

BROKER FIDUCIARY RATING REPORT

AKIK Capital (Private) Limited

REPORT DATE:

August 16, 2024

RATING ANALYSTS:Shaheryar Khan Mangan
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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	August 16, 2024

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. Mubammad Qasim Lakhani ~100%</i>	

APPLICABLE METHODOLOGY

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

APPLICABLE RATING SCALE(S)

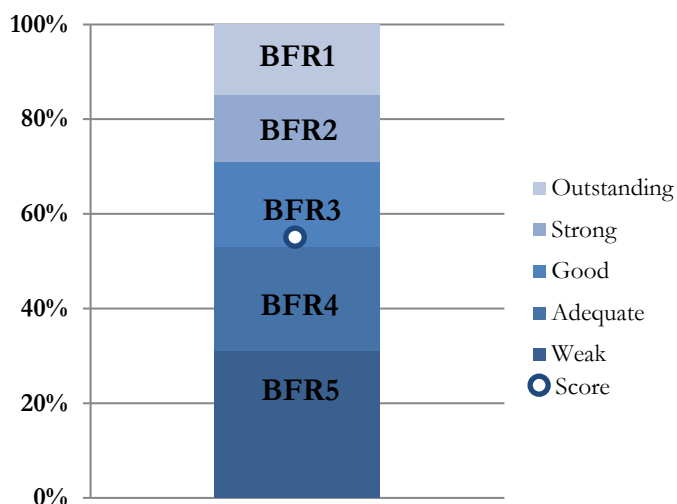
VIS Issue/Issuer Rating Scale:<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

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

	9MFY24*	FY23	FY22
Size of Net Worth (Rs. In Millions)	113.8	113.6	110.6
Gearing x (Total Borrowing/ Total equity)	0.00x	0.00x	0.00x
Leverage x (Total liabilities/ Total equity)	0.30x	0.27x	0.44x
Liquid Assets/ Total Liabilities (x)	3.01x	3.29x	2.45x
Short term Investments/ Total Equity (%)	77.8%	73.1%	78.6%

**Unaudited Accounts*

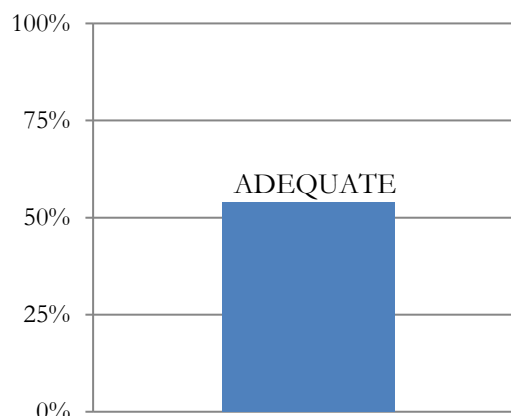
AKIK Capital (Private) Limited

Rating Indicators

Ownership & Governance

- The governance framework is constrained by a small board size, with only two members. Increasing the board size, coupled with the addition of independent directors and certified members, may strengthen the overall governance framework.
- The Company has only one board committee, audit committee. Hence, increasing the board size may enable formation of additional board committees.
- Inclusion of CEO’s statement on fraudulent transactions has boded well for the disclosure levels of the Company.

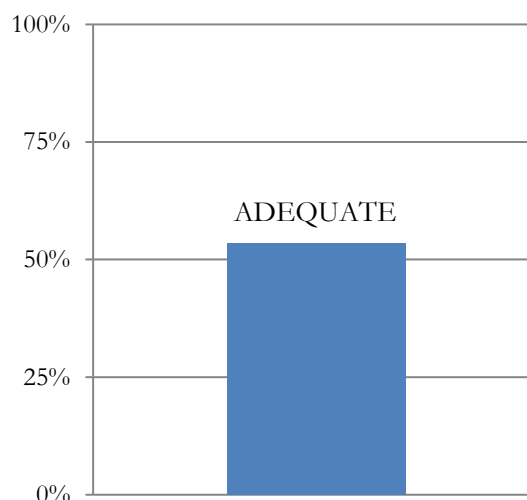
Ownership & Governance



Business & Financial Sustainability

- During 9MFY24, the Company’s operating revenue experienced a rebound, driven by an increase in the brokerage revenue amid higher investor activity in the market during the period. In 9MFY24, the Company posted a profit of Rs.0.2m (FY23: Rs. 3.0m, FY22: 9.7m).
- The Company’s cost to income ratio depicted notable improvement, reaching 98.7% in 9MFY24 (FY23: 166.7%, FY22: 104.5%), albeit it remains higher.
- The Company’s liquid assets provide a healthy coverage of 3.01x against its total liabilities as at March’24 (Jun’23: 3.29x, Jun’22: 2.45x).
- Market risk of the Company is considered higher, with short term investments relative to the equity standing at 77.8% in 9MFY24 (FY23: 73.1%, FY22: 78.6%).
- The capitalization profile is supported by nil gearing and a low leverage ratio of 0.30x, albeit with a small equity base reported at Rs.113.8m in 9MFY24 (FY23: 113.6m, FY22: Rs. 110.6m).
- Going forward, augmenting and diversifying the revenue base along with improving operational efficiency ratio as well as decreasing market risk will remain important for the rating.

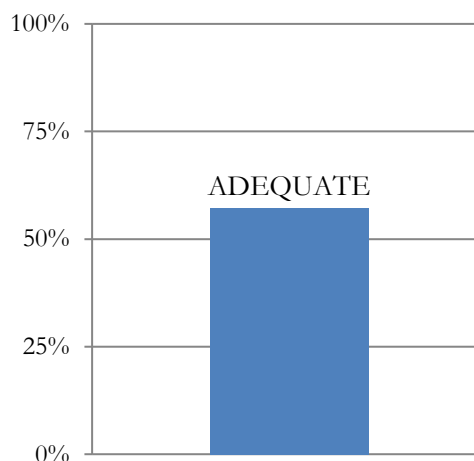
Business & Financial Sustainability



Management & Client Services

- The Company has made provisions for various channels, including a mobile app and web-based trading platforms in order to facilitate clients in executing their online transactions. However, client services may be further improved through availability of online customer reports.
- Similarly, enhancing trade procedures through sending prompt trade alerts to clients may also be considered.
- In addition, undertaking invitations and advertisements may facilitate Customer reach
- The Company has contingency planning in place. However, the same may be enhanced by increasing the frequency of disaster recovery exercises.

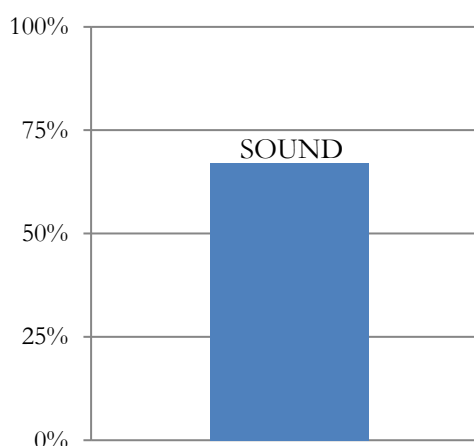
Management & Client Services



Internal Controls & Regulatory Compliance

- Enhancement in the scope of internal policies as well as dissemination of conflict of interest policy to all stakeholders may be considered for further strengthening the internal controls.
- Addition of an independent risk management function may further enhance the internal control framework.

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			
	08/16/2024	BFR3	Stable	Reaffirmed
	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			
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