The Pakistan Credit Rating Agency Limited

Rating Report

Spectrum Securities Limited | BFR

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Rating History

Dissemination Date	Rating	Outlook	Action	Rating Watch
20-Nov-2026	BFR 3+	Stable	Maintain	-
21-Nov-2025	BFR 3+	Stable	Maintain	-
21-Nov-2024	BFR 3+	Stable	Maintain	-
21-Nov-2023	BFR 3+	Stable	Upgrade	-
30-Nov-2022	BFR 3	Stable	Maintain	-
20-Dec-2021	BFR 3	Stable	Initial	-

Rating Rationale

Factor	Comment
Ownership	Mr. Muhammad Owais is the primary sponsor, holding approximately 97% of the Company shares (96.98%), followed by Ms. Atiqa Zafar with 3.00%. Ownership remains concentrated, and a formalized succession plan would further strengthen continuity in strategic direction.
Governance	The three-member Board, including the CEO, is supported by Audit, HR, and Investment Decision-Making Committees, reflecting a structured governance framework. The induction of independent and female directors would further enhance the independence of oversight.
Management and Client Services	Led by Mr. Ahmed Nabeel (CEO), supported by a seven-member senior team. Client services are supported by the Company mobile application, along with a complaint management system in place to address client grievances. Further segregation of duties would enhance the effectiveness of management activities.
Internal Controls and Regulatory Compilance	The Company has a compliance department in place, supported by AML and KYC policies, which together provide a sound control framework. Oversight can be further strengthened by including an independent director in the Board & Audit Committee.
Business Sustainability	SSL market share stands at ~1.82% in FY26, supported by ~60% clientele growth. Operating revenue rose to PKR 349.56mln (FY25: PKR 190.35mln), with PAT at PKR 52.54mln (FY25: PKR 37.50mln).
Financial Sustainability	Capitalization strengthened through retained earnings with no borrowings, taking equity to PKR 478.17mln at end-Jun 26. Liquid capital stands at PKR 322.89mln. The current ratio stands at ~2.0x (FY25: ~2.5x).

Key Rating Drivers

Fiduciary practices across client servicing, compliance, and core risk oversight remain integral to the control architecture, with incremental enhancements expected to further strengthen the overall governance and risk-management environment. Going forward, deepening management capacity, refining internal control mechanisms, incrementally strengthening client-protection, improving grievances mechanisms and conflict-management frameworks will remain important for sustaining and improving the fiduciary profile.

Disclosure

Name of Rated Entity	Spectrum Securities Limited | BFR
Type of Relationship	Solicited
Purpose of the Rating	Broker Fiduciary Rating (BFR)
Applicable Criteria	Assessment Framework | Broker Fiduciary Rating(Jan-26),Methodology | Rating Modifiers(Apr-26)
Related Research	Sector Study | Brokerage Firms(Feb-26)
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Profile

Background Spectrum Securities Limited ("SSL" or "the Company") was incorporated in Pakistan as a private company on October 27, 2014, under the Companies Ordinance, 1984 (since repealed by the Companies Act, 2017). On January 12, 2018, its status was changed to public unlisted company. The Company is a Trading Right Entitlement Certificate (TREC) holder of the Pakistan Stock Exchange Limited, licensed under the Trading and Self-Clearing category, and is duly registered with the SECP. It operates through six offices across Karachi, Lahore, Faisalabad and Chiniot, with 58 employees at end-Jun'26 (Jun'25: 55).

Operations SSL primarily offers equity brokerage services, complemented by on-demand research support, margin financing and margin trading. The Company's clientele is categorized into three segments: i) High Net Worth Individuals (HNWI) / Retail Clients, ii) Financial Institutions and Corporates, and iii) Foreign/Non-Resident.

Ownership

Ownership Structure Mr. Muhammad Owais holds a majority stake of ~97% (96.98%) in the Company, followed by Ms. Atiqa Zafar with 3.00%. The directors hold nominal stakes.

Stability The concentrated ownership lends stability; however, formalizing a succession plan would further strengthen long-term governance continuity.

Business Acumen The primary sponsor has demonstrated strategic foresight through historical instances of injecting equity at opportune times, enabling the Company to capitalize on market conditions. The sponsor possesses the relevant educational background and ample industry understanding. The overall assessment of the sponsors' strategic thinking proficiency is comfortable.

Financial Strength The sponsors possess substantial net worth and have the capacity to inject additional capital as the Company's operations expand. This underscores their commitment to the business, providing a strong financial safety net and reinforcing investor confidence in the Company's long-term viability and growth potential.

