



The Pakistan Credit Rating Agency Limited

Rating Report

Aba Ali Habib Securities (Pvt.) Limited | BFR

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Rating	Outlook	Action	Rating Watch
14-Mar-2025	BFR 2	Stable	Maintain	-
15-Mar-2024	BFR 2	Stable	Initial	-

Rating Rationale

Factor	Comment
Ownership	AAH is predominantly owned by Mr. Aba Ali Habib, who holds ~99.99% of the shares. With over 40 years of experience in the capital markets, he has developed a diversified expertise in equity brokerage.
Governance	The Company upholds a robust governance framework, comprising a six-member board, with an equal representation of three executive directors and three non-executive directors including an independent director.
Management and Client Services	AAH operates with a streamlined organizational structure, encompassing essential departments such as research, internal audit, and compliance and risk management. The company is supported by an experienced and highly qualified management team, which contributes to the rating's confidence. Client services are deemed satisfactory, with offerings including online trading and access to research reports.
Internal Controls and Regulatory Compliance	AAH has a strong internal control environment, supported by outsourced internal audit services and the active participation of audit and risk management committees. A dedicated compliance officer oversees effective compliance reporting.
Business Sustainability	AAH's topline is concentrated to equity brokerage; however, there is diversity present in the form of MFS & MTS. During 1HFY25, the company earned ~PKR 159mln (SPLY: ~PKR 90mln) as operating revenue, with a profit after tax of ~PKR 359mln (SPLY: ~PKR 56mln).
Financial Sustainability	The company's low-leverage capital structure further supports the rating. As of December 31, 2024, AAH boasts a robust equity base of ~PKR 1,634mln.

Key Rating Drivers

The brokerage industry demonstrated strong performance in 1HFY25, driven by renewed investor interest. AAH plans to expand its geographic reach to enhance its retail clientele and increase market share. The management also aims to upgrade its technological infrastructure to facilitate the swift on-boarding of retail clients. Going forward, the successful implementation of planned revenue and geographic diversification will be crucial to the rating. Maintaining and improving market share, along with sustaining growth in revenue and profitability, remains essential. Additionally, it is critical to uphold robust internal controls, retain key management personnel, and diligently monitor risks.

Disclosure

Name of Rated Entity	Aba Ali Habib 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 Aba Ali Habib Securities (Pvt.) Limited ("AAH" or "The Company") is a TREC holder of Pakistan Stock Exchange and a Member of Pakistan Mercantile Exchange Limited. The Company has been operating since 1970 and was incorporated under the "Companies Ordinance 1984" in 1996 as a Private Limited Company. The Company is registered with the Securities & Exchange Commission of Pakistan (SECP) under Securities Brokers (Licensing and Operations) Regulations 2016.

Operations The Company's service offering includes equity brokerage, commodity brokerage and research. The clientele of the Company is segmented into three categories: i) HNWI's ii) Institutions/Corporates, and iii) Retail iv) RDA.

Ownership

Ownership Structure The Company is primarily owned by a single family. The majority shares are owned by Mr. Aba Ali Habib who owns ~99.998% of the ownership.

Stability The sponsors have sizeable net worth and may provide support to the business in the times of need. Formulation of a well defined succession plan at the shareholder level is encouraged for business sustainability.

Business Acumen The primary sponsor Mr. Aba Ali Habib has been associated with the capital markets for over forty years, and has diversified experience in the field of equity brokerage.

Financial Strength The sponsors have a sizeable net worth and provide support to the Company in the times of need.

Governance

Board Structure AAH's board consists of six directors, including the CEO, Mr. Zahid Ali Habib. Of these, three are non-executive directors, one of whom is an independent director (C.A).

Members' Profile Mr. Abid Ali Habib has a vast experience of over 30 years of Pakistan's capital market. He has been elected as Director of Pakistan Stock Exchange for eight times and Chairman of Trading Affairs Committee, Information Technology Committee, New Product Committee, Company Affairs Committee and Index Committee. He has been director of Central Depository Company and National Clearing Company various times and represented as nominee at various International forums. Mr. Muhammad Munir is a qualified Chartered Accountant. He possess more than 20 years of experience in Capital Market, Asset Management and Mutual Fund Management.

