

BROKER FIDUCIARY RATING REPORT

Mohammad Munir Muhammad Ahmed Khanani Securities Limited

REPORT DATE:

15 November 2022

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR2 <i>Strong Fiduciary Standards</i>
Rating Rationale	The rating signifies sound internal controls, financial sustainability and client services while ownership and governance is considered adequate.
Rating Date	15 th November, 2022

COMPANY INFORMATION

Incorporated in March 2006	External auditors: Rehman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants
Unlisted Public Limited Company	Chief Executive Officer: Mr. Muhammad Munir Khanani
Key Shareholders (with stake 5% or more): <i>Mr. Muhammad Munir Khanani ~ 99.99%</i>	Chairman of the Board: Mr. Muhammad Farhan

APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings 2021

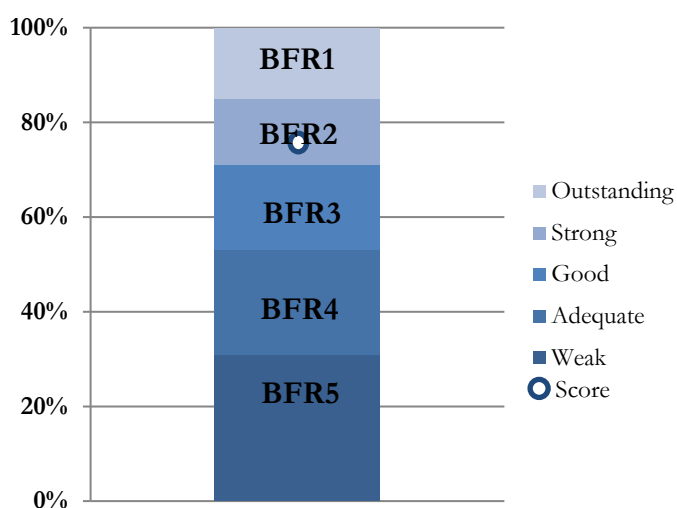
<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

Mohammad Munir Muhammad Ahmed Khanani Securities Limited

CORPORATE PROFILE

Mohammad Munir Muhammad Ahmed Khanani Securities Limited is a public unlisted company, providing equity and commodity brokerage services and research to institutional as well as retail clients. Major shareholding of the company is vested with Mr. Muhammad Munir Khanani, who serves as the Chief Executive Officer (CEO) of the company. The company provides both online and assisted trading services to its clients, and has offices in Karachi, Lahore, Hyderabad and Islamabad.

OVERALL GRADING



Mohammad Munir Muhammad Ahmed Khanani Securities Limited is a public unlisted company holding Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), registered with SECP to provide Trading & Self Clearing Services. External auditors of the company are Rehman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants. External auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP).

Business and Financial Sustainability Indicators

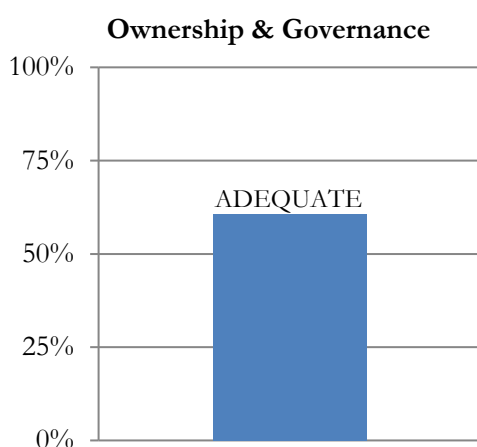
	FY22*	FY21	FY20
Size of Net Worth (Rs. In Millions)	2,207	2,963	1,345
Gearing x (Total interest bearing debt/ Total equity)	0.54x	0.69x	0.59x
Leverage x (Total liabilities/ Total equity)	0.99x	1.33x	1.13x
Liquid Assets/ Total Liabilities (x)	0.93x	0.84x	1.03x
Short term Investments/ Total Equity (%)	52%	75%	74%

