

BROKER FIDUCIARY RATING REPORT

DJM Securities Limited

REPORT DATE:

May 29, 2024

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR3 <i>Good Fiduciary Standards</i>
Rating Rationale	The rating signifies adequate business and financial sustainability, Ownership and governance, client services, internal controls and compliance are adequate.
Rating Date	May 29, 2024

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>	

APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings:

<https://docs.vis.com.pk/Methodologies%202024/Broker-Fiduciary-Rating.pdf>

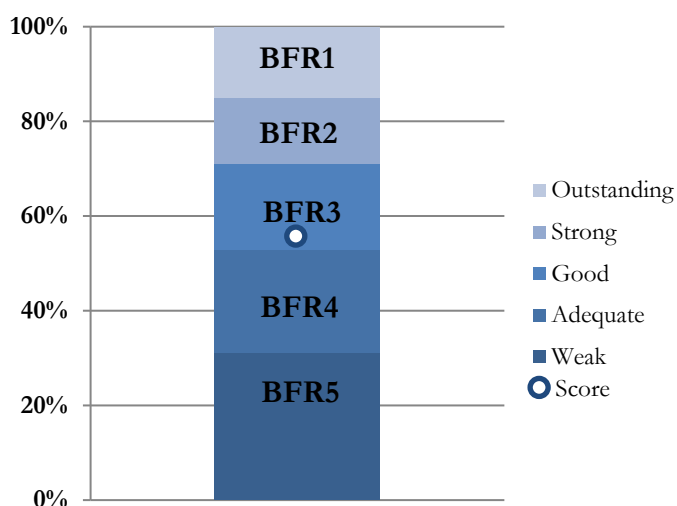
VIS Rating Scale

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

DJM Securities Limited

CORPORATE PROFILE OVERALL GRADING

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).

Business and Financial Sustainability Indicators

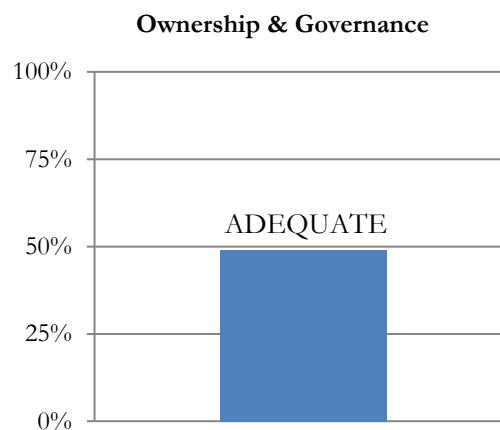
	HFY24	FY23	FY22
Size of Net Worth (Rs. In Millions)	1,395.7m	759.4m	1,264.1m
Gearing x (total interest bearing debt/ total equity)	0.6x	1.58x	0.01x
Leverage x (total liabilities/ total equity)	0.9x	1.72x	0.05x
Liquid Assets/ Total Liabilities (x)	1.98x	1.41x	18.81x
Short term Investments/ Total Equity (%)	149%	238%	86%

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Rating Indicators

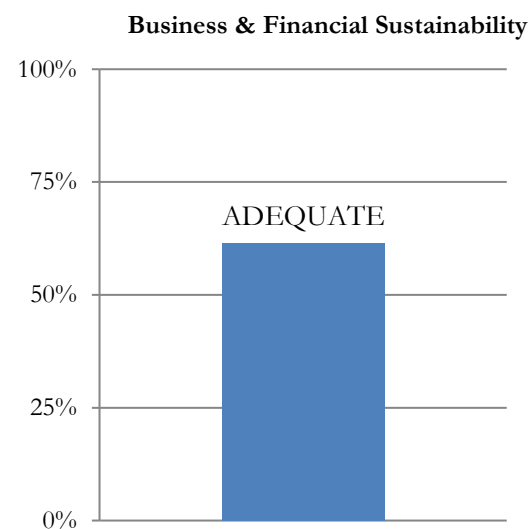
Ownership & Governance

- Limited Board size of 3 members with no Board committees constituted constrains the governance profile. Increasing the board size and inclusion of independent members may assist in formation of board committees and strengthen the overall Governance framework.
- Improvement in the Disclosure levels has been noted with the inclusion of Director Report and CEO statement. Addition of statement of compliance with code in the financial statement may further enhance disclosure levels.



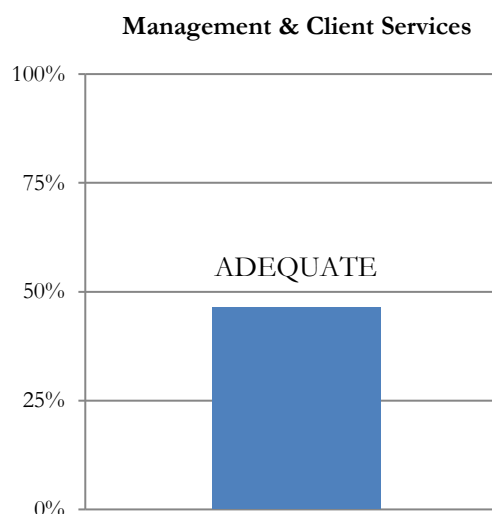
Business & Financial Sustainability

- 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 along with managing market risk within reasonable levels.



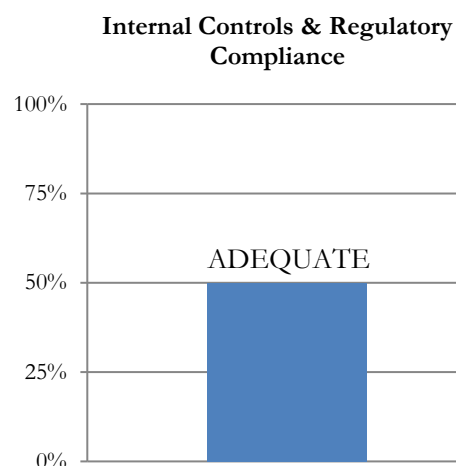
Management & Client Services

- Business contingency measures may be improved by maintaining offsite data back up with third party.
- Additionally, undertaking invitations and advertisements may facilitate Customer reach.
- Enhancement of client services through inclusion of market research, disclosure of commission rates on website and geographical diversification may be considered.



Internal Controls & Regulatory Compliance

- Instituting an independent internal audit department may be considered for strengthening internal control framework.
- In addition, separate risk management department may be considered which may enhance internal control framework.
- Internal controls and regulatory compliance are considered adequate. Albeit room for improvement still exists.



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.

DJM Securities Limited

REGULATORY DISCLOSURES		Appendix I		
Name of Rated Entity	DJM 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			
	29/5/2024	BFR3	Stable	Reaffirmed
	27/1/2023	BFR3	Stable	Reaffirmed
	24/9/2021	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	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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