

BROKER FIDUCIARY RATING REPORT

AKIK Capital (Private) Limited

REPORT DATE:

August 01, 2023

RATING ANALYSTS:

Syeda Batool Zehra Zaidi
batool.zaidi@vis.com.pk

Shaheryar Khan Mangan
Shaheryar@vis.com.pk

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	August 01 ,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):	
<i>Mr. Muhammad Qasim Lakhani ~100%</i>	

APPLICABLE METHODOLOGY

Applicable Rating Criteria: Broker Fiduciary Ratings 2021
<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

APPLICABLE RATING SCALE(S)

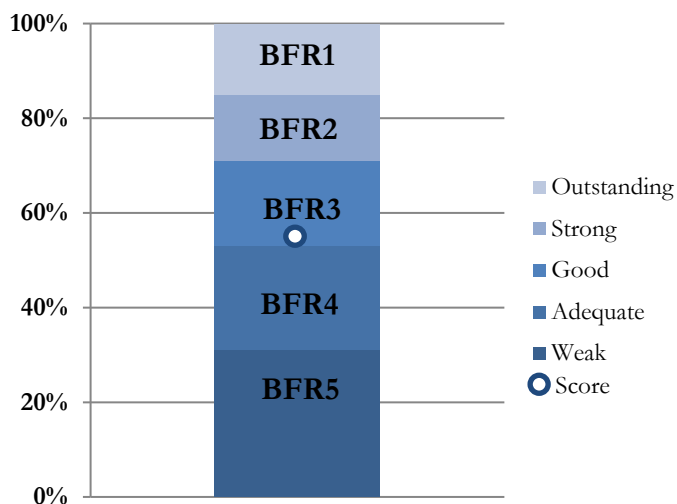
VIS Issue/Issuer Rating Scale:
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

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

	FY23*	FY22	FY21
Size of Net Worth (Rs. In Millions)	110.93	110.6	100.9
Gearing x (Total Borrowing/ Total equity)	0.00x	0.00x	0.0x
Leverage x (Total liabilities/ Total equity)	0.30x	0.44x	0.31x
Liquid Assets/ Total Liabilities (x)	3.02x	2.45x	3.04x
Short term Investments/ Total Equity (%)	75%	79%	87%
Net Capital Balance (NCB) (Rs. In Millions)	53.0	62.8	53.9

*Unaudited Accounts

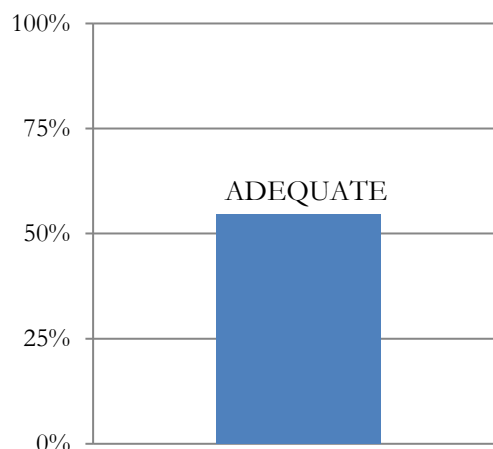
AKIK Capital (Private) Limited

Rating Indicators

Ownership & Governance

- At present, the Company’s board comprises of two members. Overall governance framework maybe strengthened by increasing board size through inclusion of certified members and independent directors.
- Given the limited board size, the Company is constrained to have only one board committee. Hence, increasing board size will also support the formation of independent board committees.
- Disclosure levels in financial statements are considered adequate, the same may be further strengthened by including CEO’s statement on fraudulent transactions.

