



The Pakistan Credit Rating Agency Limited

Rating Report

Alfalah Securities (Pvt.) Limited (Formerly: Alfalah CLSA Securities (Pvt.) Limited) | BFR

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Rating History

Dissemination Date	Rating	Outlook	Action	Rating Watch
23-Apr-2025	BFR 2	Stable	Downgrade	Yes
23-Apr-2024	BFR 2+	Stable	Maintain	Yes
28-Apr-2023	BFR 2+	Stable	Maintain	-
06-Jun-2022	BFR 2+	Stable	Initial	-

Rating Rationale

Factor	Comment
Ownership	Alfalah Securities (Pvt.) Limited (Formerly: Alfalah CLSA Securities (Pvt.) Limited) is primarily owned by Bank Alfalah Limited; a prominent financial institution, with the ownership stake of ~95.59%, followed by CLSA Limited with ~2.93% of the stakes.
Governance	The Board of ASPL comprises six members, including the CEO, with four representatives from Bank Alfalah Limited (BAFL), ensuring strong governance alignment. Composed of seasoned professionals.
Management and Client Services	ASPL has a well developed organizational structure with an experienced management team for efficient operational functions and sound client services. Recently, Mr. Muhammad Atif Khan has been replaced by Syed Akbar Ali on 23rd Dec'23. Syed Akbar Ali has been replaced on 14th Jun'24 and BAFL has appointed Mr. Muhammad Masood Ebrahim as the CEO of the Company.
Internal Controls and Regulatory Compliance	Internal audit function is not more with BDO, Board has appointed KPMG for internal audit function.
Business Sustainability	ASPL's topline is concentrated to equity brokerage; however, there is diversity present in the form of investment banking and research. During CY24, the Company earned ~PKR 721.5 million (SPLY: ~PKR 482.5 million) as brokerage revenue, with a net loss of ~PKR 39.6 million (SPLY: ~PKR 197.5 million).
Financial Sustainability	ASPL maintains a PKR 441.7 million (SPLY: negative equity of PKR 711.1) equity base as of Dec'24, with its principal sponsor further strengthening the capital structure through a PKR 1.2 billion equity infusion.

Key Rating Drivers

Despite the brokerage sector's strong performance in CY24, ASPL experienced significant equity erosion resulting from PKR 1.1 billion in provisions linked to financial misconduct under its former CEO. While the parent's PKR 1.2 billion equity injection provided near-term stabilization, it does not fully mitigate the reputational and financial risks stemming from the governance lapse. Consequently, the Company was placed on Rating Watch, with the subsequent downgrade. ASPL's enhanced internal controls are a step toward remediation, but their effectiveness in preventing future incidents remains untested. The rating action also considers the company's elevated execution risks as it seeks to rebuild stakeholder confidence and stabilize profitability. Going forward, the enhancement of ASPL's credit profile will be contingent upon delivering sustainable revenue growth, maintaining rigorous internal control frameworks and preserving competitive positioning within the market.

Disclosure

Name of Rated Entity	Alfalah Securities (Pvt.) Limited (Formerly: Alfalah CLSA Securities (Pvt.) Limited) BFR
Type of Relationship	Solicited
Purpose of the Rating	Broker Fiduciary Rating (BFR)
Applicable Criteria	Assessment Framework Broker Fiduciary Rating(Jan-25)
Related Research	Sector Study Brokerage Firms(Feb-25)
Rating Analysts	Usama Ali usama.ali@pacra.com +92-42-35869504

Profile

Background Alfalah Securities (Pvt.) Limited ('ASPL' or 'the Company') is a Private Limited Company and holds the Trading Rights Entitlement Certificate (TREC) from Pakistan Stock Exchange - PSX. The Company is licensed from Securities and Exchange Commission of Pakistan. The Company was incorporated on 23rd September 2003 under then Companies Ordinance, 1984 and commenced its operations on 25th March 2004.

Operations The Company is primarily engaged in the business of equity brokerage, investment banking/corporate finance and research.

Ownership

Ownership Structure Alfalah Securities (Private) Limited is a subsidiary of Bank Alfalah. Previously, Bank Alfalah held ~62% stake in the Company, while CLSA owned ~25%. However, due to ongoing financial losses, Bank Alfalah injected additional equity, due to which the stake of CLSA has been diluted to 2.93%, and Bank Alfalah's ownership stake increased to 95.59%. As a result of this substantial ownership change, bank Alfalah decided to rename the Company.

