

BROKER FIDUCIARY RATING REPORT

Aba Ali Habib Securities (Private) Limited

REPORT DATE:

13 April, 2022

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR3+ <i>Good Fiduciary Standards</i>
Rating Rationale	The rating signifies sound internal controls and client services while ownership and governance & business and financial sustainability are considered adequate.
Rating Date	13 April, 2022

COMPANY INFORMATION

Incorporated in 1970	External auditors: M/s Naveed Zafar Ashfaq Jaffery & Co. – Chartered Accountants
Private Limited Company	CEO: Mr. Mohammad Zahid Ali Habib
Key Shareholders (with stake 5% or more): <i>Mr. Aba Ali Habib 99.99%</i>	Chairman: Mr. Abid Ali Habib

APPLICABLE METHODOLOGY

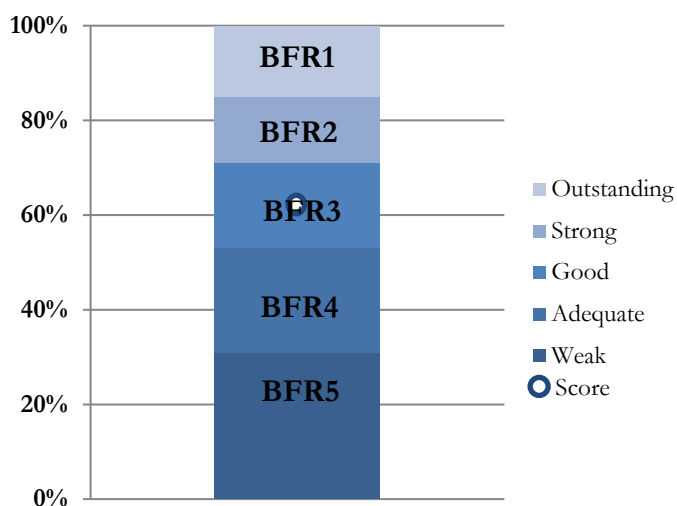
Applicable Rating Criteria: Broker Fiduciary Ratings 2021

<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

Aba Ali Habib Securities (Private) Limited

CORPORATE PROFILE OVERALL GRADING

Aba Ali Habib Securities is a private limited company incorporated on 8th May 1996. The company is principally engaged in brokerage of shares in ready and future market, stocks, securities research and other related services. Shareholding of the company is primarily vested with Mr. Aba Ali Habib, who serves as the director of the company. AAHSPL provides both online and assisted trading services to local and foreign clients.



AAHSPL holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX) for providing Trading & Self Clearing services. External auditors of the company are M/s Naveed Zafar Ashfaq Jaffery & Co. – Chartered Accountants. Auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP).

Business and Financial Sustainability Indicators

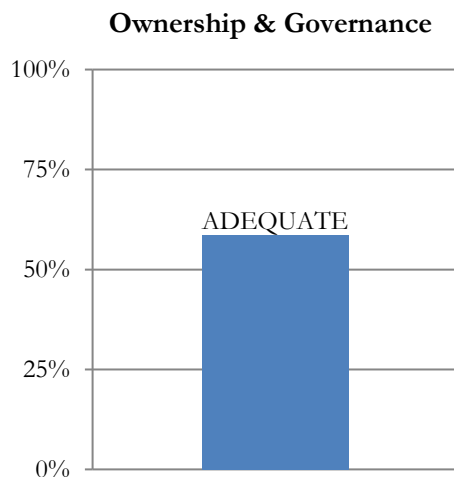
	FY21	FY20	FY19
Size of Net Worth (Rs. In Millions)	986	577	574
Gearing x (Total interest bearing debt/ Total equity)	0.04x	0.73x	0.39x
Leverage x (Total liabilities/ Total equity)	0.26x	0.99x	0.75x
Liquid Assets/ Total Liabilities (x)	2.5x	1.7x	1.5x
Short term Investments/ Total Equity (%)	47%	146%	103%
Efficiency (%)	76%	107%	121%

Aba Ali Habib Securities (Private) Limited

Rating Indicators

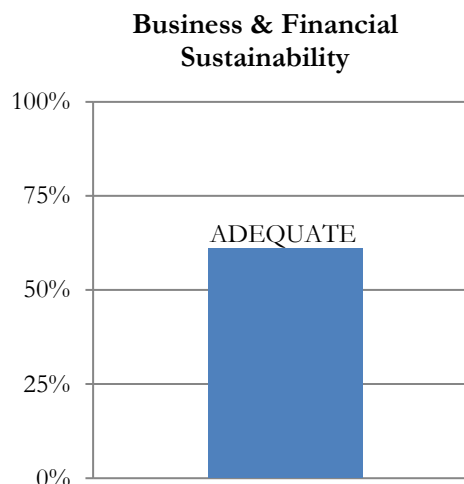
Ownership & Governance

- Governance structure is supported by adequate Board size of six members with 1/3rd independent representation.
- Formation of board level committees, including risk, investment, audit and HR is noted.
- Disclosure levels may be further enhanced through addition of Statement of Compliance with Code and CEO’s independent statement in the company’s annual accounts.
- Overall, ownership and governance framework is considered adequate.



