

BROKER FIDUCIARY RATING REPORT

Multiline Securities Limited

REPORT DATE:

2nd May, 2023

RATING ANALYSTS:

Syeda Batool Zehra Zaidi
batool.zaidi@viscom.pk

RATING DETAILS	
Broker Fiduciary Rating	BFR3+
Rating Rationale	The rating signifies sound ownership and governance and management & client services, while business and financial sustainability, internal control framework & regulatory compliance are considered adequate.
Rating Date	2 nd May, 2023

COMPANY INFORMATION

Incorporated in 2001	External auditors: M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants
Public unlisted 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>	

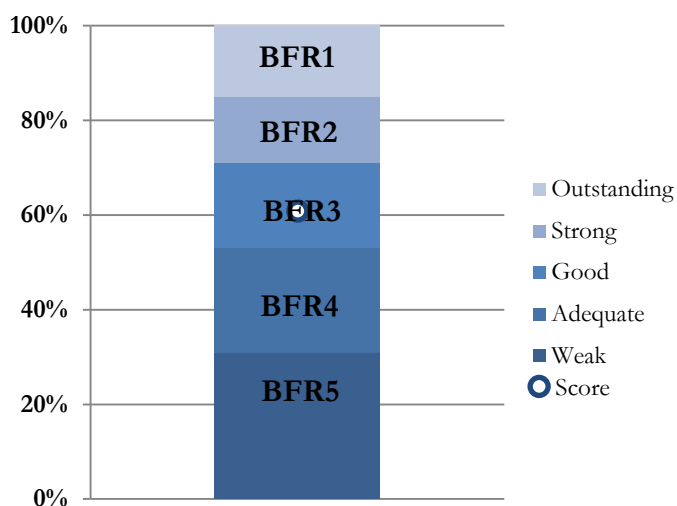
APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings 2021
<https://s3-us-west-2.amazonaws.com/backupsqvis/docs/BrokerFiduciary012021.pdf>

Multiline Securities Limited

CORPORATE PROFILE OVERALL GRADING

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.

Business and Financial Sustainability Indicators

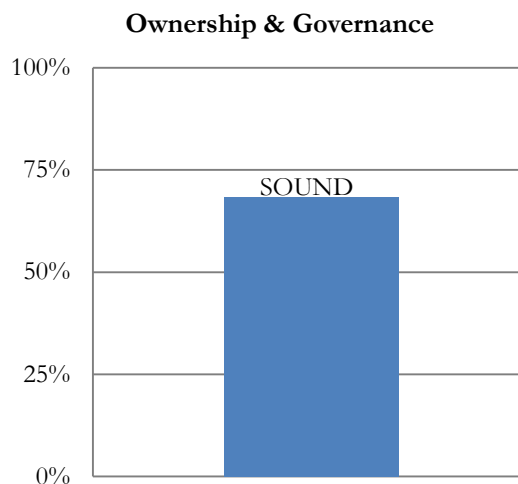
	FY22	FY21	Latest two year average
Size of Net Worth (Rs. In Millions)	595	670	633
Gearing x (total interest bearing debt/ total equity)	0.0x	0.03x	0.02x
Leverage x (total liabilities/ total equity)	0.24x	0.25x	0.25x
Liquid Assets/ Total Liabilities (x)	0.68x	0.56x	0.62x
Short term Investments/ Total Equity (%)	53%	50%	52%

Multiline Securities Limited

Rating Indicators

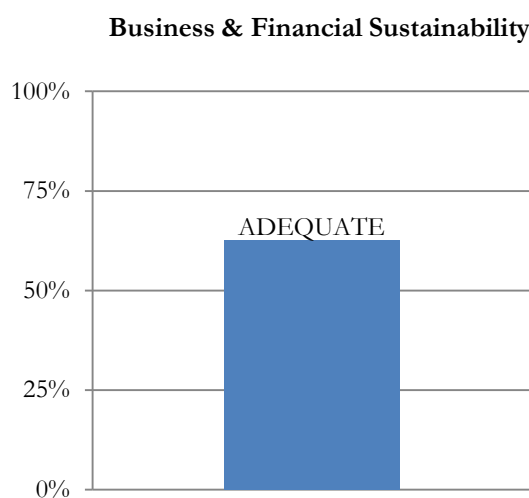
Ownership & Governance

- At present, the Company’s board comprises of four members with 50% independent representation. Additionally, the Company has also formed an Internal Audit and Risk Committee.
- Room for improvement exists in board size in order to further strengthen overall governance and avoid repetition of common members in board committees.
- Disclosure levels maybe further enhanced through inclusion of CEO’s independent statement in the Company’s annual financial statements.



