

BROKER FIDUCIARY RATING REPORT

Summit Capital Private Limited

REPORT DATE:

28 June 2024

RATING ANALYSTS:

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RATING DETAILS

| | |
|--------------------------------|---|
| Broker Fiduciary Rating | BFR3 <i>Adequate Fiduciary Standards</i> |
| Rating Rationale | The rating signifies adequate internal controls, financial sustainability and client services and ownership and governance. |
| Rating Date | 28 June, 2024 |

COMPANY INFORMATION

| | |
|--|---|
| Incorporated in 2006 | External auditors: Yousuf Adil Chartered Accountants |
| Private Limited Company | Chief Executive Officer: Mr. Muzammil Hussain Merchant |
| Key Shareholders (with stake 5% or more): | Chairman of the Board: Mr. Ali Kashif Rizvi |
| <i>Bank Makramah Limited (Formerly Summit Bank Limited) ~ 100%</i> | |

APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings:

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

APPLICABLE RATING SCALE(S)

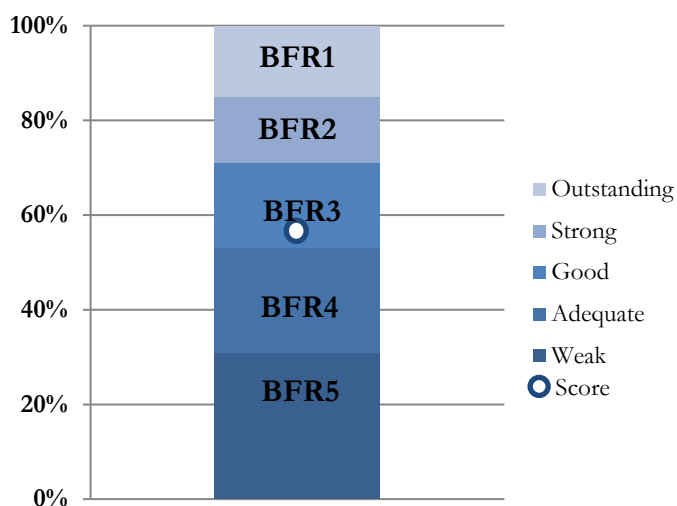
VIS Issue/Issuer Rating Scale:

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

Summit Capital Private Limited

CORPORATE PROFILE OVERALL GRADING

Summit Capital Private Limited is a private limited company, providing equity and commodity brokerage services and research to institutional as well as retail clients. Major shareholding of the Company is vested with Bank Makramah Limited (Formerly Summit Bank Limited), who serves as the Parent Company. The Company provides both online and assisted trading services to its clients, and has offices in Karachi and Lahore.



Summit Capital Private Limited is a private limited company holding Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), registered with SECP to provide Trading & Self Clearing Services. External auditors of the company are Yousuf Adil Chartered Accountants. External auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP).

Business and Financial Sustainability Indicators

| | CY23 | CY22 |
|---|-------|-------|
| Size of Net Worth (Rs. In Millions) | 182 | 187 |
| Gearing x (Total interest bearing debt/ Total equity) | 0.0x | 0.0x |
| Leverage x (Total liabilities/ Total equity) | 1.10x | 1.40x |
| Liquid Assets/ Total Liabilities (x) | 0.73x | 0.31x |
| Short term Investments/ Total Equity (%) | 21% | 0% |

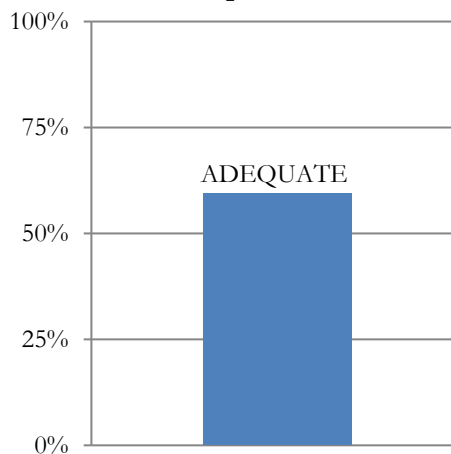
Summit Capital Private Limited

Rating Indicators

Ownership & Governance

- The Board of the Company is represented by four members without any independent representation. Board Committees are at present limited to board audit committee where meetings are held on quarterly basis.
- Increasing the board size through inclusion of independent and certified members may be considered in order to strengthen overall governance framework. Additionally, it may also facilitate in the formation of other board committees.
- Disclosure levels are considered sound. However, overall ownership and governance framework is considered adequate.

