

## BROKER MANAGEMENT RATING REPORT

### FDM Capital Securities (Private) Limited

**REPORT DATE:**

April 15, 2025

**RATING ANALYSTS:**

Shaheryar Khan Mangan

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Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR3++</b>
<b>Rating Rationale</b>	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.
<b>Rating Date</b>	April 15, 2025

#### COMPANY INFORMATION

<b>Incorporated in 2001</b>	<b>External auditors:</b> Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants
<b>Private Limited Company</b>	<b>CEO/Board Chairman:</b> Mr. Muhammad Farooq
<b>Key Shareholders (with stake 5% or more):</b>	
<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/Methodologies%202024/Broker-Management.pdf>

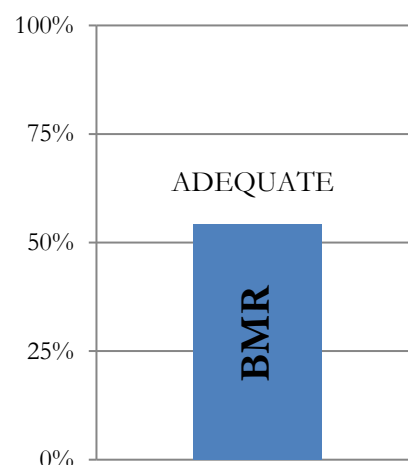
**VIS Issue/Issuer Rating Scale:**

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

#### Corporate Profile

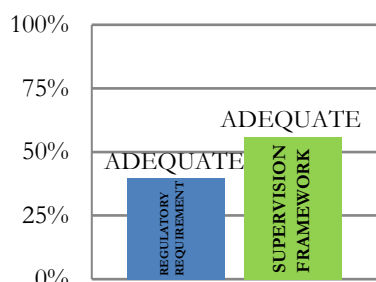
FDM Capital Securities (Pvt.) Limited (FDMCSL), incorporated in July 2001, is a private limited company, and is principally engaged in brokerage of shares in ready and future market to local retail clients. Major shareholding of the Company is vested with Mr. Muhammad Farooq, who serves as the Chief 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 are placed in category 'A' of the approved list of auditors published by the State Bank of Pakistan (SBP).



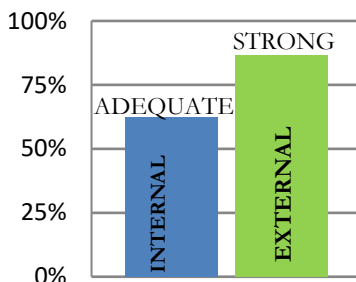
**Rating Factors Scores**

**Regulatory Requirement & Supervision Framework**



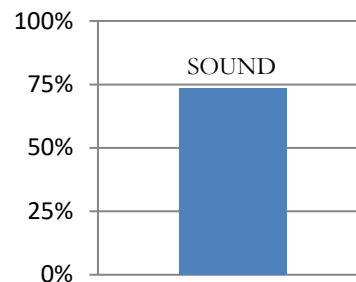
- The Company’s board of directors consists of three members, with no independent representation. Additionally, the Company has two board committees, Audit and Human Resource, both with the same composition.
- Increasing the board size, along with adding independent and certified directors, may enhance the Company's governance framework. Similarly, this would enable the establishment of additional board committees with a more diversified composition.

**Internal & External Control Framework**



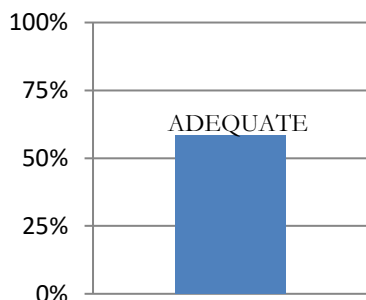
- The Company’s internal control framework is considered sound, with internal policies in place. However, enhancement in the scope of these policies coupled with formulating a separate conflict of interest policy may further enhance control framework.
- External control framework of the Company is supported by sound disclosure levels of the Company.

**Client Relationship & Fairplay**



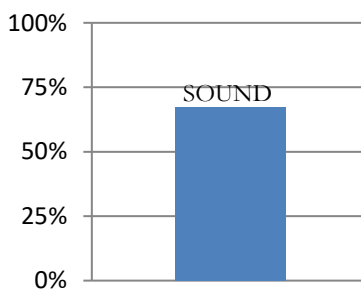
- The Company has established various channels, including mobile and web-based trading platforms, to facilitate client transactions. Additionally, the Company provides research reports to its clients to support devising investment strategies.
- However, user friendly investor grievance procedures with greater visibility on the website may improve customer relationship.
- Additionally, undertaking more marketing efforts and advertisements may facilitate Customer reach.

**HR & Infrastructure**



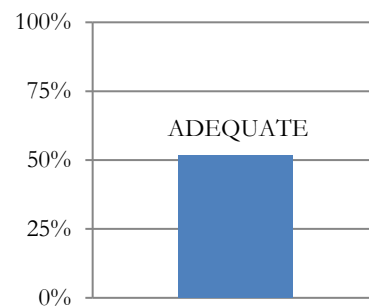
- The Company’s HR and infrastructure may be strengthened by establishing a fully integrated ERP platform. Additionally, expanding the scope of the IT policy may further enhance this framework.
- Contingency measures of the Company are in place. However, these may be further strengthened by outsourcing offsite backups to a third-party warehouse and increasing the frequency of disaster recovery exercises.

**Compliance & Risk Management**



- The Company’s compliance and risk management is considered sound, with a defined credit policy in place.
- Establishing a separate risk management function could further enhance the control environment.

**Financial Management**



- After consecutive losses in FY22 and FY23, the Company’s negative bottom line reversed sharply in FY24. The turnaround momentum continued in 1HFY25. This recovery was driven by higher brokerage revenues amid a surge in market activity, along with higher unrealized gains.
- Consequently, the Company’s operational efficiency recorded a notable improvement, with cost-to-income ratio coming down to 58.5% in 1HFY25 (FY24: 85.1%, FY23: 150.0%).
- Market risk is assessed as moderate, as short-term investments in relation to equity are reported at 51.5% as at Dec’24 (Jun’24: 57.7%, Jun’23: 47.7%).
- Liquidity profile of the Company is considered sound, with liquid assets covering 1.78x of the total liabilities as at Dec’24 (Jun’24: 2.13x, Jun’23: 2.34x).
- With an increase in the Company’s profitability, the equity base of the Company recorded growth. Capitalization profile of the Company is supported by debt free balance sheet with leverage indicator standing at 1.08x as at Dec’24 (Jun’24: 0.68x, Jun’23: 0.46x).
- Going forward, enhancing, and diversifying revenue base, along with improvement in market risk as well as maintenance of operational efficiency, liquidity profile and capitalization indicators will remain important for the assigned rating.

REGULATORY DISCLOSURES		Appendix I		
<b>Name of Rated Entity</b>	FDM Capital Securities (Pvt.) Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Management Rating (BMR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	4/15/2025	BMR3++	Stable	Reaffirmed
	15/03/2024	BMR3++	Stable	Reaffirmed
	03/01/2023	BMR3++	Stable	Reaffirmed
	29/ 11/ 2021	BMR3++	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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