

BROKER MANAGEMENT RATING REPORT

BMA Capital Management Limited

REPORT DATE:

February 1, 2024

RATING ANALYSTS:

Saeb Muhammad Jafri

saeb.jafri@vis.com.pk

Shaheryar Khan Mangan

shaheryar@vis.com.pk

Rating Category	Latest Rating
Broker Management Rating	BMR2++
Rating Rationale	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.
Rating Date	February 1, 2024

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
<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>	

APPLICABLE METHODOLOGY(IES)

VIS Rating Methodology – Broker Management Ratings

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

APPLICABLE RATING SCALE(S)

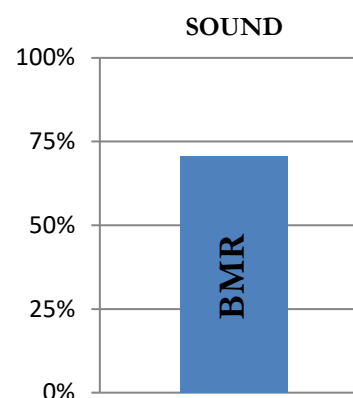
VIS Issue/Issuer Rating Scale:

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

Corporate Profile

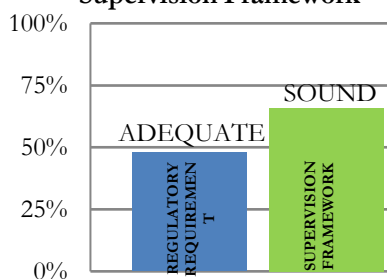
Operating in the broking business for over 30 years, BMA Capital Management Limited (BMA) is primarily engaged in provision of equity brokerage services with presence in money market, commodity and forex segments. The Company caters to domestic retail and high net worth (HNWI) clients, local institutions 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).

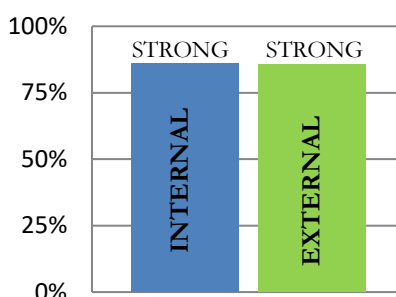


Rating Factors Scores

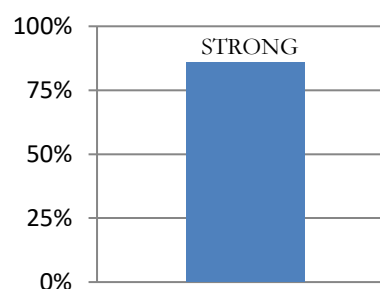
Regulatory Requirement & Supervision Framework



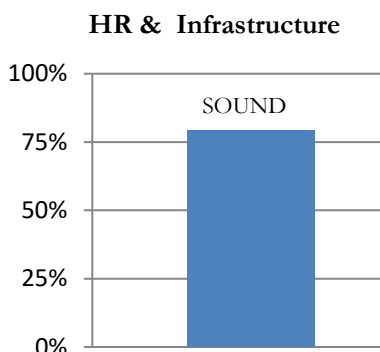
Internal & External Control Framework



Client Relationship & Fairplay



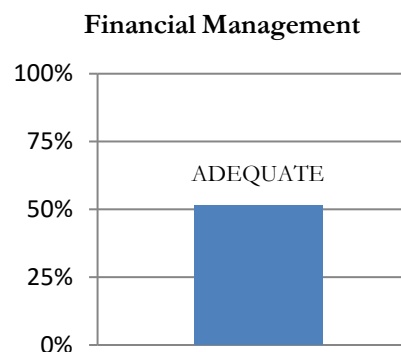
- The Company’s board of directors is represented by three members. In addition, there are four board committees namely audit, HR, investment and risk management committee.
- Increasing the board size along with independent representation may enhance its governance framework. Similarly, the same will assist in having more members in the board committees.
- Segregation of both the chairman and CEO positions may bode well for the Company’s governance framework.
- Internal policies and procedures are well in place. However, enhancement in the scope of the same may be considered for strengthening the internal control framework.
- Segregation of the Internal audit and Compliance function has provided support to the internal control framework
- Sound disclosure levels of the Company have bode well for the External control framework of the Company.
- The Company has employed various client facilitation tools and resources in order to provide support to the client in executing transactions.
- Investor grievance procedures may be further pronounced in order to provide ease of access to the client.
- The Company has an extensive geographical presence, spanning over 20 branches across the country.



- The Company’s organizational structure is in line with the scale of its operation.



- The Company’s credit policy is defined within the ambit of risk management. Credit limits up to 4 times of their deposit margin is extended to the retail customers while no limit is allocated to the institutional customers.
- Independent internal audit and compliance function has provided impetus to the Company’s compliance and risk management framework.
- Procedures for reviewing non-compliant and suspicious trades are in place.



- During FY23, the Company reported loss of Rs.122.7m (FY22: -70.4m) on account of constraint in brokerage revenue amid slowdown in market activity. However, HFY24 saw a resurgence in the market resulting in a profit of Rs.204.8.
- The Company’s cost to income ratio has improved to 73.7% in HFY24 (FY23: 118.5%, FY22: 82.9%), albeit remaining on a higher side.
- The liquidity profile is considered adequate.
- The Market risk of the Company is moderate, with short term investments to equity standing at 49.8% as at Dec’23 (Jun’23: 59.9%, Jun’22: 53.8%).
- The equity base of the Company has increased to Rs786.9m as at Dec’23 (Jun’23: Rs.582m, Jun’22: 704.8m). This increase in equity coupled with a decrease in short term borrowing has resulted in an improvement in gearing ratio. However, leverage ratio remains elevated.
- Going forward, improvement in efficiency ratio, liquidity metric, capitalization indicators as well as augmentation in the revenue base will remain important for the rating.

REGULATORY DISCLOSURES		Appendix I		
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			
	2/01/2024	BMR2++	Stable	Upgrade
	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
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.			
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2024 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.			