



Rating Action

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Analyst

Usama Liaquat
(+92-42-35869504)
usama.liaquat@pacra.com
www.pacra.com

Applicable Criteria and Related Research

- Brokerage Industry - Viewpoint | Nov-15
- Securities Brokers Entity Rating Methodology

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PACRA assigns Ratings to Alfalah Securities (Pvt.) Limited

The Pakistan Credit Rating Agency (PACRA) has assigned long term rating of "BBB+" (Triple B Plus) and short-term rating of "A2" (Single A Two) to Alfalah Securities (Pvt.) Limited. These ratings denote a low expectation of credit risk emanating from adequate capacity for timely payment of financial commitments.

Alfalah Securities is currently a majority owned subsidiary of Bank Alfalah Limited (BAFL). BAFL has lately revamped the company; injecting fresh capital of PKR 300mln and engaging a team of experienced professionals. The business plan has been approved by the board. The plan seems to reflect challenging targets, requiring concerted efforts and sustained progression to achieve. The targeted clientele of the company is skewed towards institutional clients; meanwhile, inclusion of foreign institutes remains the priority of the management. Additional revenue is investment banking, wherein a team of seasoned entrepreneurs/ professionals would tap the potential transactions. Comfort can be drawn from the company's policy not to undertake proprietary trading and negligible credit risk due to transactions through ready cash only. Meanwhile, company's policy allows limited exposure towards underwriting transactions.

The ratings are dependent on the company's ability to build a position in the highly competitive brokerage industry. Meanwhile, approval of policies and procedure from board is important. Retention of key human resources remains imperative. At the same time, the operational profitability and building reasonable market share is crucial.

About the Company:

Alfalah Securities, with commercial operations started in Mar'04, remained dormant for some years after 2008 financial meltdown. The company revamped its structure and management through sponsor support in Jun'15. Alfalah Securities operates through head office in Karachi with no other branch. Its main activities include equity brokerage, investment banking and research.

BAFL is the major shareholder of Alfalah Securities, holding ~97% of the shares. During CY16, BAFL intend to divest 30% stake in Alfalah Securities. In this regard SPA has been signed between BAFL, Mr. Atif Khan and Mr. Aliuddin Ansari.

The board of Alfalah Securities comprises five experienced professionals, including CEO. Four members represent BAFL whilst Mr. Mizra Zafar, CFO of BAFL is the chairman of the board. In the next board meeting, it is agreed that Mr. Aliuddin Ansari shall be nominated as a director and Chairman of the Board. He also holds the position of chairman - advisory board. Mr. Aliuddin Ansari is a seasoned professional with strong analytical expertise, carrying over two decades of experience. Mr. Atif Khan, the CEO, carries over two decade of experience in the financial sector, especially brokerage. He is supported by an able team.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.