

BROKER MANAGEMENT RATING REPORT

Integrated Equities Limited

REPORT DATE:

February 11, 2022

RATING ANALYSTS:

Sara Ahmed

sara.abmed@vis.com.pk

Syeda Batool Zehra Zaidi

batool.zaidi@vis.com.pk

Muzammil Noor Sultan

muzammil.noor@vis.com.pk

Rating Category	Latest Rating
Broker Management Rating	BMR2+
Outlook	Stable
Rating Rationale	The rating signifies strong HR & infrastructure and external control framework. Client services, internal control framework and compliance & risk management and regulatory requirements are considered sound, while supervision framework and financial management are adequate.
Rating Date	11 th February, 2022

APPLICABLE METHDOLOGY:

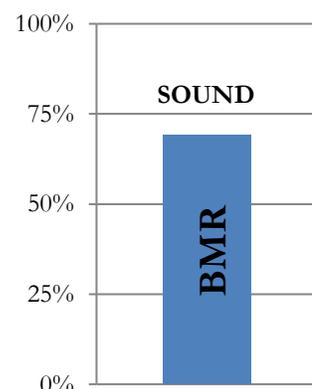
Broker Management Ratings 2020:

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

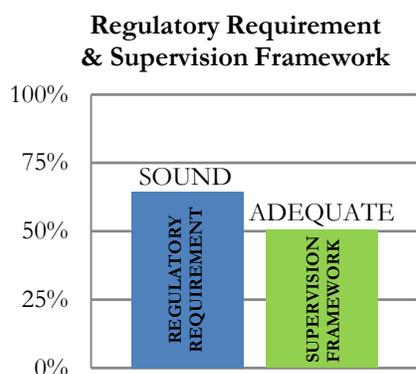
COMPANY INFORMATION	
Incorporated in July 2008	External auditors: M/s Ilyas Saeed & Co Chartered Accountants
Unlisted Public Limited Company	Chief Executive Officer: Mr. Sardar Ali Wattoo
Key Shareholders (with stake 5% or more):	Chairman of the Board: Mrs. Sadia Ali
<i>Mr. Sardar Ali Wattoo ~ 93%</i>	
<i>Ms. Sadia Ali ~ 7%</i>	

Corporate Profile

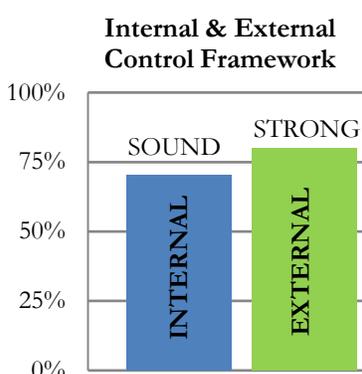
Integrated Equities Limited (IEL) was incorporated in 2008 under the Companies Ordinance 1984 as a private limited company which was later converted to an unlisted public limited company in 2016. IEL is affiliated with the Aequitas Group which came into creation with the acquisition of Pakistan Credit Rating Agency Limited (PACRA) in 2003. IEL offers equity brokerage, research, investment banking and projects advisory services. Major shareholding of the Company (93%) is vested with Mr. Sardar Ali Wattoo who serves in the capacity of Chief Executive Officer (CEO). The Company holds a Trading Right Entitlement Certificate (TREC) for Trading & Self- Clearing issued by the Pakistan Stock Exchange Limited (PSX). IEL is a licensed Consultant to the Issue headquartered in Lahore and has also applied for licenses related to Securities Adviser and Futures Adviser to SECP. IEL is also a registered Research Entity with SECP. External auditors of the company are Ilyas Saeed & Co Chartered Accountants which belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



