

**Date**

13-Dec-24

**Analyst**

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**Applicable Criteria**

- Assessment Framework | Broker Management Rating | Nov-23

**Related Research**

- Sector Study | Brokerage & Securities | Jan-24

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**PACRA Maintains Broker Management Rating of Arif Habib Limited**

Rating Type	Broker Management	
	Current (13-Dec-24)	Previous (15-Dec-23)
Action	Maintain	Maintain
Long Term	BMR1	BMR1
Short Term	-	-
Outlook	Stable	Stable
Rating Watch	-	-

Arif Habib Limited ('AHL' or 'the Company') is a leading brokerage house in Pakistan, recognized for its expertise in securities brokerage, investment banking, and economic research. In FY24, Pakistan's stock market rebounded, which can be attributed to favorable factors such as low market P/E multiples, declining interest rates, and improving macroeconomic indicators. This resurgence restored investor confidence and boosted trading volumes, creating a positive outlook for the brokerage industry. During FY25, the trend has continued with the KSE-100 index reaching historic highs and the brokerage industry benefiting from high trading volumes. AHL's strong business acumen of the primary sponsor is well noted. The Company has a strong governance structure with a diversified board and board committees chaired by independent director. The Company has a strong functional organizational structure with an experienced and professionally qualified management ensuring operational efficiency. AHL emphasizes strict internal controls, which are supported by an in-house audit team and group-level audits to ensure transparency, accuracy, and compliance with regulatory standards. AHL integrates advanced technology to streamline operations, facilitate efficient trading, and enhance risk management processes. This technological edge enables the company to stay competitive in a rapidly evolving market environment, and AHL continues to strengthen its client-centric approach. For FY24, AHL reported a significant increase in profit, with a net income of ~PKR 612mln, compared to ~PKR 185mln in FY23. This growth was driven by a 74% increase in equity brokerage revenue, which reached ~PKR 619mln. Additionally, AHL generated ~PKR 374mln as realized gain from proprietary investments, a sharp improvement from the loss of ~PKR 498mln in FY23. AHL's finance costs were significantly reduced, decreasing by 84% to PKR 98 million from ~PKR 638mln the previous year. This reduction was primarily due the Company effectively managing its short-term borrowings. During the year AHL strategically demerged its investment portfolio. The investment portfolio is now centralized under Arif Habib Corporation Limited (AHCL) to enhance the efficiency of investment decisions. As a result AHL's equity stood at ~PKR 1,273mln at end Jun'24 from ~PKR 4,994mln. The demerger also aims to keep AHL's focus entirely on its core operations. Moving forward, it is imperative from a ratings perspective to maintain topline growth, revenue diversification, and profitability. Moreover, retention of key management personnel and further separation of management roles remain critical.

**About the Entity**

Arif Habib Limited (AHL) is a leading financial services firm and a subsidiary of Arif Habib Corporation, listed on the Pakistan Stock Exchange. The company is actively engaged in equity trading, equity research, money market operations, forex, and commodities trading, with a well-established and reputable brand name in the financial industry. AHL also offers a wide range of investment banking and advisory services to a diverse clientele. Operating from multiple branches across Pakistan, AHL's headquarters is located in Karachi, the country's financial center. Arif Habib Corporation Limited (AHCL) holds approximately 72.92% of AHL's shares, with the remaining 27.08% owned by the general public. The company's free float is around 25%. AHCL serves as the holding company of the Arif Habib Group.

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.