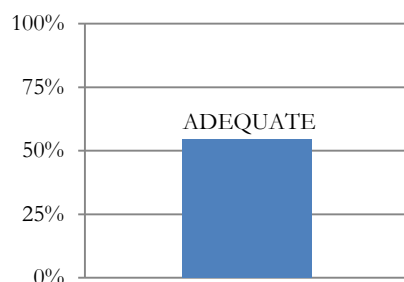
Operating in the broking business for over 25 years, BMA Capital Management Limited (BMA) is primarily engaged in provision of equity brokerage services with presence in money market, commodity and forex segments. The company caters to domestic retail and high net worth (HNWI) clients, local institutions and foreign broker dealers. Alongside, it also provides corporate advisory services. BMA's operations run through its head office in Karachi along with a network of 11 branches spread nationwide.

The company holds a Trading Right Entitlement (TRE) certificate issued by the Pakistan Stock Exchange Limited (PSX) since 1992. External auditors of the company are RSM Avasi Hyder Liaquat Nauman Chartered Accountants. Auditors are on the approved list of auditors published by the State Bank of Pakistan (SBP).



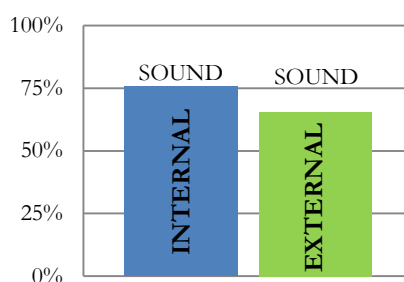
Rating Factors Scores

Regulatory Requirements & Supervision



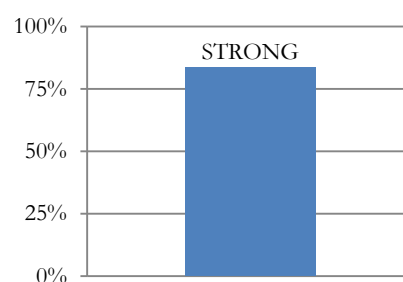
- Improvement in net capital balance has been noted.
- Presence of Independent Director (ID) on board enhances corporate governance levels; however, ID with relevant experience would add more value to the board.
- Formation of Risk Management & HR Committee is recommended to improve regulatory environment.

Internal & External Control Framework



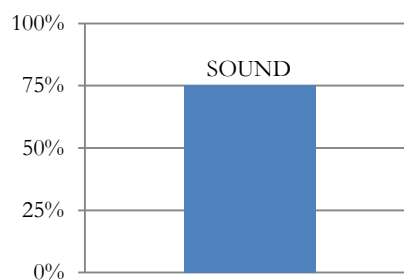
- Detailed conflict of interest policy may be added to operational documents.
- Blackout period to be clearly defined in the Employee Trading Policy (ETP) for the trading staff as well. Also, holding period of securities may be increased to a minimum of one month.
- Downward change in category of existing external auditor has been noted which is not aligned with CGR best practices.

Client Relationship & Fairplay



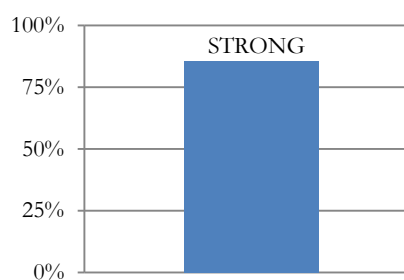
- Improvement in overall establishment of relationship with customers has been noted.
- Addition of registering complaint via text messages would further improve the client services.

HR & Infrastructure



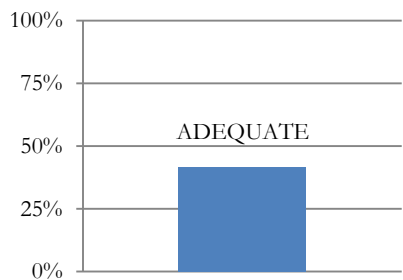
- Off-site back up is under own and third party control depicting sound IT structure.
- Frequency of reviewing internal IT manuals and policies should be enhanced.

Compliance & Risk Management



- Internal audit and compliance departments are placed independently.
- Increase in frequency of trade review procedure has been noted.

Financial Management



- Bottom-line profitability has improved considerably in HFY20. Curtailment of admin expenses and support from other income has contributed positively.
- Higher utilization of running finance has elevated the leverage indicators.

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	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			
	3/27/2020	BMR2+	Stable	Reaffirmed
	1/07/2019	BMR2+	Stable	Reaffirmed
	12/08/2017	BMR2+	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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