

# Press Release

---

## VIS Reaffirms Entity ratings of Arif Habib Limited

Karachi, April 13, 2020: VIS Credit Rating Company Limited (VIS) has reaffirmed the entity ratings of Arif Habib Limited (AHL) at 'AA-/A-1' (Double A Minus/A-One). Long term rating of 'AA-' signifies high credit quality, and strong protection factors. Risk is moderate but may vary slightly from time to time because of economic conditions. Short term rating of A-1 denotes high certainty of timely payment, excellent liquidity factors supported by good fundamental protection factors. Risk factors are minor. Outlook on the assigned ratings is 'Stable'. Previous rating action was announced on January 17, 2019.

The assigned ratings are underpinned by strong sponsors' profile, with majority shareholding vested with Arif Habib Corporation Limited, the holding company. The sponsor owns significant interests in fertilizers, securities & commodities brokerage, corporate advisory, asset management, cement and steel sectors. Ratings also incorporate prominent and improving market position, diversified revenue streams, strong financial risk profile and adequate corporate governance framework. Ratings are constrained by challenging operating environment where brokerage industry continues to be affected by economic cycles. Moreover, players with large proprietary books will witness losses on investment portfolio while corporate advisory income is also expected to be impacted. Also, any sharp rise in Covid-19 infections and resultant decline in market volumes may impact profitability of brokerage companies.

AHL remains one of the prominent players in both, equity and corporate advisory domain with a market share of ~10% (based on ready and future value) in equity trading during 1HFY20. In line with market trend, profitability depicted decline on account of reduction in equity brokerage income, along with capital and re-measurement losses on investment portfolio. Moreover, cost to income ratio weakened on a timeline basis. Ratings take into account AHL's overall business strategy being focused towards domestic retail individuals through strengthening of human resources and branch expansion while growing corporate advisory income remains a competitive edge and provides sustainability to overall revenues. However, revenues from the segment are expected to be impacted given lower IPO and bond issuances in the backdrop of COVID-19 pandemic.

Assigned ratings incorporate high market risk emanating from a large proprietary book with large direct exposure to equity market in addition to sizeable real-estate holding. Liquidity profile draws support from adequate liquid assets in relation to total liabilities. In order to manage balance sheet risk, there are limits in place for leverage, underwriting and proprietary equity investments. However, certain breaches in limits stipulated in the investment and underwriting policy were observed during the outgoing year. Going forward, maintaining sound financial profile (including conservative leverage indicators) and adherence to compliance with stipulated limits is important from a rating perspective.

For further information on this rating announcement, please contact Mr. Talha Iqbal (Ext: 213) or the undersigned (Ext. 306) at 021-35311861-70 or email at [info@vis.com.pk](mailto:info@vis.com.pk).

Faryal Ahmad Faheem  
Deputy CEO

Applicable Rating Criteria: Securities Firms Rating (May 2017)  
<https://s3-us-west-2.amazonaws.com/backupsqvis/docs/Securities%20Firms%20201706.pdf>

