

FOUNDATION SECURITIES (PRIVATE) LIMITED

Analysts:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A	A2	A	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	April 22, 2026		April 10, 2025	

Shareholding (5% or More)

Askari Bank Limited – 51%
Fauji Foundation Pakistan – 49%

Other Information

Incorporated in 2005
Private Limited Company
Chairman of the Board: Mr. Aziz Ikram
Chief Executive Officer: Mr. Syed Ahmed Abbas Zaidi
External Auditor: Grant Thornton Anjum Rahman

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Broker Entity Rating:
<https://docs.vis.com.pk/Methodologies-2025/BrokerEntityRating.pdf>

Rating Scale

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

Rating Rationale

Assigned ratings of Foundation Securities (Pvt.) Limited ('FSL' or 'the Company') take into account the strong sponsor profile, with majority shareholding held by Askari Bank Limited (AKBL), followed by the Fauji Foundation Group. AKBL is rated AA+/A1+, while Fauji Foundation is one of Pakistan's largest conglomerates, with a diversified presence across multiple sectors and strong financial standing. Sponsor support encompasses financial backing to FSL.

Assigned ratings also incorporate the financial risk profile of the Company, with strong growth recorded in brokerage revenue, in line with overall positive industry trend, as well as improvement in profitability. Operational efficiency of the Company is considered at moderate levels. The liquidity profile remained adequate while market risk is considered low, given no proprietary investments held by the Company. Capitalization profile of the Company is considered adequate.

The assigned ratings further incorporate the business risk profile of the Company which remains high, given its presence in the brokerage industry, which is characterized by inherent volatility, intense competition, and strong regulatory oversight. With the escalation of the conflict in middle east and the economic aftermath of the same, the business risk has further elevated. Going forward, continued increase in the revenue and profitability profile along with maintaining market risk as well as improving liquidity and capitalization profile will remain important for the ratings.

Company Profile

Foundation Securities Private Limited ('FSL' or 'the Company') was incorporated and commenced its operations in 2005. The Company is primarily engaged in the business of equity and commodities brokerage, equity research and corporate financial advisory services. The company holds a Trading Right Entitlement Certificate (TREC) from Pakistan Stock Exchange (PSX), and is also a member of Pakistan Mercantile Exchange (PMEX), with branches in Karachi, Lahore, and Rawalpindi. The Company's registered office is in Karachi.

Management and Governance

Shareholders/Owners/Sponsors

Major shareholding of the Company is vested with Askari Bank Limited (AKBL) (~51%), which is a scheduled banks and is rated AA+/A1+ by PACRA, and Fauji Foundation Group (~49%), which is one of Pakistan's biggest conglomerates, with diversified presence across business sectors as well as sizeable financial strength. The Fauji Foundation Group, comprising Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer bin Qasim (FFBL), collectively own ~72% stake in AKBL.

Mr. Syed Ahmed Abbas Zaidi serves as the Chief Executive Officer (CEO) of the Company and has experience of more than 25 years in equity related operations. His stint with international and local market financial institutions like ABN Amro Equities, W.I Carr Indosuez Securities and First Capital Securities has earned him vast exposure to operations, risk, compliance, accounts and compliance. Mr. Aziz Ikram serves as the Chairman of the Board.

Corporate Governance

At present, the Company's board consists of five members, however, there is no independent representation. There were two casual vacancies on the board during the period which were duly filled. Mr. Uzair Naveed Rabbani and Mr. Khurram Sadiq were appointed to the board. Additionally, the Company has two board committees namely audit and HR, represented by only two members. Inclusion of Independent directors and formation and additional board committees will contribute to further strengthen the Company's corporate governance.

Management, Internal controls & IT

The Company has an ERP platform named Back Connect, which is acquired from Softech Systems (Pvt.) Limited, serving as a back-office automation system covering client interfacing, accounts, settlements, and ledgers. In addition, the Company also utilizes the online trading platform from Softech Systems (Pvt.) Limited. Furthermore, the Company maintains policies, procedures, and controls for Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT). The Company conducts audit of AML/CFT on regular basis to independently evaluate effectiveness of compliance with the AML/CFT policies and procedures.

Business Risk

INDUSTRY

The performance of the brokerage sector remains closely linked to the macroeconomic indicators of the country. The sector is inherently volatile and is characterized by high business risk due to its cyclical nature, fragmented structure, intense competition, and strong regulatory oversight.