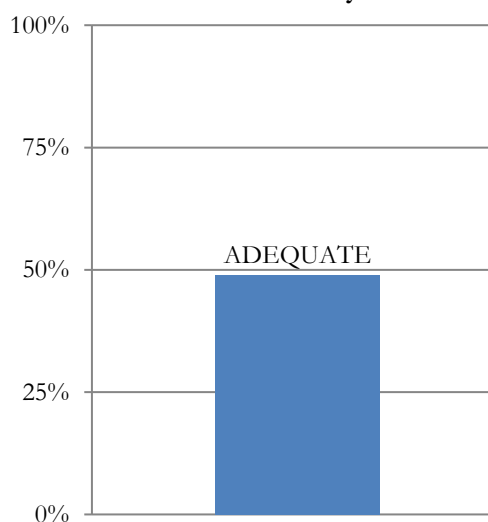
Ownership & Governance



Business & Financial Sustainability

- During CY23, the Company’s earning profile witnessed improvement owing to increase in the core brokerage revenues.
- Despite improvement, cost-to-income ratio of the Company is considered to be on the higher side, operational expenses in relation to recurring revenues were 111% (CY22 146%) CY23.
- Liquidity profile is considered adequate, liquid assets provided 0.73x coverage to total liabilities during CY23 (CY22 0.31x).
- Market risk is considered low, while Capitalization indicators are considered manageable. Gearing stood nil, albeit leverage indicator was higher at 1.10x during CY23 (CY22 1.40x).
- Overall business and financial sustainability is considered adequate. Going forward, improvement in the Company’s earning profile, efficiency levels, market share, while managing liquidity and capitalization indicators will remain important for rating.

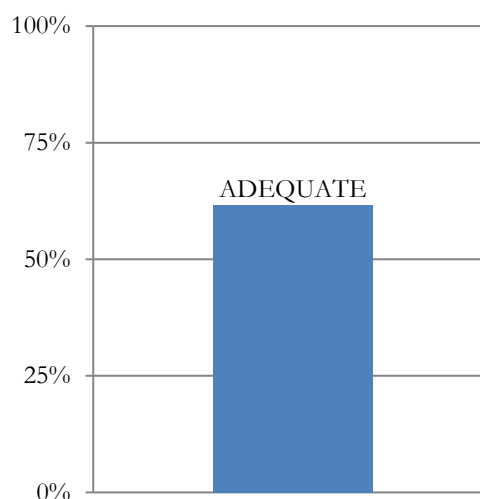
Business & Financial Sustainability



Management & Client Services

- Overall management and client servicing procedures are considered adequate. Organizational structure of the Company commensurate with the size of operations, however inclusion of a separate risk function may be considered.
- Enhancing trade procedures through sending prompt trade alerts to clients may also be considered.
- Investor grievance procedures may be improved through availability of complaint registering and tracking mechanism on Company’s website header.
- Availability of equity and daily market research reports to customers along with disclosure of commission rates on Company website may further enhance client experience.

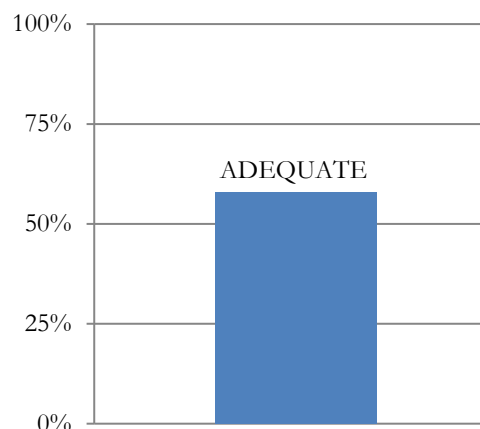
Management & Client Services



Internal Controls & Regulatory Compliance

- Internal policies and procedures are present however, enhancing the scope of all internal policies along with dissemination of the same to all stakeholders may be considered.
- Increasing frequency of reviewing and documenting internal control and compliance procedures may also be considered.
- Frequency of reporting of staff’s personal trades to compliance and review of the same may be increased to further strengthen internal control framework and avoid potential conflicts of interest.

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.

Summit Capital (Private) Limited

| REGULATORY DISCLOSURES | | Appendix I | | | |
|-------------------------------------|--|---------------|-----------------------|----------------------|--|
| Name of Rated Entity | Summit Capital (Private) 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 | | | | |
| | 28/06/2024 | 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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