

## BROKER MANAGEMENT RATING REPORT

### Topline Securities Limited

**REPORT DATE:**

June 24, 2021

**RATING ANALYSTS:**

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**APPLICABLE**
**METHODOLOGY:**

Broker Management Ratings 2020:

[https://s3-us-west-](https://s3-us-west-2.amazonaws.com/backupsqvis/do)

[2.amazonaws.com/backupsqvis/do](https://s3-us-west-2.amazonaws.com/backupsqvis/do)

Rating Category	Latest Rating
Broker Management Rating	<b>BMR2+</b>
Rating Rationale	The rating signifies strong HR & IT services; sound external control, risk management, regulatory compliance levels and sound financial management while internal control framework and client relationship are considered adequate.
Rating Date	24 June, 2021

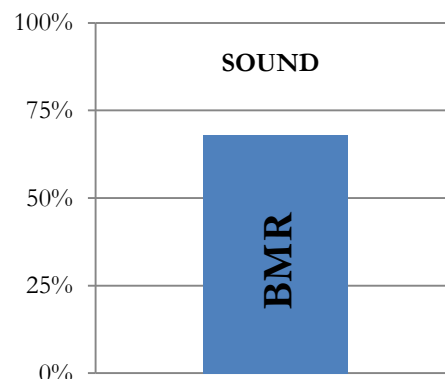
### COMPANY INFORMATION

<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/CEO:</b> Mr. Mohammad Sohail
<b>Key Shareholders (with stake 5% or more):</b>	
<i>Mr. Mohammad Sohail ~ 70.9%</i>	
<i>Mr. Haroon Fatani ~ 22.3%</i>	
<i>Mr. Amir Fatani ~ 6.8%</i>	

### Corporate Profile

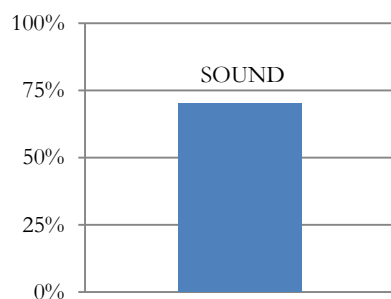
Topline Securities Limited (TSL) is engaged in the business of stock brokerage, commodity brokerage, underwriting, consultancy, book bidding, and advisory services. Shareholding of the company is primarily vested with Mr. Mohammad Sohail, who also serves as the CEO of the company. The company provides 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.



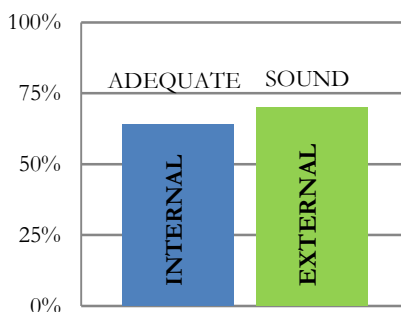
**Rating Factors Scores**

**Regulatory Requirements & Supervision**



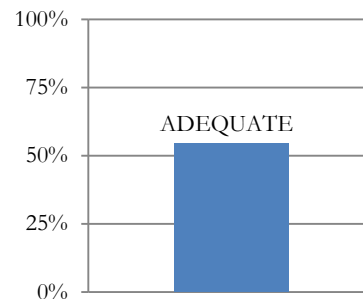
- Board of Directors (BoD) of the company comprises of seven directors including one independent director. There are four committees at the Board level for HR, Audit, Risk and Nomination, wherein some repetition of members is seen.
- Segregation of Chairman and CEO roles may further enhance governance levels.
- Overall regulatory framework remains sound.

**Internal & External Control Framework**



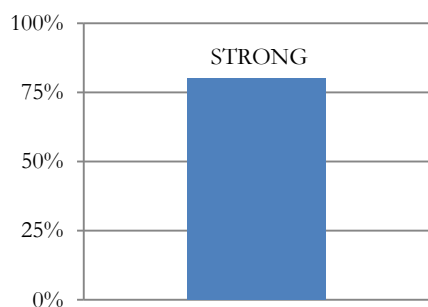
- Sharing conflict of interest policy with customers and employees would further strengthen the internal control framework.
- External control environment is sound; inclusion of Director’s report and CEO statement in the annual accounts has been noted.

**Client Relationship & Fairplay**



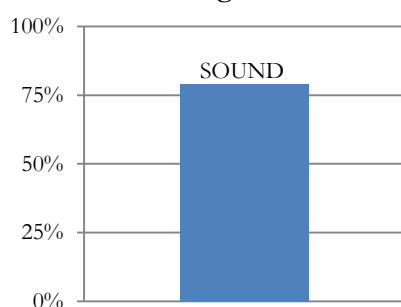
- Availability of sms based customer complaint and tracking system may enhance customer satisfaction.
- Despite having long presence in the brokering business, TSL’s geographical diversification has remained limited; enhancement in this regard may provide sustainability and growth to the business.

**HR & Infrastructure**



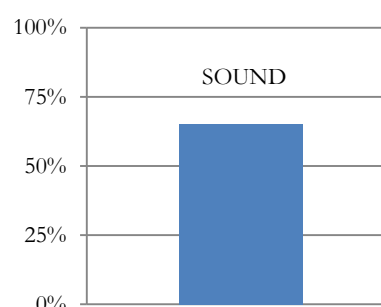
- Fully integrated ERP platform present.
- Contingency measures are in place as disaster recovery exercises are practiced more than once a year; however, maintaining off-site data records would further strengthen the business continuity framework.

**Compliance & Risk Management**



- Presence of independent risk management function would further enhance overall risk assessment of company and customers.

**Financial Management**



- Overall capital structure of the company is sound with manageable levels of gearing and leverage.
- During HFY21, efficiency ratio has witnessed improvement on the back of higher topline, reporting at 65% (FY20: 85%; FY19: 123%). Going forward, sustainability of the same is considered important.

## MANAGEMENT QUALITY SCALE &amp; DEFINITIONS

## Appendix I

# 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](http://www.vis.com.pk/images/criteria_outlook.pdf)

<b>REGULATORY DISCLOSURES</b>		<b>Appendix II</b>		
<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 Management Rating (BMR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: BMR</b>			
	24/6/2021	BMR2+	Stable	Reaffirmed
	14/5/2020	BMR2+	Stable	Upgrade
	6/2/2019	BMR2	Stable	Reaffirmed
	11/7/2017	BMR2	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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