

BROKER FIDUCIARY RATING REPORT

BMA Capital Management Limited

REPORT DATE:

27 September, 2023

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	27 September, 2023

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>

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:

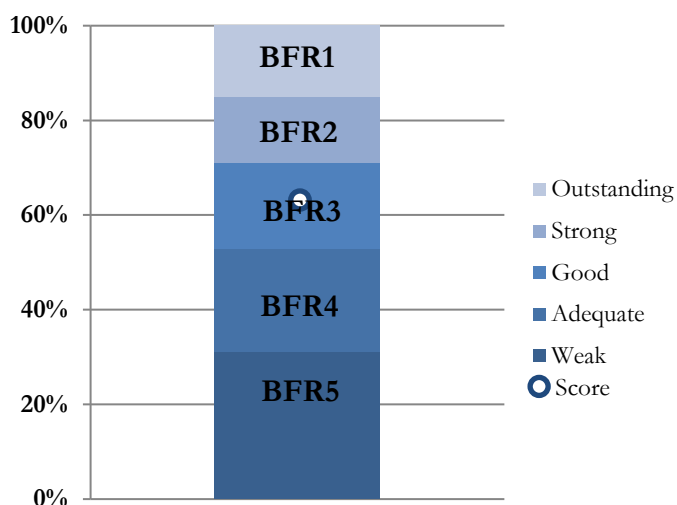
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

BMA Capital Management Limited

CORPORATE PROFILE

OVERALL GRADING

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 (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 19 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

	FY23*	FY22	FY21
Size of Net Worth (Rs. In Millions)	584	705	775
Gearing x (Total Borrowing/ Total equity)	0.80x	1.58x	1.58x
Leverage x (Total liabilities/ Total equity)	2.25x	2.88x	3.87x
Liquid Assets/ Total Liabilities (x)	0.84x	0.93x	0.97x
Short term Investments/ Total Equity (%)	58%	54%	29%

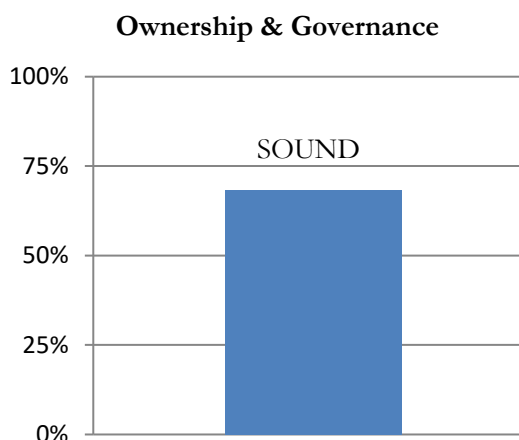
**Unaudited Accounts*

BMA Capital Management Limited

Rating Indicators

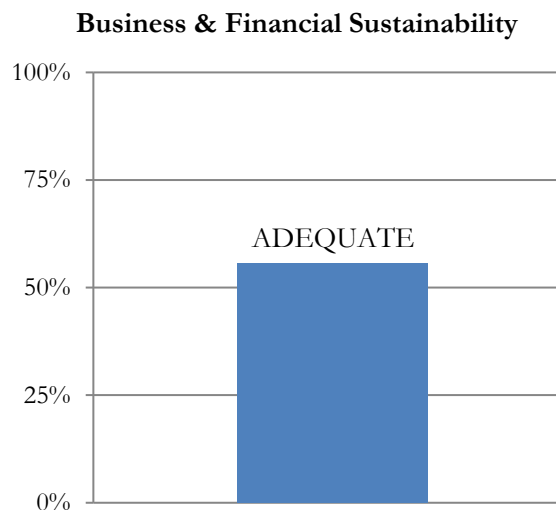
Ownership & Governance

- At present, the Company’s board comprises of three members, increasing board size along with independent representation may enhance its governance framework.
- While the Company has four board committees, repetition of members is observed across the board. Improvement in the same may be considered.
- Segregating both the chairman and CEO positions may add further value to the overall governance level.
- Disclosure levels of the Company are considered sound.



Business & Financial Sustainability

- In tandem with industry, the Company has reported losses at Rs.120m FY23 (FY22 Rs.80m) primarily on the back of decline in the brokerage revenue amid contraction in trading volumes.
- Consequently, cost-to-income ratio also came under stress, increasing to 116% in FY23 (FY22: 76%, FY21: 64%).
- Liquidity profile depicts an adequate coverage of 0.84x to total liabilities at Jun’23 (Jun’22: 0.93x, Jun’21: 0.97x)
- Market risk of the Company is considered moderate, with short term investments in relation to equity at 58% at Jun’23 (Jun’22: 54%, Jun’21: 29%).
- Capitalization indicators have witnessed improvement on a timeline bases, with gearing and leverage ratios at 0.80x and 2.25x at Jun’23 respectively (Jun’22: 1.01x and 2.88x, Jun’21: 1.58x and 3.87x). Conversely, the losses incurred by the Company have resulted in a drag on equity, which stood at Rs.584m at Jun’23, down from Rs.705m at Jun’22 and Rs.775m at Jun’21.
- Going forward, improvement in operational efficiency, low market exposure along with maintenance of gearing and leverage will remain important for rating.



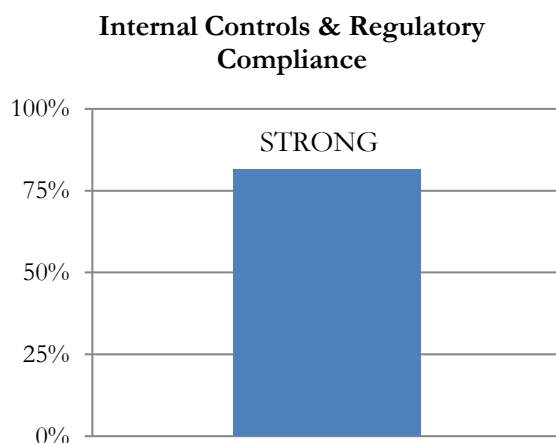
Management & Client Services

- The Company has established its geographical presence in the industry. Various client facilitation tools and resources are present to support clients in executing transactions. Moreover, availability of research reports are also viewed positively.
- The Company’s organizational structure is commensurate with the level of operations.
- Disaster recovery and contingency measures of the Company may improve by outsourcing offsite backups at a third party warehouse.



Internal Controls & Regulatory Compliance

- Internal policies and procedures are well in place, however, enhancement in the scope of the same may be considered to further strengthen the internal control framework.
- Segregation of Internal audit and Compliance function has been noted, boding well for the assigned rating.



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.

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REGULATORY DISCLOSURES		Appendix I		
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			
	09/27/2023	BFR3++	Stable	Upgrade
	05/13/2022	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	N/A			
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