

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

03, January, 2023

**RATING ANALYST:**Syeda Batool Zehra Zaidi  
[batool.zaidi@vis.com.pk](mailto:batool.zaidi@vis.com.pk)

RATING DETAILS	
<b>Broker Fiduciary Rating</b>	<b>BFR3</b> <i>Good Fiduciary Rating</i>
<b>Rating Rationale</b>	The rating signifies adequate governance, business and financial sustainability, client services and sound control and regulatory compliance.
<b>Rating Date</b>	03 January, 2023

**COMPANY INFORMATION**

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

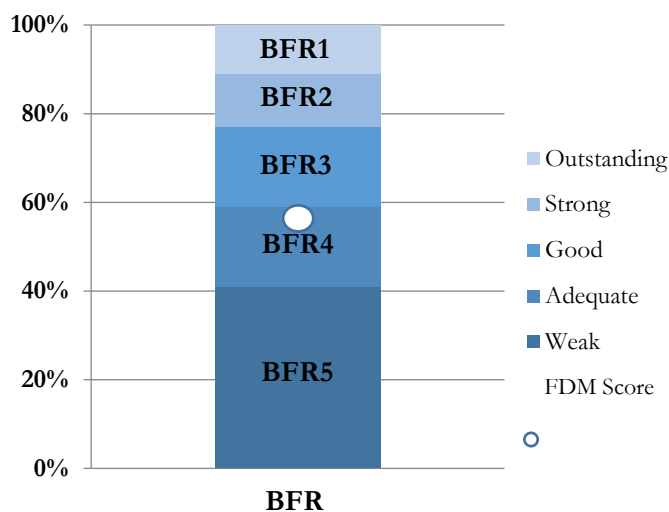
**APPLICABLE METHODOLOGY**

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

**FDM Capital Securities Private Limited**

**CORPORATE PROFILE** | **OVERALL GRADING**

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.



FDMCSPL holds Trading Rights Entitlement Certificate (TREC) for Trading & Self 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).

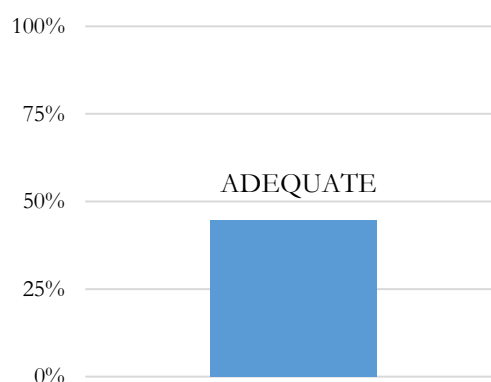
<b>Business and Financial Sustainability Indicators</b>			
	<b>FY21</b>	<b>FY22</b>	<b>Latest two year average</b>
<b>Gearing Ratio (x)</b>	0.09x	0.11x	0.10x
<b>Leverage Ratio (x)</b>	0.65x	0.50x	0.57x
<b>Liquid Assets /Total Liabilities (x)</b>	2.36x	2.06x	2.21x
<b>Short term Investments/ Equity (%)</b>	62%	55%	58%

## 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.

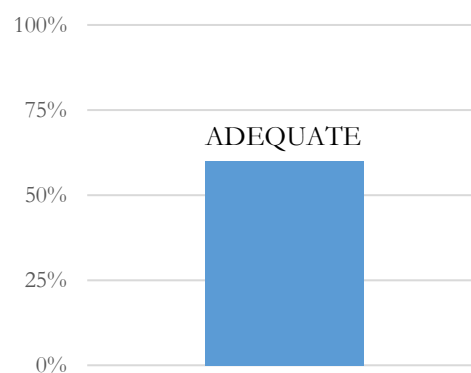
### Ownership & Governance



### Business & Financial Stability

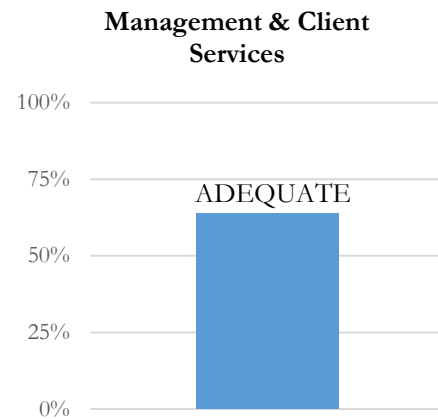
- During FY22, Company’s earning profile witnessed deterioration on account of slowdown in industry and decline in trading volumes.
- Decline in core brokerage income led to an increase in the Company’s cost to income ratio during FY22.
- Capital loss on investment portfolio also impacted profitability of the Company which recorded a loss of Rs. 47M at year end FY22.
- Liquidity profile of the Company is considered sound.
- Market risk, however, remains elevated, given small equity base.
- Gearing and leverage ratios are low with borrowings only from directors. However, equity erosion was recorded on account of losses in FY22.
- Overall, financial management is considered adequate. Improvement in profitability profile is considered important for business and financial sustainability.

### Business & Financial Sustainability



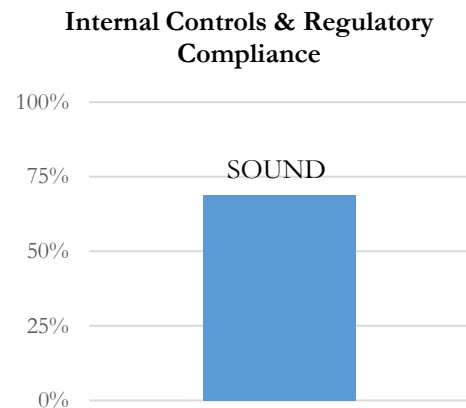
**Management & Client Services**

- Overall, management and client services is adequate.
- While the Company has a fully integrated ERP platform (trading, accounting, operations, and client service), client facilitation tools such as grievance recording procedures may be enhanced to improve client experience.
- Enhancing the research function and disclosure of commission rates on website may be considered



**Internal Controls & Regulatory Compliance**

- Regulatory control framework is considered sound.
- No non-compliance was reported.
- Measures ensuring client’s confidentiality are also in place.
- Internal policies are laid out, however, enhancing the scope of the same may be considered.



## FDM Capital Securities Private Limited

REGULATORY DISCLOSURES		Appendix II			
<b>Name of Rated Entity</b>	FDM Capital 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>				
	3/01/2023	BFR3	Stable	Reaffirmed	
	31/08/2022	BFR3	Stable	Reaffirmed	
	5/08/2021	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>	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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