

# Press Release

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## VIS Reaffirms Entity ratings of Arif Habib Limited

Karachi, March 09, 2022: 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 July 26, 2021.

The assigned ratings are underpinned by strong sponsors' profile, with majority shareholding vested with Arif Habib Corporation Limited, the holding company. The sponsor strength emanates from owning interests in fertilizers, securities & commodities brokerage, corporate advisory, asset management, cement and steel sectors. Ratings also incorporate diversified revenue streams, strong financial risk profile and adequate corporate governance framework. The consistent decline in market share needs to be addressed by further penetrating in the retail segment and is important from a ratings perspective, going forward. Ratings are constrained by the cyclicity historically noted in the brokerage industry revenues. Moreover, high exposure to market risk, in terms of large proprietary book in relation to equity along with investments in real estate avenues are added risks .

During the period under review, given higher corporate advisory mandates, advisory and consultancy revenue increased by 334% supporting overall operating revenue for the outgoing year. The four-fold uptick was due to IPOs, listed and privately placed TFCs and Sukuks, M&As, PE placements and issuance of right shares. Ratings factor in significant market share of the entity in the corporate advisory segment. Moreover, the Company's brokerage business is positively supported by its notable reliance on domestic retail investors, commission contribution from whom has increased notably over the past couple of years, in tandem with the uptick in domestic retail accountholders. Higher net profits during FY21 were primarily a function of capital gains and re-measurement profits on investment portfolio. Going forward, profitability is expected to remain a function of stable equity brokerage income and growing advisory fees.

Liquidity profile draws support from adequate liquid assets in relation to total liabilities. Improvement in overall debt leverage was on account of lower utilization of short term borrowings and inclining equity base due to gains on investment portfolio. Going forward, the company aims to follow a conservative strategy with projected reduction in debt levels. Also, capitalization indicators are expected to further strengthen in lieu of conservative capital structure and projected growth in equity base through profit retention. Achievement of targeted financial indicators levels is important from the rating perspective.

For further information on this rating announcement, please contact Ms. Asfia Aziz or the undersigned (Ext: 201) at (021) 35311861-66 or email at [info@vis.com.pk](mailto:info@vis.com.pk).

Javed Callea  
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Applicable Rating Criteria: Securities Firms Rating (July 2020)  
<https://docs.vis.com.pk/docs/SecuritiesFirm202007.pdf>

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