

# VIS Credit Rating Company Limited

**International Affiliates:** Islamic International Rating Agency - **Bahrain**, Credit Rating Information & Services Ltd. - **Bangladesh**, Borhan Credit Rating Company Ltd. - **Iran**

## BROKER FIDUCIARY RATING REPORT

Alpha Capital (Pvt) Limited

### REPORT DATE:

1<sup>st</sup> December, 2023

### RATING ANALYSTS:

Dr. Jahanzaib Alvi  
[jahanzaib.alvi@vis.com.pk](mailto:jahanzaib.alvi@vis.com.pk)

Syeda Batool Zehra Zaidi  
[batool.zaidi@vis.com.pk](mailto:batool.zaidi@vis.com.pk)

### RATING DETAILS

Broker Fiduciary Rating

**BFR3**

Rating Rationale

The rating signifies sound ownership & governance, sound management & client services. Whereas, business & financial stability, internal control & regulatory compliance is considered adequate.

Rating Date

1<sup>st</sup> December, 2023

### COMPANY INFORMATION

Incorporated on 1994

**External auditors:** M/s. Crowe Hussain Chaudhury & Co. Chartered Accountants

Private Limited Company

**CEO/Chairman of the Board:** Mr. Azfer Naseem, CFA

**Key Shareholders (with stake 5% or more):**

*Akseer Research (Private) Limited ~ 44.02%*

*Sheikh Naseem Ahmed ~ 22.50%*

*Adhi Family ~ 20.50%*

*Azfer Naseem, CFA ~ 12.98%*

### APPLICABLE METHODOLOGY

**Applicable Rating Criteria: Broker Fiduciary Ratings 2021**

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

### APPLICABLE RATING SCALE(S)

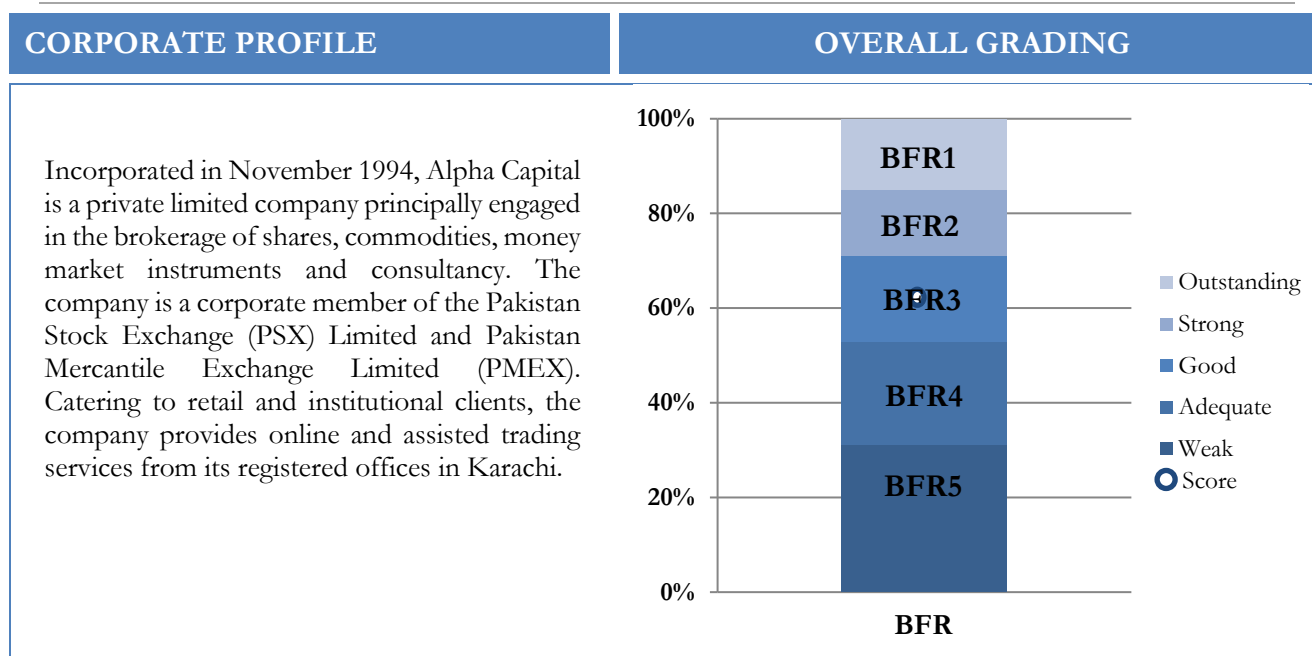
**VIS Issue/Issuer Rating Scale:**

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

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## Alpha Capital (Private) Limited



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).

