

## BROKER FIDUCIARY RATING REPORT

### Growth Securities (Private) Limited

**REPORT DATE:**

August 23, 2024

**RATING ANALYSTS:**

Shaheryar Khan Mangan

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#### RATING DETAILS

|                                |  |
|--------------------------------|--|
| <b>Broker Fiduciary Rating</b> | <b>BFR3+</b>   |
| <b>Rating Rationale</b>        | The rating signifies sound business & financial sustainability, adequate ownership & governance, management & client services and internal controls & regulatory framework |
| <b>Rating Date</b>             | August 23, 2024  |

#### COMPANY INFORMATION

|  |  |
|--|--|
| <b>Incorporated in 2005</b>                      | <b>External auditors:</b> Baker Tilly Mehmood Idrees Qamar Chartered Accountants |
| <b>Private Limited Company</b>                   | <b>Chief Executive Officer:</b> Mr. Muhamad Shahid                               |
| <b>Key Shareholders (with stake 5% or more):</b> |  |
| <i>Mrs. Mubammad Shahid ~ 51%</i>                |  |
| <i>Mr. Mubammad Iqbal ~ 49%</i>                  |  |

#### APPLICABLE METHODOLOGY

**Applicable Rating Criteria: Broker Fiduciary Ratings**<https://docs.vis.com.pk/Methodologies%202024/Broker-Fiduciary-Rating.pdf>

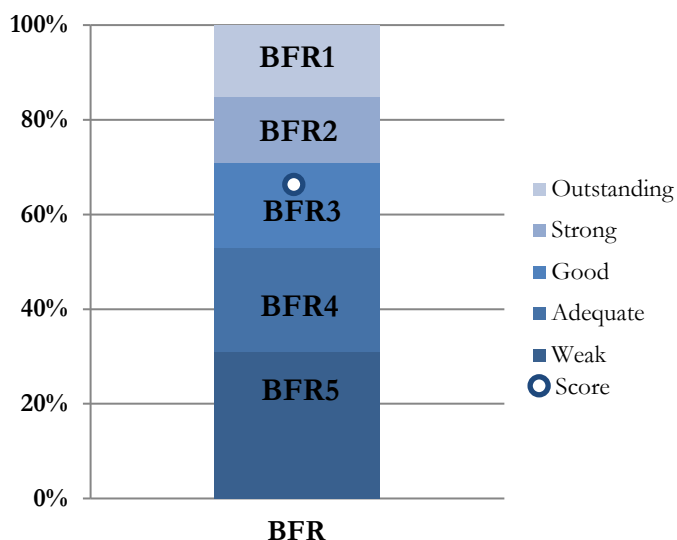
#### APPLICABLE RATING SCALE(S)

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

**Growth Securities (Private) Limited**

**CORPORATE PROFILE OVERALL GRADING**

Growth Securities (Private) Limited (GSPL) is engaged in ready-future arbitrage trading and provision of equity brokerage services to domestic clients. Key shareholders in the company include Mr. Muhammad Shahid (51%) and Mr. Muhammad Iqbal (49%).



GSPL is registered with Securities & Exchange Commission of Pakistan and holds Trading Rights Entitlement Certificate (TREC) issued by Pakistan Stock Exchange Limited (PSX) for Trading and Self-Clearing Services. External auditors of the company are Baker Tilly Mehmood Idrees Qamar, Chartered Accountants. Auditors are on the approved list of auditors published by the State Bank of Pakistan (SBP)

**Business and Financial Sustainability Indicators**

|   | FY24* | FY23   | FY22  |
|---|-------|--------|-------|
| Size of Net Worth (Rs. In Millions)                   | 594.8 | 561.1  | 575.6 |
| Gearing x (total interest bearing debt/ total equity) | 0.08x | 0.00x  | 0.28x |
| Leverage x (total liabilities/ total equity)          | 0.13x | 0.03x  | 0.32x |
| Liquid Assets/ Total Liabilities (x)                  | 4.58x | 19.40x | 2.87x |
| Short term Investments/ Total Equity (%)              | 52.8% | 46.4%  | 76.2% |

