



Date

17-Dec-21

Analyst

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Applicable Criteria

- Methodology | Broker Management Rating | Jul-21

Related Research

- Sector Study | Brokerage & Securities | Jan-21

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PACRA maintains the Broker Management Rating of Arif Habib Limited

Rating Type	Broker Management	
	Current (17-Dec-21)	Previous (18-Dec-20)
Action	Maintain	Maintain
Long Term	BMR1	BMR1
Short Term	-	-
Outlook	Stable	Stable
Rating Watch	-	-

The rating incorporates Arif Habib Limited’s (“AHL” or “The Company”) association with astute sponsors ‘Arif Habib Group’. The leading position of the Company emanates from its stable market share, established branches, and strong operational control environment. AHL has 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 advisory domain in Pakistan, resulting in diversified revenue base and competitive advantage over peers. The Company is maintaining a sizeable number of investors’ accounts including Institutional, HNWI’s and Retailers. AHL has established rigorous protocols regarding risk assessment by implementing KYC, CDD, AML, CFT and whistle blowing policies. On investor’s front, investor’s guidelines, multiple account opening mediums and complaint management policies and procedures are in place. The Company offers various value-added services to its clients including an online trading terminal, research portal, and mobile app. The Company is largely exposed to market risk due to its sizeable proprietary trading book. Related risks are deterred through well defined investment policies. During FY21, the Company achieved ~12% market share in the recent bull-run of stock market and posted a five years high profits supplemented by brokerage income and capital gains. The Net Capital Balance of the Company stood at ~PKR 1.9bln with an equity base of ~PKR 4.9bln at end-Jun’21.

Going forward, AHL will continue to focus on growing its retail clientele and branch network, which remains a core pillar of its strategy. On corporate advisory and underwriting front, the Company is expecting revenues from the segment, to depict healthy growth in the ongoing year. The rating is dependent on upholding strong control framework while effectively managing risks, particularly associated with proprietary investment book. Meanwhile, sustainability and improvement in profitability from core income and maintaining market share is critical.

About the Entity

Arif Habib Limited is a financial services company, subsidiary of Arif Habib Corporation, listed on Pakistan Stock Exchange. The company is engaged in equity trading, equity research, money market, forex, and commodities trading and has a very strong brand name. AHL also provides investment banking & advisory services to a large scale of clientele. AHL operates from five branches, including the Head office based in Karachi, Pakistan. AHCL holds 69.44%, Mr. Arif Habib holds 5.44%, Banks, DFI’s & mutual fund and others hold 3.76% and General Public hold 21.33%. AHCL is the holding company of Arif Habib group. It has interest in fertilizer, power, cement, real estate, and financial segment. AHL has a well-composed board. It has seven members including the CEO Mr. Muhammad Shahid Ali. Two members are independent and four are non-executive and have female representation on board in compliance with Code of Corporate Governance. Board quarterly reviews overall performance of the company.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA’s comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security’s market price or suitability for a particular investor.

