

## BROKER MANAGEMENT RATING REPORT

### Topline Securities Limited

**REPORT DATE:**
November 7<sup>th</sup>, 2017
**RATING ANALYSTS:**

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**APPLICABLE**
**METHODOLOGY:**

Broker Management Ratings 2017:

<http://jcrvis.com.pk/docs/BMR201701.pdf>

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2</b>
<b>Rating Rationale</b>	The rating signifies that compliance, risk management and external controls are sufficiently robust, regulatory compliance levels along with HR and IT are considered as sound; internal control framework, customer service and financial management are adequately proactive.
<b>Rating Date</b>	7 <sup>th</sup> November 2017

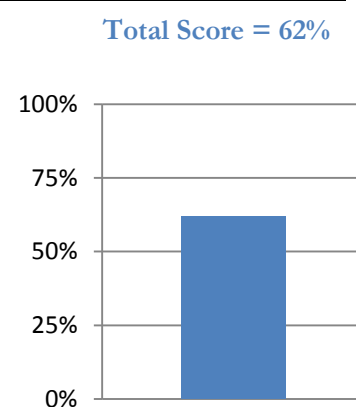
### COMPANY INFORMATION

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

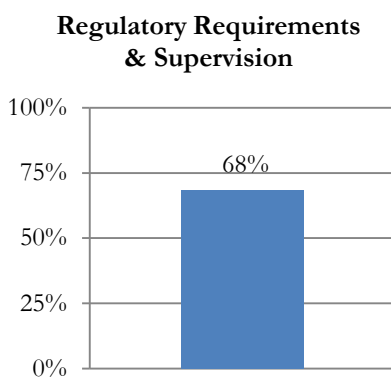
### TOPLINE SECURITIES LIMITED

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.

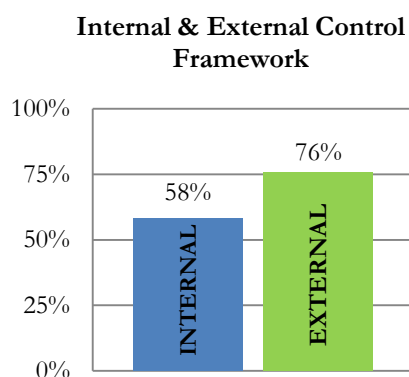
TOPLINE is registered with Securities Exchange Commission of Pakistan (SECP) and holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX) and holds a membership card of Pakistan Mercantile Exchange Limited. The ownership of TOPLINE is divided among three individuals; 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).



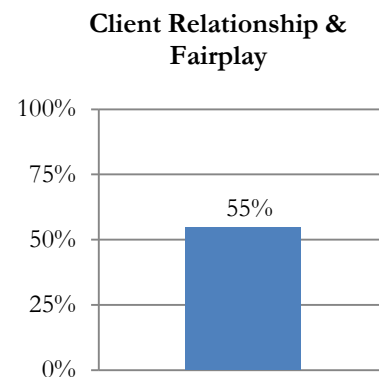
Rating Factors Scores



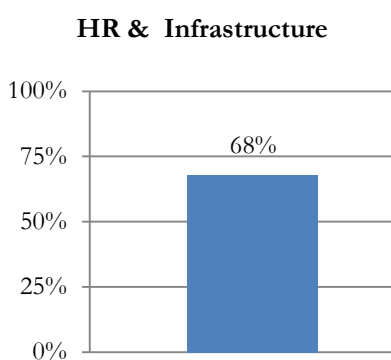
- With the appointment of independent director under process, corporate governance would be strengthened.
- Constitution of Board level Risk Management Committee and Audit Committee headed by an independent director would enhance corporate governance standards.
- Adherence to capital requirements with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



- Internal 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.



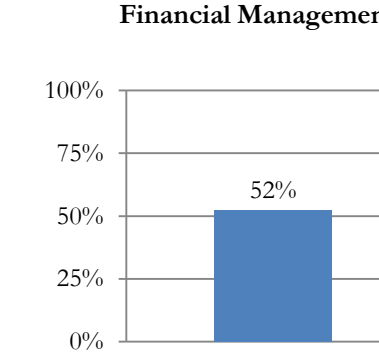
- System for customers order execution and its reporting is sound.
- Risk disclosure document maybe shared with all customers to add transparency to client relationship management.



- 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.



- 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.



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

**RATING SCALE & DEFINITIONS: BROKER MANAGEMENT RATING**

**BMR1A**

Very strong regulatory compliance levels and financial management; internal and external control environment is very robust; compliance and risk management frameworks are extremely effective; HR, IT and customer services are strongly proactive

**BMR1++, BMR1+, BMR1**

Strong regulatory compliance levels and financial management, internal and external control environment is robust, compliance and risk management frameworks are highly effective; HR, IT and customer service are highly proactive

**BMR2++, BMR2+, BMR2**

Sound regulatory compliance levels and financial management, internal and external control environment is robust, compliance and risk management frameworks are effective; HR, IT and customer service are sufficiently proactive.

**BMR3++, BMR3+, BMR3**

Adequate regulatory compliance levels and financial management, internal and external control environment is sufficient, compliance and risk management frameworks are satisfactory; HR, IT and customer service are adequately proactive.

**BMR4++, BMR4+, BMR4**

Weak regulatory compliance levels and financial management, internal and external control environment has gaps, compliance and risk management frameworks need improvements; HR, IT and customer service are insufficiently proactive.

**BMR5++, BMR5+, BMR5**

Weak regulatory compliance levels and financial management, internal and external control environment insufficient, compliance and risk management frameworks need improvements; HR, IT and customer service is inadequate.

## JCR-VIS Credit Rating Company Limited

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

REGULATORY DISCLOSURES		Appendix II		
<b>Name of Rated Entity</b>	Topline 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>			
	11/07/2017	BMR2	Stable	Initial
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	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.			
<b>Probability of Default</b>	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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