

LSE FINANCIAL SERVICES LIMITED

Chairman: Mr. Muhammad Iqbal

Analyst:

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RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A	A1	A	A1
RATING OUTLOOK/ WATCH	Rating Watch-Developing		Rating Watch-Developing	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	July 29, 2025		March 08, 2024	

APPLICABLE METHODOLOGY(IES):

VIS Entity Rating Criteria Methodology – Corporates
(<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>)

Rating Scale:

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

RATING RATIONALE

The ratings have been placed on Rating Watch in light of the management's decision not to continue operations as a Non-Banking Finance Company (NBFC) and the fact that no application has been submitted for the renewal of the NBFC license post-January 2025. According to the management, no regulatory guidance has been received thus far, and while a response is awaited, they have communicated plans for a potential restructuring through a merger with another entity. Until greater clarity emerges regarding the Company's future regulatory and operational status, the ratings will remain on Rating Watch.

COMPANY PROFILE

LSE Financial Services Limited ('LSEFSL' or 'the Company') was originally incorporated on October 5, 1970 under the repealed Companies Act, 1913 (now the Companies Act, 2017) as a company limited by guarantee under the name 'Lahore Stock Exchange (Guarantee) Limited.' Pursuant to the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012, LSEFSL was re-registered as a public unlisted company limited by shares on August 27, 2012.

In line with the Securities and Exchange Commission of Pakistan's (SECP) notification dated August 25, 2015, directing the integration of stock exchanges in the country, the company ceased its stock exchange operations. Subsequently, on

January 11, 2016, LSEFSL was granted a license by the SECP to operate as an investment finance services company under the Non-Banking Financial Company (NBFC) framework, and its name was changed to LSE Financial Services Limited.

Pursuant to a Scheme of Arrangement sanctioned by the Hon'ble Lahore High Court on April 3, 2024, the listing status of Modaraba Al-Mali (MODAM) was transferred to LSE Financial Services Limited (LSEFSL). As a result, LSEFSL was officially listed on the Pakistan Stock Exchange on May 31, 2024. Under the terms of the Scheme, existing certificate holders of MODAM were issued 65.03 shares of LSEFSL for every 1,000 certificates held. Similarly, shareholders of LSE Capital Limited (LSECL) received 465.32 shares of LSEFSL for every 1,000 shares of LSECL. In addition to this swap, LSEFSL also issued 10,000,000 new shares to LSECL, equivalent to 476.19 shares for every 1,000 LSECL shares held. Following the implementation of this arrangement, the authorized share capital of LSEFSL was revised to Rs. 1,190,000,000, divided into 119,000,000 ordinary shares with a face value of Rs. 10 each.

The Company's registered/head office is located at 19, Khayaban-e-Aiwan-e-Iqbal, Lahore, Pakistan.

AUDITOR'S REPORT

The FY24 financial statements were audited by M/s Crowe Hussain Chaudhary & Co. Chartered Accountants, which is a QCR rated firm and categorized as 'Category A' on the SBP's Panel of Auditors. The auditor issued an unmodified and unqualified opinion on the financial statements.

BUSINESS RISK

Group Profile

LSE Enterprises is an informal grouping of companies formed through the demerger and amalgamation of the successor entity to the former Lahore Stock Exchange (LSE). The parent company of this group is LSECL, an Islamic financial institution licensed under the laws of Pakistan. LSECL holds licenses to operate as a Modaraba Management Company and Consultant to the Issue, enabling it to provide corporate finance, transaction advisory—including IPOs and FPOs—and mergers and acquisitions services.

Governance

Name	Designation
Mr. Muhammad Iqbal	Non-Executive Director/Chairman
To be appointed	Chief Executive Officer
Ms. Aasiya Riaz	Non-Executive Director
Mr. Aftab Ahmad Ch.	
Mr. Amir Zia	
Mr. Syed Jawwad Ahmad	
Mr. Syed M. Talib Rizvi	
Mr. Habib-ur-Rehman	
Mr. Gen. (Retd.) Amjad Ali Khan	Independent Director
Mr. Sanie Khan	
Mr. Sohail Awan	
Ms. Huma Ejaz	

The Board of Directors (BoD) of LSEFSL consist of twelve (12) members, including seven (07) non-executive directors—one of whom serves as Chairman—four (04) independent directors, and the Chief Executive Officer (CEO) as the only executive director. The CEO position is currently vacant and is expected to be filled in due course.

