



The Pakistan Credit Rating Agency Limited

Rating Report

Optimus Capital Management (Pvt.) Limited | BMR

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Rating History					
Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
28-Oct-2022	BMR2	-	Stable	Maintain	-
29-Oct-2021	BMR2	-	Stable	Upgrade	-
09-Apr-2021	BMR3+	-	Stable	Maintain	-
07-May-2020	BMR3+	-	Stable	Maintain	-
21-Nov-2019	BMR3+	-	Stable	Maintain	-
24-May-2019	BMR3+	-	Stable	Upgrade	-
27-Dec-2018	BMR3	-	Positive	Maintain	-
04-May-2018	BMR3	-	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 having a good presence in off-market transactions. The assigned rating incorporates the Company's satisfactory internal control and risk management framework. An in-house internal audit department provides strength to the overall control environment. However, the internal control framework could be improved further by separating the compliance and finance departments. The rating also takes note of a sound customer relationship and IT infrastructure. A well-developed research department is in place to provide the clients with the necessary research services. The clients are provided with the portfolio statements on a timely basis. The Company has devised a comprehensive Disaster Recovery plan and a well-developed transactions execution and monitoring system. The Company has a lean organizational structure with most of the heads reporting to the CEO. The management team comprises seasoned professionals that ensure the sound quality of services. The rating draws strength from the experienced profile of the CEO, Mr. Asif Ali Qureshi, who has been associated with the capital markets for over 25 years. The governance framework may be improved further by increasing board size and having independent representation. The market risk is negligible as the Company does not invest in equity securities; however, the excess liquidity is parked in PIB's. The topline has improved by ~26% YoY in FY22 despite declining market volumes, the necessary support was provided by a good share of the off-market transactions. Going forward, the Company is intensively focusing on strengthening its position through penetration in the retail segment for which the advancement of technological platforms is in process.

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 BMR
Type of Relationship	Solicited
Purpose of the Rating	Broker Management Rating
Applicable Criteria	Assessment Framework Broker Management Rating(Jun-22)
Related Research	Sector Study Brokerage & Securities(Jan-22)
Rating Analysts	Afnan Iqbal afnan.iqbal@pacra.com +92-42-35869504



Ownership

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

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

Business Acumen The sponsors having a relevant educational background and also possess a 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 investment 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 is also a co-founder of Zakheera.com, an online financial database service. Mr. Asif Ali Qureshi is a CFA charter-holder since 2000. He also holds MA in International Financial Analysis from Newcastle University (UK) along with MBA from Quaid-i-Azam University. Mr. Mohsin also has over 20 years of relevant experience mainly centered to research and equity trading. He holds an MBA in Finance from IBA.

Board Effectiveness The Company has formed an Audit, Risk, and Compliance committee chaired by Mr. Asif Ali Qureshi. The 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. The board effectiveness may be enhanced further by having independent representation.

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

Management

Management Team Mr. Murtaza Jaffar - Director Equity Sales, is a senior financial professional with over 16 years of experience. He is also the runner-up sales trader award in 18th Annual excellence awards 2021 conducted by CFA Society of Pakistan. Mr. Iftikhar Hassan - Head of Online Trading, possesses more than 17 years of experience in Pakistan's Capital Markets in Product Development, Customer Relationships, Business Management, and Strategic Planning. The head of research, Mr. Muhammad Arsalan Siddiqui has over 9 years of experience in equity research.

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, 8) Internal Audit, and 9) Administration. All of the departmental heads directly report to the CEO; however, the head of internal audit reports to the board of directors.

Client Servicing The Company has a well-developed research department led by Mr. Muhammad Arsalan Siddique. The department regularly publishes reports on the economy at macro and micro levels and covers ~70%-80% of the KSE100 index constituents. The Company has also provided its clients the facility of online trading and trading through mobile-app. Additionally, the head of sales also remains in contact with the clients to resolve their queries on a timely basis.

Complaint Management The Company has a defined complaint management policy in place to ensure that the grievances of the clients are handled by the management in an efficient and effective manner. As per the policy, complaints received shall be resolved on a priority basis but not later than 30 days of receipt of customer complaint.

Extent Of Automation / Integration The front and back office systems are procured from the same vendor - Vision Max which results in a complete integration between the two and generates real-time reports for swift decision-making in a dynamic environment.

Continuity Of Operations To ensure business continuity, a fully tested disaster recovery and business continuity plan is in place with daily, weekly and monthly backups. For stable connectivity, the Company has installed four connections from different ISPs.

Risk Management Framework The Company has formulated a comprehensive risk management policy. This includes exposure limits and margins, KYC/CDD, customer orders, and 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 customers, enhanced due diligence is conducted through active monitoring.

Regulatory Compliance The Company has a compliance department, headed by Mr. Ayaz Ahmed. He is a CA finalist and has more than 10 years of professional experience. The department ensures that all the regulatory requirements are fulfilled on a timely basis.

Business Sustainability

Business Risk Pakistan's economy has been volatile so far during FY23, with the sustained high inflation and political instability getting further compounded by the devastating floods that have ravaged both the North and South of the country. The revival of the IMF program and receiving the tranche of \$1.16bln is a positive indication; however, the pressure on the domestic economy remains high due to implementation of further taxes and levies to continue to adhere to the IMF conditions. Going forward, the market may adopt a 'wait and see' approach for some time before volumes surge again as activity rebounds once the post-flood rebuilding starts.

Business Profile The Company provides the services of equity brokerage, corporate finance, research, and fixed income brokerage (through Optimus Markets) mainly to domestic institutional and HNWI clientele. The Company aims to build on retail investment with the help of digital initiatives such as online trading platforms and revamped websites. The Company's market share averaged at ~1.9% on a value-traded basis for FY22.

Revenue And Profitability Analysis During FY22, brokerage revenue stood at ~PKR 130mln (FY21: ~PKR 120mln). The Company reported profit after tax of ~PKR 29mln in FY22 compared to a profit of ~PKR 21mln in FY21. Operating expenses also followed the uptrend and increased by 17% to ~PKR 137mln in FY22 (FY21: ~PKR 117mln), mainly due to increase in salaries and increase in rent, rates and taxes.

Financial Sustainability

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 Company doesn't hold proprietary trading book. The Company's short-term investment comprises Pakistan Investment Bonds, limiting market risk. At end-FY22, these investments stood at ~PKR: 95mln (FY21: 50mln).

Liquidity Profile At end-Jun'22 the current assets of the Company stood at ~PKR 410mln against the current liabilities of ~PKR 89mln. The Company has a good liquidity profile.

Financial Risk At end-FY22, the Net Capital Balance of the Company stood at ~PKR 235mln. The Company has an equity base of ~PKR 361mln at end-Jun'22. A leverage-free capital structure provides comfort.



PKR mln

Optimus Capital Management (Pvt.) Limited
Private Limited Company

Jun-22	Jun-21	Jun-20	Jun-19
12M	12M	12M	12M

A BALANCE SHEET

1 Finances	9	-	15	13
2 Investments	95	50	11	32
3 Other Earning Assets	86	57	180	96
4 Non-Earning Assets	268	305	308	297
5 Non-Performing Finances-net	-	-	-	-
Total Assets	458	412	513	438
6 Funding	93	62	199	119
7 Other Liabilities (Non-Interest Bearing)	4	10	7	4
Total Liabilities	97	73	207	123
Equity	361	339	306	316

B INCOME STATEMENT

1 Fee Based Income	155	144	75	106
2 Operating Expenses	(137)	(117)	(99)	(110)
3 Non Fee Based Income	13	13	30	23
Total Operating Income/(Loss)	31	39	5	18
4 Financial Charges	(2)	(3)	(5)	(1)
Pre-Tax Profit	29	36	1	17
5 Taxes	(0)	(15)	(6)	(7)
Profit After Tax	29	21	(5)	10

C RATIO ANALYSIS

1 Cost Structure

Financial Charges / Total Operating Income/(Loss)	7.3%	7.6%	89.9%	5.4%
Return on Equity (ROE)	9.1%	6.1%	-2.7%	3.4%

2 Capital Adequacy

Equity / Total Assets (D+E+F)	78.9%	82.3%	59.7%	72.0%
Free Cash Flows from Operations (FCFO) / (Financial Charges + Current M	-1266.4%	-1296.5%	-175.7%	-772.7%

3 Liquidity

Liquid Assets / Total Assets (D+E+F)	37.6%	21.0%	14.0%	39.2%
Liquid Assets / Trade Related Liabilities	213.5%	191.4%	40.0%	144.5%

4 Credit & Market Risk

Accounts Receivable / Short-term Borrowings + Advances from Customers	34.8%	19.4%	5.7%	17.1%
Equity Instruments / Investments	0.0%	0.0%	100.0%	42.6%

Broker Management Rating

An independent opinion on the quality of management and services provided by a broker

Scale	Definition
BMR 1A	Excellent. Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.
BMR 1++ BMR 1+ BMR 1	Strong. Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.
BMR 2++ BMR 2+ BMR 2	Sound. Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.
BMR 3++ BMR 3+ BMR 3	Adequate. Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.
BMR 4++ BMR 4+ BMR 4	Inadequate. Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.
BMR 5	Weak. Weak regulatory compliance and business practices.

<p>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’.</p>	<p>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.</p>	<p>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.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the rating remains suspended for six months, or/and d) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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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.

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(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

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- (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)

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- (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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