

AKD SECURITIES LIMITED

Analysts:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	AA-	A1	AA-	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	July 29, 2025		June 21, 2024	

Shareholding (5% or More)

AKD Group Holdings (Pvt.) Limited~96%

Other Information

Incorporated in 2000

Public Limited Company-Listed

Chief Executive: Mr. Muhammad Farid Alam

External Auditor: RSM Avais Hyder Liaquat Nauman Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Broker Entity Rating:
<https://docs.vis.com.pk/Methodologies-2025/BrokerEntityRating.pdf>

Rating Scale

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

Rating Rationale

Assigned ratings of AKD Securities Limited ('AKDSL' or 'the Company') recognize its position as one of the market leaders in both the brokerage and corporate advisory segments. Ratings also incorporate the Company's association with AKD Group Holdings (Pvt.) Limited (the Parent), with ~96% of the shareholding vested with the Parent Company. The Parent Company maintains a diversified presence spanning across several key sectors of Pakistan's economy.

The Company's short-term investments, relative to its equity base, reflect a low exposure to market risk. Ratings are further supported by the Company's capitalization profile, characterized by a sizeable equity base and a low gearing ratio. Nevertheless, the business risk remains elevated, given the Company's primary reliance on revenue from the highly cyclical brokerage industry.

Company Profile

AKD Securities Limited ('AKDSL' or 'the Company') was incorporated in Pakistan in 2000 and commenced its operations in 2003. In June 2022, under a scheme of arrangement approved by the high court of Sindh, effective July 01, 2022, the entire undertaking of AKDSL was merged with and into BIPL Securities Limited, and the entire business of the Company including its property, assets, liabilities, and rights and obligations vested into the Company. The name then changed to AKD Securities Limited on July 22, 2022. The shares of the company are listed on the Pakistan Stock Exchange Limited (PSX). The company is licensed to operate as securities broker, consultant to the issue, and underwriter from the Securities Exchange Commission of Pakistan (SECP) and holds a Trading Right Entitlement Certificate (TREC) of PSX and Membership card of Pakistan Mercantile Exchange Limited (PMEX). The principal activities of the company are brokerage of shares and/or commodities/money market/ forex trading, financial research, book building, underwriting, investments in securities/commodities, corporate advisory and consultancy services. The registered office of the company is situated in Karachi.

Management and Governance

Shareholders/Owners/Sponsors

The Company is a subsidiary of AKD Group Holdings (Pvt.) Limited (the Parent), which holds 95.87% of its shares and serves as the flagship entity of the Group. The Parent Company maintains a diversified presence across several key sectors of Pakistan's economy, including brokerage, investment banking, venture capital, private equity, telecommunications, real estate development, oil and gas exploration, and asset management.

Corporate Governance

Being a listed company, improved Corporate Governance framework and enhanced disclosures provides comfort to ratings. The Company's board size commensurate with its scale, with board of directors comprising seven members, with two independent and three women representations. Functioning of Board committees namely Audit, Investment and HR, with two of these committees headed by an independent director, provide support to the Company's governance structure.

Management, Internal controls & IT

Mr. Muhammad Farid Alam, a Chartered Accountant, has been serving as the CEO of AKDSL for the past 17 years and brings over 25 years of experience in the financial sector. Before joining AKDSL, he held key positions at PICIC, CIRC, and Crescent Investment Bank, where he played a significant role in the development of the financial sector. He is a member on ICAP various Committees and also serves on various institutional boards. The Company has made significant investments in strengthening its IT infrastructure and continues to pursue further technological advancements. Contingency and disaster recovery mechanisms are in place, including secure offsite data backups maintained under the Company's direct control. The Company has Know Your Customer (KYC), Customer Due Diligence (CDD), and Anti-Money Laundering / Countering Financing of Terrorism (AML/CFT) policies and procedures in place, aligned with Securities and Exchange Commission of Pakistan (SECP) guidelines, and these have been duly implemented.

Business Risk

INDUSTRY

The performance of the brokerage sector remains closely linked to the macroeconomic indicators of the country. The sector is inherently volatile and is characterized by high business risk due to its cyclicity, fragmented structure, intense competition, and strong regulatory oversight.

