

## ARIF HABIB LIMITED

### Analysts:

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### RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	AA-	A1	AA-	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Maintained	
RATING DATE	May 22, 2026		May 26, 2025	

### Shareholding (5% or More)

Arif Habib Corporation Limited - 74.32%  
Local General Public - 19.77%

### Other Information

Established in 2004  
Public limited Company  
Chairman of the Board: Mr. Zafar Alam  
Chief Executive Officer: Mr. Muhammad Shahid Ali Habib  
External Auditor: Rahman Sarfaraz Rahim Iqbal  
Rafiq Chartered Accountants

### Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Broker Entity Rating:  
<https://docs.vis.com.pk/Methodologies-2025/BrokerEntityRating.pdf>

### Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

### Rating Rationale

Assigned ratings of Arif Habib Limited ('AHL' or 'the Company') take into account its sponsor profile, with ~74% shareholding held by Arif Habib Corporation Limited (AHCL) a publicly listed investment holding and management company with diversified interests in key strategic sectors including fertilizers, securities brokerage, corporate advisory, asset management, cement, steel, wind power, and real estate development.

Ratings also reflect the Company's established market position in both the brokerage and advisory segments. The ratings further incorporate the Company's financial profile, with profitability supported by growth in operating revenue, primarily driven by brokerage income, followed by income from advisory and consultancy operations. Consequently, the Company's capital structure improved further, marked by growth in the equity base alongside a reduction in short-term borrowings, while leverage indicators remain elevated. Operational efficiency, albeit improved, continues to remain on the higher side. Liquidity profile depicted improvement, while involvement in the ready future transactions provides some mitigation against the market risk exposure.

While the diversified revenue base provides some support, business risk remains elevated given the significant contribution from the brokerage segment, which is characterized by inherent volatility, intense competition, and strong regulatory oversight. Furthermore, escalation in external geopolitical risks and the potential economic implications thereof have added to the overall business risk environment. Going forward, maintenance of revenue growth and profitability, prudent management of market risk, and improvement in operational efficiency, liquidity profile, and leverage indicators will remain important for the assigned ratings.

## Company Profile

Arif Habib Limited ('AHL' or 'the Company'), established in 2004, is a brokerage and financial services company engaged in the provision of equity and money market brokerage, interbank foreign exchange, and corporate advisory services. The Company operates through its head office in Karachi, four branches located in Lahore, Faisalabad, Multan, and Peshawar, a regional office in Islamabad, and two recently established branches in Karachi. Effective July 01, 2023, the Company underwent a scheme of arrangement sanctioned by the High Court of Sindh, involving the transfer of non-core assets and liabilities from AHL to Arif Habib Corporation Limited (AHCL).

## Management and Governance

### Shareholders/Owners/Sponsors

Major shareholding of the Company is vested with Arif Habib Corporation Limited (AHCL), which holds ~74% shares of the Company. AHCL, as part of the Arif Habib Group, is a publicly listed investment holding and management company with diversified interests in key strategic sectors including fertilizers, securities brokerage, corporate advisory, asset management, cement, steel, wind power, and real estate development. The substantial shareholding and backing of AHCL provides a high level of strategic direction and financial stability to the Company.

### Corporate Governance

The governance framework of Arif Habib Limited is represented by a six-member Board of Directors, comprising three independent directors, two non-executive directors, and one executive director (the CEO), with the Chairman being an independent director. The presence of independent directors strengthens the overall oversight mechanism. The Board is supported by three committees, Audit, Risk & Compliance, and HR & Remuneration, all chaired by independent directors.

The Board retains overall responsibility for the risk management framework, while the Risk & Compliance Committee oversees key risk areas identified by management and auditors and monitors the implementation of relevant controls. The Company maintains a defined risk management framework for monitoring and managing risk exposures.

### Management, Internal controls & IT

The Company utilizes an ERP platform developed by CATALYST IT Solutions as its core brokerage, order management, and back-office system. The platform supports the Company's trading operations, settlement processes, and risk management framework.

During the period, the Company undertook initiatives to enhance its technological infrastructure. This included deployment of low-latency trading infrastructure and advanced order routing systems aimed at supporting connectivity with trading venues. In addition, the Company increased its bandwidth capacity to improve data transmission speeds. The Financial Information Exchange (FIX) protocol was also upgraded to improve order execution processes and reduce transaction errors. Furthermore, system integration with leading banks was strengthened to streamline client fund inflows and outflows.

