

BROKER FIDUCIARY RATING REPORT

MRA Securities Limited

REPORT DATE:

May 13, 2024

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR3++ <i>Good Fiduciary Standards</i>
Rating Rationale	The rating signifies adequate governance, sound financial sustainability, client services and sound internal controls.
Rating Date	May 13, 2024
Rating Action	Upgrade

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

<https://docs.vis.com.pk/Methodologies%202024/Broker-Fiduciary-Rating.pdf>

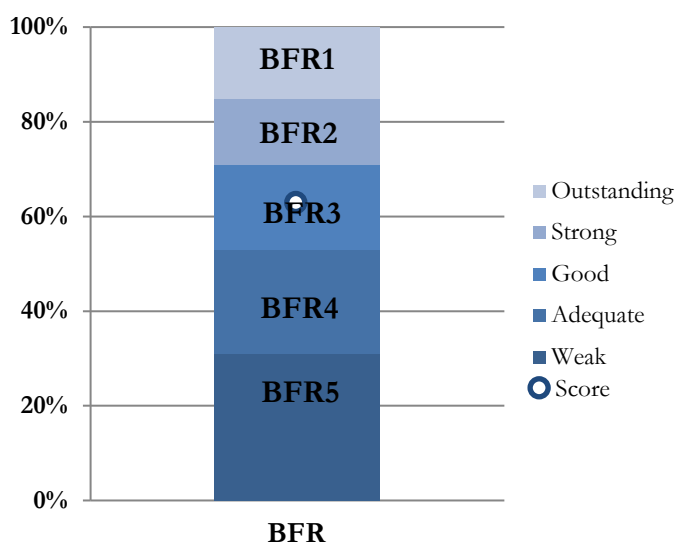
VIS Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.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

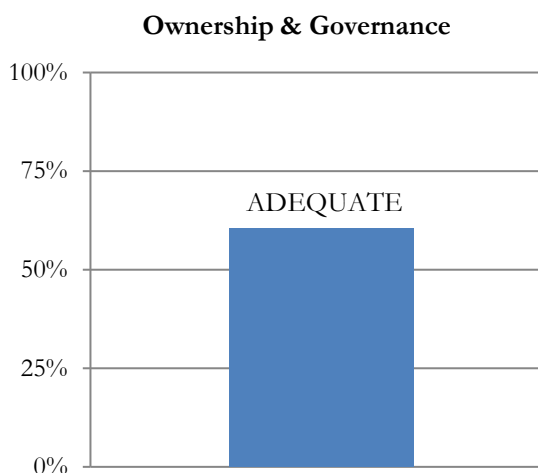
	FY23	FY22	FY21
Size of Net Worth (Rs. In Millions)	1,418	1,498	1,869
Gearing x (total interest bearing debt/ total equity)	0.45x	0.52x	0.65x
Leverage x (total liabilities/ total equity)	0.63x	0.91x	1.24x
Liquid Assets/ Total Liabilities (x)	0.57x	0.64x	0.47x
Short term Investments/ Total Equity (%)	36%	66%	66%

MRA Securities Limited

Rating Indicators

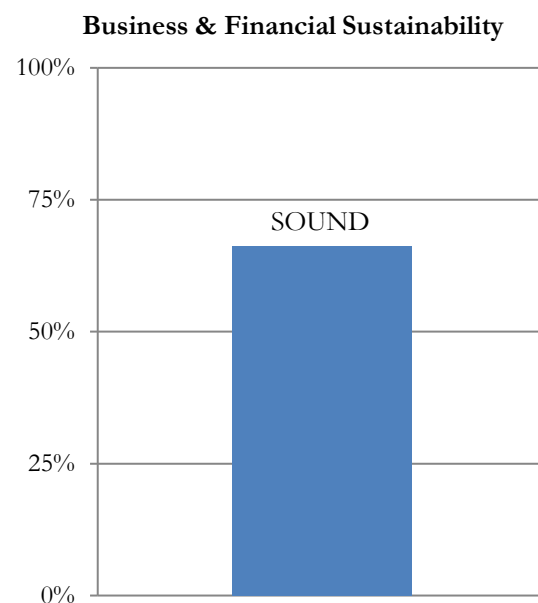
Ownership & Governance

- Room for improvement exists in board size, at present the board comprises of three members along with independent representation. Additionally, four board committees have been formulated, namely, Audit, HR, Risk and Investment, however repetition of common members has been observed. Minimizing the same through inclusion of certified members in the board may improve governance framework.
- Disclosure levels are considered sound.



Business & Financial Sustainability

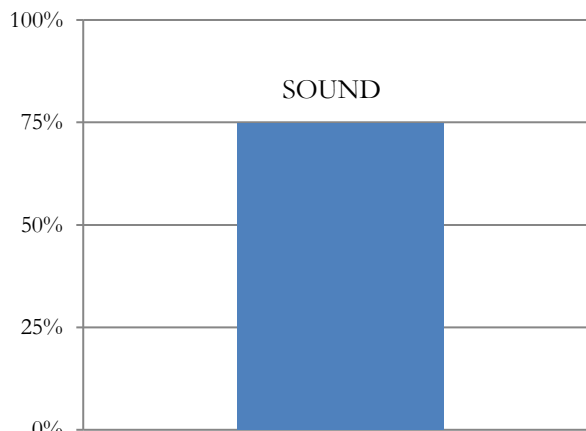
- During the year, the Company's operational profile remained under stress owing to subdued market activity albeit the same witnessed improvement end-HFY24 whereby uptick in capital gains provided support to the Company's earning profile to some extent.
- While depicting a decline in FY23, the Company's market risk remains on the higher side with short-term portfolio increasing to 80% of equity at the end-HFY24 (FY23 36%)
- Liquidity profile stands improved end-HFY24, liquid assets provide 1.05x coverage to liabilities. (FY23 57%)
- Capitalization indicators continue to remain manageable, gearing stood at 0.45x (FY22 0.52x) while leverage stood at 0.63x (FY22 0.91x)
- Cost to income ratio witnessed deterioration on timeline basis due to decline in revenues and higher recurring expenses. Efficiency levels stood at 85% during FY23 (FY22 90%)
- Overall, financial profile of the Company is considered sound. 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 through greater visibility.
- Segregation of trade commission structure between retail and institutional may be considered.
- Investor grievance procedures stand improved, availability of sms and web-based complaint registering and tracking system has been noted.

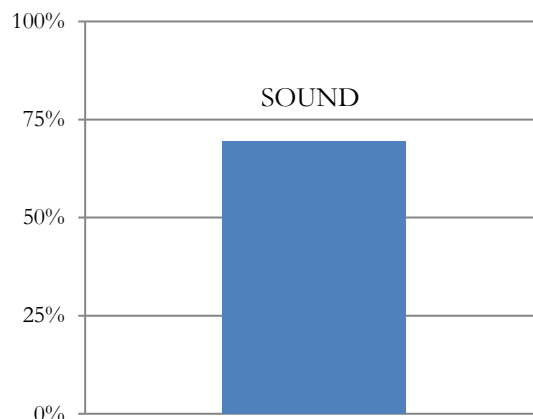
Management & Client Services



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.

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			
	13/05/2024	BFR3++	Stable	Upgrade
	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	N/A			
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