During FY24, PSX achieved the highest equity market performance globally, with the KSE-100 Index soaring to 78,444.96, a significant increase from 41,452.69 in FY23. The index recorded an annual return of 89% in PKR terms and 94% in USD terms. The surge was driven by improved economic indicators such as increased exports and remittances, a notable decline in inflation, decrease in base interest rates and favorable financial developments, including the successful completion of the IMF Stand-by Agreement.

The positive momentum extended into FY25, with the KSE-100 delivering a strong return of ~60%, reaching a high of 125,627, globally positioning Pakistan amongst one of the best performing stock markets. This growth was underpinned by sustained economic recovery, monetary easing, and a stable currency. The Staff level agreement on the first review for the 37-month Extended Fund Facility as well as a new 28-month arrangement under the resilience and sustainability facility (RSF) has further enhanced investor confidence, while improvements in private sector credit, auto financing, petroleum sales, power generation, exports, and remittances further contributed to market activity.

Looking ahead, while the potential risks, including any potential devaluation of the PKR and political uncertainty, could pose challenges, improving macroeconomic indicators along with declining external financing needs are likely to sustain market performance.

Financial Risk

CAPITAL STRUCTURE

The Company's equity base continues to be supported by sustained profitability. Excluding the fair value reserve, equity stood at PKR 11,162.7m as at Mar'25 (Jun'24: PKR 8,989.7m; Jun'23: PKR 7,730.3m). The capitalization profile is further strengthened by the Company's low debt levels relative to equity, comprising only short-term borrowings and lease liabilities. This resulted in a gearing ratio of 0.05x as at Mar'25 (Jun'24: 0.06x; Jun'23: 0.09x). The leverage ratio was recorded at 0.77x as at Mar'25 (Jun'24: 0.53x; Jun'23: 0.36x). However, adjusting for customer balances, the leverage ratio stood at 0.59x as at Mar'25 (Jun'24: 0.45x; Jun'23: 0.25x).

PROFITABILITY:

While the Company's revenue base is relatively diversified, brokerage revenue continues to dominate the revenue mix, accounting for ~63% of the Company's recurring revenue. During FY24, brokerage revenue of the Company witnessed a sharp rebound from FY23 levels, posting robust growth of ~96%, coming in at PKR 1,311.5m (FY23: PKR 669.8m). The rise in brokerage revenue is in tandem with the positive industry trends, with heightened market activity amid increased investor confidence backed by favorable market dynamics. Similarly, income from financial advisory fee and custody service followed a similar trend, recording a strong increase of ~462% and 162% respectively, reaching PKR 110.5m (FY23: PKR 19.6m) and PKR 46.1m (FY23: PKR 17.6m). However, income from underwriting declined to PKR 12.7m in FY24 (FY23: PKR 19.4m). The Company also generated a notable quantum of income from bank deposits and dividend income, amounting to PKR 374.2m and PKR 288.9m, respectively (FY23: PKR 190.3m and PKR 199.5m).

The positive momentum in brokerage revenue continued in 9MFY25, reaching PKR 1,426.7m. Conversely, income from financial advisory services declined to PKR 22.2m during the same period. Nonetheless, income from bank deposits and dividends remained strong.

Supported by higher overall revenue, the Company's operational efficiency improved, with the cost-to-income ratio declining to ~39% in FY24 (FY23: ~70%) and further improving to ~36% in 9MFY25. Profitability also strengthened, with profit after tax increasing to PKR 1,259.4m in FY24 (FY23: PKR 406.8m). The upward trend continued in 9MFY25, with profit after tax reaching PKR 2,776.9m, further fueled by substantial unrealized gains.

Going forward, maintenance of the revenue as well as profitability profile will be important for the ratings.

CREDIT RISK

The Company's credit risk profile primarily stems from its trade debts, which increased significantly to PKR 928.3m as at Mar'25 (Jun'24: PKR 223.1m; Jun'23: PKR 230.2m). The Company actively monitors its credit exposures and has implemented various measures to mitigate counterparty risk, including limiting transactions with select counterparties, conducting ongoing credit assessments, and securing collateral where applicable.

