

BROKER FIDUCIARY RATING REPORT

MRA Securities Limited

REPORT DATE:

18 October, 2021

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR3+ <i>Good Fiduciary Standards</i>
Rating Rationale	The rating signifies adequate governance and financial sustainability while client services and internal controls are sound.
Rating Date	18 October, 2021

COMPANY INFORMATION

Incorporated in 2001	External auditors: M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants
	Chairman of the Board: Muhammad Farhan
Public Unlisted Company	Chief Executive Officer: Mirza Muhammad Baig
Key Shareholders (with stake 5% or more):	
<i>Rafiq Family 93%~</i>	
<i>Haji Muhammad 7%~</i>	

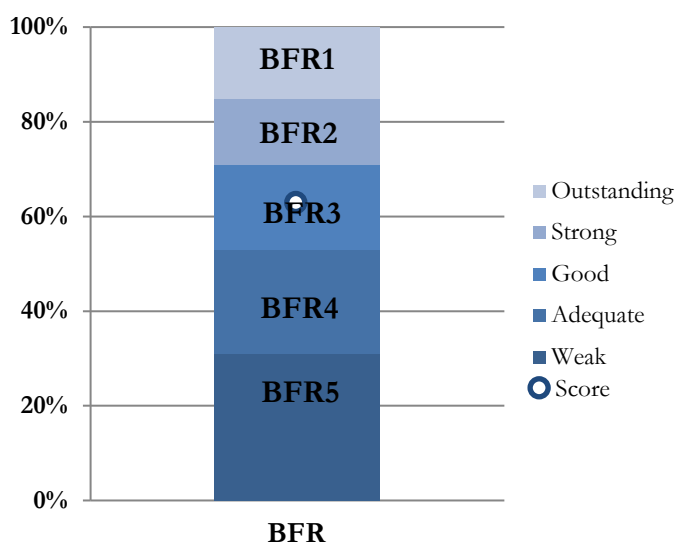
APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings 2021
<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

MRA Securities Limited

CORPORATE PROFILE OVERALL GRADING

Muhammad Rafiq Adam (MRA) Securities Limited is principally engaged in provision of equity brokerage services to domestic clients. Majority shareholding in MRA is vested with the Rafiq family. Currently, the brokerage operates through its head office based in Karachi and 10 branches in the same city. Operations at branch level are limited to brokerage services only.



The company holds a Trading and Self Clearing (TSC) entitlement certificate issued by the Pakistan Stock Exchange Limited. The company has recently appointed Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants as their external auditors who belong to category ‘A’ on State Bank of Pakistan’s (SBP) approved list.

Business and Financial Sustainability Indicators

	FY21*	FY20	FY19
Size of Net Worth (Rs. In Millions)	1,852	1,007	850
Gearing x (total interest bearing debt/ total equity)	0.96x	0.51x	0.47x
Leverage x (total liabilities/ total equity)	1.73x	0.96x	0.70x
Liquid Assets/ Total Liabilities (x)	0.66x	0.90x	1.24x
Short term Investments/ Total Equity (%)	67%	51%	60%
Market Share (%)	15.7%	12.8%	11.0%
Efficiency (%)	66%	64%	52%

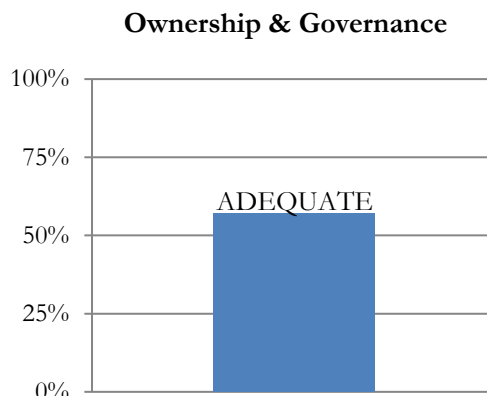
**Management Accounts*

MRA Securities Limited

Rating Indicators

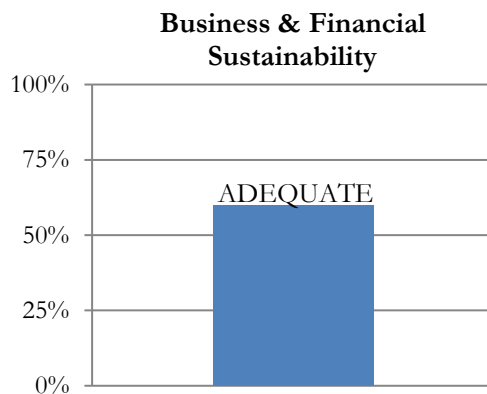
Ownership & Governance

- In line with best practices, governance framework may be strengthened by increasing the board size and inclusion of certified members on the board. The same may allow formation of committees without repetition of members.
- Governance, disclosure level and rating may be supported by upgrading category of the auditors as well as adding director’s report, CEO’s statement and Statement of Compliance with Code in the company’s annual accounts.
- Change of external auditors to ‘A’ category has been noted.



