

BROKER FIDUCIARY RATING REPORT

BMA Capital Management Limited

REPORT DATE:

November 08, 2024

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR2 <i>Strong Fiduciary Standards</i>
Rating Rationale	The rating signifies sound ownership and governance, internal controls and strong management and client services while business and financial sustainability are considered adequate.
Rating Date	November 08, 2024

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

<https://docs.vis.com.pk/Methodologies%202024/Broker-Fiduciary-Rating.pdf>

APPLICABLE RATING SCALE(S)

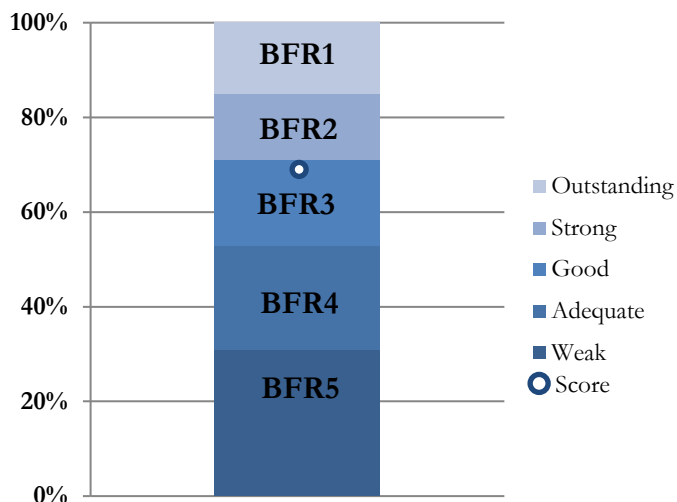
VIS Issue/Issuer Rating Scale:

<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 20 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

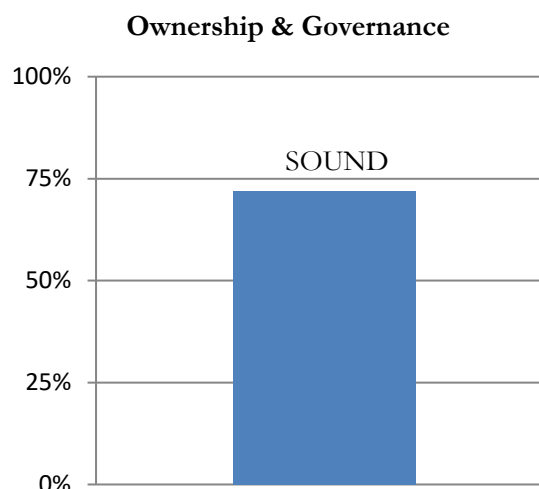
	FY24	FY23	FY22
Size of Net Worth (Rs. In Millions)	910.3	582.1	704.8
Gearing x (Total Borrowing/ Total equity)	0.82x	0.80x	1.01x
Leverage x (Total liabilities/ Total equity)	2.68x	2.26x	2.88x
Liquid Assets/ Total Liabilities (x)	0.99x	0.85x	0.93x
Short term Investments/ Total Equity (%)	52%	60%	54%

BMA Capital Management Limited

Rating Indicators

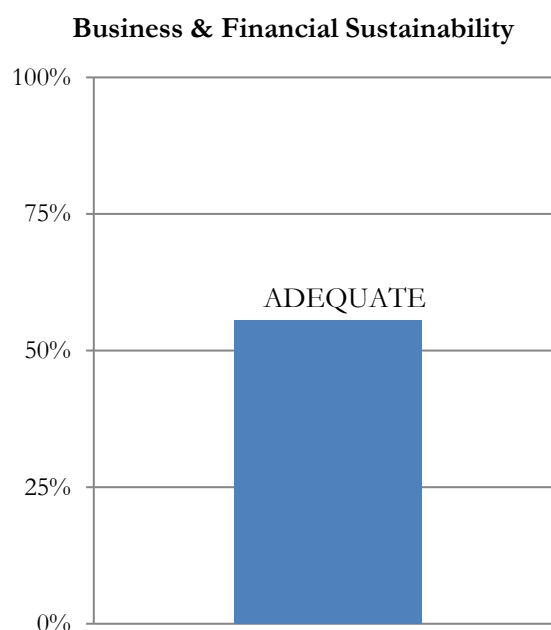
Ownership & Governance

- BMA is a public unlisted company, with a board of directors consisting of three members. Additionally, the Company has four board committees namely audit, HR, investment, and risk management committee, with repetition of members observed across these committees.
- Enhancement in the governance framework may be achieved by increasing the board size, together with the inclusion of independent and certified directors. The same may also enable avoiding repetition of members across the board committees.
- Disclosure levels of the Company may be enhanced through the addition of CEO statement.



