

BROKER FIDUCIARY RATING REPORT**Standard Capital Securities (Private) Limited****REPORT DATE:**

22 May, 2024

RATING ANALYST:Syeda Batool Zehra Zaidi
batool.zaidi@vis.com.pk

RATING DETAILS	
Broker Fiduciary Rating	BFR3 <i>Good Fiduciary Rating</i>
Rating Rationale	The rating signifies sound client management services, internal controls and risk management, while ownership and governance and business and financial sustainability are considered adequate.
Rating Date	22 May, 2024

COMPANY INFORMATION

Incorporated in 2001	External auditors: M/s Kreston Hyder Bhimji & Co. Chartered Accountants
Private Limited Company	Chairman of the Board: Mr. Naushad Chamdia
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Naushad Chamdia
<i>Mr. Naushad Chamdia ~49%</i>	
<i>Ms. Feroza Haroon ~14%</i>	
<i>Ms. Shazia Chamdia ~12%</i>	
<i>Mr. Navid Chamdia ~12%</i>	
<i>Mr. Haroon Chamdia ~12%</i>	

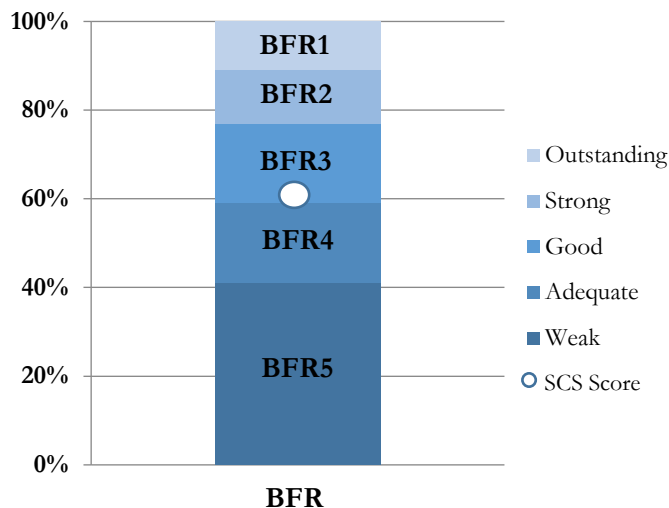
APPLICABLE METHODOLOGY & RATING SCALE

Applicable Rating Criteria: Broker Fiduciary Ratings: <https://docs.vis.com.pk/Methodologies%202024/Broker-Fiduciary-Rating.pdf>
VIS Rating Scale: <https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Standard Capital Securities (Private) Limited

CORPORATE PROFILE | **OVERALL GRADING**

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).

Business and Financial Sustainability Indicators

	HFY24*	FY23	FY22
Size of Net Worth (Rs. In Million)	566	348	303
Gearing Ratio (x) (Total interest bearing debt/ Total Equity)	0.18x	0.15x	0.30x
Leverage Ratio (x) (Total liabilities/ Total equity)	1.75x	0.88x	1.83x
Liquid Assets /Total Liabilities (x)	2.40x	1.31x	2.31x
Short term Investments/ Total Equity (%)	80%	51%	100%

* Management Accounts

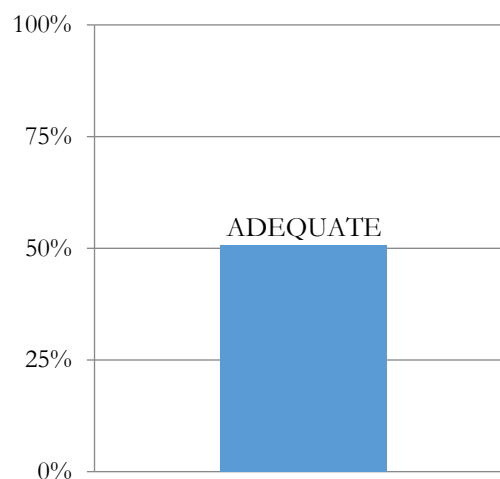
Standard Capital Securities Private Limited

Rating Indicators

Ownership & Governance

- The Company’s board size is limited to only two members, inclusion of independent directors and certified members on the board may be considered to strengthen overall governance and supervision framework.
- Additionally, increasing board size may facilitate the formation of other independently represented board committees.
- Disclosure levels remain adequate; inclusion of statement of compliance with code, director’s report and CEO’s message may be considered.

