

BROKER MANAGEMENT RATING REPORT

Sherman Securities (Private) Limited

REPORT DATE:

June 16, 2026

RATING ANALYSTS:

Shaheryar Khan Mangan

shaheryar@vis.com.pk

APPLICABLE
METHODOLOGY & SCALE:
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/VISRati>

[ngScales.pdf](https://docs.vis.com.pk/docs/VISRati/ngScales.pdf)

| Rating Category | Latest Rating |
|---------------------------------|---|
| Broker Management Rating | BMR2 |
| Rating Rationale | The rating signifies strong external control framework, HR & Infrastructure, sound Supervisory Framework, Internal control framework, and Client Relationship & Fairplay. Regulatory Requirements, Compliance and Risk Management, and Financial Management are considered adequate |
| Rating Date | June 16, 2026 |

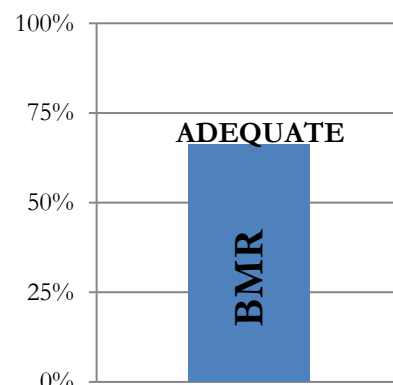
COMPANY INFORMATION

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

Corporate Profile

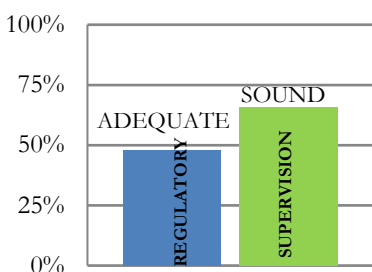
Sherman Securities (Private) Limited (SSPL) was incorporated in 2002. The principal activities of the Company are investments, brokerage services, interbank brokerage services, underwriting, investment, and portfolio management. Majority shareholding is vested with Mr. Muhammad Samin Younus. The Company 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.



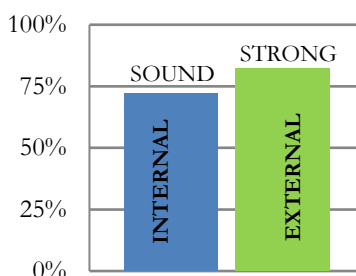
Rating Factors Scores

Regulatory Requirements & Supervision



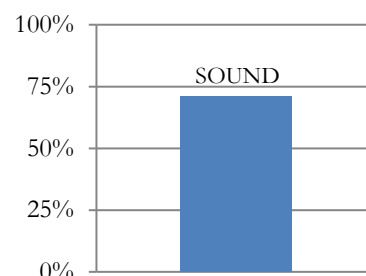
- The Board of directors of the Company comprises four members, with only one independent director on the Board.
- In addition to the Audit, Risk Management, Investment, and HR & Remuneration Committees, the Company has also established additional Board committees, with overlapping of membership across 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.

Internal & External Control Framework



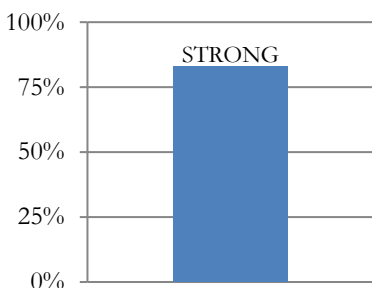
- Internal control framework of the Company is considered sound. However, it may be further enhanced through expansion in the scope of internal policies.
- External control framework of the Company is considered strong.

Client Relationship & Fairplay



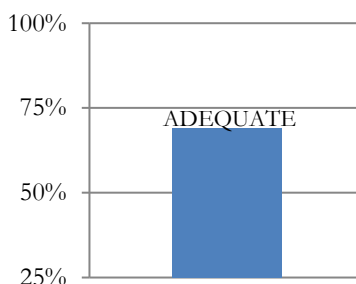
- Overall, the Company's management and client services are considered sound, with ERP platforms in place for back-office operations and online trading facilities available to ensure seamless execution of client transactions.
- However, client services may be further strengthened through enhanced visibility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

HR & Infrastructure



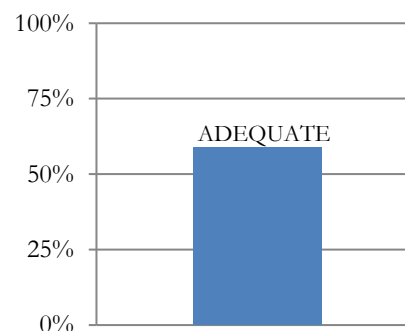
- The Company maintains a fully integrated ERP system to support its operational activities. Furthermore, contingency arrangements are in place to support operational continuity and business resilience.

Compliance and Risk Management



- 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.

Financial Management



- 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.

| REGULATORY DISCLOSURES | | Appendix I | | |
|-------------------------------------|---|---------------|-----------------------|----------------------|
| Name of Rated Entity | Sherman Securities (Private) Limited | | | |
| Sector | Brokerage | | | |
| Type of Relationship | Solicited | | | |
| Purpose of Rating | Broker Management Rating (BMR) | | | |
| Rating History | Rating Date | Rating | Rating Outlook | Rating Action |
| | RATING TYPE: BMR | | | |
| | 16/06/2026 | BMR2 | Stable | Reaffirmed |
| | 19/06/2025 | BMR2 | 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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