The Company maintains a cybersecurity and information security framework in place to ensure secure handling of operational and financial data. Contingency arrangements are in place, with systems configured to support operational continuity in the event of disruptions. Additionally, the Company has comprehensive policies, procedures, and controls relating to Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT). The effectiveness of these controls is assessed through internal audits.

## Business Risk

### INDUSTRY

The performance of the brokerage sector remains closely linked to the macroeconomic indicators of the country. The sector is inherently volatile and is characterized by high business risk due to its cyclicity, fragmented structure, intense competition, and strong regulatory oversight. During FY25, the KSE-100 Index recorded a return of ~60%, marking the second consecutive year of strong double-digit growth (FY24: ~89%) and reaching 125,627 points. Pakistan consequently ranked among the better-performing equity markets globally during the period. Market performance was supported by a gradual economic recovery, easing monetary conditions, and relative stability in the exchange rate. In addition, the staff-level agreement with the International Monetary Fund on the first review of the 37-month Extended Fund Facility (EFF), along with approval of a new 28-month Resilience and Sustainability Facility (RSF), contributed to improved investor confidence. Improvements in key economic indicators, including private sector credit growth, auto financing, petroleum sales, power generation, exports, and remittance inflows, also supported market activity.

The equity market of Pakistan continued to benefit from the positive market momentum during the first six months of FY26, with the KSE100 Index closing calendar year 2025 at 174,054 points, representing an increase of ~39% over the FY25 close. The benchmark had initially touched 179,034 points in early January 2026; however, the rally strengthened further and the latest peak close was 189,166.18 points (rounded: 189,167), which was achieved in late January 2026. Market performance during the period remained underpinned by supportive monetary conditions, relative exchange rate stability, and continued progress under Pakistan's IMF program, which helped sustain investor participation. Furthermore, the continuation of improving trends in key macroeconomic indicators, particularly private sector credit expansion, auto financing, and remittance inflows, remained supportive of market participation. In addition, enhanced diplomatic and strategic engagement, reflected in increased regional cooperation and international interactions, contributed positively to overall market sentiment.

Subsequent to December 2025, the KSE-100 index reached its peak in late January 2026. However, the equity market subsequently witnessed a downturn mainly due to weakening macroeconomic and geopolitical environment, including the upholding of the super tax by the Federal Constitutional Court, heightened security concerns in Baluchistan and KPK, and the escalation of tensions between Pakistan and Afghanistan, thereby dampening investor sentiments. Additionally, heightened global geopolitical tensions, particularly the escalation of the United States–Israel conflict with Iran and its spillover into the broader Middle East, further exacerbated the decline in the equity market, resulting in a sharp correction and broad-based selling pressure across regional markets, including Pakistan. Furthermore, disruptions in global oil supply chains and the resultant increase in international oil prices have weighed on the country's macroeconomic outlook. During this period, the Pakistan Stock Exchange (PSX) transitioned to a T+1 settlement cycle, aimed at improving efficiency and timeliness of trade settlements. Going forward, the equity market is expected to remain volatile due to its susceptibility to geopolitical developments in the Middle East and its impact on macroeconomic indicators particularly inflation and interest rates.

The IPO market in Pakistan showed notable activity in FY25, raising PKR 4.4bn across four offerings on the Main and GEM Boards, albeit lower than FY24, which recorded over PKR 6.0bn raised across six listings in both boards. Main Board IPOs in FY25 emanated from sectors such as Pharmaceuticals, Technology and Communications, and Food and Personal Care, with BF Biosciences Ltd. raising PKR 1.93bn, Zare Ltd. raising PKR 1.03bn, and Barkat Frisian Agro Ltd. raising PKR 1.23bn. GEM Board listings included The Pakistan Credit Rating Agency Ltd. (PKR 112mn) and Burj Clean Energy Modaraba (PKR 100mn). In addition, right share issues in 2025 raised PKR 7.7bn, showing continued activity in capital markets. Going forward, given ample liquidity, IPO activity is expected to remain sound in FY26, with more than 10 offerings expected across sectors.

## PROFITABILITY

The Company maintains a fairly diversified revenue profile, with brokerage income contributing an average of ~59% to core operating revenue over FY23–FY25. Advisory and consultancy income constitutes another key revenue stream, accounting for ~21% of core operating revenue, reflecting the Company's established position in the advisory segment. The remaining revenue is derived from dividend income (~8%), markup on debt securities (~7%), and margin financing (~4%).

During FY25, the Company's core operating revenue increased by ~37% to PKR 1,537.0m (FY24: PKR 1,119.7m). This increase was primarily driven by a substantial rise in brokerage income, which reached PKR 1,338.3m, supported by a bullish equity market. The brokerage segment remained largely driven by retail clients (~73%), supported by sizeable onboarding through online channels, followed by institutional clients (~24%), with the remainder contributed by international clients.

