

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

March 15, 2024

**RATING ANALYST:**

Shaheryar Khan Mangan

[shaheryar@vis.com.pk](mailto:shaheryar@vis.com.pk)**RATING DETAILS****Broker Fiduciary Rating****BFR3***Good Fiduciary Rating***Rating Rationale**

The rating signifies adequate governance, business and financial sustainability, client services and sound control and regulatory compliance.

**Rating Date**

March 15, 2024

**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):***Mr. Muhammad Farooq 93.5%~**Mr. Muhammad Munir 6.5%~***APPLICABLE METHODOLOGY****Applicable Rating Criteria: Broker Fiduciary Ratings:**<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>

**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 & 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).

**Business and Financial Sustainability Indicators**

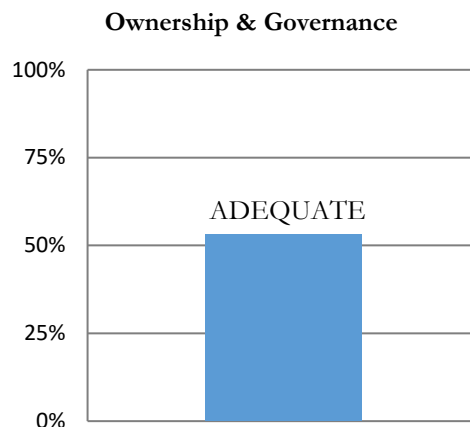
	6MFY24*	FY23	FY22
<b>Size of Net Worth (Rs. in Millions)</b>	335	264	272
<b>Gearing Ratio (x)</b>	0.00	0.01	0.11
<b>Leverage Ratio (x)</b>	0.88	0.46	0.50
<b>Liquid Assets /Total Liabilities (x)</b>	1.27	2.34	2.36
<b>Short term Investments/ Equity (%)</b>	54%	48%	55%

\*Unaudited Accounts

**Rating Indicators**

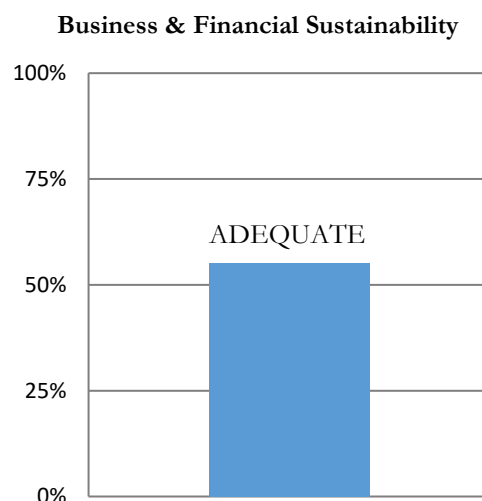
**Ownership & Governance**

- The board of directors of the Company is comprised of three members, without any independent representation. The Company also has two Board committees namely the audit committee and human resource committee, both of which share the same members.
- Increasing the size of the Board and including independent directors may enhance the governance framework of the Company. Additionally, this may help avoid repetition of common members across board committees and include more members in the same.
- An improvement in disclosure levels has been noted, with the inclusion of the statement of compliance with the code, the director's report, and the CEO's statement in the report, alongside the auditor's report, which was already published therein



**Business & Financial Stability**

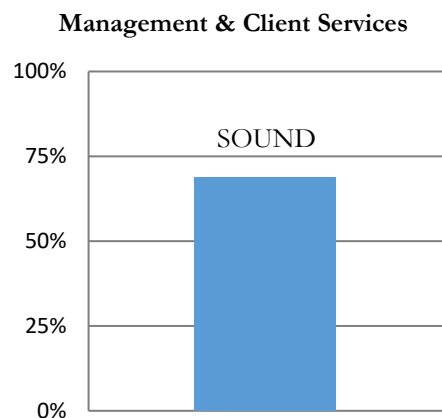
- After experiencing losses in FY23, the Company's profitability profile has depicted a strong rebound in 6MFY24 driven by the growth in brokerage revenue on the back of a resurgence in market volumes owing to restoration in investor confidence during the period. Additionally, capital gain on investment has also contributed to the Company's improved profitability.
- Consequently, the Company's cost-to-income ratio has experienced a notable improvement, however, it remains on the higher side.
- The liquidity profile of the Company is considered sound, given sound liquid assets coverage against total liabilities
- The Company's market risk remains elevated given sizeable short-term investments against equity.
- The Company has zero gearing given no debt on its book. However, the Company's leverage has shown an increase, however, it remains below 1x. On the other hand, the equity base of the Company has shown an increase in tandem with higher profits reported during 6MFY24.
- Going forward, augmentation in the Company's revenue base and improvement in market risk will remain important for the rating. Moreover, maintenance of



gearing and leverage indicators as well as the liquidity profile will remain important rating considerations.

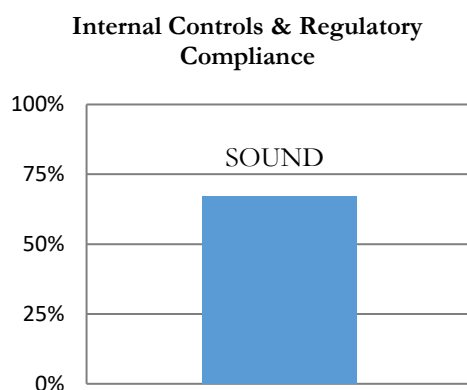
**Management & Client Services**

- Trade facilitation tools encompassing online trade and mobile trading application are in place. However, Complaint management tools maybe further improved through greater visibility.
- The Company’s organizational structure aligns with its scale of operation.
- The Company has the IT Policy for data security, onsite/offsite data storage and business continuity. Enhancement in the scope of the IT Policy may further improve its management & client services.
- Commission rates are disclosed on the website, boding well for the rating.
- Contingency measures may be further strengthened by securing offsite backups at third party warehouse as well as increasing the frequency of conducting disaster recovery and business continuity exercises to more than once a year.



**Internal Controls & Regulatory Compliance**

- The Company’s employee trading policy covers the conflict of interest. However, formulating a separate conflict of interest policy may strengthen the internal controls of the Company. Similarly, enhancement in the scope of other internal policies may be considered.
- Having a separate risk management function may provide further strength to the control framework.



***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.*

**FDM Capital Securities Private Limited**

<b>REGULATORY DISCLOSURES</b>		<b>Appendix I</b>		
<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>			
	15/03/2024	BFR3	Stable	Reaffirmed
	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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