



## The Pakistan Credit Rating Agency Limited

### Rating Report

#### AL Habib Capital Markets (Pvt.) Limited | BFR

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##### Rating History

Dissemination Date	Rating	Outlook	Action	Rating Watch
18-Jul-2025	BFR 2+	Stable	Maintain	-
19-Jul-2024	BFR 2+	Stable	Maintain	-
19-Jul-2023	BFR 2+	Stable	Maintain	-
19-Jul-2022	BFR 2+	Stable	Maintain	-
19-Jul-2021	BFR 2+	Stable	Initial	-

#### Rating Rationale

Factor	Comment
<b>Ownership</b>	The assigned rating incorporates the business acumen of the primary sponsor "Bank Al Habib Limited", which owns ~67% of the ownership. The remaining shares are held by the Habib Family, friends and associates.
<b>Governance</b>	The Company has 5 directors on board, 4 non executive and 1 executive director. Representation of the primary sponsor on the board is well noted. The addition of independent directors to the board would strengthen governance oversight.
<b>Management and Client Services</b>	The Company has well developed organizational structure to manage its operations and appropriate policies to protect the clients interest. The ratings incorporate the improvement to AHCMLs client services through the addition of an online sales and marketing department.
<b>Internal Controls and Regulatory Compliance</b>	The Company maintains a dedicated internal audit function, supported by the board Audit Committee to ensure a sound control environment. Separating risk and compliance roles could further enhance the framework. The risk assessment approach is guided by established KYC, CDD, AML, and CFT practices.
<b>Business Sustainability</b>	The Company's revenue remains concentrated in equity brokerage, which stood at ~PKR 43mln in 1QCY25 (SPLY: ~PKR 46mln), reflecting a strategic focus on quality, long-term client ties, and risk-conscious operations amid changing market dynamics.
<b>Financial Sustainability</b>	The prop book of the Company constitutes 33% of the equity and stood at ~PKR 144mln at end Mar'25 as compared to the ~PKR 100mln that constitutes ~18% of the equity in SPLY. Furthermore, the Pakistan Investment Bonds (PIBs) contribute ~66% to the prop book at end Mar'25 as compared to the ~82% SPLY.

#### Key Rating Drivers

Going forward, it is imperative to diversify revenue sources. The managements ability to retain its market share and boost trading volumes in order to improve its competitive standing in the Brokerage Industry is an integral part of the rating decision. Retention of key personnel, adherence to regulatory requirements, and sustainability of profitability will remain important from a rating perspective.

##### Disclosure

<b>Name of Rated Entity</b>	AL Habib Capital Markets (Pvt.) Limited   BFR
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Broker Fiduciary Rating (BFR)
<b>Applicable Criteria</b>	Methodology   Rating Modifiers(Apr-24),Methodology   Correlation Between Long-term & Short-term Rating Scales(Jul-24),Assessment Framework   Broker Fiduciary Rating(Jan-25)
<b>Related Research</b>	Sector Study   Brokerage Firms(Feb-25)
<b>Rating Analysts</b>	Usama Ali   usama.ali@pacra.com   +92-42-35869504

## Profile

**Background** Al Habib Capital Markets (Pvt.) Limited, 'AHCML' or 'The Company' is a licensed TREC holder of the Pakistan Stock Exchange and was incorporated under the Companies Ordinance 1984 in 2005 as a private limited company.

**Operations** AHCML's service offering includes Equity Brokerage and Economic and Investment Research. The clientele of the company is segmented into three categories 1) HNWT's 2) Financial Institutions 3) Retail.

## Ownership

**Ownership Structure** Bank AL Habib (BAHL) is a major shareholder of AHCML, accounting for two-third of the ownership. The remaining one-third is held by Habib Family, friends and associates.

**Stability** Habib Group has been historically involved in the banking sector for about 80 years. BAML operates through a fast growing network of 1221 branches/ sub-branches, including 276 Islamic banking branches at end-Dec'24.

**Business Acumen** The CEO Mr. Aftab Q. Munshi possesses diversified experience in capital markets. He is serving on the Board of Directors of AHCML as Chief Executive since its incorporation. Mr. Munshi served with the Jahangir Siddiqui Group for almost 12 years in multiple roles. He headed their Equity Operations for 5 years.

