



The Pakistan Credit Rating Agency Limited

Rating Report

Optimus Capital Management (Pvt.) Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
08-Apr-2022	A-	A2	Stable	Maintain	-
09-Apr-2021	A-	A2	Stable	Maintain	-
07-May-2020	A-	A2	Stable	Maintain	-
21-Nov-2019	A-	A2	Stable	Maintain	-
26-Jun-2019	A-	A2	Stable	Maintain	-
27-Dec-2018	A-	A2	Stable	Maintain	-
07-Jun-2018	A-	A2	Stable	Maintain	-
08-Dec-2017	A-	A2	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Optimus Capital Management (Pvt.) Limited ("Optimus Capital" or "The Company") mainly provides the services of equity brokerage while corporate finance also adds to the topline. With an average market share of ~1.8%, the clientele of the Company is more tilted towards institutions and corporates which constitutes ~93% of the brokerage revenue. The Company has earned brokerage revenue of ~PKR 117mln during 1HFY22 showing a significant increase as compared to FY21 ~PKR 120mln. However, ~50% of the revenue originates from a block trade deal while concentration in revenue also appears. The bottom-line remained side by side with the market performance in FY21; however, improvement has been observed owing to the block trade deal execution in 1HFY22. Assigned ratings incorporate Company's zero leveraged capital structure and sound liquidity profile as reflected by current assets of 4.4x of the current liabilities while the equity at ~PKR 367mln at end-Dec'21 depicts adequate capitalization. The market risk is negligible as the Company does not invest in equity securities; however, the access liquidity is parked in PIB's. The Company has a lean organization structure with most of the heads reporting to CEO. The rating incorporates seasoned management and adequate control framework which may be improved further with the presence of a dedicated risk and compliance department. Moreover, the governance framework may be enhanced further by increasing the board size, induction of independent directors, segregating the position of CEO from Chairman of the Board and increased oversight. As part of the long-term plan the Company intends to capture retail clientele with the use of digital platforms.

Going forward, sustainability and improvement in core revenue and profitability remains critical. Meanwhile, upholding strong internal controls, retention of key management and diligent monitoring of risk are important.

Disclosure

Name of Rated Entity	Optimus Capital Management (Pvt.) Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Broker Entity Rating(Jun-21),Criteria Correlation Between Long-term & Short-term Rating Scales(Jun-21),Criteria Rating Modifiers(Jun-21)
Related Research	Sector Study Brokerage & Securities(Jan-22)
Rating Analysts	Afnan Iqbal afnan.iqbal@pacra.com +92-42-35869504



Profile

Background Previously known by the name of Millennium Capital Management (Pvt.) Limited the Company was incorporated in 2004 and subsequently the official name was revised to Optimus Capital Management (Pvt.) Limited in 2011.

Operations The Company offers the services of Equity Brokerage, Research and Corporate Finance/Advisory. The Company has successfully executed large block-trade deals in the recent years.

Ownership

Ownership Structure Optimus Capital Management (Pvt.) Limited is a wholly owned subsidiary of Optimus Holdings (Pvt.) Limited. Mr. Asif Ali Qureshi and Mr. Jawad Amjad owns ~80% and ~20% shares of Optimus Holdings (Pvt.) Limited, respectively.

Stability Mr. Asif Ali Qureshi is the man-of-the-mile and the ownership is considered stable.

Business Acumen The sponsors having relevant educational background also possess vast experience in the financial services sector.

Financial Strength The sponsors have sizeable net worth and may provide support to the business in the times of need. Zakheera.com, an associated firm, provides financial data services to some of the largest financials and investments firms in the country.

Governance

Board Structure The Company's board is comprised of two executive directors. Mr. Asif Ali Qureshi is serving as the CEO while Mr. Muhammad Mohsin Ahsan is engaged with the Company as the Managing Director.

Members' Profile Mr. Asif Ali Qureshi, CFA, has more than 20 years of professional experience in Pakistan's financial services sector with expertise in economic and investment research. He also holds MA in International Financial Analysis from Newcastle University (UK). Mr. Mohsin also has over 20 years of relevant experience mainly centered to research and equity trading. He holds an MBA Finance degree from IBA.

