

## BROKER FIDUCIARY RATING REPORT

### Topline Securities Limited

**REPORT DATE:**

24 November 2022

**RATING ANALYSTS:**

 Shaheryar Khan  
[shaheryar@vis.com.pk](mailto:shaheryar@vis.com.pk)

#### RATING DETAILS

<b>Broker Fiduciary Rating</b>	<b>BFR2</b> <i>Strong Fiduciary Standards</i>
<b>Rating Rationale</b>	The rating signifies sound governance, financial sustainability, internal and external controls and management and client services.
<b>Rating Date</b>	24 November, 2022
<b>Rating Action</b>	Reaffirmed

#### COMPANY INFORMATION

<b>Incorporated in 2001</b>	<b>External auditors:</b> M/s Naveed Zafar Ashfaq Jaffery & Co. – Chartered Accountants
<b>Public Unlisted Company</b>	<b>Chairman of the Board:</b> Mrs. Sabahat Sohail
<b>Key Shareholders (with stake 5% or more):</b>	<b>Chief Executive Officer:</b> Mr. Mohammad Sohail
<i>Mr. Mohammad Sohail ~ 70.9%</i>	
<i>Mr. Haroon Fatani ~ 22.3%</i>	
<i>Mr. Amir Fatani ~ 6.8%</i>	

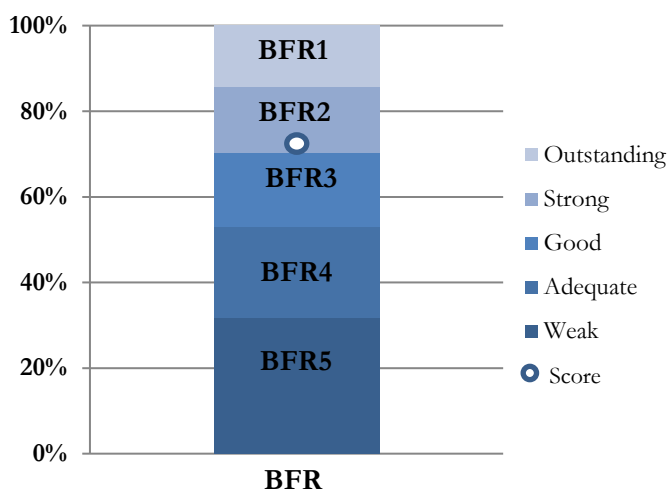
#### APPLICABLE METHODOLOGY

**Applicable Rating Criteria: Broker Fiduciary Ratings 2021**  
<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

**Topline Securities Limited**

**CORPORATE PROFILE** **OVERALL GRADING**

Topline Securities Limited (TSL) is engaged in the business of stock brokerage, commodity brokerage, underwriting, consultancy, book building, and advisory services. Shareholding of the Company is primarily vested with Mr. Mohammad Sohail, who also serves as the CEO of the company. The Company provides both online and assisted trading services to local and foreign clients.



TSL is a public unlisted company holding Trading Rights Entitlement Certificate (TREC) for Trading and Self Clearing services granted by Pakistan Stock Exchange Limited (PSX) as well as membership in Pakistan Mercantile Exchange Limited (PMEX). External auditors of the company are M/s Naveed Zafar Ashfaq Jaffery & Co. – Chartered Accountants, listed in ‘A’ category of SBP panel.

**Business and Financial Sustainability Indicators**

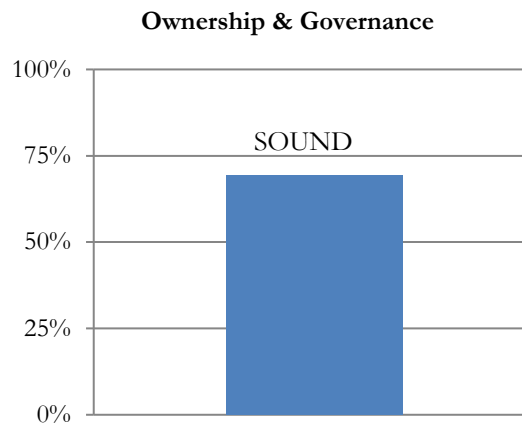
	<b>FY22</b>	<b>FY21</b>	<b>FY20</b>
<b>Size of Net Worth (Rs. In Millions)</b>	1,121	999	869
<b>Gearing x (total interest bearing debt/ total equity)</b>	0.08x	-	-
<b>Leverage x (total liabilities/ total equity)</b>	0.27x	0.32x	0.19x
<b>Liquid Assets/ Total Liabilities (x)</b>	2.69x	1.34x	4.71x
<b>Short term Investments/ Total Equity (%)</b>	41%	18%	32%

