



The Pakistan Credit Rating Agency Limited

Rating Report

Optimus Capital Management (Pvt.) Limited | BFR

Report Contents
1. Rating Analysis
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Rating History table with columns: Dissemination Date, Rating, Outlook, Action, Rating Watch. Rows include dates from 2021 to 2024 and ratings like BFR 2, BFR 3++.

Rating Rationale table with columns: Factor, Comment. Factors include Ownership, Governance, Management and Client Services, Internal Controls and Regulatory Compliance, Business Sustainability, and Financial Sustainability.

Key Rating Drivers: Optimus Capital Management (Pvt.) Limited ('OCM' or the 'Company') has performed inline with the market during FY24. OCM mainly earned the commission on its brokerage income, amounting to ~PKR 98mln for FY24 (FY23: ~PKR 70mln).

Disclosure table with rows: Name of Rated Entity, Type of Relationship, Purpose of the Rating, Applicable Criteria, Related Research, Rating Analysts.

Profile

Background Optimus Capital Management (Pvt.) Limited ('OCM' or the 'Company') was incorporated in March 2004 and became operational under the name of Optimus Capital Management (Pvt.) Limited in June 2011. The Pakistan Stock Exchange has granted the Company a Trading Right Entitlement Certificate (TREC).

Operations OCM mainly offers equity services including ready and Future dealings, whereas advisory services are also offered. The Company has started dealing in Margin Trading System (MTS) transactions. The brokerage clients are divided into three broad segments; i) Foreign ii) Institutions/Corporate and iii) Retail. Currently, OCM has a minimal presence in the retail segment; however, plans are in place to enhance its retail footprint.

Ownership

Ownership Structure Optimus Holdings is the parent company that owns OCM. Mr. Jawad Amjad and Mr. Yasin are the sponsors of Optimus Holdings with 74% and 26% shareholding respectively. Prior to Mr. Asif Ali Qureshi's resignation, he held an 80% stake in Optimus Holdings (Pvt.) Limited, while Mr. Jawad Amjad owned the remaining 20%.

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 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; PNO, Optimus Market (Pvt.) Limited and Zakheera (Pvt.) Limited.

Financial Strength The sponsors have adequate financial strength and may inject further equity with increasing quantum of operations.

Governance

Board Structure After the resignation of Mr. Asif Ali Qureshi, the board of directors (BoD) of OCM comprises one experienced professional Mr. Syed Ayaz Ahmed. The only director is executive, and the board may be enhanced with the induction of certified independent directors.

Members' Profile Mr. Syed Ayaz Ahmed is the CEO of the company and has more than 1 decade of experience in Pakistan's financial sector with expertise in economic and investment research.

Board Effectiveness The experience of board helps in providing useful insight into the business management and guiding the management in effectively developing optimizing the organizational procedures and policy.

Financial Head of internal audit reports directly to the internal audit committee. Riaz Ahmad, Saqib, Gohar & Company are the external auditors of the Company. The auditor is ranked as Category B auditor on the panel of SBP auditors list

Management And Client Services

Organizational Structure OCM has a lean organizational structure with experienced management team and a balanced mix of professional from finance industry. The functions of the company are mainly divided into: 1) Sales, 2) Accounts, 3) Research, 4) Settlement, 5) IT 6) Compliance 7) Online Trading and 8) Admin. An Online Sales department has recently been added to realize the Company's strategy of enhancing its retail presence.

Management Team The management team comprises of well qualified and experienced individuals. Mr. Syed Ayaz Ahmed has taken charge as CEO of the Company after the resignation of Mr. Asim. He possesses over 10 years of experience in financial sector.

Client Servicing The Company has a well-developed research department comprising of five analysts including the head of research. 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).

Internal Controls And Regulatory Compliance

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

Operating Environment FY24 was a favorable period for the brokerage industry, with the KSE-100 Index reaching historic highs and surpassing the 81k mark for the first time in June 2024. This milestone attracted significant interest from both local and foreign investors. Additionally, the continuous reduction in the headline inflation, and decrease in policy rate, is likely to drive fresh investments as investors shift their focus from fixed-income securities to equities. While FY24 results were promising for the brokerage sector, maintaining political and economic stability will be crucial to sustaining investor confidence in FY25.

