

BROKER FIDUCIARY RATING REPORT

AKIK Capital (Private) Limited

REPORT DATE:

18 April, 2022

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR3 <i>Good Fiduciary Standards</i>
Rating Rationale	The rating signifies sound internal controls and regulatory compliance. Ownership and governance, management and client services as well as business and financial sustainability are considered adequate.
Rating Date	18 April, 2022

COMPANY INFORMATION

Incorporated in 2020	External auditors: M/s. Kreston Hyder Bhimji & Co Chartered Accountants
Private Limited Company	CEO/Chairman of the Board: Mr. Muhammad Qasim Lakhani
Key Shareholders (with stake 5% or more):	
<i>Mr. Muhammad Qasim Lakhani ~100%</i>	

APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings 2021

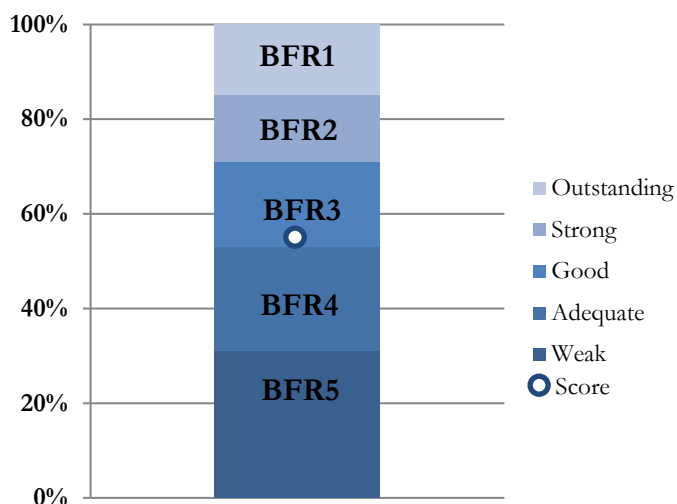
<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

AKIK Capital (Private) Limited

CORPORATE PROFILE

Incorporated in April 2020, AKIK Capital is a private limited company principally engaged in the brokerage of shares. The company caters mainly to domestic institutional and retail clients. At present, AKIK operates through its head office based in Karachi, where it provides both assisted and online trading services. The company holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), and is registered with SECP to provide Trading & Self Clearing Services. External auditors of the company are Kreston Hyder Bhimji & Co Chartered Accountants. External auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP).

OVERALL GRADING



Business and Financial Sustainability Indicators

	FY21	FY20
Size of Net Worth (Rs. In Millions)	100.9	52.6
Gearing x (Total Borrowing/ Total equity)	0.0x	0.0x
Leverage x (Total liabilities/ Total equity)	0.31x	0.02x
Liquid Assets/ Total Liabilities (x)	3.04x	-
Short term Investments/ Total Equity (%)	87%	95%
Net Capital Balance (NCB) (Rs. In Millions)	53.9	-

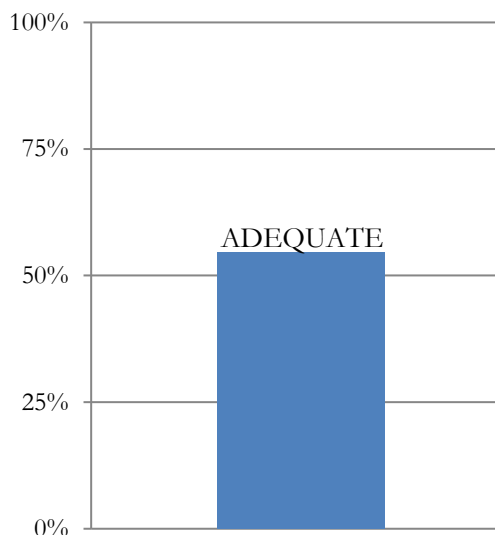
AKIK Capital (Private) Limited

Rating Indicators

Ownership & Governance

- AKIK Capital was incorporated in April 2020, is solely owned by Mr. Qasim Lakhani, a long time capital market professional. The Company is represented by a two member Board.
- There is one board committee to supervise the audit function. Going forward, increasing the board size with independent members will assist in the formation of independently represented board committees which will enhance the governance and supervisory framework.
- Segregation of Chairman and CEO position may be considered.
- Disclosure levels in financial statements are adequate; however, the same may be enhanced by including CEO’s statement on fraudulent transactions as well as statement of compliance with code.