**Financial Strength** The sponsors have sizeable net worth and may provide support the Company with increasing quantum of operations. Bank AL Habib enjoys a rating of AAA, assigned by PACRA. The assets of BAML stood at ~PKR 3.32Tr at end-Dec'24.

## Governance

**Board Structure** The company has 5 directors on the board including CEO and Chairman. There are 4 non-executive directors and 1 executive director. Mr. Rizwan Hussain (GM Bank AL Habib) was elected as BoD in February 2025.

**Members' Profile** The board possess the necessary skills and experience required for capital markets. The board members on average possess ~20 years of experience in the field of finance and capital markets and are Bank nominated.

**Board Effectiveness** During the period under review, three board meetings were conducted and attended by the majority of the board members. The board is always provided with MIS pack prior to the meeting and the meeting discussions are properly documented in the form of minutes.

**Financial** The external auditors of the company are KPMG Taseer Hadi & Co., Chartered Accountants. The firm is QCR rated by ICAP and is in the A Category of SBP's panel of auditors.

## Management And Client Services

**Organizational Structure** The Company has well developed organizational structure to manage its operations and appropriate policies to protect the client's interest and to preserve their good faith and trust. The Company operates through one branch office and the Head Office is located in Karachi. The COO and CFO report to the Company's CEO.

**Management Team** The management of AHCML is well qualified and experienced to manage the Company's operations efficiently. The CFO Mr. Rizwan Hashmi is a fellow member of Association of Chartered Certified Accountant. He has been serving as CFO & Company Secretary of AL Habib Capital Markets (Pvt.) Limited since March 2017.

**Client Servicing** AHCML regularly publishes reports on market strategy, economy, daily news, and market updates. AHCML has provided direct links to relevant institutions and departments on their website. Moreover, various channels, including a mobile app and online trading platforms, are available to execute and monitor the transactions.

**Complaint Management** A designated officer has been assigned the responsibility for handling and rectification of complaints. Complaints can also reach the Company through telephone, email, and website. Direct links for PSX and SECP are also available on website to lodge complaints.

**Extent Of Automation / Integration** AHCML has comprehensive and effective IT arrangement to deal with dynamic technological environment prevailing in the capital markets arena. The "Catalyst System" is deployed for online trading transactions with PSX and online monitoring of the margin exposure.

**Continuity Of Operations** AHCML has established a recovery plan for all essential infrastructure elements, systems, networks, and key business activities. The business continuity plan provides a framework for business departments if a major incident occurs, causing disruption to pre-defined critical services.

## Internal Controls And Regulatory Compliance

**Risk Management Framework** The Company has in-house internal audit department, which monitors implementation of the policies and procedures of AHCML. Audit Committee further ensures an effective control environment. For an effective control environment and compliance with reporting standards, AHCML has constituted an Audit Committee and Investment Committee at the board level. Management Committee of AHCML reviews/monitors risk management of the Company amongst other matters.

**Regulatory Compliance** Compliance Department ensures regular monitoring of controls and systems, which ensures that all functions are in-line with the applicable policies, procedures and regulations. Research analyst policy has also been formulated.

## 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. This trend has continued into CY25, with significant rate cuts further encouraging investors to shift their investments from fixed income to the equity market. The market P/E ratio remains low with ample room for improvement, suggesting that the brokerage industry is likely to continue enjoying high volumes during CY25.

**Performance** The Company's operating revenue is mainly concentrated in equity brokerage. During 1QCY25 the equity brokerage revenue was reported at ~PKR 43mln (SPLY: ~PKR 46mln).

**Strategy** The management is considering diversifying its revenue streams and client outreach. The Company also has a plan to initiate corporate finance activities.

## Financial Sustainability

**Credit Risk** For the assessment of client's creditworthiness, the Company has formulated detailed KYC/CDD policies. Limits have been defined, which are strictly monitored. The exposure limits as a whole and on individual basis are monitored and any shortfalls are immediately reported to senior management for prompt action.

