

BROKER MANAGEMENT RATING REPORT

Foundation Securities (Private) Limited

REPORT DATE:

June 15, 2021

RATING ANALYSTS:

Sara Ahmed

sara.abmed@vis.com.pk

Batool Zaidi

batool.zaidi@vis.com.pk

APPLICABLE
METHDOLOGY:

Broker Management Ratings 2020:

[https://s3-us-west-](https://s3-us-west-2.amazonaws.com/backupsqvis/docs/BMR202007.pdf)

[2.amazonaws.com/backupsqvis/docs/](https://s3-us-west-2.amazonaws.com/backupsqvis/docs/BMR202007.pdf)

[BMR202007.pdf](https://s3-us-west-2.amazonaws.com/backupsqvis/docs/BMR202007.pdf)

Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The rating signifies strong risk management and external control framework, internal control, client relationship and HR & IT infrastructure are sound with adequate financial management and regulatory compliance levels.
Rating Date	15 June, 2021

COMPANY INFORMATION

Incorporated in 2005

External auditors: Grant Thornton Anjum Rahman

Private limited Company

Chairman of the Board: Brig. Sabir Ali (Retd)

Key Shareholders (with stake 5% or more):

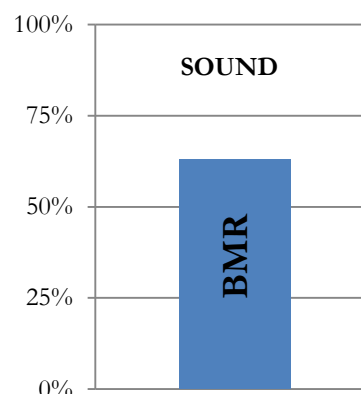
Chief Executive Officer: Syed Ahmad Abbas Zaidi

Fauji Foundation Pakistan ~ 95.7%

Corporate Profile

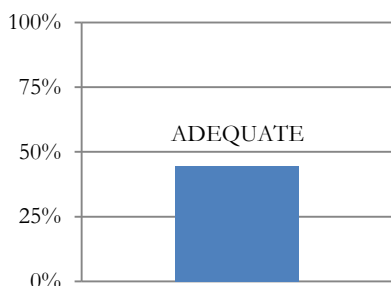
Incorporated in 2005, Foundation Securities Private Limited (FSL) is a subsidiary of Fauji Foundation Pakistan. The group has strategic investments in various sectors including fertilizer, power, cement, infrastructure, banking, financial services, consumer goods, oil & gas and others. FSL is primarily engaged in retail and institutional equity brokerage services with marginal presence in commodity segment. FSL has a strategic relationship with Macquarie Capital Securities Limited; an affiliate of global financial institution Macquarie Group. The partnering arrangement focus on in-bound and out-bound equity markets transactions besides other areas including mergers and acquisitions, and corporate finance advisory work. Presently, the company runs its operations through a head office based in Karachi along with 2 branches in Lahore and Islamabad.

The company holds a Trading Right Entitlement (TRE) certificate issued by the Pakistan Stock Exchange Limited (PSX). External auditors are on the approved list of auditors in category 'A', published by the State Bank of Pakistan (SBP).



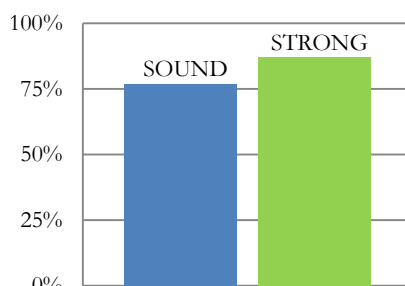
Rating Factors Scores

Regulatory Requirements & Supervision



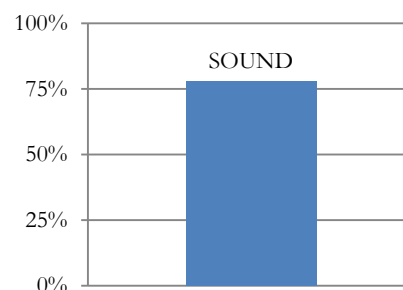
- Inclusion of certified independent directors in the board with relevant experience would align governance framework with international best practices.

Internal & External Control Framework



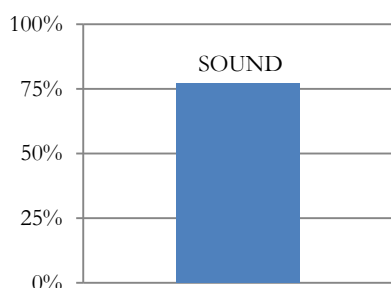
- External control framework is strong; inclusion of Director’s report and CEO’s statement in the company’s annual report has been noted.
- Frequency of reporting details of personal trading to the compliance officer may be increased.

Client Relationship & Fairplay



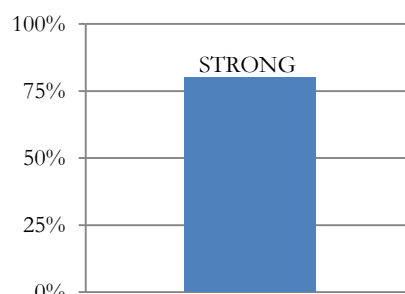
- Customer grievance procedures may be enhanced through availability of sending and tracking complaints through sms service.

HR & Infrastructure



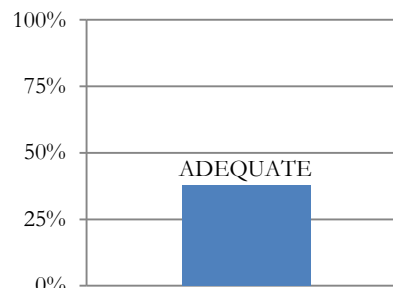
- Organizational structure is well defined with fully integrated ERP platform and independent risk management staff.
- Offsite records are maintained at third party data warehouse but disaster recovery practices are conducted only once a year.

Compliance & Risk Management



- Internal audit, risk management and compliance functions are segregated for adequacy and clarity in reporting lines.

Financial Management



- During HFY21, profitability profile of the company witnessed improvement.
- Efficiency ratio has declined on a timeline basis which augers well for the company.
- Gearing and leverage indicators have significantly increased to 4.9x and 1.1x respectively during HFY21 (FY20 3.5x & 0.2x) The increase in the gearing ratio is attributable to FSL’s acquisition of a 300m short-term loan from a local commercial bank in order to meet exposure requirements.

MANAGEMENT QUALITY SCALE & DEFINITIONS

Appendix I

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: BROKER MANAGEMENT RATING

BMR1A

Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.

BMR3++, BMR3+, BMR3

Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.

BMR1++, BMR1+, BMR1

Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.

BMR4++, BMR4+, BMR4

Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.

BMR2++, BMR2+, BMR2

Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.

BMR5

Weak regulatory compliance and business practices

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

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Foundation Securities (Private) Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BMR			
	15/06/2021	BMR2	Stable	Reaffirmed
	20/05/2020	BMR2	Stable	Reaffirmed
	10/07/2019	BMR2	Stable	Reaffirmed
	28/05/2018	BMR2	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.			
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2021 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.			