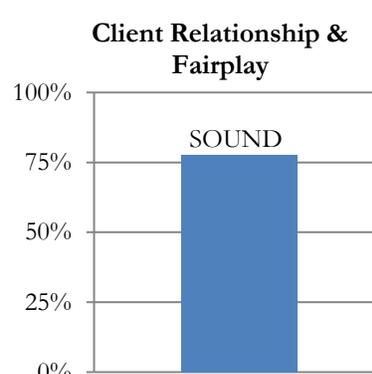
Rating Factors Scores



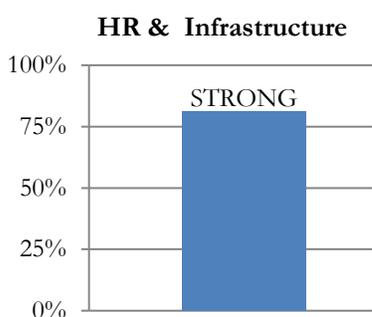
- Regulatory framework of the Company is sound. The Company has remained compliant with all regulatory requirements.
- The Company has recently increased the Board size to five members with two independent member representation. In addition, new Board Committee has been formed, which will assist in strengthening the supervisory framework.
- The Company is also in the process of seeking Securities Adviser and Futures Adviser License which is expected to diversify its revenue base.
- Higher Net capital balance over time may support larger trading activity and in turn generate higher revenues.



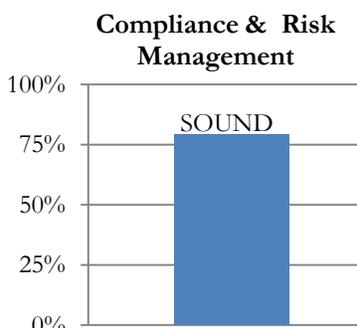
- Well-defined policies to strengthen internal control framework are in place. However, the scope of policies may be enhanced through additional guidelines on employee trading and avoidance of conflict of interest.
- Enhancement in disclosure levels has been noted through inclusion of Statement of compliance with code in annual accounts and director's report in the company's annual financial statements.



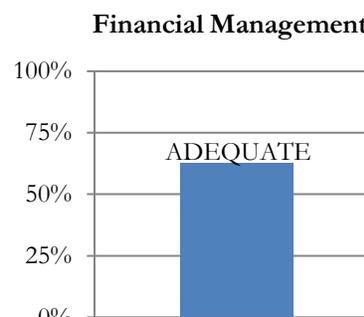
- Client services are in line with industry standards, with the availability of web and mobile-based trading platforms, as well as supporting services.
- Increased geographical footprint may increase the clientele and augment the topline.
- Overall, client relationship and fair play remain sound.



- HR and infrastructure is strong; Presence of a fully-integrated ERP platform is noted.
- Business continuity procedures are sound. Company has two off-site locations for data backup and disaster recovery exercises are conducted more than once a year.



- Appropriate compliance related supervision is in place. The company also has a separate risk management function. Meanwhile, internal audit and compliance are also segregated and function independently.



- During FY21, topline witnessed improvement on the back of increase in brokerage revenues and capital gains.
- The Company's cost to income ratio depicts improvement on account of higher revenues.
- Market risk exposure is minimal. The Company does not maintain an active proprietary book.
- Liquidity profile remains adequate.
- Capitalization indicators remain adequate with leverage and gearing at 0.93x and 0.05x respectively, although equity base remains small (FY21: Rs. 191.92m).
- Going forward, increasing revenue base and market share along with maintaining operational efficiency will be important for enhancing profitability of the Company and strengthening of equity base.

MANAGEMENT QUALITY SCALE & DEFINITIONS

Appendix I

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	Integrated Equities Limited				
Sector	Brokerage				
Type of Relationship	Solicited				
Purpose of Rating	Broker Management Rating (BMR)				
Rating History	RATING TYPE: BMR				
	Rating Date	Rating	Rating Outlook	Rating Action	
	RATING TYPE: BMR				
	11/2/2022	BMR2+	Stable	Upgrade	
	1/11/2021	BMR2	Stable	Upgrade	
	1/9/2020	BMR3++	Stable	Reaffirmed	
	12/7/2018	BMR3++	Stable	Reaffirmed	
10/24/2017	BMR3++	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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