

BROKER FIDUCIARY RATING REPORT

BMA Capital Management Limited

REPORT DATE:

13 May, 2022

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR3+ <i>Good Fiduciary Standards</i>
Rating Rationale	The rating signifies adequate ownership and governance and business and financial sustainability while management and client services and internal controls are considered sound.
Rating Date	13 May, 2022

COMPANY INFORMATION

Incorporated in 1992	External auditors: RSM Avasi Hyder Liaquat Nauman Chartered Accountants
Public unlisted	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

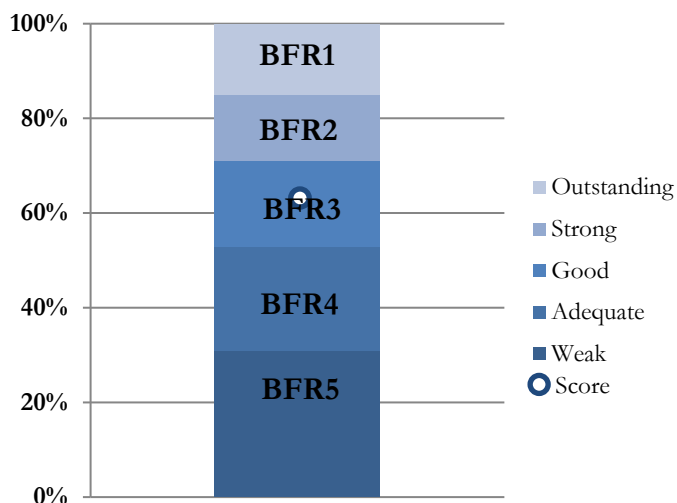
Applicable Rating Criteria: Broker Fiduciary Ratings 2021

<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

BMA Capital Management Limited

CORPORATE PROFILE **OVERALL GRADING**

Operating in the broking business for over 29 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 (HNWT) 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 16 branches spread nationwide.



The company holds a Trading Right Entitlement (TRE) certificate for Trading & Self Clearing services issued by the Pakistan Stock Exchange Limited (PSX) since 1992. 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).

Business and Financial Sustainability Indicators

	FY21	FY20
Size of Net Worth (Rs. In Millions)	775	643
Gearing x (Total Borrowing/ Total equity)	1.58x	1.41x
Leverage x (Total liabilities/ Total equity)	3.87x	2.61x
Liquid Assets/ Total Liabilities (x)	3.75x	2.59x
Short term Investments/ Total Equity (%)	29%	16%
Net Capital Balance (NCB) (Rs. In Millions)	631	379

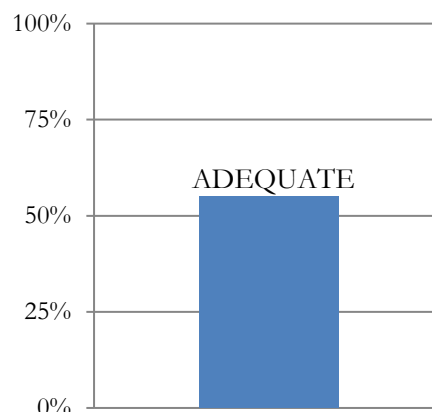
BMA Capital Management Limited

Rating Indicators

Ownership & Governance

- Ownership and governance is considered adequate as Company’s board comprises of two directors. Increasing the board size may enhance governance framework as well as facilitate formation of independently represented board committees.
- Disclosure levels of the company are considered to be sound.