**Based on Unaudited Accounts*

Rating Indicators

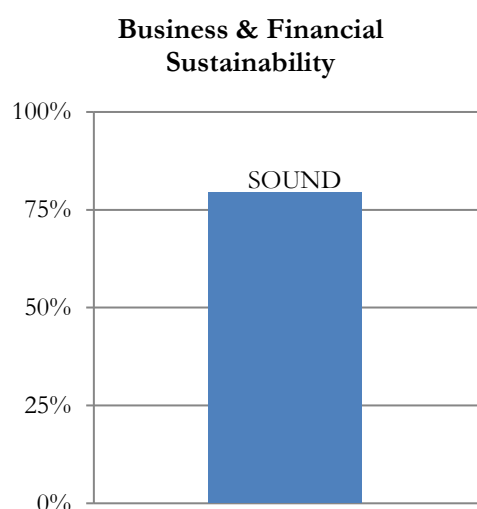
Ownership & Governance

- The Company’s board comprises of 5 members along with independent representation.
- The Company has formulated one Board Audit Committee. Inclusion of certified members in the board and formulation of other board level committees may be considered for strengthening of governance framework.
- Disclosure levels remain adequate.



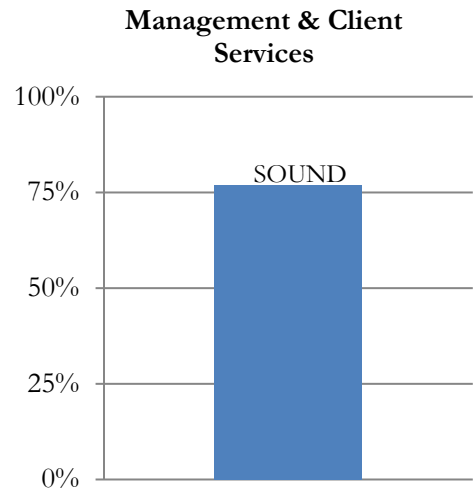
Business & Financial Sustainability

- During FY22, market activity remained severely subdued which subsequently impacted MMMAK’s earning profile. Capital loss on investments along with unrealized losses on re-measurement of investments became a drag on profitability.
- However, the Company managed to contain costs thereby maintaining a low cost to income ratio.
- MMMAK also managed to maintain its market share during FY22.
- Liquidity profile slightly improved providing 0.93x coverage to financial obligations during the year. (FY21 0.84x)
- Equity base declined to Rs. 2.2b (FY21 2.9b) largely on account of unrealized losses incurred during the year however, capitalization indicators witnessed improvement, albeit small, on account of decrease in debt.
- The Company’s market risk is pronounced with short-term investments accounting for 52% of the equity base.
- Overall business and financial sustainability is sound. Going forward, improvement in the Company’s earning profile, sustainability of capitalization indicators and cost to income ratio along with market share will remain important for the rating.



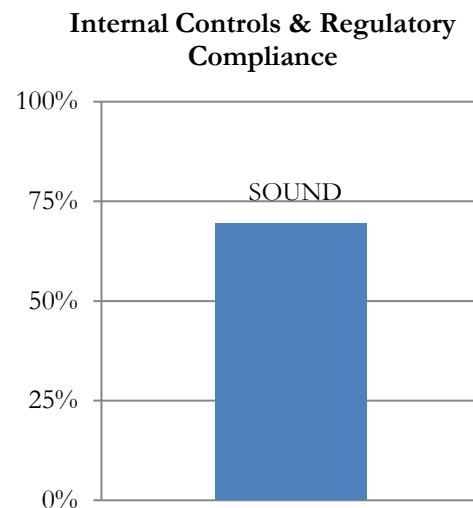
Management & Client Services

- Management and client services are considered sound. Ample research and online analytic resources and tools are available on the Company’s website to facilitate customers.
- Frequency of online periodic reporting to customers has been increased to daily basis.
- Segregating Chief Financial Officer and Risk assessment Officer roles may be considered for clarity in reporting lines.



Internal Controls & Regulatory Compliance

- Overall internal control and regulatory framework is sound;
- Presence of well documented and approved internal policies has been noted, however, enhancing the scope of Employee Trading Policy (ETP) may be considered.



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

Mohammad Munir Muhammad Ahmed Khanani Securities Limited

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Mohammad Munir Muhammad Ahmed Khanani 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			
	15/11/2022	BFR2	Stable	Reaffirmed
	19/11/2021	BFR2	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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