

BROKER FIDUCIARY RATING REPORT

Adam Securities Limited

REPORT DATE:

June 25, 2025

RATING ANALYSTS:

Shaheryar Khan Mangan
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RATING DETAILS**Broker Fiduciary Rating****BFR2***Strong Fiduciary Standards***Rating Rationale**

The rating signifies sound internal controls and management and client services while business financial sustainability along with ownership and governance are also considered sound.

Rating Date

June 25, 2025

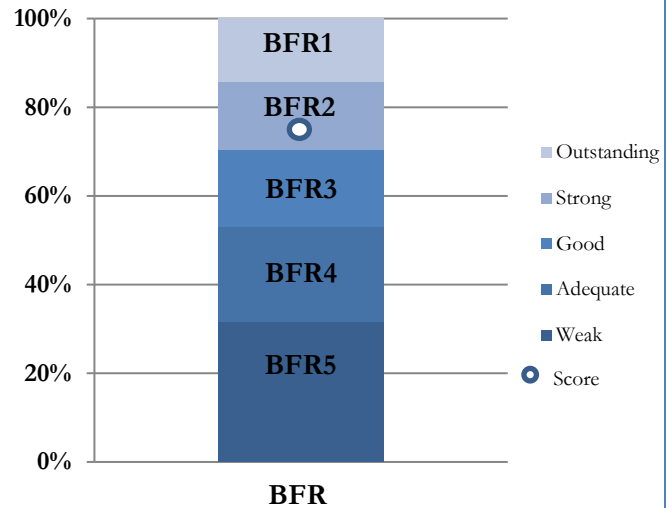
COMPANY INFORMATION**Incorporated in 2001****External auditors:** M/s Baker Tilly Mehmood Idrees Qamar
Chartered Accountants**Public unlisted Company****Chairperson:** Mr. Muhammad Umair**Key Shareholders (with stake 5% or more):****Chief Executive Officer:** Mr. Muhammad Aftab Haji Ghani*Adam Family – 99.9%***Director:** 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 converted into a public unlisted company in 2016. ASL is principally engaged in provision of equity brokerage services to domestic retail and institutional clients. Major shareholding of the company is vested with Noman Abdul Majeed who serves as a director of the Company. The Company operates through its head office in Karachi and serves as the Authorized Participant and Market Maker for UBL, Meezan, and Mahana Islamic Index Exchange Traded Funds (ETFs).

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 a category 'A' chartered accountants firm on the approved list of auditors published by the State Bank of Pakistan (SBP). ASL operates through its head office based in Karachi.

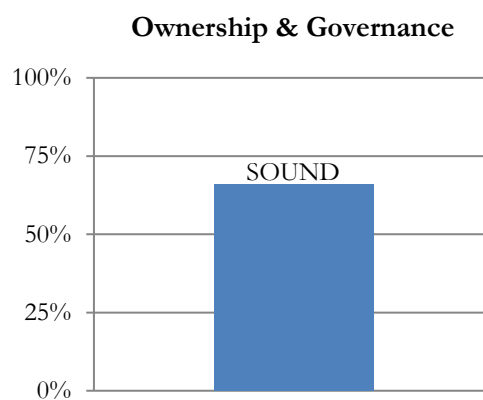
Business and Financial Sustainability Indicators

	9MFY25*	FY24	FY23
Size of Net Worth (Rs. In Millions)	1,665	1,319	1,204
Gearing x (total interest-bearing debt/ total equity)	0.19x	0.06x	0.01x
Leverage x (total liabilities/ total equity)	0.39x	0.26x	0.04x
Liquid Assets/ Total Liabilities (x)	3.16x	4.64x	21.98x
Short term Investments/ Total Equity (%)	102%	100%	95%

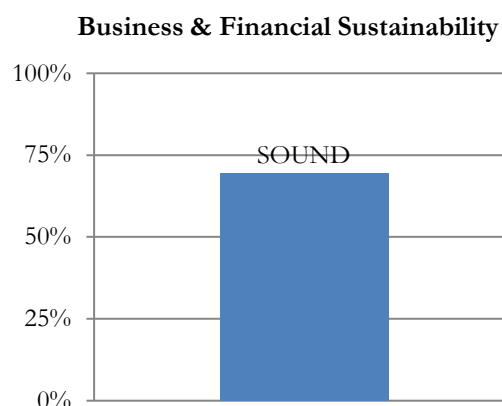
*Unaudited Accounts

Adam Securities Limited
Rating Indicators
Ownership & Governance

- The Company's Board of Directors comprises five members, with two independent representation.
- The Company has three board committees, all headed by independent directors. Nevertheless, repetition of members is observed across these committees.
- Disclosure levels of the Company are considered sound.

