

BROKER MANAGEMENT RATING REPORT

Sherman Securities (Private) Limited

REPORT DATE:

June 19, 2025

RATING ANALYSTS:

Shaheryar Khan Mangan
shaheryar@vis.com.pk

APPLICABLE

METHODOLOGY & SCALE:

Broker Management Ratings:
<https://docs.vis.com.pk/Methodologies%202024/Broker-Management.pdf>

VIS Rating Scale:

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

Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The rating signifies strong external control framework, HR & Infrastructure, sound Supervisory Framework, Internal control framework, Client Relationship & Fairplay, as well as Compliance and Risk Management. Regulatory Requirements and Financial Management are considered adequate
Rating Date	June 19, 2025

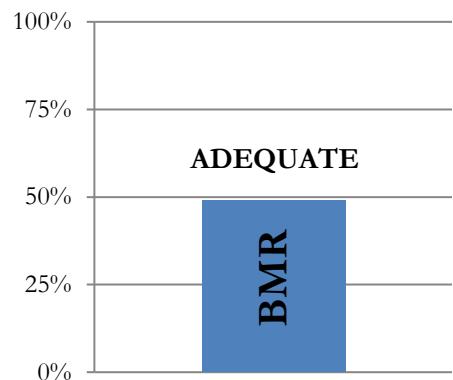
COMPANY INFORMATION

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

Corporate Profile

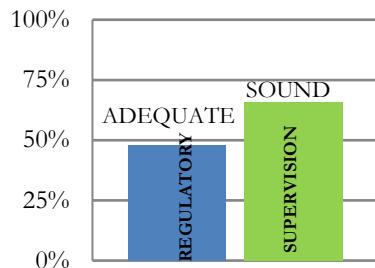
Sherman Securities (Private) Limited (SSPL) was incorporated in 2002. The principal activities of the Company are investments, brokerage services, interbank brokerage services, underwriting, investment, and portfolio management. Majority shareholding is vested with Mr. Muhammad Samin Younus. The Company operates through its head office which is based in Karachi.

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.



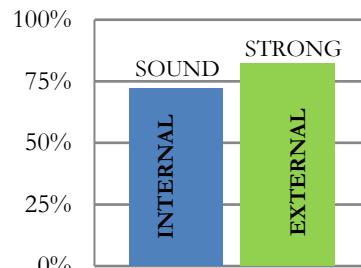
Rating Factors Scores

Regulatory Requirements & Supervision



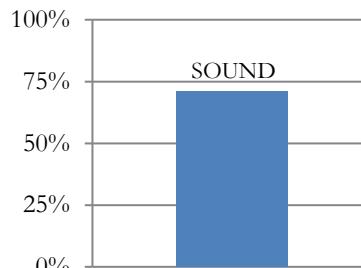
- The Company's board of directors is has reduced to 4 members, with only one independent representation.
- The Company has four board committees: Audit, Risk Management, Investment, and HR & Remuneration Committee.
- Inclusion of certified directors and increase in independent directors may further enhance the Company's governance framework.

Internal & External Control Framework



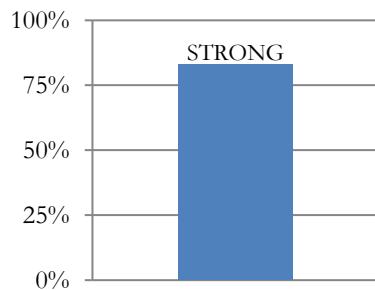
- While internal policies and procedures are in place, enhancement in the scope of the same may be considered.
- External control framework of the Company is supported by strong disclosure levels.

Client Relationship & Fairplay



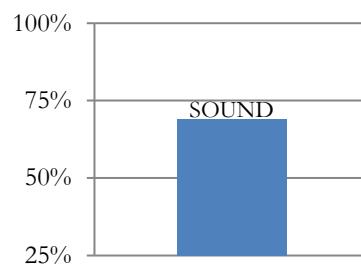
- Overall, the Company's client services procedures are sound. Various measures have been employed to streamline the client services process, including online and mobile trading platforms, as well as the provision of research reports to clients. However, the customer grievance tool may be enhanced for greater visibility on website.
- Additionally, further enhancement in client services procedures may be considered.

HR & Infrastructure



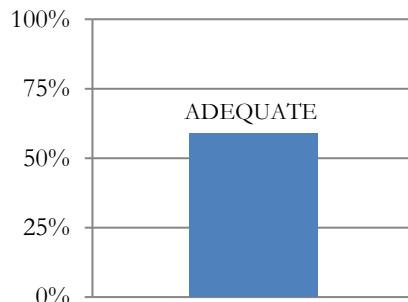
- The Company has fully integrated ERP is in place
- The Company maintains off-site backups both under its own control and at a third-party warehouse.

Compliance and Risk Management



- On April 24, 2025, the Company was fined PKR 600,000 on account of failing to ensure proper segregation of client's funds, in violation of the PSX regulation. The Company has filed appeal against the order. Maintaining segregation of clients' assets at all times as well as ensuring compliance with all applicable regulations will be important from the rating's perspective.

Financial Management



- Following two consecutive negative bottom lines in FY22 and FY23, the Company demonstrated strong profitability in FY24 and 9MFY25. 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 ~81% in 9MFY25 (FY24: 93%, FY23: 125%). However, it remains higher.
- Liquidity profile of the Company is considered sound, with liquid assets providing a coverage of 2.69x against its total liabilities as at Mar'25 (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 ~99% as at Mar'25 (Jun'24: ~90%, Jun'23: ~156%).
- The Company has a conservative capitalization structure, with gearing and leverage indicators standing at 0.13x and 0.47x respectively as at Mar'25 (Jun'24: 0.01x and 0.22x, Jun'23: 0.69x and 1.10x). Additionally, equity base of the Company enhanced to Rs. 1,650.8m by Mar'25 (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.

REGULATORY DISCLOSURES

Appendix I

Name of Rated Entity	Sherman Securities (Private) 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			
	19/06/2025	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	N/A			
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