For effective oversight, there are two board level committees in place namely; Board Audit Committee (BAC) and Board Human Resource & Remuneration Committee (BHRRC). As per best practices, an independent director chairs both the BAC and BHRRC.

Scheme of Compromises, Arrangement and Reconstruction for Amalgamation/Demerger/Split

In 2022, control of LSEFSL was acquired by a group of value investors led by Mr. Aftab Ahmad Chaudhry, former MD/CEO of the LSE. In 2023, Mr. Chaudhry spearheaded the demerger of LSEFSL into three separate entities. Subsequently, in 2024, a merger and consolidation plan was executed, under which LSE PropTech—the property holding company earlier carved out from LSEFSL—was merged with Modaraba Al-Mali (MODAM) and its Modaraba Management Company, LSECL. The consolidated entity retained the name LSECL and became the parent company of all LSE-related businesses classified as LSE Enterprises.

As part of the partial merger of LSECL with and into LSEFSL, designated assets—including a 50% equity stake in Digital Custodian Company Limited (DCCL) valued at Rs. 188.131mn and an equity investment of Rs. 100mn in LSE Capital—were

transferred to LSEFSL against the issuance of additional share capital. Under the Scheme, LSEFSL also issued additional capital to LSECL, which in turn issued capital to LSEFSL and MODAM certificate-holders. Following the merger, LSEFSL assumed MODAM's listing status on the PSX, resulting in a broader shareholder base to facilitate potential future capital market fundraising.

FINANCIAL PERFORMANCE

LSEFSL recorded an improvement in financial performance during FY24, with profit after taxation increasing to Rs. 61.3 mn (FY23: Rs. 1.0 mn). This was largely attributable to income from associates, namely LSECL and DCCL, which stood at Rs. 79.5 mn (FY23: Rs. 37.4 mn), mitigating the impact of a decline in core operating revenues. Operating income amounted to Rs. 39.4 mn (FY23: Rs. 54.3 mn), while admin and general expenses were reduced to Rs. 54.5 mn (FY23: Rs. 72.90 mn), reflecting cost rationalization. As a result, the Company posted an operating profit of Rs. 5.3 mn (FY23: operating loss of Rs. 3.1 mn). Total assets stood at Rs. 544.4 mn (FY23: Rs. 511.2 mn), while total liabilities declined to Rs. 90.7 mn (FY23: Rs. 410.4 mn), supporting an improved solvency profile.

Pursuant to the Scheme of Arrangement sanctioned by the Lahore High Court, the Company's equity base expanded to Rs. 453.7 mn (FY23: Rs. 100.7 mn), reflecting the consolidation of equity inflows under the Scheme and an improved capital position. A summary of the Company's financial performance is presented below:

Rs. (in '000)	2023	2024
Operating Income	54.30	39.35
Admin & General Expenses	72.90	54.49
Operating Profit/(Loss)	(3.05)	5.25
Profit of Associates	37.36	79.51
Profit after Taxation	1.03	61.27
Total Assets	511.16	544.42
Total Equity	100.72	453.73
Total Liabilities	410.44	90.68
No. of shares outstanding	10.00	35.68
Earnings per Share	0.07	1.72

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	LSE Financial Services Limited (Formerly, Lahore Stock Exchange Limited)				
Sector	Miscellaneous				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	Rating Type: Entity				
	29/07/2025	A	A1	Rating Watch - Developing	Reaffirmed
	08/03/2024	A	A1	Rating Watch - Developing	Reaffirmed
	14/02/2023	A	A1	Rating Watch - Developing	Maintained
	21/12/2021	A	A1	Stable	Reaffirmed
	17/12/2020	A	A1	Stable	Reaffirmed
	05/11/2019	A	A1	Stable	Reaffirmed
	12/12/2018	A	A1	Stable	Upgrade
	31/08/2017	A	A2	Stable	Reaffirmed
	04/07/2016	A	A2	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	N/A				