

BROKER MANAGEMENT RATING REPORT

KTRADE Securities Limited

REPORT DATE:

6th September, 2022

RATING ANALYST:

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Rating Category	Latest Rating
Brokerage Management Rating	BMR2
Rating Rationale	Strong internal control framework, sound risk management, external controls and compliance levels, HR, IT, and customer services, while financial management; governance framework and supervision framework are adequate.
Rating Date	September 6th, 2022

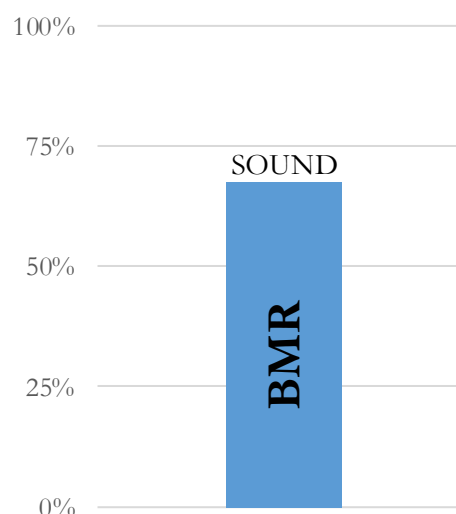
APPLICABLE METHODOLOGIES:

 Broker Management Ratings 2020: <https://docs.vis.com.pk/docs/BMR202007.pdf>

COMPANY INFORMATION	
Incorporated in 2013	External auditors: M/s BDO Ebrahim & Co. Chartered Accountants
Public Unlisted Company	Chairman of the Board: Mr. Muhammad Ali Farid Khwaja
Key Shareholders (with stake 5% or more):	CEO: Mr. Mahmood Ali Shah Bukhari
<i>M/s Oxford Frontier Capital Limited ~59.638%</i>	
<i>Mrs. Mubashira Bukhari Khwaja ~20.281%</i>	
<i>Mr. Mahmood Ali Shah Bukhari ~15.036%</i>	

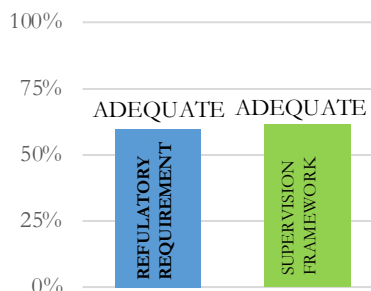
Corporate Profile

Incorporated in April, 2013, KTrade (formerly known as Khadim Ali Shah Bukhari Securities (Private) Limited) was initially set up as a private limited concern and recently converted to public unlisted company. KTSL is principally engaged in providing brokerage services in stocks, money market instruments, foreign exchange and commodity trading. The Company is associated with KASB group, one of the oldest groups operating in the capital markets business. The Company also provides research services and Margin Financing Services. Major Shareholding of the company is vested with Oxford Frontier Capital Limited. KTSL holds a Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX.). As per management, the auditors of the Company have changed to BDO Ebrahim & Co. Chartered Accountants, previous auditors were Naveed Zafar Ashfaq Jaffery & Co Chartered Accountants. Both auditors belong to category 'A' on the list of auditors published by the State Bank of Pakistan.



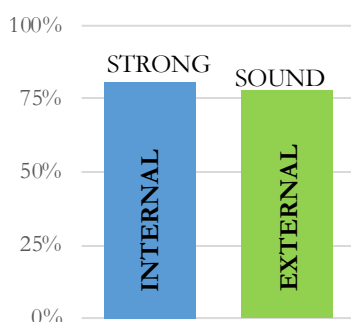
Rating Score Factors

Regulatory Requirements & Supervision Framework



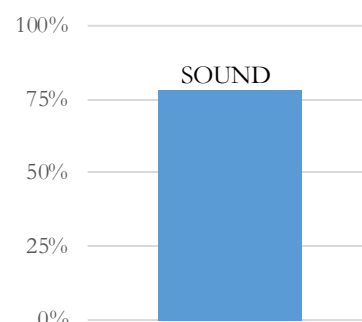
- Regulatory and supervisory framework is adequate given the limited Board size. Inclusion of certified members along enhancement in independent representation on the board may improve overall governance framework.
- The Company has obtained underwriting and advisory licenses, contribution of revenues emanating from augmented income streams will remain important for the ratings.

Internal & External Control Framework



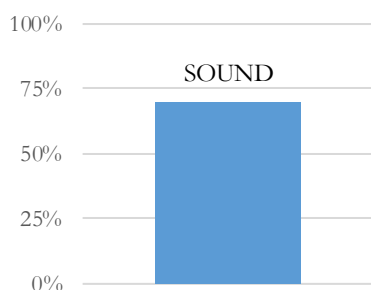
- Change of auditor from 'A' category has been noted positively. Disclosure levels may be further enhanced through inclusion of CEO's Statement, director's report & Statement of compliance with code in the Company's annual financial statements.
- Overall internal control of the Company remains strong.

Client Relationship & Fairplay



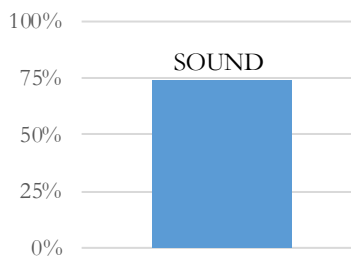
- Client servicing procedures are intact with mobile trading application, online research reports, and trade execution alerts readily available to customers.
- Company's overall relationship with the clients is sound; however, investor grieving procedures may be further strengthened by facilitating reporting and tracking systems.

HR & Infrastructure



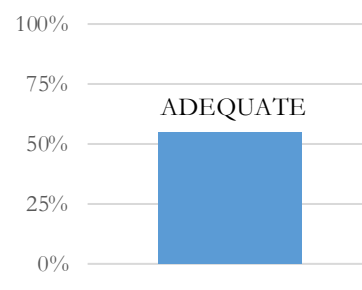
- The HR and Infrastructure framework is sound.
- Fully integrated Enterprise Resource Platform (ERP) and business continuity framework is in place. Disaster recovery exercise are practiced greater than once a year.
- Outsourcing of internal audit is viewed positively.

Compliance & Risk Management



- Segregation and independence of internal audit and compliance departments is viewed positively from ratings perspective.
- Market risk remains low as the Company has not actively participated in proprietary trading during the year.
- Overall Compliance and Risk Management Framework remain sound.

Financial Management



- While market performance has remained fairly subdued, Company till end of Dec 2021 was able to maintain its profitability profile with major earnings tied to the brokerage commissions.
- Overall Efficiency levels and leverage ratio have improved, although operational efficiency still remains a challenge for the company.
- Gearing and leverage ratios have improved on account of increased equity base and zero debt of the company
- Company has obtained all three licenses, resulting in an attempt of increasing diversification in revenue. Revenue contribution from the same is expected in due course.

MANAGEMENT QUALITY SCALE & 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.

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.

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.

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.

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.

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

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	KTRADE Securities 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			
	6/09/2022	BMR2	Stable	Reaffirmed
	16/07/2021	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	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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