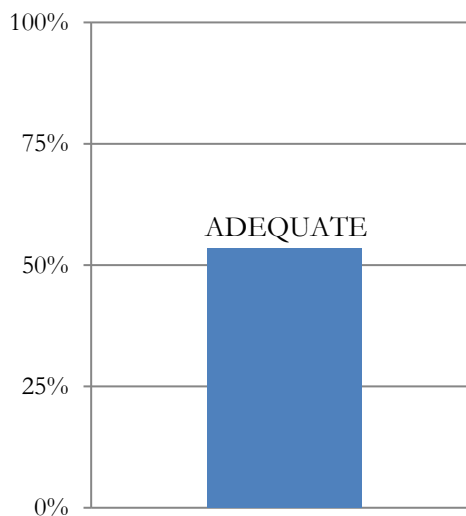
Ownership & Governance



Business & Financial Sustainability

- Being the first year of operations, FY21 recorded strong growth in brokerage income. Higher profitability was in line with higher market activity in FY21.
- Investments in the Company’s in the proprietary book are sizable at the end of FY21, exposing the Company to higher market risk.
- Liquidity profile, however, remains sound.
- Cost to income ratio of 77% presents room for improvement. Cost control will be important as the business scales up.
- Capitalization indicators are adequate, given the size and age of the company. Equity at Rs. 100.9m remains small, while nil gearing and low leverage level provides support to capitalization profile of the Company.
- Overall, business and financial sustainability is considered adequate. Going forward, improving the revenue base through diversified income streams together with lower cost to income ratio will remain important for the rating.

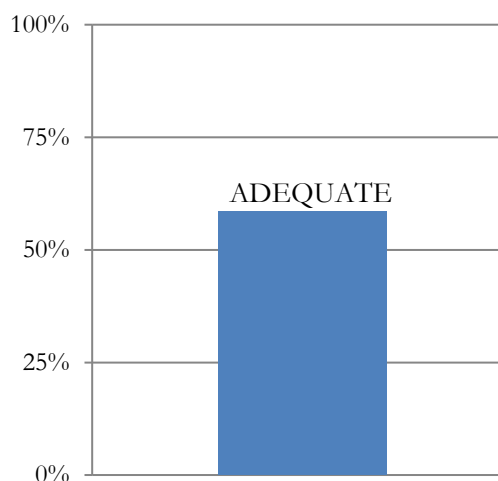
Business & Financial Sustainability



Management & Client Services

- Client facilitation tools including mobile and web-based trading platforms are available. However, full scale availability of online reports and research resources going forward will enhance the customer experience.
- Increasing the visibility of client resources may also be considered.
- As the company scales up, increasing geographical presence will remain important
- Offsite backup is maintained under the company’s own control. Increasing the frequency of disaster recovery exercises may add to strengthening of management services.
- Organizational structure is commensurate with the size of the Company.

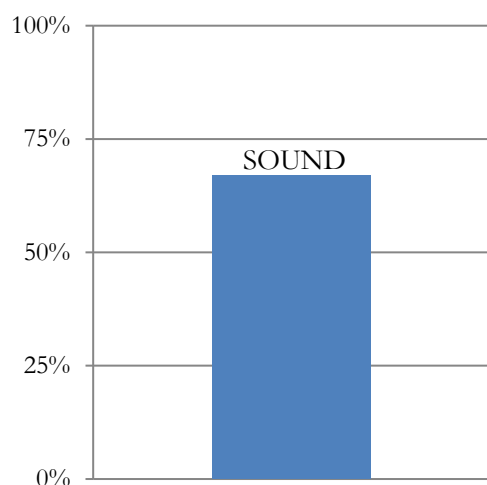
Management & Client Services



Internal Controls & Regulatory Compliance

- Documented internal control policies to avoid conflict of interest and ensure confidentiality of information are available; however, going forward, enhancing the scope of the same will be important.
- Sharing conflict of interest policy with all stakeholders including the customers may be considered in order to further strengthen internal controls.
- Internal audit department is outsourced to a third party while compliance function is independently structured. Adding risk management function may further strengthen the control framework in line with best practices.

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.

AKIK Capital (Private) Limited

FIDUCIARY RATING SCALE & DEFINITIONS Appendix I

RATING SCALE & DEFINITIONS: SECURITIES BROKER FIDUCIARY RATING

BFR1

Outstanding fiduciary standards

BFR4++, BFR4+, BFR4

Adequate fiduciary standards

BFR2++, BFR2+, BFR2

Strong fiduciary standards

BFR5++, BFR5+, BFR5

Weak fiduciary standards

BFR3++, BFR3+, BFR3

Good fiduciary standards

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

AKIK Capital (Private) Limited

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	AKIK Capital (Private) 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			
	4/18/2022	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	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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