



The Pakistan Credit Rating Agency Limited

Rating Report

BMA Investment Advisors Limited (Formerly BMA Asset Management Company Limited)

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
09-Feb-2024	AM2+ (ia)	-	Stable	Upgrade	-
10-Feb-2023	AM2 (ia)	-	Stable	Upgrade	-
24-Jun-2022	AM3++ (ia)	-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The assigned rating of BMA Investment Advisors Limited (Formerly BMA Asset Management Company Limited) ("BMA-IA" or the "Company") takes into account the organizational structure changes, adequate governance framework, and good sponsor's profile. BMA IA has been serving investors since 2005 and manages significant portfolio in Pakistan. It also specializes in conventional and Shariah SMA products. Since Jun'22, the Company is acting purely in its capacity as an investment advisor. Portfolios managed by the Company pertaining to HNWI, corporate clients, and contribution funds. Total size of SMA market was PKR ~479bln. BMA IA as an SMA player in the market grabs ~9.4% of the market share at the end of Dec'23 compared to ~7.5% at the end of Jun'23, shows a reasonable growth in market share. The portfolios managed by the Company have shown sizeable growth of 45% in SMA's size from Jun'23 to Dec'23. From last rating upgrade BMA IA has added significant number of well reputed clients to its portfolio. The rating upgrade takes into account i) the growth over a short span which is attributable to the continued addition of new clients along with the increasing SMA of existing clientele and ii) the quality of reporting to clients which is considered strong with real-time NAVs available to the client's. The Shariah compliant portfolio comprise 26.7% and Conventional portfolio comprises 73.3% of total SMAs. While the top ten investor's concentration was standing at an average of ~85% during 6MFY24, comprising reputable investors. Fee-based revenues have depicted a sizeable increase on account of growth in SMAs accounts. Throughout the period, Separately managed accounts (SMAs) consistently deliver satisfactory portfolio returns. The financial performance of the Company has remained at a better level, generating adequate profitability during 6MFY24. The Equity of the Company stood at PKR ~52.2mln, the capitalization levels of the Company is considered sound as the Company has a sizeable cushion over the regulatory limit.

Going forward, the longevity and commitment of the investors under the SMA portfolio along with consistent performance track record and quality of of client servicing remain imperative for the assigned rating.

Disclosure

Name of Rated Entity	BMA Investment Advisors Limited (Formerly BMA Asset Management Company Limited)
Type of Relationship	Solicited
Purpose of the Rating	Investment Advisor Rating Rating
Applicable Criteria	Methodology Rating Modifiers(Apr-23),Assessment Framework Investment Advisor Rating(Apr-23)
Related Research	Sector Study Asset Managers(Jun-23)
Rating Analysts	Madiha Sohail madiha.sohail@pacra.com +92-42-35869504



Profile

Background BMA Investment Advisors Limited (Formerly BMA Asset Management Company Limited) was incorporated in April 2005 and obtained the license to carry out investment advisory and asset management services in April 2005 and July 2005, respectively. Recently, the Company has revoked the license of asset management services under CIS scheme.

Operations The Company is now purely operating as an investment advisor and managing sizeable cumulative value of SMA under management with a market share of approximately ~7.6% and total number of clients of ~85. The average top ten investors concentration is high (~85% of the portfolio) which exposes the AMC to high redemption pressure as at end Dec'23.

Ownership

Ownership Structure The Company is a wholly owned subsidiary of BMA Capital Management Limited.

Stability Incorporated in 1992, BMA Capital Management Limited is owned by Ganjbaksh Mauritius Limited – 49.0%, Mr. Moazzam Mazhar Malik – 29.0%, Mr. Mudassar Mazhar Malik – 14.0% and Ms. Shehla Mazhar – 8.0%.

Business Acumen BMA Group ranks amongst one of the oldest financial services group in Pakistan. It offers its services to a large and diversified group of clients including top financial institutions, foreign and local corporates and high net worth individuals. It has played key role in the country's privatization transactions through its corporate advisory function. BMA Capital's retail brokerage brand 'BMA Trade' enables individual investors to take part in the capital markets.

Financial Strength BMA Capital's financial strength emanates from its core areas of business which include equity markets, treasury markets, corporate finance and advisory, research, retail brokerage and financial products distribution. Long term rating of BMA Capital is A- and short term is A-2. The equity base of BMA Capital was PKR 941.293mln at end Dec'23.

Governance

Board Structure The Company's three member board, all are non-executive/Independent directors.

Members' Profile Since Oct'17, Mr. Salim Khan is acting as the chairman of the Board. He possesses vast experience in strategic human resource consultancy and organizational development.

Board Effectiveness The board exercises close monitoring of the accounting and financial reporting and hiring process through its audit and HR committees. The committees are headed by Mr. Shakeib Ali Arshad.

Transparency The internal audit function has been managed by in-house resources. The board's audit committee monitors the performance of the internal audit function on a quarterly basis. RSM Avais Hyder Liaquat Nauman (A category) are the external auditors.

Management

Organizational Structure Organizational structure of the Company has been divided into six major departments. All departmental heads are reporting to the President. While President, Internal Audit and Risk Management & Compliance are reporting to the Board. The compliance and risk management functions are overseen by one person Mr. Haris Hanif having 15 years of relevant experience

Management Team The management team comprises seasoned professionals. Mr. Mian Qasim Saeed Ahmed joined the Company as CEO in August 2020 and now he is currently working as president of the Company. Mr. Qasim has a vast experience of more than 15 years. Ms. Amyna Bardai is the CFO of the Company since 1.5 years.

