

## BROKER FIDUCIARY RATING REPORT

### Adam Securities Limited

**REPORT DATE:**

20 June, 2024

**RATING ANALYSTS:**

Sara Ahmed  
[sara.ahmed@vis.com.pk](mailto:sara.ahmed@vis.com.pk)

Salman Saba  
[salman.saba@vis.com.pk](mailto:salman.saba@vis.com.pk)

#### RATING DETAILS

<b>Broker Fiduciary Rating</b>	<b>BFR2</b> <i>Strong Fiduciary Standards</i>
<b>Rating Rationale</b>	The rating signifies sound internal controls and management and client services while business financial sustainability along with ownership and governance are also considered sound.
<b>Rating Date</b>	20 June, 2024

#### COMPANY INFORMATION

<b>Incorporated in 2001</b>	<b>External auditors:</b> M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants
<b>Public unlisted Company</b>	<b>Chairperson:</b> Mr. Muhammad Umair
<b>Key Shareholders (with stake 5% or more):</b> <i>Adam Family – 98.87%</i>	<b>Chief Executive Officer:</b> Mr. Muhammad Aftab Haji Ghani
	<b>Director:</b> Mr. Noman Abdul Majeed Adam

#### APPLICABLE METHODOLOGY

**Applicable Rating Criteria: Broker Fiduciary Ratings:**

<https://docs.vis.com.pk/Methodologies%202024/Broker-Fiduciary-Rating.pdf>

#### APPLICABLE RATING SCALE(S)

**VIS Issue/Issuer Rating Scale:**

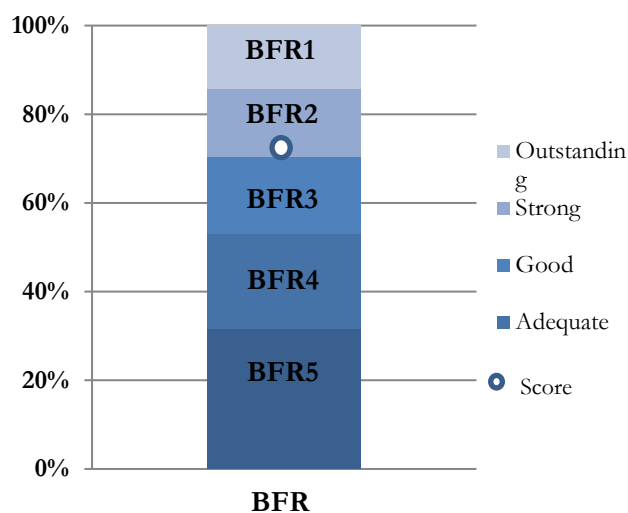
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

**Adam Securities Limited**

**CORPORATE PROFILE**

Adam Securities (ASL) was incorporated in 2001 as a private limited company and subsequently became a public unlisted company in 2016. ASL is principally engaged in provision of equity brokerage facilities to domestic retail and institutional clients. Major shareholding of the company is vested with Mr. Noman Abdul Majeed who serves as a director of the Company.

**OVERALL GRADING**



ASL is a Trading Right Entitlement Certificate (TREC) holder of Pakistan Stock Exchange. The company is also a Member of Pakistan Mercantile Exchange Limited (PMEX). External auditors are M/s Baker Tilly Mehmoood Idrees Qamar Chartered Accountants. Auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP). ASL operates through its head office based in Karachi.

**Business and Financial Sustainability Indicators**

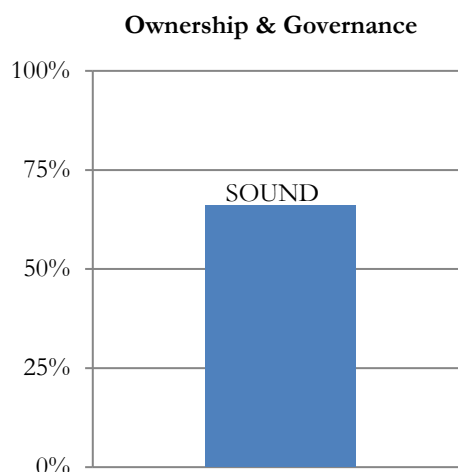
	FY22	FY23	9MFY24
Size of Net Worth (Rs. In Millions)	1,032	1,204	1,412
Gearing x (total interest bearing debt/ total equity)	0.75x	0.00x	0.23x
Leverage x (total liabilities/ total equity)	0.82x	0.04x	0.33x
Liquid Assets/ Total Liabilities (x)	2.06x	21.97x	3.4x
Short term Investments/ Total Equity (%)	147%	95%	104%

