



The Pakistan Credit Rating Agency Limited

Rating Report

Optimus Capital Management (Pvt.) Limited

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
07-Apr-2023	A-	A2	Stable	Maintain	-
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") is primarily engaged in the provision of equity brokerage services while the income from advisory & consultancy also supports the topline. The Company also offers fixed-income brokerage through its associated company – Optimus Markets (Pvt.) Limited. The Company has a reasonable market share with the client base tilted towards corporate and institutional investors which constitutes ~76% of the brokerage income earned during the 1HFY23. However, it is notable that the Company has increased its client base compared to Dec'21. The business model of equity brokers is inherently prone to market volatility. Rising interest rates, political uncertainty, and increasing inflationary pressure during CY22 have impeded investors' sentiments, adversely impacting volumetric activity at PSX. Consequently, the commission on equity brokerage suffered a decline of ~74% during 1HFY23 as compared to 1HFY22. The Company earned revenue from equity brokerage of ~PKR 30mln in the 1HFY23 (1HFY22: ~PKR 117mln) whereas for FY22 it stood at ~PKR 148mln (FY21: ~PKR 119mln). On the other hand, the Company earned markup on short-term investments of ~PKR 11mln in addition to consultancy income of ~PKR 6mln during 1HFY23 providing the necessary support. The Company suffered a loss after tax of ~PKR 13mln for 1HFY23 mainly due to a decline in core income. The Company has an adequate equity base of ~PKR 333mln at end-Dec'22 (Jun'22: ~PKR 347mln). The rating takes comfort from a low-leveraged capital structure. The ongoing volatility of the equity market may impact the commission revenue going forward. The market risk is negligible as the major portion of the access liquidity is parked in Government Securities and Mutual Funds. The Company has a lean organizational structure with most of the heads reporting to the CEO. The rating incorporates seasoned management and an 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 the Chairman of the Board, and increasing oversight.

Going forward, improvement in core income, sustainability of market share, and profitability remain critical. Meanwhile, upholding sound internal controls, improvement of governance structure, retention of key management personnel, and diligent monitoring of risks is important.

Disclosure

Name of Rated Entity	Optimus Capital Management (Pvt.) Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology Rating Modifiers(Jun-22),Methodology Broker Entity Rating(Jun-22)
Related Research	Sector Study Brokerage & Securities(Jan-23)
Rating Analysts	Afnan Iqbal afnan.iqbal@pacra.com +92-42-35869504



Profile

Background Optimus Capital Management (Pvt.) Limited ('Optimus Capital' or 'The Company') was incorporated in 2004 with the name of Millennium Capital Management (Pvt.) Limited. The official name was changed to Optimus Capital Management (Pvt.) Limited in 2011.

Operations The Company provides the services of Equity Brokerage, Research, and Consultancy/Advisory. The Company also offers fixed-income brokerage through its associated company – Optimus Markets (Pvt.) Limited.

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 own 80% and 20% of Optimus Holdings, respectively.

Stability The parent Company "Optimus Holding (Pvt.) Limited" has a strong financial base and has strategic investments in numerous companies. Optimus Holdings (Pvt.) Limited remains on the front foot to support the Company.

Business Acumen The sponsors possess relevant educational backgrounds and also have vast experience in the financial services sector.

Financial Strength The sponsors have sound financial strength and may provide support to Optimus Capital Management (Pvt.) Limited in times of need.

Governance

Board Structure The board of directors comprises two members including the CEO - Mr. Asif Ali Qureshi. During the period under review, Mr. Muhammad Mohsin Ahsan - the Managing Director left the Company for personal reasons. Mr. Mohsin is replaced by Mr. Syed Ayaz Ahmed as the executive director.

Members' Profile Mr. Asif Ali Qureshi is a seasoned professional with more than twenty-five years of financial sector experience spanning banking, economic and financial research, investment banking, consulting, teaching, and entrepreneurship. He has been engaged in providing financial advisory services to multilateral organizations - World Bank and Asian Development Bank and various international consultants. He also served as a member of the Prime Minister's Economic Advisory Council in 2021.

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 auditors 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 lean organizational structure with an experienced management team and a balanced mix of professionals from the finance industry. The functions of the Company are mainly divided into 1) Sales, 2) Accounts, 3) Research, 4) Settlement, 5) IT 6) Compliance 7) Online Trading, and 8) Admin. All the Heads of Departments are directly reportable to the CEO of the Company.

Management Team Mr. Murtaza Jaffar - Director of Equity Sales, is a senior financial professional with over 16 years of experience. He possesses extensive relevant experience and skill set. He is also the runner-up sales trader award in the 18th Annual excellence awards 2021 conducted by the 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 the economy, banks, cement, automobiles, oil marketing companies, oil refineries, fertilizer, and other companies.

Management Effectiveness The front and back office software are integrated, resulting in the 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 The economy of Pakistan has remained generally unstable during 1HFY23. Investors have lost faith in the market due to a variety of factors, including internal political unrest and flash floods that devastated a sizable portion of the nation as well as global issues like the global recession and the Russia-Ukraine war. The top line of the brokerage business as a whole has been impacted by the continued low traded volumes. Going forward, political stability following elections may significantly contribute to the potential of market stabilization; but, the recent increase in policy interest rates may continue to discourage investors from choosing the riskier equities market in favor of safer fixed-income returns.

Relative Position The company enjoys a good market share and has successfully retained its position despite of the fall in market volumes.

Revenues The commission on equity brokerage suffered a decline of ~74% during 1HFY23 as compared to 1HFY22. The Company earned revenue from equity brokerage of ~PKR 30mln in the 1HFY23 (1HFY22: ~PKR 117mln) whereas for FY22 it stood at ~PKR 148mln (FY21: ~PKR 119mln).

Cost Structure The operating expenses declined by ~16% to stand at ~PKR 64mln during the 1HFY23 (1HFY22: ~PKR 76mln). The Company suffered a loss after tax of ~PKR 13mln for 1HFY23 mainly due to a decline in core income.

Sustainability The Company has procured the online trading platform from vision-max and planning to customize the user interface, the website is also redesigned for a better browsing experience and information access. Now the Company is in the process to develop a mobile app, through which they aim to increase its market share as well as attract retail clients. 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. An automated risk management system is in place that halts transactions for a particular client if margin falls below the allocated level.

Market Risk The market risk is negligible as the major portion of the access liquidity is parked in Government Securities and Mutual Funds.

Liquidity Risk At end-Dec'22 the current assets of the Company stood at ~PKR 348mln against the current liabilities of ~PKR 51mln. The Company has a sound liquidity profile.

Capital Structure At end-Dec'22, the Net Capital Balance (NCB) of the Company stood at ~PKR 230mln. The Company has an equity base of ~PKR 333mln at end-Dec'22 (Jun'22: ~PKR347mln).



Optimus Capital Management (Pvt.) Limited
Private Limited

PKR mln

Dec-22	Jun-22	Jun-21	Jun-20
6M	12M	12M	12M

A BALANCE SHEET

1 Finances	-	-	-	-
2 Investments	51	101	75	11
3 Other Earning Assets	173	132	170	315
4 Non-Earning Assets	166	206	167	187
5 Non-Performing Finances-net	-	-	-	-
Total Assets	390	439	412	513
6 Funding	4	5	6	20
7 Other Liabilities (Non-Interest Bearing)	54	87	67	187
Total Liabilities	58	92	73	207
Equity	333	347	339	306

B INCOME STATEMENT

1 Fee Based Income	36	154	144	75
2 Operating Expenses	(64)	(137)	(117)	(99)
3 Non Fee Based Income	16	18	13	30
Total Operating Income/(Loss)	(12)	34	39	5
4 Financial Charges	(1)	(2)	(3)	(5)
Pre-Tax Profit	(13)	33	36	1
5 Taxes	-	(16)	(15)	(6)
Profit After Tax	(13)	16	21	(5)

C RATIO ANALYSIS

1 Cost Structure

Financial Charges / Total Operating Income/(Loss)	-4.9%	5.1%	7.6%	89.9%
Return on Equity (ROE)	-10.2%	5.4%	6.1%	-2.7%

2 Capital Adequacy

Equity / Total Assets (D+E+F)	85.3%	79.1%	82.3%	59.7%
Free Cash Flows from Operations (FCFO) / (Financial Charges + Current Maturity of Long Term Debt +	-2299.5%	2131.6%	1296.5%	175.7%

3 Liquidity

Liquid Assets / Total Assets (D+E+F)	31.3%	48.0%	31.3%	14.0%
Liquid Assets / Trade Related Liabilities	250.9%	260.9%	285.6%	40.0%

4 Credit & Market Risk

Accounts Receivable / Short-term Borrowings + Advances from Customers + Payables to Customers	45.1%	34.8%	19.4%	5.7%
Equity Instruments / Investments	35.9%	29.4%	32.3%	100.0%

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+	
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-	
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	
CC	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.
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):
 a) Broker Entity Rating
 b) Corporate Rating
 c) Debt Instrument Rating
 d) Financial Institution Rating
 e) Holding Company Rating
 f) Independent Power Producer Rating
 g) Microfinance Institution Rating
 h) Non-Banking Finance Companies Rating

Disclaimer: PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of PACRA documents may be used, with due care and in the right context, with credit to PACRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

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

(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)

(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)

(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 | Clause 11-(A)(p).

(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)

Proprietary Information

(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent