

# Press Release

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## JCR-VIS Reaffirms Entity Ratings of BMA Capital Management Limited

Karachi, March 6, 2018: JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has reaffirmed the entity ratings of BMA Capital Management Limited (BMA) at 'A-/A-2' (Single A-Minus/A-Two). Outlook on the assigned ratings is 'Stable'. The previous rating action was announced on October 5, 2016.

The assigned ratings incorporate improvement in internal controls, stability of senior management and growth in profitability. Ratings also reflect adherence to limits assigned to gearing, underwriting and proprietary book, thereby maintaining overall risk within manageable levels. However, significant reduction in the bourse's traded volumes will exert pressure on profitability across the industry.

During FY17, the company witnessed sizeable growth of around 77.4% from last year in equity brokerage income owing to an increase in volume of shares traded. Reclassification of PSX from frontier market to emerging market in the MSCI Index resulted in the market volumes to increase by around 67%. Highest proportion of commissions for BMA continued to emanate from foreign institutions during outgoing year. Going forward, retail base is also expected to grow further in line with BMA's strategy of branch expansion. During HY18 decline in volumes traded of the PSX all shares index will likely result in a decrease in profitability for the same period vis-à-vis HY17.

Owing to higher volumes in FY17, major growth was witnessed in exposure deposits thereby culminating into a significant increase in the asset base of the company. Furthermore, trade debts have also exhibited a sizeable increase, however, it may be inferred from the ageing profile that credit risk is manageable.

Retention of profits and adjustment in value of Pakistan Stock Exchange (PSX) shares resulted in an increase in the equity base of the company in FY17. BMA borrowed funds in order to enlarge its exposure deposits as at end FY17 as compared to FY16 leading to an increase in the leverage indicators. However, average gearing during FY17 remained within manageable levels.

For further information on this rating announcement, please contact the undersigned (Ext: 201) or Jamal Abbas Zaidi (Ext: 207) at 021-35311861-71 or fax to 021-35311872-3.

Javed Callea

Advisor

Applicable rating criteria: Methodology - Securities Firms Rating (May 2015)

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