

Press Release

VIS upgrades Short-Term Entity Ratings of Topline Securities Limited

Karachi, April 12, 2022: VIS Credit Rating Company Ltd. (VIS) has upgraded short-term entity rating of Topline Securities Limited (TSL) to A-1 from A-2 while reaffirming the long term entity rating at A. Short-term rating of A-1 denotes high certainty of timely payment, excellent liquidity factors supported by good fundamental protection factors. Long-term rating of 'A' signifies good credit quality with adequate protection factors. Risk factors may vary with possible changes in the economy. Outlook on the assigned ratings is 'Stable'. Previous rating action was announced on March 19, 2021.

Short-term rating upgrade incorporates TSL's conservative capital structure as indicated by low leveraged balance sheet and limited exposure to credit and market risk given sound proportion of Institutional Delivery System trades and negligible proprietary book exposure. The change in short-term rating also reflects growing trend in profitability and sound liquidity indicators in view of sizable liquid assets in relation to total liabilities. However, cyclical nature of the brokerage industry continues to remain a key risk factor and with current challenging political and economic situation, the investor activity within domestic capital market is expected to remain dull at least in the medium term.

Ratings incorporate TSL's sound revenue stream and efficient cost structure. TSL's brokerage business is supported by its notable reliance on institutional clients offering comparatively higher margins. To increase client stickiness in the business, the Company is gearing efforts to increase its presence in retail segment and has deployed resources for the same. In addition, TSL has undertaken substantial upgradation in its technological infrastructure to facilitate online trading and focus on increasing virtual presence.

Company's effort to diversify revenue base while leveraging its institutional client have bode well for the Company. Corporate income remained strong in FY21 and HFY22 as well. Despite subdued market activity, TSL posted strong growth in income emanating from consultancy and underwriting activities. In addition, the management employs a variable remuneration structure which aids in controlling cost of the Company during lean times. Resultantly, the Company posted higher profit in FY21 and sustained performance in HFY22. Going forward, profitability is expected to remain a function of stable equity brokerage income and growing advisory fees.

For further information on this rating announcement, please contact Ms. Sara Ahmed or the undersigned (Ext: 204) at (021) 35311861-66 or email at info@vis.com.pk.

Javed Callea
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Applicable Rating Criteria: Securities Firm (July 2020)
<http://vis.com.pk/kc-meth.aspx>