RATING REPORT

Concordia Securities Limited

REPORT DATE:
March 13, 2017

RATING ANALYSTS:
Muniba Khan
muniba.khan@jcrvis.com.pk

RATING DETAILS

Rating Category	Latest Rating Long-term	Latest Rating Short-term	Previous Rating Long-term	Previous Rating Short-term
Entity	BB+	A-3	BB+	A-3
Rating Outlook	Stable		Stable	
Rating Date	*March 7, 2017*		*December 1, 2015*	

COMPANY INFORMATION

Incorporated in 1996	**External auditors:** M/s Haroon Zakaria & Co. – Chartered Accountants
Private Limited Company	**Chairman of the Board:** Mr. Mohammad Ashraf Kothari
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Mr. Mohammad Ashraf Kothari
Bulk Management Limited – 66.0%	
Westbury Private Limited – 24.5%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria Methodology – Securities Firms Rating (May 2015)
http://www.jcrvis.com.pk/Images/Securities%20methodology%201%20-2015.pdf

Concordia Securities Limited

OVERVIEW OF THE INSTITUTION

Concordia Securities Limited (CSL) was incorporated in 1996 as a private limited company. CSL holds a Trading Rights Entitlement Certificate (TREC) holder of Pakistan Stock Exchange Limited (PSX) and is registered with the Securities & Exchange Commission of Pakistan (SECP).The company operates through its head office in Karachi.

RATING RATIONALE

Concordia Securities Limited (CSL) was incorporated as a private limited company in 1996. CSL is a part of the Westbury Group of Companies (WGC), a conglomerate having presence in the industrial, commercial and financial sectors. It is principally engaged in provision of equity brokerage services to domestic retail and institutional clients.

CSL's ratings take into account its low revenue stream and limited underwriting capacity. Historically, over three-fifths of brokerage income emanated from institutions. However with subdued trading activity by institutions, revenue base of the company declined. Subsequently, income from retail and HNWIs represented more than two-thirds of brokerage income. With greater trading volumes from retail clients vis-à-vis institutions, customer granularity improved significantly with 85 clients accounting for 66% of brokerage revenue for the period ending June 30, 2016. With lower revenue base and higher expenses, bottom line of the company declined significantly. Given higher dependency on related parties and institutions for revenue generation, the company may need to grow its core operations for a stable earnings stream, going forward.

Given recent equity injection amounting Rs. 93.5m, paid-up capital of the company increased from Rs. 26.5m to Rs. 120.0m, at end-June 2016. As a result, capital base of the company increased to Rs. 160.0m (FY15: Rs. 76.4m). Moreover, the company also has been booking a gain from KSE membership rights as capital reserve since 2013 which amounted to Rs. 44.8m at end-FY16. To date, the company has not paid any cash dividends. Liquidity of CSL largely emanates from its proprietary book and cash & bank balances. Given higher cash balances, liquidity indicators of the company are considered comfortable with liquid assets as a proportion of total liabilities reported at 5.64x (FY15: 1.9x, FY14: 0.9x) at end-June 30, 2016. Growth in equity coupled with reduction in payables reported lower leverage indicators.

Moreover, managerial responsibility is vested primarily with the CEO indicating significant key person risk. All brokerage and underwriting activities are managed by CEO along with a team of three terminal operators. All client trades are placed directly through phone calls to operators. Given the lack of adequate resources and limited scope of business, management does not plan on expanding this department any further.

Similar to all other functions at CSL, proprietary book of the company is also managed by CEO. Given that CSL's proprietary book comprises only three scrips at year end, the portfolio features sizeable concentration. Market risk emanating from investments is therefore considered to be high. However, quality of the portfolio is considered satisfactory with exposure in mid-tier companies.

FINANCIAL SUMMARY (amounts in PKR millions) Appendix I

BALANCE SHEET	30-Jun-16	30-Jun-15	30-Jun-14
Trade Debts	3.4	3.4	11.4
Investments	48.7	51.1	47.1
Cash and Bank balances	58.5	13.0	10.1
Total Assets	171.9	89.0	91.1
Trade and Other Payables	10.3	11.2	14.2
Short Term running finance	0.0	0.0	0.9
Net Worth	160.0	76.4	72.5

INCOME STATEMENT	30-Jun-16	30-Jun-15	30-Jun-14
Total Revenue	15.6	14.4	12.4
Brokerage Income	5.9	6.5	9.0
Underwriting Income	0.0	0.8	0.0
Administrative Expenses	13.5	9.3	7.8
Finance Costs	0.05	0.09	1.8
Profit Before Tax	0.9	4.9	2.8
Profit After Tax	0.07	3.9	2.4

RATIO ANALYSIS	30-Jun-16	30-Jun-15	30-Jun-14
Commission Income / Turnover (Paisa/Share)	4.34	6.00	4.78
Liquid Assets to Total Liabilities	564.7%	191.8%	91.9%
Liquid Assets to Total Assets	39.1%	27.1%	18.7%
Debt Leverage	0.07	0.16	0.26
Gearing	0.0	0.00	0.01
Efficiency (%)	86.5%	89.9%	84.3%
ROAA (%)	0.05%	4.3%	2.5%
ROAE (%)	0.06%	5.2%	3.5%

ISSUE/ISSUER RATING SCALE & DEFINITIONS Appendix II

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

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

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES — Appendix III

Name of Rated Entity	Concordia Securities Limited
Sector	Brokerage
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
07-Mar-2017	BB+	A-3	Stable	Reaffirmed
01-Dec-2015	BB+	A-3	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.
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