

BROKER MANAGEMENT RATING REPORT

Mohammad Munir Muhammad Ahmed Khanani Securities Limited

REPORT DATE:

17 August, 2022

RATING ANALYST:

Syeda Batool Zehra Zaidi
batool.zaidi@vis.com.pk

APPLICABLE

METHODOLOGY:

Broker Management Ratings

2020: [https:// docs.vis.com.pk/ docs/ BMR202007.pdf](https://docs.vis.com.pk/docs/BMR202007.pdf)

Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The rating signifies strong compliance and risk management framework. Regulatory requirements, internal & external controls, client relationship and HR & infrastructure are sound while financial management and supervision framework is considered adequate
Rating Date	17 August, 2022

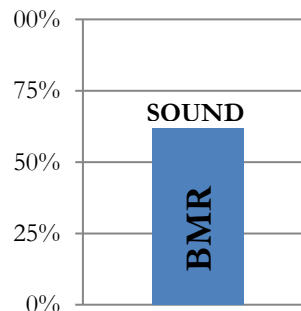
COMPANY INFORMATION

Incorporated on March 2006	External auditors: Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants
Public Unlisted Company	Chief Executive Officer: Mr. Muhammad Munir
Key Shareholders (with stake 5% or more):	
Muhammad Munir~99.9%	

Corporate Profile

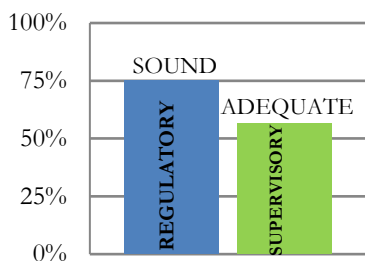
Mohammad Munir Muhammad Ahmed Khanani Securities Limited (MAK) has been operating in a broking business for more than a decade. The company was incorporated in 2006 under the Companies Ordinance 1984 as a Private Limited Company. Subsequently, the legal status of the company was changed to Public Limited Company. MAK caters primarily to equity broking services to both retail and institutional clients. Registered office of the company is located at Stock Exchange Building, PSX.

The company is registered with Securities & Exchange Commission of Pakistan and holds Trading Rights Entitlement Certificate (TREC) issued by Pakistan Stock Exchange Limited (PSX). Mr. Muhammad Munir (CEO) is the sole proprietor of the company.



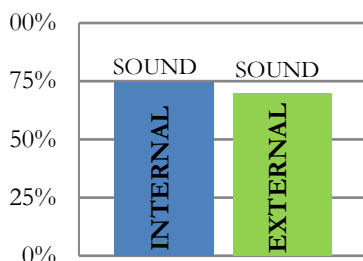
Rating Factors Scores

Regulatory Requirements & Supervision



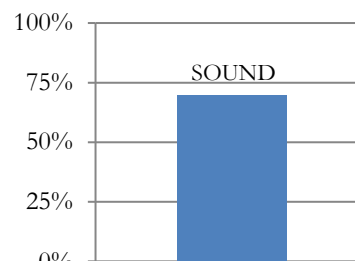
- The Board of Directors consists of 5 members, including two independent members. Increasing the board size may assist in formation of additional board level committees.

Internal & External Control Framework



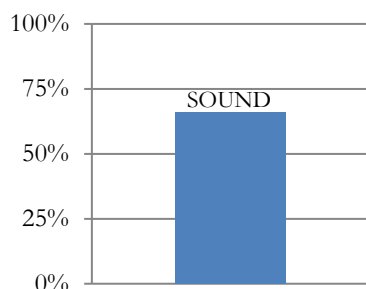
- The scope of documented internal control policies may be enhanced; inclusion of blackout and minimum holding periods in Employee trading policy may be considered.
- Disclosure levels may be enhanced by including Director's report and Statement of Compliance with Code in the company's annual financial statements.

Client Relationship & Fairplay



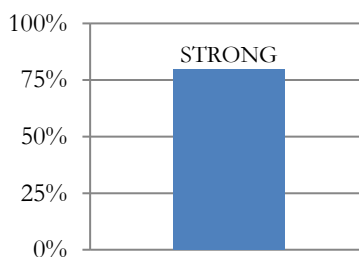
- The Company offers research material and online analytics exclusively on the client portal; availability of market research on the website may also be considered.
- Client facilitation tools including mobile and web-based applications have been updated.

HR & Infrastructure



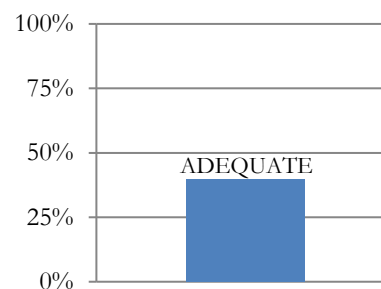
- Fully integrated ERP platform is present.
- Data backups are under own control and disaster recovery exercise is done once a year; increasing frequency of the same may enhance the contingency plans.
- Overall, HR infrastructure and IT policies are considered sound.

Compliance And Risk Management



- Internal audit and compliance functions operate independently.
- Frequency of reviewing suspicious trades is considered sound.
- Segregating risk management function under an independent head may further strengthen the risk management framework.

Financial Management



- Profitability of the company in 2021 was boosted on account of sizable capital gains. The same has been impacted in the ongoing year on account of subdued market activity which has resulted in a negative bottom line in 1HYF22, largely due to unrealized losses on investments.
- Market risk exposure at 69% (Short term investments /Equity) remains on the higher side and may continue to constrain profitability.
- Liquidity profile is adequate with liquid assets covering 0.85x of total liabilities at end-Dec'21 (Jun'21: 0.84x).
- Cost to income ratio has remained favorable (1HFY22: 35%, FY21: 45%) relative to peers. Maintenance of the same will be important for future profitability.
- Capitalization indicators are considered sound with an equity base of Rs 2,441m (FY21: Rs. 2,963.5m) and gearing and leverage ratios of 0.7x (Jun'21: 0.69x) and 1.24x (Jun'21: 1.33x) respectively.

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

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Mohammad Munir Muhammad Ahmed Khanani Securities Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BMR			
	08/17/2022	BMR2	Stable	Reaffirmed
	7/4/2021	BMR2	Stable	Reaffirmed
	13/3/2020	BMR2	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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