Business & Financial Sustainability

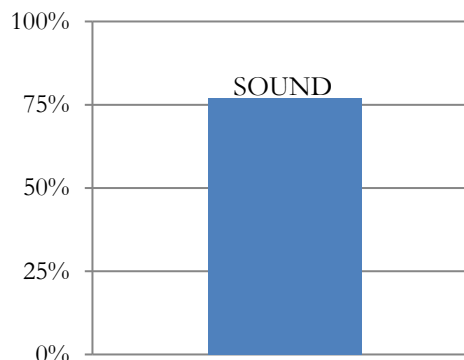
- MRA’s profitability profile witnessed significant improvement on the back of higher operating revenue and one-off capital gains during FY20. Increased market activity in FY21 has further fueled profitability growth with Rs. 844m (FY20 160m) net profit posted at the end of FY21.
- The company increased its proprietary exposure at the end-9MFY21; hence, increasing market risk. Short term investments as at end FY21 accounted for 67% (FY20: 51%) of equity.
- Liquidity profile remains adequate.
- Capitalization indicators are considered strong with an equity base of Rs. 1.8b at end FY21. Gearing and leverage depict an increase in the outgoing year mainly in support of increase in margin financing business, including long term loans from sponsors to support business growth. Overall, gearing and leverage remains manageable; however, the market risk emanating out of higher gearing and leverage would need to be monitored closely.
- Given recently acquired underwriting license, contribution of underwriting income to revenues remains small. Going forward, increasing the volume and diversity of revenue may improve company’s competitive position.
- Overall financial profile of the company is adequate. However, retaining market share, diversifying revenue streams and improving operational efficiency will be considered important for ratings.



Management & Client Services

- Management and client servicing procedures are considered sound, however sending and tracking complaints through sms may be launched for greater customer facilitation.
- Disaster recovery measures are in place, the company has two off-site locations for backing up data.
- Execution of customer orders is well managed with no observations made by SECP, PSX and CDC during the year.

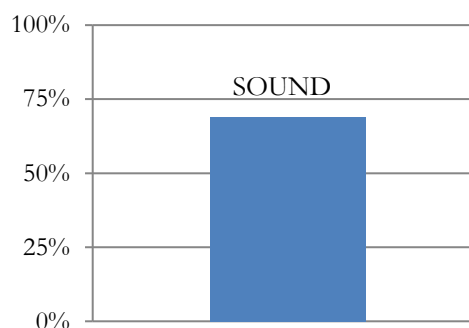
Management & Client Services



Internal Controls & Regulatory Compliance

- In line with best practices, the company has segregated its internal audit and compliance departments with internal audit reporting directly to the Board.
- While overall control and regulatory framework remains sound, effective enforcement of compliance procedures with respect to permissible conduct for research analysts and advisors may be pursued.
- Inclusion of defined credit policy document has been noted.

Internal Controls & Regulatory Compliance



Broker Fiduciary Rating Explained

In Securities Broker Fiduciary Rating (SBF), the strength of fiduciary role of the securities brokers is captured through the relative financial strength of the securities broker firm and its sponsors along with depth of internal control and governance framework, which are key rating ingredients. Responsiveness of the risk and internal control structure, quality of HR and soundness of the business infrastructure determine the strength of management and level of service quality of a stock broker. VIS Credit Rating Co. Ltd. (VIS) has developed a rating system that evaluates brokerage firms on the basis of such practices and the systems instituted to safeguard investor interests are at the forefront.

FIDUCIARY RATING SCALE & DEFINITIONS

Appendix I

RATING SCALE & DEFINITIONS: SECURITIES BROKER FIDUCIARY RATING**BFR1**

Outstanding fiduciary standards

BFR4++, BFR4+, BFR4

Adequate fiduciary standards

BFR2++, BFR2+, BFR2

Strong fiduciary standards

BFR5++, BFR5+, BFR5

Weak fiduciary standards

BFR3++, BFR3+, BFR3

Good fiduciary standards

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

MRA Securities Limited

REGULATORY DISCLOSURES		Appendix II			
Name of Rated Entity	MRA Securities Limited				
Sector	Brokerage				
Type of Relationship	Solicited				
Purpose of Rating	Broker Fiduciary Rating (BFR)				
Rating History	Rating Date	Rating	Rating Outlook	Rating Action	
	RATING TYPE: BFR				
	18/10/2021	BFR3+	Stable	Initial	
Instrument Structure	N/A				
Statement by the Rating Team	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.				
Probability of Default	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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