

## BROKER FIDUCIARY RATING REPORT

## Sherman Securities (Private) Limited

REPORT DATE:

April 29, 2025

RATING ANALYSTS:Shaheryar Khan Mangan  
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RATING DETAILS	
<b>Broker Fiduciary Rating</b>	<b>BFR3++</b> <i>Good Fiduciary Standards</i>
<b>Rating Rationale</b>	The rating signifies sound internal controls, whereas management and client services, ownership and governance, and financial stability are considered adequate.
<b>Rating Date</b>	April 29, 2025

## COMPANY INFORMATION

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

## APPLICABLE METHODOLOGY

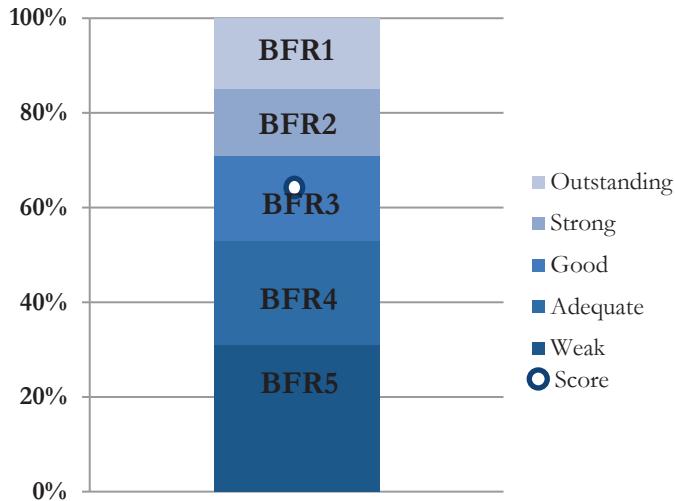
**Applicable Rating Criteria: Broker Fiduciary Ratings:**  
<https://docs.vis.com.pk/Methodologies%202024/Broker-Fiduciary-Rating.pdf>

## APPLICABLE RATING SCALE(S)

**VIS Issue/Issuer Rating Scale:**  
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

**Sherman Securities (Private) Limited**
**CORPORATE PROFILE**

Sherman Securities (Private) Limited (SSPL) was incorporated in 2002. The principal activities of the Company are investments, brokerage services, Initial Public Offer (IPO) 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.

**OVERALL GRADING**


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.

**Business and Financial Sustainability Indicators**

	6MFY25*	FY24	FY23
<b>Size of Net Worth (Rs. In Millions)</b>	1,708	1,032	586
<b>Gearing x (Total interest-bearing debt/ Total equity)</b>	0.17x	0.01x	0.69x
<b>Leverage x (Total liabilities/ Total equity)</b>	0.43x	0.22x	1.10x
<b>Liquid Assets/ Total Liabilities (x)</b>	3.15x	4.88x	1.71x
<b>Short term Investments/ Total Equity (%)</b>	114%	90%	156%

\*Unaudited Accounts

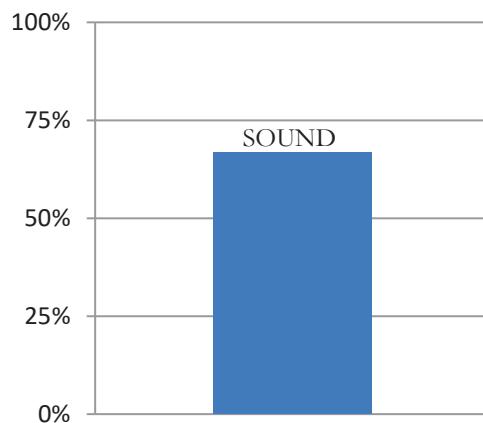
**Sherman Securities (Private) Limited**

**Rating Indicators**

**Ownership & Governance**

- The Company's board of directors is represented by 5 members, with the number of independent directors increasing to 2, reflecting positively on the Company's governance framework.
- The Company has four board committees: Audit, Risk Management, Investment, and HR & Remuneration Committee.
- Inclusion of certified directors and a further increase in independent directors may further enhance the Company's governance framework.
- The Company's disclosure levels are considered sound.