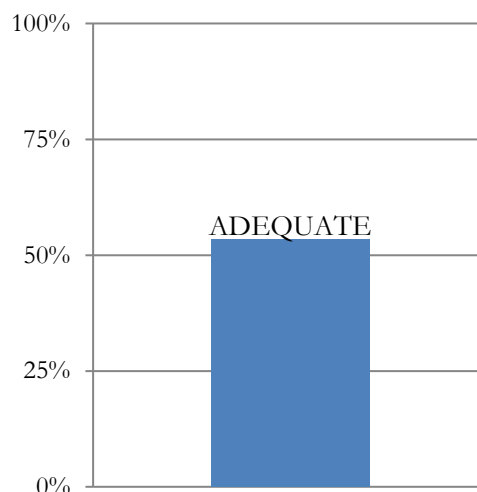
Ownership & Governance



Business & Financial Sustainability

- During FY23, the Company experienced an improvement in operating revenue, primarily driven by a substantial gain on the sale of short-term investments amounting to Rs.34.9m (FY22: Rs.4.8m, FY21: Rs.8.1m). In FY23, the company posted a net profit of Rs.0.3m. (FY22 9.7m, FY21 27.2m).
- The Company’s cost to income ratio has also worsened. Recurring expenses in relation to recurring revenues stood at 155% in FY23 (FY22: 104%). Diversifying revenue and curtailment of administrative expenses may be considered in order to improve the Company’s operational efficiency.
- Market risk continues to remain on the higher side. Quantum of short term investments in relation to equity amounted to 75% at end-Jun’23. However, liquidity profile remains sound. Managing market risk exposure will remain important.
- Capitalization indicators of the Company are deemed to be adequate.
- Going forward, augmenting the revenue base and diversification of revenue streams while maintaining optimal efficiency levels will remain important.

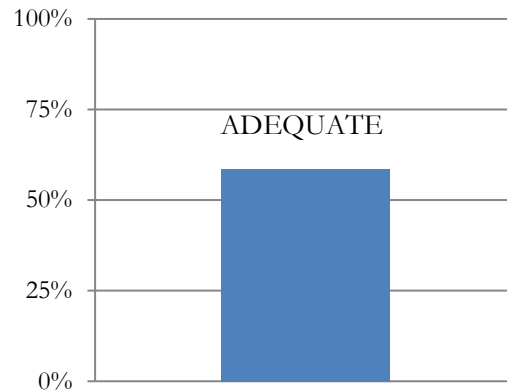
Business & Financial Sustainability



Management & Client Services

- The Company has various channels, including a mobile app and web-based trading platforms, for facilitating clients to execute online transactions. However, availability of online customer reports may provide impetus to the client services portfolio.
- Company has maintained its offsite backups at the third party warehouse. However, increasing the frequency of disaster recovery exercises may be considered to further strengthen the security of the Company’s business operations.

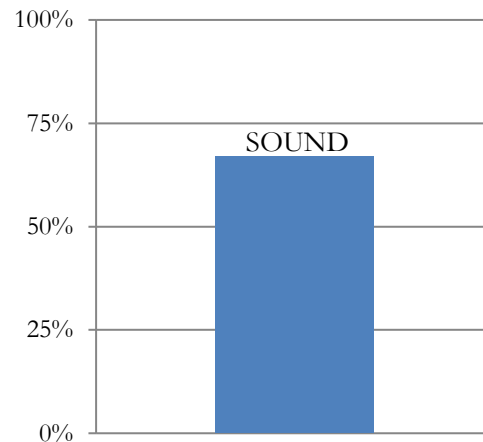
Management & Client Services



Internal Controls & Regulatory Compliance

- Scope of internal policies may be enhanced and conflict of interest policy may be disseminated to all stakeholders.
- While internal audit department is outsourced to a third party and compliance function is independently structured, adding an independent risk management function may add strength to the control framework.
- The Company follows a conservative risk management strategy wherein no credit exposure is given to retail and institutional investors while IDS clients account for up to 50% of Company’s exposure.

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

REGULATORY DISCLOSURES		Appendix I		
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			
	08/01/2023	BFR3	Stable	Reaffirmed
	04/18/2022	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	N/A			
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2023 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.			