

BROKER FIDUCIARY RATING REPORT

MRA Securities Limited

REPORT DATE:

November 14, 2022

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	November 14, 2022
Rating Action	Maintained

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 Mubammad 7%~</i>	

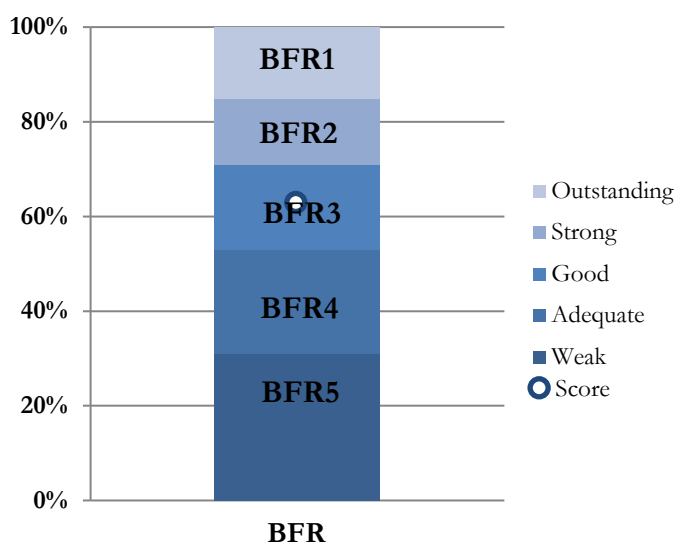
APPLICABLE METHODOLOGY

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

	FY22*	FY21	FY20
Size of Net Worth (Rs. In Millions)	1,499	1,869	1,040
Gearing x (total interest bearing debt/ total equity)	0.56x	0.77x	0.42x
Leverage x (total liabilities/ total equity)	1.05x	1.46x	0.87x
Liquid Assets/ Total Liabilities (x)	0.65x	0.47x	0.59x
Short term Investments/ Total Equity (%)	65.9%	66.3%	49.2%

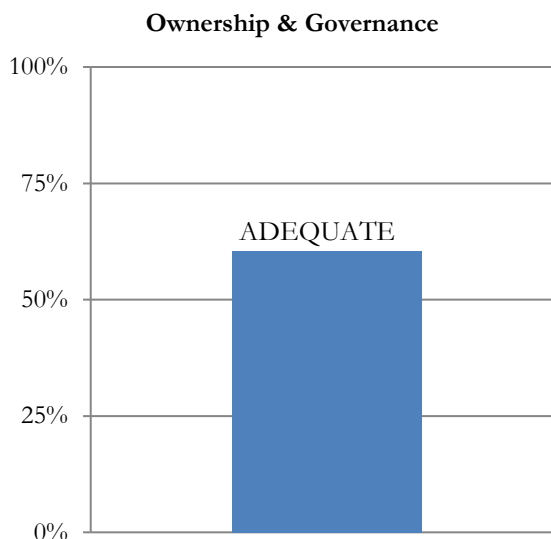
*Management Accounts

MRA Securities Limited

Rating Indicators

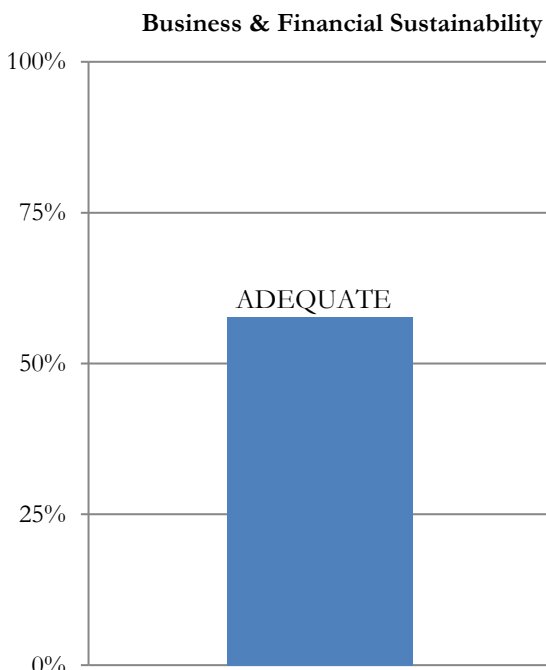
Ownership & Governance

- The Board of directors comprises of three directors, inclusive of an independent director. Increasing the board size along with adding more independent director in tandem with the size of the board may strengthen its governance levels. Similarly, adding members endowed with sound qualification may improve its board composition.
- Disclosure levels may be further enhanced by including directors’ report, CEO statement and statement of compliance with code in the annual report of the Company.
- Company has 4 board committees. However, repetition of members has been observed across the committees. Minimizing the same may improve governance framework.