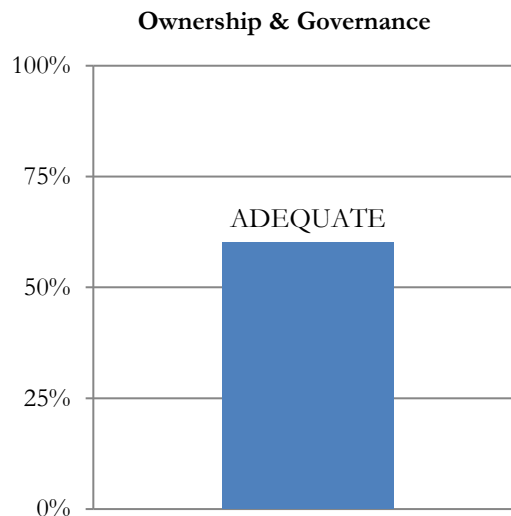
*\*Unaudited Accounts*

**Growth Securities (Private) Securities Limited**

**Rating Indicators**

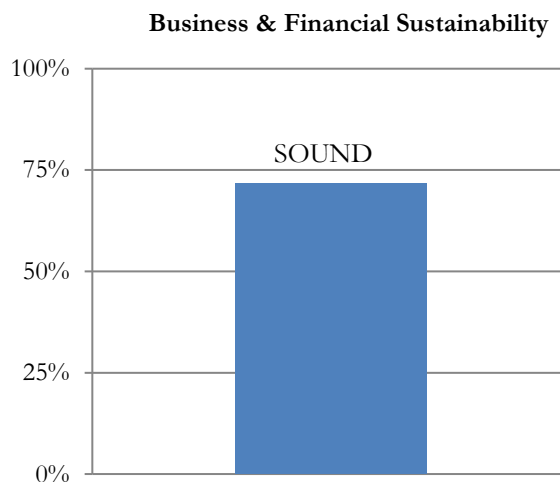
**Ownership & Governance**

- The Company is owned by two sponsoring directors, Mr. Muhammad Shahid and Mr. Muhammad Iqbal. At present, the board comprises of three members, including two sponsoring directors. The Board regularly meets every quarter for regular board meetings.
- The governance framework is supported by board committees comprising audit committee, risk management committee, investment committee and HR & remuneration committee. However, repetition of the members is observed across these committees.
- The governance framework may be enhanced by expanding the board size along with including independent directors and certified members. Likewise, this will avoid the repetition of members across board committees.
- Disclosure levels of the Company is sound.



**Business & Financial Sustainability**

- During FY24, the Company’s earning profile experienced a rebound, driven by healthy growth in income from ready-future business and brokerage commission, supported by higher market activity due to positive investor sentiment.
- Consequently, cost to income ratio improved in FY24, standing at 68.3% (FY23: 206.2%, FY22: 79.5%).
- Market risk of the Company stands at a moderate level, with short term investments accounting for 52.8% of the Equity base in FY24.
- Liquidity profile of the Company is considered sound, with liquid assets providing a sizeable coverage of 4.58x in FY24 (FY23: 19.40x, FY22: 2.87x) against its total liabilities.
- The Capitalization profile of the Company is supported by its unleveraged balance sheet, with no borrowings on its book. Additionally, loans from the sponsor provide support to the Company's equity.
- Overall, Business & Financial Sustainability is considered sound. Going forward, continued availability of sponsor loan and increase in the revenue stream of the Company along with improvement in the market risk as well as

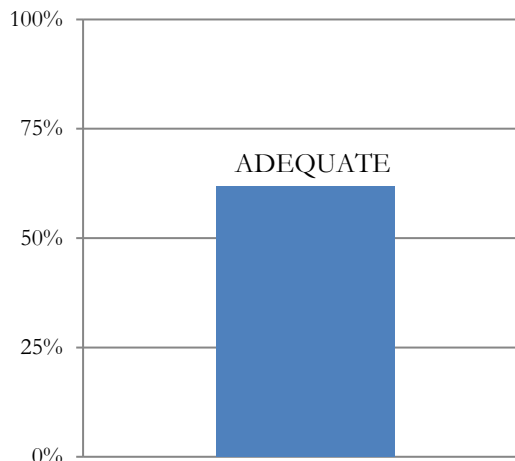


maintenance of the liquidity and capitalization profile of the Company will remain important for the rating.

**Management & Client Services**

- The Company has employed various channels, including a mobile app and an online trading platform for their clients to support them in executing transactions. Additionally, presence of fully integrated ERP platform also provide support to the Company’s management and client services. However, offering research reports to the clients and disclosure of commission rates on the website may enhance client services.
- Additionally, undertaking invitations and advertisements along with enhancing geographical diversification may improve customer reach.
- The Company has offsite backups under own control. However, outsourcing the same through a third party warehouse may the contingency measures of the Company. Likewise, enhancing disaster recovery and business continuity exercise may be considered for the same.

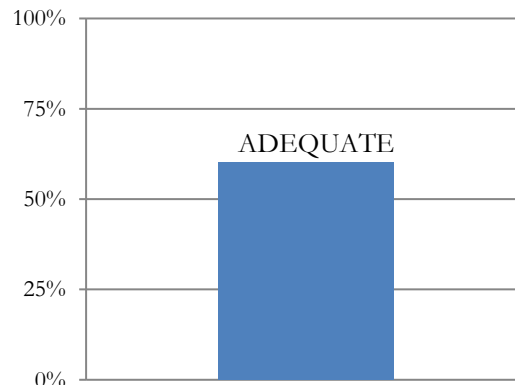
**Management & Client Services**



**Internal Controls & Regulatory Compliance**

- Internal policies are in place. However, enhancement in the scope of these policy frameworks including conflict of interest policy and employee trading policy may further improve the internal control framework.
- Trade review procedures are being developed. Establishment of the same may also further improve the internal control framework of the Company.
- According to the organogram, internal audit department reports to the compliance department. Creating a separate reporting line for the internal audit department may further enhance the Company’s 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.*

**Growth Securities (Private) Limited**

| REGULATORY DISCLOSURES              |   | Appendix I    |                       |                      |  |
|-------------------------------------|---|---------------|-----------------------|----------------------|--|
| <b>Name of Rated Entity</b>         | Growth Securities (Private) Limited   |               |                       |                      |  |
| <b>Sector</b>                       | Brokerage   |               |                       |                      |  |
| <b>Type of Relationship</b>         | Solicited   |               |                       |                      |  |
| <b>Purpose of Rating</b>            | Broker Fiduciary Rating (BFR)   |               |                       |                      |  |
| <b>Rating History</b>               | <b>Rating Date</b>  | <b>Rating</b> | <b>Rating Outlook</b> | <b>Rating Action</b> |  |
|                                     | <b>RATING TYPE: BFR</b>   |               |                       |                      |  |
|                                     | 23-Aug-24   | BFR3+         | Stable                | Initial              |  |
| <b>Instrument Structure</b>         | N/A   |               |                       |                      |  |
| <b>Statement by the Rating Team</b> | 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.  |               |                       |                      |  |
| <b>Probability of Default</b>       | N/A   |               |                       |                      |  |
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