

## BROKER MANAGEMENT RATING REPORT

### Insight Securities (Pvt.) Limited

**REPORT DATE:**

November 24, 2022

**RATING ANALYSTS:**

Shaheryar Khan Mangan  
[shaheryar@vis.com.pk](mailto:shaheryar@vis.com.pk)

**APPLICABLE**

**METHODOLOGY:**

Broker Management Ratings 2020:  
<https://docs.vis.com.pk/docs/BMR202007.pdf>

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2</b>
<b>Rating Rationale</b>	The rating signifies strong compliance and risk management and sound external control, HR & infrastructure and financial management. Regulatory requirement & supervision, internal controls and client relationship are considered adequate.
<b>Rating Date</b>	November 24, 2022

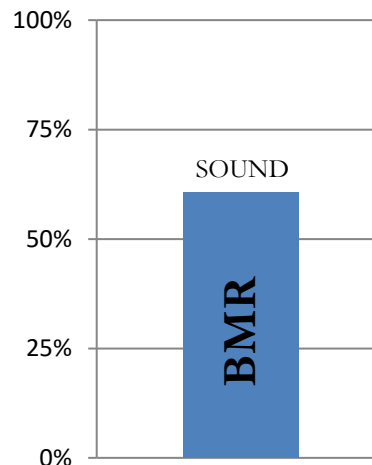
#### COMPANY INFORMATION

<b>Incorporated in 2006</b>	<b>External auditors:</b> Grant Thornton Anjum Rehman Chartered Accountants
<b>Private Limited Company</b>	<b>Board Chairman:</b> Mr. Muhammad Amin
<b>Key Shareholders (with stake 5% or more):</b>	<b>CEO:</b> Mr. Zubair Ghulam Hussain
<i>Mr. Zubair Ghulam Hussain ~ 41.67%</i>	
<i>Mrs. Munira Ghulam Hussain ~ 58.33%</i>	

### Corporate Profile

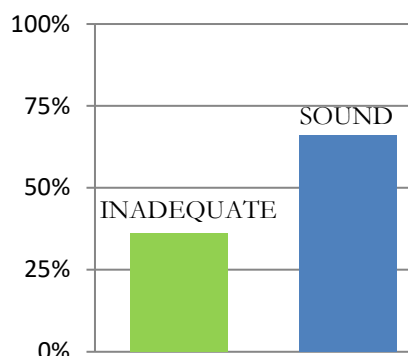
Insight Securities (Pvt.) Limited is a private limited company incorporated in 2006, providing equity brokerage services to institutional as well as individual clients, in both local and international markets. Major shareholding of the Company is vested with two individuals including the CEO. The Company operates from Karachi and provides both online and assisted trading services to its clients.

Insight Securities (Pvt.) Limited holds 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 Grant Thornton Anjum Rehman Chartered Accountants. External auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



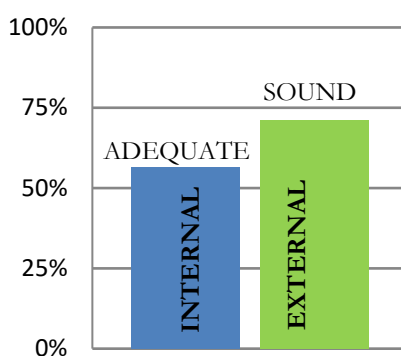
**Rating Factors Scores**

**Regulatory Requirement & Supervision**



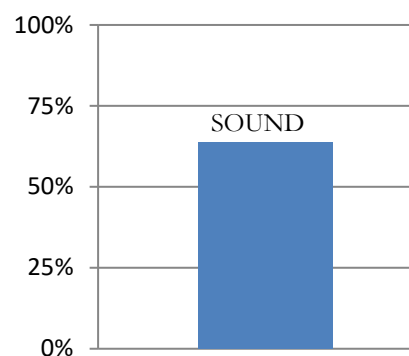
- At present, the Company’s board comprises of 3 directors, with no representation of independent directors. Limited Board size remains a constraint to effective governance and management oversight.
- Acquisition of additional licenses, going forward, may bolster revenue growth of the Company.

