

BROKER FIDUCIARY RATING REPORT

Darson Securities (Private) Limited

REPORT DATE:

 28th December, 2023

RATING ANALYSTS:

Syeda Batool Zehra Zaidi

batool.zaidi@vis.com.pk

RATING DETAILS

Broker Fiduciary Rating
BFR3+
Rating Rationale

The rating signifies adequate business and financial sustainability and adequate ownership and governance. Internal controls and regulatory compliance are considered sound while management and client services are strong.

Rating Date

 28th December, 2023

COMPANY INFORMATION

Incorporated on April 1998

External auditors: Muniff Ziauddin & Co Chartered Accountants

Private Limited Company
Chairperson of the Board: Mr. Muhammad Anwar Dar

Key Shareholders (with stake 5% or more):
Chief Executive Officer: Mr. Malik Dil Awayz Ahmed, CFA

Mr. Muhammad Farooq Dar ~ 37.6%
Mr. Muhammad Anwar Dar ~ 19.3%
Mr. Ayan Dar ~ 13.1%
Mr. Hassan Dar ~ 13.1%
Ms. Esba Dar ~ 19.3%

APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings 2021

<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

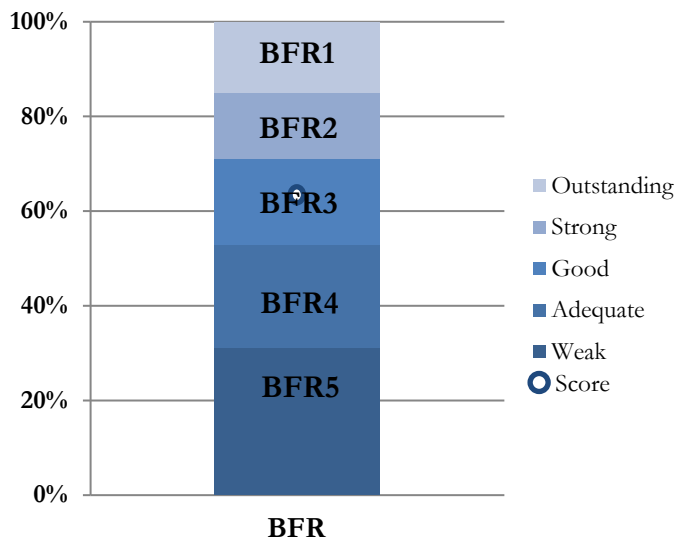
APPLICABLE RATING SCALE(S)

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

Darson Securities (Private) Limited

CORPORATE PROFILE **OVERALL GRADING**

Operating in the brokerage business for over 20 years, Darson Securities (Private) Limited (DSL) caters to equity broking services to both retail and foreign intuitional clients. DSL's operations are run through its corporate office in Karachi while the company's registered office is in Lahore. The Company has a network of 10 branches spread nationwide.



The company holds a Trading Right Entitlement Certificate (TREC) issued by the Pakistan Stock Exchange Limited (PSX) since 2000 for Trading & Self Clearing Services. External auditors of the company are Muniff Ziauddin & Co Chartered Accountants. Auditors are on the approved list of auditors published by the State Bank of Pakistan.

Business and Financial Sustainability Indicators

	FY23	FY22
Size of Net Worth (Rs. In Millions)	308	347
Gearing x (total interest bearing debt/ total equity)	0.01x	0.01x
Leverage x (total liabilities/ total equity)	0.40x	0.54x
Liquid Assets/ Total Liabilities (x)	1.71x	1.53x
Short term Investments/ Total Equity (%)	26%	26%