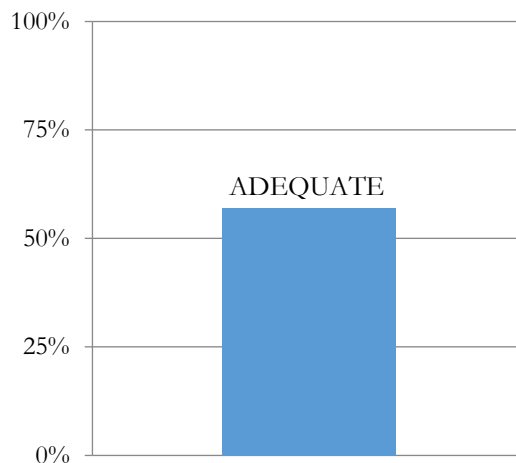
Ownership & Governance



Business & Financial Stability

- 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 along with further improvement in profitability profile will remain important for the rating.

Business & Financial Sustainability

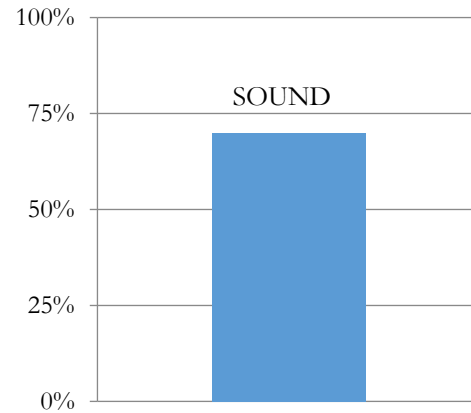


Standard Capital Securities Private Limited

Management & Client Services

- Overall, management and client services are considered sound.
- Embracing a client centric approach, daily market research reports and other related resources are available on the Company’s website.
- Investor grievance procedures maybe further enhanced along with availability of prompt trade execution alerts.
- While only trading and accounting platforms of the Company are integrated, full integration with client servicing, operational management and other related platforms may be considered
- Business continuity framework and contingency methods maybe strengthened through a separate documented IT policy, frequent disaster recovery exercises and maintenance of off-site data backups.

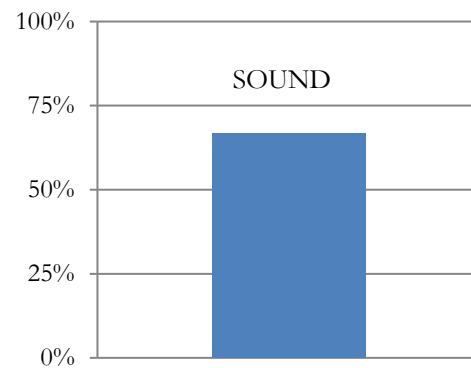
Management & Client Services



Internal Controls & Regulatory Compliance

- Overall internal control framework is considered sound.
- Enhancing the scope of internal policies eg. Employee Trading Policy (ETP) may be considered.
- Measures ensuring client’s confidentiality are also in place.
- Establishing a separate risk management department may be considered in order to further strengthen internal control framework.

Internal Controls & Regulatory Compliance



Standard Capital Securities Private Limited

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Standard Capital Securities (Private) Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Fiduciary Rating (BFR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BFR			
	22/05/2024	BFR3	Stable	Reaffirmed
	29/9/2022	BFR3	Stable	Initial
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			
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, 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. Copyright 2024 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.			