

BROKER MANAGEMENT RATING REPORT

Multiline Securities Limited

REPORT DATE:

March 30, 2021

RATING ANALYSTS:

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| Rating Category | Latest Rating |
|---------------------------------|---|
| Broker Management Rating | BMR3+ |
| Rating Rationale | The rating signifies adequate regulatory compliance levels and financial management, internal and external control environment is sufficient, compliance and risk management frameworks are satisfactory; HR, IT and customer service are adequately proactive. |
| Rating Date | March 30, 2021 |

APPLICABLE METHDOLOGY:

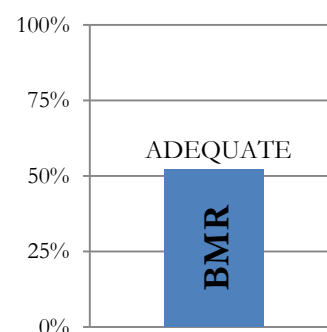
Broker Management Ratings 2020: <https://s3-us-west2.amazonaws.com/backupsqvis/docs/BMR20007.pdf>

| COMPANY INFORMATION | |
|--|---|
| Incorporated in 2001 | External auditors: M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants |
| Public Un-listed Company | Chairman of the Board: Mr. Masood Hussain. |
| Key Shareholders (with stake 5% or more): | Chief Executive Officer: Mr. Muhammad Hanif Moosa Dharwarwala |
| <i>Mr. Muhammad Hanif Moosa Dharwarwala ~ 99.97%</i> | |

Corporate Profile

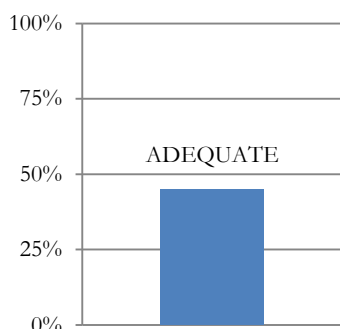
Multiline Securities Limited (MSL) is a public unlisted company offering share brokerage, investment and portfolio management services to both retail and foreign intuitional clients. The company is also a member of National Commodity Exchange (Pvt) Ltd (NCDEX). Furthermore, MSL’s operations run through its registered offices in Karachi.

The company holds a Trading Right Entitlement Certificate (TREC) issued by the Pakistan Stock Exchange Limited (PSX) since 2001. External auditors of the company are M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants. Auditors are on the approved list of auditors published by the State Bank of Pakistan.



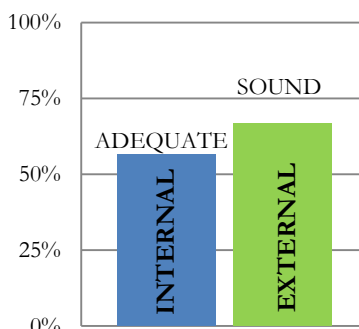
Rating Factors Scores

Regulatory Requirements & Supervision



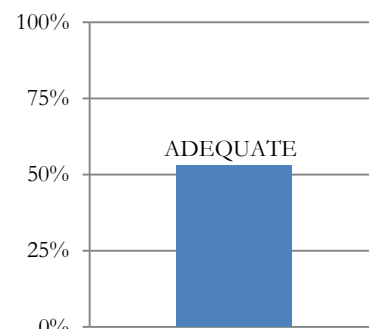
- Room for improvement exists in board size for enhanced governance. Additionally it would avoid repetition of common members in board committees and facilitate the formation of risk management committee.
- The presence of independent director is noted, however, the conflict of the same being a client of the company as well needs to be addressed.
- CFO and CO positions should be separate for segregation, clarity in reporting lines and better governance.

Internal & External Control Framework



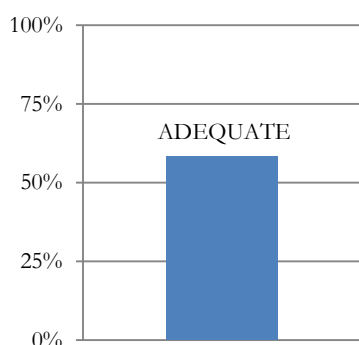
- Conflict of Interest Policy may be further developed to cover specific guidelines for various instances of conflict of interest.
- Adding Statement of Compliance with Code and CEO's independent statement in annual accounts would add to external control framework.

Client Relationship & Fairplay



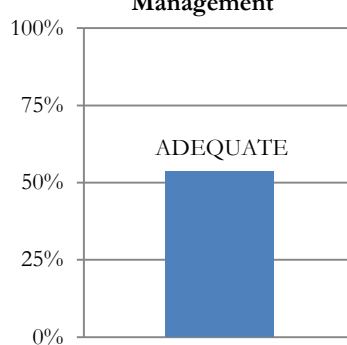
- Geographical diversification of the company is limited and enhancement here may provide business growth.
- Including market and research reports on the website would enhance client service.

HR & Infrastructure



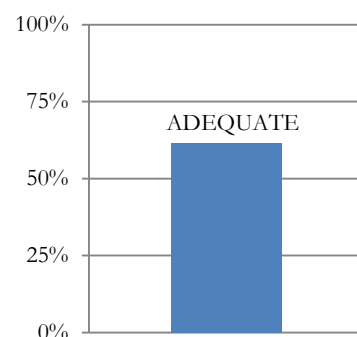
- IT policies and infrastructure are considered adequate.
- Off-site back up is under own control, back-up with third party data services would strengthen business continuity framework.

Compliance & Risk Management



- Internal audit and compliance departments should be placed independently.
- However, compliance and CFO positions being common the compliance function is compromised.
- Credit limits extended to retail customers may need to be tightened to enable better risk management.

Financial Management



- The overall financial sustainability of the company is sound with low gearing and leverage levels and cost efficiency in operations.
- Defining proprietary and leverage limits more conservatively would strengthen financial profile.
- Profitability of the company has improved on account of increase in brokerage income during FY20.
- Diversity of business lines in income stream would lower operational risk of the company.

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 | Multiline Securities Limited | | | |
| Sector | Brokerage | | | |
| Type of Relationship | Solicited | | | |
| Purpose of Rating | Broker Management Rating (BMR) | | | |
| Rating History | Rating Date | Rating | Rating Outlook | Rating Action |
| | <u>RATING TYPE: BMR</u> | | | |
| | 03/30/2021 | BMR3+ | 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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