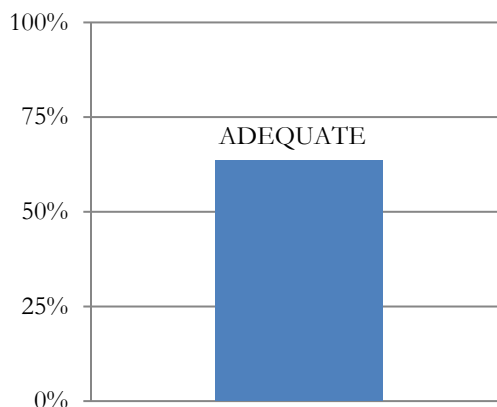
Darson Securities (Private) Limited

Rating Indicators

Ownership & Governance

- DSL is a private limited company comprising of a three member board. The Company has an audit, HR and risk committee.
- Increasing the board size along with inclusion of independent directors as well as certified members may be considered to avoid repetition of common members and overall strengthening of the governance framework.
- Disclosure levels of the Company are considered adequate, the same may be enhanced through addition of director’s report, CEO statement and Statement of Compliance with Code in the financial statement.

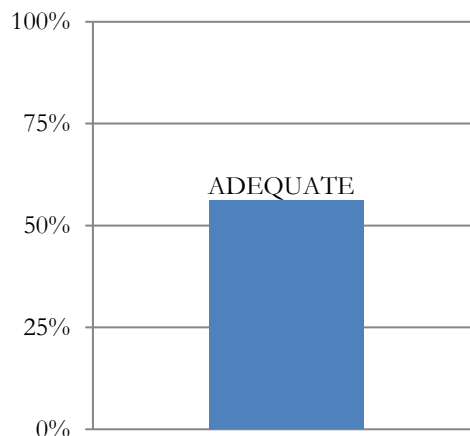
Ownership & Governance



Business & Financial Sustainability

- In line with industry trend, the Company’s operating profile came under pressure during FY23. Decrease in recurring revenues coupled with higher administrative expenses became a drag on profitability.
- The Company’s cost to income ratio depicts an increasing trend, during FY23, the same was reported to be 113%. (FY22 109%)
- Company depicts a sound liquidity profile, with liquid assets providing 1.71x coverage to total liabilities. (FY22 1.53x)
- Market risk is considered low on account of Company's low participation in proprietary trading.
- Capitalization indicators are considered manageable given low gearing and leverage ratios. However, the decline in equity base is a constraint to the future growth of the Company.
- Going forward, improvement in revenue augmentation, operational efficiency, maintenance of gearing and leverage as well as increasing the size of the equity will remain important for rating.

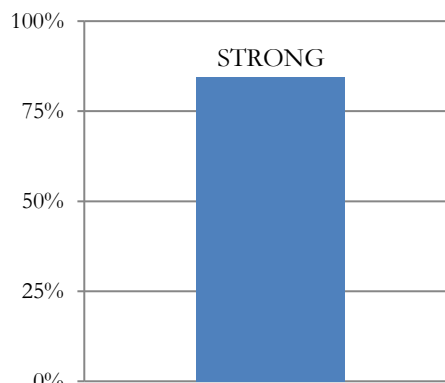
Business & Financial Sustainability



Management & Client Services

- Client servicing procedures are considered strong, mobile and web based trading, prompt trading alerts and various research reports are available to customers.
- Investor grievance procedures may be improved through the availability of complaint filing and tracking resources.
- Business continuity and contingency measures may be improved through maintaining backups at a third party warehouse.

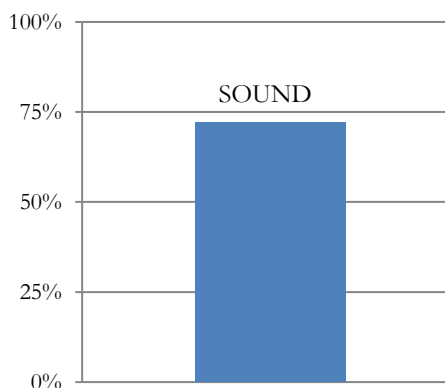
Management & Client Services



Internal Controls & Regulatory Compliance

- Overall internal control and regulatory compliance framework is considered sound.
- Company has laid out internal policies, however, further enhancement in the scope of the same may be considered.
- Company’s organizational structure is commensurate given the size of operations. Internal audit, compliance and risk management departments all operate independently

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.

Darson Securities (Private) Limited

REGULATORY DISCLOSURES		Appendix I		
Name of Rated Entity	Darson Securities (Private) 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			
	28-Dec-23	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	N/A			
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