Business & Financial Sustainability

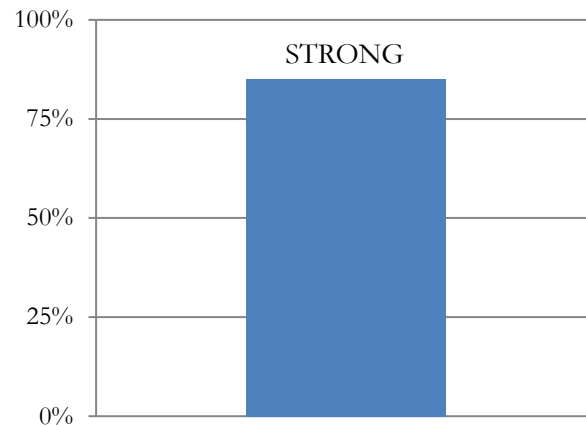
- Following two consecutive negative bottom lines in FY22 and FY23, the Company reported strong profitability, buoyed by an increase in brokerage revenue, driven by a sizeable surge in industry volumes.
- Consequently, the Company’s operational efficiency levels have improved, reaching 84.5% in FY24 (FY23: 118.5%, FY22: 83%), although it remains on the higher side.
- Liquidity profile of the Company remains adequate, with liquid assets in relation to total liabilities standing at 0.99x as at Jun’24 (Jun’23: 0.85x, Jun’22 0.93x).
- Market risk of the Company is manageable, with short term investments in relation to equity recorded at 52% at Jun’24 (Jun’23: 60%, Jun’22: 54%).
- As at Jun’24, gearing ratio of the Company is considered adequate at 0.80x (Jun’23: 0.80x, Jun’22: 1.01x) while leverage ratio is elevated at 2.68x (Jun’23: 2.26x, Jun’22: 2.88x). However, a sizeable equity base, which has increased in line with higher profitability during FY24, provides support to the Company’s capitalization profile.
- Going forward, diversifying revenue streams along with improving operational efficiency, liquidity profile, gearing and leverage indicators will remain important for rating.



Management & Client Services

- Management & client services of the Company are considered strong, with a good geographical presence spanning 20 branches across the Country. Additionally, client facilitation tools along with research materials are available to customers.
- However, the Company may consider undertaking invitations and advertisements in order to facilitate Customer reach.
- Contingency measures of the Company are well in place, with offsite backups under own control as well as outsourced to a third-party warehouse.

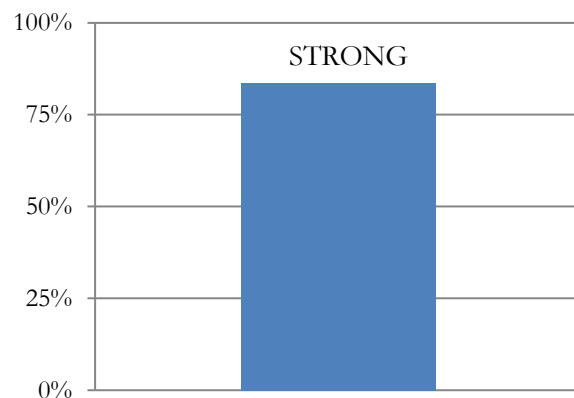
Management & Client Services



Internal Controls & Regulatory Compliance

- Internal controls and regulatory frameworks are considered strong. However, increasing the frequency of review and documenting of internal control system and compliance may further strengthen the internal control framework of the Company. Expanding the scope of internal policies may also enhance this framework.

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.

BMA Capital Management Limited

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			
	11/08/2024	BFR2	Stable	Upgrade
	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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