

BROKER FIDUCIARY RATING REPORT

Mohammad Munir Muhammad Ahmed Khanani Securities Limited

REPORT DATE:

16 May 2024

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR2 <i>Strong Fiduciary Standards</i>
Rating Rationale	The rating signifies sound internal controls, financial sustainability, client services and sound ownership and governance framework.
Rating Date	16 May, 2024

COMPANY INFORMATION

Incorporated in March 2006	External auditors: Rehman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants
Unlisted Public Limited Company	Chief Executive Officer/ Chairman of the Board: Mr. Muhammad Munir Khanani
Key Shareholders (with stake 5% or more):	
Mr. Muhammad Munir Khanani ~ 99.99%	

APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings:

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

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:

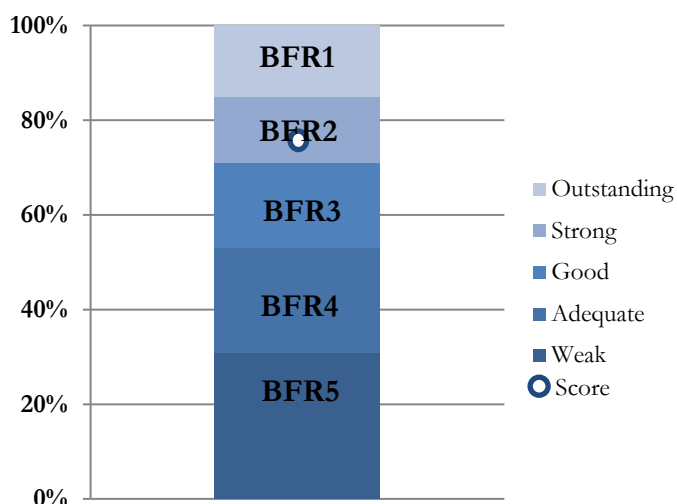
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Mohammad Munir Muhammad Ahmed Khanani Securities Limited

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, Sahiwal, Lahore, Hyderabad and Islamabad.

OVERALL GRADING



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).

Business and Financial Sustainability Indicators

	HY24	FY23	FY22
Size of Net Worth (Rs. In Millions)	2,788	2,344	2,207
Gearing x (Total interest bearing debt/ Total equity)	0.61x	0.25x	0.54x
Leverage x (Total liabilities/ Total equity)	1.37x	0.56x	0.99x
Liquid Assets/ Total Liabilities (x)	0.92x	1.35x	0.94x
Short term Investments/ Total Equity (%)	80%	38%	52%

**Management Accounts*

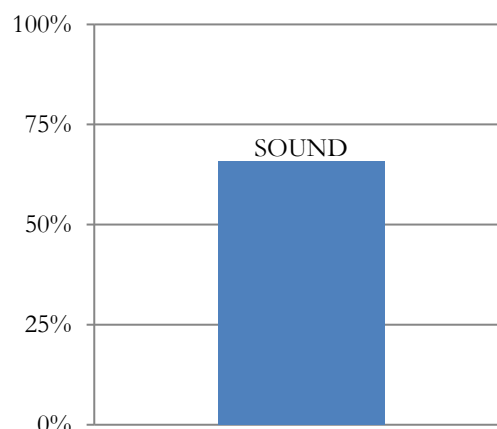
Mohammad Munir Muhammad Ahmed Khanani Securities Limited

Rating Indicators

Ownership & Governance

- Ownership and governance framework of the Company is considered sound. The Company’s board is represented by 5 members along with independent representation.
- At present, there are three board committees namely, Audit, Risk and HR & Remuneration. Inclusion of certified members to the board would further improve overall governance framework.
- Disclosure levels remain adequate, inclusion of director’s report, CEO statement and statement of compliance with code to the Company’s annual financial statements may be considered in order to strengthen disclosure levels.