**Internal & External Control Framework**



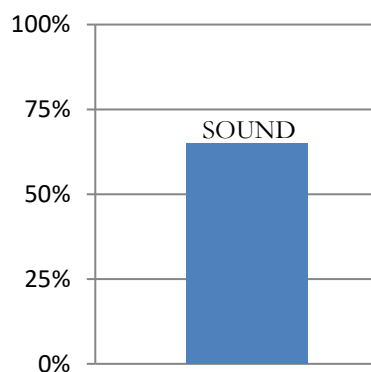
- Company has internal policies disseminated to both customers and employees. However, internal control framework may be improved by broadening the scope of internal policies.
- Company’s code of conduct encompass conflict of interest to some extent, albeit a separate conflict of interest policy may be drafted in order to strengthen the framework.

**Client Relationship & Fairplay**



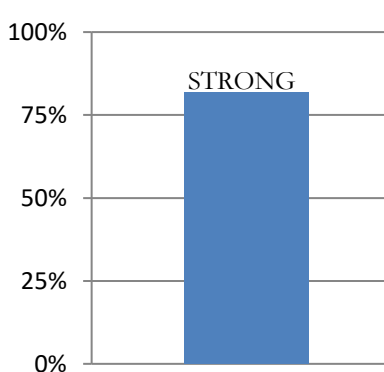
- Client servicing procedures may be facilitated using systematic complaint registration form on website.
- Company provides research coverage to customers. However, geographical diversification may be considered for revenue enhancement.
- Overall, Company client relationship remains adequate.

**HR & Infrastructure**



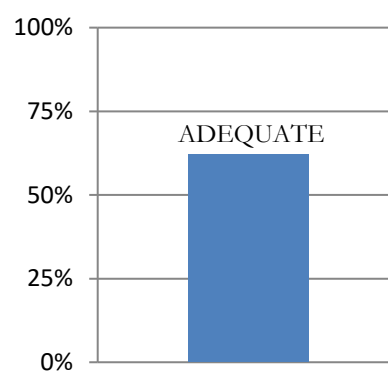
- Company has a sound HR & infrastructure, with fully integrated ERP platform in place.
- Organizational structure of the Company is considered adequate in tandem with the size of Company’s operations. Audit function is outsourced to third party which viewed as positive.
- Availability of offsite data backups at a third party warehouse may further strengthen its contingency measures.
- Independent risk management function may be considered.

**Compliance & Risk Management**



- Overall, Company has strong compliance and risk management framework with well-articulated risk policy in place.
- Risk management framework may be further enhanced through bifurcating compliance and risk management function.
- Similarly, credit criteria for retail customers may be reconsidered for better risk management.

**Financial Management**



- In the wake of slowdown in market volumes, Company’s profitability profile has weakened led by losses on the back of capital loss and decline in brokerage revenues in FY22.
- While liquidity profile of the Company remains strong with liquid assets providing around 5.45x coverage to total liabilities in FY22 (FY21: 2.29x), however with a sizeable investments on the balance sheet, market risk exposure remains elevated.
- Sound capitalization indicators are characterized by sound gearing and leverage ratio, at 0.0x and 0.19x respectively.
- Limited revenue streams with deterioration in cos to income ratio 72.5% in FY22 (FY21: 21.4%), continues to constrain financial profile. Going forward, profitability of the Company will remain an important metric for rating.

## 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.vis.com.pk/images/criteria\\_outlook.pdf](http://www.vis.com.pk/images/criteria_outlook.pdf)

REGULATORY DISCLOSURES		Appendix II		
<b>Name of Rated Entity</b>	Insight Securities (Pvt.) Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Management Rating (BMR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: BMR</b>			
	24/ 11/ 2022	BMR2	Stable	Reaffirmed
	28/ 09/ 2021	BMR2	Stable	Initial
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	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.			
<b>Probability of Default</b>	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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