



Press Release PACRA MAINTAINS BROKER FIDUCIARY RATING OF ARIF HABIB LIMITED

Date: 17-Dec-21

Rating Details	Rating Type	Broker Fiduciary Rating	
		Current 17-Dec-21	Previous (29-Sep-21)
	Action	Maintain	Initial
	Rating	BFR 1	BFR 1
	Outlook	Stable	Stable
Rating Watch	-	-	

Rating Rationale	Factor	Comment
	Ownership	The Company is primarily corporate backed where ~69% stakes lies with Arif Habib Corporation Limited. Whereas, the general public hold 21% of the shares.
	Governance	The Board comprises of seven directors including chairman and CEO. The Board complies with CCG Reg'2019 and posses manifold experience.
	Management and Client Services	The Company has well-defined departmentalization headed by seasoned professionals. Well drafted policies are in place to ensure high quality of client service.
	Internal Controls and Regulatory Compliance	The internal audit department, overseen by the audit committee, ensures compliance with the policies and procedures.
	Business Sustainability	The revenue stream of the Company is well diversified among brokerage income, investment banking and others.
	Financial Sustainability	The Company has strong capitalization indicators owing to the managed leveraging. However, the Company is exposed to market risk due to its proprietary investments.

Key Rating Drivers	Rating Rationale
	The assigned rating manifests the Company's association with astute sponsors 'Arif Habib Group', one of the prominent conglomerates in the country. The leading position of the Company emanates from its well-diversified revenue stream, stable market share, extensive outreach, and strong operational control environment. AHL has a well-experienced management team, sound governance framework, and well-established compliance protocols which bodes well for the rating. In addition to brokerage, AHL achieved a distinct position in the advisory domain in Pakistan, resulting in a diversified revenue base and a competitive edge over peers. The Company has maintained a sizeable number of investors' accounts including Institutional, HNWIs, and Retailers. AHL has established rigorous protocols regarding risk assessment by implementing KYC, CDD, AML, CFT, and whistleblowing policies. The Company has largely been exposed to market risk due to its sizeable proprietary trading book. Related risks are deterred through well-defined investment policies. During FY21, the Company posted its highest core profitability with net profits at ~PKR 2.1bln (FY20: ~PKR: 60mln), owing to record volumes achieved at PSX. The equity base of the Company amounted to ~PKR 4.9bln at end-FY21. Whereas, the Net Capital Balance of the Company reached up to ~PKR 1.9bln as at end-Jun'21.

About the Entity	Legal Structure	Year of Establishment	Type of License	Majority Ownership
	Listed	07-Sep-04	Trading and Clearing	Arif Habib Corporation Limited

Regulatory Disclosures	Analyst	Applicable Criteria	Related Research
	Afnan Iqbal afnan.iqbal@pacra.com +92-42-35869504 www.pacra.com	Methodology Broker Fiduciary Rating Jan-21	Sector Study Brokerage & Securities Jan-21

Disclaimer	Rating Rationale
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