During FY25, the KSE-100 Index recorded a return of ~60%, marking the second consecutive year of strong double-digit growth (FY24: ~89%) and reaching 125,627 points. Pakistan consequently ranked among the better-performing equity markets globally during the period. Market performance was supported by a gradual economic recovery, easing monetary conditions, and relative stability in the exchange rate. In addition, the staff-level agreement with the International Monetary Fund on the first review of the 37-month Extended Fund Facility (EFF), along with approval of a new 28-month Resilience and Sustainability Facility (RSF), contributed to improved investor confidence. Improvements in key economic indicators, including private sector credit growth, auto financing, petroleum sales, power generation, exports, and remittance inflows, also supported market activity.

The equity market of Pakistan continued to benefit from the positive market momentum during the first six months of FY26, with the KSE-100 Index closing calendar year 2025 at 174,054 points, representing an increase of ~39% over the FY25 close. The benchmark had initially touched 179,034 points in early January 2026; however, the rally strengthened further and the latest peak close was 189,166.18 points (rounded: 189,167), which was achieved in late January 2026. Market performance during the period remained underpinned by supportive monetary conditions, relative exchange rate stability, and continued progress under Pakistan's IMF program, which helped sustain investor participation. Furthermore, the continuation of improving trends in key macroeconomic indicators, particularly private sector credit

expansion, auto financing, and remittance inflows, remained supportive of market participation. In addition, enhanced diplomatic and strategic engagement, reflected in increased regional cooperation and international interactions, contributed positively to overall market sentiment.

Subsequent to December 2025, the KSE-100 index reached its peak in late January 2026. However, the equity market subsequently witnessed a downturn. This was attributable to a weakening macroeconomic and geopolitical environment, including the upholding of the super tax by the Federal Constitutional Court, heightened security concerns in Balochistan and KPK, an unchanged monetary policy stance, and the escalation of tensions between Pakistan and Afghanistan, thereby dampening investor sentiments. Additionally, heightened global geopolitical tensions, particularly the escalation of the United States–Israel conflict with Iran and its spillover into the broader Middle East, further exacerbated the decline in the equity market, resulting in a sharp correction and broad-based selling pressure across regional markets, including Pakistan. Furthermore, disruptions in global oil supply chains and the resultant increase in international oil prices have weighed on the country's macroeconomic outlook. During this period the Pakistan Stock Exchange (PSX) transitioned to a T+1 settlement cycle, aimed at improving efficiency and timeliness of trade settlements. Going forward, while macroeconomic indicators have improved and the exchange rate and external position have remained stable, the equity market is expected to remain volatile due to its susceptibility to geopolitical developments in the Middle East.

PROFITABILITY

During CY25, the Company recorded total revenue of PKR 1,075.9m, registering a growth of ~22% from the preceding period (CY24: PKR 883.4m). The revenue mix is dominated by the equity brokerage segment, which accounts for ~77% of total revenue and recorded a growth of ~41% to PKR 823.6m (CY24: PKR 587.6m). Within the equity brokerage segment, retail clients were the primary contributors, accounting for ~86% of brokerage revenue, while the remainder came from institutional clients.

Profit on savings accounts contributed ~17% to the revenue mix, while the remaining portion was derived from profit on NCCPL deposits, profit on PSX deposits, and some brokerage income from commodity trading transactions.

Going forward, the Company plans to expand its presence in the equity brokerage segment by leveraging its digital platforms to attract and grow its retail client base. In addition, the Company's presence in Lahore, Karachi, Islamabad, and Rawalpindi will continue to support client facilitation and business development activities.

The Company's operational efficiency was reported at 56.7% in CY25 (CY24: 57.3%), indicating a moderate level of performance. Profitability also improved during the period, with profit after tax reported at PKR 318.3m (CY24: PKR 253.0m). Going forward, maintenance of revenue and profitability will remain important for the assigned ratings.

Financial Risk

CAPITAL STRUCTURE

The Company's equity base has crossed the PKR 1 billion mark, with net worth reported at PKR 1,254.4m as at Dec 31, '25 (Dec 31, '24: PKR 1,016.6m, Dec 31, '23: PKR 814.4m), in line with profitability improvement. While the Company has maintained relatively low gearing levels, gearing increased to 0.43x as at Dec 31, '25 (Dec 31, '24: 0.07x; Dec 31, '23: 0.11x), attributable to an increase in short-term borrowings to PKR 500m, undertaken to finance higher exposures at end-Dec'25. On the other hand, leverage remained elevated, standing at 2.51x as at Dec 31, '25 (Dec 31, '24: 3.08x; Dec 31, '23: 2.01x), primarily due to higher trade payables, which largely represent customer funds held by the Company. Going forward, the Company's ability to maintain low gearing levels and improve its leverage profile will remain important for the assigned ratings.