Business & Financial Sustainability

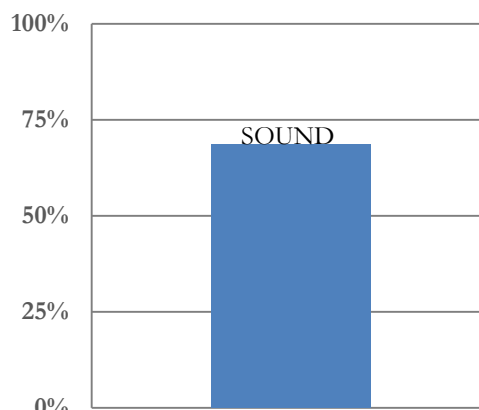
- Owing to subdued market conditions and slowdown in trading activity during FY22, the Company’s earning profile has significantly deteriorated. The Company posted a negative bottom-line of Rs. 74m (FY21 PAT 163m)
- Decline in core brokerage income led to an increase in the Company’s cost to income ratio during FY22.
- Market risk is considered manageable.
- Liquidity profile of the Company is considered adequate for FY22, total liquid assets provide 68% coverage to total liabilities (FY21 56%)
- Company has sound capitalization indicators characterized by low leverage and gearing ratio of 0.24x and 0.0x respectively (FY21: 0.25x and 0.03x) in FY22 respectively. Maintenance of the same to remain important for rating.
- Going forward, improvement in the Company’s earning profile, liquidity, diversity in business lines along with improvement in cost-to-income ratio would lower operational risk of the company.



Management & Client Services

- Overall management and client services are considered sound, the Company provides market research and equity research coverage on website. Internal control framework can be further strengthened through enhancing the scope of certain internal policies.
- Off-site back up is under own control, back-up with third party data services would strengthen business continuity framework.
- Geographical diversification of the company is limited and enhancement here may provide business growth.

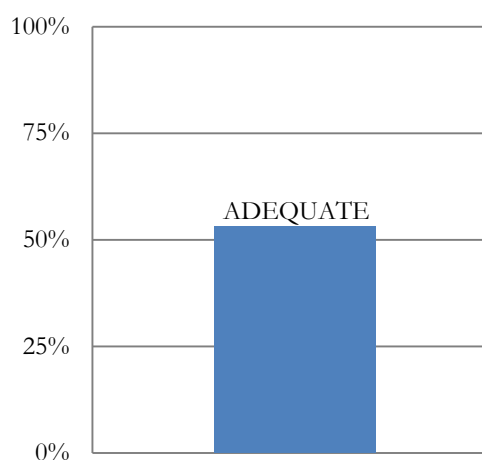
Management & Client Services



Internal Controls & Regulatory Compliance

- Inclusion of a separately documented conflict of interest policy may be considered.
- Frequency of reviewing order recording procedures may be increased to strengthen internal control framework.
- Internal audit and compliance departments are placed independently and trade review procedures are in place, boding well for the Company’s regulatory compliance.
- Tightening credit limits extended to retail customers may be considered to enable better risk management.

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.

Multiline Securities Limited

MANAGEMENT QUALITY SCALE & DEFINITIONS

Appendix I

RATING SCALE & DEFINITIONS: SECURITIES BROKER FIDUCIARY RATING

BFR1

Outstanding governance, financial structure and client services.

BFR4++, BFR4+, BFR4

Adequate governance, financial structure and client services

BFR2++, BFR2+, BFR2

Strong governance, financial structure and client services.

BFR5++, BFR5+, BFR5

Weak governance, financial structure and client services

BFR3++, BFR3+, BFR3

Good governance, financial structure and client services.

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

Multiline Securities Limited

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Multiline 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			
	2/05/2023	BFR3+	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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