

BROKER FIDUCIARY RATING REPORT

Multiline Securities Limited

REPORT DATE:

09 July, 2024

RATING ANALYSTS:Syeda Batool Zehra Zaidi
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salman.saba@vis.com.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

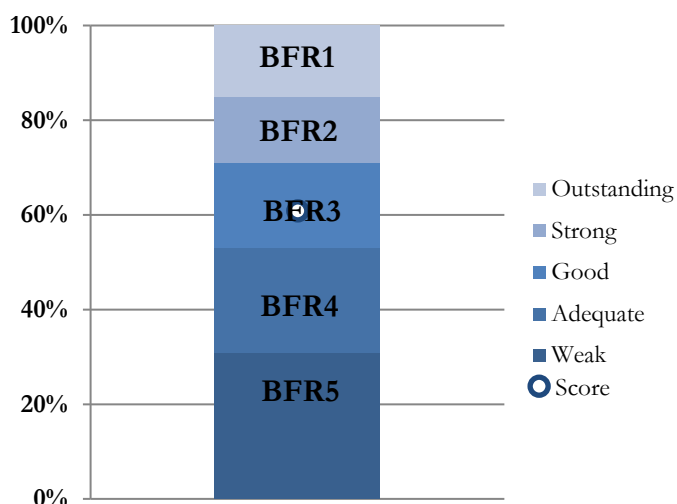
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COMPANY INFORMATION**Incorporated in 2001****External auditors:** M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants**Public unlisted Company****Chairman of the Board:** Mr. Masood Hussain**Key Shareholders (with stake 5% or more):****Chief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

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 institutional clients. The company is also a member of Pakistan Mercantile Exchange Ltd (PMEX). 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. The Company is also a member of the Pakistan Mercantile Exchange Limited (PMEX). 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

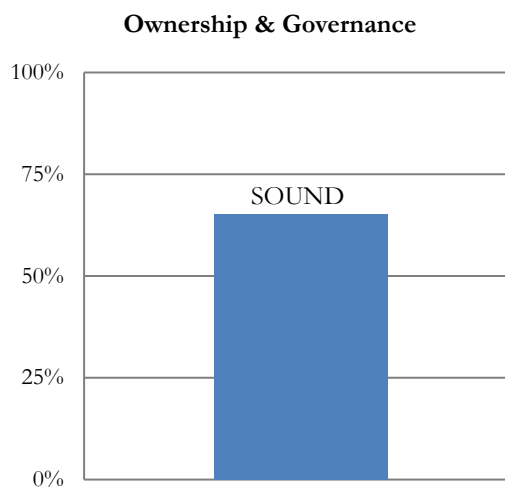
	HFY24	FY23	FY22
Size of Net Worth (Rs. In Millions)	762	616	595
Gearing x (total interest bearing debt/ total equity)	0.0x	0.0x	0.0x
Leverage x (total liabilities/ total equity)	0.45x	0.20x	0.24x
Liquid Assets/ Total Liabilities (x)	2.41x	4.41x	3.48x
Short term Investments/ Total Equity (%)	45%	58%	53%

Multiline Securities Limited

Rating Indicators

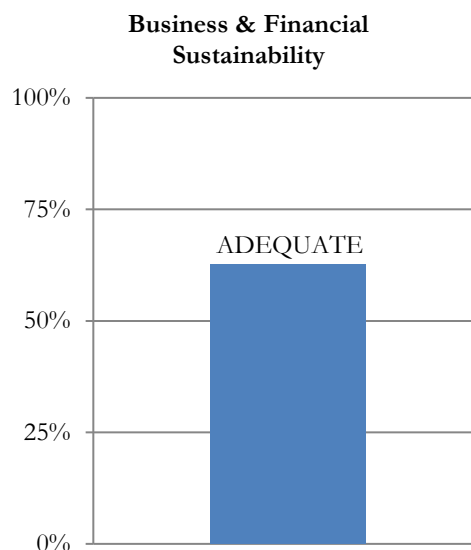
Ownership & Governance

- MSL is a public unlisted company comprising of a four member board. At present, the Company has two board level committees, namely audit and risk.
- Overall governance framework may be further improved through increasing board size through inclusion of certified and independent members on the board.
- Disclosure levels of the Company are considered sound, the same be enhanced through addition of CEO’s statement on fraudulent transaction in the Company’s annual financial statements.



Business & Financial Sustainability

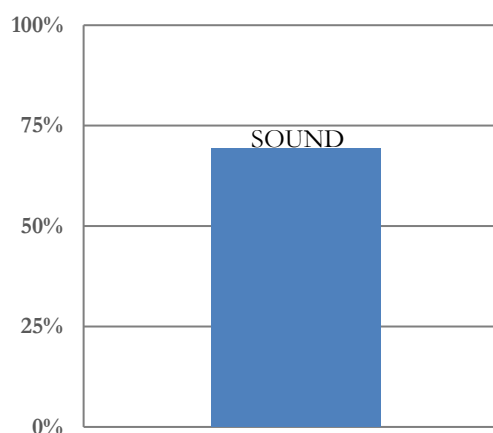
- Overall business and financial sustainability is considered adequate.
- The Company’s earning profile witnessed improvement during FY23 largely due to capital gains and increase in brokerage commission income. The Company also posted a profit of Rs.146.7m end-HFY24 (FY23 PAT Rs.20.15m).
- During FY23 cost-to-income ratio also improved on the back of increase in recurring revenues.
- Liquidity profile of the Company continues to remain sound. Liquid assets provide 2.41x at HFY24 (FY23 4.41x, FY22 3.48x) times coverage to total liabilities.
- Capitalization indicators are considered sound. Gearing stood nil, while leverage indicator was 0.45x during HFY24 (0.20x FY23).
- Going forward, improvement in the Company’s earning profile, cost to income ratio, diversity in business lines along with maintenance of liquidity and capitalization indicators will remain important for the rating.



Management & Client Services

- The Company’s organizational structure is commensurate with size of operations.
- Business continuity and contingency measures are well in place, however, increasing the frequency of conducting disaster recovery and business continuity exercises may further strengthen contingency framework.
- Additionally, undertaking invitations and advertisements along with enhancing geographical diversification may improve customer reach.

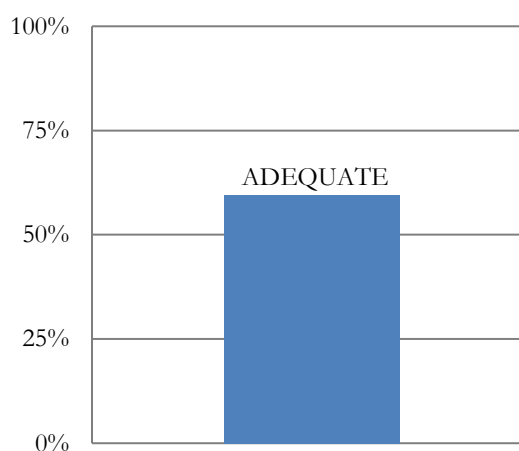
Management & Client Services



Internal Controls & Regulatory Compliance

- Overall internal control framework is considered adequate. However, of internal policies for e.g. Employee Trading Policy (ETP) may be enhanced along with dissemination of other internal policies to all stakeholders
- Trade review procedures in place, however, frequency of reporting employee personal trading and documenting internal control system may be increased.

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

REGULATORY DISCLOSURES		Appendix I		
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
	<u>RATING TYPE: BFR</u>			
	09/07/2024	BFR3+	Stable	Reaffirmed
	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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