

## BROKER MANAGEMENT RATING REPORT

### AKD Securities Limited

**REPORT DATE:**

March 4, 2019

**RATING ANALYSTS:**

 Muhammad Tabish  
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**APPLICABLE**
**METHODOLOGY:**

 Broker Management Ratings 2017  
<http://vis.com.pk/docs/BMR201701.pdf>

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2++</b>
<b>Rating Rationale</b>	The rating signifies strong external control framework and client relationship management; sound regulatory compliance levels, internal controls, HR & IT services, risk and financial management.
<b>Rating Date</b>	4 March, 2019

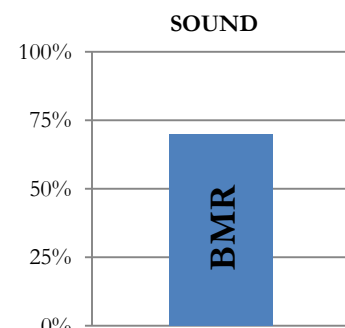
#### COMPANY INFORMATION

<b>Incorporated on 16th May 2007</b>	<b>External auditors:</b> Riaz Ahmad and Co. Chartered Accountants
<b>Public Unlisted Company</b>	<b>Chairperson of the Board:</b> Mrs. Hina Junaid
<b>Key Shareholders (with stake 5% or more):</b>	<b>Chief Executive Officer:</b> Mr. Muhammad Farid Alam, FCA
Aqeel Karim Dhedhi Securities (Pvt.) Limited: 100%	

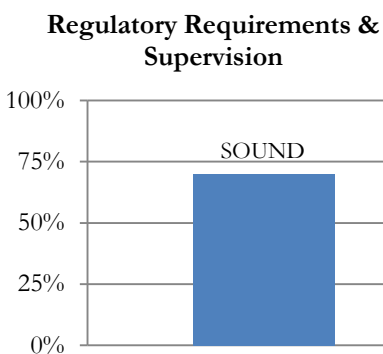
#### Corporate Profile

AKD Securities Limited (AKDSL) was incorporated in 2007 under the Companies Ordinance 1984 as a public limited company. AKDSL is primarily engaged in corporate advisory and equity brokerage. The company, through direct and beneficial ownership, is a wholly-owned subsidiary of Aqeel Karim Dhedhi Securities (Pvt.) Limited (AKDSPL). The sponsor owns significant interests in financial services, real estate, telecom, infrastructure and natural resources sectors.

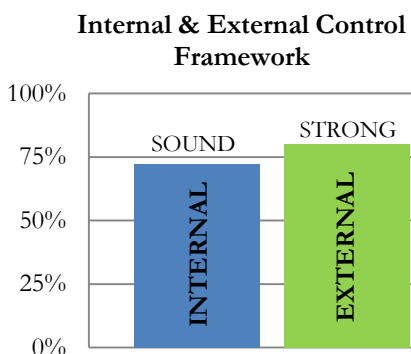
AKDSL is registered with Securities & Exchange Commission of Pakistan (SECP) and holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX). External auditors of the company are Riaz Ahmad and Co. Chartered Accountants. Auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



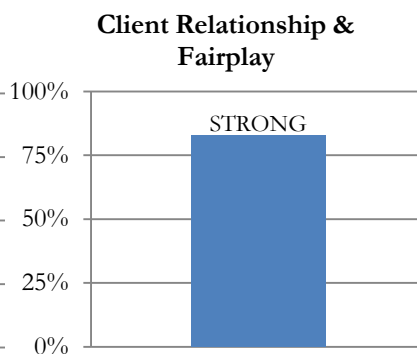
**Rating Factors Scores**



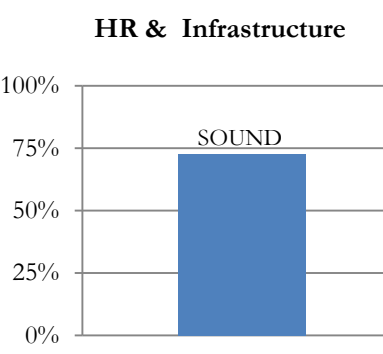
- Sound governance levels with requisite committees and an independent director being present on the board.
- In terms of Board size, room for improvement exists. Strengthening the same would enhance board oversight and avoid common members in board level committees.
- Directors carry regulatory exemptions from training; however, attending directors training programs would be in line with best governance practices.



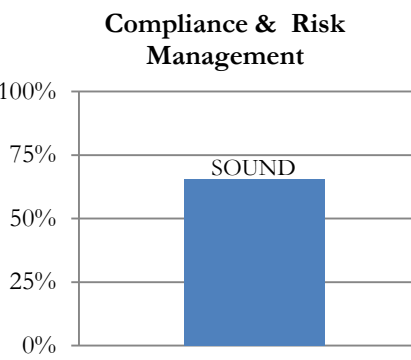
- Internal controls systems are supported by sound policy framework; conflict of interest policy is shared with staff and customers.
- Personal trades are reported on daily basis for greater control levels.
- Holding period in employee trading may be made longer to reduce conflict of interest.
- Directors' Report has been placed in financial statement while CEO statement in terms of clause 9(A)(III) of CGC for securities broker may be added.



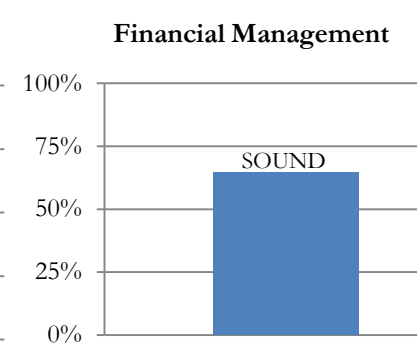
- System for customers order execution and its reporting is strong.
- Customer grievances process is in place; however, bringing the complaint reporting section on the homepage of website would improve the accessibility to customers.



- The organizational structure is well defined.
- IT infrastructure is commensurate with the size of the organization; more frequent DR exercises would strengthen the business continuity.



- Internal audit and compliance functions are segregated to strengthen control environment.
- Frequency of trade reviews policies and procedures for non-compliant and suspicious trade have been enhanced.



- Despite the slowdown in stock market activity, earning profile of the company depicted healthy outlook.
- Fall in brokerage income due to lower volumes was supported by a significant one off reversal of doubtful debt and increase of underwriting commission.
- Operating expenses were curtailed in line with decline in topline.

**MANAGEMENT QUALITY SCALE & DEFINITIONS**

**Appendix I**

**VIS** Credit Rating Company Limited

**RATING SCALE & DEFINITIONS: BROKER MANAGEMENT RATING**

**BMR1A**

Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.

**BMR3++, BMR3+, BMR3**

Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.

**BMR1++, BMR1+, BMR1**

Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.

**BMR4++, BMR4+, BMR4**

Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.

**BMR2++, BMR2+, BMR2**

Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.

**BMR5**

Weak regulatory compliance and business practices

**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](http://www.vis.com.pk/images/criteria_outlook.pdf)

<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 Management Rating (BMR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b><u>RATING TYPE: BMR</u></b>			
	3/4/2019	BMR2++	Stable	Reaffirmed
	12/20/2017	BMR2++	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 management quality only and is not a recommendation to buy or sell any securities.			
<b>Probability of Default</b>	Not Applicable			
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