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Press Release

Date: 21-Nov-24

PACRA Maintains Broker Fiduciary Rating of Spectrum Securities Limited

Rating Details			
	Rating Type	**BFR**	
	Dissemination Date	**Current (21-Nov-24)**	**Previous (21-Nov-23)**
	Action	Maintain	Upgrade
	Rating	BFR 3+	BFR 3+
	Outlook	Stable	Stable
	Rating Watch	-	-

Rating Rationale

Factor	**Comment**
Ownership	Mr. Muhammad Owais is the primary sponsor with ~97% of the ownership. Mr. Owais has been injecting capital into the Company with increasing quantum of operations. The business acumen of the primary sponsor is well noted.
Governance	The Company has a small board comprising three directors. The presence of an independent director and board committees enhances oversight.
Management and Client Services	The ratings draw comfort from an experienced and qualified management team. Segregation of key management roles would improve the organizational structure further. Client services are considered adequate with research and online trading portals available.
Internal Controls and Regulatory Compilance	Separation of internal audit and compliance functions is present, providing a good control framework. Oversight may be further improved by the inclusion of an independent director on the board audit committee.
Business Sustainability	The Company has increased its market share from ~1.80% in FY23 to ~2.71% in FY24, reflecting a growth of ~50.56%. This growth is also evident in the Company's brokerage revenue, which surged by 180%, rising from PKR 42 million in FY23 to PKR 115 million in FY24. Market volumes and values surged by ~135% and ~147% respectively during FY24 as compared to FY23. SSL was able to perform better than the market due to having additional cash available through equity injection.
Financial Sustainability	The Company has an adequate capitalization level with regulatory Liquid Capital Balance (LCB) standing at ~PKR 134mln at end-Jun'24. The Company's equity stood at ~PKR 386mln at end-Jun'24.

Key Rating Drivers

Spectrum Securities Limited ('SSL' or the 'Company') has outperformed the market during FY24 due to the equity injection at the right time to take advantage of the market uptick. Going forward, it is imperative from a ratings perspective to maintain topline growth, revenue diversification, and profitability. Maintenance and improvement in market share remains important. Moreover, retention of key management personnel and further separation of management roles remain critical.

About the Entity

Legal Structure	Public Limited
Year of Establishment	27-Oct-14
Type of License	Trading and Self-clearing
Majority Ownership	Mr. Muhammad Owais | ~97%

Regulatory Disclosures

Analyst	**Applicable Criteria**	**Related Research**
Hassaan Ahmad Hassaan.Ahmad@pacra.com +92-42-35869504 www.pacra.com	Assessment Framework | Broker Fiduciary Rating | Jan-24	Sector Study | Brokerage & Securities | Jan-24