Stability The holding Company "Bank Alfalah" is one of the largest private bank in Pakistan, it has a widespread network of 957 branches in more than 200 cities in Pakistan and also has an international presence in Bangladesh, Bahrain & U.A.E. The Institutional ownership of CLSA a Hong Kong based institutional brokerage and investment group, subsidiary of CITIC Securities, the largest securities company in China, also bodes well for stability.

Business Acumen The Company's sponsors, Bank Alfalah Limited and CLSA are prominent institutions of financial service sector. Bank Alfalah is a prominent bank owned and managed by Abu Dhabi group. CLSA is the leading investment group of East Asia. Whereas, Mr. Aliuddin Ansari is a seasoned professional having more than 31 years of experience in both local and international institutions.

Financial Strength Bank Alfalah has a long-term rating of AAA and a short-term rating of A1+ and reported equity of ~PKR 178bln as at end-Dec'24.

Governance

Board Structure The Company's board comprises of six board members, including the CEO out of which four board members represent Bank Alfalah. Mr. Aasim Wajid Jawad is entrusted with the responsibility of chairman of the board.

Members' Profile The Board members have strong educational background and diversified experience which provides seasoned guidance to the Company. Mr. Faisal Rabbani, Mr. Aasim Wajid Jawad possess more than 2 decades of seasoned experience with renowned financial institutions both locally and internationally. Mr. Asim Wajid Jawad is FCA from Institute of Chartered Accountants in England & Wales.

Board Effectiveness The board meets on quarterly basis to evaluate the performance of the Company. The diversified experience of the board members provide useful insight in governing company's affairs.

Financial The Company has transitioned its internal audit services from BDO to KPMG. The external auditor, A.F. Ferguson & Co., is listed in Category 'A' of the State Bank of Pakistan's (SBP) approved auditor panel. For the calendar year 2023 (CY-23), the auditors issued an unqualified opinion on the financial statements.

Management And Client Services

Organizational Structure The Company has well-defined organization structure with a proper chain of command and departmentalization. All departments are led by experienced professionals.

Management Team The Company's experienced senior management team is directly reportable to the CEO. Mr. Masood (CEO) is a dynamic and visionary leader with over 28 years of diverse experience in both international and domestic markets. Mr. Ahmad Zakir Hafeez serves as the Chief Financial Officer at Alfalah Securities (Pvt) Limited, bringing with him over two decades of experience and expertise in the financial sector.

Client Servicing The Company follows the prescribed regulatory requirements for account opening. ASPL has well developed research department, stock coverage comprises around 80% of the KSE-100 market capitalization. A strong client reporting mechanism is in place, with account statements, market and research reports communicated to the clients on regular basis. The Company maintains comprehensive, robust and client friendly account opening practices.

Complaint Management The Company has a well-defined complaint management system. The Company has defined policy for lodging complaints. Complaints can be made via email. Complaints are recorded by compliance manager. Customers are intimated about the complaint being received. Furthermore, SECP and PSX compliant link is displayed on the website of the Company.

Extent Of Automation / Integration ASPL is currently using "Vtrade" by VisionMax. All back-office systems are fully integrated and reports are generated on real time basis. The Company has formulated an extensive IT policy which addresses all the key issues including virus protection and control environment.

Continuity Of Operations To ensure business continuity, the Company has a fully operational business continuity & disaster recovery locations, which provides a robust structure for resuming all the critical operations in the shortest possible time. ASPL has a policy of weekly back up of data to be stored at offsite. The Company also maintained a robust back-office management system for Clearing, Settlement, & Reporting and Trader Account Management System.

Internal Controls And Regulatory Compliance

Risk Management Framework A well formulated risk management policy is in place, to provide trading services. Proper KYC/CDD is conducted by the risk department. High, medium and low risk levels are assigned to each customer. For high risk customers, enhanced due diligence is also conducted.

Regulatory Compliance The Company has established a Compliance Department under the leadership of M. Aslam Memon, who holds a B.Sc. degree and brings over 33 years of professional experience. The department is responsible for ensuring that all regulatory requirements are met in a timely manner.

Business Sustainability

Operating Environment Low market P/E multiples, declining interest rates, and improving macro-economic indicators renewed investor confidence during CY24, resulting in high volumes for the brokerage industry. The trend has continued in CY25, with significant rate cuts providing the impetus to investors to shift their investments from fixed income to the equity market. The market P/E ratio is still considered low with ample room to improve, indicating that the brokerage industry shall continue to enjoy high volumes during CY25.

Performance The Company recorded an operating revenue of approximately PKR 721.5mln in CY24, compared to PKR 482.5mln in the previous year (CY23). It reported a net loss of PKR 39.6mln in CY24, a significant improvement from the net loss of PKR 197.5mln in CY23, demonstrating ongoing recovery. This reduction in losses was driven by a 49% increase in operating revenue and a 50% decline in finance costs.

