

## BROKER MANAGEMENT RATING REPORT

### Fortune Securities Limited

**REPORT DATE:**

February 27, 2024

**RATING ANALYSTS:**

Shaheryar Khan Mangan

[shaheryar@vis.com.pk](mailto:shaheryar@vis.com.pk)

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2</b>
<b>Rating Rationale</b>	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.
<b>Rating Date</b>	February 27, 2024

#### COMPANY INFORMATION

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

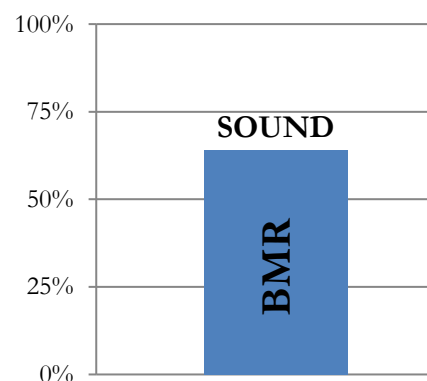
#### APPLICABLE METHODOLOGY & RATING SCALES

**Applicable Rating Criteria: Broker Management Ratings 2020**
<https://docs.vis.com.pk/docs/BMR202007.pdf>
**VIS Issue/Issuer Rating Scale:**
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

#### Corporate Profile

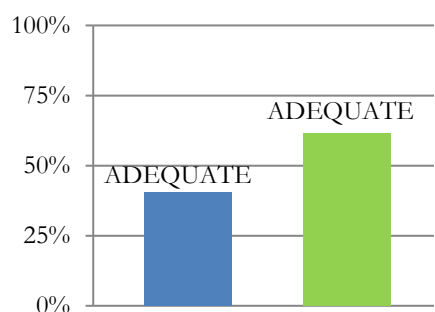
Fortune Securities Limited (FSL) is a public unlisted company incorporated in 1994. The company is principally engaged in brokerage of shares, securities, commodities, research and other financial instruments. Major shareholding of the company is vested with Mr. Anis Ur Rahman who serves as the Chief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



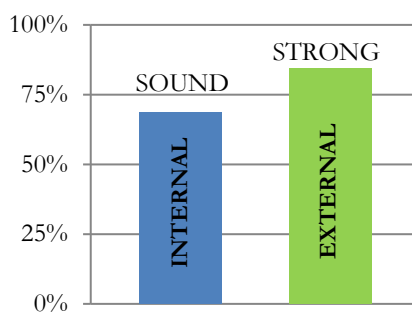
**Rating Factors Scores**

**Regulatory Requirement & Supervision Framework**



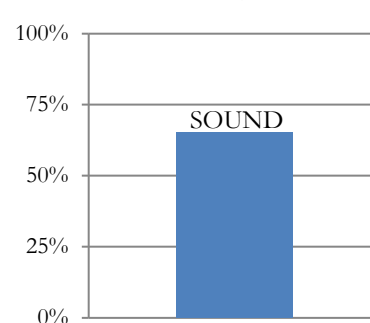
- At present, the Company’s board comprises of 3 directors, including one independent director. Limited Board size remains a constraint to effective governance and management oversight.
- Increasing the board size along with independent representation as well as having more certified directors may enhance the governance framework. Similarly, the same will help in avoiding the same members across the board committees.

**Internal & External Control Framework**



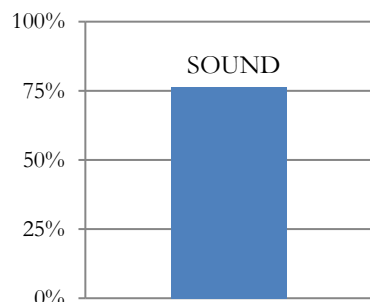
- Internal policies of the Company are in place. However, enhancement in the scope of these policies may be considered.
- Sharing the conflict of interest policy with both staff and customers may strengthen the internal controls of the Company. Similarly, more frequent reporting of personal trade details to the compliance may further enhance the same.
- Sound disclosure levels have bode well for the external control framework of the Company.

**Client Relationship & Fairplay**



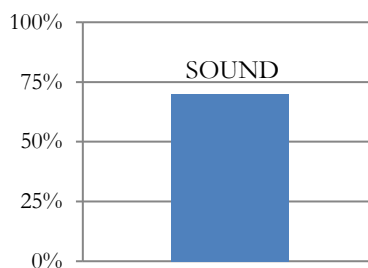
- The Company has implemented electronic trading platforms through mobile and web-based trading to facilitate clients in executing the transactions. However, client grievance procedures may be improved for greater visibility.
- Deployment of prompt alerts upon trade execution may improve the client services of the Company.
- Increasing geographical footprints may be considered for business sustainability and growth of the Company.

**HR & Infrastructure**



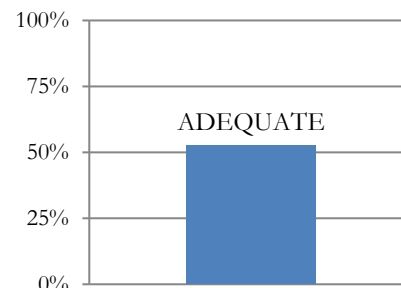
- Contingency measures of the Company may be improved by securing offsite at third party warehouse.
- IT policy of the Company is in in place, enhancement in the scope of the same may be considered.
- Overall, HR & infrastructure continue to remain sound.

**Compliance & Risk Management**



- The Compliance and risk management of the Company is considered sound.
- The Company’s internal audit, compliance and risk management operate independently, boding well for the compliance and risk management framework.

**Financial Management**



- During FY23, the Company reported loss of Rs.53.6m (FY22: Rs.-43.3m) on account of constraint in brokerage revenue amid slowdown in market activity. However, 6MFY24 witnessed a resurgence in the market activity, resulting in a profit of Rs.10.5m.
- Subsequently, cost to income ratio improved to 81.6% during 6MFY24 (FY23: 146.9%, 119.7%).
- Liquidity profile provides low coverage to its total liabilities, posing a constraint on the rating.
- The market risk of the Company has elevated to 67.0% (FY23: 5.9%, FY22: 3.1%) in 6MFY24 with the buildup in proprietary book.
- Gearing ratio is considered adequate while leverage ratio has increased. Equity base of the Company is small.
- Going forward, improvement in efficiency ratio, liquidity metric, maintaining acceptable capitalization levels as well as augmentation in the revenue base will remain important for the rating.

<b>REGULATORY DISCLOSURES</b>		<b>Appendix I</b>		
<b>Name of Rated Entity</b>	Fortune Securities 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>
	<b><u>RATING TYPE: BMR</u></b>			
	27/02/2024	BMR2	Stable	Reaffirmed
	22/11/2022	BMR2	Stable	Reaffirmed
	12/ 10/ 2021	BMR2	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.			
<b>Disclaimer</b>	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2024 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.			