

BROKER MANAGEMENT RATING REPORT

Topline Securities Limited

REPORT DATE:

November 7, 2017

RATING ANALYSTS:

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APPLICABLE

METHDODOLOGY:

Broker Management Ratings 2017:
<http://jcrvis.com.pk/docs/BMR201701.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The rating signifies sound regulatory compliance levels, external controls, HR & IT services and risk management along with the adequate internal controls framework, client relationship and financial management.
Rating Date	7 November 2017

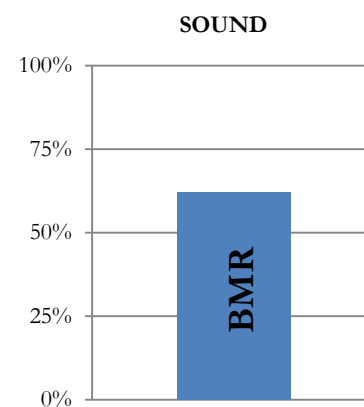
COMPANY INFORMATION

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):	Chief Executive Officer: Mr. Mohammad Sohail
Mr. Mohammad Sohail – 70.91%; Mr. Haroon Fatani – 22.3%; Mr. Amir Fatani – 6.8%	

Corporate Profile

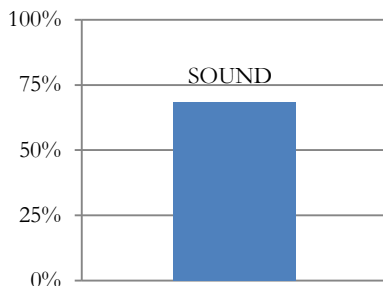
Topline Securities Limited (TOPLINE) was incorporated in 2001 as a private limited company under Companies Ordinance, 1984. During FY17, the company changed its status from private to public unlisted company. Besides equity brokerage and research, Topline Securities is engaged in commodity trading, advisory, investment banking and other capital market deals in Pakistan.

TOPLINE 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. The ownership of TOPLINE 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).



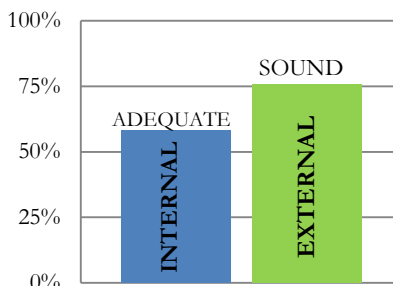
Rating Factors Scores

Regulatory Requirements & Supervision



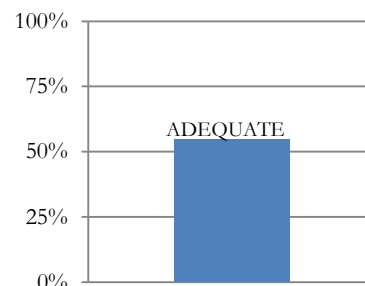
- With the appointment of independent director under process, corporate governance would be strengthened.
- Constitution of Board level Risk Management Committee and Audit Committee headed by an independent director would enhance corporate governance standards.
- Adherence to capital requirements with regulations is considered satisfactory.

Internal & External Control Framework



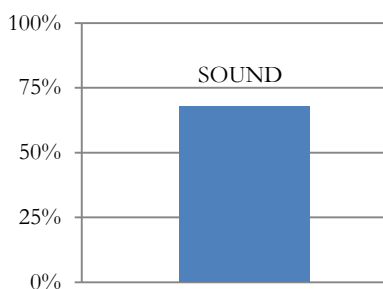
- Internal control system has satisfactory compliance level.
- Quality of external auditors and focus on KYC is sound.
- Sharing of conflict of interest policy with both staff and customers would reinforce the control levels.

Client Relationship & Fairplay



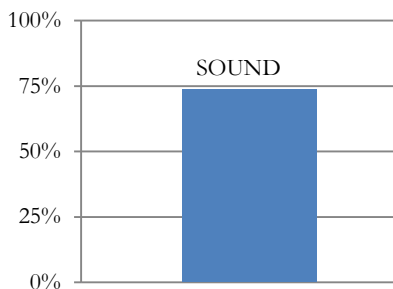
- System for customers order execution and its reporting is sound.
- Risk disclosure document maybe shared with all customers to add transparency to client relationship management.

HR & Infrastructure



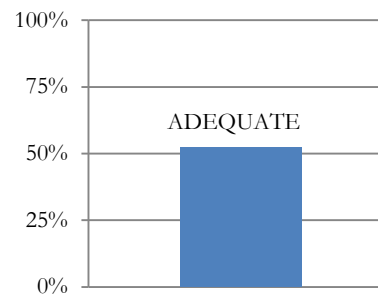
- A well-defined organogram is in place with experienced professional management team.
- Offsite record maintenance at third party warehouse and more frequent DR exercises would strengthen IT infrastructure.

Compliance & Risk Management



- Adherence to regulations is considered satisfactory.
- Room for improvement in customer credit risk evaluation mechanism.
- Internal audit and risk management functions exist independently, however appointment of independent compliance officer without any shared responsibilities may be considered to improve the efficiency.

Financial Management



- A sizeable increase in brokerage income has been witnessed.
- Profitability can be further improved with enhancement in other related businesses.

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	
	<u>RATING TYPE: BMR</u>				
	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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