Performance The Company's operating revenue mainly comprises equity brokerage income. During FY24 the main source of revenue stemmed from equity brokerage, so Equity brokerage revenue stood at ~PKR 98mln. At the end of Jun'24, the net income stood at ~PKR 17mln.

Strategy Going forward, the company is expected to improve and sustain profitability and diversify revenue stream. Optimus intends to adopt an expansive business strategy and target advisory clients, foreign and local.

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 Optimus does not engage in proprietary investments, thus limiting the impact of market risk. The Company's short-term investment stood at to ~PKR 31mln at end-Jun'24.

Liquidity Risk At end-Jun'24 the current assets of the Company stood at ~PKR 269mln against the current liabilities of ~PKR 4mln. The Company has a good liquidity profile.

Capitalization At end FY24, the Liquid Capital Balance (LCB) of the Company stood at ~PKR 201mln. The Company has an equity base of ~PKR 318mln at end-Jun'24.

**THE PAKISTAN CREDIT RATING AGENCY**Optimus Capital Management Pvt. Limited
PRIVATE LIMITED
FINANCIAL SUMMARY

FS PRINT MODE DISABLED

Jun-24 FY24 12M Management	Jun-23 FY23 12M Audited	Jun-22 FY22 12M Audited	Jun-21 FY21 12M Audited
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BALANCE SHEET

1 FINANCES	-	-	-	-
2 INVESTMENTS	42.94	51.42	101.07	74.57
3 OTHER EARNING ASSETS	-	22.97	51.32	27.26
4 NON-EARNING ASSETS	283.23	324.23	286.19	309.84
5 NON-PERFORMING FINANCES-net	-	-	-	-
TOTAL ASSETS	326.17	398.63	438.58	411.67
6 FUNDING	3.88	3.88	9.02	17.19
7 OTHER LIABILITIES (NON-INTEREST BEARING)	4.42	48.27	82.91	55.52
TOTAL LIABILITIES	8.31	52.16	91.93	72.72
TOTAL EQUITY	317.86	346.47	346.65	338.95

**INCOME STATEMENT
INCOME**

1 FEE BASED INCOME	109.64	72.66	156.56	145.63
2 OPERATING EXPENSES	(144.37)	(152.21)	(137.23)	(117.12)
3 NON-FEE BASED INCOME	42.50	36.06	18.75	8.66
TOTAL OPERATING INCOME (LOSS)	7.77	(43.48)	38.08	37.18
4 FINANCIAL CHARGES	-	(0.98)	(1.75)	(3.00)
PRE-TAX PROFIT	17.64	16.95	32.60	36.20
5 TAXES	0.01	(14.94)	(16.43)	(14.86)
PROFIT AFTER TAX	17.65	2.01	16.17	21.34

RATIOS**BUSINESS SUSTAINABILITY**

1 PRE-TAX MARGIN	0.16	0.24	0.21	0.25
2 EBITDA MARGIN	0.16	0.25	0.22	0.27
3 EBIT RETURN ON ASSETS	0.05	0.04	0.08	0.09

FINANCIAL SUSTAINABILITY

1 TOTAL INVESTMENTS / EQUITY	0.14	0.15	0.29	0.22
2 LIQUID CAPITAL BALANCE (LCB) / EQUITY	0.64	0.70	0.69	0.54
3 (CASH, CASH EQUIVALENTS & GOVERNMENT SECURITIES) / TOTAL ASSETS	0.43	0.19	0.35	0.25
4 TOTAL DEBT / TOTAL ASSETS	0.01	0.01	0.02	0.04

NOTES**FINANCIAL SUMMARY**

#	REF	DESCRIPTION
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Broker Fiduciary Rating Scale & Definitions

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

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

<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

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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 | 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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