

BROKER MANAGEMENT RATING REPORT

Topline Securities Limited

REPORT DATE:

March 21, 2024

RATING ANALYSTS:

Shaheryar Khan Mangan

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Rating Category	Latest Rating
Broker Management Rating	BMR2++
Rating Rationale	The rating signifies sound compliance levels, financial management and internal control, HR and external control environment is robust, compliance and risk management frameworks are effective; IT, customer service, regulatory requirement and supervision framework are also sound.
Rating Date	March 21, 2024

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>	

APPLICABLE METHODOLOGY & RATING SCALES

Applicable Rating Criteria: *Broker Management Ratings 2020*

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

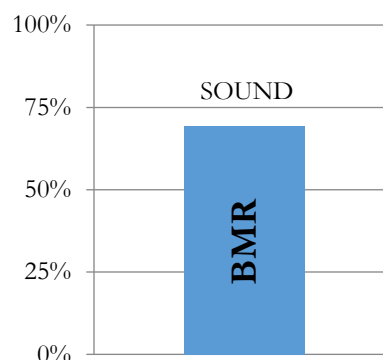
VIS Issue/Issuer Rating Scale:

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

Corporate Profile

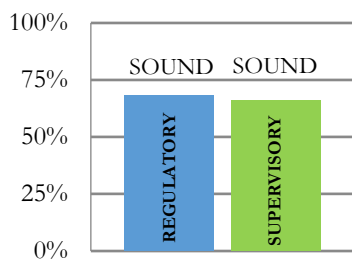
Topline Securities Limited (TSL) is engaged in the business of stock brokerage, commodity brokerage, underwriting, consultancy, book bidding, and advisory services. Shareholding of the Company is primarily vested with Mr. Mohammad Sohail, who also serves as the CEO of the Company. The Company provides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



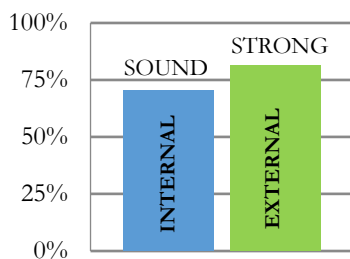
Rating Factors Scores

Regulatory and Supervision Framework



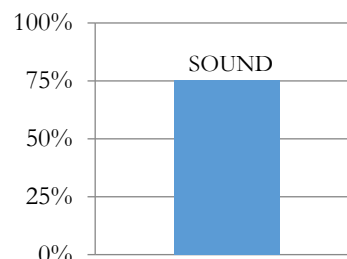
- The board size of the Company remains comprised of seven members while increase in total number of independent directors from one to two reflects positively on the Company’s regulatory framework.
- Functioning of board committees namely Audit, HR, Risk Management, Nomination and Investment provide support to the governance framework of the Company.

Internal & External Control Framework



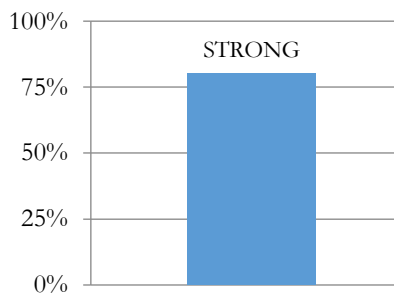
- Internal control framework of the Company is considered sound. Enhancement in the scope of Employee Trading Policy (ETP) has been noted positively.
- Order recording system is also in place. The same is reviewed by the internal audit on monthly basis, boding well for the Company’s internal control.
- Sound disclosure levels of the Company provides impetus to the Company’s external control framework.

Client Relationship & Fairplay



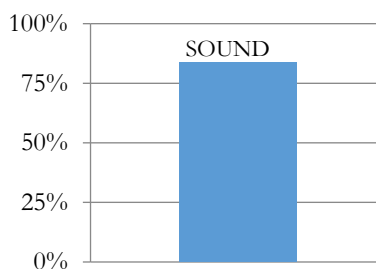
- Management and client services are considered sound, with various client facilitation tools and resources employed by the Company to support clients in executing transactions.
- Availability of research reports on various social media platforms bode well for the Company’s client services.

HR & Infrastructure



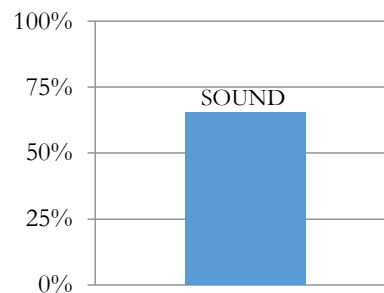
- HR & infrastructure is considered strong, with fully integrated ERP system in place.
- Organizational structure of the Company is commensurate with the size of operation.

Compliance and Risk Management



- Compliance and risk management is considered sound, with internal audit and compliance departments functioning independently.
- Trade review procedures are in place wherein the trade reviews for non-compliant and suspicious transactions are conducted on monthly basis.

Financial Management



- During FY23, the Company’s earning profile was constrained by subdued trading activity. However, during 6MFY24, the Company experienced a rebound in revenue by the resurgence in market activity during that period.
- The Company’s operational efficiency levels are considered manageable for 6MFY24.
- Market risk of the Company remains muted as investments are largely in money market funds.
- Liquidity profile of the Company draws support from its liquid assets, providing sufficient coverage against its current liabilities.
- Capitalization indicators of the Company is characterized by low gearing ratio while leverage is increased at moderate levels.
- Going forward, growth in revenue as well as improvement in efficiency levels along with maintenance of capitalization and liquidity profile will remain important for the rating.

REGULATORY DISCLOSURES		Appendix I		
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
	RATING TYPE: BMR			
	21/03/2024	BMR2++	Stable	Upgrade
	12/10/2022	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	N/A			
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