

BROKER FIDUCIARY RATING REPORT

Topline Securities Limited

REPORT DATE:

April 29, 2024

RATING ANALYSTS:

Shaheryar Khan Mangan

shaheryar@vis.com.pk

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	April 29, 2024
Rating Action	Reaffirmed

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 Sobail ~ 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

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

APPLICABLE RATING SCALE(S)

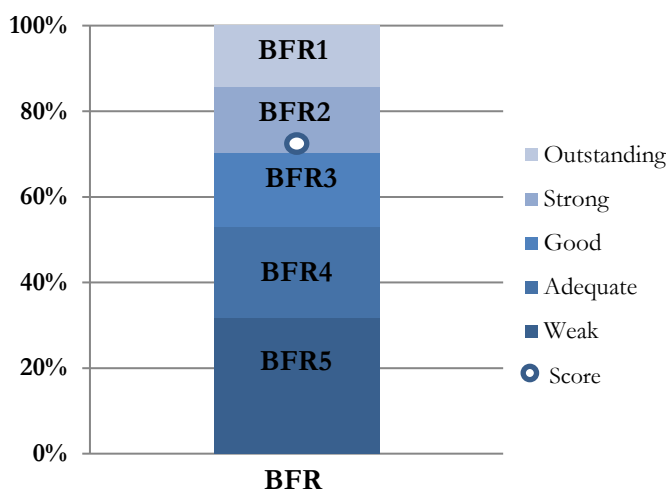
VIS Issue/Issuer Rating Scale:

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

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

	6MFY24*	FY23	FY22
Size of Net Worth (Rs. In Millions)	1,370	1,221	1,121
Gearing x (total interest bearing debt/ total equity)	0.04	0.00	0.08
Leverage x (total liabilities/ total equity)	0.49	0.20	0.27
Liquid Assets/ Total Liabilities (x)	1.51	3.81	2.69
Short term Investments/ Total Equity (%)	51%	38%	41%

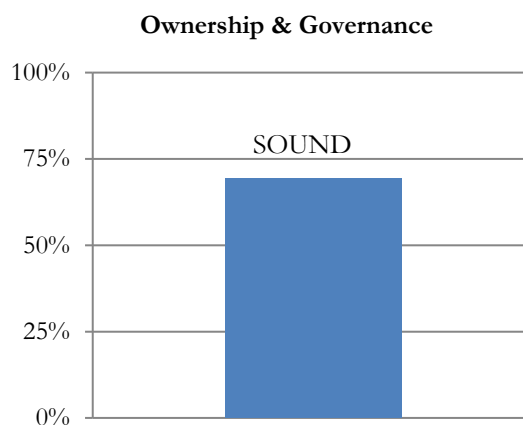
*Unaudited Accounts

Topline Securities Limited

Rating Indicators

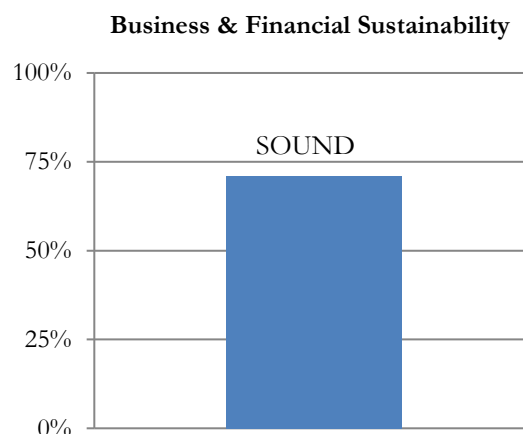
Ownership & Governance

- 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 governance structure.
- Functioning of board committees namely Audit, HR, Risk Management, Nomination and Investment provide support to the governance framework of the Company.
- Sound disclosure levels of the Company provide impetus to the Company's rating.



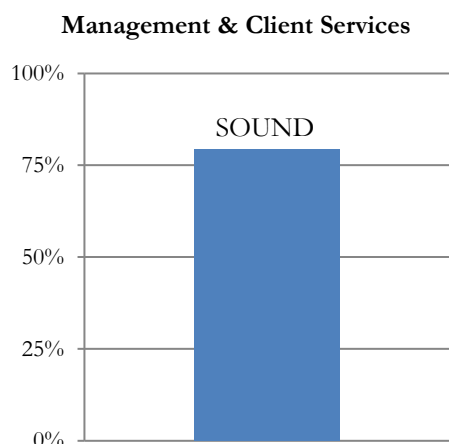
Business & Financial Sustainability

- During FY23, the Company's earning profile was constrained by subdued trading activity. However, during 6MFY24, the Company experienced a rebound in revenue spurred by the resurgence in market activity during that period.
- The Company's efficiency levels is considered at manageable levels.
- Market risk 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 has increased at moderate levels. Equity base of the Company has increased in line with the profits reported during 6MFY24, standing at Rs.1,370m (FY23: Rs.1,221m, FY22: 1,121).
- Going forward, growth in revenue as well as improvement in efficiency levels along with maintenance of capitalization and liquidity profile will remain important for rating.



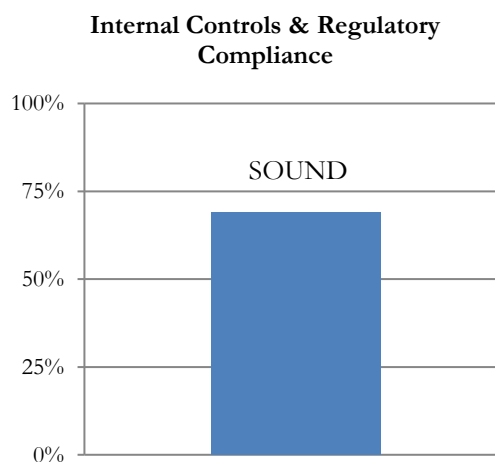
Management & Client Services

- 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.
- Presence of fully integrated ERP platform also provide support to the Company’s management and client services.
- Availability of offsite backups at the third party warehouse strengthens the disaster recovery mechanism of the Company.
- Increasing geographical footprint may be considered for business sustainability and growth of the Company.



Internal Controls & Regulatory Compliance

- Overall, internal controls of the Company are considered sound. Enhancement in the scope of Employee Trading Policy (ETP) has been noted positively.
- The Company’s internal audit and compliance department operate independently, boding well for the Company’s 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

REGULATORY DISCLOSURES		Appendix I		
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			
	29/04/2024	BFR2	Stable	Reaffirmed
	24/11/2022	BFR2	Stable	Reaffirmed
	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	N/A			
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