Strategy The Company has opened new branches for geographical diversification. Plans are in place to use technology for penetration in the retail segment.

Financial Sustainability

Credit Risk In addition to KYC, Customer Due Diligence (CDD) and Enhance Due Diligence (EDD) procedures are in place for the assessment of its client creditworthiness. The entire EDD process is comprehensive and well documented, especially in the account opening and client risk assessment stages. The documents gathered from this mined data is used for reporting suspicious activities, anti-money laundering policies and other irregular transactions.

Market Risk The Company is running a proprietary book with an approximate value of PKR 52.8mln at end-Dec'24, which constitutes only 11.95% of the equity and exposes the the low market risk of the Company. However, it has established an appropriate proprietary trading policy.

Liquidity Risk As of Dec'31, 2024, the Company's current assets stood at approximately PKR 1,700.7mln (Dec'23: PKR 1,477.3mln), against current liabilities of PKR 1,020.8 mln (Dec'23: PKR 2,237.2mln). This represents a favorable liquidity position, as current assets sufficiently cover the Company's current liabilities.

Capitalization As of Dec'24, the Company's equity stands at PKR 441.7mln, a significant improvement from the negative equity of PKR 711mln recorded in Dec'23. This positive turnaround was achieved through a PKR 1.2bln equity injection by the sponsors, reinforcing the Company's financial stability.

BALANCE SHEET

1 FINANCES	-	-	-	-
2 INVESTMENTS	52.81	136.94	15.38	26.17
3 OTHER EARNING ASSETS	1,296.53	-	0.19	19.77
4 NON-EARNING ASSETS	472.54	1,452.05	1,859.84	939.77
5 NON-PERFORMING FINANCES-net	-	-	-	-
TOTAL ASSETS	1,821.88	1,588.99	1,875.41	985.70
6 FUNDING	338.28	741.20	521.19	336.79
7 OTHER LIABILITIES (NON-INTEREST BEARING)	1,041.86	1,558.86	1,013.43	314.20
TOTAL LIABILITIES	1,380.14	2,300.07	1,534.61	650.98
TOTAL EQUITY	441.74	(711.08)	340.80	334.72

**INCOME STATEMENT
INCOME**

1 FEE BASED INCOME	721.48	446.53	405.42	308.79
2 OPERATING EXPENSES	(749.86)	(519.03)	(344.08)	(223.29)
3 NON-FEE BASED INCOME	-	71.72	54.32	11.69
TOTAL OPERATING INCOME (LOSS)	(28.38)	(0.78)	115.66	97.19
4 FINANCIAL CHARGES	(163.69)	(329.06)	(128.85)	(20.90)
PRE-TAX PROFIT	(39.60)	(168.78)	(11.74)	74.07
5 TAXES	-	(28.76)	19.23	(12.83)
PROFIT AFTER TAX	(39.60)	(197.54)	7.49	61.24

RATIOS

BUSINESS SUSTAINABILITY

1 PRE-TAX MARGIN	(0.05)	(0.38)	(0.03)	0.24
2 EBITDA MARGIN	0.17	0.36	0.29	0.31
3 EBIT RETURN ON ASSETS	0.07	0.09	0.08	0.12

FINANCIAL SUSTAINABILITY

1 TOTAL INVESTMENTS / EQUITY	0.12	(0.19)	0.05	0.08
2 LIQUID CAPITAL BALANCE (LCB) / EQUITY	1.05	(1.59)	1.00	1.46
3 (CASH, CASH EQUIVALENTS & GOVERNMENT SECURITIES) / TOTAL ASSETS	0.74	0.09	0.02	0.08
4 TOTAL DEBT / TOTAL ASSETS	0.20	0.47	0.26	0.34

Broker Fiduciary Rating Scale & Definitions

An independent opinion on a broker's quality of management and client services and sustainability of operations

Scale	Definition
BFR 1	Very Strong. Very Strong quality of management and client services and a very high likelihood of sustaining operations.
BFR 2++ BFR 2+ BFR 2	Strong. Strong quality of management and client services and a high likelihood of sustaining operations.
BFR 3++ BFR 3+ BFR 3	Good. Good quality of management and client services and an above average likelihood of sustaining operations.
BFR 4++ BFR 4+ BFR 4	Adequate. Adequate quality of management and client services and an average likelihood of sustaining operations.
BFR 5	Weak. Weak quality of management and client services and a weak likelihood of sustaining operations.

<p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the rating remains suspended for six months, or/and d) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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2) Conflict of Interest

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- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
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- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
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- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
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- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

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- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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