Board Effectiveness The Company has formed Audit, Risk and Compliance committees chaired by Mr. Asif Ali Qureshi. Audit Committee is responsible for overseeing the significant risk areas assessed by management, Internal or external auditor as well as the related controls to mitigate such risk.

Transparency The Company has an in-house internal audit function that documents and reports its observations to the Board. The external auditors of the Company are Riaz Ahmad, Saqib, Gohar and Co, a member firm of AGN International, and it falls under the 'B' category of SBP audit firms ranking.

Management

Organizational Structure The Company has a adequate organizational structure with experienced management team and a balanced mix of professional from finance industry. The functions of the Company are mainly divided into: 1) Sales, 2) Accounts, 3) Research, 4) Settlement, 5) IT and 6) Compliance. All of the departmental heads directly reports to the CEO.

Management Team Mr. Murtaza Jaffar - Director Equity Sales, is a senior financial professional with over 16 years of experience. He possess extensive relevant experience and skill set. He is also the runner up sales trader award in 18 Annual excellence awards 2021 conducted by CFA Society of Pakistan. Mr. Iftikhar Hassan - Head of Online Trading, possess more than 17 years in the Pakistan Capital Market, managing New Product Development & Launch, Customer Relationship, Business Management and Strategic Planning. The head of research, Mr. Muhammad Arsalan Siddiqui has over 9 years of experience in equity research and has covered economy, banks, cements, automobiles, oil marketing companies, oil refineries, fertilizer and other companies.

Management Effectiveness The front and back office software's are integrated, resulting in generation of real-time MIS reports for the management to make swift decisions in the dynamic environment.

Control Environment The Company has formulated a comprehensive risk management policy. This includes exposure limits and margins, KYC/CDD, customer orders, execution and settlement. Proper KYC/CDD is conducted by the settlement department. Each customer is assigned a risk level from low to high. For high risk level customers, enhanced due diligence is conducted by monitoring transactions, fund transfers and frequency of investments.

Business Risk

Industry Dynamics Pakistan's economy staged a recovery in CY21. From the fundamental perspective, the stock market is trading at an attractive Price-to-Earnings (P/E) multiple. Listed companies declared historically high performances in CY21 with many companies such as financial institutions declaring highest-ever achieved profits. However, the most recent quarter (Oct-Dec 21) was slow in terms of market volumes. The rebalancing of MSCI gives an indication to a hopefully better upcoming quarter with expectations of greater international investment; however, the escalating tension and supply chain constraints due to the Russia and Ukraine war have destabilized the capital markets, creating an uncertain future for the market. The recent internal political tensions within Pakistan have thrown another curve-ball for the capital market, further increasing the uncertainty for the future. The traded volumes during 1HFY22 declined over the period at an average of ~74mln shares (FY21: ~269mln Shares), depicting decreased participation in the equity market led by country's economic slowdown. The prevailing uncertainties at the national and international level may keep the business on the lower side going forward.

Relative Position The average market share of the Company on value traded basis stood at ~1.8% for the 1HFY22.

Revenues During 1HFY22, the main source of revenue stemmed from equity brokerage while consultancy and advisory income has contributed ~3% to the total revenue. Equity brokerage revenue stood at ~PKR 117mln (FY21: ~PKR 120mln) which makes ~97% of the total operating revenue.

Cost Structure The Company reported profit after tax of ~PKR 33mln in 1HFY22 compared to a profit of ~PKR 21mln in FY21. Operating expenses also followed the uptrend and increased by 30% to ~PKR 76mln in 1HFY22 (FY21: ~PKR 117mln), mainly due to increase in salaries and increase in rent, rates and taxes.

Sustainability The Company is in the final stages of developing their own online trading platform, website and mobile app through the help of Softech, through which they aim to increase their market share as well as attract retail clients. There is also a separate branch that is soon to be opened inside the PSX building at Karachi, giving better customer accessibility. The realization of OCM's planned strategies may bode well for the Company moving forward.

Financial Risk

Credit Risk For the assessment of client's credit worthiness, the Company has formulated detailed KYC/CDD policies. These policies entail customer identification, risk assessment, due diligence and compliance function. Exposure limits are properly assigned.

Market Risk The Company doesn't hold proprietary trading book. The Company's short term investment comprises Pakistan Investment Bonds, limiting market risk. At the end of 1HFY22, these investments stood at ~PKR: 28mln (FY21: 50mln).

