

## BROKER MANAGEMENT RATING REPORT

### Standard Capital Securities (Private) Limited

**REPORT DATE:**

12 May, 2023

**RATING ANALYSTS:**

Syeda Batool Zehra Zaidi  
[batool.zaidi@vis.com.pk](mailto:batool.zaidi@vis.com.pk)

Jahanzaib Alvi

[jahanzaib.alvi@vis.com.pk](mailto:jahanzaib.alvi@vis.com.pk)

**APPLICABLE**
**METHODOLOGY:**

Broker Management Ratings 2020:

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

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2</b>
<b>Rating Rationale</b>	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.
<b>Rating Date</b>	12 May, 2023

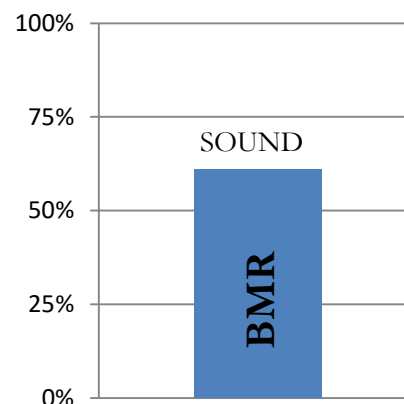
### COMPANY INFORMATION

<b>Incorporated in 1998</b>	<b>External auditors:</b> Kreston Hyder Bhimji & Co. Chartered Accountants
<b>Private Limited Company</b>	<b>CEO/Board Chairman:</b> Mr. Naushad Chamdia
<b>Key Shareholders (with stake 5% or more):</b>	
Mr. Naushad Chamdia ~69%	
Ms. Feroza Haroon ~8%	
Ms. Shaqia Chamdia ~7%	
Mr. Navid Chamdia ~7%	
Mr. Haroon Chamdia ~7%	

### Corporate Profile

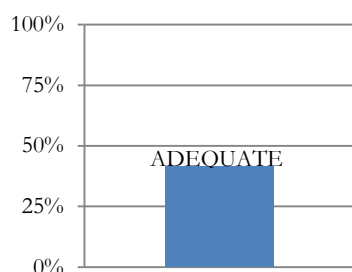
Standard Capital Securities (Private) Limited was incorporated in 1998, providing full scale equity brokerage services to institutional as well as individual clients. Shareholding of the company is vested with members of the Chamdia family including the Chief Executive Mr. Naushad Chamdia. The company 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).



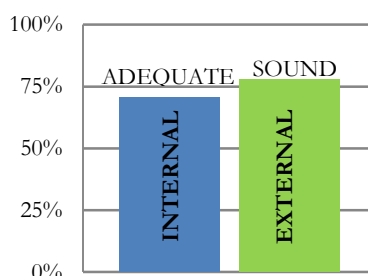
**Rating Factors Scores**

**Regulatory Requirements & Supervision**



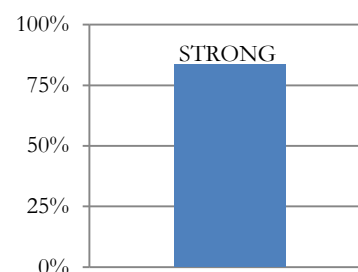
- At present, the Company’s board comprising of two members only. Increasing board size through inclusion of certified and independent directors would improve overall governance framework. Additionally, it would facilitate in the formation of independently represented board committees.
- Acquisition of additional licenses would support in larger trading activity.

**Internal & External Control Framework**



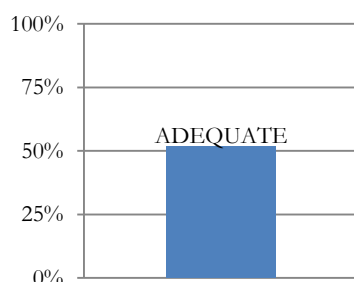
- Internal control framework is adequate. Further room for improvement exists in order to strengthen internal controls through enhancing the scope of all internal policies.
- Increasing frequency of reviewing and documenting internal control system and level of compliance by internal audit may be considered.
- External control framework is sound. However, to enhance it further, improving disclosure levels by adding the director’s report and CEO’s statement to the financial statements may be considered.

**Client Relationship & Fairplay**



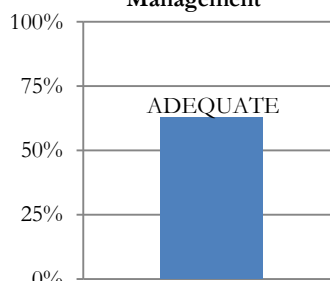
- Client relationship and fair-play continues to remain strong, customer service and facilitation tools are well-established and effectively assist customers through availability of ample research resources on market reviews, sector updates, and individual companies.
- Investor grievances may be further strengthened through greater visibility of the process on the website.

**HR & Infrastructure**



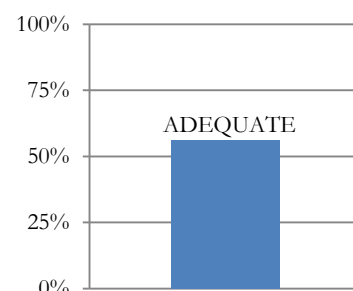
- Establishing a fully integrated ERP platform may improve overall infrastructure of the Company.
- Developing a separate, well-defined IT policy may be considered.
- Contingency measures are in place. However, those may be strengthened by having offsite data backups at a third party warehouse.
- Increasing disaster recovery exercises to more than once a year may further strengthen the business continuity framework.

**Compliance & Risk Management**



- 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.
- Developing a mechanism for reviewing and monitoring suspicious and non-compliant trading may be considered.

**Financial Management**



- During the year, the Company’s earning profile witnessed deterioration on account of subdued market activity along with decline in trading volumes. Profitability was also impacted due to capital and unrealized losses on re-measurement of investments, the Company posted a negative bottom-line of Rs. 5.8m end-HFY23 (FY23 Rs. -119m, FY21 190m)
- Decline in revenues and subsequent capital losses also deteriorated the Company’s cost-to-income ratio.
- Liquidity profile is considered to be sound, liquid asset provide 1.31x coverage to total liabilities as of HFY23 (FY22 1.26x, FY21 1.30x)
- Market risk continues to be on the higher side, quantum of short term investments to equity amounted to 101% during FY22 (FY21 107%)
- Gearing indicator continued to remain manageable, however, leverage indicator was considered to be on the higher side at 1.8x during FY22 on account of increase in liabilities during the year.
- Going forward, augmentation in revenue streams in order to mitigate operational risk, improvement in cost to income ratio and capitalization indicators and maintenance of liquidity profile will remain important for the rating.

## MANAGEMENT QUALITY SCALE &amp; 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](http://www.vis.com.pk/images/criteria_outlook.pdf)

<b>REGULATORY DISCLOSURES</b>		<b>Appendix II</b>		
<b>Name of Rated Entity</b>	Standard Capital Securities (Private) Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Management Rating (BMR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	
	<b><u>RATING TYPE: BMR</u></b>			
	12/05/2023	<b>BMR2</b>	<b>Stable</b>	<b>Reaffirmed</b>
	3/ 12/ 2021	BMR2	Stable	Initial
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	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.			
<b>Probability of Default</b>	N/A			
<b>Disclaimer</b>	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2023 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.			