

BROKER FIDUCIARY RATING REPORT

StocXinvest Securities (Private) Limited

REPORT DATE:

18 May, 2023

RATING ANALYSTS:

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RATING DETAILS	
Broker Fiduciary Rating	BFR4++ <i>Adequate Fiduciary Standards</i>
Rating Rationale	The rating signifies adequate internal controls and regulatory compliance, adequate ownership and governance, management and client services along with adequate business and financial sustainability.
Rating Date	18 May, 2023

COMPANY INFORMATION

Incorporated in 2023	External auditors: M/s. Parker Russell - A.J.S.
Private Limited Company	CEO/Chairman of the Board: Mr. Muhammad Haris
Key Shareholders (with stake 5% or more):	
<i>Mr. Muhammad Haris ~50%</i>	
<i>Mrs. Ayesha Haris ~50%</i>	

APPLICABLE METHODOLOGY

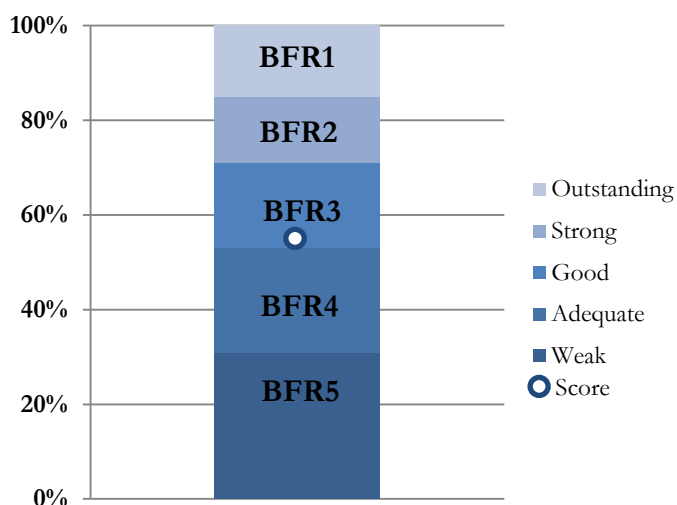
Applicable Rating Criteria: Broker Fiduciary Ratings 2021
<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

StocXinvest Securities (Private) Limited

CORPORATE PROFILE

OVERALL GRADING

Incorporated in 2023, StocXinvest (SXI) is a private limited company principally engaged in the brokerage of shares. The company caters mainly to domestic institutional and retail clients. At present, SXI operates through its head office based in Karachi, where it provides online trading services. The company holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), and is registered with SECP to provide Trading Services. External auditors of the company are Parker Russell - A.J.S. External auditors belong to category 'B' on the approved list of auditors published by the State Bank of Pakistan (SBP).



Business and Financial Sustainability Indicators

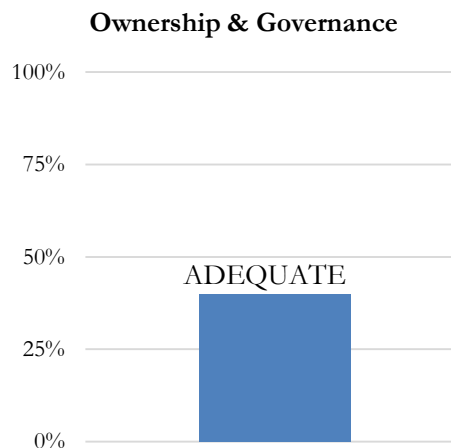
End-April'23

Size of Net Worth (Rs. In Millions)	15
Gearing x (Total Borrowing/ Total equity)	0.5x
Leverage x (Total liabilities/ Total equity)	0.5x
Liquid Assets/ Total Liabilities (x)	2.5x
Short term Investments/ Total Equity (%)	52%

