

BROKER MANAGEMENT RATING REPORT

Adam Securities Limited

REPORT DATE:

January 9th, 2019

RATING ANALYSTS:

Muhammad Tabish

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APPLICABLE

METHDOLOGY:

Broker Management Ratings 2017:

<http://jcrvis.com.pk/docs/BMR201701.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR3++
Rating Rationale	The rating signifies sound external control framework and risk management along with adequate regulatory compliance levels, internal controls, client relationship, HR & IT services and financial management.
Rating Date	9th January 2019

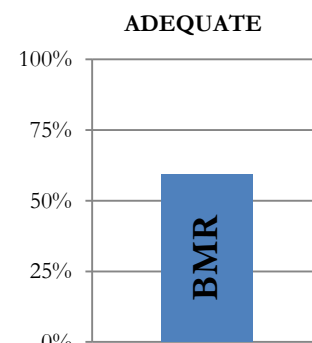
COMPANY INFORMATION

Incorporated in 2001	External auditors: M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants
Public Un-listed Company	Chairman of the Board: Mr. Noman Abdul Majeed Adam
Key Shareholders (with stake 5% or more): Noman Abdul Majeed Adam – 51%; Abdul Majeed Adam – 49%	Chief Executive Officer: Mr. Noman Abdul Majeed Adam

Corporate Profile

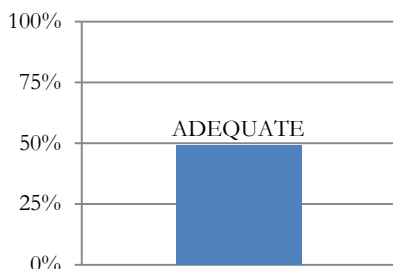
Adam Securities Limited (ASL) was incorporated as a private limited company in 2001. The company changed its status from private to public un-listed in 2016. ASL is principally engaged in provision of equity brokerage facilities to domestic retail and institutional clients as well as underwriting services. During 2017, the company acquired license for ‘book running’ while ‘consultant to the issue’ is still in process.

ASL is registered with Securities Exchange Commission of Pakistan (SECP) and holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX). The company is also a Member of Pakistan Mercantile Exchange Limited (PMEX). Majority shareholding (51%) is vested by Mr. Noman Abdul Majeed Adam while remaining shareholding is held with Mr. Abdul Majeed Adam. External auditors of the company 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.



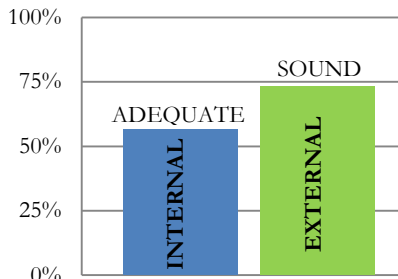
Rating Factors Scores

Regulatory Requirements & Supervision



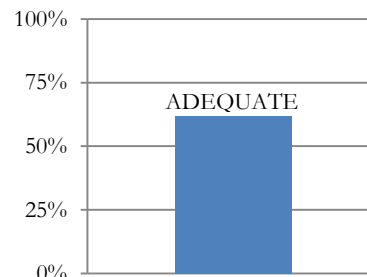
- Board size may be increased to avoid common members in board level committees.
- Constitution of board level Risk Management Committee and chairing of Board Audit Committee (BAC) by an independent director would strengthen board level governance.
- Independent director with relevant experience and qualification may be considered for best governance practices.

Internal & External Control Framework



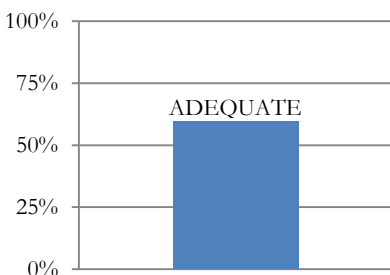
- More comprehensive 'employee trading guidelines' and 'conflict of interest policy' would add to internal controls.
- Directors' Report, CEO statement and Statement of Compliance with Code may be made part of Annual Financial Statements. In addition, value details of related party transactions need to be disclosed for best practices.

Client Relationship & Fairplay



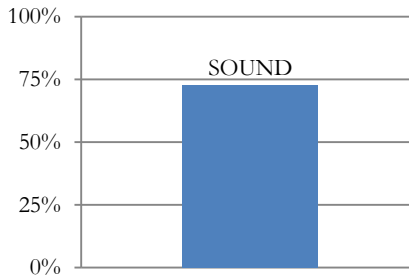
- Execution of trades is considered adequate while reporting of the same is made available to customers on daily basis.
- Risk disclosure is shared with all customers that add transparency in client relationship management.
- Shifting of complaint header to website's homepage and addition of sms text complaint service would improve the accessibility to customers.

HR & Infrastructure



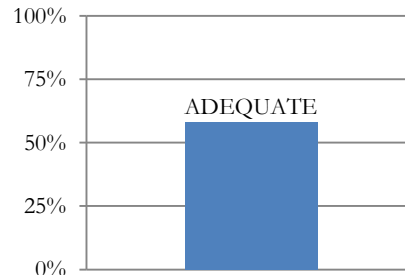
- Reporting lines of audit function to board need to be identified in organizational chart along with compliance function independence.
- IT infrastructure and related policies are considered adequate.
- Offsite record maintenance at third party warehouse and more frequent DR exercises would strengthen business continuity.

Compliance & Risk Management



- Internal audit and risk management function may be segregated for better organizational checks.
- A comprehensive compliance report submission to board at regular intervals would strengthen compliance function.

Financial Management



- Fall in revenue base due to significant decline in capital gains was supported by increase in underwriting commission.
- Focus on reducing operating expenses and improvement in efficiency ratio was witnessed.
- Leverage indicators are considered 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

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

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Adam Securities 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			
	1/9/2019	BMR3++	Stable	Reaffirmed
	11/21/2017	BMR3++	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.			
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