Liquidity Risk At end-Dec'21 the current assets of the Company stood at ~PKR 394mln against the current liabilities of ~PKR 89mln representing a good liquidity profile.

Capital Structure The Company has a zero leverage capital structure. At end-1HFY22, the Net Capital Balance (NCB) of the Company stood at ~PKR 237mln. The Company has an equity base of ~PKR 367mln at end- Dec'21.



Dec-21	Jun-21	Jun-20	Jun-19
6M	12M	12M	12M

A BALANCE SHEET

1 Finances	-	-	15	13
2 Investments	28	50	11	32
3 Other Earning Assets	27	57	180	96
4 Non-Earning Assets	415	305	308	297
5 Non-Performing Finances-net	-	-	-	-
Total Assets	470	412	513	438
6 Funding	12	17	20	-
7 Other Liabilities (Non-Interest Bearing)	91	56	187	123
Total Liabilities	103	73	207	123
Equity	367	339	306	316

B INCOME STATEMENT

1 Fee Based Income	120	144	75	106
2 Operating Expenses	(76)	(117)	(99)	(110)
3 Non Fee Based Income	5	13	30	23
Total Operating Income/(Loss)	49	39	5	18
4 Financial Charges	(1)	(3)	(5)	(1)
Pre-Tax Profit	48	36	1	17
5 Taxes	(14)	(15)	(6)	(7)
Profit After Tax	34	21	(5)	10

C RATIO ANALYSIS

1 Cost Structure

Financial Charges / Total Operating Income/(Loss)
Return on Equity (ROE)

2.5%	7.6%	89.9%	5.4%
20.4%	6.1%	-2.7%	3.4%

2 Capital Adequacy

Equity / Total Assets (D+E+F)
Free Cash Flows from Operations (FCFO) / (Financial Charges + Current Maturity of Long Term Debt + Uncovered Short Term Borrowings)

78.1%	82.3%	59.7%	72.0%
4141.8%	1296.5%	175.7%	772.7%

3 Liquidity

Liquid Assets / Total Assets (D+E+F)
Liquid Assets / Trade Related Liabilities

26.5%	21.0%	14.0%	39.2%
175.4%	191.4%	40.0%	144.5%

4 Credit & Market Risk

Accounts Receivable / Short-term Borrowings + Advances from Customers + Payables to Customers
Equity Instruments / Investments

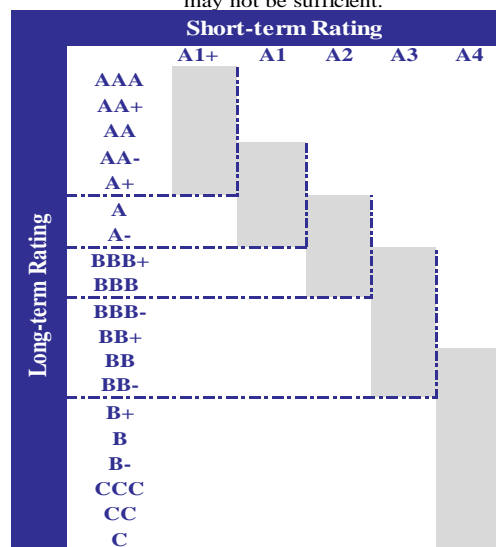
34.6%	19.4%	5.7%	17.1%
20.6%	0.0%	100.0%	42.6%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA-	
A+	
A	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A-	
BBB+	
BBB	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB-	
BB+	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB	
BB-	
B+	
B	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B-	
CCC	Very high credit risk. Substantial credit risk “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.
CC	
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



**The correlation shown is indicative and, in certain cases, may not hold.*

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):

<p>Entities</p> <ul style="list-style-type: none"> a) Broker Entity Rating b) Corporate Rating c) Financial Institution Rating d) Holding Company Rating e) Independent Power Producer Rating f) Microfinance Institution Rating g) Non-Banking Finance Companies (NBFCs) Rating 	<p>Instruments</p> <ul style="list-style-type: none"> a) Basel III Compliant Debt Instrument Rating b) Debt Instrument Rating c) Sukuk Rating
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Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

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- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report.
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

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