

BROKER FIDUCIARY RATING REPORT

Sherman Securities (Private) Limited

REPORT DATE:

May 12, 2026

RATING ANALYSTS:

Shaheryar Khan Mangan
shaheryar@vis.com.pk

RATING DETAILS

Broker Fiduciary Rating	BFR3++ <i>Good Fiduciary Standards</i>
Rating Rationale	The rating signifies sound internal controls, management and client services. Whereas ownership and governance, and financial stability are considered adequate.
Rating Date	May 12, 2026

COMPANY INFORMATION

Incorporated in 2002	External auditors: Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants
Private Limited Company	Chairman of the board: Mr. Muhammad Samin Younus
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Muhammad Samin Younus
<i>Mr. Muhammad Samin ~90.6%</i>	

APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings:

<https://docs.vis.com.pk/Methodologies-2025/BrokerFiduciaryRating-Nov25.pdf>

APPLICABLE RATING SCALE(S)

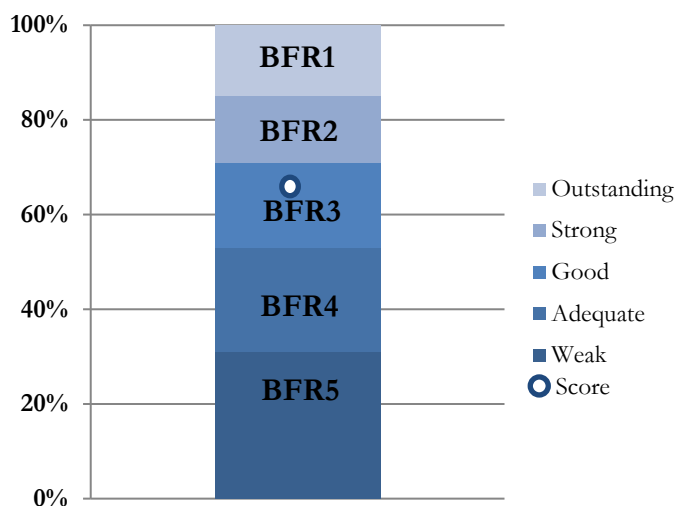
VIS Issue/Issuer Rating Scale:

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

Sherman Securities (Private) Limited

CORPORATE PROFILE OVERALL GRADING

Sherman Securities (Private) Limited ('SSPL' or 'the Company') was incorporated in 2002. The principal activities of the Company are investments, brokerage services, Initial Public Offer (IPO) underwriting, investment, and portfolio management. Majority shareholding is vested with Mr. Muhammad Samin Younus. The Company operates through its head office which is based in Karachi.



SSPL is registered with Securities & Exchange Commission of Pakistan (SECP) and holds Trading Rights Entitlement Certificate (TREC) for Trading and Self Clearing (TSC) granted by Pakistan Stock Exchange Limited (PSX). External auditors of the company are Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants. External auditors are from Category 'A' of State Bank of Pakistan's list of auditors.

Business and Financial Sustainability Indicators

	1HFY26*	FY25	FY24
Size of Net Worth (Rs. In Millions)	1,647	1,635	1,032
Gearing x (Total interest-bearing debt/ Total equity)	0.26x	0.29	0.01x
Leverage x (Total liabilities/ Total equity)	0.62x	0.74x	0.22x
Liquid Assets/ Total Liabilities (x)	2.15x	2.15x	4.88x
Short term Investments/ Total Equity (%)	109%	122%	90%