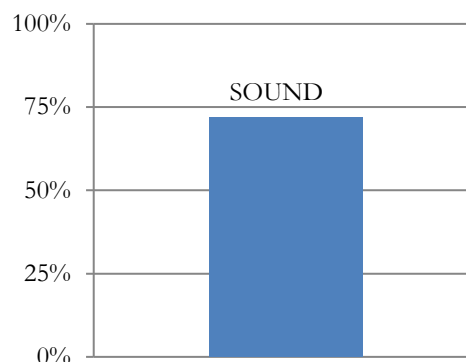

Business & Financial Sustainability

- During FY24 and 9MFY25, the Company's brokerage revenue rebounded in line with industry trends, reaching PKR 83.9m and PKR 121.4m, respectively (FY23: PKR 38.2m; FY22: PKR 59.7m). The Company's profitability profile remains largely supported by capital gains, primarily emanating from ready-future transactions.
- With the increase in revenue, the cost-to-income ratio improved to ~64% in 9MFY25 (FY24: ~78%, FY23: ~62%).
- The Company's liquidity profile is considered sound, supported by its liquid assets coverage of 3.16x against its total liabilities as at Mar'25 (Jun'24: 4.64x, Jun'23: 21.98x), though a notable decline in coverage has been observed overtime.
- Short-term investments relative to equity stood at ~102% as at Mar'25 (Jun'24: ~100%, Jun'23: ~95%). However, out of the total short-term investments, investments in equity securities and margin financing collectively represent ~52% of the company's equity base as at Mar'25 (Jun'24: ~41%, Jun'23: ~28%), while remaining are invested in T-Bills and Money market funds, thereby reflective of a manageable market risk.
- The capitalization profile of the Company is supported by its low leveraged balance sheet as well as small debt portion consisting of short-term borrowings, while equity base of the Company has grown in tandem with its profitability.
- Going forward, continued enhancement in profitability along with managing market risk as well as maintenance of liquidity and capitalization profile will remain important for the ratings.

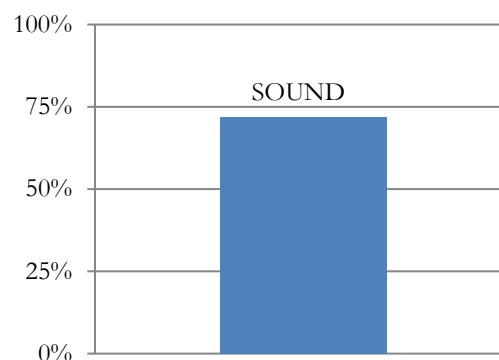


Management & Client Services

- The Company's client services features are supported by provision of multiple channels, including online and mobile trading platforms, ensuring seamless trade transactions, coupled with prompt trade alerts upon trade execution.
- While the Company's organizational structure aligns with its scale of operations, separating the roles of Chief Financial Officer and Compliance Officer and assigning them to different individuals may further enhance the organizational framework.
- The Company may consider expanding its geographical footprint to enhance customer reach.

Management & Client Services**Internal Controls & Regulatory Compliance**

- Overall, the Company's internal controls and regulatory compliance are considered sound, with no non-compliances reported by the PSX.
- Documented policies, in place, provide further support to the Company's internal control framework.

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.

Adam Securities Limited

REGULATORY DISCLOSURES				Appendix I
Name of Rated Entity	Adam Securities Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Fiduciary Rating (BFR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BFR			
	25/06/2025	BFR2	Stable	Reaffirmed
	20/06/2024	BFR2	Stable	Upgrade
	28/12/2023	BFR3++	Stable	Reaffirmed
	7/11/2022	BFR3++	Stable	Reaffirmed
	12/10/2021	BFR3++	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 credit quality only and is not a recommendation to buy or sell any securities.			
Probability of Default	N/A			
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