

BROKER MANAGEMENT RATING REPORT

DJM Securities Limited

REPORT DATE:

24 September, 2021

RATING ANALYSTS:

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APPLICABLE
METHDOLOGY:

Broker Management Ratings 2020:

<https://docs.vis.com.pk/docs/BMR202007.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR3+
Rating Rationale	The rating signifies sound external controls. Regulatory framework, client relationships, HR, compliance, internal control and financial management are considered adequate.
Rating Date	24 September, 2021

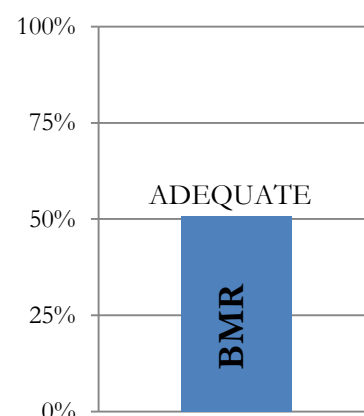
COMPANY INFORMATION

Incorporated in 2002	External auditors: Baker Tilly Mehmood Idrees Qamar Chartered Accountants
Public Unlisted Company	CEO/Board Chairman: Mr. Abdul Samad Dawood
Key Shareholders (with stake 5% or more):	
<i>Mr. Muhammad Yaqoob ~ 31.52%</i>	
<i>Mrs. Sumya Abdul Qadir ~ 21.60%</i>	
<i>Miss. Mariam Dawood ~21.60%</i>	
<i>Mr. Abdul Samad Dawood ~ 21.92%</i>	

Corporate Profile

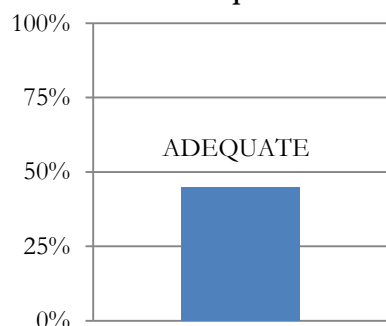
DJM Securities Limited is a public unlisted company incorporated in 2002, providing equity brokerage services to institutional as well as individual clients, in both local and international equity and future markets. Major shareholding of the company is vested with four individuals including the CEO. The company operates from Karachi and provides both online and assisted trading services to its clients.

DJM SL is a public unlisted company holding Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), and is registered with SECP to provide Trading & Self Clearing Services. External auditors of the company are Baker Tilly Mehmood Idrees Qamar Chartered Accountants. External auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



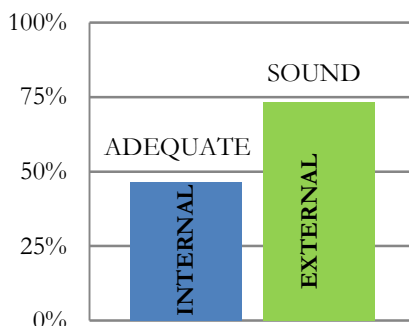
Rating Factors Scores

Regulatory Requirements & Supervision



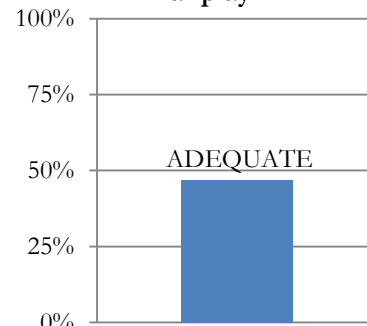
- Board of directors consists of 3 members. Increasing board size with addition of independent directors may enhance regulatory and supervisory framework.
- Establishing independently headed board committees may align the company's regulatory framework with best practices.
- Acquiring additional licenses may support revenue growth in future.

Internal & External Control Framework



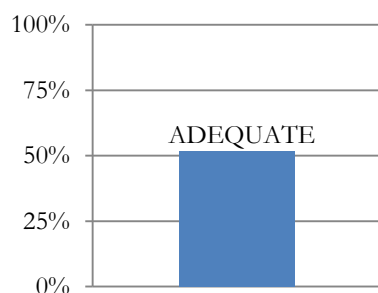
- Employee trading except by directors is not allowed by the company as a policy.
- Documentation of separate conflict of interest policy may be considered.
- Conducting regular internal audits and increasing frequency of review of trade procedures may further strengthen internal control framework.
- External control framework may be strengthened by including director's report and CEO's statement in financial statements.

Client Relationship & Fairplay



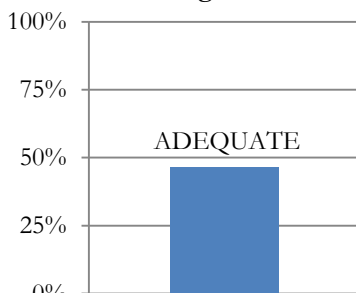
- Client services and resources may be more pronounced through greater visibility on website and increased communications with customers.
- Company has established SMS-based complaint and trade execution systems; online provision of customer reports and access to market research data may strengthen client relationship.
- Geographical diversification may provide sustainability and growth to the business.

HR & Infrastructure



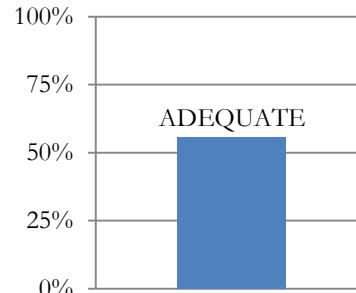
- Fully integrated ERP platform present.
- Contingency measures are in place. However, they may be strengthened by keeping offsite data backups at a third party warehouse.
- Increasing disaster recovery exercises to more than once a year would further strengthen the business continuity framework.

Compliance & Risk Management



- Segregating risk management, internal audit, and compliance as independent functions would enhance the risk management and compliance framework.
- Designating a separate terminal for proprietary trading may be considered.

Financial Management



- Significant improvement in profitability was noted in FY20 and in HY'21 on account of revaluation gains. Brokerage income also increased, albeit remaining small.
- Liquidity profile of the company is sound with liquid assets providing 2.1x coverage to total liabilities in 1HFY21 (FY20: 2.4x).
- Gearing and leverage indicators are adequate supported by improved profitability, despite increase in borrowings.
- Market risk, **however, remains elevated** given sizeable propriety book of Rs. 2.2b at Dec 2020 end.
- Going forward, increasing revenue base, expanding revenue streams while maintaining low cost to income ratio and acceptable gearing levels will be important for financial profile of the company.

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	DJM 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			
	24/ 09/ 2021	BMR3+	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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