**Market Risk** The prop book of the Company constitutes ~33% of the equity and stood at ~PKR 144mln at end-Mar'25 as compared to the ~PKR 100mln that constitutes ~18% of the equity in SPLY. Furthermore, the Pakistan Investment Bonds (PIBs) contribute ~66% to the prop book at end-Mar'25 as compared to the ~82% SPLY.

**Liquidity Risk** At the end-Mar'25, the current assets of the Company were ~PKR 1,573mln (SPLY: ~PKR 1,162mln) against the current liability of ~PKR 1,112mln (SPLY: ~PKR 824mln).

**Capitalization** The Company has an adequate capitalization level with regulatory Liquid Capital Balance (LCB) standing at PKR ~311mln as at Mar'25. The Company has adequate risk absorption capacity reflected by its adequate and increasing equity base of ~PKR 472mln as in 1QCY25 against ~PKR 378mln in SPLY.

# THE PAKISTAN CREDIT RATING AGENCY

Al Habib Capital Market Limited  
PRIVATE LIMITED  
FINANCIAL SUMMARY

FS PRINT MODE DISABLED

Mar-25 CY25 3M Management	Dec-24 CY24 12M Audited	Dec-23 CY23 12M Audited	Dec-22 CY22 12M Audited
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## BALANCE SHEET

1 FINANCES	1.82	180.53	2.76	91.31
2 INVESTMENTS	150.81	147.80	100.91	98.00
3 OTHER EARNING ASSETS	424.00	568.06	74.03	0.64
4 NON-EARNING ASSETS	1,010.87	852.81	1,194.23	500.45
5 NON-PERFORMING FINANCES-net	-	-	-	-
<b>TOTAL ASSETS</b>	<b>1,587.50</b>	<b>1,749.21</b>	<b>1,371.93</b>	<b>690.40</b>
6 FUNDING	455.34	575.00	590.47	271.82
7 OTHER LIABILITIES (NON-INTEREST BEARING)	660.89	708.16	405.15	234.07
<b>TOTAL LIABILITIES</b>	<b>1,116.24</b>	<b>1,283.16</b>	<b>995.62</b>	<b>505.89</b>
<b>TOTAL EQUITY</b>	<b>472.69</b>	<b>466.04</b>	<b>376.38</b>	<b>338.28</b>

## INCOME STATEMENT INCOME

1 FEE BASED INCOME	55.38	266.18	117.70	70.46
2 OPERATING EXPENSES	(46.00)	(160.37)	(132.45)	(117.24)
3 NON-FEE BASED INCOME	23.63	53.74	80.27	74.19
<b>TOTAL OPERATING INCOME (LOSS)</b>	<b>33.00</b>	<b>159.55</b>	<b>65.52</b>	<b>27.40</b>
4 FINANCIAL CHARGES	(15.09)	(79.54)	(58.56)	(62.78)
<b>PRE-TAX PROFIT</b>	<b>17.56</b>	<b>78.40</b>	<b>6.96</b>	<b>1.05</b>
5 TAXES	(6.82)	(23.89)	(3.78)	(4.33)
<b>PROFIT AFTER TAX</b>	<b>10.74</b>	<b>54.51</b>	<b>3.18</b>	<b>(3.28)</b>

## RATIOS BUSINESS SUSTAINABILITY

1 PRE-TAX MARGIN	0.32	0.29	0.06	0.01
2 EBITDA MARGIN	0.59	0.59	0.58	0.91
3 EBIT RETURN ON ASSETS	0.09	0.10	0.06	0.07

## FINANCIAL SUSTAINABILITY

1 TOTAL INVESTMENTS / EQUITY	0.32	0.32	0.27	0.29
2 LIQUID CAPITAL BALANCE (LCB) / EQUITY	0.66	0.66	2.47	-
3 (CASH, CASH EQUIVALENTS & GOVERNMENT SECURITIES) / TOTAL ASSETS	0.36	0.41	0.13	0.14
4 TOTAL DEBT / TOTAL ASSETS	0.29	0.33	0.43	0.39

### Broker Fiduciary Rating Scale & Definitions

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

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

<p><b>Outlook (Stable, Positive, Negative, Developing)</b></p> <p>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><b>Rating Watch</b> 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><b>Suspension</b> 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><b>Withdrawn</b> 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><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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**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.

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### **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)

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