

## BROKER MANAGEMENT RATING REPORT

### MRA Securities Limited

**REPORT DATE:**

April 12, 2021

**RATING ANALYSTS:**

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**APPLICABLE**
**METHODOLOGY:**

Broker Management Ratings 2020:  
<https://s3-us-west-2.amazonaws.com/backupsqvis/docs/BMR202007.pdf>

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2+</b>
<b>Rating Rationale</b>	The rating signifies sound board level governance, internal and external control environment is robust, HR & IT services are strong, while compliance and risk management frameworks and financial management are adequate and customer services are sufficiently proactive.
<b>Rating Date</b>	12 April, 2021

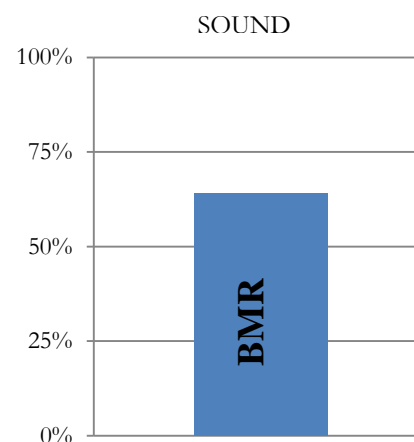
### COMPANY INFORMATION

<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. Entire portion of the company's brokerage revenues emanates from retail clients. 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.

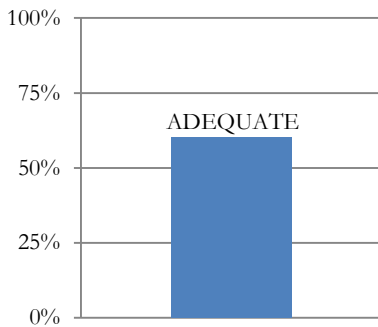
The company holds a Trading and Self Clearing (TSC) entitlement certificate issued by the Pakistan Stock Exchange Limited. External auditors of the company are Nasir Javed Maqbool Imran Chartered Accountants. Auditors belong to category 'B' on the approved list of auditors published by the State Bank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



Upgrade in rating takes note of MRA’s acquisition of new licenses, improvement in relationship with clientele and strong IT & HR infrastructure. However, during the period under review, the company was charged with a penalty by SECP for non-compliances of AML related matters. The company is taking corrective actions to overcome the same.

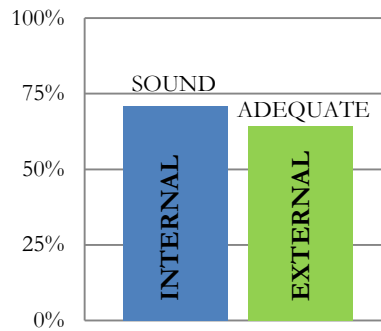
**Rating Factors Scores**

**Regulatory Requirements & Supervision**



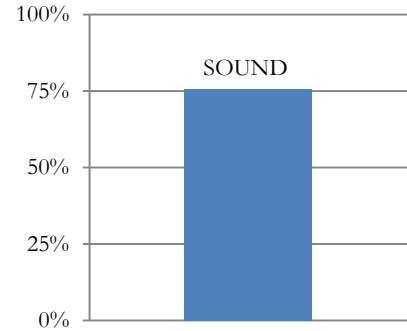
- Acquisition of underwriting and advisory licenses has been noted.
- Room for improvement exists in board size to avoid repetition of common committee members.

**Internal & External Control Framework**



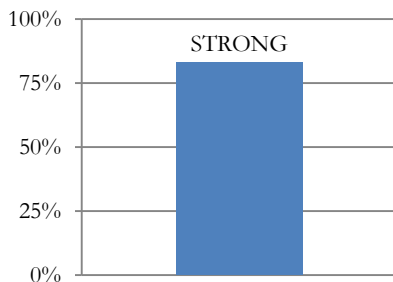
- Daily reporting of personal details to compliance officer has been noted.
- Documenting internal review procedures would strengthen external control framework.
- Employee trading guidelines may prescribe a minimum holding period along with blackout period.
- Inclusion of director’s report, CEO’s statement and Statement of Compliance would enhance disclosure level.

**Client Relationship & Fairplay**



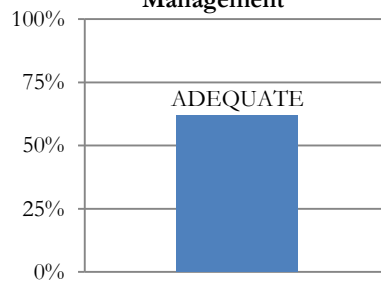
- Inclusion of complaint section on the company’s website header has been noted.
- Sending trade execution sms alerts to customers has been noted.
- Uploading market and equity research reports on website would further enhance client service.

**HR & Infrastructure**



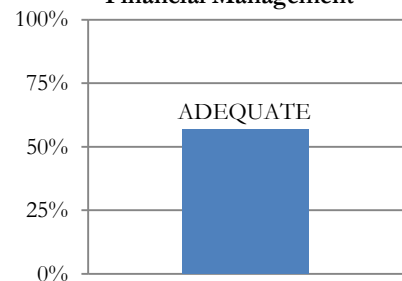
- Increase in frequency of practicing disaster recovery exercises has been noted.
- Off-site backup is under own control, data storage with a third party strengthen business continuity framework.

**Compliance & Risk Management**



- A well-defined credit policy with tightened credit limits would enable better risk management.
- During the review period the, company was fined a penalty by SECP for non-compliances of AML related matters.
- The company has inducted more staff in the compliance department where risk categorization is updated on daily basis by obtaining information from respective clients.

**Financial Management**



- Owing to the general stock market recovery, profitability profile has witnessed significant improvement. During FY20, MRA post a PAT of 160.6m (FY19 32.6m)
- Efficiency ratio increased on account of higher administrative expenses.
- Gearing has declined on a timeline basis, during FY20 gearing stood at 0.5x (FY19 0.7x) Going forward, sustainability of the same shall be observed over time.

## MANAGEMENT QUALITY SCALE &amp; DEFINITIONS

## Appendix I

## VIS Credit Rating Company Limited

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### 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

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**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>
	12/04/2021	BMR2+	Stable	Upgrade
	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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