

**Date**

22-Sep-21

**Analyst**

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**Applicable Criteria**

- Methodology | Broker Management Rating | Jul-21

**Related Research**

- Sector Study | Brokerage & Securities | Jan-21

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**PACRA Assigns Initial Broker Management Rating to Abbasi and Company (Pvt.) Limited**

| Rating Type  | Broker Management   |
|--------------|---------------------|
|              | Current (22-Sep-21) |
| Action       | Initial             |
| Long Term    | BMR2                |
| Short Term   | -                   |
| Outlook      | Stable              |
| Rating Watch | -                   |

Abbasi and Company (Pvt.) Limited ("ACPL" or "The Company") is one of the pioneer of the brokerage industry in the north region. The Broker Manager Rating of ACPL reflects strong internal control framework, satisfactory risk management and compliance with regulatory affairs. The rating incorporates the strong business acumen of Mr. Muhammad Ismail Abbasi who is associated with the financial industry for more than ~35 years. The Company has established rigorous protocols regarding risk assessment by implementing KYC, CDD, AML, CFT and whistle blowing policies. However, the rating is constrained by governance framework of the Company which needs improvement. The assigned also rating takes into account ACPL's well developed organizational structure with qualified and experienced management team. The rating takes comfort from leverage free capital structure. The Company has devised comprehensive Disaster Recovery plan well-developed transactions execution and monitoring system, acclaimed research and strong control environment. The database modules are fully integrated and clients are provided with a complete range of services. ACPL's Internal audit department is outsourced to an audit firm which further strengthens the control environment. ACPL has developed comprehensive policies to manage liquidity, market and other operational risks. The average market share of ACPL stands at ~2%.; however, the brokerage income which increased YoY basis lacks diversification, resulting in rating constraints. The Company is also running a proprietary book hence, exposed to market risk. The bottom-line of the Company also improved to ~PKR 15mln during 9MFY21 (SPLY: loss ~PKR -13mln). The Company has an equity base of ~PKR 439mln at end-Mar'21. Strengthen market share, sustainable profits, sound internal controls, client relationship, HR & IT services and risk management framework, regulatory compliance, external control environment will remain imperative. Further, rational diversification of business activity may provide support to the company's overall financial risk profile.

**About the Entity**

Abbasi and Company (Pvt.) Limited, "ACPL or The Company" was incorporated under the Companies Ordinance 1984 in 1999 as a private limited company. ACPL is a licensed TRE certificate holder of Pakistan Stock Exchange and a Universal Member of Pakistan Mercantile Exchange Limited. ACPL is a Corporate Member of the Pakistan Stock Exchange and registered with the SECP. In 2017, the Company became a registered research entity. ACPL's service offering includes Economic and Investment Research, Equity Brokerage and Commodity Brokerage. The clientele of the Company is segmented into three categories i) individuals ii) financial institutions iii) Retail. ACPL is primarily owned by individuals and it is not part of any foreign or local group. The majority shares are owned by Mr. Syed Muhammad Ismail Abbasi who owns 69.7% of the ownership.

The CEO, Mr. Syed Muhammad Ismail Abbasi possess diversified experience in capital markets. He is serving on the Board of Directors of ACPL as a Chief Executive since its incorporation. The Company has well developed organizational structure and operates through ten departments. The management of ACPL is well qualified and experienced to manage the Company's operations efficiently. At end Jun'21, the Net Capital Balance (NCB) of the Company stood at ~PKR 176mln. ACPL may have Assets Under Custody of up to 25 times of net worth.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.