

BROKER FIDUCIARY RATING REPORT

BIPL Securities Limited

REPORT DATE:

8 April, 2022

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR3++ <i>Good Fiduciary Standards</i>
Rating Rationale	The rating signifies sound ownership and governance, management and client services as well as internal control and regulatory compliance. Business and financial sustainability is considered adequate.
Rating Date	8 April, 2022

COMPANY INFORMATION

Incorporated in 2000	External auditors: RSM Avais Hyder Liaquat Nauman Chartered Accountants
Public listed	Chairman of the Board: Mr. Kamal Uddin Tipu
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Abdul Aziz Anis, CFA
<i>M/s. AKD Securities Limited ~ 77.12%</i>	
<i>Mr. Mubammad Aslam Motivala ~ 9.36%</i>	
<i>Mrs. Noor Jehan Bano ~ 6.55%</i>	

APPLICABLE METHODOLOGY

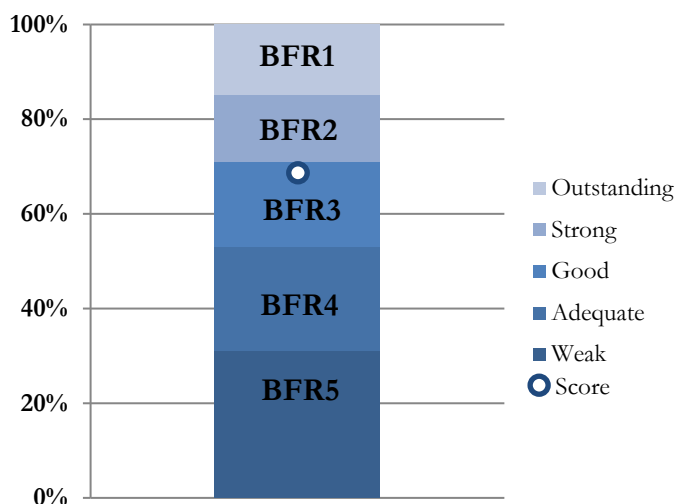
Applicable Rating Criteria: Broker Fiduciary Ratings 2021
<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

BIPL Securities Limited

CORPORATE PROFILE

OVERALL GRADING

BIPL Securities Limited (BIPLS) is in the business of broking services for around last two decades. The company was incorporated in 2000 under the Companies Ordinance 1984 as a public limited company and commenced its operations from January, 2003. BIPLS caters primarily to equity broking services to both retail and institutional clients with presence in commodity, fixed income and forex segment. On June 28, 2021, BIPLS formally became a subsidiary of AKD Securities Ltd as the previous sponsor, Bank Islami Pakistan (BIPL) sold its entire stake constituting 77.12% of the share capital to AKD Securities. The company is currently going through the process of merging of operations; regulatory approvals are underway.



Further, the company holds a Trading Right Entitlement Certificate (TREC) of PSX and is a Member of Pakistan Mercantile Exchange Limited (PMEX). External auditors of the company are RSM Avais Hyder Liaquat Nauman Chartered Accountants. Auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).

Business and Financial Sustainability Indicators

	CY21	CY20
Size of Net Worth (Rs. In Millions)	930	782
Gearing x (Total Borrowing/ Total equity)	0.33x	0.26x
Leverage x (Total liabilities/ Total equity)	1.27x	2.43x
Liquid Assets/ Total Liabilities (x)	1.39x	1.97x
Short term Investments/ Total Equity (%)	22%	0%
Net Capital Balance (NCB) (Rs. In Millions)	534	337

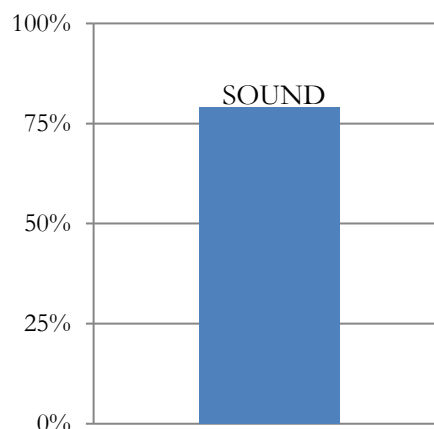
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Rating Indicators

Ownership & Governance

- The company’s board comprises of seven directors along with independent representation.
- Board level committees namely, Audit, HR & Remuneration are held every quarter and are headed by independent directors; enhancing the number of certified directors on the Board may further enhance the governance framework.
- Overall disclosure levels in the financial statements are considered strong.