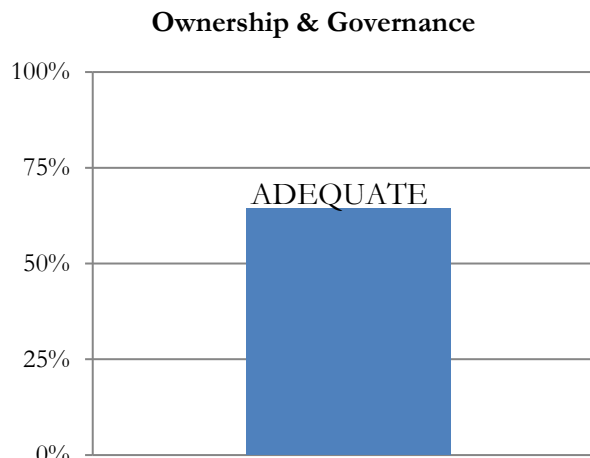
*Unaudited Accounts

Sherman Securities (Private) Limited

Rating Indicators

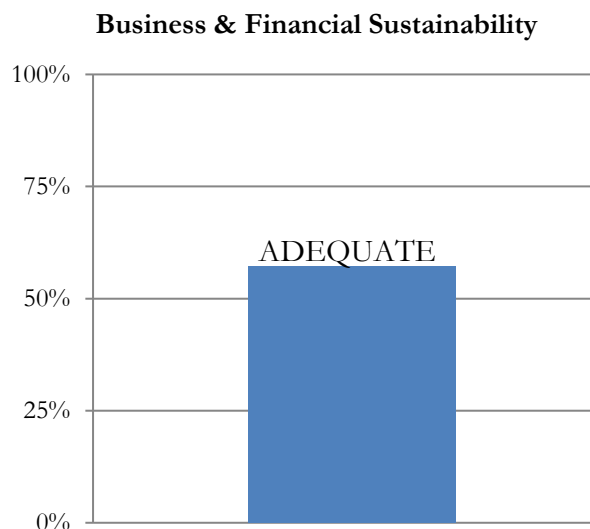
Ownership & Governance

- The Board size of the Company has reduced to four members, with only one independent director on the Board.
- In addition to the Audit, Risk Management, Investment, and HR & Remuneration Committees, the Company has also established additional Board committees, with overlapping of membership across these committees.
- Expanding the Board size, along with the inclusion of independent and certified directors, may further strengthen the Company’s governance framework and ensure diversified composition across Board committees.
- Disclosure levels of the Company are considered sound.



Business & Financial Sustainability

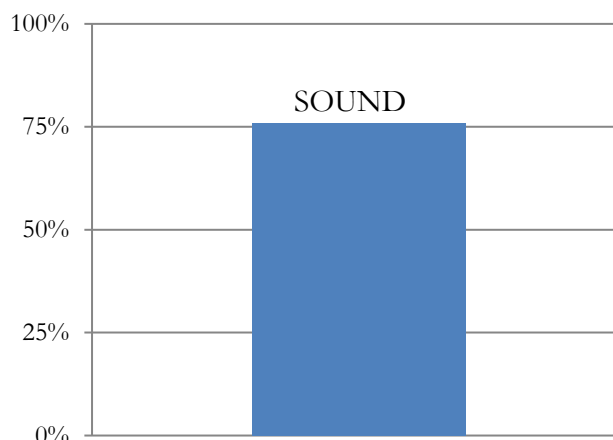
- During FY25, the Company continued to report a sizeable increase in profitability, primarily supported by realized gains on investments, followed by growth in brokerage revenue in line with the overall positive industry trend. While growth in brokerage revenue persisted into 1HFY26, lower income from investments adversely impacted profitability.
- While the Company recorded an improvement in the cost-to-income ratio in 1HFY26 to 68.6% (FY25: 83.5%, FY24: 93.5%), it remained on the higher side.
- Liquidity profile of the Company continues to be sound, albeit weakening, with a liquid assets’ coverage of 2.15x against its total liabilities as at Dec’25 (Jun’25: 2.15x, Jun’24: 4.88x).
- Equity investments in relation to shareholders’ equity stood at 109.1% as at Dec’25 (Jun’25: 122.0%; Jun’24: 90.4%). However, a portion of these equity investments pertains to ready future market operations, which provides some mitigation against the Company’s market risk exposure.
- A sizeable equity base coupled with a low gearing profile provides support to the Company’s capitalization profile, while leverage ratio stands at 0.62x as at Dec’25 (Jun’25: 0.74x, Jun’24: 0.22x).
- Going forward, diversifying revenue base, as well as managing market risk, along with improving operational efficiency, and maintaining liquidity and capitalization profile will remain important for the rating.



Management & Client Services

- Overall, the Company’s management and client services are considered sound, with ERP platforms in place for back-office operations and online trading facilities available to ensure seamless execution of client transactions.
- However, client services may be further strengthened through enhanced visibility of investor grievance procedures on the website, along with the facility for lodging complaints via SMS with acknowledgement and issuance of a reference number.
- Contingency measures of the Company are well in place.

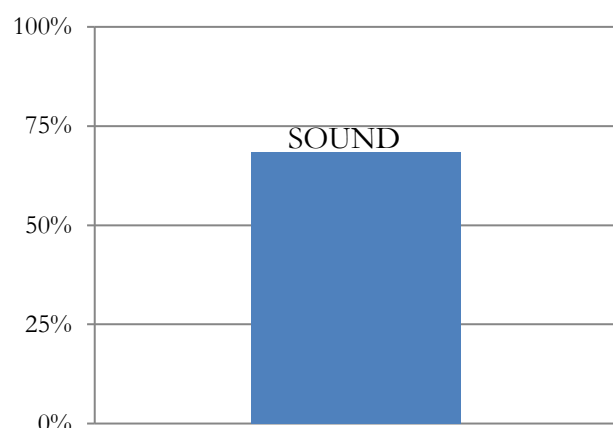
Management & Client Services



Internal Controls & Regulatory Compliance

- Internal control framework of the Company may be further enhanced through expansion in the scope of internal policies.
- The Company’s conservative risk management strategy, whereby no credit limits are extended to retail or institutional investors, bodes well for its risk profile.
- Rating takes note of the non-compliances highlighted by the Company and the associated penalty imposed. Going forward, adherence to all the applicable regulations will be important from the rating’s perspective.

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.

Sherman Securities (Private) Limited

REGULATORY DISCLOSURES		Appendix I		
Name of Rated Entity	Sherman Securities (Private) 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			
	05/12/2026	BFR3++	Stable	Update
	04/29/2025	BFR3++	Stable	Upgrade
	09/25/2023	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				
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