MARKET RISK

The Company is engaged in proprietary investments, with short term investments recorded at PKR 4,873m as at Mar'25 (Jun'24: PKR 2,192m, Jun'23: PKR 2,319m). These investments represent ~44% of the Company's equity (Jun'24: ~24%, Jun'23: ~30%), reflective of a low market risk. However, a significant portion of these investments represents a strategic holding by the Company. The Company's investment strategy is driven by prevailing market conditions, with decisions made accordingly.

LIQUIDITY RISK

The Company's liquid assets, excluding short-term investments and comprising cash balances and NCCPL deposits, stood at PKR 7,574.8m as at Mar'25 (Jun'24: PKR 4,638.1m; Jun'23: PKR 1,930.4m). Consequently, liquid asset coverage against total liabilities was recorded at 0.88x as at Mar'25 (Jun'24: 0.96x; Jun'23: 0.69x), indicating an adequate liquidity profile.

Financial Summary**Appendix I**

Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	9MFY25M
PPE & Lease Assets	327.70	1,829.67	1,657.82	1,533.44
Intangible Assets	3155.17	3153.17	3155.131	3153.458
Trade Debts	327.15	230.16	223.11	928.23
Long Term Investments	201.87	641.08	632.88	913.54
Short Term Investments	3533.925	2318.892	2191.508	4873.214
Cash and Bank balances	1140.385	876.83	803.1082	2138.489
Other Assets	2,476.99	1,884.98	5,548.15	6,657.53
Total Assets	11,163.19	10,934.78	14,211.71	20,197.90
Trade & Other Payables	2633.688	2048.7	4189.716	7302.664
LT Borrowings (Including Fin. Lease)	202.97	543.35	35.51	25.68
Short-Term running finance	865.00	150.00	500.00	579.45
Other Liabilities	154.49	38.65	81.16	687.89
Total Liabilities	3,856.15	2,780.70	4,806.39	8,595.68
Paid-up Capital	1000	5578.342	5578.342	5578.342
Adjusted Equity	7,323.55	7,730.30	8,989.70	11,162.73
Income Statement (PKR Millions)	FY22A	FY23A	FY24A	9MFY25M
Total Revenue	1,075.53	1,500.78	2,632.69	4,589.28
Administrative Expenses	999.05	902.77	927.08	821.30
Finance Costs	105.20	-116.68	-146.24	-67.61
Profit Before Tax	(81.83)	359.56	1,665.77	3,741.36
Profit After Tax	(323.64)	407.23	1,259.40	2,776.92
Ratio Analysis	FY22A	FY23A	FY24A	9MFY25M
Liquid Assets to Total Liabilities (%) *	64.38%	69.42%	96.50%	88.12%
Liquid Assets to Total Assets (%) *	22.24%	17.65%	32.64%	37.50%
Debt Leverage (x)**	0.37	0.25	0.45	0.59
Gearing (x)	0.15	0.09	0.06	0.05
Efficiency (%)	46.83%	69.70%	39.17%	36.23%
ROAA (%) ***	-4.70%	3.69%	10.02%	16.14%
ROAE (%) ***	-7.95%	5.42%	15.06%	27.56%

*Liquid assets excluding short-term investments

**Adjusted for customer balances

***Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	AKD Securities Limited				
Sector	Brokerage				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	07/29/2025	AA-	A1	Stable	Reaffirmed
	06/21/2024	AA-	A1	Stable	Reaffirmed
	12/07/2022	AA-	A1	Stable	Upgrade
	11/22/2021	A+	A1	Rating Watch - Positive	Maintained
	11/30/2020	A+	A1	Stable	Upgrade
	09/27/2019	A	A2	Stable	Reaffirmed
	01/19/2018	A	A2	Stable	Reaffirmed
	08/02/2016	A	A2	Stable	Downgrade
	01/06/2015	A+	A2	Rating Watch - Negative	Maintained
	10/09/2015	A+	A2	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	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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Due Diligence Meetings Conducted		Name	Designation	Date	
		Zafar Ahmed Khan	CFO	June 19, 2025	
		Muhammad Noman	Head of Internal Audit		