

BROKER MANAGEMENT RATING REPORT

Next Capital Limited

REPORT DATE:

February 23, 2018

RATING ANALYSTS:

Muniba Khan

muniba.khan@jcrvis.com.pk

Muhammad Tabish

mubammad.tabish@jcrvis.com.pk

APPLICABLE

METHDOLOGY:

Broker Management Ratings 2017:

<http://jcrvis.com.pk/docs/BMR20>

[1701.pdf](#)

Rating Category	Latest Rating
Broker Management Rating	BMR2++
Rating Rationale	The rating signifies strong regulatory compliance levels; sound external controls, HR & IT services, risk management and financial management along with adequate internal control framework and client relationship.
Rating Date	23 February 2018

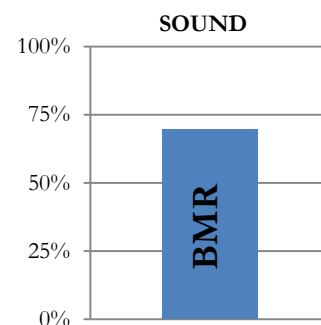
COMPANY INFORMATION

Incorporated in 2009	External auditors: M/s KPMG Taseer Hadi & Co. – Chartered Accountants
Public listed Company	Chairman of the Board: Lt. Gen. Tariq Waseem Ghazi (Retd.)
Key Shareholders (with stake 5% or more): Mr. Muhammad Najam Ali – 27.5%; Maple Leaf Cement Factory Limited – 7.5%; Muslim Commercial Bank Limited – 9.7%; Local Individuals – 48.5%	Chief Executive Officer: Mr. Muhammad Najam Ali

Corporate Profile

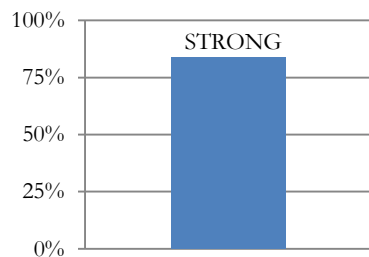
Next Capital Limited (NCL) was incorporated in 2009 under the Companies Ordinance 1984 as a public limited company. NCL is engaged in brokerage of equity, debt securities, commodities, forex and other financial instruments. The company also provides financial advisory services to various institutions. NCL operates through its head office in Karachi and two branches one each in Karachi and Lahore.

The company is a member of Pakistan Mercantile Exchange Limited and holds a Trading Right Entitlement (TRE) certificate issued by the Pakistan Stock Exchange Limited (PSX). Majority shareholding of NCL is held by general public while around 27.5% of interest is vested with Mr. Najam Ali. Remaining stake is held by institutions and other entities. External auditors of the company are KPMG Taseer Hadi & Co. – Chartered Accountants and belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP).



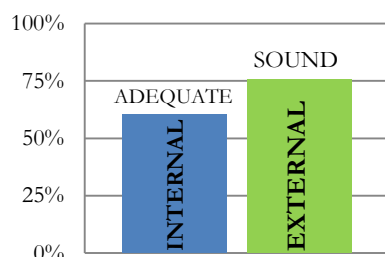
Rating Factors Scores

Regulatory Requirements & Supervision



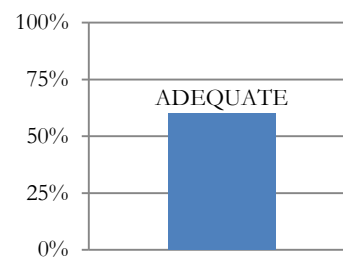
- Board Level Corporate governance along with compliance to regulatory requirements is considered strong.
- Independent director chairing the BAC Committee is in line with the international best practices.
- Board Level Risk Management committee is being constituted.

Internal & External Control Framework



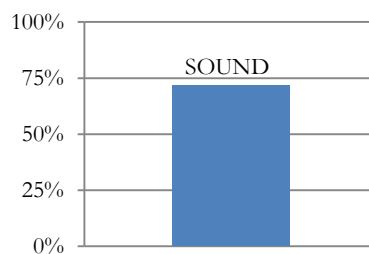
- Conflict of interest policy is well defined and understood in the corporate environment.
- Sound maintenance of privacy of clients' trade.
- Room for improvement in policy review intervals and more stringent employee trading guidelines.
- External control environment is strong.
- Disclosures to public are considered adequate; however more comprehensive director's report and inclusion of CEO statement may be considered.

Client Relationship & Fairplay



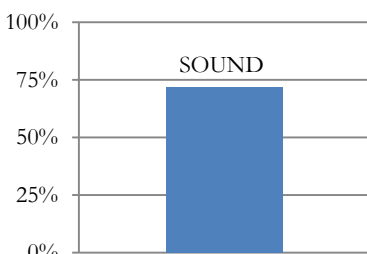
- Fair relationship with customer and sound level of control and execution in clients' orders, with some room for improvement in communication and disclosure of risk document.
- Complaint headers on website homepage and sms text complaint service are being strengthened for better complaint management.

HR & Infrastructure



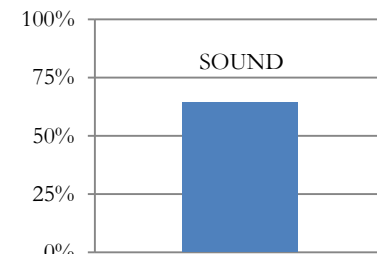
- The company has sound organizational structure with robust professional management, IT platform and status of policies, manuals and procedures.
- Maintenance of third party offsite records and more frequent DR exercises needs improvement for uninterrupted continuity of operations.

Compliance & Risk Management



- Risk management policies are robust entailing no credit to client and no proprietary book.
- Internal audit and compliance departments need to be segregated for better supervision of regulatory compliance.

Financial Management



- Going forward profitability would be a function of improving operational efficiency and sound financial performance.
- Leverage indicators are considered satisfactory. Going forward, market risk would be a function of underwriting limits.
- Given the growth in total revenue, concentration in core income may be diversified. Efficiency indicators are satisfactory.

JCR-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.jcrvis.com.pk/images/criteria_outlook.pdf

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Next Capital 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			
	02/23/2018	BMR2++	Stable	Initial
Instrument Structure	N/A			
Statement by the Rating Team	JCR-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	JCR-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.			
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, JCR-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. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2018 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.			