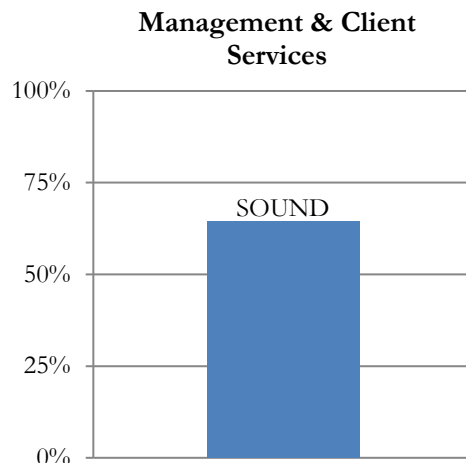
Business & Financial Sustainability

- During FY21, the company’s earning profile witnessed improvement with; operating revenue increased by two-fold which impacted company’s cost to income ratio positively. Sustainability of the same will be important for ratings.
- Profitability profile also witnessed significant improvement on account of gain on re-measurement of securities and capital gains during FY21.
- Company’s exposure to market risk reduced on account of low participation in proprietary trade at year end FY21. Short term investments in relation to equity were reported to be at 47% (FY20 146%). Consequently, capitalization indicators improved with gearing and leverage recorded at 0.04x and 0.26x respectively.
- Liquidity profile of the company remains sound providing 2.5x coverage to liabilities at end FY21.
- Brokerage revenue dominates the revenue mix. Going forward, diversity in revenue streams, together with continued focus on maintaining low cost to income ratio and low gearing and leverage levels will be important for ratings.



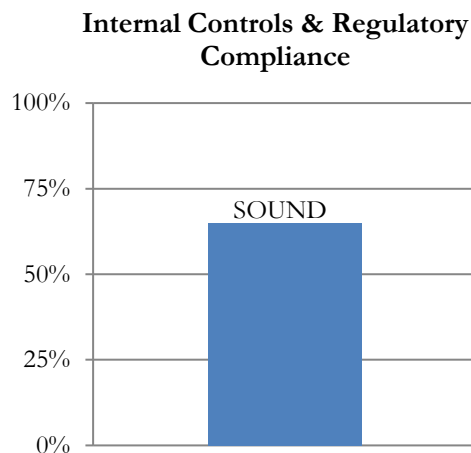
Management & Client Services

- Management and clients services are considered sound with investor grievance procedures in place including availability of online and sms based complaint management and tracking system for customers.
- However, to enhance customer satisfaction, disclosure of commission rates and availability of daily market and equity research reports on the company’s website may be considered.



Internal Controls & Regulatory Compliance

- Internal control and regulatory compliance may be further strengthened by enhancing the scope of policies including Employee Trading Policy (ETP).
- Periodic review of approved internal control policies and procedures may be considered along with disseminating the same to all stakeholders. Last review of company’s internal policies framework was completed more than three years ago.



Broker Fiduciary Rating Explained

In Securities Broker Fiduciary Rating (SBF), the strength of fiduciary role of the securities brokers is captured through the relative financial strength of the securities broker firm and its sponsors along with depth of internal control and governance framework, which are key rating ingredients. Responsiveness of the risk and internal control structure, quality of HR and soundness of the business infrastructure determine the strength of management and level of service quality of a stock broker. VIS Credit Rating Co. Ltd. (VIS) has developed a rating system that evaluates brokerage firms on the basis of such practices and the systems instituted to safeguard investor interests are at the forefront.

FIDUCIARY RATING SCALE & DEFINITIONS

Appendix I

RATING SCALE & DEFINITIONS: SECURITIES BROKER FIDUCIARY RATING

BFR1

Outstanding fiduciary standards

BFR4++, BFR4+, BFR4

Adequate fiduciary standards

BFR2++, BFR2+, BFR2

Strong fiduciary standards

BFR5++, BFR5+, BFR5

Weak fiduciary standards

BFR3++, BFR3+, BFR3

Good fiduciary standards

Rating Outlooks:

The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.vis.com.pk/images/criteria_outlook.pdf

Aba Ali Habib Securities (Private) Limited

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Aba Ali Habib Securities (Private) Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Fiduciary Rating (BFR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BFR			
	13/04/2022	BFR3+	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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