

BROKER MANAGEMENT RATING REPORT

Fortune Securities Limited

REPORT DATE:

12 October, 2021

RATING ANALYSTS:

Sara Ahmed

sara.ahmed@vis.com.pk

Batool Zaidi

batool.zaidi@vis.com.pk

APPLICABLE

METHODOLOGY:

Broker Management Ratings 2020:

<https://docs.vis.com.pk/docs/BMR202007.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The rating signifies strong external control framework, sound client relationship and HR and infrastructure, internal control framework and risk management while regulatory requirement and supervision and financial management are considered adequate.
Rating Date	12 October, 2021

COMPANY INFORMATION

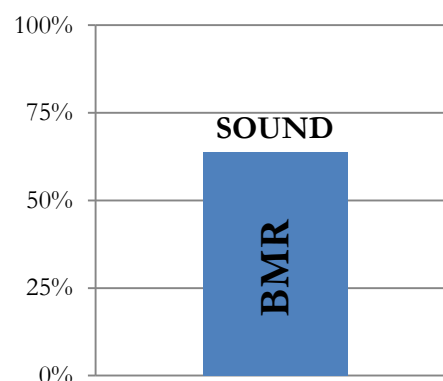
Incorporated in 1994	External auditors: M/s Naveed Zafar Ashfaq Jaffery & Co. – Chartered Accountants
Public Unquoted Company	Chairman of the Board: Mr. Shahid Ali
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Anis Ur Rahman
<i>Mr. Anees Ur Rahman ~48%</i>	
<i>Ms. Shamama Arif Rahman ~39.99%</i>	
<i>Mr. Nabeel Tajammal ~7.99%</i>	

Corporate Profile

Fortune Securities Limited (FSL) is a public unlisted company incorporated in 1994. The company is principally engaged in brokerage of shares, securities, commodities, research and other financial instruments. Major shareholding of the company is vested with Mr. Anis Ur Rahman who serves as the Chief

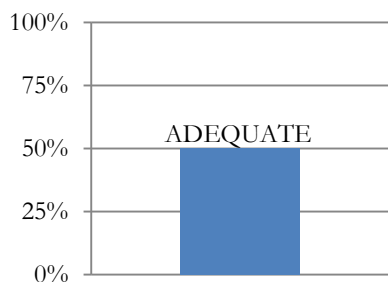
Executive Officer of the company. FSL runs its operations through two of its registered offices located in Karachi.

Fortune Securities Limited has a TREC (Trading Right Entitlement Certificate) for Trading and Clearing Services granted by Pakistan Stock Exchange Limited (PSX). External auditors of the company are M/s Naveed Zafar Ashfaq Jaffery & Co. – Chartered Accountants. Auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP).



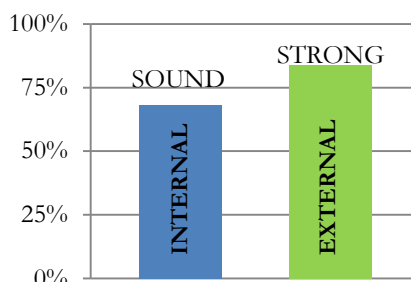
Rating Factors Scores

Regulatory Requirement & Supervision



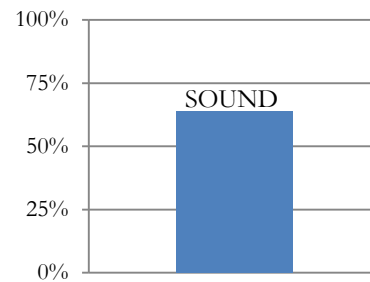
- The Board is represented by three certified members with independent representation. However increasing the board size may avoid repetition of members on Board committees and further strengthen the governance framework.
- Acquisition of additional licenses may support larger trading activity.

Internal & External Control Framework



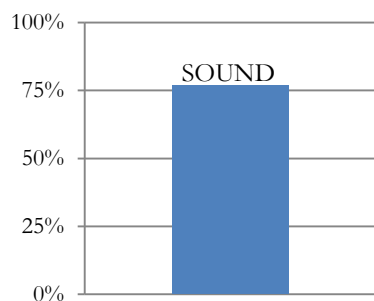
- Scope of internal policies is well defined; however dissemination of the same to all stakeholders may further enhance the control framework.
- Overall internal control framework is considered sound.
- External control framework is strong with good disclosure levels.

Client Relationship & Fairplay



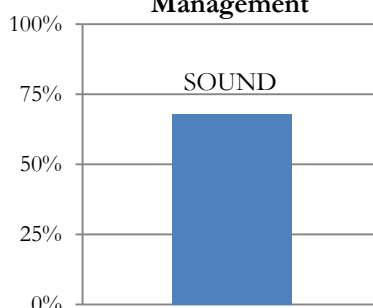
- Overall client relationship and fair play is sound; sms and web based complaint and tracking system is available to manage investor grievances. However, increasing the frequency of reporting to customers may be considered for further enhancement of client services.
- Geographical diversification may support future business growth.

HR & Infrastructure



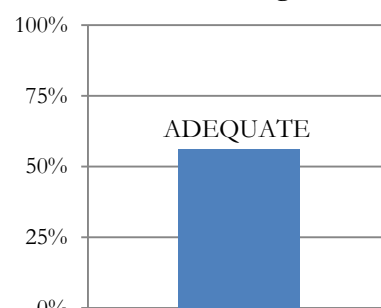
- IT status is upgraded with a fully integrated ERP platform.
- Overall organizational structure is compatible with the size of operations. Disaster recovery and business continuity measures are also in place.

Compliance & Risk Management



- An independent risk management department, recently established is expected to assist in credit evaluation of customers.
- Propriety trading is done through designated terminals.
- No outstanding audit issues.
- Overall, compliance and risk management considered sound.

Financial Management



- Profitability profile witnessed significant improvement on the back of higher brokerage and margin finance business driven by increase in market trading volumes. Efficiency reflected through improvement in cost to income ratio during FY21 on account of improved profitability. Maintaining the same at lower levels will be important for rating.
- Capitalization indicators increased but remained manageable during FY21; gearing was reported at 0.30x (FY20 0.22x) while leverage was reported at 1.44x (FY20 1.41x).
- Liquidity profile remains adequate.
- The company's market risk remained minimal owing to decline in short term investments during FY21.
- Overall financial management remained adequate. Going forward, diversifying and increasing revenue streams, maintaining acceptable capitalization levels and improvement in market share will remain important for the rating.

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: [BROKER MANAGEMENT RATING](#)

BMR1A

Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.

BMR1++, BMR1+, BMR1

Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.

BMR2++, BMR2+, BMR2

Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.

BMR3++, BMR3+, BMR3

Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.

BMR4++, BMR4+, BMR4

Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.

BMR5

Weak regulatory compliance and business practices

Rating Outlooks:

The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.vis.com.pk/images/criteria_outlook.pdf

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	Fortune Securities Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BMR			
	12/ 10/ 2021	BMR2	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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