

BROKER MANAGEMENT RATING REPORT

Topline Securities Limited

REPORT DATE:

October 11, 2022

RATING ANALYSTS:

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Broker Management Rating 2020:

<https://docs.vis.com.pk/docs/BMR202007.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR2+
Rating Rationale	The rating signifies sound compliance levels and financial management, internal and external control environment is robust, compliance and risk management frameworks are effective, HR, IT and customer service are also sound while regulatory requirement and supervision is considered adequate.
Rating Date	October 11, 2022

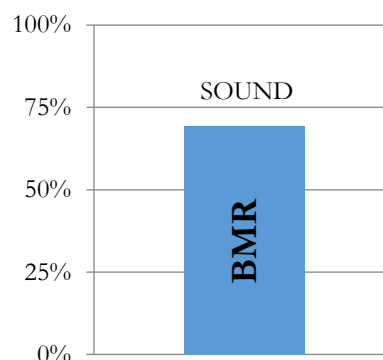
COMPANY INFORMATION

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

Corporate Profile

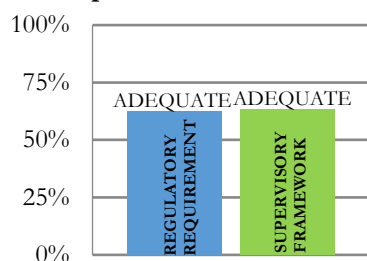
Topline Securities Limited (TSL) is engaged in the business of stock brokerage, commodity brokerage, underwriting, consultancy, book bidding, and advisory services. Shareholding of the Company is primarily vested with Mr. Mohammad Sohail, who also serves as the CEO of the Company. The Company provides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

TSL is a public unlisted company holding Trading Rights Entitlement Certificate (TREC) 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, which are “A” rated on the SBP’s panel of auditors.



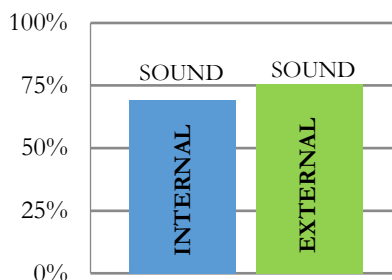
Rating Factors Scores

Regulatory and Supervision Framework



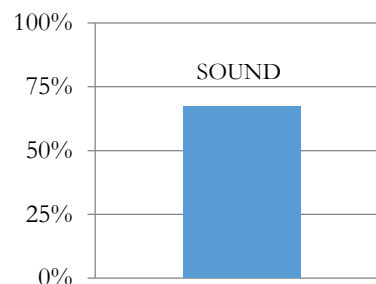
- At present, the Company’s board is represented by 7 members, along with one independent member representation. While Board size is considered adequate, repetition of members has been observed across board level committees. Improvement in the same may be considered.
- Overall, regulatory and supervision framework remains adequate.

Internal & External Control Framework



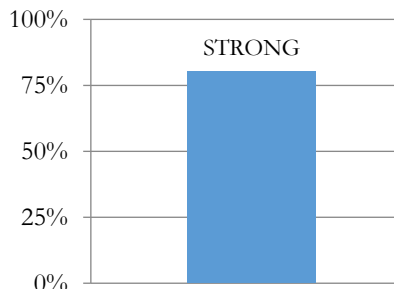
- Internal control framework is sound.
- Policies and procedures are well defined and in place. However, enhancing the scope of internal control policies may be considered.
- Dissemination of Conflict of Interest policy with all stakeholders has been noted.
- Disclosure levels are considered sound.

Client Relationship & Fairplay



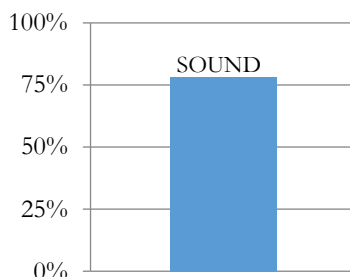
- Client relationship and fair-play is sound.
- Strong research coverage. Have been acknowledged on several platforms.
- Relationship with clients and customers is considered sound noting that research reports and other related resources are readily available on various social media platforms.
- Geographical expansion may be considered.

HR & Infrastructure



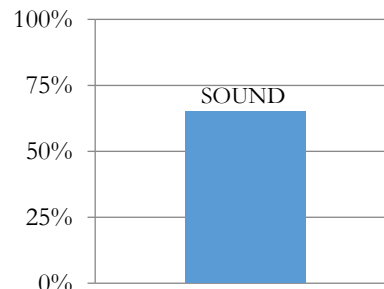
- Company has a strong HR & infrastructure, with fully integrated ERP platform in place.
- Scope of IT policies and procedures are well defined.
- Availability of off-site backups at third party warehouse has been noted.

Compliance and Risk Management



- Trade review for non-compliant and suspicious trades is conducted on monthly basis.
- Trade value generated through Institutional Delivery System (IDS) has been reported to be greater than 50%, which bodes well for risk management profile of the Company.
- Overall, Company has sound compliance and risk management framework.

Financial Management



- Despite notable slowdown in market volumes, operating revenues were fairly maintained. Relative to peers, decline in brokerage revenues was relatively less. In addition, advisory income recorded an uplift in FY22 which offset the decline in brokerage revenues.
- Net profitability recorded a marginal decline
- Market risk of the Company is manageable with short term investments to equity at 50% at end FY22.
- Company has witnessed improvement in efficiency levels. Cost to income ratio is reported at 51% in FY22 (FY21: 74%).
- Company has adequate liquidity in place. The capital structure of the company is sound with gearing and leverage ratio remaining at manageable levels.
- Considering the prevailing market conditions, pressure on profitability metrics to continue.
- Going forward, augmentation of revenues along with sustainability and maintenance of capitalization and liquidity indicators will remain important for rating.

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	Topline Securities Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	<u>RATING TYPE: BMR</u>			
	11/10/2022	BMR2+	Stable	Reaffirmed
	24/6/2021	BMR2+	Stable	Reaffirmed
	14/5/2020	BMR2+	Stable	Upgrade
	6/2/2019	BMR2	Stable	Reaffirmed
	11/7/2017	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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