

BROKER FIDUCIARY RATING REPORT

Integrated Equities Limited

REPORT DATE:

3 March, 2023

RATING ANALYSTS:

Syeda Batool Zehra Zaidi
batool.zaidi@vis.com.pk

Jahanzaib Alvi
jahanzaib.alvi@vis.com.pk

RATING DETAILS

Broker Fiduciary Rating	BFR3++ <i>Good Fiduciary Standards</i>
Rating Rationale	The rating signifies strong client management services, sound business and financial sustainability, internal controls and ownership and governance.
Rating Date	3rd March, 2023

COMPANY INFORMATION

Incorporated in July 2008	External auditors: M/s RSM Avais Hyder Liaquat Nauman Chartered Accountants
Unlisted Public Limited Company	Chief Executive Officer: Mr. Sardar Ali Wattoo
Key Shareholders (with stake 5% or more):	Chairman of the Board: Mrs. Sadia Ali
<i>Mr. Sardar Ali Wattoo ~ 93%</i>	
<i>Ms. Sadia Ali ~ 7%</i>	

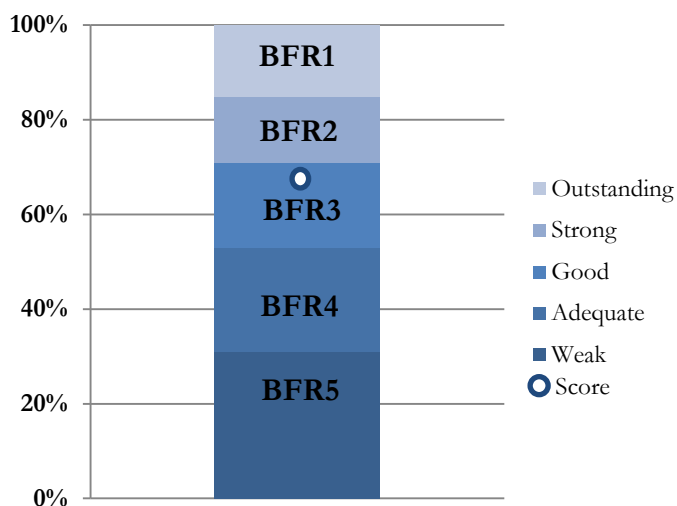
APPLICABLE METHODOLOGY

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

Integrated Equities Limited

CORPORATE PROFILE OVERALL GRADING

Integrated Equities Limited (IEL) was incorporated in 2008 under the Companies Ordinance 1984 as a private limited company which was later converted to an unlisted public limited company in 2016. IEL is affiliated with the Aequitas Group which came into creation with the acquisition of Pakistan Credit Rating Agency Limited (PACRA) in 2003. IEL offers equity brokerage, research, investment banking and project advisory services. Major shareholding of the Company (93%) is vested with Mr. Sardar Ali Wattoo who serves in the capacity of Chief Executive Officer (CEO).



The Company holds a Trading Right Entitlement Certificate (TREC) for Trading & Self- Clearing issued by the Pakistan Stock Exchange Limited (PSX). IEL is a licensed Consultant to the Issue, Securities Adviser and Futures Adviser and has been recently issued a license for Authorized Intermediary while it is also a registered Research Entity with SECP. External auditors of the company are RSM Avais Hyder Liaquat Nauman Chartered Accountants which belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP).

Business and Financial Sustainability Indicators

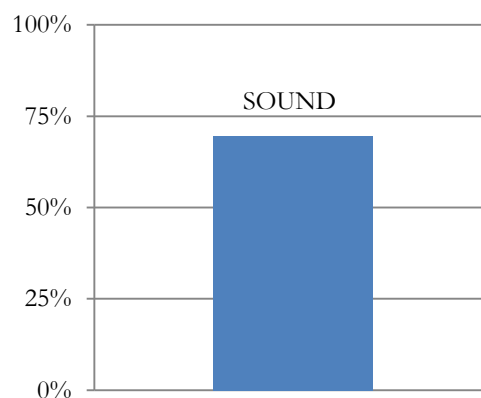
	HY23	FY22	FY21
Size of Net Worth (Rs. In Millions)	207	193	191
Gearing x (Total interest bearing debt/ Total equity)	0.0x	0.0x	0.05x
Leverage x (Total liabilities/ Total equity)	0.77x	0.41x	0.93x
Liquid Assets/ Total Liabilities (x)	1.06x	1.20x	0.99x
Short term Investments/ Total Equity (%)	2.39%	4.28%	2.0%
Net Capital Balance (NCB) (Rs. In Millions)	39	45	73

Rating Indicators

Ownership & Governance

- The company's board comprises five members, with one-third independent representation.
- The board has strengthened its governance structure by establishing a compliance and risk committee in addition to the existing audit committee.
- All committees are composed of three members and headed by an independent member.
- Disclosure levels continue to remain sound.

