

## BROKER FIDUCIARY RATING REPORT

### Integrated Equities Limited

**REPORT DATE:**

23rd February, 2022

**RATING ANALYSTS:**

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#### RATING DETAILS

<b>Broker Fiduciary Rating</b>	<b>BFR3++</b> <i>Good Fiduciary Standards</i>
<b>Rating Rationale</b>	The rating signifies strong client management services, sound internal controls and ownership and governance while business and financial sustainability is adequate.
<b>Rating Date</b>	23 <sup>rd</sup> February, 2022

#### COMPANY INFORMATION

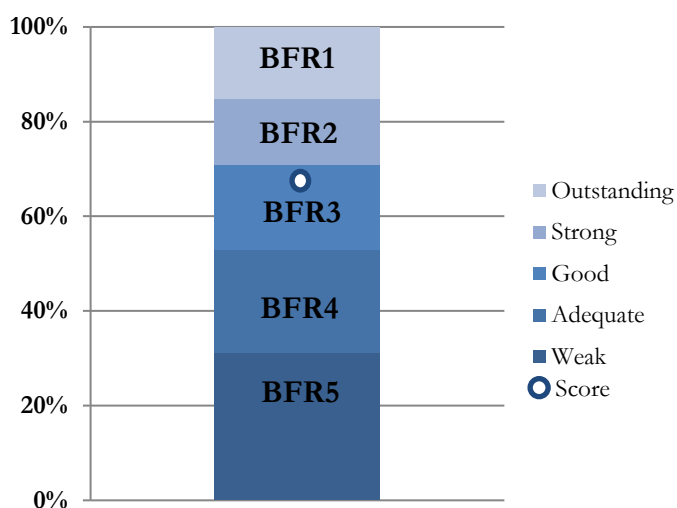
<b>Incorporated in July 2008</b>	<b>External auditors:</b> M/s Ilyas Saeed & Co Chartered Accountants
<b>Unlisted Public Limited Company</b>	<b>Chief Executive Officer:</b> Mr. Sardar Ali Wattoo
<b>Key Shareholders (with stake 5% or more):</b>	<b>Chairman of the Board:</b> Mrs. Sadia Ali
<i>Mr. Sardar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

#### APPLICABLE METHODOLOGY

**Applicable Rating Criteria: Broker Fiduciary Ratings 2021**
<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

**Integrated Equities Limited**
**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).

**OVERALL GRADING**


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 been recently issued with Securities Adviser and Futures Adviser license while it 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).

**Business and Financial Sustainability Indicators**

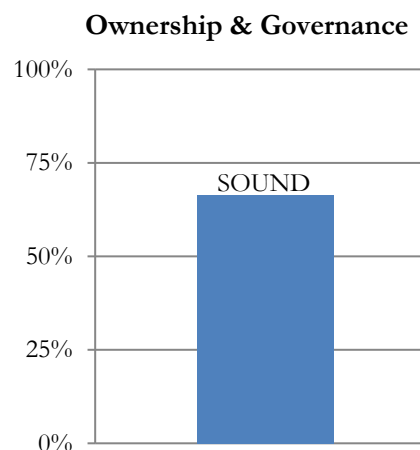
	FY21	FY20	FY19
<b>Size of Net Worth (Rs. In Millions)</b>	191	160	144
<b>Gearing x (Total interest bearing debt/ Total equity)</b>	0.05x	0.02x	0.01x
<b>Leverage x (Total liabilities/ Total equity)</b>	0.93x	0.60x	0.15x
<b>Liquid Assets/ Total Liabilities (x)</b>	0.99x	1.01x	1.44x
<b>Short term Investments/ Total Equity (%)</b>	2.0%	0.0%	4.0%
<b>Net Capital Balance (NCB) (Rs. In Millions)</b>	73	19	14

**Integrated Equities Limited**

**Rating Indicators**

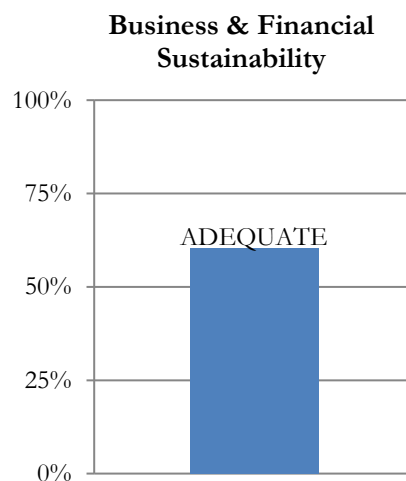
**Ownership & Governance**

- IEL is associated with the Aequitas group involved in various business interests namely, PACRA, Tasdeeq Group, Media Monitors and Analytics Private.
- The company’s board size is represented by 5 members with 1/3<sup>rd</sup> independent representation. During the year, the Company increased the Board level committees with the formation of compliance and risk committee in addition to the existing audit committee. All committees are comprised of three members while BAC is headed by independent member.
- Appointment of ‘A’ category auditor with sound disclosure levels provides strength to the Company’s external control framework.



