

# BROKER MANAGEMENT RATING REPORT

## AKD Securities Limited

### REPORT DATE:

09 Feb, 2023

### RATING ANALYSTS:

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### APPLICABLE

### METHODOLOGY:

Broker Management Ratings 2020:

<https://docs.vis.com.pk/docs/BMR20>

[2007.pdf](#)

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR1</b>
	<b>Stable</b>
<b>Rating Rationale</b>	The rating signifies strong supervision framework, external controls, risk and compliance levels, strong customer service, HR and IT infrastructure while financial management, internal control environment; compliance and risk management and regulatory frameworks are considered sound.
<b>Rating Date</b>	09 February, 2023

## COMPANY INFORMATION

**Incorporated on May 2007**

**External auditors:** RSM Avais Hyder Liaquat Nauman Chartered Accountants

**Public Limited Company-Listed**

**Chairperson of the Board:** Ms. Hina Dhedhi Junaid

**Key Shareholders (with stake 5% or more):**

**Chief Executive Officer:** Mr. Muhammad Farid Alam

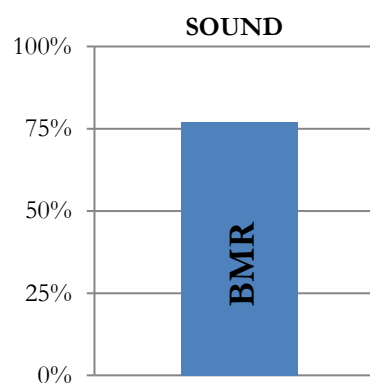
*AKD Group Holdings (Pvt.) Limited ~ 95.90%*

## Corporate Profile

Listed on the Stock Exchange, AKD Securities Limited (formerly BIPL Securities Limited) is licensed to operate as securities broker, consultant to the issue, and underwriter from the Securities Exchange Commission of Pakistan and holds a Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited and Membership card of Pakistan Mercantile Exchange Limited. 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.

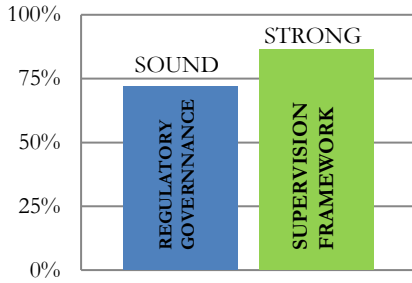
On 03 June 2022, under a Scheme of Arrangement approved by the High Court of Sindh, effective July 1, 2022, the entire undertaking of AKD Securities Limited (AKDSL), a public unlisted company in Pakistan with AKDSL was merged with and into the BIPL Securities Limited, a listed brokerage Company, and the entire business of AKDSL including its properties, assets, liabilities and rights and obligations vested into the Company. That upon sanction of the Merger Scheme, the name of the Company has been changed to AKD Securities Limited on 22 July 2022.

AKDSL is registered with Securities & Exchange Commission of Pakistan (SECP) and holds a Trading and Self-Clearing (TSC) license and Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX). Moreover, the company also holds underwriting and corporate advisory licenses. External auditors of the company are RSM Avais Hyder Liaquat Nauman Chartered Accountants. External auditors from Category 'A' of State Bank of Pakistan's list of auditors.



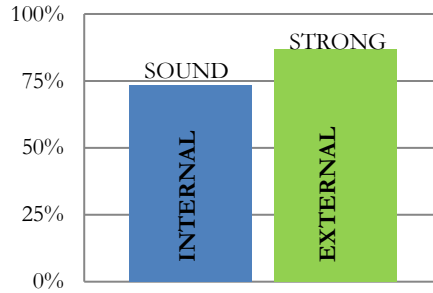
## Rating Factors Scores

### Regulatory Governance & Supervision Framework



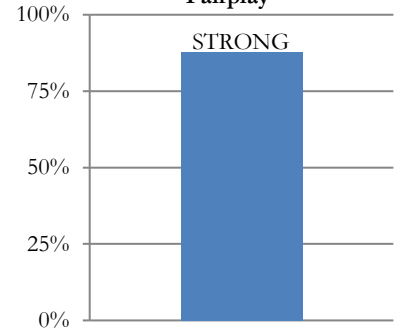
- Being a listed entity bodes well for corporate governance of the Company.
- Overall supervisory framework of the Company has witnessed improvement as board size has increased to 7 members including independent representation.
- The Company's governance framework stands further strengthened through formulation of independently represented board committees.

