

BROKER MANAGEMENT RATING REPORT

Darson Securities Limited

REPORT DATE:

29 December, 2020

RATING ANALYSTS:

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APPLICABLE
METHDOLOGY:

Broker Management Ratings 2020:

[https://s3-us-west-](https://s3-us-west-2.amazonaws.com/backupsqvis/docs)
[2.amazonaws.com/backupsqvis/docs](https://s3-us-west-2.amazonaws.com/backupsqvis/docs)

Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The rating signifies strong external control framework, along with sound client relationship and risk management, internal controls, HR & IT services and adequate financial management.
Rating Date	29 December, 2020

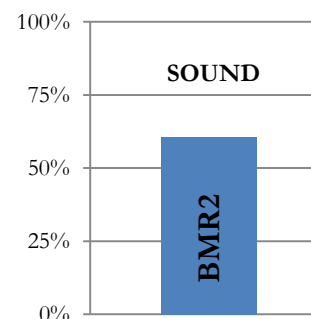
COMPANY INFORMATION

Incorporated in 1998	External auditors: Muniff Ziauddin & Co Chartered Accountants
Public unlisted Company	Chairman of the Board: Mr. Muhammad Anwar Dar
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Malik Dil Awaysz Ahmed, CFA
<i>Mr. Mubammad Farooq Dar ~ 37.6%</i>	
<i>Mr. Zeeshan Dar ~ 37.5%</i>	
<i>Mr. Mubammad Anwar Dar ~ 19.3%</i>	

Corporate Profile

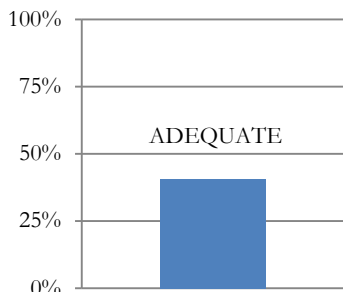
Operating in the broking business for over 20 years, Darson Securities Limited (DSL) caters primarily to equity broking services to both retail and foreign intuitional clients with active presence in stock exchange, money market commodities, software development and educational institutions. Furthermore, DSL's operations run through its corporate office in Karachi while the company's registered office is in Lahore. Additionally, the company has a network of 7 branches spread nationwide.

The company holds a Trading Right Entitlement (TRE) certificate issued by the Pakistan Stock Exchange Limited (PSX) since 2000. External auditors of the company are Muniff Ziauddin & Co Chartered Accountants. Auditors are on the approved list of auditors published by the State Bank of Pakistan.



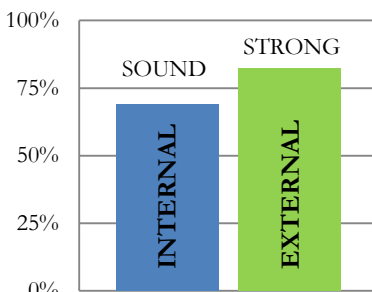
Rating Factors Scores

Regulatory Requirements & Supervision



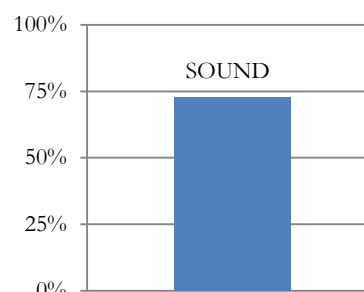
- Room for improvement exists in board size for enhanced governance. Additionally, it would facilitate board committee formation.
- Presence of independent director with relevant experience on board would enhance corporate governance levels.
- Formation of Risk Management & HR Committee would also add to governance level.

Internal & External Control Framework



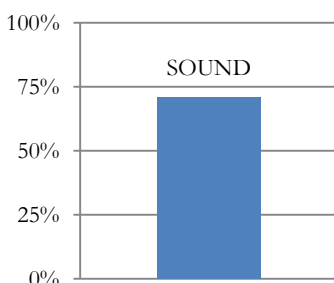
- Holding period of securities may be increased in the Employee Trading Policy (ETP).
- Adding Statement of Compliance with Code and CEO's independent statement in annual accounts would add to external control framework.

Client Relationship & Fairplay



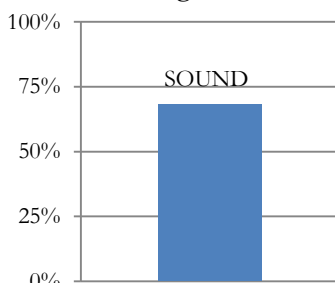
- Trade procedures and customer relationship management is sound.
- Addition of registering complaint through a separate complaint section on the website's header would improve customer grievances process.

HR & Infrastructure



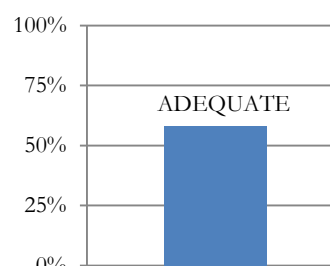
- Off-site back up is under own control, back-up with third party data services would enhance business continuity framework.

Compliance & Risk Management



- A well-defined credit policy document and tightening of credit limits extended to retail customers would enable better risk management.
- Frequency of reviewing policies and manuals may be enhanced.
- Internal audit and compliance departments should be placed independently to achieve best governance practices.

Financial Management



- Uptick in industry trading volumes has improved topline during FY20 and in the ongoing year 1Q'FY21. However, higher administrative expenses (more than two-fold increase salaries & commission) are a drag on profitability.
- Diversity in income stream would lower operational risk of the company.

MANAGEMENT QUALITY SCALE & DEFINITIONS

Appendix I

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: BROKER MANAGEMENT RATING

BMR1A

Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.

BMR1++, BMR1+, BMR1

Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.

BMR2++, BMR2+, BMR2

Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.

BMR3++, BMR3+, BMR3

Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.

BMR4++, BMR4+, BMR4

Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.

BMR5

Weak regulatory compliance and business practices

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

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Darson Securities Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BMR			
	29/12/2020	BMR2	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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