Governance

Board Structure The Board has three directors, unchanged during the year: Mr. Ahmed Nabeel (Chief Executive Officer), Mr. Muhammad Umair Arif and Mr. Muhammad Haris. Mr. Umair Arif is an executive director (also CFO, Company Secretary and Head of Compliance†), and Mr. Haris is a non-executive director†. The Company reports no casual vacancy. The Board has no independent director and the principal sponsor does not sit on the Board.

Members' Profile The Board has the requisite skills and experience to effectively oversee capital market operations. On average, the members bring approximately 20 years of experience in finance and capital markets.

Board Effectiveness To maintain an effective control environment and ensure compliance with reporting standards, the Company has established several board-level committees, including the Audit Committee, HR Committee, Risk Management Committee, and Investment Decision-Making Committee.

Financial SSL has appointed Nasir Javaid Maqsood Imran, Chartered Accountants, as its external auditor. The firm is categorized under the 'B' category of the State Bank of Pakistan's panel of auditors and has issued an unmodified opinion for FY26.

Management And Client Services

Organizational Structure The Company has an adequate organizational structure with an experienced management team and a balanced mix of professionals from the finance industry. The functions are mainly divided into 1) Sales, 2) Research, 3) Operations (Settlement, CS & IT), 4) HR, 5) Compliance, and 6) Internal Audit. Further segregation of duties would enhance the effectiveness of management's activities.

Management Team The CEO, Mr. Ahmed Nabeel, the CFO, Mr. Muhammad Umair Arif, and the COO, Mr. Muhammad Imran Arif, form the core of the seven-member senior management team. Mr. Ahmed Nabeel has extensive and diversified experience in the capital markets, spanning over twenty-five years. Mr. Muhammad Umair, who holds a Master's degree, has been with the Company since 2015, serving as both CFO and Company Secretary, and also heads the Compliance Department. Mr. Basharat Ullah was appointed as Head of Research, bringing 20 years of experience.

Client Servicing SSL offers clients access to trading through a mobile app and online platform, complemented by periodic and on demand provision of technical and fundamental research reports.

Complaint Management The Company has an adequate complaint management system in place, supported by a well-defined policy. Complaints can be made via email, calls, and website.

Extent Of Automation / Integration The Company has integrated database platforms and can generate real-time MIS reports on a timely basis, enabling efficient decision-making and improved operational oversight.

Continuity Of Operations SSL has well-defined Disaster Recovery and Business Continuity Plans, supported by comprehensive policies. These systems are tested bi-annually, with a secondary data storage site maintained at a separate location. The effectiveness of the Disaster Recovery Plan was demonstrated when an unfortunate fire affected the location of Company's previous head office, despite the incident, SSL's clients experienced no disruption in services.

Internal Controls And Regulatory Compliance

Risk Management Framework The Company maintains an in-house internal audit department to ensure operational efficiency and effective evaluation of internal controls, and has an internal control policy in place. The Audit Committee oversees significant risk areas identified by management and internal or external auditors, along with the controls established to mitigate those risks. Management has also reviewed its controls over credit extended to related-party clients, related-party transactions outside the ordinary course of business, and the financial reporting process, and corrective measures have been approved by the Board. The establishment of an independent risk management department would further enhance the overall risk management framework.

Regulatory Compliance The Company has a Compliance Department in place, supported by AML and KYC policies, which regularly monitors the Company's controls and systems to ensure that all functions operate in accordance with applicable policies and procedures. A Research Analyst Policy has also been established to guide relevant activities. During FY26, the Pakistan Stock Exchange imposed a fine of PKR 64,000 on the Company; the fine was paid and corrective action taken. Separation of compliance and finance functions is encouraged to further strengthen governance.

Business Sustainability

Operating Environment Pakistan's economy continued to grow in FY26, with provisional real GDP growth of 3.7% (FY25: 3.2%), led by services and industry. Average CPI inflation rose to about 7.1% (FY25: 4.5%), and headline inflation reached 11.07% in June 2026 on higher oil prices linked to the Middle East conflict. The SBP held the policy rate at 11.5% in June and July 2026 (10.5% in January 2026). External indicators were supportive: workers' remittances exceeded USD 41bn, reserves reached about USD 18.4bn at end-FY26, and the PKR appreciated about 2%. The equity market had an exceptional year: the KSE-100 closed FY26 at 180,302 points, up 44% (FY25: 125,627), with average daily traded value of about USD 152mln, the highest since FY08, though foreign investors stayed net sellers. Post year-end, the index eased to about 165,966 on October 19, 2026 (roughly 8% below the FY26 close), a reminder that brokerage revenue remains tied to market cycles.