**Business & Financial Sustainability**

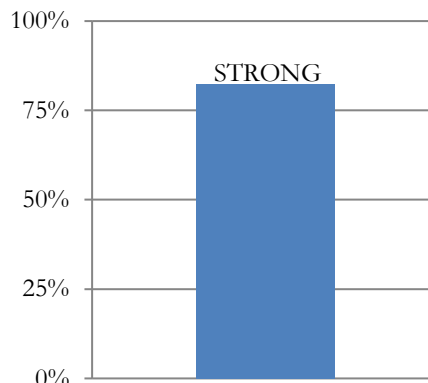
- During FY21, topline witnessed improvement on the back of increase in operating revenues and capital gains.
- Liquidity profile is adequate with liquid assets providing 0.99x coverage to total liabilities during FY21 (FY20: 1.01x)
- Capitalization indicators remain adequate with leverage and gearing at 0.93x and 0.05x respectively, although equity base remains small.
- Market risk exposure is minimal as the Company does not actively participate in proprietary trading.
- The Company’s cost to income ratio remains manageable, quantum of recurring operational expenses accounts for 68% of total recurring revenues during FY21.
- Overall business and financial sustainability is adequate. Going forward, increasing revenue base along with market share, improvement in operational efficiency and higher equity base will be important for rating.



**Management & Client Services**

- In line with a client-centric approach, web based trading and mobile trading application, commission rates, market research reports and prompt investor grievance tools are readily available for customer facilitation.
- 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.
- Overall management and client services are strong.

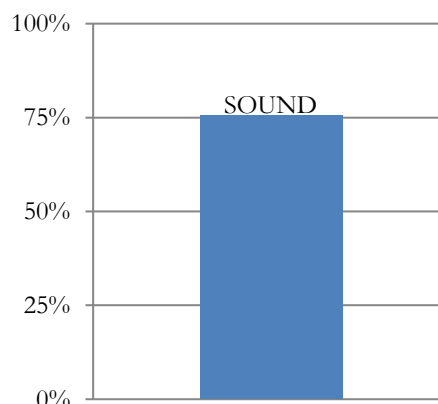
**Management & Client Services**



**Internal Controls & Regulatory Compliance**

- Scope of policies may be enhanced through additional guidelines on employee trading and avoidance of conflict of interest.
- Separate internal audit and compliance departments are present. The company has recently segregated its risk management department to further strengthen the internal control framework.
- Overall internal control and regulatory compliance levels are considered sound.

**Internal Controls & Regulatory Compliance**



**Broker Fiduciary Rating Explained**

*In Securities Broker Fiduciary Rating (SBF), the strength of fiduciary role of the securities brokers is captured through the relative financial strength of the securities broker firm and its sponsors along with depth of internal control and governance framework, which are key rating ingredients. Responsiveness of the risk and internal control structure, quality of HR and soundness of the business infrastructure determine the strength of management and level of service quality of a stock broker. VIS Credit Rating Co. Ltd. (VIS) has developed a rating system that evaluates brokerage firms on the basis of such practices and the systems instituted to safeguard investor interests are at the forefront.*

**FIDUCIARY RATING SCALE & DEFINITIONS**

**Appendix I**

**RATING SCALE & DEFINITIONS: SECURITIES BROKER FIDUCIARY RATING**

**BFR1**

Outstanding fiduciary standards

**BFR4++, BFR4+, BFR4**

Adequate fiduciary standards

**BFR2++, BFR2+, BFR2**

Strong fiduciary standards

**BFR5++, BFR5+, BFR5**

Weak fiduciary standards

**BFR3++, BFR3+, BFR3**

Good fiduciary standards

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**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](http://www.vis.com.pk/images/criteria_outlook.pdf)

**Integrated Equities Limited**

REGULATORY DISCLOSURES		Appendix II		
<b>Name of Rated Entity</b>	Integrated Equities Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Fiduciary Rating (BFR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: BFR</b>			
	23/02/2022	BFR3++	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.			
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