**Adam Securities Limited**

**Rating Indicators**

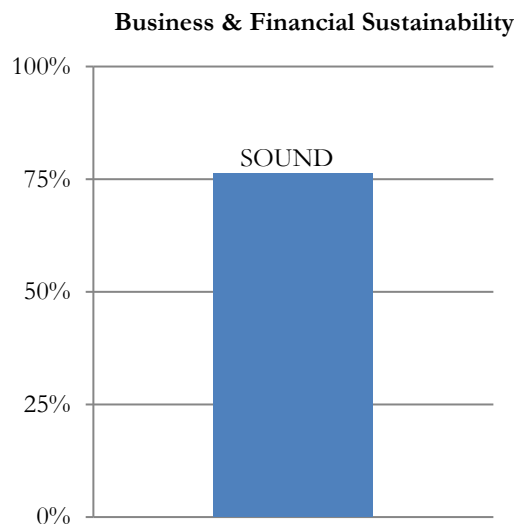
**Ownership & Governance**

- Overall ownership and governance levels of the Company are considered sound.
- At present, the Company has two board level committees chaired by independent directors with board meetings held greater than four times.
- The Company may consider increasing their board size in order to avoid repetition of common members in board committees and to further strengthen overall governance framework.
- Addition of Certified Directors may be considered.
- Disclosure levels are also considered sound.



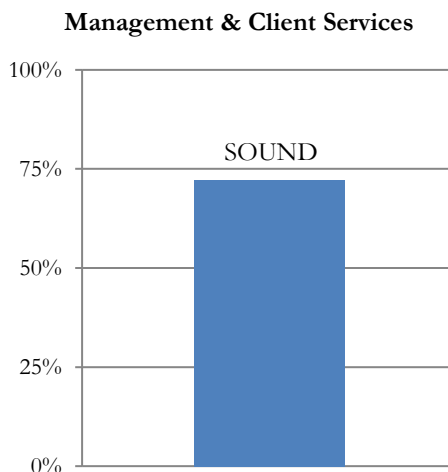
**Business & Financial Sustainability**

- Profitability profile of the Company improved in 9MFY24 on account of improved brokerage revenues as well as higher gains on debt instruments. Income against ready future transactions is accounted for as capital gain in financial statements, which continued to contribute to overall profitability of Company.
- The Company’s cost to income ratio continues to show a declining trend.
- Liquidity profile of the Company stands improved with liquid assets/liabilities at 340% at end 9MFY24.
- Market risk is relatively manageable given 58% of investments are held in government securities and mutual funds.
- Gearing levels are up to 0.23x albeit remain within reasonable range. Managing Capitalization indicators at present level will remain important.
- Going forward, diversifying revenue streams while maintaining cost to income ratio and gearing and leverage levels low will remain important.



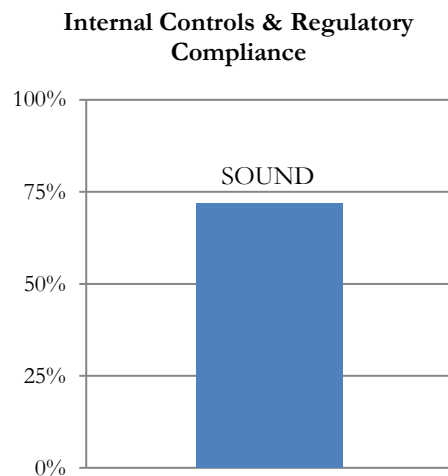
**Management & Client Services**

- Establishment of a separate risk management department has been noted, which will improve the overall risk framework of the Company.
- Chief Financial Officer and Compliance Officer positions may be segregated for clarity in reporting lines.
- For client facilitation, availability of research reports on website may be considered.



**Internal Controls & Regulatory Compliance**

- Increase in frequency of review of internal policies and order recording is a step towards strengthening internal control framework.
- Measures to ensure client confidentiality are in place.
- Overall compliance and risk management framework is considered sound.



**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.*

**Adam Securities Limited**

REGULATORY DISCLOSURES		Appendix I		
<b>Name of Rated Entity</b>	Adam Securities 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>			
	20/06/2024	BFR2	Stable	Upgrade
	28/12/2023	BFR3++	Stable	Reaffirmed
	7/11/2022	BFR3++	Stable	Reaffirmed
	12/10/2021	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>	N/A			
<b>Disclaimer</b>	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2024 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.			