

BROKER FIDUCIARY RATING REPORT

Topline Securities Limited

REPORT DATE:

27 September, 2021

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR2 <i>Strong Fiduciary Standards</i>
Rating Rationale	The rating signifies sound governance, financial sustainability, internal and external controls and management and client services.
Rating Date	27 September, 2021

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>	

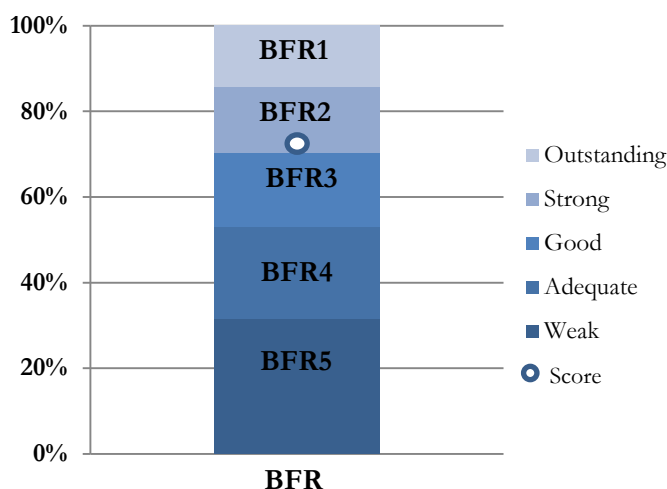
APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings 2021
<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

Topline Securities Limited

CORPORATE PROFILE OVERALL GRADING

Topline Securities Limited (TSL) is engaged in the business of stock brokerage, commodity brokerage, underwriting, consultancy, book building, 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) for Trading and Self Clearing services 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, listed in ‘A’ category of SBP panel.

Business and Financial Sustainability Indicators

	9MFY21*	FY20	FY19
Size of Net Worth (Rs. In Millions)	1,002	869	737
Gearing x (total interest bearing debt/ total equity)	-	-	-
Leverage x (total liabilities/ total equity)	0.33x	0.19x	0.26x
Liquid Assets/ Total Liabilities (x)	2.4x	4.7x	3.5x
Short term Investments/ Total Equity (%)	44%	32%	2%
Efficiency (%)	58%	65%	77%

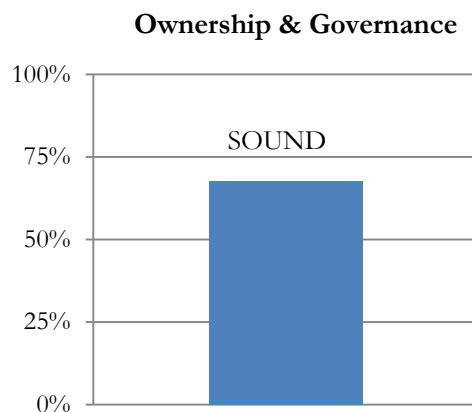
*Management Accounts

Topline Securities Limited

Rating Indicators

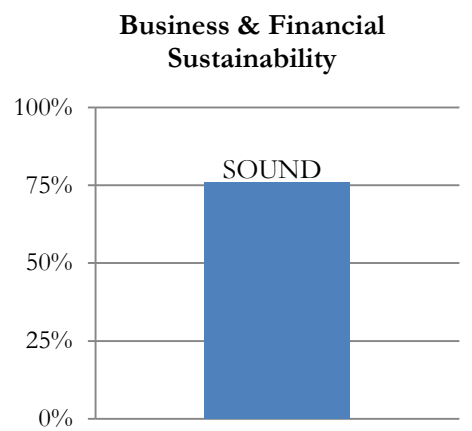
Ownership & Governance

- Presently, Board of Directors (BoD) of the company comprises of seven directors including one independent director. While board size remains adequate, repetition of members is noted in the composition of Board committees.
- Increasing the number of certified directors on the Board may further strengthen governance framework.
- Overall, ownership and governance remains sound.



Business & Financial Sustainability

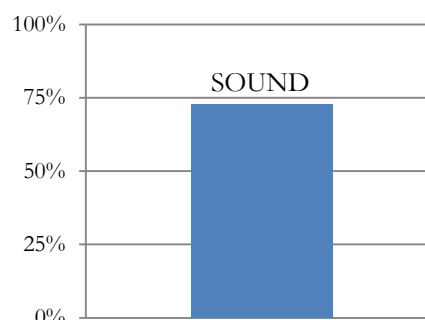
- Improvement in profitability was recorded in FY20 at PKR 132m (FY19: PKR 64.1m) on account of increased trading volumes in line with the market and with tighter cost control. The momentum continued into FY21 with 9MFY21 net profits reported at Rs. 133m.
- Higher revenues and controlled expenses have resulted in improving company’s cost to income ratio over timeline.
- Liquidity profile of the company remains strong with sizable cash balances in hand, Rs. 337m in 9MFY21 (FY20: Rs. 405m).
- Capitalization indicators are considered sound with zero gearing and leverage 0.33x during 9MFY21 (FY20: 0.19x) remaining at manageable levels. Equity of the company was recorded at Rs. 1b at the end of 9MFY21.
- Overall, business and financial sustainability of the company remains sound with low market risk and strong liquidity. Going forward, augmenting revenue streams, increasing market share, maintaining and improving financial profile will remain important for ratings.



Management & Client Services

- Company’s management and client services are considered sound with fully integrated ERP platform. However, customer experience may be further enhanced through mobile based complaint registration and tracking system.
- Geographical diversification may contribute towards future growth.
- Backing up data at a third-party warehouse may be considered for strengthening disaster recovery mechanisms.

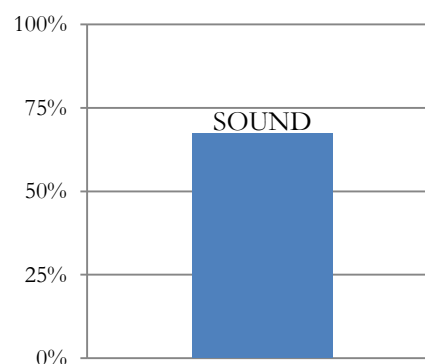
Management & Client Services



Internal Controls & Regulatory Compliance

- Internal control framework is considered sound with well-defined policies and manuals in place together with independent functioning of audit and compliance departments.
- Measures for preserving client confidentiality are well established.

Internal Controls & Regulatory Compliance



Broker Fiduciary Rating Explained

In Securities Broker Fiduciary Rating (SBF), the strength of fiduciary role of the securities brokers is captured through the relative financial strength of the securities broker firm and its sponsors along with depth of internal control and governance framework, which are key rating ingredients. Responsiveness of the risk and internal control structure, quality of HR and soundness of the business infrastructure determine the strength of management and level of service quality of a stock broker. VIS Credit Rating Co. Ltd. (VIS) has developed a rating system that evaluates brokerage firms on the basis of such practices and the systems instituted to safeguard investor interests are at the forefront.

Topline Securities Limited

FIDUCIARY RATING SCALE & DEFINITIONS

Appendix I

RATING SCALE & DEFINITIONS: SECURITIES BROKER FIDUCIARY RATING

BFR1

Outstanding fiduciary standards

BFR4++, BFR4+, BFR4

Adequate fiduciary standards

BFR2++, BFR2+, BFR2

Strong fiduciary standards

BFR5++, BFR5+, BFR5

Weak fiduciary standards

BFR3++, BFR3+, BFR3

Good fiduciary standards

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

Topline Securities Limited

REGULATORY DISCLOSURES		Appendix II			
Name of Rated Entity	Topline Securities 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				
	27/9/2021	BFR2	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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