CREDIT RISK

The Company's trade receivables amounted to PKR 309.9m as at Dec 31, '25 (Dec 31, '24: PKR 375.6m, Dec 31, '23: PKR 433.9m), all of which were due from clients. The ageing of the trade receivables indicated a manageable profile. Overall, the Company's credit risk profile is supported by well-defined processes, including continuous monitoring of credit exposures, assignment of credit limits based on client evaluation and payment history, and maintenance of collateral to mitigate credit risk. Nevertheless, collaterals underlying receivables remain exposed to market risk, as declines in the value of pledged securities may result in shortfalls upon enforcement.

MARKET RISK

The Company does not maintain a significant proprietary portfolio, with short-term investments primarily comprising holdings in the Pakistan Stock Exchange and minimal exposure to a limited number of equity securities, resulting in low market risk. As at Dec 31, '25, the Company's

short-term investments stood at PKR 62.8m (Dec 31, '24: PKR 37.2m, Dec 31, '23: PKR 13.7m), representing only 5.0% of its equity base. Going forward, the management does not plan to engage in proprietary investments, which is expected to maintain the market risk low.

LIQUIDITY RISK

The Company's liquid assets, comprising exposure deposits, cash & bank balance and short-term investments, amounted to Rs.3,795.6m as at Dec 31, '25 (Dec 31, '24: Rs 3,605.5m, Dec 31, '23: Rs 1,678.8m). The Liquid assets coverage of the Company against its total liabilities stood at 1.20x as at Dec 31, '25 (Dec 31, '24: 1.15x, Dec 31, '23: 1.03x), indicating an adequate liquidity profile. Going forward, improvement in liquidity profile will remain an important rating consideration.

FINANCIAL SUMMARY (PKR in Millions)	Appendix I		
	CY23A	CY24A	CY25A
BALANCE SHEET			
Property, Plant & Equipment	66.2	63.9	106.
Trade Debts	433.9	375.6	309.9
Receivables against MF	-	-	-
ST Investments	13.7	37.2	62.8
LT Investments	143.0	45.4	144.5
Cash and Bank balances	1323.1	2686.1	2336.6
Total Assets	2506.8	4202.1	4454.8
Trade and Other Payables	1545.1	3037.6	2581.3
Short Term Borrowings	86.7	71.9	500.0
Total Liabilities	1636.8	3132.6	3150.5
Paid up Capital	576.0	576.0	576.0
Retained Earnings	199.0	400.5	635.9
Total Equity (Exc. Revaluation Gain)	814.4	1,016.6	1,254.4
INCOME STATEMENT	CY23A	CY24A	CY25A
Recurring Revenue	475.6	883.4	1075.9
Brokerage Income	298.0	587.6	827.5
Dividend income	2.8	4.5	6.5
IPO Commission	0.0	0.0	0.0
Recurring Expenses	331.3	506.3	610.4
Capital (loss)/ gain on investments	-0.001	-0.013	-0.06
Unrealized (loss)/ gain on investments	2.8	23.5	25.6
Finance Cost	8.0	5.4	7.9
Profit/(Loss) Before Tax	135.6	386.7	480.9
Profit/(Loss) After Tax	104.1	253.0	318.3
RATIO ANALYSIS	CY23A	CY24A	CY25A
Liquid Assets to Total Liabilities (%)	102.6%	115.1%	120.5%
Liquid Assets to Total Assets (%)	67.0%	85.8%	85.2%
Current Ratio (x)	1.38	1.30	1.33
Leverage (x)	2.01	3.08	2.51
Gearing (x)	0.11	0.07	0.43
Efficiency (%)	69.7%	57.3%	56.7%
ROAA (%)	5.3%	7.5%	7.4%
ROAE (%)	14.0%	28.1%	28.0%

A - Actual Accounts

REGULATORY DISCLOSURES Appendix II

Name of Rated Entity	Foundation Securities (Private) Limited				
Sector	Brokerage				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	4/22/2026	A	A2	Stable	Reaffirmed
	04/10/2025	A	A2	Stable	Reaffirmed
	01/29/2024	A	A2	Stable	Upgrade
	10/26/2022	A	A2	RW- Developing	Maintained
	01/24/2022	A-	A2	RW- Developing	Maintained
	05/25/2021	A-	A2	Stable	Reaffirmed
	04/23/2020	A-	A2	Stable	Maintained
	04/01/2019	A-	A2	Negative	Maintained
	11/01/2017	A-	A2	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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Due Diligence Meetings Conducted	Name		Designation		Date
	Mr. Zahid Ali Khan		Chief Financial Officer		April 09, 2026
	Mr. Owais Ahmad		Manager Finance & Accounts		