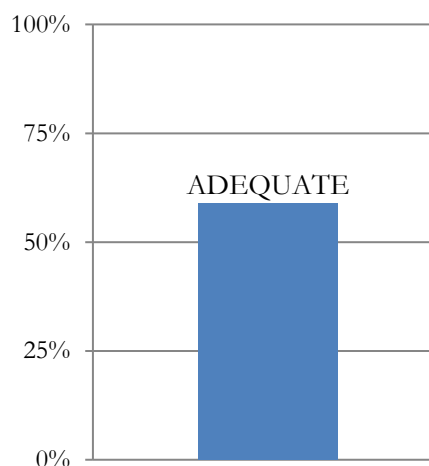
Ownership & Governance



Business & Financial Sustainability

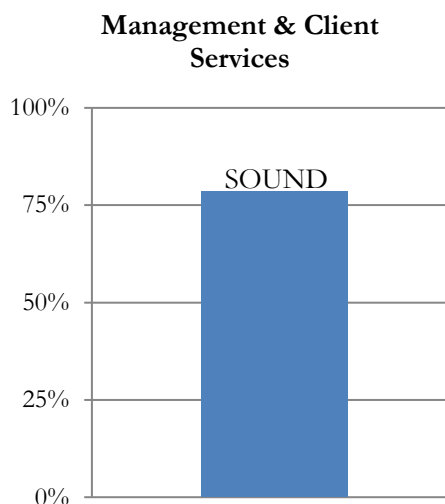
- The Company’s earning profile and profitability witnessed improvement on account of increase in core brokerage income and contained expenses during CY21. Higher brokerage income was largely supported by higher market activity during 2021.
- Cost to income ratio while depicting an improved trend offers some room for further improvement.
- Revenues remain concentrated in brokerage business. Diversification of revenue streams may be considered.
- Liquidity profile is considered sound, with liquid assets providing comfortable cushion of 168x to total liabilities.
- Market risk exposure is low. Historically, proprietary trading has remained nil only picking up in 2021. Keeping market risk exposure low will be important for rating.
- Capitalization indicators are adequate. While gearing levels have remained low, leverage indicators on a timeline basis have remained elevated, albeit reflecting an improving trend.
- Overall, business and financial sustainability is considered adequate. Going forward, sustainability of brokerage revenues along with augmentation of revenue streams and improvement in cost to income ratio will remain important for the rating.

Business & Financial Sustainability



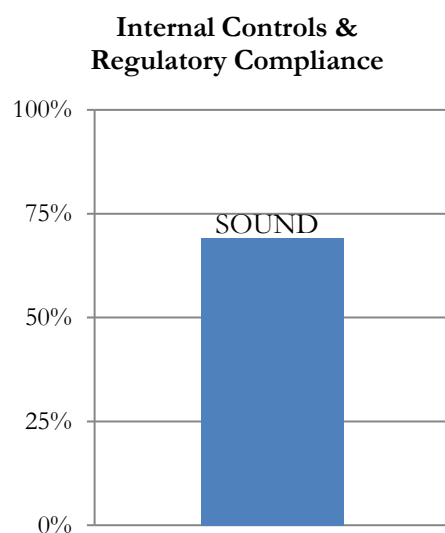
Management & Client Services

- The Company has a strong geographical footprint which supports its large retail presence.
- In line with the market, BIPL offers its clients customer facilitation tools including research resources, web based trading and customer grievance reporting and tracking system.
- Organizational structure commensurate with the size of the Company.



Internal Controls & Regulatory Compliance

- Internal audit and compliance departments function independently.
- Sharing conflict of interest policy with all stakeholders may be considered in order to further strengthen internal controls.
- Formulating and documenting a well-defined credit policy may support strengthening of internal control framework.
- The Company is contesting certain KYC related observations with the regulator, outcome of which will be important.



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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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

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REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	BIPL Securities 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			
	4/08/2022	BFR3++	Rating Watch - Developing	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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