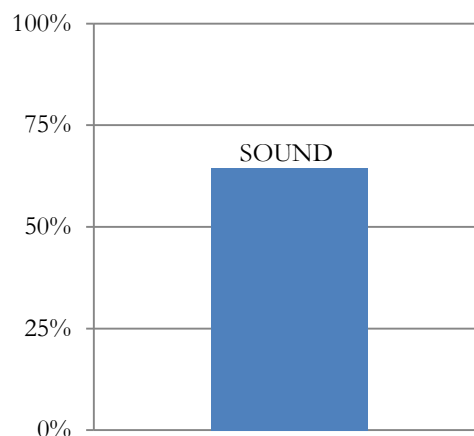
Ownership & Governance



Business & Financial Sustainability

- The Company's earning profile witnessed slight slow-down owing to subdued market activity and capital losses during FY22. However, contribution from advisory and consultancy business has increased on timeline basis.
- Cost to income ratio continues to remain manageable with recurring expenses accounting for 60% of total recurring revenues in HFY23 (FY22: 71% and FY21: 68%).
- Liquidity profile is considered adequate with liquid assets providing 1.06x coverage to total liabilities in HY23 (FY22: 1.20x and FY21: 0.99x)
- Capitalization indicators also remained low with leverage ratio of 0.77x in HY23 (FY22: 0.41x, FY21: 0.93x) and zero gearing.
- Short term investment to equity account for 2.38% in HFY23. (FY22: 4.28% and FY21: 2.35%) depicting low market risk on timeline basis.
- Overall business and financial sustainability of the Company is considered sound.
- Going forward, improvement in the Company's profitability profile, market share along strong equity base and sustained cost to income ratio will remain important.

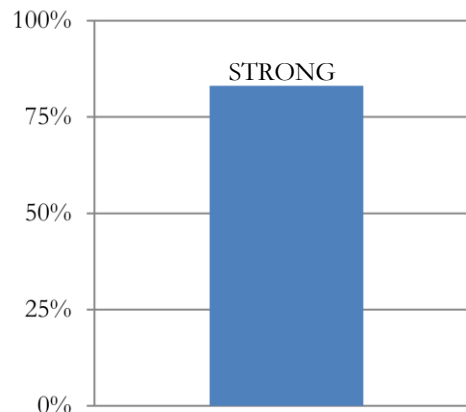
Business & Financial Sustainability



Management & Client Services

- Overall management and client services are strong.
- Fully-integrated ERP platform present encompassing end-to-end operations, including trading, accounting, and client service. Moreover, there exists an opportunity to augment client facilitation tools.as well
- Disclosure of commission rates on the website has been noted.

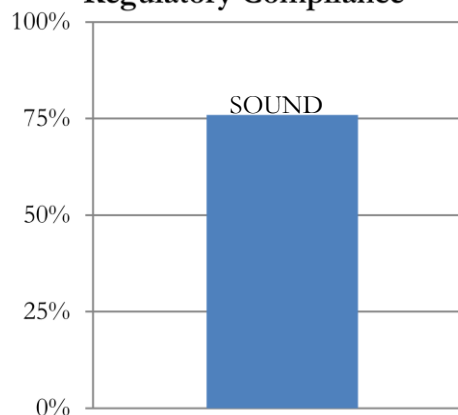
Management & Client Services



Internal Controls & Regulatory Compliance

- Overall regulatory control framework remained sound.
- Appropriate measures are in place to ensure client confidentiality, however enhancing the scope of employee trading and conflict of interest policies may be considered for further strengthening the 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.

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FIDUCIARY RATING SCALE & DEFINITIONS Appendix I

RATING SCALE & DEFINITIONS: SECURITIES BROKER FIDUCIARY RATING

<p>BFR1 Outstanding fiduciary standards</p>	<p>BFR4++, BFR4+, BFR4 Adequate fiduciary standards</p>
<p>BFR2++, BFR2+, BFR2 Strong fiduciary standards</p>	<p>BFR5++, BFR5+, BFR5 Weak fiduciary standards</p>
<p>BFR3++, BFR3+, BFR3 Good fiduciary standards</p>	

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

Integrated Equities Limited

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Integrated Equities 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			
	03/03/2023	BFR3++	Stable	Reaffirmed
	23/02/2022	BFR3++	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	NA.			
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