Management Effectiveness System generated-Real time based: The Company has successfully integrated its a new software. A real time screen remains all time active and shows the live NAV and actual portfolio's investments. The Company has procured advanced core asset management software - Asset Connect which is developed by Softech. It provides general accounting ledger and unit holding management modules. While BMA IA also using Back office Accounting software - IT Minds for the up-to-date reporting purposes.

Control Environment The outsourced internal audit function apprises its findings and ensures that the management takes appropriate actions to rectify the highlighted issues. The Company has devised detailed risk management policy which properly addresses the risks related to investment operations

Investment Risk Management

Research & Analysis The research department comprise two individuals at analyst position. The Company provides investment advisory services to high net worth individuals and corporate customers through Separately Managed Accounts.

Investment Decision Making Investment decisions hinge on comprehensive analysis aligned with international standards, Once the evaluation is complete, decisive investment choices are executed.

Risk Management The scope of risk management department remains limited pertaining to the investment risk management. The fund manager monitors the credit risk of the portfolio and ensures that the risk is broadly diversified. Sufficient liquidity is maintained by investing significant portion of the funds' assets in liquid investment avenues. The risk management department regularly generates MIS reports for assessing liquidity risks. The Company measures its exposure to market risk factors using appropriate metrics (sensitivity analysis and stress testing). The head of risk management department periodically reviews market risk exposure and prepares reports on market risk analysis.

Portfolio Management The Shariah compliant portfolio comprise 26.7% and Conventional portfolio comprises 73.3% of total SMAs. Reporting systems and investment in technology that supports frequent reporting of risk-related information to management is important.

Customer Relationship

Investor Services The investor services department falls under the purview of the business development and sales department. The department provides personalized solutions, investor education and client reporting. The Company has established distribution arrangements for its SMAs with its parent company, BMA Capital along with a number of other distributors. The sales team has been strengthened with the addition of experienced resources

Extent Of Automation An adequate systems infrastructure including connectivity, communication networks, back-up procedures and disaster recovery to ensure uninterrupted operations also exists.

Investor Reporting Much of the information provided to investors is communicated through regular reporting. Moreover, performance presentations and performance attribution report to their clients on a widespread and timely basis. The Company has deployed an investor reporting module that performs live reporting and summarizes current holdings, realized/unrealized gain or loss accumulated during a day, trades proceeded in a day, current asset allocation.

Financial Risk

Degree Of Concentration The top ten SMAs contributes ~85% towards the total cumulative value of SMA. However, the granularity of each SMA, its longevity and commitment would remain important. Furthermore, having elevated number of mandates would also minimize the concentration risks.

Financial Performance The current market share of the Company is ~7.6% as of Jun'23. In terms of financial performance, the Company has reported a good number of investment advisory fees amounting to PKR 83.8mln for the period ending Dec'23 (Dec'22: PKR 63.5mln). While the Profit after tax was reported at PKR 4.5mln at the end of Dec'23. (Dec'22: Profit of 4.6mln). At the end Dec'23 the equity of the Company was standing at PKR ~52.2mln.



The Pakistan Credit Rating Agency Limited

BMA (IA)
Unlisted Public Limited

PKR mln

Dec-23	Jun-23	Jun-22	Jun-21
6M	12M	12M	12M

A BALANCE SHEET

1 Earning Assets	14	14	24	173
2 Non-Earning Assets	130	119	122	61
3 Total Assets	143	133	146	235
4 Total Borrowing	25	22	8	40
5 Other Liabilities	67	63	58	40
6 Total Liabilities	91	85	66	80
7 Shareholders' Equity	52	48	80	155

B INCOME STATEMENT

1 Investment Income	85	138	101	52
2 Operating Expenses	(78)	(130)	(104)	(47)
3 Net Investment Income	6	8	(3)	5
4 Other Income	2	19	20	(5)
5 Total Income	8	26	16	0
6 Other Expenses	-	(14)	(81)	-
7 Total Finance Cost	(4)	(13)	(9)	(6)
8 Profit Or (Loss) Before Taxation	4	(1)	(74)	(6)
9 Taxation	-	(1)	(1)	(19)
10 Profit After Tax	4	(2)	(76)	(25)

C RATIO ANALYSIS

1 Investment Performance

i. Investment Income / Average AUMs	N/A	N/A	N/A	N/A
ii. ROE	17.9%	-2.9%	-64.4%	-15.1%
iii. ROA	6.5%	-1.3%	-39.7%	-11.5%

2 Financial Sustainability

i. Coverages				
a. Total Borrowing / EBITDA	N/A	N/A	N/A	N/A
b. EBITDA / Finance Cost	0.00%	0.00%	0.00%	0.00%
ii. Capitalization				
a. Total Borrowing / (Total Borrowing + Shareholders' Equity)	32.0%	31.7%	25.8%	20.3%

Investment Advisor Rating

An independent opinion on the quality of management, customer service and investment process

Scale	Definition
AM1 (ia)	Very high quality of management, customer service and investment process
AM2++ (ia) AM2+ (ia) AM2 (ia)	High quality of management, customer service and investment process
AM3++ (ia) AM3+ (ia) AM3 (ia)	Good quality of management, customer service and investment process
AM4++ (ia) AM4+ (ia) AM4 (ia)	Adequate quality of management, customer service and investment process
AM5 (ia)	Weak quality of management, customer service and investment process

Outlook (Stable, Positive, Negative, Developing)

Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch

Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension

It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn

A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveill the opinion due to lack of requisite information.

Harmonization

A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

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Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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