

## BROKER FIDUCIARY RATING REPORT

### AKD Securities Limited

**REPORT DATE:**

15 May, 2024

**RATING ANALYSTS:**

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#### RATING DETAILS

|                                |   |
|--------------------------------|---|
| <b>Broker Fiduciary Rating</b> | <b>BFR2++</b><br><i>Strong Fiduciary Standards</i>  |
| <b>Rating Rationale</b>        | The rating signifies strong regulatory compliance, client ownership and governance, management and client services and business and financial sustainability while internal controls are sound. |
| <b>Rating Date</b>             | 15 May, 2024  |

#### COMPANY INFORMATION

|   |  |
|---|--|
| <b>Incorporated in 2007</b>   | <b>External auditors:</b> RSM Avais Hyder Liaquat Nauman Chartered Accountants |
| <b>Public Limited Company-Listed</b>  | <b>Chief Executive Officer:</b> Mr. Muhammad Farid Alam                        |
| <b>Key Shareholders (with stake 5% or more):</b><br><i>AKD Group Holdings (Pvt.) Limited ~ 95.87%</i> | <b>Chairman of the Board:</b> Ms. Hina Dhedhi Junaid                           |

#### APPLICABLE METHODOLOGY

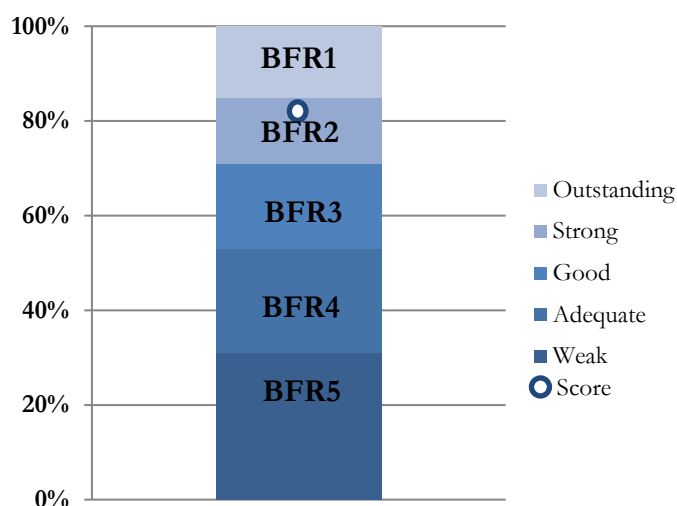
**Applicable Rating Criteria: Broker Fiduciary Ratings:**  
<https://docs.vis.com.pk/Methodologies%202024/Broker-Fiduciary-Rating.pdf>  
**VIS Rating Scale**  
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

**AKD Securities Limited**

**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 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.

**OVERALL GRADING**



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 Avasi Hyder Liaquat Nauman Chartered Accountants. External auditors are from Category ‘A’ of State Bank of Pakistan’s list of auditors.

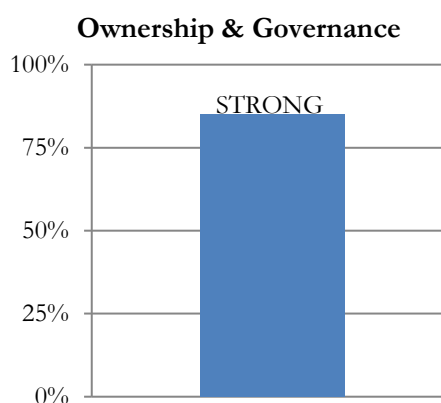
**Business & Financial Sustainability Indicators**

|   | <b>HFY24</b> | <b>FY23</b> | <b>FY22</b> |
|---|--------------|-------------|-------------|
| <b>Adjusted Size of Net Worth (Rs. In Millions)</b>                   | 9,052        | 8,154       | 7,307       |
| <b>Adjusted Gearing x (Total interest bearing debt/ Total Equity)</b> | 0.11x        | 0.14x       | 0.26x       |
| <b>Adjusted Leverage x (Total liabilities/ Total equity)</b>          | 0.89x        | 0.55x       | 0.93x       |
| <b>Liquid Assets/ Total Liabilities (x)</b>                           | 1.35x        | 1.53x       | 1.12x       |
| <b>Short term Investments/ Total Adjusted Equity (%)</b>              | 44%          | 46%         | 85%         |

**Rating Indicators**

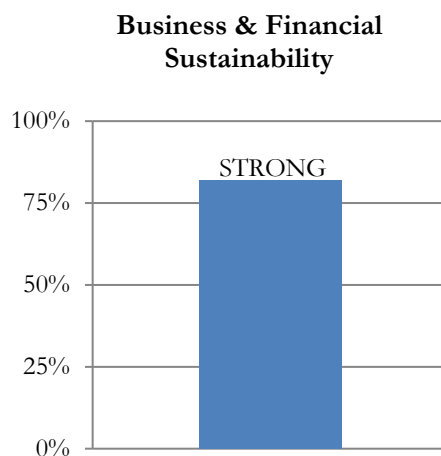
**Ownership & Governance**

- Overall ownership and governance 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 directors head Audit and HR Committees.
- Disclosure levels continue to remain strong.



**Business & Financial Sustainability**

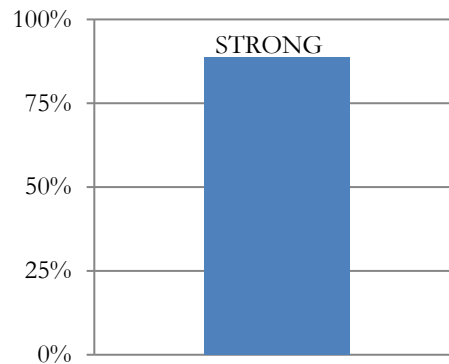
- In line with market trend, the Company’s operating profile was observed to be under stress owing to decline in trading activity during the year. The Company’s core brokerage income also witnessed a decline, however; income from dividend and other sources supported profitability. End-HFY24, the Company 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.



**Management & Client Services**

- 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.
- Business contingency and disaster recovery measures may be improved through maintaining off-site data back up with third party.

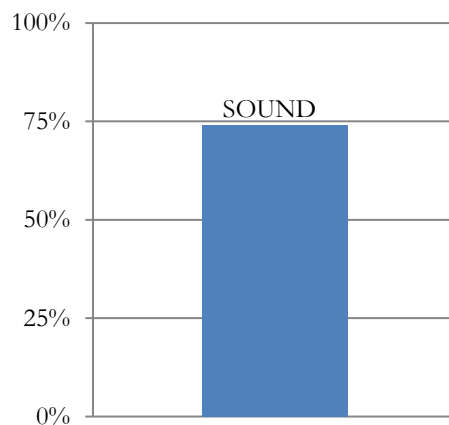
**Management & Client Services**



**Internal Controls & Regulatory Compliance**

- Internal controls and regulatory compliance framework continues to remain sound.
- 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.

**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.*

**AKD Securities Limited**

| <b>REGULATORY DISCLOSURES</b>       |   | <b>Appendix II</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 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>   |                    |                            |                      |
|                                     | 05/15/2024  | BFR2++             | Stable                     | Reaffirmed           |
|                                     | 02/09/2023  | BFR2++             | Stable                     | Upgrade              |
|                                     | 08/03/2022  | BFR3++             | Rating Watch<br>Developing | Update               |
|                                     | 04/08/2022  | 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   |                    |                            |                      |
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