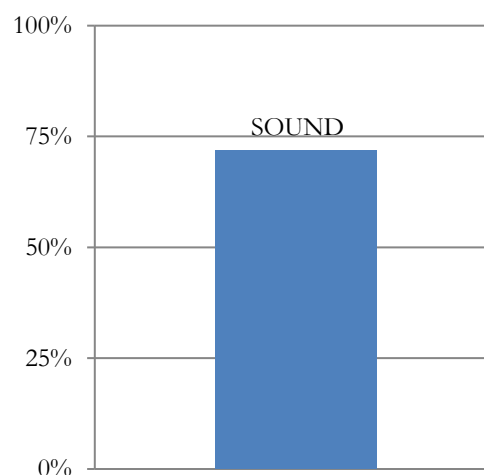
Ownership & Governance



Business & Financial Sustainability

- In tandem with industry, the Company’s operating profile remained under stress on account of low market activity during FY23. However, capital gain on investments along with unrealized gain on re-measurement of investments provided support to profitability.
- Cost-to-income ratio of the Company witnessed an increase on account of decline in core brokerage income and higher administrative expenses.
- Liquidity profile of MMMAK remains adequate with liquid assets providing 1.35x coverage to total liabilities during FY23. The same contracted to 0.92x end-HFY24.
- Gearing stood at 0.61x (FY23 0.25x) while leverage stood at 1.37x (FY23 0.56x) on account of increase in short term borrowings end-HFY24
- Market risk is considered high on account of the Company’s active participation in proprietary trading. Quantum of short-term investments in relation to equity stood at 80% (FY23 38%) end-HFY24.
- Overall business and financial sustainability of the Company is considered sound. Going forward, improvement in the Company’s earning profile along with cost-to-income ratio, improvement of capitalization indicators and low market risk will remain important for the rating.

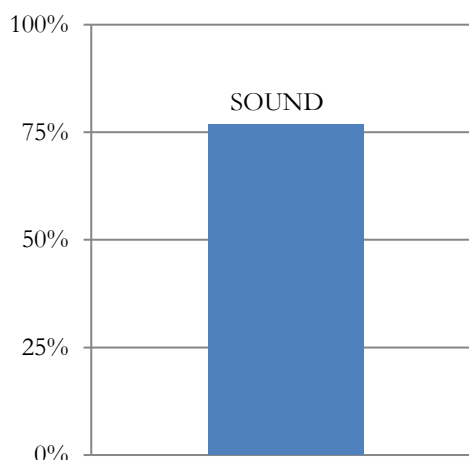
Business & Financial Sustainability



Management & Client Services

- Overall client servicing procedures are considered sound, organizational structure of the Company is commensurate with the size of operations.
- Availability of mobile and web based trading resources and tools along with complaint registering and tracking mechanism has been noted, however; availability of research reports with greater visibility on the Company website may be considered in order to further improve client experience.
- The Company has a strong geographical footprint. At present the Company has a total of 19 branches nationwide which cater to its diverse client base.

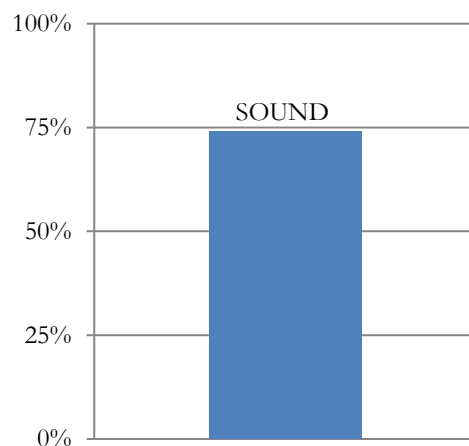
Management & Client Services



Internal Controls & Regulatory Compliance

- Overall, internal control and regulatory framework is considered sound. Presence of well documented and approved internal policies has been noted, however, enhancing the scope of Employee Trading Policy (ETP) may be considered.
- Client order recording and reviewing of non-complaint and suspicious trading is done on monthly basis and

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.

Mohammad Munir Muhammad Ahmed Khanani Securities Limited

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 Fiduciary Rating (BFR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BFR			
	16/05/2024	BFR2	Stable	Reaffirmed
	15/11/2022	BFR2	Stable	Reaffirmed
	19/11/2021	BFR2	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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