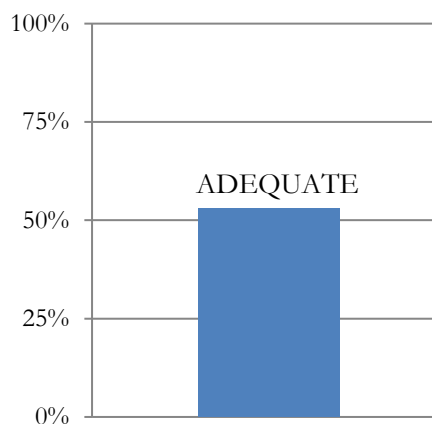
Ownership & Governance



Business & Financial Sustainability

- The Company’s earning profile witnessed improvement on account of increase in core brokerage income by almost a two-fold during FY21, net profitability posted PAT of
- While recurring revenues are improving, the Company’s operational expenses still remain on the higher side. Curtailment of the same may improve operational efficiency which will remain important for rating.
- Liquidity profile is considered sound, with liquid assets providing comfortable cushion of 3.75x to total liabilities.
- Exposure to market risk is low as the company did not actively participate in proprietary trading.
- Capitalization indicators remain under pressure. Gearing and leverage were reported at 1.58x (FY20 1.4x) 3.87x (FY20 2.67x) respectively, remaining on the higher side. Borrowing has been utilized to fund long term investments in associates, advances in associates and other outstanding receivables.
- Overall, business and financial sustainability indicators are considered adequate. Going forward, enhancement in profitability while maintaining low market exposure and improving capitalization will important for the rating.

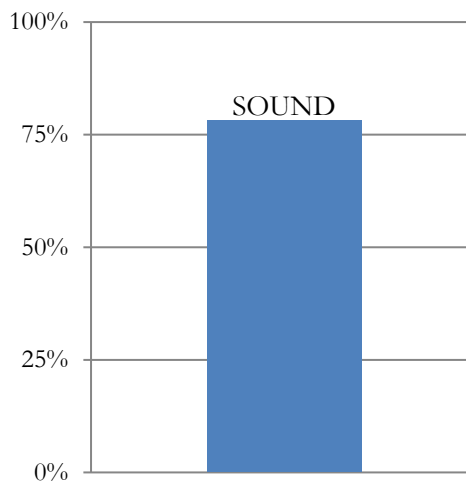
Business & Financial Sustainability



Management & Client Services

- The Company has a good geographical footprint in the industry. Research reports and other client facilitation tools are readily available to customers.
- In order to further enhance management and client services, the company may enhance the scope of the current policies.
- Overall, management and client services are sound, however, disclosing commission rates on the website for greater visibility may enhance transparency levels.

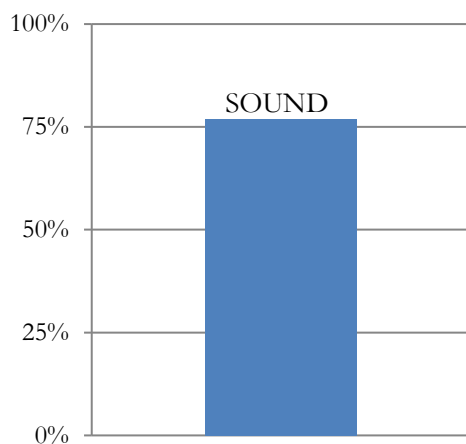
Management & Client Services



Internal Controls & Regulatory Compliance

- Internal audit, compliance and risk departments function independently.
- Sharing conflict of interest policy as separate document with all stakeholders may be considered.
- Overall, internal control and risk management framework is considered sound.

Internal Controls & Regulatory Compliance



Broker Fiduciary Rating Explained

In Securities Broker Fiduciary Rating (SBF), the strength of fiduciary role of the securities brokers is captured through the relative financial strength of the securities broker firm and its sponsors along with depth of internal control and governance framework, which are key rating ingredients. Responsiveness of the risk and internal control structure, quality of HR and soundness of the business infrastructure determine the strength of management and level of service quality of a stock broker. VIS Credit Rating Co. Ltd. (VIS) has developed a rating system that evaluates brokerage firms on the basis of such practices and the systems instituted to safeguard investor interests are at the forefront.

FIDUCIARY RATING SCALE & DEFINITIONS

Appendix I

RATING SCALE & DEFINITIONS: SECURITIES BROKER FIDUCIARY RATING

BFR1

Outstanding fiduciary standards

BFR4++, BFR4+, BFR4

Adequate fiduciary standards

BFR2++, BFR2+, BFR2

Strong fiduciary standards

BFR5++, BFR5+, BFR5

Weak fiduciary standards

BFR3++, BFR3+, BFR3

Good fiduciary standards

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

BMA Capital Management Limited

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	BMA Capital Management Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Fiduciary Rating (BFR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BFR			
	5/13/2022	BFR3+	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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