

## BROKER MANAGEMENT RATING REPORT

### Multiline Securities Limited

**REPORT DATE:**

May 25, 2022

**RATING ANALYSTS:**

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Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR3++</b>
<b>Rating Rationale</b>	The rating signifies sound external control framework and financial management. Regulatory requirements and supervisory framework, internal controls, client relationship, HR & infrastructure, and compliance & risk management are adequate.
<b>Rating Date</b>	May 25, 2022

**APPLICABLE METHDOLOGY:**

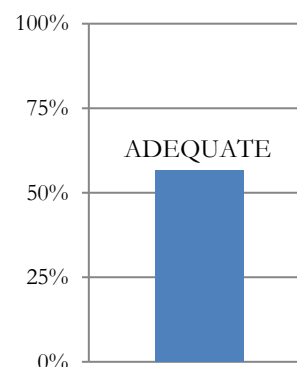
Broker Management Ratings 2020: <https://docs.vis.com.pk/docs/BMR202007.pdf>

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

### Corporate Profile

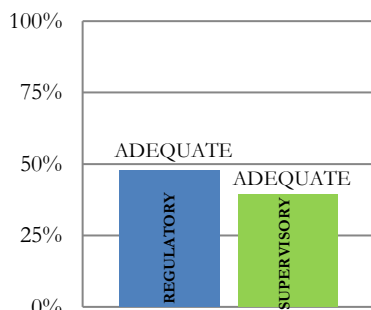
Multiline Securities Limited (MSL) is a public unlisted company offering share brokerage, investment and portfolio management services to both retail and foreign intuitional clients. The company is also a member of National Commodity Exchange (Pvt) Ltd (NCDEX). Furthermore, MSL's operations run through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



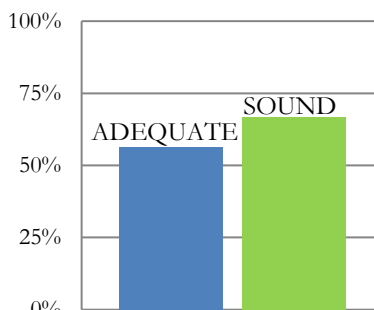
**Rating Factors Scores**

**Regulatory and Supervisory Framework**



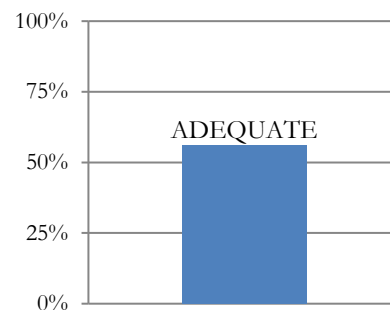
- Increasing the board size may enable formation of committees without repetition of members. Inclusion of independent director is noted.
- Segregating roles of Chief Financial Officer and Compliance Officer may be considered. CFO and CO positions for greater clarity in reporting lines and better governance.

**Internal & External Control Framework**



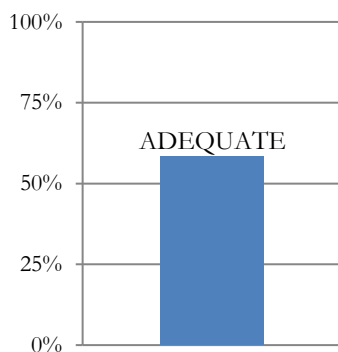
- Adequate measures to avoid conflict of interest and preserve information confidentiality are in place; however, the same needs to be reflected in a separate, well-documented conflict of interest policy.
- External control framework is sound. The same may be strengthened further through disclosure of Statement of Compliance with Code and CEO's independent statement in annual accounts would enhance the same.

**Client Relationship & Fairplay**



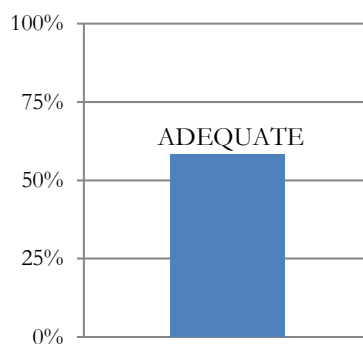
- Availability of research material and tools on the website is noted, however, frequency of research reports may be increased.
- Disclosure of commission rates on the website may be considered.
- Increasing the geographical footprint to other cities may augment revenue growth.

**HR & Infrastructure**



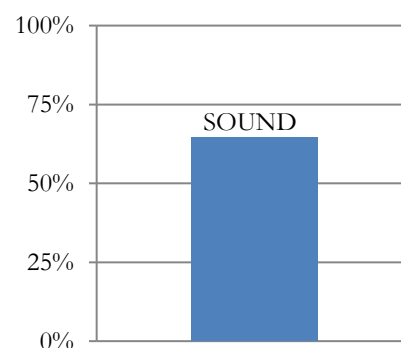
- Presence of a fully integrated ERP platform is noted.
- Off-site back up is under own control, and disaster management exercises are done frequently; however, having a back-up with third party data services would further strengthen the business continuity framework.

**Compliance & Risk Management**



- Compliance office reports directly to the Board, while internal audit function is outsourced.
- However, Compliance and CFO positions, being common, weakens the compliance function.
- Credit limits extended to institutional customers have been tightened. The same may be considered for retail customers to strengthen the risk management.

**Financial Management**



- In line with market trends, significant increase in brokerage revenue, supported by capital gains on investments as well as unrealized gains enhanced the bottom line.
- Low gearing and leverage levels kept capitalization indicators strong. Total net worth of the company increased to Rs. 670m (FY20: Rs. 570m).
- Liquidity profile remains sound.
- Cost to income ratio remains favorable. Maintenance of the same will be important going forward.

## MANAGEMENT QUALITY SCALE &amp; 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](http://www.vis.com.pk/images/criteria_outlook.pdf)

<b>REGULATORY DISCLOSURES</b>		<b>Appendix II</b>		
<b>Name of Rated Entity</b>	Multiline Securities Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Management Rating (BMR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b><u>RATING TYPE: BMR</u></b>			
	05/25/2022	BMR3++	Stable	Upgrade
	03/30/2021	BMR3+	Stable	Initial
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	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.			
<b>Probability of Default</b>	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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