

BROKER MANAGEMENT RATING REPORT

Adam Securities Limited

REPORT DATE:

November 21, 2017

RATING ANALYSTS:

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APPLICABLE
METHDOLOGY:

Broker Management Ratings 2017:

[http://jcrvis.com.pk/docs/BMR20](http://jcrvis.com.pk/docs/BMR201701.pdf)[1701.pdf](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	21 November 2017

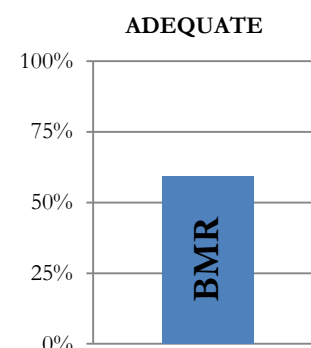
COMPANY INFORMATION

Incorporated in 2001	External auditors: M/s Nasir Javaid Maqsood Imran Chartered Accountants
Public Un-listed Company	Chairman of the Board: Mr. Abdul Majeed Adam
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Abdul Majeed Adam
Abdul Majeed Adam – 52%; Noman Abdul Majeed Adam – 48%	

Corporate Profile

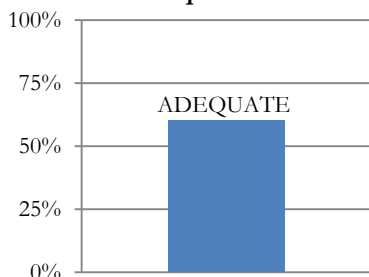
Adam Securities Limited (ASL) was incorporated as a private limited company on June 9, 2001. During 2016, the company changed its status from private to public un-listed company. As a financial brokerage and investment service firm, the company is mainly focused in business of equity brokerage to retail and institutional clients. The company has also started underwriting services in the year 2016.

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 ownership of ASL is divided between Abdul Majeed Adam (Chairman & CEO) owning 52% of the company and the remaining shareholding of 48% is held by Noman Abdul Majeed Adam. External auditors of the company are M/s Nasir Javaid Maqsood Imran Chartered Accountants. Auditors belong to category 'B' on the approved list of auditors published by the State Bank of Pakistan (SBP). The company has operations in 3 branches of Karachi.



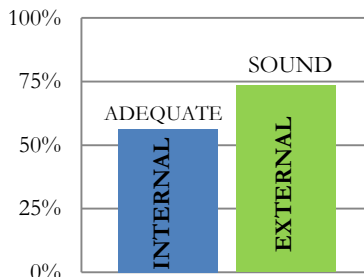
Rating Factors Scores

Regulatory Requirements & Supervision



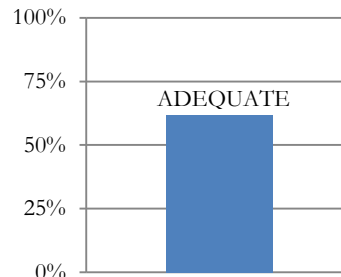
- Constitution of Board level Risk management committee and increase in the size of BoD would enhance board level governance.
- Board audit committee headed by independent director would add to corporate governance standards.

Internal & External Control Framework



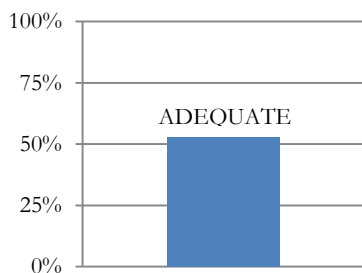
- Internal control policies and framework could be further strengthened with more frequent reviews and greater documentation.
- 'A' category of external auditors would add to quality of external control framework.

Client Relationship & Fairplay



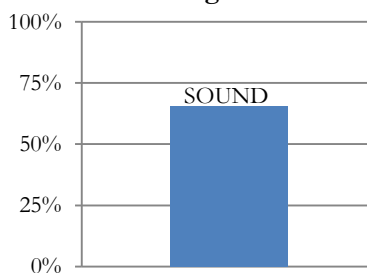
- Risk disclosure is shared with all customers that increase the transparency in customer relationship management.
- Client service maybe enhanced further through greater access of clients to research reports and various trading related reports.

HR & Infrastructure



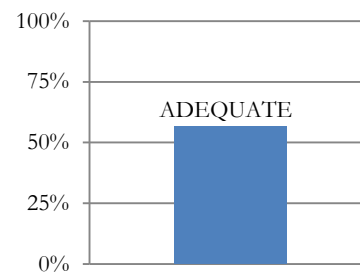
- Independent risk management activity for IT may enhance IT control environment.
- Business continuity and contingency planning needs to be strengthened through additional third party maintenance of data and more frequent DR exercises.

Compliance & Risk Management



- Independent Compliance, Internal Audit and Risk Management functions would strengthen control environment and lower regulatory observations.
- Credit evaluation policy for clients and prudent credit limits would further improve operational risk management.

Financial Management



- A twofold increase in brokerage income has been witnessed from last year, supported by higher commission charges.
- Financial performance and liquidity ratios have shown a significant improvement and the same will be observed overtime.
- Diversity in income stream from other than brokerage would lower operational risk.

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.

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.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	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			
	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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