

BROKER MANAGEMENT RATING REPORT

AKIK Capital (Private) Limited

REPORT DATE:28th November, 2023**RATING ANALYSTS:**

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Rating Category	Latest Rating
Broker Management Rating	BMR3
Rating Rationale	The rating signifies adequate regulatory requirement and supervision, internal controls, client relationship and HR and infrastructure. Financial Management and Compliance & Risk Management are also considered adequate while external control framework is sound.
Rating Date	28 th November, 2023

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):***Mubammad Qasim Lakhani ~ 99.99%*

APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Management Ratings 2020<https://docs.vis.com.pk/docs/BMR202007.pdf>

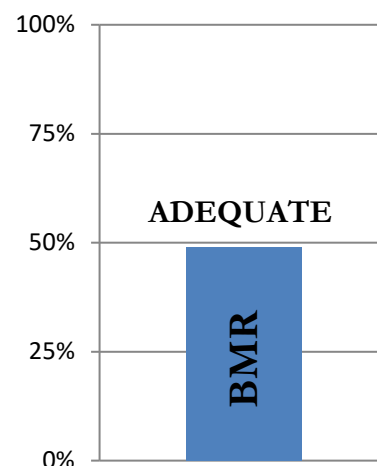
APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Corporate Profile

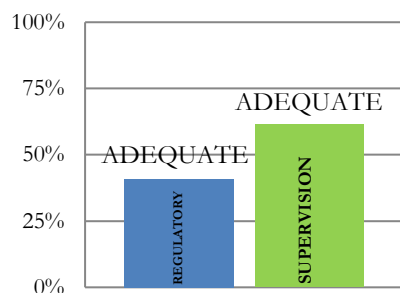
Incorporated in April 2020, AKIK Capital is a private limited company principally engaged in the brokerage of shares. The Company caters mainly to domestic institutional and retail clients. At present, AKIK operates through its head office based in Karachi, where it provides both assisted and online 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).

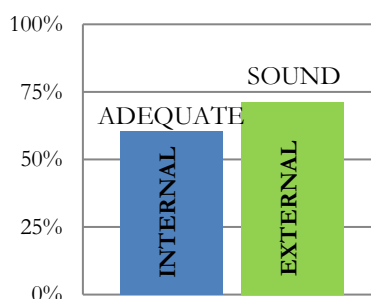


Rating Factors Scores

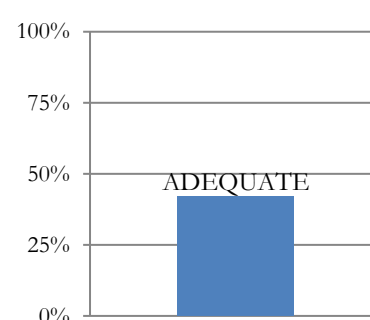
Regulatory Requirements & Supervision Framework



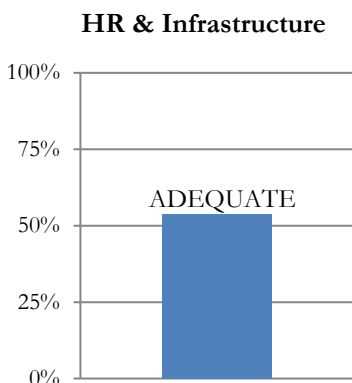
Internal & External Control Framework



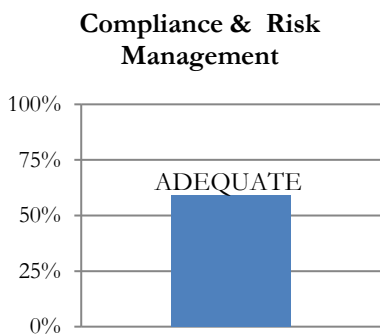
Client Relationship & Fairplay



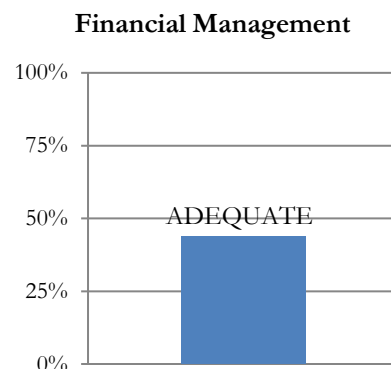
- The Company currently has a Board consisting of two members only. Increasing the board size from current two members and inclusion of independent and certified directors may enhance the supervisory framework.
- The same may improve the formation of independently represented board level committees.
- Acquiring additional licenses may be considered to improve revenue generation and diversity.
- Disclosure levels in financial statement are adequate, inclusion of CEO's statement on fraudulent transaction and statement of compliance with code may enhance reporting framework.
- Internal control framework remains adequate; measures to ensure client confidentiality remain in place.
- Enhancing the scope of internal policies may be considered.
- Dissemination of policies with customers and other stakeholders may further strengthen the control framework.
- Regular review of policies and procedures may be maintained.
- Room for improvement exists in client management.
- Client facilitation tools and services may be augmented for better client experience.
- Availability of full scope online trading platform, trade execution alerts and customer complaint tracking system through SMS may be considered.
- Overall client relationship and fair play is considered adequate.



- Given the size of the Company, the organization structure is considered adequate.
- Data backup procedures have been established.
- Implementation of business continuity measures and disaster recovery mechanism may be considered.



- Internal audit continues to be outsourced to a third party, which is viewed favorably.
- Compliance operates as a separate function.
- Addition of an independent risk management function may be considered.
- Market risk exposure depicts an improving trend, albeit remains elevated.



- Due to subdued market conditions on account of political turmoil and macroeconomic situation, operating profitability remained under pressure. Core brokerage income deteriorated by 33.72% in FY23.
- Cost to income ratio witnessed further deterioration to 167% as a result of constrained revenues and increasing costs.
- However, profitability of the Company was supported by capital gains booked against investments held under the propriety book. Consequently, the Company remained in profits, albeit nominal.
- Market risk, however, remains heightened with short term investments to equity at 73%
- Capitalization indicators remain manageable with zero gearing and leverage at 0.26x in FY23 (FY22: 0.44x). Adjusted leverage including bank guarantee commitment stands at 0.7x.
- Liquidity profile of the Company also remains sound with liquid assets to liabilities at 3.36x in FY23 (FY22: 2.45x).
- Going forward, augmentation of revenues and improvement in operational efficiency together with managing market risk at acceptable levels will remain important.

REGULATORY DISCLOSURES		Appendix I		
Name of Rated Entity	AKIK Capital (Private) Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	<u>RATING TYPE: BMR</u>			
	28/11/2023	BMR3	Stable	Reaffirmed
	11/11/2022	BMR3	Stable	Reaffirmed
	29/ 09/ 2021	BMR3	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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