Performance SSL reported operating revenue of Rs 349.56mln in FY26 (FY25: Rs 190.35mln, +83.6%; FY24: Rs 118.83mln†). Net brokerage commission, the principal revenue stream, rose 85.7% to Rs 349.41mln as trading value and volume at PSX rose. Total revenue, after a realised capital loss of Rs 3.05mln and an unrealised loss of Rs 2.39mln, was Rs 344.12mln (+71.8%). Administrative expenses rose 64.9% to Rs 308.93mln, driven by agents' commission (Rs 102.40mln), directors' remuneration (Rs 26.74mln, including CEO commission) and donations (Rs 20.07mln, versus Rs 10.28mln). Excluding commission and donations, administrative costs rose only about 5.3%, so the core cost base is largely stable. Other income of Rs 48.71mln (+15.0%) is mainly markup on exposure margin deposits (Rs 30.48mln) and on margin trading and financing, and equals 59% of pre-tax profit. Profit before levies and tax rose 51.6% to Rs 82.57mln and profit after tax rose 40.1% to Rs 52.54mln (FY25: Rs 37.50mln; FY24: Rs 51.46mln†); EPS was Rs 17.51 (FY25: Rs 12.50). Levies and tax absorbed 36.4% of pre-tax profit. Net margin narrowed to 15.3% of total revenue (FY25: 18.7%) as commissions and donations absorbed incremental revenue. Return on average equity improved to 11.7% (FY25: 9.3%). Operating cash flow turned positive at Rs 21.23mln (FY25: negative Rs 10.51mln).

Strategy Spectrum Securities Limited's strategic intent centres on strengthening its market presence in Pakistan's brokerage sector by leveraging technology, broadening client segments (retail, institutional & foreign), and maintaining rigorous risk and compliance controls.

Financial Sustainability

Credit Risk Gross trade debts stood at PKR 216.57 million (Jun'25: PKR 173.69 million), of which ~96.7% were within 90 days (Jun'25: ~98.0%). The allowance for expected credit losses was PKR 3.33 million (Jun'25: PKR 2.33 million). Related-party exposure, mainly to the principal shareholder (PKR 119.56 million), remains concentrated at ~56.2% of gross trade debts (Jun'25: ~78.5%), though it is secured against securities held in sub-accounts. Margin financing increased to PKR 50.43 million (Jun'25: PKR 10.19 million) and is fully covered by collateral. Bank balances are placed with banks rated A1+ / AA to AAA.

Market Risk The Company maintains a modest proprietary book. At end-FY26, the portfolio of quoted equities stood at a carrying cost of Rs 8.67mln with an unrealised loss of Rs 2.39mln, for a market value of Rs 6.28mln (FY25: Rs 13.14mln, -52.2%). This is 1.3% of equity on a market-value basis (FY25: 3.1%†). Proprietary activity lost Rs 5.29mln in FY26 (realised loss Rs 3.05mln, unrealised loss Rs 2.39mln, dividend Rs 0.15mln), against a gain of Rs 12.14mln in FY25, despite a 44% market rally; this suggests weak security selection or exits at a loss, though the book is small. A 10% price move changes profit by Rs 0.63mln. More relevant is interest-rate exposure: variable-rate financial assets (exposure deposits, base capital deposit and margin financing) were Rs 612.01mln, and markup-based other income of Rs 39.82mln is 48% of pre-tax profit. A 1% change in rates would shift profit by about Rs 6.1mln (7.4% of pre-tax profit); the Company has no borrowings, no currency exposure, and a formal proprietary trading policy remains advisable.

Liquidity Risk At end-FY26, current assets were Rs 878.23mln against current liabilities of Rs 444.48mln, a current ratio of 2.0x (FY25: 2.5x). Quality of this cover needs context: 60.6% of current assets is the NCCPL exposure deposit, and 94.2% of current liabilities are trade payables to clients (Rs 418.77mln, +92.1%), the two growing together. Own cash and bank balances were Rs 24.89mln (FY25: Rs 8.32mln), of which Rs 16.95mln is house money. Net of exposure deposits, current assets cover about 0.8x of current liabilities. All financial liabilities (Rs 437.76mln) fall due within one year, and there are no borrowings. Liquidity therefore rests on the clearing house deposit and on regulatory liquid capital rather than on free cash.

