

BROKER MANAGEMENT RATING REPORT

DJM Securities Limited

REPORT DATE:

May 29, 2024

RATING ANALYSTS:

Sara Ahmed
Sara.ahmed@vis.com.pk

Salman Saba
salman.saba@vis.com.pk

Rating Category	Latest Rating
Broker Management Rating	BMR3+
Rating Rationale	The rating signifies sound external controls. Regulatory framework, internal controls, client relationship, HR, compliance and financial management are considered adequate.
Rating Date	May 29, 2024

APPLICABLE METHDOLOGY:

Broker Management Ratings:

[https:// docs.vis.com.pk/ Methodologies%202024/ Broker-Management.pdf](https://docs.vis.com.pk/Methodologies%202024/Broker-Management.pdf)

VIS Rating Scale

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

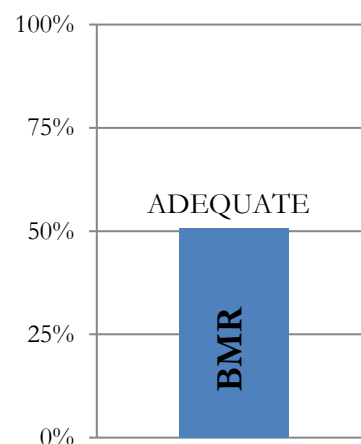
COMPANY INFORMATION

Incorporated in 2002	External auditors: BDO Ebrahim and Co. Chartered Accountants
Public Unlisted Company	CEO/Board Chairman: Mr. Abdul Samad Dawood
Key Shareholders (with stake 5% or more):	
<i>Mr. Muhammad Yaqoob ~ 31.52%</i>	
<i>Mrs. Sumya Abdul Qadir ~ 21.60%</i>	
<i>Miss. Mariam Dawood ~21.60%</i>	
<i>Mr. Abdul Samad Dawood ~ 21.92%</i>	

Corporate Profile

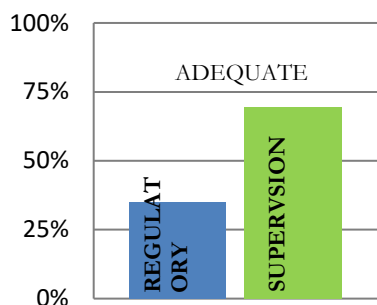
DJM Securities Limited is a public unlisted company incorporated in 2002, providing equity brokerage services to institutional as well as individual clients, in both local and international equity and future markets. Major shareholding of the company is vested with four individuals including the CEO. The Company operates from Karachi and provides both online and assisted trading services to its clients.

DJMSL is a public unlisted company holding Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), and is registered with SECP to provide Trading & Self Clearing Services. . External auditors of the company are BDO Ebrahim and Co. Chartered Accountants and they belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



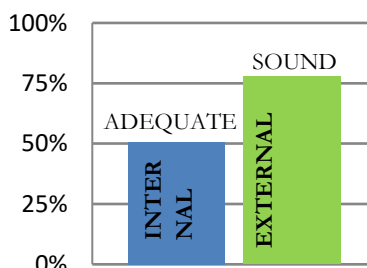
Rating Factors Scores

Regulatory Requirements & Supervision



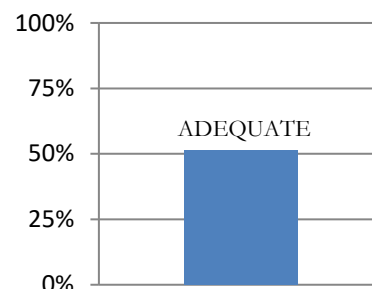
- Limited Board size.
- Formulation of independently led board committees may improve overall governance framework.
- Additional licenses may diversify the revenue stream of the Company.

Internal & External Control Framework



- Expanding the coverage and scope of internal control policies may be considered.
- Review of internal procedures more frequently may enhance control framework.
- Separate policy for conflict of interest may contribute positively.
- Disclosure levels are adequate. However inclusion of statement of compliance with code in the financial statements may improve external control framework.

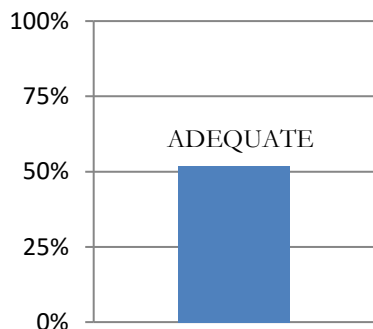
Client Relationship & Fairplay



- Publishing of daily market research and equity reports on website and disclosure of commission rates on the website may further strengthen the client services and relationship.
- A comprehensive risk disclosure document shall be made available and signed by all the customers.
- Overall client service and relationship remains adequate.

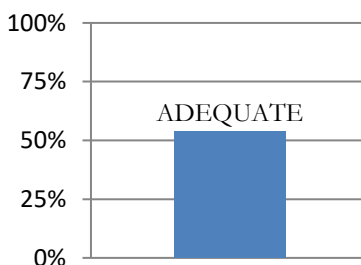
Financial Management

HR & Infrastructure

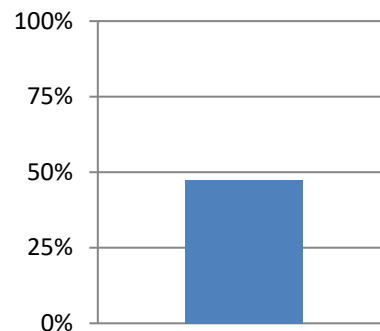


- Formulation and implementation of a well-defined I.T policy may be considered.
- Overall HR & Infrastructure is considered adequate however there is need for improvement.

Compliance & Risk Management



- Institution of an Internal Audit department may enhance transparency and overall risk management function.
- Separate trading terminals for clients and proprietary may strengthen confidentiality and avoid conflict of interest.
- Trade review procedures may be reviewed more frequently.



- During HFY24 Company posted a profit of Rs.636.4m (FY23-Rs. -504.7). The Company core brokerage income witnessed a decline however income from dividend and capital gain on sale of investment supported profitability.
- Consequently the operational efficiency has experienced a notable improvement to 52% at end HFY24 (FY23: 96%).
- Market risk was observed to be on higher side given sizable proprietary book of Rs.2.08b at end HFY24, against an equity of Rs.1.39b.
- Liquidity profile of the Company represent an adequate coverage with liquid assets providing 1.98x at end HFY24 coverage to total liabilities (FY23: 1.41x).
- Gearing and leverage indicators remain manageable at 0.6x and 0.9x respectively.
- Going forward, enhancing revenue base while diversifying revenue streams and maintaining low cost to income ratio will be important

REGULATORY DISCLOSURES		Appendix I		
Name of Rated Entity	DJM 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>			
	29/05/2024	BMR3+	Stable	Reaffirmed
	27/01/2023	BMR3+	Stable	Reaffirmed
	24/ 09/ 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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