

BROKER MANAGEMENT RATING REPORT

Standard Capital Securities (Private) Limited

REPORT DATE:3rd December, 2021**RATING ANALYSTS:**

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Broker Management Ratings 2020:

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

Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The rating signifies strong client relationship whereas external control is sound. Compliance and risk management, financial management, HR and infrastructure, internal controls and regulatory requirements are considered adequate.
Rating Date	3 rd December, 2021

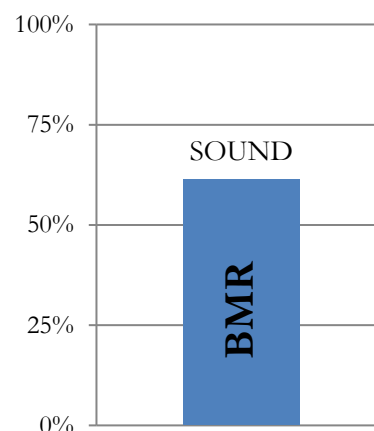
COMPANY INFORMATION

Incorporated in 1998	External auditors: Kreston Hyder Bhimji & Co. Chartered Accountants
Private Limited Company	CEO/Board Chairman: Mr. Naushad Chamdia
Key Shareholders (with stake 5% or more):	
<i>Mr. Naushad Chamdia ~49%</i>	
<i>Ms. Feroza Haroon ~14%</i>	
<i>Ms. Shazia Chamdia ~12%</i>	
<i>Mr. Navid Chamdia ~12%</i>	
<i>Mr. Haroon Chamdia ~12%</i>	

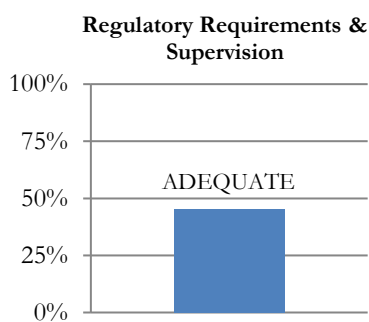
Corporate Profile

Standard Capital Securities (Private) Limited was incorporated in 1998, providing full scale equity brokerage services to institutional as well as individual clients. Shareholding of the company is vested with members of the Chamdia family including the Chief Executive Mr. Naushad Chamdia. The company has three offices in Karachi and one in Sialkot. SCS provides both online and assisted trading services to its clients.

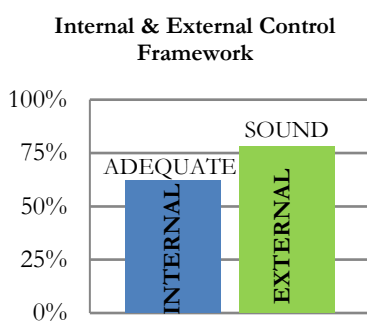
SCSPL is a private limited company holding Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), and is registered with SECP to provide Trading & Self-Clearing Services. External auditors of the company are Kreston Hyder Bhimji & Co Chartered Accountants. External auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



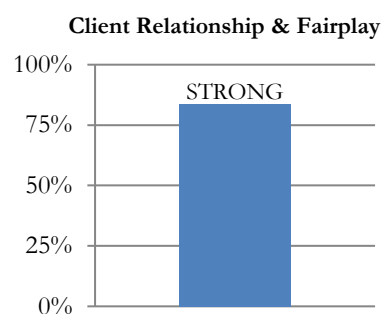
Rating Factors Scores



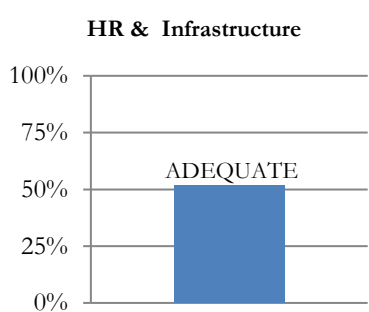
- The company operates as a private limited concern with 2 board members, of which one is a sponsor director. Governance framework may be enhanced through increasing the board size which may facilitate formation of additional board committees. This will also support in enhancing the supervisory framework.
- Acquiring additional licenses may support revenue growth in future.



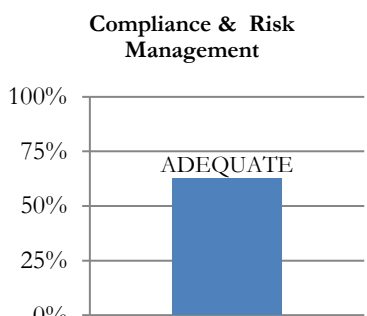
- Internal control framework is adequate. Documenting a separate conflict of interest policy may be considered which may be shared with all stakeholders.
- While all personal trades are with prior permission and reported to compliance, enhancing the scope of Employee Trading policy to additionally include blackout periods and trading windows may enhance internal control framework.
- External control framework is sound. However, the same may be further strengthened by increasing disclosure levels through inclusion of director's report and CEO's statement in financial statements.



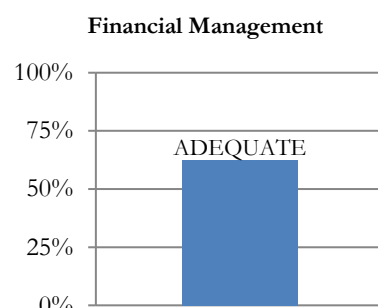
- Customer services and facilitation tools are well established.
- Research resources are adequately available on the website, providing a comprehensive view of the market, sector and individual companies.
- While customer grievance recording and tracking mechanism is in place, greater visibility on website may further enhance customer facilitation.
- Overall, client relationship and fair play is considered strong.



- Establishing a fully integrated ERP platform may align the company with best practices.
- Developing a separate, well-defined IT policy may be considered.
- Establishing an independent risk management department may strengthen organizational structure.
- Contingency measures are in place. However, those may be strengthened by having offsite data backups at a third party warehouse.
- Increasing disaster recovery exercises to more than once a year may further strengthen the business continuity framework.



- Having independent reporting of internal audit to the Board may be considered for enhancing transparency and overall risk management framework.
- Streamlining of credit limits may be considered.
- Trade review procedure for non-compliant and suspicious trades is under development. Once implemented, it is expected to strengthen compliance framework.



- Significant improvement in profitability was noted during FY'21 on account of an increase in operating revenue and capital gains on investments.
- Liquidity profile of the company is limited with liquid assets providing 70% coverage to liabilities.
- Quantum of short term investments in relation to equity stood higher at the end of FY21, depicting a higher assumption of market risk impacting the overall risk profile of the entity.
- Operational efficiency is reflective of effective cost controls resulting in cost to income ratio to decline on a timeline basis to 50% in FY21. Capitalization indicators remain adequate with low gearing and reasonable leverage levels at 0.23x and 1.66x respectively. Increasing market share, augmentation and diversification of revenue streams, maintaining low costs to income ratio and gearing levels will be important for ratings going forward.

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.

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.

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.

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.

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.

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	Standard Capital Securities (Private) 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			
	3/ 12/ 2021	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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