Rating Indicators

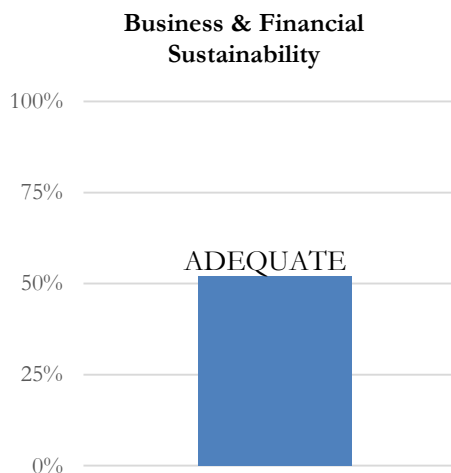
Ownership & Governance

- StocXinvest was incorporated in 2023, is owned by Mr. Muhammad Haris, a long time capital market professional. The Company is represented by a two member Board.
- At present the Company does not have additional board level committees. Going forward, increasing the board size with independent members will assist in the formation of independently represented board committees which will enhance the governance and supervision framework.
- Segregation of compliance and CEO position may be considered.
- The Company’s audit is conducted by Parker Russell - A.J.S, which falls in B category on SBP’s approved list of auditors. Going forward, appointing A category auditors would strengthen disclosure levels.



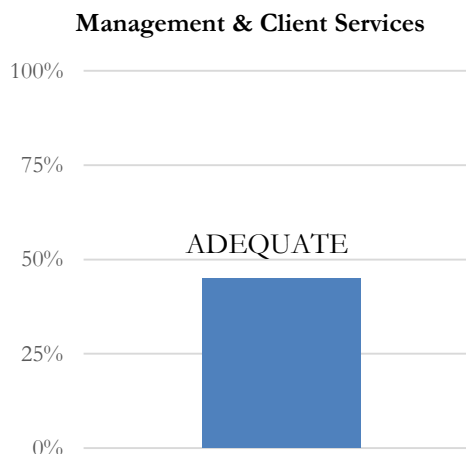
Business & Financial Sustainability

- Being the first month of operations, end-Apr’23, the Company generated a brokerage commission of 0.76m.
- The Company is exposed to manageable short term risk as, short term investments account for 52% of total equity end-Apr’23. Maintenance of the same shall remain important for rating.
- Liquidity profile, however, remains sound.
- Cost to income ratio of 164% depicts low efficiency levels, given that the Company has just commenced operations, curtailment of operating expenses over time shall also remain important, going forward.
- Capitalization indicators are adequate, given the size and age of the company. However, equity based of Rs. 15m remains small.
- Overall, business and financial sustainability is considered adequate. Going forward, improving the revenue base through diversified income streams together with lower cost to income ratio and increase in market share along with maintenance of liquidity will remain important for the rating.



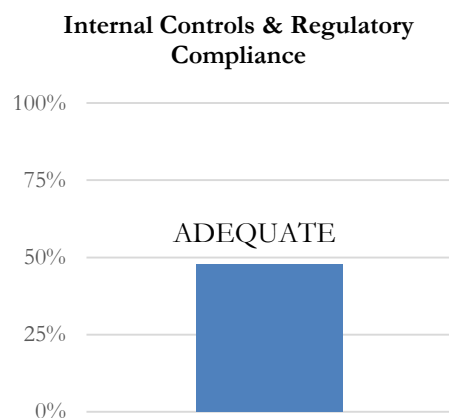
Management & Client Services

- Client facilitation tools including mobile and web-based trading platforms are under development. Full scale availability of online reports and research resources going forward will enhance the customer experience.
- Increasing the visibility of client resources and investor grievances may also be considered.
- As the company scales up, increasing geographical presence will remain important.



Internal Controls & Regulatory Compliance

- Availability of documented internal control policies to avoid conflict of interest and ensure confidentiality of information may be considered; however, going forward, enhancing the scope of the same will be important.
- Internal audit department is outsourced to third party while compliance function is independently overlooked by CEO himself.
- Adding risk management function may further strengthen the control framework in line with best practices.



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.

FIDUCIARY RATING SCALE & DEFINITIONS

Appendix I

RATING SCALE & DEFINITIONS: SECURITIES BROKER FIDUCIARY RATING**BFR1**

Outstanding fiduciary standards

BFR4++, BFR4+, BFR4

Adequate fiduciary standards

BFR2++, BFR2+, BFR2

Strong fiduciary standards

BFR5++, BFR5+, BFR5

Weak fiduciary standards

BFR3++, BFR3+, BFR3

Good fiduciary standards

Rating Outlooks:

The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.vis.com.pk/images/criteria_outlook.pdf

StocXinvest Securities (Private) Limited
REGULATORY DISCLOSURES
Appendix II

Name of Rated Entity	StocXinvest 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			
	5/18/2023	BFR4++	Stable	Initial
Instrument Structure	N/A			
Statement by the Rating Team	<p>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.</p>			
Probability of Default	N/A			
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