**Topline Securities Limited**

**Rating Indicators**

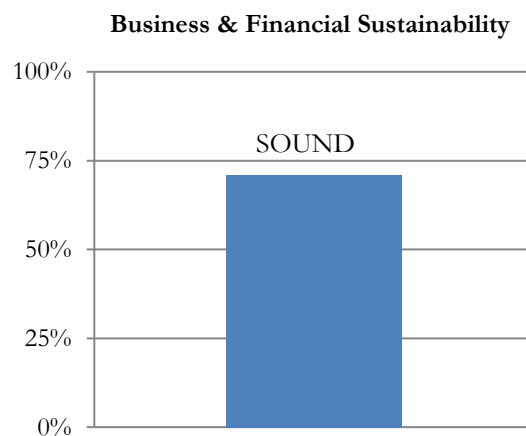
**Ownership & Governance**

- At present, Company has 7 directors on the Board, inclusive of an independent director.
- Addition of an independent director is noted, which is in the process of final approval from PSX.
- There are four committees at the board level for Audit, HR, Risk Management and Nomination, wherein some repetition is observed across the committees.
- Disclosure levels are considered sound.



**Business & Financial Sustainability**

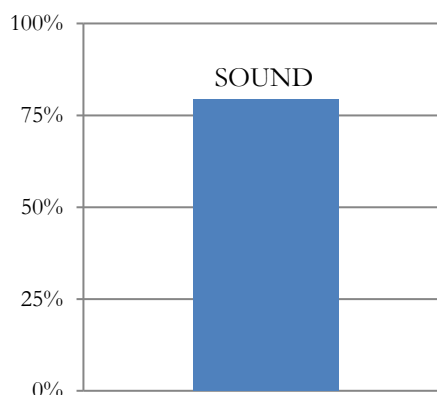
- Operating revenues were fairly maintained despite a noticeable reduction in market volumes, the decline was relatively less as compared to its peers. On the other hand, advisory income registered an uptick in FY22, offsetting the decline in brokerage revenues. Net profitability recorded a marginal decline.
- In spite of revenues depicting a decrease in FY22, Company managed to improve efficiency levels, with cost to income ratios recorded at 51% in FY22 (FY21: 52%).
- The prevailing market condition will continue to put pressure on profitability indicators.
- Short term investments to equity has increased from 18% in FY21 to 41% in FY22. Albeit market risk is manageable.
- Company’s liquid assets has surged to 825.1m in FY22 (FY21: 430m), depicting a strong liquidity profile of the Company.
- Company has sound capitalization indicators, with gearing and leverage ratios at 0.08x and 0.27x respectively.
- Future revenue growth will remain crucial, along with sustainability and maintenance of capitalization and liquidity metrics.



**Management & Client Services**

- Company’s management and client services are considered sound with fully integrated ERP platform in place and scope of IT policies and procedures well defined.
- Disaster recovery mechanisms are well in place with availability of off-site backups at third party warehouse.
- Company has an extensive research coverage available on various social media platforms
- Geographical expansion may be considered.

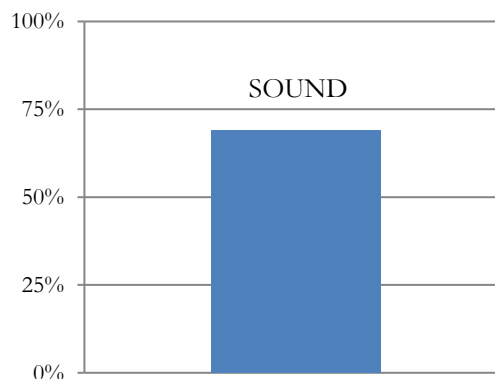
**Management & Client Services**



**Internal Controls & Regulatory Compliance**

- Internal control framework is sound, with policies well defined and in place. However, enhancing the scope of internal control policies may be considered.
- Trade review procedures are properly placed.

**Internal Controls & Regulatory Compliance**



***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

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**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)

**Topline Securities Limited**

REGULATORY DISCLOSURES		Appendix II		
<b>Name of Rated Entity</b>	Topline Securities Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Fiduciary Rating (BFR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: BFR</b>			
	24/11/2022	BFR2	Stable	Reaffirmed
	27/9/2021	BFR2	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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