

BROKER FIDUCIARY RATING REPORT**FDM Capital Securities (Private) Limited****REPORT DATE:**

31 August, 2022

RATING ANALYST:Syeda Batool Zehra Zaidi
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shaheryar@vis.com.pk**RATING DETAILS**

Broker Fiduciary Rating	BFR3 <i>Good Fiduciary Rating</i>
Rating Rationale	The rating signifies adequate governance, financial structure, client services and sound internal controls.
Rating Date	31 August, 2022

COMPANY INFORMATION

Incorporated in 2001	External auditors: M/s Rahman Sarfaraz Rahim Iqbal Rafiq – Chartered Accountants
Private Limited Company	Chairman/ CEO: Mr. Muhammad Farooq
Key Shareholders (with stake 5% or more):	
<i>Mr. Muhammad Farooq 93.5%~</i>	
<i>Mr. Muhammad Munir 6.5%~</i>	

APPLICABLE METHODOLOGY

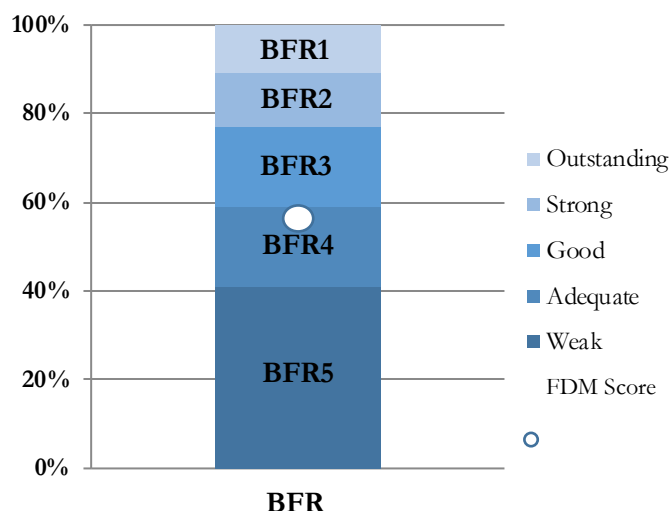
Applicable Rating Criteria: Broker Fiduciary Rating 2021
<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

FDM Capital Securities Private Limited

CORPORATE PROFILE

Incorporated in July 2001, FDM Capital Securities (Private) Limited (FDMCSL) is a private limited company principally engaged in brokerage of shares in ready and future market to local retail clients. Major shareholding of the company is vested with Mr. Muhammad Farooq, who serves as the Chief Executive Officer of the company. FDMCSL provides trading services to its customers through its registered office in Karachi.

OVERALL GRADING



FDMCSPL holds Trading Rights Entitlement Certificate (TREC) for Trading & Clearing Services granted by Pakistan Stock Exchange Limited (PSX). The Company has also acquired a membership of the Pakistan Mercantile Exchange Limited & Commodities Exchange (PMEX.) External auditors of the company are M/s Rahman Sarfaraz Rahim Iqbal Rafiq – Chartered Accountants. External auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP).

Business and Financial Sustainability Indicators

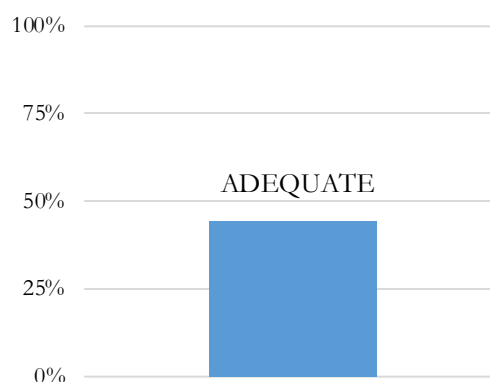
	FY20	FY21	HFY22	Latest two year average
Gearing Ratio (x)	0.0x	0.0x	0.0x	0.0x
Leverage Ratio (x)	0.63x	0.68x	0.60x	0.65x
Liquid Assets /Total Liabilities (x)	2.07x	1.68x	1.96x	1.88x
Short term Investments/ Equity (%)	67%	63%	57%	65%
Efficiency	76%	38%	76%	57%

Rating Indicators

Ownership & Governance

- Board size remains limited, inclusion of independent directors and certified members on the board may strengthen overall governance framework.
- Additionally, increase in board size may facilitate the formation of independently represented board committees.
- Disclosure levels are adequate; inclusion of statement of compliance with code, director’s report and CEO’s message may be considered.

