

## BROKER MANAGEMENT RATING REPORT

### AKD Securities Limited

**REPORT DATE:**

20 May, 2024

**RATING ANALYSTS:**

Syeda Batool Zehra Zaidi

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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>	20 May, 2024

**APPLICABLE METHDOLOGY:**

**Broker Management Ratings:**

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

**VIS Rating Scale**

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

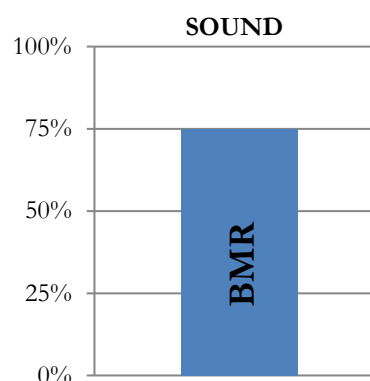
#### COMPANY INFORMATION

<b>Incorporated on May 2007</b>	<b>External auditors:</b> RSM Avais Hyder Liaquat Nauman Chartered Accountants
<b>Public Limited Company-Listed</b>	<b>Chairperson of the Board:</b> Ms. Hina Dhedhi Junaid
<b>Key Shareholders (with stake 5% or more):</b> <i>AKD Group Holdings (Pvt.) Limited ~ 95.90%</i>	<b>Chief Executive Officer:</b> Mr. Muhammad Farid Alam

### Corporate Profile

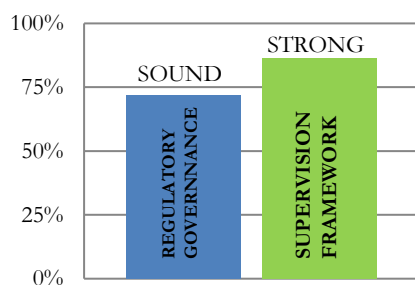
Listed on the Stock Exchange, AKD Securities Limited is licensed to operate as securities broker, consultant to the issue, and underwriter from the Securities Exchange Commission of Pakistan and holds a Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited and Membership card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

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.



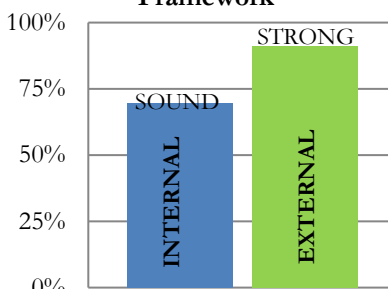
**Rating Factors Scores**

**Regulatory Governance & Supervision Framework**



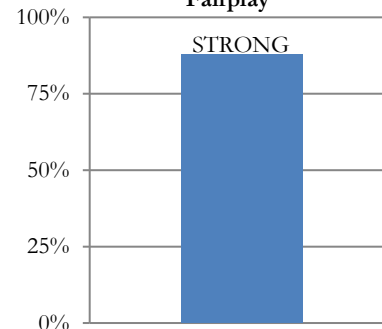
- Overall regulatory governance and supervision framework of the Company continues to remain strong, board comprises of seven members along with independent representation.
- Governance structure is supported through functioning of Board committees namely Audit, Investment and HR. Board meetings are held on quarterly basis, independent director head Audit and HR Committees.

**Internal & External Control Framework**



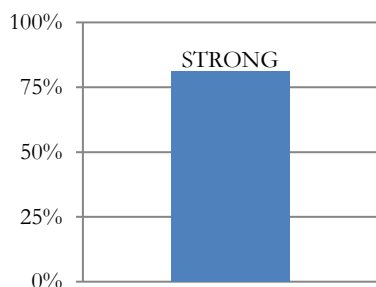
- While internal controls framework is considered sound, external control framework continues to remain strong.
- Internal policies and procedures are well placed, however; enhancing the scope of the same through dissemination of internal policies to all stakeholders may be considered in order to further strengthen the same.
- Disclosure levels are considered strong, inclusion of director report, CEO statement and statement of compliance with code in the Company's annual financial statements bodes is noted positively.

**Client Relationship & Fairplay**



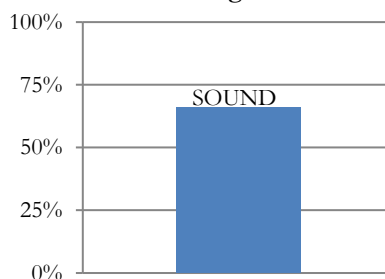
- Overall client servicing procedures continue to remain strong.
- During the year, the Company revamped its website. The same stands improved with enhanced trading and research resources available for clients.
- Investor grievance procedures also stand improved with greater visibility on the Company website.

**HR & Infrastructure**



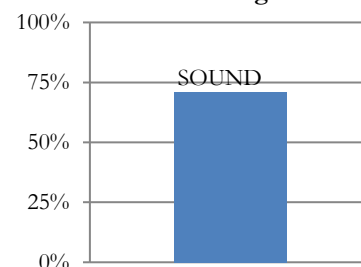
- Overall HR & IT infrastructure of the Company is considered strong, organizational structure is well aligned with the size of operations, however; business contingency and disaster recovery measures may be improved through maintaining off-site data back up with third party.

**Compliance & Risk Management**



- Inclusion of a separate risk management department may be considered for clarity in reporting lines and better risk management.
- Internal audit and compliance both operate as separate functions which is viewed positively.

**Financial Management**



- In line with market trend, the Company's operating profile was observed to be under stress owing to decline in trading activity during the year. The Company's core brokerage income also witnessed a decline, however; income from dividend and other sources supported profitability. End-HFY24, the Company posted a PAT of Rs. 903m. (FY23 Rs. 406m, FY22 Rs. -324m)
- Cost-to-income ratio remains on the higher side, operational efficiency was reported to be 73% during FY23, however; the same improved to 29% on account of decline in administrative expenses end-HFY24.
- Market risk is considered manageable given that quantum of short term investments in relation to equity was reported to be 44% end-HFY24 (FY23 46%, FY22 85%)
- Liquidity profile continues to remain adequate liquid assets provide 1.4x (FY23 1.5x, FY22 1.1x) times coverage to total liabilities end-HFY24.
- Capitalization indicators are also considered adequate, gearing remained low albeit leverage ratio increased to 0.89x (FY23 0.55x, FY22 0.93x) end-HFY24.
- Overall business and financial sustainability is considered strong. Improvement of the Company's operational profile, capitalization indicators, liquidity and maintenance of market risk shall remain important for the rating, going forward.

<b>REGULATORY DISCLOSURES</b>		<b>Appendix I</b>		
<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>			
	20/05/2024	BMR1	Stable	Reaffirmed
	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>	N/A			
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