

## BROKER MANAGEMENT RATING REPORT

### MRA Securities Limited

**REPORT DATE:**

April 10, 2020

**RATING ANALYSTS:**

Muhammad Tabish  
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**APPLICABLE**
**METHODOLOGY:**

Broker Management Ratings 2017

<http://vis.com.pk/docs/BMR201701.pdf>

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2</b>
<b>Rating Rationale</b>	The rating signifies sound internal controls, client relationship, HR & IT services and risk management while regulatory compliance levels, external control framework and financial management are considered adequate.
<b>Rating Date</b>	10 April 2020

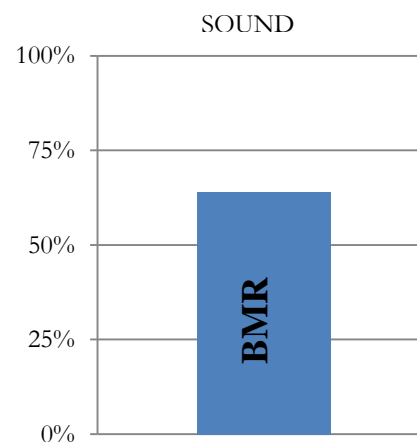
### COMPANY INFORMATION

<b>Incorporated in 2000</b>	<b>External auditors:</b> Nasir Javed Maqsood Imran Chartered Accountants Pakistan.
<b>Public listed</b>	<b>Chairman of the Board:</b> Muhammad Farhan
<b>Key Shareholders (with stake 5% or more):</b> Rafiq Family	<b>Chief Executive Officer:</b> Mirza Muhammad Baig

### Corporate Profile

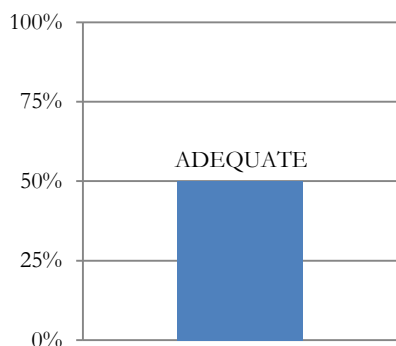
MRA Securities Limited (MRA) is principally engaged in provision of equity brokerage services to domestic clients. Majority shareholding in MRA is vested with the Rafiq family. Almost entire portion of the company's brokerage revenues emanates from retail clients with commission from institutions accounting for less than 2% brokerage income. Currently, the brokerage operates through its head office based in Karachi and 8 branches in the same city. Operations at branch level are limited to brokerage services only. Senior management comprises individuals having experience in the brokerage industry.

The company holds a Trading and Self Clearing (TSC) entitlement certificate issued by the Pakistan Stock Exchange Limited. External auditors of the company are Nasir Javed Maqbool Imran Chartered Accountants. Auditors belong to category 'B' on the approved list of auditors published by the State Bank of Pakistan (SBP).



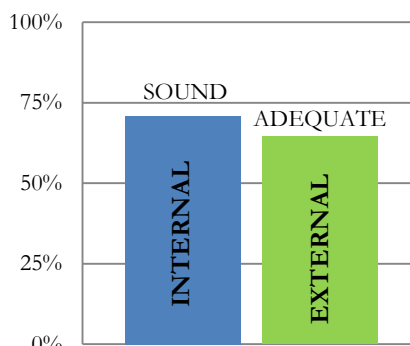
**Rating Factors Scores**

**Regulatory Requirements & Supervision**



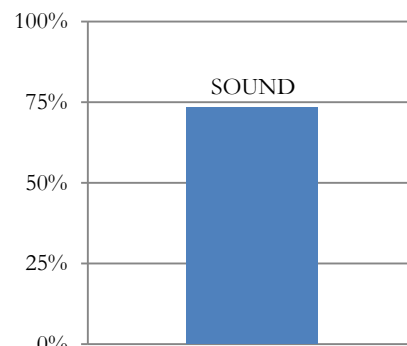
- Board level committees are though in place, same members in all board committees reduce the effectiveness. The same may be addressed by increasing board size.
- Net capital balance has witnessed improvement over time.

**Internal & External Control Framework**



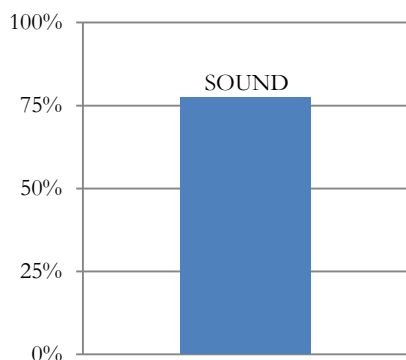
- Conflict of interest policy may be shared with both staff and customers.
- Employee trading guidelines may prescribe a minimum holding period along with blackout period.
- ‘A’ category of external auditors would add to quality of external control framework.
- CEO’s statement and Statement of Compliance with Code may be added in annual accounts to enhance public disclosures.

**Client Relationship & Fairplay**



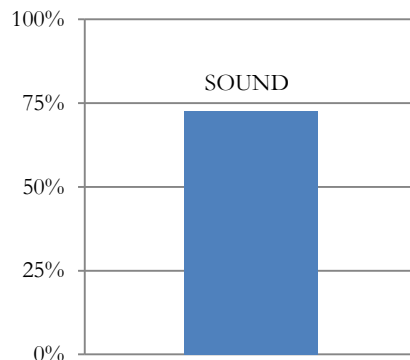
- Customer grievances process may be improved by adding a complaint section on website’s header with greater visibility and complaint service via text messages.
- Uploading market and equity research reports on website and trade execution sms alerts would enhance client service.

**HR & Infrastructure**



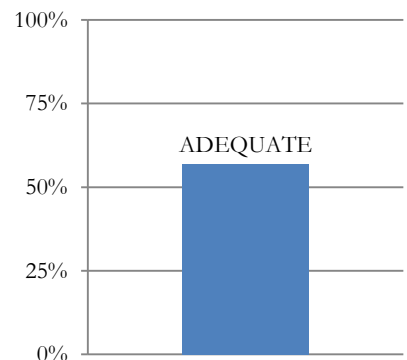
- Organizational structure is well defined with fully integrated ERP platform and sound IT management policies.
- Risk management staff is independently present.
- Off-site backup is under own control, data storage at a third party warehouse is recommended.

**Compliance & Risk Management**



- Development of well-defined credit evaluation policy for clients and prudent credit limits would improve operational risk management.
- Maintaining a propriety book is not considered with international best practices.

**Financial Management**



- Earning profile witnessed improvement during HFY20; however, there may be re-measurement losses on investments in view of substantial decline in equity market post COVID-19 outbreak
- Diversification of business activity may provide support to the company’s overall financial risk

profile.

## 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)

REGULATORY DISCLOSURES		Appendix II		
<b>Name of Rated Entity</b>	MRA 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>
	10/04/2020	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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