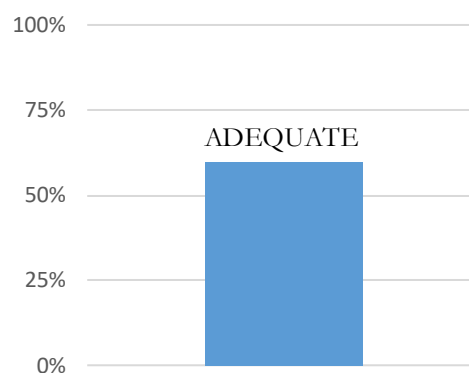
Ownership & Governance



Business & Financial Stability

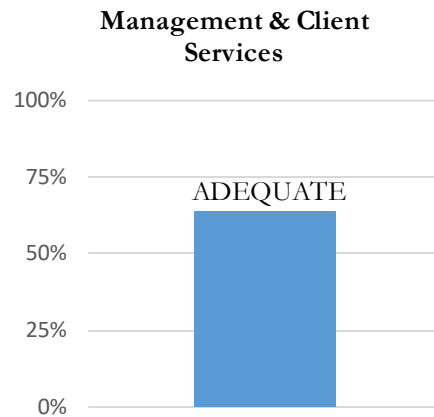
- The Company’s earning profile witnessed improvement, with major earnings tied to an increase in brokerage income during FY21. However, in the HY22, brokerage revenues have declined on the back of slowdown in market activity.
- As a result of uptick in brokerage revenues, cost to income ratio depicted notable improvement in FY21. Nevertheless, cost to income ratio remains on the higher side.
- Capitalization indicators remains sound with zero gearing, 0.68x leverage at end FY21 and 0.60x HYFY22. Maintenance of the same will remain important, going forward.
- Market risk is considered manageable. Although continued subdued market activity may elevate the risk.
- Rating remain sensitive to improvement in revenues and operational efficiency along with, sustainability of capitalization indicators. Equity growth through profit enhancement and retention will be key.

Business & Financial Sustainability



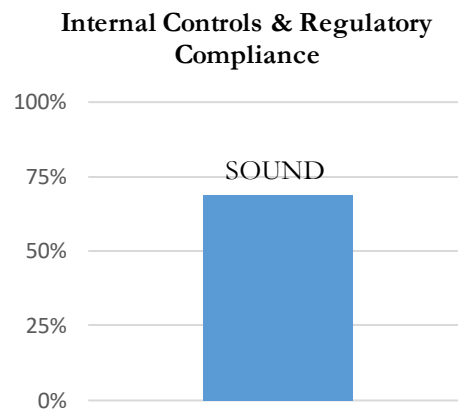
Management & Client Services

- Overall, management and client services is Adequate.
- Full integration of ERP platforms (trading, accounting, operations, and client service) has been noted positively.
- The Company’s grievance procedure has been enhanced through availability of sms based compliant lodging and tracking.
- Client services can be further enhanced through availability of research reports and commission rates on website.



Internal Controls & Regulatory Compliance

- Internal control framework is considered sound.
- Conflict of interest policies, employee trading policies and their scope are well defined and in place.
- Measures ensuring client’s confidentiality are also in place.



FDM Capital Securities Private Limited

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	FDM Capital 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			
	31/8/2022	BFR3	Stable	Reaffirmed
	5/8/2021	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.			
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