

BROKER MANAGEMENT RATING REPORT

Alfa Adhi Securities (Private) Limited

REPORT DATE:

13 December, 2021

RATING ANALYSTS:

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APPLICABLE
METHODOLOGY:

Broker Management Ratings 2020:

<https://docs.vis.com.pk/docs/BMR202007.pdf>[pdf](#)

Rating Category	Latest Rating
Broker Management Rating	BMR3+
Rating Rationale	The rating signifies sound client relationship and fair-play while regulatory requirement and supervision, compliance & risk management, internal and external controls, HR and infrastructure and financial management are adequate.
Rating Date	13 December, 2021

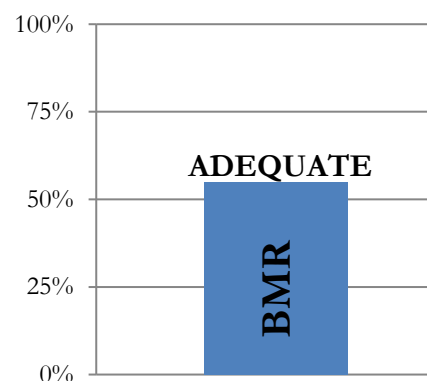
COMPANY INFORMATION

Incorporated in 1994	External auditors: M/s. Reanda Haroon Zakaria & Company
Private Limited Company	CEO/Chairman of the Board: Mr. Azfer Naseem
Key Shareholders (with stake 5% or more):	
<i>Aman Family ~ 42%</i>	
<i>Adhi Family ~ 33%</i>	
<i>Akseer Research (Private) Limited ~ 25%</i>	

Corporate Profile

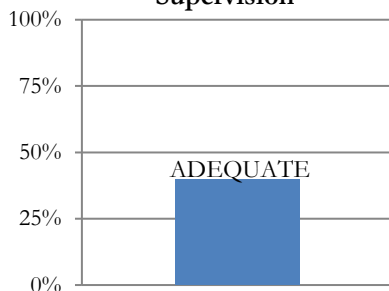
Incorporated in November 1994, Alfa Adhi Securities is a private limited company principally engaged in the brokerage of shares, services for money market instruments and consultancy. The company is a corporate member of the Pakistan Stock Exchange (PSX) Limited and Pakistan Mercantile Exchange Limited (PMEX). Catering to retail and institutional clients, the company provides online and assisted trading services from its registered offices in Karachi.

The company holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX) to provide Trading & Self Clearing Services. External auditors of the company are Reanda Haroon Zakaria & Co Chartered Accountants. External auditors belong to category 'B' on the approved list of auditors published by the State Bank of Pakistan (SBP).



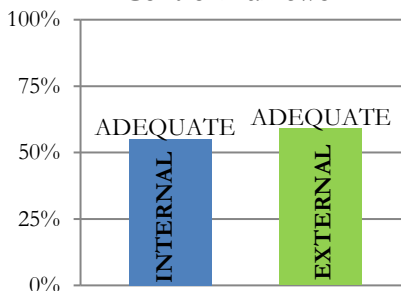
Rating Factors Scores

Regulatory Requirement & Supervision



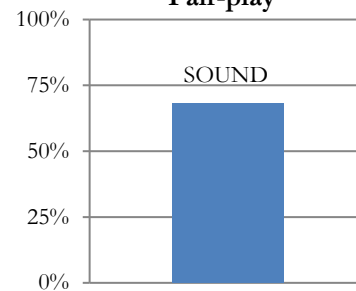
- Shareholding of the company is vested with two independent families, Aman & Adhi family and Akseer Research (Pvt) Limited. Akseer Research is an independent global technology and business process outsourcing firm. At present, Akseer holds 25% of the company’s total shareholding with the intention of increasing the same to 50% in the coming year. This is expected to bode well for the company, going forward.
- Board of Directors (BoD) is represented by 5 members; Inclusion of an independent director with relevant experience may strengthen the governance framework and support the formation of other independently represented board committees.
- Overall regulatory framework is adequate; furthermore, acquisition of other related licenses may support diversity in revenue streams.

Internal & External Control Framework



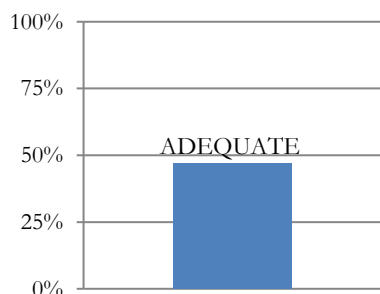
- Overall internal control framework is adequate.
- Scope of policies including Employee Trading Policy (ETP) may be enhanced.
- Scope and frequency of internal audit may be increased by periodic review for the same.
- External control framework is adequate. The same maybe improved by appointing ‘A’ category auditors from SBP’s approved list and enhancing the disclosure levels.

Client Relationship & Fair-play



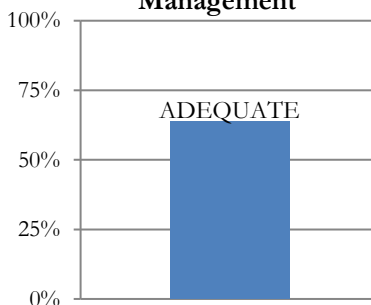
- Overall client relationship and fair play is considered sound.
- Client servicing tools and procedures are in place with multiple resources along with daily research reports available on the website for customer facilitation and awareness.

HR & Infrastructure



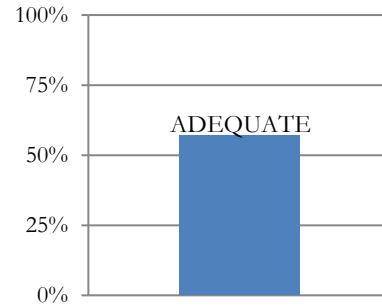
- Fully integrated ERP platform present.
- The company’s data backup is maintained under its own control and PSX branch office.
- While data backup procedures have been established; business continuity and disaster recovery mechanism is yet to be tested through conducting exercises on periodic basis.

Compliance & Risk Management



- Internal audit and compliance functions are operating as a single department. Segregating the same may provide clarity in reporting lines.
- Addition of independent risk management function may also be considered for effective credit worthiness evaluation of the customers.

Financial Management



- Profitability increased during FY21 backed by capital gains and higher brokerage revenues. Improvement in recurring revenue is attributable to increased market activity in FY21.
- Market risk is minimal as the company does not maintain an active propriety book.
- Capitalization indicators depicts increase with leverage increasing to 1.15x (FY20 0.71x) however gearing remained stable at (0.20x)
- Liquid assets provide adequate 106% coverage for the company’s current obligations.
- Going forward, continued revenue growth along with augmentation of revenue streams stable capitalization indicators, improvement in market share and liquidity profile will remain important for rating.

MANAGEMENT QUALITY SCALE & DEFINITIONS

Appendix I

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: [BROKER MANAGEMENT RATING](#)

BMR1A

Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.

BMR1++, BMR1+, BMR1

Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.

BMR2++, BMR2+, BMR2

Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.

BMR3++, BMR3+, BMR3

Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.

BMR4++, BMR4+, BMR4

Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.

BMR5

Weak regulatory compliance and business practices

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

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	Alfa Adhi Securities (Private) Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	<u>RATING TYPE: BMR</u>			
	13 / 12/ 2021	BMR3+	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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