

BROKER FIDUCIARY RATING REPORT

First National Equities Limited

REPORT DATE:

October 10, 2024

RATING ANALYSTS:

Shaheryar Khan Mangan

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RATING DETAILS

Broker Fiduciary Rating	BFR3+ <i>Good Fiduciary Standards</i>
Rating Rationale	The rating signifies sound ownership and governance, management and client services as well as internal control and regulatory compliance. Business and financial sustainability is adequate.
Rating Date	October 10, 2024

COMPANY INFORMATION

Incorporated in 1995	External auditors: Tariq Ahmed Abdul Ghani Maqbool & Co. Chartered Accountants
Public Limited Company	Chief Executive Officer: Mr. Ali Aslam Malik
Key Shareholders (with stake 5% or more):	Chairman of the Board: Mr. Adnan Amjad
<i>First Florance Developers (Pvt.) Ltd. ~ 31.04%</i>	
<i>Mr. Ali Aslam Malik ~ 11.13%</i>	

APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings

<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

APPLICABLE RATING SCALE(S)

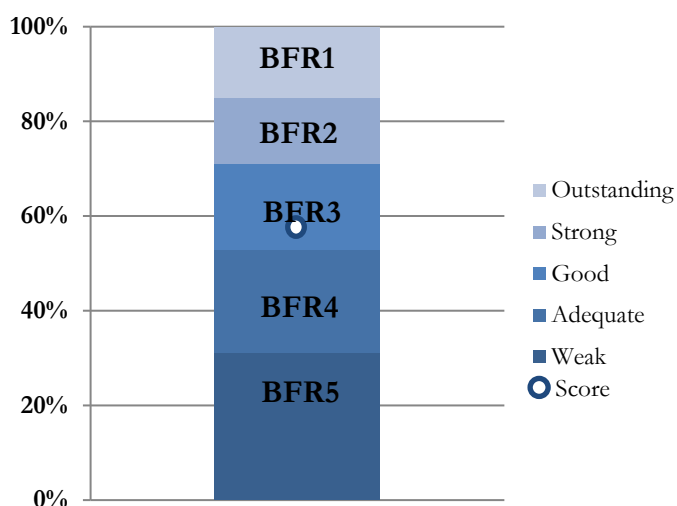
VIS Issue/Issuer Rating Scale:

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

First National Equities Limited

CORPORATE PROFILE **OVERALL GRADING**

First National Equities Limited (FNEL) was incorporated in 1995 under the Companies Ordinance 1984. In 2004, it was listed on Pakistan Stock Exchange. The Company is engaged in the business of equity brokerage and was awarded the Top Companies Award by PSX in 2006. Major shareholding is vested with an associated company, First Florance Developers (Pvt.) Ltd. and Mr. Ali Aslam Malik who also serves as the Chief Executive of the company. General public holds 42% of the company’s outstanding shares. Other associated concerns include First Pakistan Securities Limited, Switch Securities (Pvt.) Ltd. and MCD Pakistan Limited.



The Company holds a Trading Right Entitlement Certificate (TREC) issued by the Pakistan Stock Exchange Limited (PSX) for Trading and Self-Clearing Services. External auditors of the company are Tariq Abdul Ghani Maqbool & Co. Chartered Accountants. Auditors belong to category ‘B’ on the approved list of auditors published by the State Bank of Pakistan (SBP).

Rationale for revision in the rating outlook

The placement of the rating under ‘Rating Watch – Developing’ is on account of Company’s decision, as shared in its notice to Pakistan Stock Exchange (PSX), to convert its Trading & Self-Clearing broker license to Trading Only broker license and in lieu of that has requested PSX to voluntarily switch off its trading terminals. VIS will review the BFR rating on finalization of conversion of license to Trading Only and receipt of updated business plan from the Company.

Business and Financial Sustainability Indicators

	9MFY23	FY22	FY21
Size of Net Worth (Rs. In Millions)	1,231	1,279	1,164
Gearing x (Total Borrowing/ Total equity)	0.32x	0.29x	0.39x
Leverage x (Total liabilities/ Total equity)	0.55x	0.52x	0.70x
Liquid Assets/ Total Liabilities (x)	0.48x	0.46x	0.74x
Short term Investments/ Total Equity (%)	2%	3%	15%

First National Equities Limited

REGULATORY DISCLOSURES		Appendix I		
Name of Rated Entity	First National Equities 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			
	10/10/2024	BFR3+	Rating Watch – Developing	Maintained
	03/06/2024	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	N/A			
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