

BROKER MANAGEMENT RATING REPORT

Standard Capital Securities (Private) Limited

REPORT DATE:

22 May, 2024

RATING ANALYSTS:

Syeda Batool Zehra Zaidi
batool.zaidi@vis.com.pk

Salman Saba
salman.saba@vis.com.pk

Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The rating signifies strong client relationship whereas external control and supervision framework is considered sound. Compliance and risk management, financial management, HR and infrastructure, internal controls and regulatory requirements are considered adequate.
Rating Date	22 May, 2024

APPLICABLE METHDOLOGY:
Broker Management Ratings:

<https://docs.vis.com.pk/Methodologies%202024/Broker-Management.pdf>

VIS Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

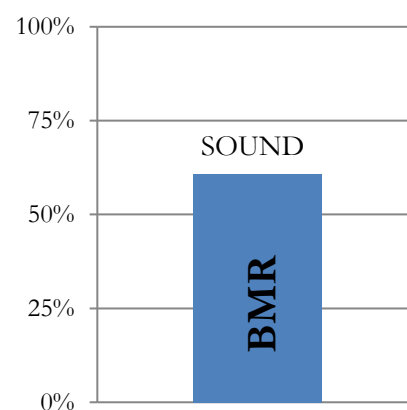
COMPANY INFORMATION

Incorporated in 1998	External auditors: Kreston Hyder Bhimji & Co. Chartered Accountants
Private Limited Company	CEO/Board Chairman: Mr. Naushad Chamdia
Key Shareholders (with stake 5% or more):	
Mr. Naushad Chamdia ~69%	
Ms. Feroza Haroon ~8%	
Ms. Shazia Chamdia ~7%	
Mr. Navid Chamdia ~7%	
Mr. Haroon Chamdia ~7%	

Corporate Profile

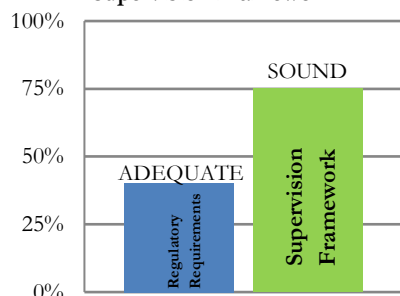
Standard Capital Securities (Private) Limited was incorporated in 1998, providing full scale equity brokerage services to institutional as well as individual clients. Shareholding of the company is vested with members of the Chamdia family including the Chief Executive Mr. Naushad Chamdia. The company has three offices in Karachi and one in Sialkot. SCS provides both online and assisted trading services to its clients.

SCSPL is a private limited company holding Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), and is registered with SECP to provide Trading & Self-Clearing Services. External auditors of the company are Kreston Hyder Bhimji & Co Chartered Accountants. External auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



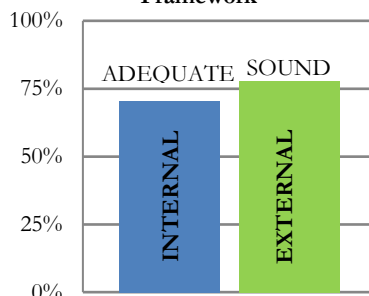
Rating Factors Scores

Regulatory Requirements & Supervision Framework



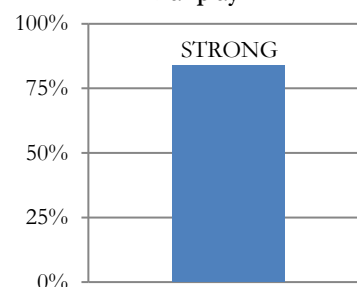
- At present, the Company's board comprises only of two members. Increasing board size through inclusion of certified and independent directors would improve overall governance framework. Additionally, it would also facilitate in the formation of independently represented board committees.
- Acquisition of additional licenses would support in larger trading activity.

Internal & External Control Framework



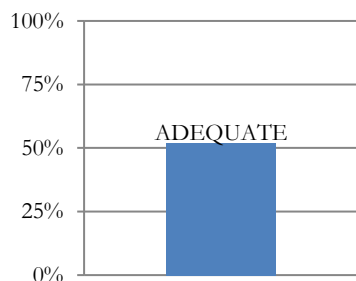
- Internal control framework is adequate. Further room for improvement exists in order to strengthen internal controls through enhancing the scope of all internal policies.
- Increasing frequency of reviewing and documenting internal control system and level of compliance by internal audit may be considered.
- External control framework is sound. However, to enhance it further, improving disclosure levels by adding the director's report and CEO's statement to the financial statements may be considered.

Client Relationship & Fairplay



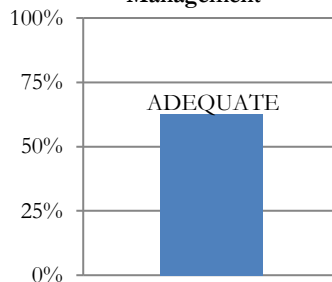
- Client relationship and fair-play continues to remain strong, customer service and facilitation tools are well-established and effectively assist customers through availability of ample research resources on market reviews, sector updates, and individual companies.
- Investor grievances may be further strengthened through greater visibility of the process on the website.

HR & Infrastructure



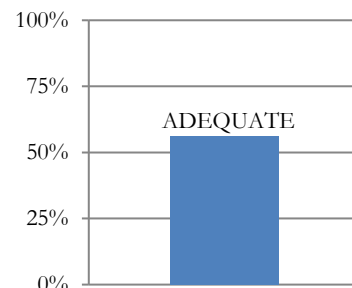
- Establishing a fully integrated ERP platform may improve overall infrastructure of the Company.
- Developing a separate, well-defined IT policy may be considered.
- Contingency measures are in place. However, those may be strengthened by having offsite data backups at a third party warehouse.
- Increasing disaster recovery exercises to more than once a year may further strengthen the business continuity framework.

Compliance & Risk Management



- Having independent reporting of internal audit to the Board may be considered for enhancing transparency and overall risk management framework.
- Streamlining of credit limits may be considered.
- Developing a mechanism for reviewing and monitoring suspicious and non-compliant trading may be considered.

Financial Management



- During FY23, the Company's earning profile came under stress owing to subdued market activity and decline in core brokerage income. However, end-HFY24, capital gain and gain on re-measurement of investments supported profitability. The Company posted a PAT of Rs. 214m (FY23 Rs. -31m, FY22 Rs. -119m)
- The Company's cost to income ratio also witnessed improvement during FY23, administrative expenses in relation to recurring revenues were 47% (FY23 52%, FY22 51%)
- Liquidity profile continues to remain sound while capitalization indicators remain adequate, gearing remained low albeit leverage depicts increase. End- HFY24 leverage was reported to be 1.75x (FY23 0.88x, FY22 1.83x) owing to increase in total liabilities.
- Market risk continues to remain elevated on account of Company's active participation in proprietary trading during the period.
- Going forward, revenue diversification, improvement in capitalization and low market risk will remain important for improvement in profitability profile and higher equity base.

REGULATORY DISCLOSURES		Appendix I	
Name of Rated Entity	Standard Capital Securities (Private) Limited		
Sector	Brokerage		
Type of Relationship	Solicited		
Purpose of Rating	Broker Management Rating (BMR)		
Rating History	Rating Date	Rating	Rating Outlook
	RATING TYPE: BMR		
	22/05/2024	BMR2	Stable
	12/05/2023	BMR2	Stable
	3/ 12/ 2021	BMR2	Stable
Instrument Structure	N/A		
Statement by the Rating Team	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	N/A		
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