

BROKER FIDUCIARY RATING REPORT

Integrated Equities Limited

REPORT DATE:

 19th March, 2024

RATING ANALYSTS:

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RATING DETAILS

| | |
|--------------------------------|---|
| Broker Fiduciary Rating | BFR3++ <i>Good Fiduciary Standards</i> |
| Rating Rationale | The rating signifies sound client management services, business and financial sustainability, internal controls and ownership and governance. |
| Rating Date | 19 th March, 2024 |

COMPANY INFORMATION

| | |
|--|---|
| Incorporated in July 2008 | External auditors: BDO Ebrahim & Co. 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:
<https://docs.vis.com.pk/Methodologies%202024/Broker-Fiduciary-Rating.pdf>

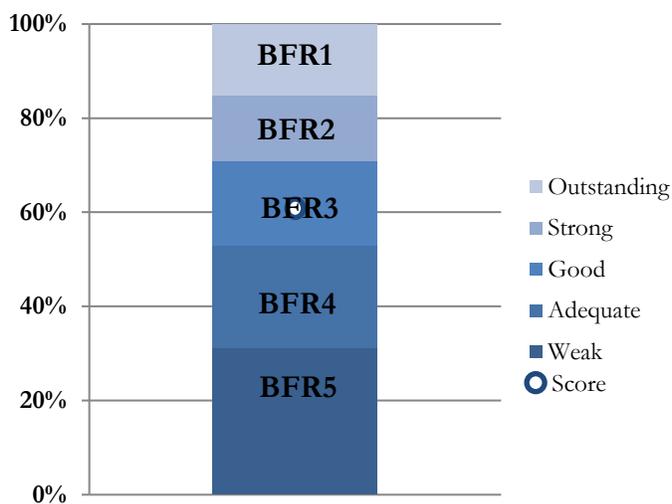
APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

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 BDO Ebrahim & Co. 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

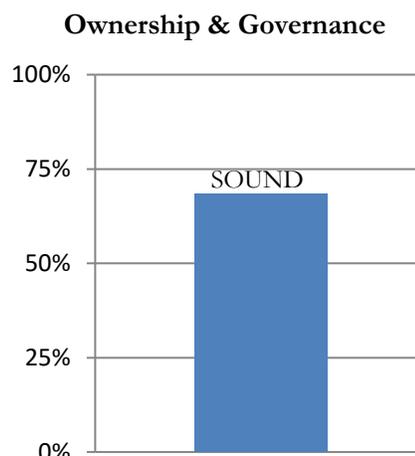
| | HY24 | FY23 | FY22 |
|--|-------------|-------------|-------------|
| Size of Net Worth (Rs. In Millions) | 345 | 203 | 193 |
| Gearing x (Total interest bearing debt/ Total equity) | 0.0x | 0.0x | 0.0x |
| Leverage x (Total liabilities/ Total equity) | 0.23x | 0.67x | 0.41x |
| Liquid Assets/ Total Liabilities (x) | 1.63x | 1.03x | 1.20x |
| Short term Investments/ Total Equity (%) | 14.78% | 5.60% | 4.28% |

Integrated Equities Limited

Rating Indicators

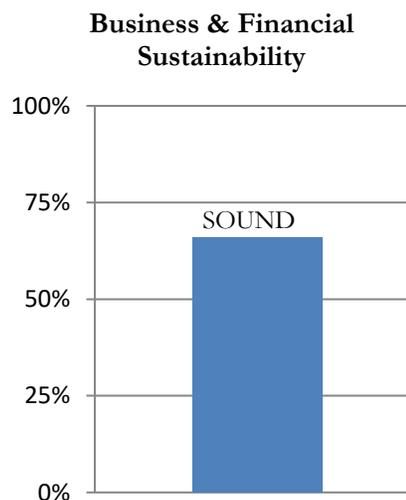
Ownership & Governance

- Ownership profile is considered sound, being an associated company of PACRA, and Tasdeeq.
- At present, IEL board is comprised of five members, including one independent and two female representatives.
- Governance framework encompasses two board level committees namely, Audit and Compliance & Risk Management Committee. Additional Board Level committees such as HR and IT may be considered for further strengthening of governance framework.
- Board committees are headed by Independent directors which provides support to the Governance Framework.
- Disclosure levels continue to remain sound. Improvement in reporting disclosures is noted.



Business & Financial Sustainability

- IEL’s earning profile remained under pressure in FY23 due to slow down in market activity and political instability in the Country. Subsequent to year-end, market has shown signs of recovery with brokerage income also recording an uptick during HY2024. However, profitability increase (HY24: Rs. 149.40m; FY23: Rs. 8.87m) recorded for the first six months of FY24, is largely contributed by unrealized gains realized on investment property.
- Cost to income ratio of IEL has shown improvement on a timeline basis and remained manageable around 44% for HY24 (FY23: 81% and FY22: 114%).
- Liquidity profile is considered adequate with liquid assets providing 1.63x coverage to total liabilities at end HY24 (FY23: 1.03x and FY22: 1.20x).
- Capitalization indicators remained favorable with zero gearing and leverage at 0.23x at end HY24 (FY23: 0.0.67x, FY22: 0.41x).



- Short term investment to equity account for 14.78% at end HFY24. (FY22: 5.60% and FY22: 4.28%) depicting low market risk exposure.
- Going forward, augmentation in the Company’s profitability profile and improvement in operational efficiency will remain important for supporting balance sheet growth.

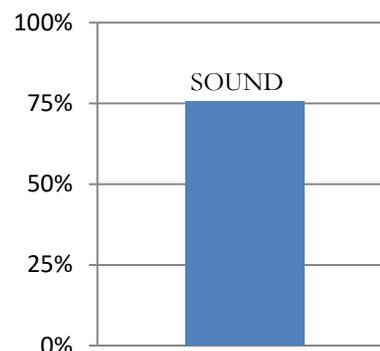
Management & Client Services

- Overall management and client services remain sound.
- Enhancements in customer complaint channels may facilitate customer experience.
- As per the management, integrated ERP platform is in the process which may be considered to enhance client services.
- Disclosure of commission rates on the website is considered favorable for client experience.

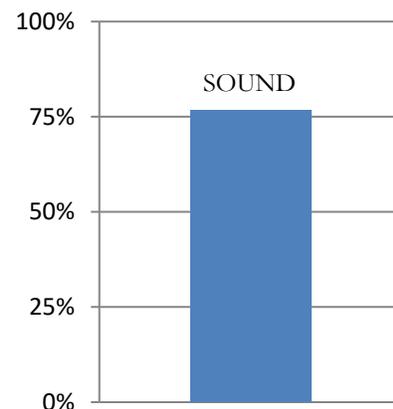
Internal Controls & Regulatory Compliance

- Overall regulatory control framework remains 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 of control framework.

Management & Client Services



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.

Integrated Equities Limited

| REGULATORY DISCLOSURES | | Appendix I | | |
|-------------------------------------|---|-------------------|-----------------------|----------------------|
| 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 | | | |
| | 19/03/2024 | BFR3++ | Stable | Reaffirmed |
| | 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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