Capitalization SSL maintains adequate capitalization, with equity of Rs 478.17mln as of Jun'26 (Jun'25: Rs 423.34mln) and net worth of Rs 475.65mln. The regulatory Liquid Capital Balance improved from Rs 193.88mln in Jun'25 to Rs 322.89mln in Jun'26 (+66.5%), after Rs 43.71mln of ranking liabilities (margin financing concentration Rs 30.66mln, futures positions Rs 12.88mln, proprietary concentration Rs 0.17mln). Capitalization is declining as the balance sheet grows: equity to total assets fell to 51.8% (FY25: 62.8%) and liabilities to equity rose to 0.93x (FY25: 0.59x). Equity growth depends solely on retained earnings.

THE PAKISTAN CREDIT RATING AGENCY

Specturm Securities Limited
PUBLIC UNLISTED LIMITED
FINANCIAL SUMMARY

FS PRINT MODE DISABLED

		Jun-26 FY26 12M Audited	Jun-25 FY25 12M Audited	Jun-24 FY24 12M Audited
BALANCE SHEET				
1	FINANCES	50.43	10.19	16.12
2	INVESTMENTS	6.28	13.14	23.85
3	OTHER EARNING ASSETS	16.95	3.02	8.90
4	NON-EARNING ASSETS	849.00	649.70	488.36
5	NON-PERFORMING FINANCES-net	-	-	-
	TOTAL ASSETS	**922.66**	**676.05**	**537.24**
6	FUNDING	-	-	-
7	OTHER LIABILITIES (NON-INTEREST BEARING)	444.48	250.31	150.34
	TOTAL LIABILITIES	**444.48**	**250.31**	**150.34**
	TOTAL EQUITY	**478.17**	**423.34**	**386.90**
INCOME STATEMENT				
INCOME				
1	FEE BASED INCOME	349.41	188.15	115.31
2	OPERATING EXPENSES	(315.72)	(190.69)	(127.36)
3	NON-FEE BASED INCOME	(5.29)	54.49	67.00
	TOTAL OPERATING INCOME (LOSS)	**28.40**	**51.95**	**54.95**
4	FINANCIAL CHARGES	(0.33)	(0.08)	(0.00)
	PRE-TAX PROFIT	**76.78**	**51.87**	**54.94**
5	TAXES	(24.24)	(14.37)	(3.48)
	PROFIT AFTER TAX	**52.54**	**37.50**	**51.47**
RATIOS				
BUSINESS SUSTAINABILITY				
1	PRE-TAX MARGIN	0.22	0.28	0.48
2	EBITDA MARGIN	0.22	0.28	0.48
3	EBIT RETURN ON ASSETS	0.10	0.09	0.16
FINANCIAL SUSTAINIBILITY				
1	TOTAL INVESTMENTS / EQUITY	0.01	0.03	0.06
2	LIQUID CAPITAL BALANCE (LCB) / EQUITY	0.68	0.46	0.35
3	(CASH, CASH EQUIVALENTS & GOVERNMENT SECURITIES) / TOTAL ASSETS	0.03	0.02	0.06
4	TOTAL DEBT / TOTAL ASSETS	-	-	-

Broker Fiduciary Rating Scale

Broker Fiduciary Rating Scale & Definitions

An independent opinion on a broker's quality of management and client services, and the sustainability of operations

Scale	Definition
BFR 1	Very Strong. Very Strong quality of management and client services, and a very high likelihood of sustaining operations.
BFR 2++ BFR 2+ BFR 2	Strong. Strong quality of management and client service, and a high likelihood of sustaining operations
BFR 3++ BFR 3+ BFR 3	Good. Good quality of management and client service, and average likelihood of sustaining operations.
BFR 4++ BFR 4+ BFR 4	Adequate. Adequate quality of management and client service, and average likelihood of sustaining operations.
BFR 5	Weak. Weak quality of management and client service, and a weak likelihood of sustaining operations.

Rating Modifiers | Rating Actions

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 the foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany the rating outlook of the respective opinion.

Suspension

It is not possible to update an opinion due to a lack of requisite information. Opinion should be resumed in the 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 a revision in the 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. Rating actions may include "maintain", "upgrade", or "downgrade".

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(Credit Rating Companies Regulations,2016)

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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).
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(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 | 17-(a)
(19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)
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