### Business and Financial Sustainability Indicators

	FY23	FY22
<b>Total Equity (Rs. In Millions)</b>	95.9	128.9
<b>Gearing x (total interest bearing debt/ total equity)</b>	0.00x	0.06x
<b>Leverage x (total liabilities/ total equity)</b>	0.79x	0.71x
<b>Liquid Assets/ Total Liabilities (x)</b>	1.43x	1.29x
<b>Short term Investments/ Total Equity (%)</b>	13.37%	0%

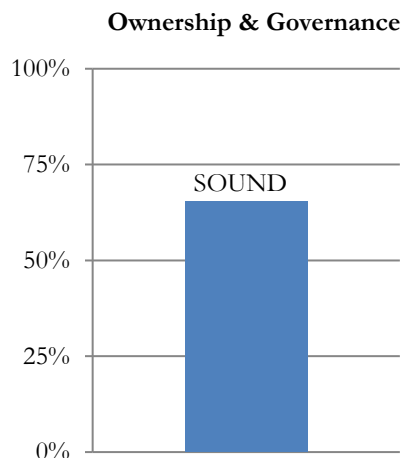
*\*Unaudited Accounts*

## Alpha Capital (Pvt) Limited

### Rating Indicators

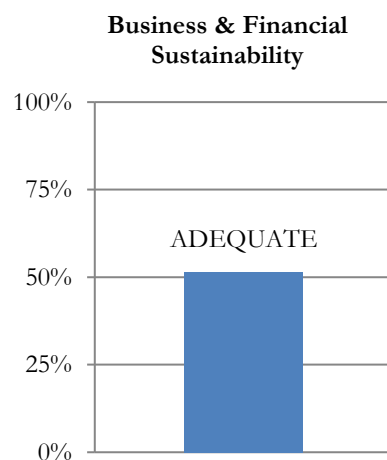
#### Ownership & Governance

- At present, the Board comprises of 5 directors. Two board committees including Audit and HR have been constituted.
- Increasing certified and independent director(s) representation on the Board may be considered for strengthening the framework. This may also improve representation on the Board Committees.
- Disclosure levels of the Company are also considered sound.



#### Business & Financial Sustainability

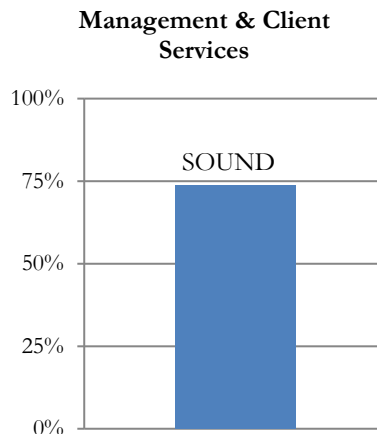
- In line with industry trend, the ACL's operating profile came under pressure during FY23 due to slowdown in market volumes. Decrease in operating revenues coupled with increased administrative expenses impacted profitability. It may be noted that operating expenses included ~Rs 22m of provisions/write offs. However, excluding the same, cost to income recorded deterioration. The Company recorded a net loss of 32.98m
- Company depicts an adequate liquidity profile, with liquid assets providing 1.43x (FY22 1.29x) coverage to total liabilities.
- The Company has a proprietary book, albeit small, which exposes the company to low market risk.
- Capitalization indicators are considered manageable given low gearing and leverage ratios. However, the decline in equity base, on account of losses, is a constraint to the future growth of the Company.
- Going forward, revenue augmentation, diversity in revenue stream, and



improvement in operational efficiencies, remains important for enhancement in equity base of the Company.

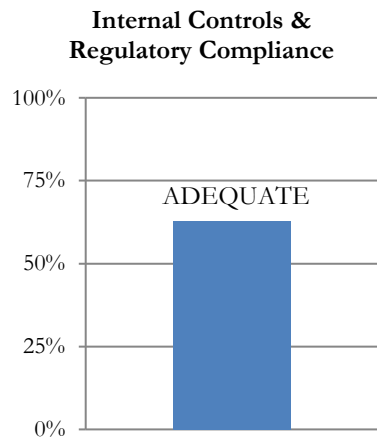
### Management & Client Services

- Overall management and client services is considered sound. The Company has made adequate provisions for web based trading and prompt trade alerts, as well as research resources.
- Investor grievance procedures may be improved through placing customer complaint header/tab on home page and acknowledgement is supposed to be issued on registering of a complaint.
- To improve revenue base of company, geographical diversification is recommended.
- Implementation of fully integrated ERP may improve the control environment.
- Business continuity framework is also established and in place, however, the same may be strengthened through increasing disaster recovery practices to more than once per year.



### Internal Controls & Regulatory Compliance

- Overall internal control and regulatory compliance framework is considered adequate.
- Company has laid out internal policies, however, further enhancement in the scope of the same may be considered.
- Increasing the frequency of review and documenting of internal control system and compliance may further strengthen the internal control framework.
- Periodic review of order recording may be considered instead of exercising the same on as and when needed basis.
- Segregating risk management and compliance may strengthen risk management framework.



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## ***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.*

## **Alpha Capital (Pvt) Limited**

<b>REGULATORY DISCLOSURES</b>		<b>Appendix I</b>		
<b>Name of Rated Entity</b>	Alpha Capital (Pvt) Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Fiduciary Rating (BFR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: BFR</b>			
	01-Dec-23	BFR3	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.			