

BROKER MANAGEMENT RATING REPORT

Fortune Securities Limited

REPORT DATE:

22 November, 2022

RATING ANALYSTS:

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APPLICABLE

METHODOLOGY:

Broker Management Ratings 2020:

[https://docs.vis.com.pk/docs/BMR202007.](https://docs.vis.com.pk/docs/BMR202007.pdf)

[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	22 November, 2022

COMPANY INFORMATION

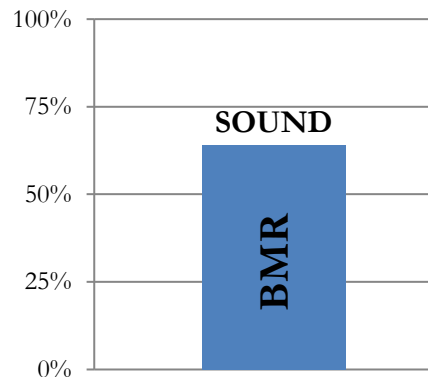
Incorporated in 1994	External auditors: M/s Naveed Zafar Ashfaq Jaffery & Co. – Chartered Accountants
Public Unquoted Company	Chairman of the Board: Mr. Shahid Ali
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Anis Ur Rahman
<i>Mr. Anis Ur Rahman ~48%</i>	
<i>Ms. Shamama Arif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

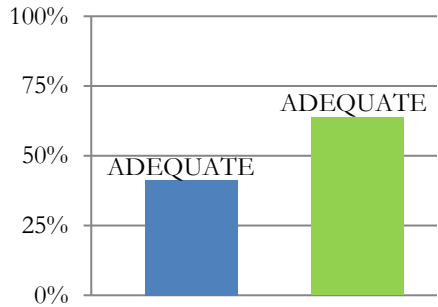
Executive Officer of the company. FSL runs its operations through two of its registered offices located in Karachi.

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).



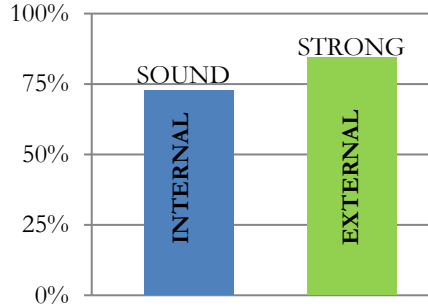
Rating Factors Scores

Regulatory Requirement & Supervision Framework



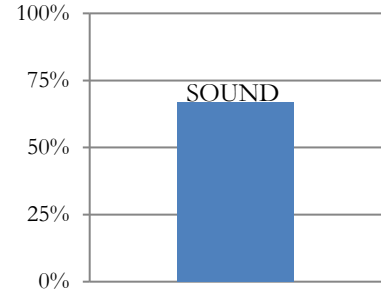
- The Company's board comprises of three certified members along with independent representation, additionally the Company has also formulated Audit, HR, Risk and Investment Committees. However, repetition of common members in the same have been observed.

Internal & External Control Framework



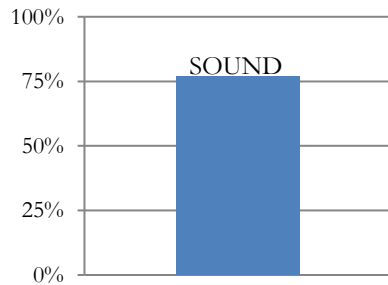
- Dissemination of internal policies with all stakeholders has been noted which augers well for the Company.
- All internal policies are reinforced ensuring frequent periodic reviews
- External control framework continues to remain strong with sound disclosure levels.

Client Relationship & Fairplay



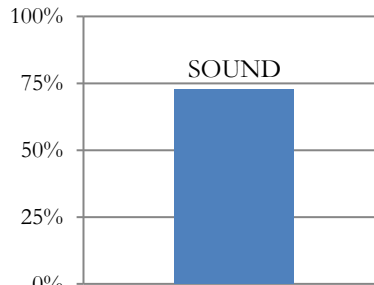
- Overall client relationship and fair play continues to remain sound.
- Client servicing procedures have been under pinned through deploying prompt alerts upon trade execution.
- Disclosure of commission slabs on the Company's website has been noted.

HR & Infrastructure



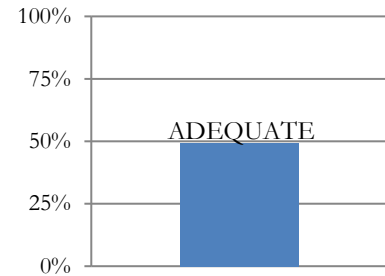
- Measures to prevent recovery from potential threats are in place, data is backed up at three different locations greater than once in a year.
- Overall HR & infrastructure of the Company is considered to be sound.

Compliance & Risk Management



- Reviewing non-complaint and suspicious trades is done more frequently, frequency of review has been changed to monthly from quarterly basis.
- Overall, compliance and risk management continue to remain sound.

Financial Management



- In line with the declining market trend, the Company's earning profile witnessed deterioration during FY22. Capital losses coupled with losses on re-measurement of investments were a drag on profitability.
- Subsequently, cost to income ratio also witnessed deterioration, quantum of operational expenses to recurring revenues was reported to be 120% (FY21 53%) during the year.
- Capitalization indicators remain manageable while liquidity profile further weakened providing only 32% coverage to liabilities during FY22 (FY21 57%)
- The company's market risk has historically remained low.
- Overall financial management remained adequate. Revenues continue to remain dependent on brokerage, going forward, diversifying and increasing revenue streams, maintaining acceptable capitalization levels along with effective cost control measures 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			
	22/11/2022	BMR2	Stable	Reaffirmed
	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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