Board Effectiveness AAH has established an Audit Committee, Investment Committee, HR Committee and Risk Management Committee at the Board level.

Financial AAH has appointed M/S Naveed Zafar Ashfaq Jaffery & Company as the external auditors who are placed in the 'A' category by the SBP. The auditors have expressed an unqualified opinion on the Company's financial statements for the year ended June'24. AAH has also outsourced its internal audit department to Afras & Co.

Management And Client Services

Organizational Structure AAH has developed an adequate organizational structure and operates through eight departments namely i) Operations ii) Finance iii) Compliance iv) Sales v) Proprietary Trading vi) IT vii) Research and, viii) Human Resource. All of the departmental heads directly report to the CEO. However, the Internal Audit which is outsourced, directly reporting to the Board Audit Committee.

Management Team The management is experienced to manage the Company's operations efficiently; however, the quality may be improved further by nurturing of educational profile. The CEO, Mr. Zahid Ali Habib holds an MBA in Finance from Institute of Business Administration. He has an extensive experience of over 25 years in the areas of fund management, capital markets, brokerage operations and regulatory affairs. Additionally, the Company have highly corporate culture regarding board meeting, staff management, system management, operational SOPs and corporate trainings.

Client Servicing AAH has provided its customers with various channels, including a mobile app and online trading platform to facilitate them for execution and monitoring of their transactions. A research department is also present to cater the needs of institutional clientele.

Complaint Management AAH has provided an electronic form on the face of its website to lodge online complaints and complaints can be made via e-mail and calls. The customer service department is responsible for the complaint management system.

Extent Of Automation / Integration AAH's front-end is provided by 'Catalyst,' while the back-end is supported by 'Microlinks.' The seamless integration between the two ensures smooth daily operations. The Company have digital system for payments (IBFT, RTGS), documentation, reporting lines, work management, and the dissemination of client information or inquiries.

Continuity Of Operations AAH has established a recovery plan for all essential infrastructures elements, systems, networks and key business activities. The Company has a separate back-up server located at the PSX building in Karachi, and data is backed up on a daily basis.

Internal Controls And Regulatory Compliance

Risk Management Framework The risk management framework revolves around the risk management committee headed by the Chairman Mr. Abid Ali Habib. To ensure operational efficiency and appraisal of internal controls, the Company has outsourced the internal audit department, which implements and monitor the policies and procedures of the Company. Formation of an independent risk management department would be a positive factor.

Regulatory Compliance Compliance department ensures regular monitoring of controls and systems, which ensures all functions are in-line with the applicable policies and procedures.

Business Sustainability

Operating Environment Low market P/E multiples, declining interest rates, and improving macro-economic indicators renewed investor confidence during FY24, resulting in high volumes for the brokerage industry. The trend has continued in FY25, 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 FY25.

Performance AAH's revenue streams are derived from equity brokerage, commodity brokerage, debt markets, IPOs, MTS/MFS, fixed income from bank deposits, dividend income, capital gains, and research.. During 1HFY25, the Company earned a brokerage revenue of ~PKR 59mln (SPLY: ~PKR 39mln) and the income from MFS/MTS and dividend income has provided support with a contribution of ~PKR 84mln and ~PKR 16mln respectively. AAH reported a net profit of ~ PKR 359mln during 1HFY25 (SPLY: a net profit of ~PKR 56mln). The reasons behind the profit increase are twofold: first, a capital gain on sale of equity securities amounting to ~PKR 82mln (SPLY: ~PKR 46mln), and a gain of ~PKR 188mln on re-measurement of investments during 1HFY25 (SPLY: ~PKR 30mln), which directly contributed to the profitability.

Strategy As part of its long-term strategy, AAH has established a new branch in Lahore, which has been operational for over six months, aimed at expanding its retail clientele.

