

BROKER FIDUCIARY RATING REPORT

Topline Securities Limited

REPORT DATE:

May 29, 2025

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 | May 29, 2025 |
| 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 |
| Mr. Mohammad Sohail ~ 70.9% | |
| Mr. Haroon Fatani ~ 22.3% | |
| Mrs. Farzana Haroon ~ 5.31% | |

APPLICABLE METHODOLOGY**Applicable Rating Criteria: Broker Fiduciary Ratings**<https://docs.vis.com.pk/Methodologies%202024/Broker-Fiduciary-Rating.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 |
|---|---|
| <p>Topline Securities Limited (“TSL” or “the Company”) 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.</p> | <p>100% 80% 60% 40% 20% 0%</p> <p>BFR</p> <p>■ Outstanding ■ Strong ■ Good ■ Adequate ■ Weak ● Score</p> |
| <p>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.</p> | |

Business and Financial Sustainability Indicators

| | 9MFY25* | FY24 | FY23 |
|---|---------|-------|-------|
| Size of Net Worth (Rs. In Millions) | 1,619 | 1,389 | 1,221 |
| Gearing x (total interest-bearing debt/ total equity) | 0.31 | 0.00 | 0.00 |
| Leverage x (total liabilities/ total equity) | 0.76 | 0.32 | 0.20 |
| Liquid Assets/ Total Liabilities (x) | 1.47 | 2.91 | 3.81 |
| Short term Investments/ Total Equity (%) | 84% | 46% | 38% |

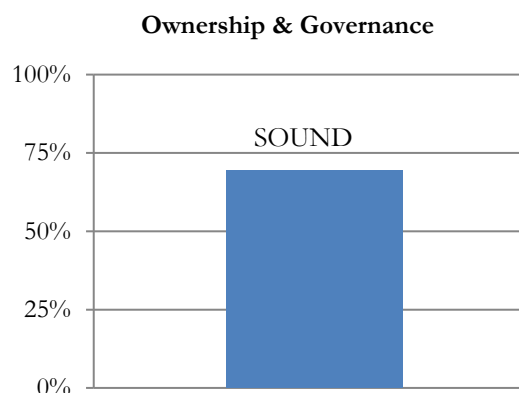
*Unaudited Accounts

Topline Securities Limited

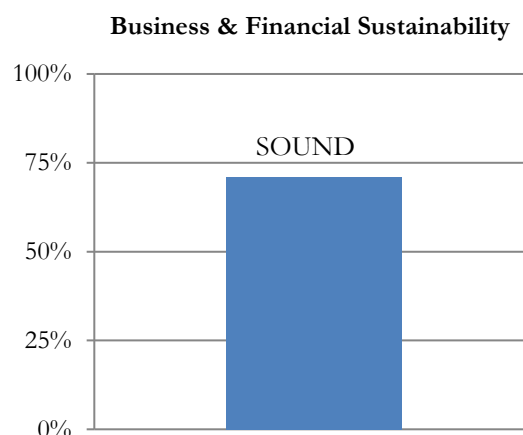
Rating Indicators

Ownership & Governance

- The board size of the Company commensurate with the size of its operation, comprising seven members, with two independent representatives.
- The Company has five board committees, namely Audit, HR, Risk Management, Nomination, and Investment, providing support to the Company's governance framework.
- Disclosure levels of the Company are considered sound.

**Business & Financial Sustainability**

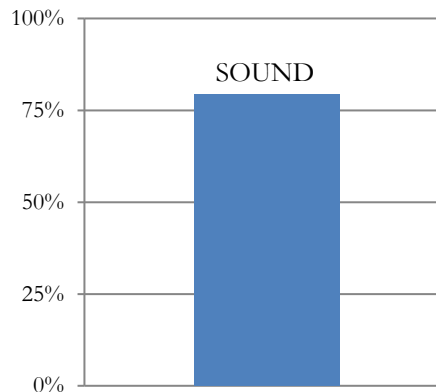
- During FY24, the Company experienced a healthy growth of ~69%, led by a strong growth of ~77% in brokerage revenue amid an increase in overall industry volumes. This growth trend extended into 9MFY25.
- Despite the rise in revenues, the Company's operational efficiency weakened slightly in 9MFY25, with cost-to-income ratio at ~57% (FY24: ~50%, FY23: ~57%).
- The Company's short-term investments relative to equity stood at ~84% as at Mar'25 (Jun'24: ~46%, Jun'23: ~38%). Notably, these investments are primarily allocated to ready/future segment, money market funds, and government securities, which are shielded from market risk.
- Liquidity profile of the Company is considered sound.
- Capitalization indicators of the Company deteriorated, with gearing and leverage ratio at 0.31x and 0.76x as at Mar'25 (Jun'24: 0x and 0.32x, Jun'23: 0x and 0.20x) respectively.
- Going forward, continued enhancement in revenue and profitability as well as maintenance of liquidity and capitalization indicators will be important for rating.



Management & Client Services

- The Company maintains a sound management and client services function, supported by various facilitation tools and resources to ensure seamless trade execution. Notably, no customer complaints were reported during the quarter ended March 2025.
- Additionally, the Company disseminates research materials across various social media platforms to assist clients in making informed investment decisions.
- Contingency measures of the Company are in place, with offsite backups at their own control as well as outsourced to third-party warehouse.

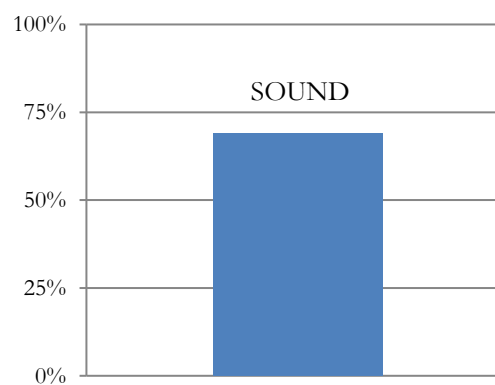
Management & Client Services



Internal Controls & Regulatory Compliance

- Internal control framework of the Company is considered sound, with internal policies in place. However, further expansion in the scope of these policies may be considered for further enhancement in internal control framework.
- The Company has placed systems to review trade procedures and internal control systems, boding well for the internal control framework.

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

| 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 | | | |
| | 05/29/2025 | BFR2 | Stable | Reaffirmed |
| | 29/04/2024 | BFR2 | Stable | Reaffirmed |
| | 24/11/2022 | BFR2 | Stable | Reaffirmed |
| | 27/09/2021 | 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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