

## BROKER MANAGEMENT RATING REPORT

### Mohammad Munir Muhammad Ahmed Khanani Securities Limited

#### **REPORT DATE:**

13 March, 2020

#### **RATING ANALYSTS:**

Muhammad Tabish

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#### **APPLICABLE**

#### **METHODOLOGY:**

Broker Management Ratings 2017

<http://vis.com.pk/docs/BMR201701.pdf>

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2</b>
<b>Rating Rationale</b>	The rating signifies strong risk management, sound internal & external control environment along with HR & IT services. Regulatory compliance levels, client relationship and financial management are considered adequate.
<b>Rating Date</b>	13 March, 2020

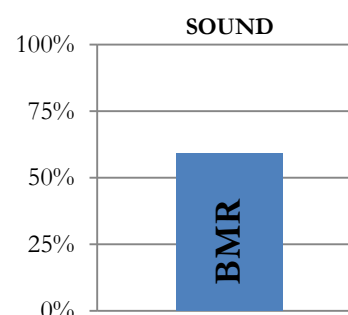
### COMPANY INFORMATION

<b>Incorporated on March 2006</b>	<b>External auditors:</b> Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants
<b>Public Unlisted Company</b>	<b>Chief Executive Officer:</b> Mr. Muhammad Munir
<b>Key Shareholders (with stake 5% or more):</b>	
Muhammad Munir~99.9%	

### Corporate Profile

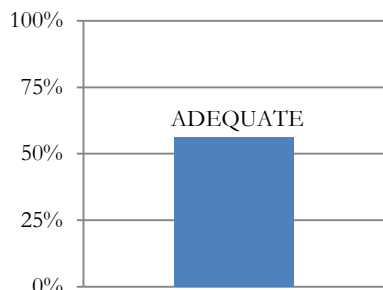
Mohammad Munir Muhammad Ahmed Khanani Securities Limited (MAK) has been operating in a broking business for more than a decade. The company was incorporated in 2006 under the Companies Ordinance 1984 as a Private Limited Company. Subsequently, in the ongoing year the legal status of the company was changed to Public Limited Company. MAK caters primarily to equity broking services to both retail and intuitional clients. Registered office of the company is located at Stock Exchange Building, PSX.

The company is registered with Securities & Exchange Commission of Pakistan and holds Trading Rights Entitlement Certificate (TREC) issued by Pakistan Stock Exchange Limited (PSX). Mr. Muhammad Munir (CEO) is the sole proprietor of the company.



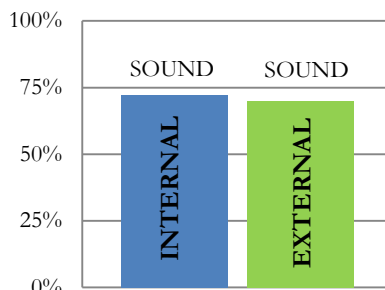
**Rating Factors Scores**

**Regulatory Requirements & Supervision**



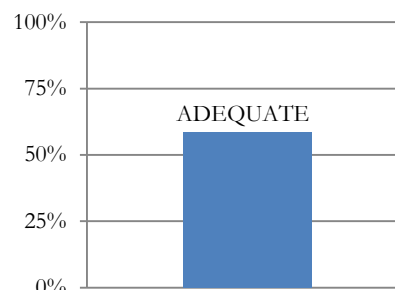
- Constitution of Board level Risk management committee would add to corporate governance.
- Net capital balance is considered adequate in line with business operations.

**Internal & External Control Framework**



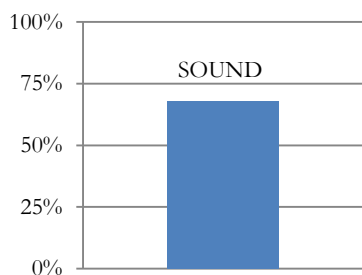
- Employee trading guidelines and conflict of interest policy maybe further developed.
- Period review of internal control policies may be enhanced.
- Inclusion of Directors' Report, CEO statement regarding compliance and Statement of Compliance with Code in annual Financial Statements would enhance disclosure level.

**Client Relationship & Fairplay**



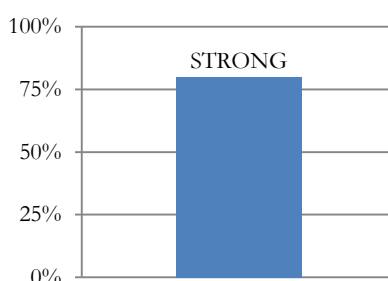
- Process for customer grievances, though in place, may be improved upon by adding a complaint section on website's header with greater visibility.
- Uploading market and equity research reports on website would enhance client service.

**HR & Infrastructure**



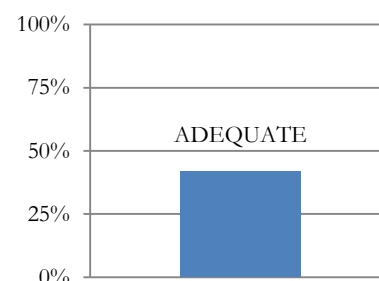
- The organizational structure is well defined.
- Offsite backup at third party and strengthening the Business Continuity Plan will address unexpected contingencies.

**Compliance & Risk Management**



- Control functions are autonomous and compliance of regulations is considered sound.

**Financial Management**



- Diversity in income stream from other than brokerage would lower operational risk.
- Financial performance has witnessed a considerable improvement in the ongoing year HFY20 and the same will be observed overtime.

## MANAGEMENT QUALITY SCALE &amp; DEFINITIONS

## Appendix I

## VIS Credit Rating Company Limited

### RATING SCALE & DEFINITIONS: BROKER MANAGEMENT RATING

#### **BMR1A**

Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.

#### **BMR3++, BMR3+, BMR3**

Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.

#### **BMR1++, BMR1+, BMR1**

Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.

#### **BMR4++, BMR4+, BMR4**

Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.

#### **BMR2++, BMR2+, BMR2**

Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.

#### **BMR5**

Weak regulatory compliance and business practices

#### **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](http://www.vis.com.pk/images/criteria_outlook.pdf)

REGULATORY DISCLOSURES		Appendix II		
<b>Name of Rated Entity</b>	Mohammad Munir Muhammad Ahmed Khanani Securities Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Management Rating (BMR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: BMR</b>			
	13/3/2020	BMR2	Stable	Initial
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	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.			
<b>Probability of Default</b>	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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