

BROKER MANAGEMENT RATING REPORT

Mohammad Munir Muhammad Ahmed Khanani Securities Limited

REPORT DATE:

16th January, 2024

RATING ANALYST:

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Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The assigned 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	16 th January, 2024

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%	

APPLICABLE METHODOLOGY & RATING SCALES

Applicable Rating Criteria: Broker Management Ratings 2020

<https://docs.vis.com.pk/docs/BMR202007.pdf>

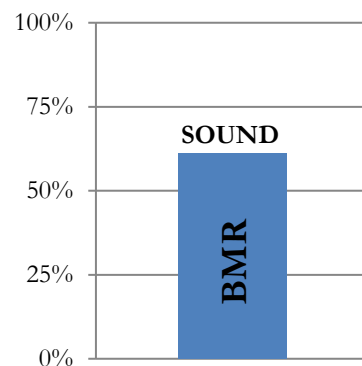
VIS Issue/Issuer Rating Scale:

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

Corporate Profile

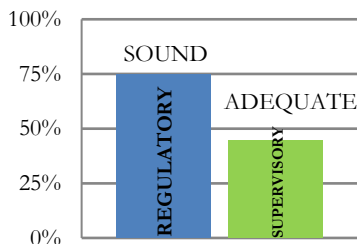
Mohammad Munir Muhammad Ahmed Khanani Securities Limited is a public unlisted company, providing equity and commodity brokerage services and research to institutional as well as retail clients. Major shareholding of the company is vested with Mr. Muhammad Munir Khanani, who serves as the Chief Executive Officer (CEO) of the company. The company provides both online and assisted trading services to its clients, and has offices in Karachi, Lahore, Hyderabad and Islamabad.

Mohammad Munir Muhammad Ahmed Khanani Securities Limited is a public unlisted company holding Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), registered with SECP to provide Trading & Self Clearing Services. External auditors of the company are Rehman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants. External auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



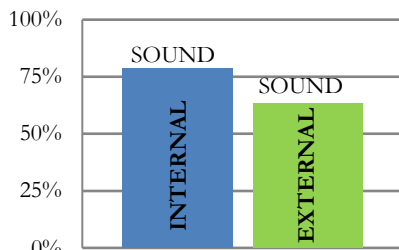
Rating Factors Scores

Regulatory Requirements & Supervision



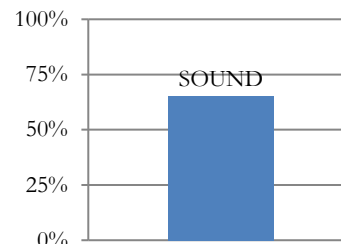
- Regulatory framework of the Company is considered sound. At present, the board comprises of 5 members along with independent representation, formulating three board level committees.
- Overall governance framework may be further improved through formulation of other board committees. Supervisory framework of the Company is considered adequate.

Internal & External Control Framework



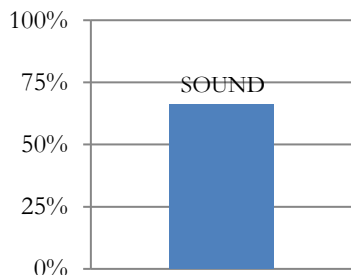
- Internal control framework is considered sound. However, scope of internal control policies may be enhanced through inclusion of blackout and minimum holding period guidelines the Company's Employee Trading Policy (ETP) may be considered.
- External control framework remains sound. However, inclusion of CEO statement, director's report and statement of compliance with code in the company's annual financial statements may enhance company's overall disclosure levels of financial statement and overall reporting framework.

Client Relationship & Fairplay



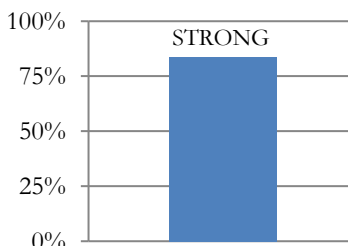
- Client relationship and fair-play is considered sound, research materials and trading resources are readily available on the Company's website and mobile trading application. However investor grievance resources may be more pronounced on the Company's website for better client facilitation.

HR & Infrastructure



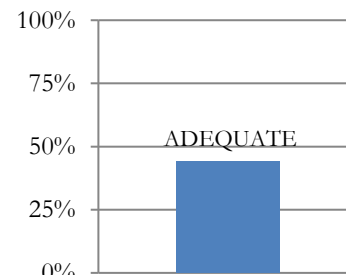
- Overall, HR infrastructure and IT policies are considered sound.
- Organizational structure is commensurate with the size of the Company's operations. Albeit, segregating Chief Financial Officer and Risk assessment Officer roles may be considered for clarity in reporting lines.
- Offsite backups of all digitized and non-digitized records are under own control. Increasing frequency of disaster recovery practices may be considered to strengthen business continuity practices.

Compliance & Risk Management



- Overall risk management and compliance levels continue to remain strong. Internal audit and compliance functions operate independently.
- Segregating risk management function under an independent head may further strengthen the risk management framework.

Financial Management



- During the year, the Company's operating profile remained under pressure owing to subdued market activity and low trading volumes. Recurring revenues decline to Rs. 223m (FY22 Rs. 329m) on account of decline in core brokerage income during the year.
- Resultantly, cost-to-income ratio of the Company deteriorated on timeline basis. During FY23, efficiency levels stood at 88% (FY22 43%, FY21 17%)
- Market risk is considered manageable. Liquidity profile is considered adequate with liquid assets providing 1.35x coverage to total liabilities in FY23 (FY22: 0.94x).
- Capitalization indicators are considered manageable. Gearing and leverage ratios standing at 0.25x (FY22: 0.54x) and 0.56x (FY: 0.99x) respectively.
- Going forward, improvement in the Company's earning profile, sustainability of capitalization

indicators improvement in cost to income ratio along with market share will remain important for the rating.

REGULATORY DISCLOSURES		Appendix I		
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			
	01/16/2024	BMR2	Stable	Reaffirmed
	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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