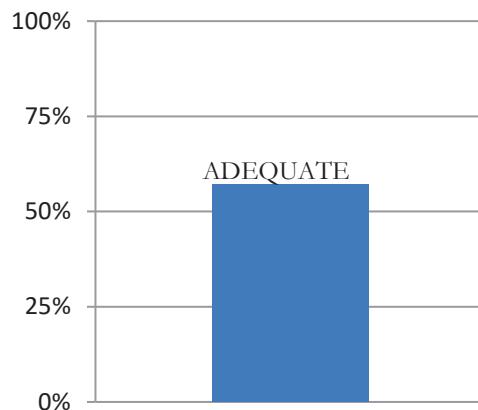
**Ownership & Governance**



**Business & Financial Sustainability**

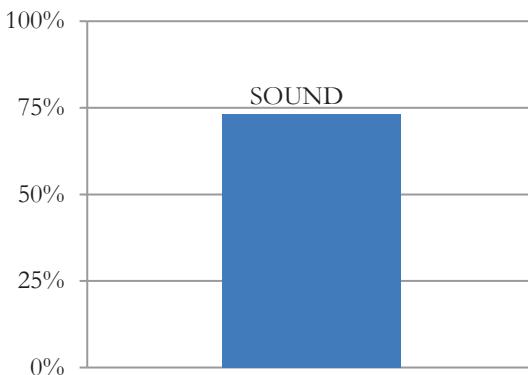
- Following two consecutive negative bottom lines in FY22 and FY23, the Company demonstrated strong profitability in FY24 and 6MFY25. This improvement was driven by sound realized and unrealized gains, along with higher brokerage income resulting from a surge in industry volumes, supported by favorable market dynamics and improved macroeconomic indicators.
- Resultantly, the operating efficiency of the Company improved to 61% in 6MFY25 (FY24: 93%, FY23: 125%).
- Liquidity profile of the Company is considered sound, with liquid assets providing a coverage of 3.15x against its total liabilities as at Dec'24 (Jun'24: 4.88x, Jun'23: 1.71x).
- Market risk of the Company remained elevated, with equity investments in relation to its shareholders equity at 114% as at Dec'24 (Jun'24: 90%, Jun'23: 156%).
- The Company has a conservative capitalization structure, with gearing and leverage indicators standing at 0.17x and 0.43x respectively as at Dec'24 (Jun'24: 0.01x and 0.22x, Jun'23: 0.69x and 1.10x). Additionally, equity base of the Company enhanced to Rs. 1,707.9m by end-Dec'24 (Jun'24: Rs. 1,031.8m, Jun'23: 586.3m).
- Going forward, diversifying revenue base, continued enhancement in profitability profile as well as maintaining liquidity and capitalization profile will be important for the rating.

**Business & Financial Sustainability**

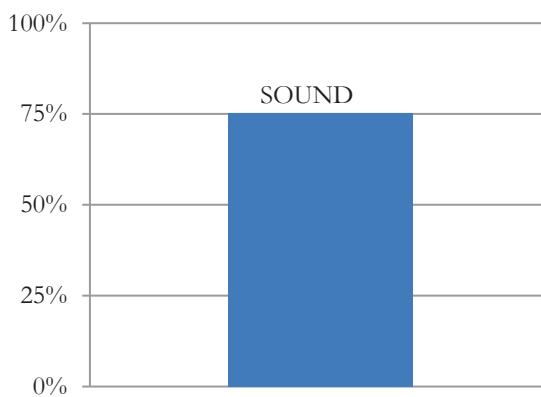


**Management & Client Services**

- Overall, the Company's management and client services are sound. Various measures have been employed to streamline the client services process, including online and mobile trading platforms, as well as the provision of research reports to clients. However, the customer grievance tool may be enhanced for greater visibility on website. Additionally, providing prompt trade alerts upon trade execution may further enhance the client services of the Company.
- The Company maintains off-site backups both under its own control and at a third-party warehouse. However, increasing the frequency of disaster recovery exercises may further enhance its contingency measures.

**Management & Client Services****Internal Controls & Regulatory Compliance**

- While internal policies and procedures are in place, enhancement in the scope of the same may be considered.
- The Company follows a conservative risk management strategy, with no credit limits extended to retail and institutional investors.

**Internal Controls & Regulatory Compliance**

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***Broker Fiduciary Rating Explained***

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*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.*

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## Sherman Securities (Private) Limited

## REGULATORY DISCLOSURES

## Appendix I

Name of Rated Entity	Sherman 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			
	04/29/2025	BFR3++	Stable	Upgrade
	09/25/2023	BFR3+	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				
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