

BROKER MANAGEMENT RATING REPORT

AKD Securities Limited

REPORT DATE:

June 2, 2021

RATING ANALYSTS:

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Rating Category	Latest Rating
Broker Management Rating	BMR1
Rating Rationale	The rating signifies strong regulatory compliance levels, financial management and control environment; compliance and risk management frameworks are effective; HR, IT and customer service are highly proactive.
Rating Date	2 June, 2021

APPLICABLE

METHODOLOGY:

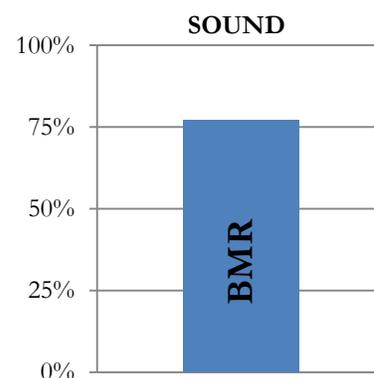
Broker Management Ratings 2020:
<https://s3-us-west-2.amazonaws.com/backupsqvis/docs/BMR202007.pdf>

COMPANY INFORMATION	
Incorporated on May 2007	External auditors: Riaz Ahmad and Co. Chartered Accountants
Public Unlisted Company	Chairperson of the Board: Mrs. Hina Junaid
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Muhammad Farid Alam, FCA
<i>AKD Group Holdings (Pvt.) Limited: 99.99%</i>	

Corporate Profile

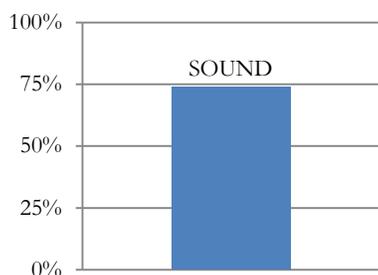
Operating in the broking business for over 13 years, AKD Securities Limited (AKDSL) is primarily engaged in provision of equity brokerage services catering to domestic retail and high net worth (HNWI) clients, local institutions and foreign broker dealers. Alongside, the company also provides corporate advisory services. AKDSL runs business operations through its head office based in Karachi along with a network of six branches spread nationwide. The company, through direct and beneficial ownership, is a wholly-owned subsidiary of AKD Group Holdings (Pvt.) Limited (AKD-GHPL).

AKDSL is registered with Securities & Exchange Commission of Pakistan (SECP) and holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX). External auditors of the company are Riaz Ahmad and Co. Chartered Accountants.



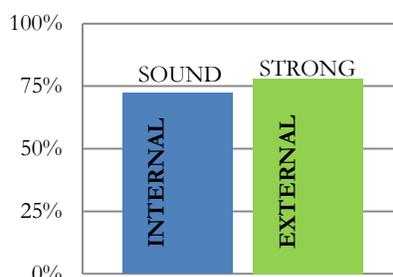
Rating Factors Scores

Regulatory Requirements & Supervision



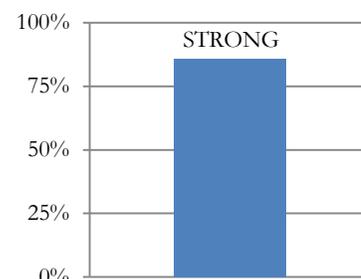
- Board size is sound, however further expansion of board and inclusion of more than one independent director is desirable for greater alignment of governance framework with international best practices.
- Uptick in overall industry trading volumes and management strategy has positively impacted the net capital balance. NCB stood at 2.2b at 9MFY21 (Oct'20 684m)

Internal & External Control Framework



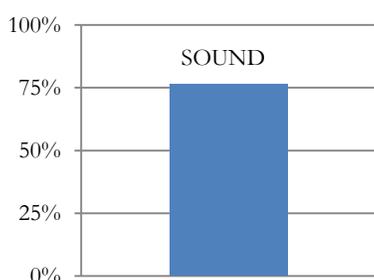
- Frequency of reviewing and documenting of internal control policies may be increased.
- Disclosure level may be enhanced by adding compliance statement with code of corporate governance in the Annual Report.
- Auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).

Client Relationship & Fairplay



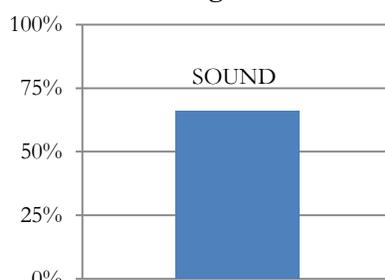
- For greater ease and facilitation, investor research tab maybe added separately as a menu item on the website's header.
- Customer grievance procedures may be improved by availability of sending complaints through sms service.

HR & Infrastructure



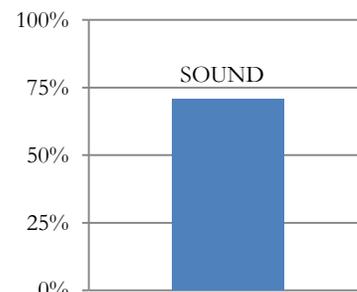
- Presence of independent risk management function would strengthen the organizational structure.
- ERP platform is fully integrated however; a general review of all policies/manuals which are more than three years old would further strengthen the organization infrastructure.

Compliance & Risk Management



- Frequency of trade review policies and procedures for non-compliant and suspicious trades has been increased to monthly basis.
- Management of credit limits to customers at lower levels and greater trading value generated under IDS would further strengthen risk management.

Financial Management



- Overall increase in industry trading volumes led to an improvement in the profitability profile during the year.
- Recurring income increased in relation to recurring expenses. However provision for expected credit losses impacted the efficiency ratio which marginally increased to 84%. (FY19 81%)
- Gearing indicator sustained to prior year's level however; leverage has increased on account of higher customer deposits.
- Going forward, profitability profile is projected to improve on the back of planned acquisition of a local brokerage house.

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	AKD 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>			
	6/2/2021	BMR1	Stable	Upgraded
	4/8/2020	BMR2++	Stable	Reaffirmed
	3/4/2019	BMR2++	Stable	Reaffirmed
	12/20/2017	BMR2++	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 management quality only and is not a recommendation to buy or sell any securities.			
Probability of Default	Not Applicable			
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