

## BROKER MANAGEMENT RATING REPORT

### BMA Capital Management Limited

**REPORT DATE:**

04 October, 2022

**RATING ANALYSTS:**

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**APPLICABLE**
**METHODOLOGY:**

 Broker Management Ratings 2020  
<https://docs.vis.com.pk/docs/BMR202007.pdf>

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2+</b>
<b>Rating Rationale</b>	The rating signifies strong client relationship management, HR & IT services and compliance levels, sound internal and external controls, supervision framework, while regulatory framework and financial management are considered adequate.
<b>Rating Date</b>	04 October, 2022

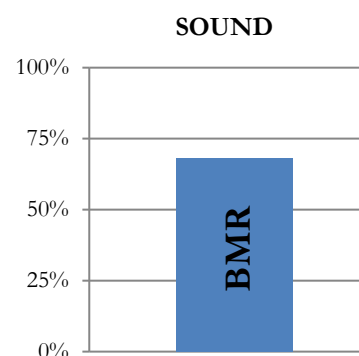
### COMPANY INFORMATION

<b>Incorporated in 1992</b>	<b>External auditors:</b> RSM Avasi Hyder Liaquat Nauman Chartered Accountants
<b>Public limited Company</b>	<b>Chairman of the Board:</b> Mr. Moazzam M. Malik
<b>Key Shareholders (with stake 5% or more):</b>	<b>Chief Executive Officer:</b> Mr. Moazzam M. Malik
<i>Ganjabakh Mauritius Limited ~ 49%</i>	
<i>Mr. Moazzam Mazhar Malik ~ 29%</i>	
<i>Mr. Muddassar Mazhar Malik ~ 14%</i>	
<i>Ms. Shehla Mazhar ~ 8%</i>	

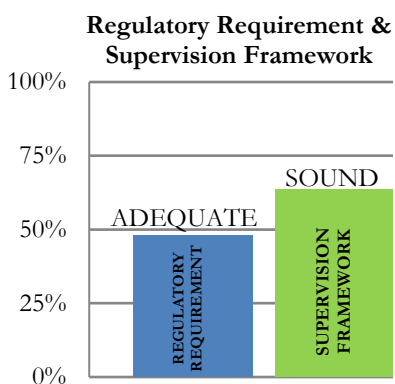
### Corporate Profile

Operating in the broking business for over 30 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 20 branches spread nationwide.

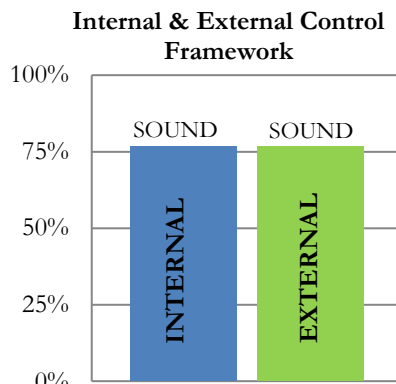
The Company holds a Trading Right Entitlement (TRE) certificate issued by the Pakistan Stock Exchange Limited (PSX) since 1992. External auditors of the company are RSM Avasi Hyder Liaquat Nauman Chartered Accountants. Auditors belong to 'A' category from approved list of auditors published by the State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



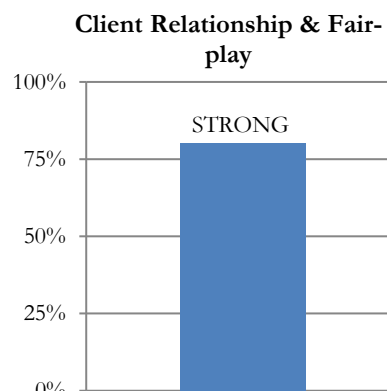
**Rating Factors Scores**



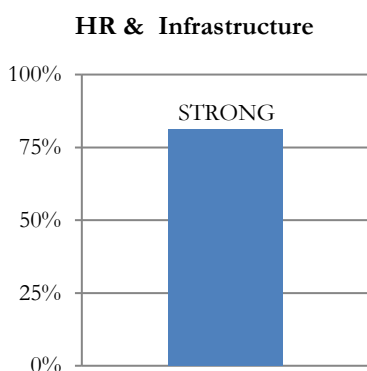
- At present, Company’s board is represented by two members only. Increasing board size and inclusion of certified and independent directors may be considered to strengthen governance framework. Additionally, the same would facilitate the formation of independently represented board committees.



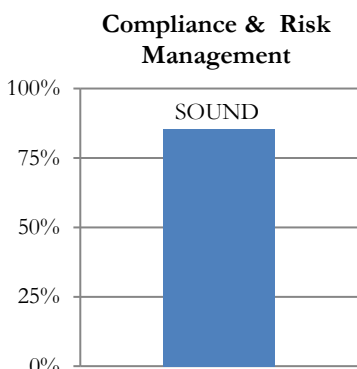
- Documenting a separate conflict of interest policy may be considered to avoid any potential conflicts of interest.
- Frequency of review of and documentation of internal control policies and procedures may be increased to keep them relevant.
- Overall internal and external control framework is sound.



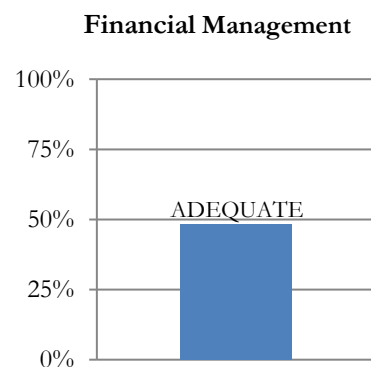
- Client servicing procedures are in place with availability of mobile trading application, research reports and presence of geographical diversification.
- Investor grievance procedures may be enhanced for further ease in lodging and tracking of customer complaints.
- Overall client relationship and fair-play remains strong.



- Organizational structure is well defined with status of IT policies and procedures in place along with presence of fully integrated ERP platform.
- The Company has an independent risk management department.
- Overall HR & infrastructure of the Company is considered sound.



- Compliance and Risk Management is sound. Procedures for reviewing non-compliant and suspicious trades are in place. The same are reviewed by the Company on monthly basis.



- During the year, the Company reported an operating revenue of Rs. 132m however, bottom-line profitability was impacted on account of subdued market activity and unrealized losses end-FY22. Contribution from other sources also registered a decline.
- Liquidity profile remains adequate.
- Administrative expenses registered a decline to Rs 517m (FY21 Rs. 756m) however, cost to income ratio continues to remain on the higher side during FY21 & FY22. Curtailment of administrative expenses along with other cost control measures may improve the same over time.
- Gearing and leverage depict improvement albeit leverage still remains on the higher side end-FY22 on account of higher trading activity.
- Going forward, improvement in efficiency ratio, liquidity metrics, stable capitalization indicators and augmented revenue base will remain important for rating.

**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](http://www.vis.com.pk/images/criteria_outlook.pdf)

<b>REGULATORY DISCLOSURES</b>		<b>Appendix II</b>		
<b>Name of Rated Entity</b>	BMA Capital Management 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>			
	10/04/2022	BMR2+	Stable	Reaffirmed
	5/21/2021	BMR2+	Stable	Reaffirmed
	3/27/2020	BMR2+	Stable	Reaffirmed
	1/07/2019	BMR2+	Stable	Reaffirmed
12/08/2017	BMR2+	Stable	Initial	
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	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.			
<b>Probability of Default</b>	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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