

## BROKER MANAGEMENT RATING REPORT

### Darson Securities Limited

**REPORT DATE:**

13 April, 2022

**RATING ANALYSTS:**

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Broker Management Ratings 2020:

<http://docs.vis.com.pk/docs/BMR20>[2007.pdf](#)

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2</b>
<b>Rating Rationale</b>	The rating signifies strong external control framework, sound internal controls, HR & IT infrastructure and compliance & risk management while regulatory requirement and supervisory framework is adequate.
<b>Rating Date</b>	April 13, 2022

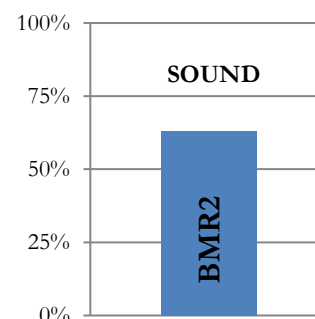
#### COMPANY INFORMATION

<b>Incorporated in 1998</b>	<b>External auditors:</b> Muniff Ziauddin & Co Chartered Accountants
<b>Public unlisted Company</b>	<b>Chairman of the Board:</b> Mr. Muhammad Anwar Dar
<b>Key Shareholders (with stake 5% or more):</b>	<b>Chief Executive Officer:</b> Mr. Malik Dil Awayz Ahmed, CFA
<i>Mr. Muhammad Farooq Dar ~ 37.6%</i>	
<i>Mr. Muhammad Anwar Dar ~ 19.3%</i>	
<i>Mr. Ayan Dar ~ 13.1%</i>	
<i>Mr. Hassan Dar ~ 13.1%</i>	
<i>Ms. Esba Dar ~ 6.6%</i>	

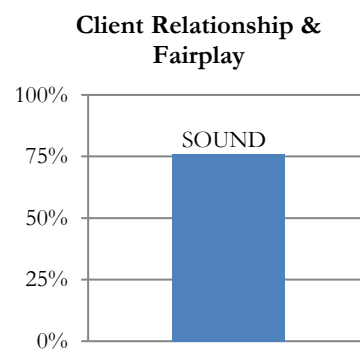
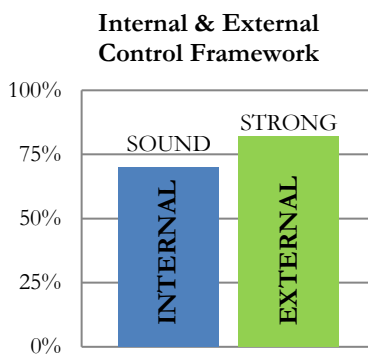
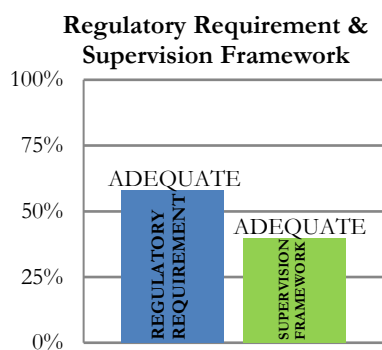
#### Corporate Profile

Operating in the brokerage business for over 20 years, Darson Securities Limited (DSL) caters primarily to equity broking services to both retail and foreign intuitional clients with active presence in stock exchange, money market commodities, software development, research and educational institutions. Furthermore, DSL's operations run through its corporate office in Karachi while the company's registered office is in Lahore. Additionally, the company has a network of 9 branches spread nationwide.

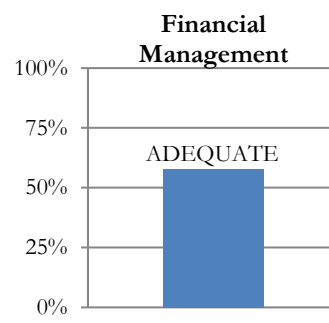
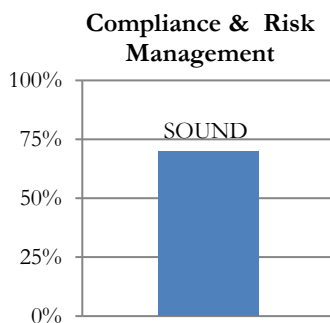
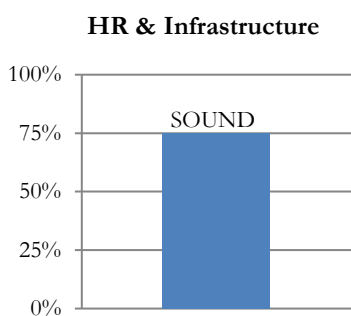
The company holds a Trading Right Entitlement Certificate (TREC) issued by the Pakistan Stock Exchange Limited (PSX) since 2000 for Trading & Self Clearing Services. External auditors of the company are Muniff Ziauddin & Co Chartered Accountants. Auditors are on the approved list of auditors published by the State Bank of Pakistan.



**Rating Factors Scores**



- The Company’s governance framework improved during the year with the addition of 2 directors including inclusion of an independent member. Audit, HR and Risk committee have also been constituted this year although they remain short of being chaired by an independent member.
- While the Company remain in compliance of capital balance, it does depict a declining trend, which may impact trading volumes in the long run.
- Scope of internal policies may be enhanced through inclusion of specific guidelines for trading in blackout periods and code of conduct.
- Inclusion of director’s report, Statement of Compliance with Code and CEO’s independent statement in annual accounts would enhance disclosure levels.
- Client relationship with customers is considered sound with provision of prompt trading alerts, mobile application and availability of market research resources.
- Geographical diversification is adequate. Investor grievance measures are in place with availability of prompt customer support on website.



- Business continuity measures are well placed.
- Disaster recovery procedures are exercised more than once a year. Business continuity framework is considered sound, data backup is done
- Independent functioning of company’s risk management framework has been noted.
- Overall, compliance and risk management framework remains sound.
- Segregation of internal audit and compliance departments has been noted.
- Improvement in topline during FY21 remained largely driven by increase in brokerage commissions on the back of higher market activity. With the market volumes subdued in the ongoing year, revenues relatively are lower in the first half of FY22. Revenue mix remains heavily concentrated on brokerage income. Cost to income ratio of the company improved in FY21, though remaining on the higher side. Liquidity profile and capitalization indicators also remained adequate.
- Going forward, diversification in revenue streams, improvement in market share and operational efficiencies together with maintenance of capitalization indicators will remain important.

**MANAGEMENT QUALITY SCALE & DEFINITIONS**

**Appendix I**

**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.

**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.

**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.

**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.

**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.

**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)

<b>REGULATORY DISCLOSURES</b>		<b>Appendix II</b>		
<b>Name of Rated Entity</b>	Darson Securities 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>			
	13/04/2022	BMR2	Stable	Reaffirmed
	29/12/2020	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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