Business & Financial Sustainability

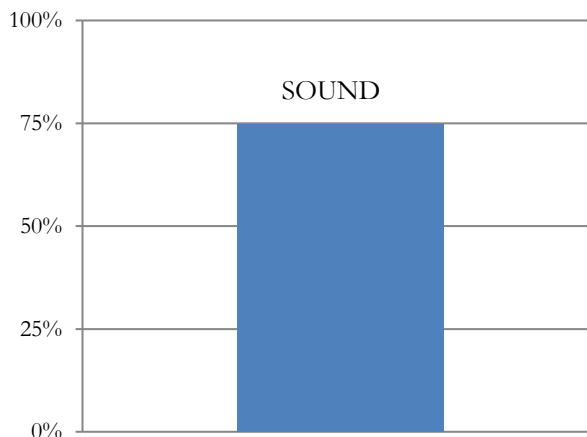
- Company’s profitability is mainly driven from brokerage commission and capital gains. Following posting a staggering profitability in FY21, it took a downturn with profits dragged into losses. Brokerage commission depicted reduction in revenues. Losses shed on capital gains has further exacerbated losses in the business. Going forward, with dismal market conditions, capital gains are expected to remain uncertain.
- In FY22, Short term investments to equity stands at 65.9% (FY21: 66.3%). Market risk remains elevated amidst market slowdown.
- Equity base of Company has plummeted to Rs. 1.5b in FY22 (FY21: 1.8b), albeit it remains strong. Gearing and Leverage ratio has witnessed improvement, with gearing ratio reduced to 0.52x in FY22 from 0.65x in FY21 and leverage ratio down to 0.91x in FY22 from 1.24x in FY21. Further improvement in capitalization indicators will remain important, going forward.
- Amidst fall in revenues, efficiency levels have also witnessed an increase to 89.2% in FY22 from 78.8% in FY21, leading to higher operational risk. Going forward, managing cost to income ratio will be key for maintaining Company’s profitability profile.
- Overall, financial profile of the Company remains adequate. However, retaining market share, diversifying revenue streams and improving operational efficiency along with capitalization indicators is considered important for rating.



Management & Client Services

- Management and client service procedures are considered sound. However, client services may be further enhanced through availability of daily market research reports and equity research reports on website along with disclosure of commission rates on website.
- Segregation of trade commission structure between retail and institutional may be considered.
- Complaints sent through sms along with complaint acknowledgement through number may ensure effective enforcement of its customer complaints procedure.
- Customer relationships are well managed, with no observations highlighted by SECP, PSX and CDC.

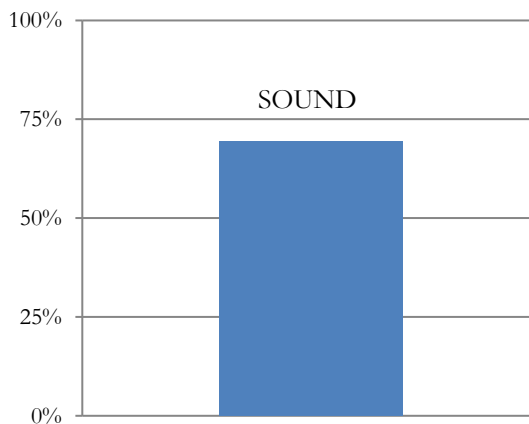
Management & Client Services



Internal Controls & Regulatory Compliance

- Overall, control and regulatory framework remains sound.
- Scope of internal policies may be enhanced as well as dissemination of policies to all stakeholders may be widened.
- Credit risk policies may be reviewed to enhance risk management framework.

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			
	14/11/2022	BFR3+	Negative	Maintained
	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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