

BROKER MANAGEMENT RATING REPORT

FDM Capital Securities (Private) Limited

REPORT DATE:

March 15, 2024

RATING ANALYSTS:

Shaheryar Khan Mangan

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Rating Category	Latest Rating
Broker Management Rating	BMR3++
Rating Rationale	The rating signifies sound external control, client relationship, and compliance and risk management. Regulatory requirements, internal controls, financial management, HR and infrastructure are considered adequate.
Rating Date	March 15, 2024

COMPANY INFORMATION

Incorporated in 2001	External auditors: Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants
Private Limited Company	CEO/Board Chairman: Mr. Muhammad Farooq
Key Shareholders (with stake 5% or more):	
<i>Mr. Muhammad Farooq ~ 93.52%</i>	
<i>Mr. Muhammad Munir ~ 6.48%</i>	

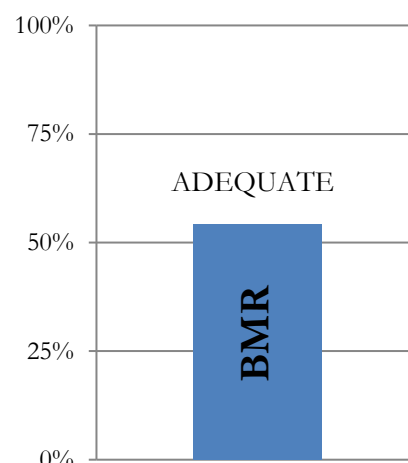
APPLICABLE METHODOLOGY & RATING SCALES

Applicable Rating Criteria: Broker Management Ratings:
<https://docs.vis.com.pk/docs/BMR202007.pdf>
VIS Issue/Issuer Rating Scale:
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Corporate Profile

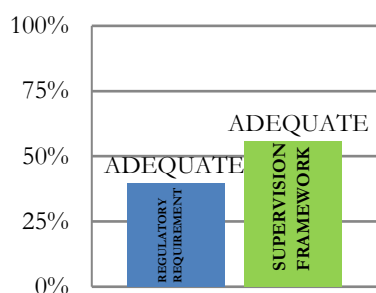
FDM Capital Securities (Pvt.) Limited (FDMCSL), incorporated in July 2001, is a private limited company, and is principally engaged in brokerage of shares in ready and future market to local retail clients. Major shareholding of the company is vested with Mr. Muhammad Farooq, who serves as the Chief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

FDMCSL is a private limited company holding Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), and is registered with SECP to provide Trading & Self Clearing Services. 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).



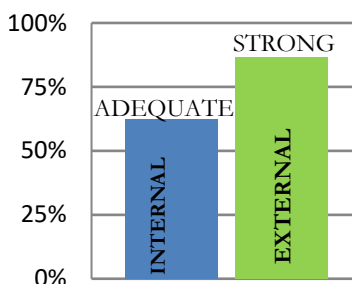
Rating Factors Scores

Regulatory Requirement & Supervision Framework



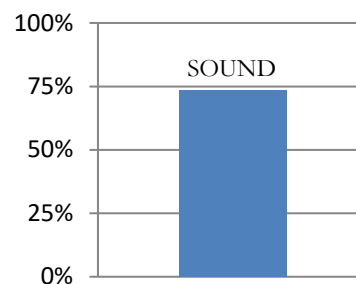
- The board of directors of the Company is comprised of three members, without any independent representation. The Company also has two Board committees namely the audit committee and human resource committee, both of which share the same members.
- Increasing the size of the Board and including independent directors could enhance the governance framework of the Company. Additionally, this may help avoid the repetition of common members across board committees and include more members in the same.

Internal & External Control Framework



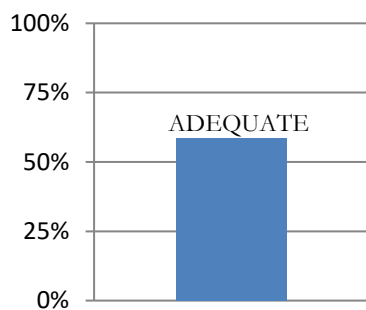
- The Company's employee trading policy covers the conflict of interest. However, formulating a separate conflict of interest policy may strengthen the internal controls of the Company. Similarly, enhancement in the scope of other internal policies may be considered.
- An improvement in disclosure levels has been noted, with the inclusion of the statement of compliance with the code, director's report, and CEO's statement in the report while auditor's report already published in the same.

Client Relationship & Fairplay



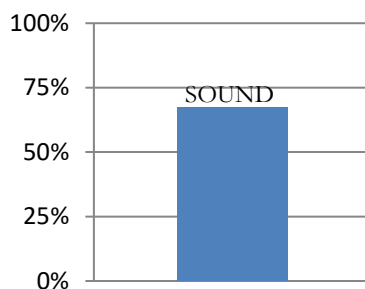
- Trade facilitation tools encompassing online trade and mobile trading application are in place. However, Complaint management tools maybe further improved through greater visibility.
- Commission rates are disclosed on the website, boding well for the rating.
- The Company's geographical diversification remains constrained, improvement in the same may provide sustainability and growth to the Company.

HR & Infrastructure



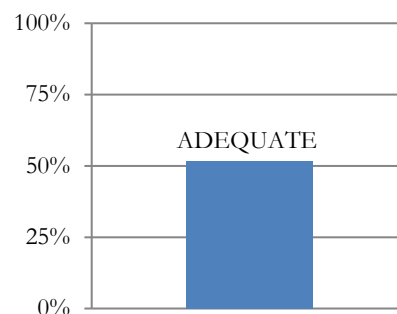
- The Company's organizational structure aligns with its scale of operation.
- The Company has the IT Policy for data security, onsite/offsite data storage and business continuity. Enhancement in the scope of the IT Policy may further improve framework.
- Contingency measures may be further strengthened 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.

Compliance & Risk Management



- The Credit policy of the Company is in place.
- Increasing the IDS clients to at least 25% may be considered.
- Having a separate risk management function may provide further strength to the risk management framework.

Financial Management



- After experiencing losses in FY23, the Company's profitability profile has rebounded in 6MFY24 driven by the growth in brokerage revenue. Additionally, capital gain on investment has also contributed to the Company's improved profitability.
- Consequently, the Company's efficiency ratio has also experienced a notable improvement, however, it remains on the higher side.
- Liquidity profile of the Company remains sound.
- The Company's market risk remains elevated given sizeable short-term investments against equity
- Gearing ratio is zero while leverage has increased, 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 also remain important rating consideration.

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	FDM Capital Securities (Pvt.) Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	15/03/2024	BMR3++	Stable	Reaffirmed
	03/01/2023	BMR3++	Stable	Reaffirmed
	29/ 11/ 2021	BMR3++	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	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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