Financial Sustainability

Credit Risk AAH has formulated KYC/CDD policies to assess the clients creditworthiness. Client risk profile with respect to the financial position is also maintained. Credit is allowed up to 35% on margin in cash or cash equivalent. Risk control parameters are inbuilt in the system preventing the clients from taking further positions.

Market Risk AAH is actively running a proprietary book which exposes AAH to Market Risk. However, as part of the investment strategy the management reallocates the funds from equity towards fixed income based on market outlook.

Liquidity Risk AAH has reported current assets of ~PKR 2,831mln at the end of Dec'24 as compared to current liabilities of ~PKR 1,237mln resulting in a strong liquidity profile. AAH has also made arrangement with different banks for short-term running finance in case if any liquidity need arises.

Capitalization AAH has a leverage free capital structure while the short-term borrowings are being utilized to fund the exposure margin requirements. AAH's equity stood at ~PKR 1,634mln in 1HFY25 as compared to equity of ~PKR 1,275mln in FY24.

THE PAKISTAN CREDIT RATING AGENCY

Aba Ali Habib Securities (Pvt.) Limited
PRIVATE LIMITED
FINANCIAL SUMMARY

FS PRINT MODE DISABLED

Dec-24 FY25 6M Management	Jun-24 FY24 12M Audited	Jun-23 FY23 12M Audited	Jun-22 FY22 12M Audited
------------------------------------	----------------------------------	----------------------------------	----------------------------------

BALANCE SHEET

1 FINANCES	916.23	678.52	70.20	325.95
2 INVESTMENTS	1,267.81	905.98	868.10	579.89
3 OTHER EARNING ASSETS	76.30	-	0.29	0.45
4 NON-EARNING ASSETS	611.50	327.77	334.02	255.26
5 NON-PERFORMING FINANCES-net	-	-	-	-
TOTAL ASSETS	2,871.84	1,912.27	1,272.61	1,161.54
6 FUNDING	900.86	506.80	134.94	101.05
7 OTHER LIABILITIES (NON-INTEREST BEARING)	336.52	129.88	63.68	92.33
TOTAL LIABILITIES	1,237.38	636.68	198.63	193.39
TOTAL EQUITY	1,634.47	1,275.59	1,073.98	967.70

INCOME STATEMENT

INCOME

1 FEE BASED INCOME	58.59	90.16	94.92	108.10
2 OPERATING EXPENSES	(59.62)	(91.19)	(64.11)	(89.89)
3 NON-FEE BASED INCOME	370.77	247.76	95.36	(23.41)
TOTAL OPERATING INCOME (LOSS)	369.74	246.74	126.18	(5.20)
4 FINANCIAL CHARGES	(11.91)	(26.12)	(18.64)	(12.26)
PRE-TAX PROFIT	358.88	224.85	109.27	(17.46)
5 TAXES	-	(2.35)	(3.37)	(0.29)
PROFIT AFTER TAX	358.88	222.51	105.90	(17.74)

RATIOS

BUSINESS SUSTAINABILITY

1 PRE-TAX MARGIN	6.13	2.49	1.15	(0.34)
2 EBITDA MARGIN	6.33	2.78	1.35	(0.10)
3 EBIT RETURN ON ASSETS	0.31	0.16	0.11	(0.00)

FINANCIAL SUSTAINABILITY

1 TOTAL INVESTMENTS / EQUITY	0.78	0.71	0.81	0.60
2 LIQUID CAPITAL BALANCE (LCB) / EQUITY	0.54	0.68	0.60	0.68
3 (CASH, CASH EQUIVALENTS & GOVERNMENT SECURITIES) / TOTAL ASSETS	0.57	0.47	0.71	0.54
4 TOTAL DEBT / TOTAL ASSETS	0.31	0.27	0.10	0.08

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>
---	---	--	---	---

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Disclaimer: PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of PACRA documents may be used, with due care and in the right context, with credit to PACRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- 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

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

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).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (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)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (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)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (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)

Monitoring and review

- (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)

Proprietary Information

(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent