



The Pakistan Credit Rating Agency Limited

Rating Report

Optimus Capital Management (Pvt.) Limited | BMR

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Rating History table with columns: Dissemination Date, Long Term Rating, Short Term Rating, Outlook, Action, Rating Watch. Rows include dates from 2018 to 2023 and corresponding ratings like BMR2, BMR3+, and BMR3.

Rating Rationale and Key Rating Drivers

Optimus Capital Management (Pvt.) Limited ('OCM' or the 'Company') has a reliable presence in the corporate advisory space. Leveraging its market renown, OCM has supported its equity brokerage operations through revenue from advisory services and block trades. As a result, the low market volumes prevailing for the past two years have had minimal financial impact on the Company's performance. Currently, a small board comprising two executive directors exists; however, the planned inclusion of an independent director during the next board elections will enhance the governance framework moving forward. The management team comprises seasoned professionals that ensure the sound quality of services. The rating draws strength from the experienced profile and strong business acumen of the CEO and primary sponsor, Mr. Asif Ali Qureshi, who has been associated with the capital markets for over 25 years and is the current president of CFA society of Pakistan. The Company has a lean organizational structure. An in-house internal audit department is present to provide internal control support. The separation of key management roles such as risk and compliance has further enhanced the control framework. 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. A dedicated database management group company is present, reinforcing the research quality. OCM has added a dedicated online sales department whereas a customer services department is also currently being developed, further enhancing the Company's client services. Market risk is minimal as the Company does not actively partake in proprietary trades. Despite market volumes decreasing by ~33% during FY23 when compared with FY22, OCM's topline decreased by ~14% during the same period due to a significant contribution of ~PKR 57mln from advisory income. However, equity brokerage income declined by ~48% during FY23 when compared with FY22, due to a combination of low market volumes and decrease in commission rates by the Company to remain competitive. The rating draws comfort from the Company's zero-leveraged capital structure. OCM's strategy to leverage its presence in cyberspace to attract retail clientele may boost equity brokerage income moving forward.
Going forward, it is imperative from a rating perspective to maintain topline growth and revenue diversification. Maintenance and improvement in equity brokerage market share is critical moving forward. Moreover, retention of key management personnel, enhancement of client services, and further separation of management roles remain important.

Disclosure

Disclosure table with rows: 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-23)), Rating Analysts (Hassaan Ahmad | Hassaan.Ahmad@pacra.com | +92-42-35869504)



Ownership

Ownership Structure OCM is a wholly owned subsidiary of Optimus Holdings (Pvt.) Limited, which is owned by Mr. Jawad Amjad and Mr. Asif Ali with 20% and 80% shares, respectively.

Stability The parent Company "Optimus Holding (Pvt.) Ltd" 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 have relevant educational background and also have vast experience in the financial services sector. In addition to Optimus Holdings the sponsors have shareholding in other entities; Optimus Market (Pvt.) Limited, Optimus Holding (Pvt.) Limited and Zakheera (Pvt) Limited.

Financial Strength The sponsors have adequate financial strength to support business operations.

Governance

Board Structure The board comprises of two directors, Mr. Asif Ali Qureshi and Mr. Syed Ayaz Ahmed. Mr. Asif is the CEO and Mr. Ayaz is the Executive Director of the Company. OCM has plans to increase its board size and include an independent director during the upcoming director's elections.

Members' Profile Mr. Asif Ali is the CEO of the Company while Mr. Syed Ayaz Ahmed has recently been appointed as Executive Director of the Company and is currently overseeing the operations of the Company. He has over 10 years of experience in the financial sector. Mr. Asif Qureshi has more than 2 decades of experience in Pakistan's financial sector with expertise in economic and investment research. He is a CFA charter-holder since 2000. He also holds MA International Financial Analysis (Distinction) from Newcastle University (UK) and is currently the president of the CFA Society of Pakistan.

Board Effectiveness The Company has an Audit, Risk, and Compliance committee. Oversight framework may be improved through the addition of an independent director.

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 Co, a member firm of AGN International, and it falls under the 'B' category of SBP audit firms ranking.

Management

Management Team Mr. Muhammad Ovais, Head of Equity Settlements, has over 20 years of experience in this field. Risk management was supervised by the Head of Settlement, with the entire Risk Management System (RMS) is monitored by the settlement team. The Director of Equity Sales, Mr. Murtaza Jaffer, also brings over 15 years of professional expertise in equity settlements. To expand its retail client base through its online presence.

Organizational Structure OCM has a lean organizational structure with experienced management team and a balanced mix of professionals from 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. A recent addition of an Online Sales department and the separation of key management roles such as Risk and Finance have improved the organizational structure.

Client Servicing The Company has a well-developed research department comprising of five analysts including the head of research. Currently, the department is covering 70-80% of the KSE100 market capitalization. An online trading platform and mobile application is also present.

Complaint Management The Company maintains a clearly defined complaint management system within its Management Information System (MIS). Complaints can be submitted through email or phone calls. This system is regularly updated and undergoes quarterly reviews conducted by the compliance officer.

Extent Of Automation / Integration The Company has developed a comprehensive IT policy that covers crucial areas such as data backup and recovery, virus protection, and control environment. Furthermore, all back-office systems have been seamlessly integrated.

Continuity Of Operations In order to ensure uninterrupted business operations, the Company has implemented a meticulously tested disaster recovery and business continuity plan. This plan includes the creation of daily, weekly, and monthly backups. Additionally, to maintain stable connectivity, the Company has established four separate connections from distinct Internet Service Providers (ISPs).

Risk Management Framework The Company has developed an extensive risk management policy encompassing exposure limits, margins, KYC/CDD, customer orders, as well as execution and settlement processes. The settlement department is responsible for conducting thorough KYC/CDD procedures for each customer, categorizing them into varying risk levels, ranging from low to high. High-risk customers undergo enhanced due diligence through continuous monitoring. The addition of a dedicated compliance officer has improved the regulatory framework.

Regulatory Compliance Mr. Ayaz Ahmed leads the Company's compliance department, bringing over a decade of professional expertise. This department is responsible for ensuring timely compliance with all regulatory obligations.

Business Sustainability

Business Risk FY23 has been a challenging year for the brokerage industry. High political uncertainty along with high inflation crippled the economic condition of the country. Market volumes remained subdued as investors opted for the safer fixed market returns resulting from the high-interest rates prevailing in the economy. However, the start of FY24 has seen a recovery in the confidence of investors. The resumption of the IMF program and the recent steps taken by the government to address long-standing economic issues such as the reduction of circular debt has boosted the market volumes. That being said, political turmoil still prevails in the country and many investors are still waiting for the conclusion of the elections process before showing their hands.

Business Profile Optimus intends to adopt an expansive business strategy and target advisory clients, foreign and local. Meanwhile, the focus of the brokerage house would be to engage more Retail and HNWI's that would help the management to enhance the system share. The Company plans to focus on cyberspace to capture the retail clientele.

Revenue And Profitability Analysis The Company's operating revenue mainly comprises equity brokerage and consultancy/commission income. Equity brokerage revenue stood at ~PKR 71mln (FY22: ~PKR 148mln) while the topline was supported by consultancy income of ~PKR 57mln during FY23 (FY22: ~PKR 5mln). The Company reported a profit after tax of ~PKR 11mln in FY23 compared to a profit of ~PKR 15mln in FY22.

Financial Sustainability

Credit Risk For the assessment of client's creditworthiness, 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 Optimus does not engage in proprietary investments, thus limiting the impact of market risk. The Company's short-term investment amounted to ~PKR 47mln at end-Jun'23 (FY22: ~PKR 95mln), comprises Pakistan Investment Bonds at end-Jun'23, these investments stood at ~PKR: 21mln (FY22: 22mln).

Liquidity Profile At end-Jun'23 the current assets of the Company stood at ~PKR 369mln against the current liabilities of ~PKR 50mln.

Financial Risk At the end of FY23, the Net Capital Balance (NCB) of the Company stood at ~PKR 250mln. The Company has an equity base of ~PKR 355mln at end-Jun'23. OCM maintains a zero-leveraged capital structure.



PKR mln

Optimus Capital Management (Pvt.) Limited
Private Limited

Jun-23	Jun-22	Jun-21	Jun-20
12M	12M	12M	12M

A BALANCE SHEET

1 Finances	0	0	0	15
2 Investments	51	101	75	11
3 Other Earning Assets	195	132	170	315
4 Non-Earning Assets	158	206	167	172
5 Non-Performing Finances-net	0	0	0	0
Total Assets	404	439	412	513
6 Funding	0	5	6	20
7 Other Liabilities (Non-Interest Bearing)	49	87	67	187
Total Liabilities	49	92	73	207
Equity	355	347	339	306

B INCOME STATEMENT

1 Fee Based Income	128	154	144	75
2 Operating Expenses	(149)	(137)	(117)	(99)
3 Non Fee Based Income	42	18	13	30
Total Operating Income/(Loss)	21	34	39	5
4 Financial Charges	(1)	(2)	(3)	(5)
Pre-Tax Profit	20	33	36	1
5 Taxes	(9)	(16)	(15)	(6)
Profit After Tax	11	16	21	(5)

C RATIO ANALYSIS

1 Cost Structure

Financial Charges / Total Operating Income/(Loss)	5%	5%	8%	89%
Return on Equity (ROE)	3%	5%	7%	-2%

2 Capital Adequacy

Equity / Total Assets (D+E+F)	88%	79%	82%	60%
Free Cash Flows from Operations (FCFO) / (Financial Charges + Current Maturity of Long Term Debt + Uncovered Short Term Borrowings)	16.6	21.3	13.0	1.8

3 Liquidity

Liquid Assets / Total Assets (D+E+F)	15%	29%	20%	4%
Liquid Assets / Trade Related Liabilities	146%	160%	184%	12%

4 Credit & Market Risk

Accounts Receivable / Short-term Borrowings + Advances from Customers + Payables to Customers	21%	35%	19%	6%
Equity Instruments / Investments	8%	6%	32%	100%

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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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)

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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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