Advisory and consultancy income also increased to PKR 307.5m (FY24: PKR 250.2m). Dividend income and markup on margin financing also recorded an increase, while markup on corporate debt securities declined during the period. Separately, the Company also generates income from capital gains on sale of investments, a portion of which is derived from ready future transactions.

The positive trajectory in operating revenue has continued into 9MFY26, with revenue reported at PKR 1,502.7m. Going forward, the Company plans to expand its geographical footprint through the establishment of facilitation centres in northern areas and upper Punjab, aimed at enhancing retail investor outreach. The Company has also recently opened two branches in Karachi, which is expected to support customer acquisition and market penetration. Moreover, the Company plans to further leverage its digital platform to enhance onboarding efficiency and improve user experience, thereby supporting broader client participation in trading activity. On the advisory front, the Company continues to maintain a strong position in this segment, with a number of mandates in the pipeline expected to support this revenue stream going forward.

On the efficiency front, the Company's cost-to-income ratio, although improving, remained elevated at 74.4% in 9MFY26 (FY25: 79.1%; FY24: 65.7%), thereby continuing to weigh on operating profitability. This is primarily attributable to the Company's commission-based business model, whereby agent commissions increase in line with brokerage revenue. However, in order to improve operational efficiency, the Company is focusing on digital onboarding of retail clients, which is a relatively lower-cost acquisition channel.

Profitability remained supported by operating revenue growth and capital gains, with profit recorded at PKR 780.7m in 9MFY26 (FY25: PKR 979.3m; FY24: PKR 611.2m). Going forward, maintenance of the revenue and profitability profile, will remain important from a ratings perspective.

## Financial Risk

### CAPITAL STRUCTURE

The Company's sizeable equity base provides support to its capital structure, which expanded to PKR 2,053.1m as at Mar 31, '26 (Jun 30, '25: PKR 1,917.19m; Jun 30, '24: PKR 1,265.3m), in line with higher profitability. Dividend payments amounted to PKR 326.7m in FY25 and PKR 653.4m in 9MFY26. The capitalization profile of the Company is further supported by low gearing levels, which stood at 0.25x as at Mar 31, '26 (Jun 30, '25: 0.48x; Jun 30, '24: 0.58x). Nevertheless, the leverage ratio remained elevated at 2.93x as at Mar 31, '26 (Jun 30, '25: 2.74x; Jun 30, '24: 3.48x). Going forward, improvement in leverage indicators will remain important from for the ratings.

### CREDIT RISK

The Company's credit risk profile primarily emanates from trade debts and receivables against margin financing, which stood at PKR PKR 572.6m and PKR 429.6m as at Mar 31, '26 (Jun 30, '25: PKR 435.1m and PKR 270.4m, Jun 30, '24: PKR 344.5m and PKR 117.4m) respectively. In order to manage exposure to credit risk, the Company has risk management policies and guidelines in place whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from clients. The management continuously monitors credit exposures towards clients and makes provisions against balances considered doubtful of recovery. The Company also maintains collateral to mitigate credit risk. Nevertheless, trade debts and receivables from margin financing remain exposed to market price movements, as declines in the value of pledged securities may affect the adequacy of collateral coverage.

### MARKET RISK

The Company's long-term investments comprise investments in Raya Commodities (Pvt.) Limited, a wholly owned subsidiary, along with investments in office spaces located within the building complex of ISE Towers REIT Management Company Limited, as well as investments in LSE Capital Limited and LSE Venture Limited. Cumulatively, these investments amounted to PKR 79.1m as at Mar 31, '26 (Jun 30, '25: PKR 81.1m; Jun 30, '24: PKR 68.5m).

The Company's short-term investments amounted to PKR 979.7m as at Mar 31, '26 (Jun 30, '25: PKR 1,101.6m; Jun 30, '24: PKR 550.7m). These investments accounted for approximately 57% of equity as at Mar 31, '26 (Jun 30, '25: ~57%; Jun 30, '24: ~43%). Investments in equity securities were recorded at PKR 671.1m (Jun 30, '25: PKR 1,016.3m; Jun 30, '24: PKR 484.8m), accounting for ~68% of the short-term investment portfolio (Jun 30, '25: ~92%; Jun 30, '24: ~88%), with the remaining portfolio invested in debt securities. A portion of the investments in equity securities pertains to ready future market operations, thereby providing some mitigation against market risk exposure. Going forward, effective management of the proprietary investment portfolio will remain important from a ratings perspective.

### LIQUIDITY RISK

The Company's liquid assets, comprising short-term investments, cash balances, and exposure deposits, were recorded at PKR 6,350.6m as at Mar 31, '26 (Jun 30, '25: PKR 5,110.6m; Jun 30, '24: PKR 3,922.2m). Accordingly, liquid asset coverage of total liabilities stood at 106.1% as at Mar 31, '26 (Jun 30, '25: 97.3%; Jun 30, '24: 89.0%), depicting a continued improvement in the liquidity profile.

## FINANCIAL SUMMARY (amounts in PKR millions)

## Appendix I

<u>BALANCE SHEET</u>	FY22A	FY23A	FY24A	FY25A	9MFY26M
Trade Debts	166.1	259.7	344.5	435.1	572.6
Long Term Investments + Investment Property	1,738.1	1,574.0	107.4	120.0	118.0
Short term Investments	5,272.5	2,849.8	550.7	1,101.6	979.7
Cash and Bank balances	1,068.3	987.1	3,192.2	3,728.7	5,136.6
<b>Total Assets</b>	<b>8,985.7</b>	<b>7,785.6</b>	<b>5,679.9</b>	<b>7,177.2</b>	<b>8,041.1</b>
Trade and Other Payables	1,120.3	996.1	3,447.0	4,087.9	5,281.9
Long Term Loans	19.58	3.03	75.00	59.01	36.60
Short Term Loans - Secured	2,432.0	1,617.8	664.3	861.8	465.5
<b>Total Debt</b>	<b>2,451.55</b>	<b>1,620.81</b>	<b>739.32</b>	<b>920.78</b>	<b>502.06</b>
Paid Up Capital	653.0	653.4	653.4	653.4	653.4
Net Worth (excluding revaluation surplus)	5,185.8	4,986.4	1,265.3	1,917.9	2,045.2
<u>INCOME STATEMENT</u>	FY22A	FY23A	FY24A	FY25A	9MFY26M
Total Revenue	1,669.8	1,502.5	1,473.6	2,642.2	2,262.7
Brokerage Income	517.1	471.2	782.0	1,338.3	1,216.7
Advisory and consultancy fee	408.3	343.5	250.2	307.5	161.0
Dividend Income	141.7	340.7	11.8	14.8	57.7
Operating & Administrative Expenses	-578.3	-605.3	-1,002.6	-1,513.4	-1,276.5
Finance Costs	-197.2	-637.9	-98.0	-85.6	-109.6
Profit Before Tax	970.1	253.6	761.6	1,348.6	1,086.2
Profit After Tax	826.6	184.7	611.2	979.3	780.7
<u>RATIO ANALYSIS</u>	FY22A	FY23A	FY24A	FY25A	9MFY26M
Liquid Assets to Total Liabilities	167.8%	138.6%	89.0%	97.3%	106.1%
Liquid Assets to Total Assets	70.7%	49.7%	69.1%	71.2%	79.0%
Leverage (x)	0.73	0.56	3.48	2.74	2.93
Gearing (x)	0.47	0.33	0.58	0.48	0.25
Current Ratio (x)	1.90	2.07	1.24	1.31	1.28
Efficiency (%)	47.8%	37.9%	65.7%	79.1%	74.4%
ROAA (%) *	9.5%	2.4%	9.1%	18.1%	12.9%
ROAE (%) *	15.9%	5.9%	48.3%	67.9%	50.8%

A-Annual Accounts

M-Management Accounts

\*Annualized, if required

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Arif Habib Limited				
Sector	Brokerage				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	22-May-26	AA-	A1	Stable	Reaffirmed
	26-May-25	AA-	A1	Stable	Maintained
	05-Nov-24	AA-	A1	Rating Watch - Developing	Reaffirmed
	09-Oct-23	AA-	A1	Stable	Reaffirmed
	09-Mar-22	AA-	A1	Stable	Reaffirmed
	26-Jul-21	AA-	A1	Stable	Reaffirmed
	13-Apr-20	AA-	A1	Stable	Reaffirmed
	17-Jan-19	AA-	A1	Stable	Reaffirmed
	24-Nov-17	AA-	A1	Stable	Reaffirmed
	29-Nov-16	AA-	A1	Stable	Reaffirmed
24-Jun-15	AA-	A1	Stable	Initial	
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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Due Diligence Meetings Conducted	Name		Designation		Date
	Mr. Taha Siddiqui		Chief Financial Officer		May 08, 2026