

BROKER MANAGEMENT RATING REPORT

Topline Securities Limited

REPORT DATE:

February 6th, 2019

RATING ANALYSTS:

Muhammad Tabish

muhammad.tabish@jcrvis.com.pk**APPLICABLE****METHODOLOGY:**

Broker Management Ratings 2017:

<http://jcrvis.com.pk/docs/BMR2>[01701.pdf](#)

Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The rating signifies strong HR & IT services; sound external control and risk management along with adequate regulatory compliance levels, internal control framework, client relationship and financial management.
Rating Date	6th February 2019

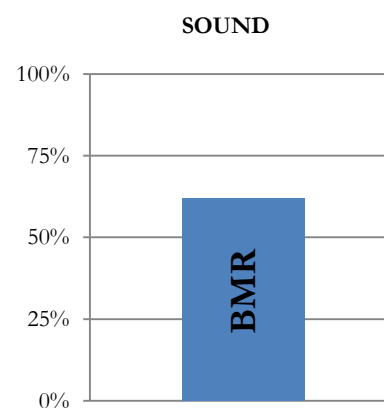
COMPANY INFORMATION

Incorporated in 2001	External auditors: M/s Naveed Zafar Ashfaq Jaffery & Co. – Chartered Accountants
Public Unlisted Company	Chairman of the Board: Mr. Mohammad Sohail
Key Shareholders (with stake 5% or more): Mr. Mohammad Sohail – 70.91%; Mr. Haroon Fatani – 22.3%; Mr. Amir Fatani – 6.8%	Chief Executive Officer: Mr. Mohammad Sohail

Corporate Profile

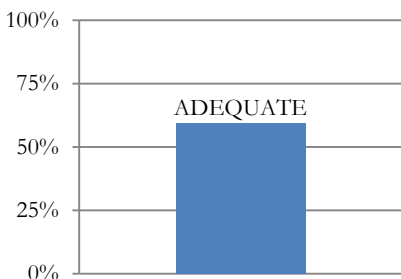
Topline Securities Limited (TSPL) was incorporated in 2001 as a private limited company under Companies Ordinance, 1984. During 2017, the company changed its status from private to public unlisted company. Besides equity brokerage and research, Topline Securities is engaged in commodity trading, advisory, investment banking and other capital market deals in Pakistan.

TSPL is registered with Securities Exchange Commission of Pakistan (SECP) and holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX) and holds a membership card of Pakistan Mercantile Exchange Limited. Major ownership of TSPL is divided among three individuals; Mr. Mohammad Sohail (Chairman & CEO) owes 70.9% of the company, Mr. Haroon Fatani owes 22.3% and the remaining shareholding of 6.8% is held by Mr. Amir Fatani. 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).



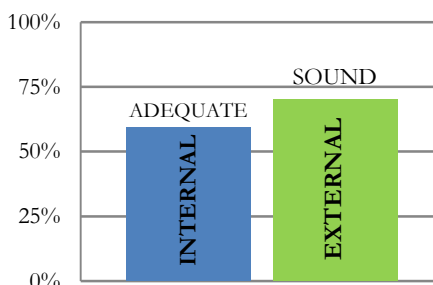
Rating Factors Scores

Regulatory Requirements & Supervision



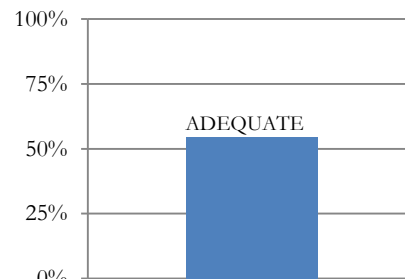
- Independent director chairing the BAC Committee is in line with international best practices.
- Formation of Board level Risk Management Committee would add to corporate governance levels.
- Directors' training for all the directors needs to be encouraged.

Internal & External Control Framework



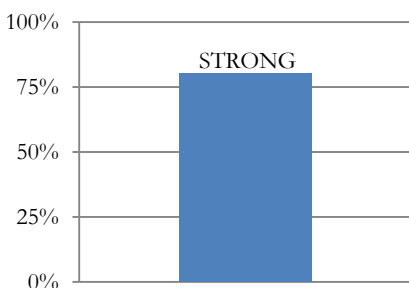
- Personal trades are reported at periodic intervals for greater control levels.
- Conflict of interest policy is duly being shared with both staff and clients in order to strengthen controls.
- Employee trading guidelines may be developed further to include holding and black out period.
- Sound maintenance of privacy of clients trades.

Client Relationship & Fairplay



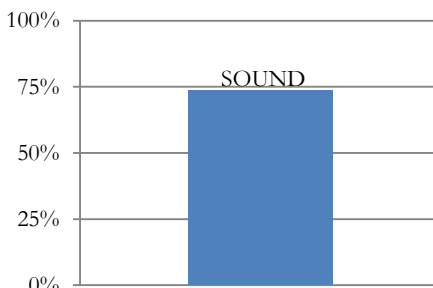
- Execution of trades is considered sound while reporting of the same is available online to customers.
- Risk disclosure is shared with all customers that add transparency in client relationship management.
- Customer grievances process is in place; however, an addition of sms text complaint service would improve the accessibility to customers.

HR & Infrastructure



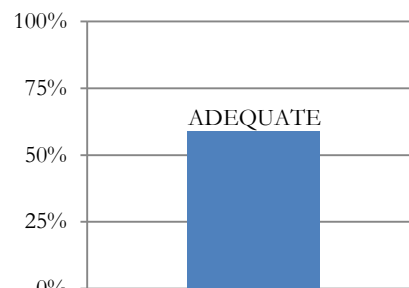
- The company has sound organizational structure with all key positions remain filled with qualified management.
- Improvement was witnessed in disaster recovery exercise intervals.

Compliance & Risk Management



- Internal audit, risk management and compliance functions exist independently.
- Improvement in credit evaluation policies for credit limits was observed.
- Given four-fifth volume of transactions are conducted through IDS, credit risk is considered manageable.

Financial Management



- Brokerage income currently represents around nine-tenth of the company's revenues.
- Operating efficiency was reported higher during FY18 on account of higher decline in brokerage revenue; however the same compares well to peers.
- Going forward, diversification in revenue streams is expected given corporate finance & advisory service pipeline.

JCR-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.

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.

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.

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.

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.

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.jcrvis.com.pk/images/criteria_outlook.pdf

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Topline 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			
	06/01/2019	BMR2	Stable	Reaffirmed
	11/07/2017	BMR2	Stable	Initial
Instrument Structure	N/A			
Statement by the Rating Team	JCR-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	JCR-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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