

## BROKER MANAGEMENT RATING REPORT

### Alpha Capital (Private) Limited

**REPORT DATE:**

 17<sup>th</sup> April, 2023

**RATING ANALYSTS:**

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**APPLICABLE**
**METHODOLOGY:**

 Broker Management Ratings 2020:  
<https://docs.vis.com.pk/docs/BMR202007.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR3++
Rating Rationale	The rating signifies sound client relationship and fair-play, internal controls, supervision framework and compliance and risk management, while regulatory governance, external controls, HR and infrastructure and financial management are considered adequate.
Rating Date	17 <sup>th</sup> April, 2023

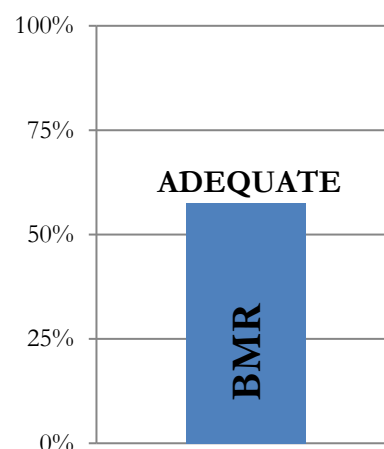
#### COMPANY INFORMATION

Incorporated in 1994	External auditors: M/s. Crowe Hussain Chaudhury & Co. Chartered Accountants
Private Limited Company	CEO/Chairman of the Board: Mr. Azfer Naseem, CFA
<b>Key Shareholders (with stake 5% or more):</b>	
Adhi Family ~ 32.5%	
Akseer Research (Private) Limited ~ 30%	
Sheikh Naseem Ahmed ~ 22.5%	
Azfer Naseem, CFA ~ 15%	

#### Corporate Profile

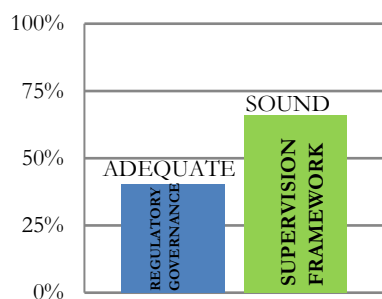
Incorporated in November 1994, Alpha Capital is a private limited company principally engaged in the brokerage of shares, commodities, money market instruments and consultancy. The company is a corporate member of the Pakistan Stock Exchange (PSX) Limited and Pakistan Mercantile Exchange Limited (PMEX). 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 Crowe Hussain Chaudhury & Co. Chartered Accountants. External auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



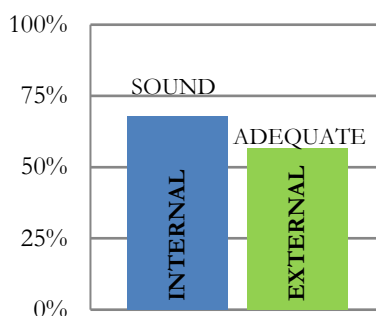
**Rating Factors Scores**

**Regulatory Governance & Supervision Framework**



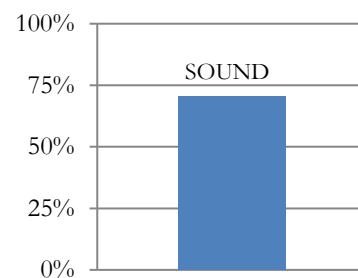
- At present Board of Directors (BoD) is represented by 5 members. Additionally, formation of HR & Compensation along with CSR & Compliance Committee have also been noted positively.
- Overall regulatory governance is considered adequate while supervision framework is considered sound.

**Internal & External Control Framework**



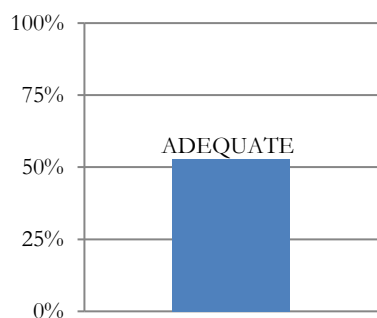
- Increase in frequency of periodic review by internal audit for customer order recording has been noted.
- Overall internal control framework is considered sound, enhancing the scope for certain policies may be considered.
- Appointment of 'A' category auditors from SBP's approved list of auditors has been noted positively.

**Client Relationship & Fairplay**



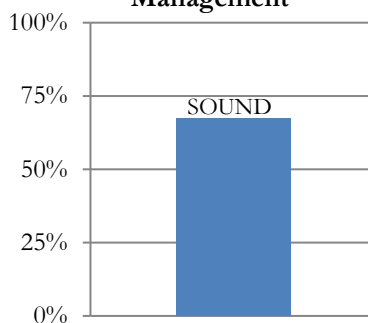
- Overall client relationship and fair play is considered sound.
- Client servicing tools and procedures are in place with multiple resources along with daily research reports available on the website however, investor grievance procedures may be further enhanced.

**HR & Infrastructure**



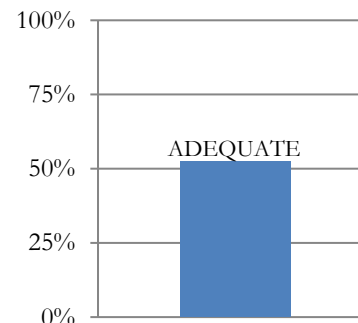
- At present the Company has accounting and trading platforms integrated together while operations and client servicing are operating on standalone basis.
- The company's data backup is maintained under its own control and PSX branch office.

**Compliance & Risk Management**



- Segregation of internal audit and compliance department has been noted, however addition of independent risk management function may also be considered for effective credit worthiness evaluation of the customers.

**Financial Management**



- During FY22, the Company's earning profile witnessed deterioration on account of slowdown in industry and decline in trading volumes.
- Decline in core brokerage income led to an increase in the Company's cost to income ratio during FY22.
- Market risk is minimal and continues to remain low.
- Capitalization indicators remain manageable.
- Liquidity profile of the Company is sound.
- Overall financial management is considered adequate, improvement in earning profile, profitability and cost to income ratio along with an augmented revenue base will remain important for the rating, going forward.

## MANAGEMENT QUALITY SCALE &amp; 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.

#### **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.

#### **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.

#### **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.

#### **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.

#### **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](http://www.vis.com.pk/images/criteria_outlook.pdf)

REGULATORY DISCLOSURES		Appendix II		
<b>Name of Rated Entity</b>	Alpha Capital (Private) Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Management Rating (BMR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: BMR</b>			
	17/04/2023	BMR3++	Stable	Upgrade
	13 / 12/ 2021	BMR3+	Stable	Initial
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	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.			
<b>Probability of Default</b>	N/A			
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