### Internal & External Control Framework



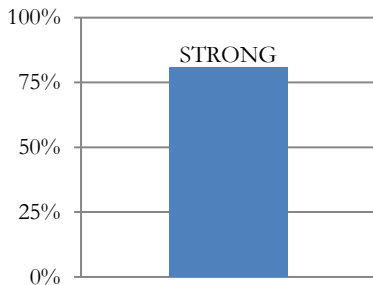
- Overall internal control framework is considered sound, although frequency of periodic review and further documentation and dissemination of internal control policies may be considered.
- Disclosure levels remain adequate, strengthening external control framework.
- Auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).

### Client Relationship & Fairplay



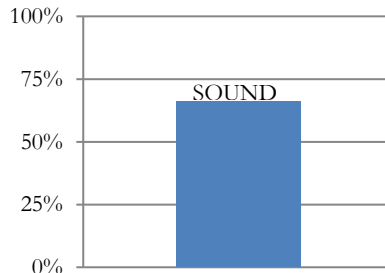
- Company has a strong geographical footprint. Post-merger, AKDSL has become the largest full-service brokerage and non-bank advisory institution. Geographical footprint has expanded to 10 cities in Pakistan giving it significant boost in client base.
- While client services and facilitation tools have been established, AKDSL is in the process of further augmenting customer experience through various additions.

### HR & Infrastructure



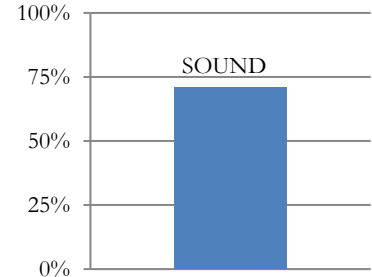
- Organizational structure is well aligned with the size of operations.
- At present, AKDSL is pursuing two operational structures in order to optimize efficiencies; centralized trading for AKDSL and branch level trading for BIPLS, which may change after assessment of operational functionalities.

### Compliance & Risk Management



- Inclusion of a separate risk management department may be considered for clarity in reporting lines and better risk management.
- Credit evaluation procedures may be enhanced in line with best practices.

### Financial Management



- During FY22, Company's earning profile witnessed deterioration due to subdued market activity. Profitability was impacted, largely due to realized and unrealized capital losses on investment portfolio, consequently posting a Profit After Tax (PAT) of Rs. 324m.
- Decline in core income and higher operating expenses post-merger with BIPLS resulted in increased cost-to-income ratio during FY22.
- The Company's market risk remains elevated given sizeable short-term investments. Short term investments account for 48% of total equity at end FY22 while the same increased to 54% end-1QFY23.
- Liquidity profile is considered to be adequate with liquid assets providing 1.4x times coverage to total liabilities (FY22 1.2x)
- Capitalization indicators are manageable. Gearing levels were lower, albeit leverage is on the higher side
- Despite challenging market conditions, strong market position of the post-merger entity provides support to business and financial sustainability of the Company. Improvement in earning profile and efficiency levels while managing market risk exposure and liquidity metrics will remain important for rating.

## **VIS** Credit Rating Company Limited

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### **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

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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)

## REGULATORY DISCLOSURES

Appendix II

<b>Name of Rated Entity</b>	AKD Securities Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Management Rating (BMR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: BMR</b>			
	02/09/2023	BMR1	Stable	Upgrade
	08/03/2022	BMR2+	Rating Watch Developing	Update
	5/12/2022	BMR2+	Rating Watch Developing	Maintained
	3/2/2021	BMR2+	Stable	Reaffirmed
	3/31/2020	BMR2+	Stable	Reaffirmed
	12/28/2018	BMR2+	Stable	Reaffirmed
	10/17/2017	BMR2+	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 management quality only and is not a recommendation to buy or sell any securities.			
<b>Probability of Default</b>	Not Applicable			
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