

## BROKER MANAGEMENT RATING REPORT

### Adam Securities Limited

**REPORT DATE:**

January 13, 2020

**RATING ANALYSTS:**

Muhammad Tabish

[mubammad.tabish@vis.com.pk](mailto:mubammad.tabish@vis.com.pk)

**APPLICABLE**

**METHODOLOGY:**

Broker Management Ratings 2017:

<http://vis.com.pk/docs/BMR2017>

[01.pdf](#)

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2</b>
<b>Rating Rationale</b>	The rating signifies sound external control framework, client relationship and risk management along with adequate regulatory compliance levels, internal controls, client relationship, HR & IT services and financial management.
<b>Rating Date</b>	13 January 2020

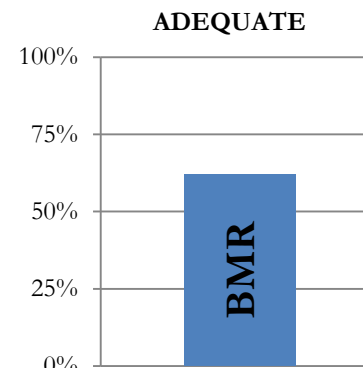
### COMPANY INFORMATION

<b>Incorporated in 2001</b>	<b>External auditors:</b> M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants
<b>Public Un-listed Company</b>	<b>Chairman of the Board:</b> Mr. Noman Abdul Majeed Adam
<b>Key Shareholders (with stake 5% or more):</b> Noman Abdul Majeed Adam – 98.87%	<b>Chief Executive Officer:</b> Mr. Noman Abdul Majeed Adam

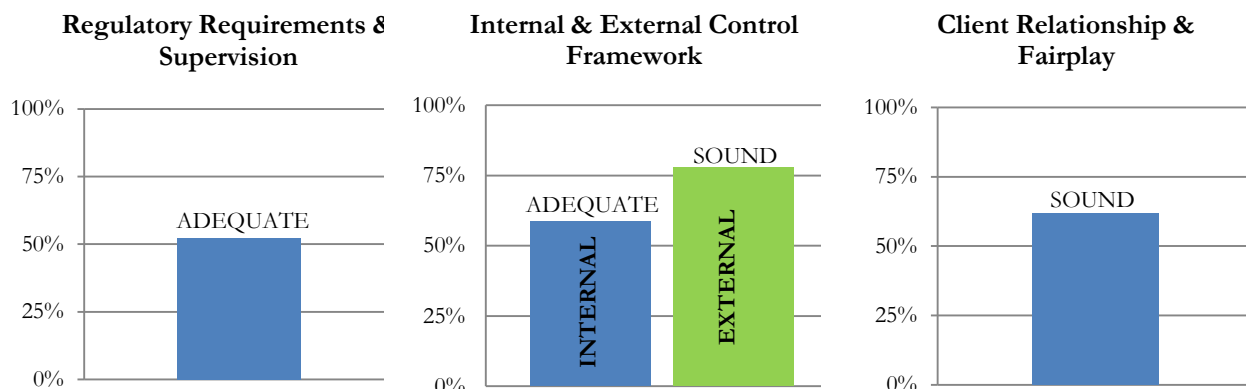
### Corporate Profile

Adam Securities (ASL) was incorporated in 2001 as a private limited company but later changed its status to public unlisted company in 2016. ASL is principally engaged in provision of equity brokerage facilities to domestic retail and institutional clients. Major shareholding of the company is vested with Mr. Noman Abdul Majeed. During outgoing year, the company has acquired license of consultant to the issue.

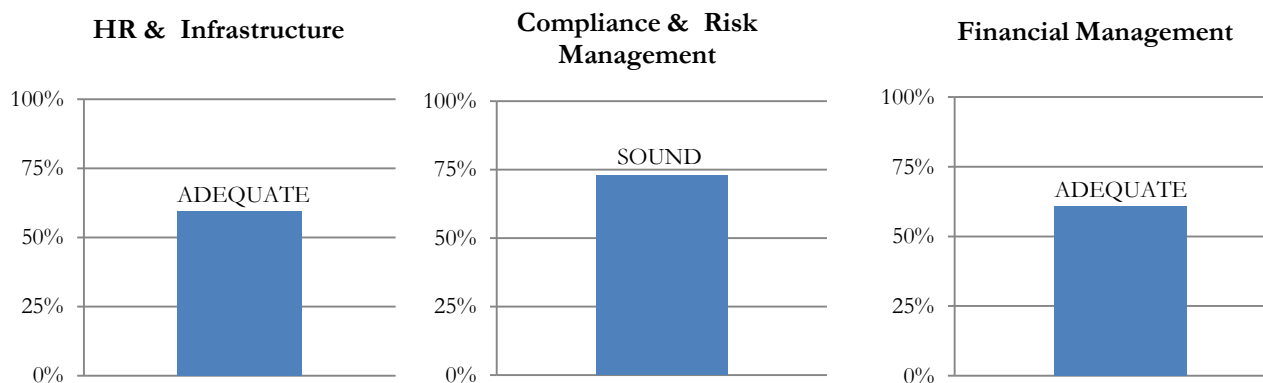
ASL is a TREC holder of Pakistan Stock Exchange. The company is also a Member of Pakistan Mercantile Exchange Limited (PMEX). External auditors are M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants. Auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP). The company has operations in 2 branches of Karachi



**Rating Factors Scores**



- Addition of one director on board has been noted, however, further increase in board size would avoid common members in board committees.
- Independent director with relevant experience and qualification may be considered for best governance practices.
- Net capital balance has witnessed reduction on a timeline basis.
- Employee trading guidelines and conflict of interest policy maybe further developed.
- Inclusion of CEO statement and Statement of Compliance with Code in annual Financial Statements would enhance disclosure level.
- Complaint header on website’s homepage and addition of sms text complaint service has improved overall client relationship management.
- Uploading market and equity research reports on website would enhance client service.



- IT infrastructure and policies are considered adequate.
- Maintenance of off-site data backup at third party would strengthen business continuity and contingency planning.
- Internal audit and risk management function may be segregated for better control purposes.
- Given sizeable market share, ASL’s commission per share and quantum of clientele remains the lowest amongst peers.
- ASL has initiated 2 new business lines i.e. corporate finance advisory and commodities. This will facilitate in revenue diversification, which is warranted.

## 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.

#### **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](http://www.vis.com.pk/images/criteria_outlook.pdf)

<b>REGULATORY DISCLOSURES</b>		<b>Appendix II</b>		
<b>Name of Rated Entity</b>	Adam Securities 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>Rating Action</b>
	<b>RATING TYPE: BMR</b>			
	1/13/2020	BMR2	Stable	Upgrade
	1/9/2019	BMR3++	Stable	Reaffirmed
11/21/2017	BMR3++	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>	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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