



Press Release PACRA MAINTAINS BROKER FIDUCIARY RATING OF SPECTRUM SECURITIES LIMITED

Date: 30-Nov-22

Rating Details	Rating Type	Broker Fiduciary Rating	
		Current (dd-mm-yy)	Previous (20-Dec-21)
	Action	Maintain	Initial
	Rating	BFR 3	BFR 3
	Outlook	Stable	Stable
Rating Watch	-	-	

Rating Rationale	Factor	Comment
	Ownership	The majority stakes are controlled by Mr. Muhammad Owais who owns ~83% of the shares. The rating takes support from the sponsors business acumen. Mr. Owais is also engaged in the real estate business
	Governance	The Company's board comprise of three directors including the CEO while the presence of independent director is well noted.
	Management and Client Services	SSL has an adequately defined organizational structure. Clients have access to research portal, while grievance procedures are also in place.
	Internal Controls and Regulatory Compliance	The internal audit and compliance functions are segregated; however, the audit committee lacks independence.
	Business Sustainability	Ratings are constrained by the Company's significant dependence on equity brokerage operations, limited diversification of income streams.
	Financial Sustainability	The core income has declined leaving an impact on the Company's equity. The unrealized losses on proprietary book have further add up to the net loss.

Key Rating Drivers	Key Rating Drivers
	The assigned rating of Spectrum Securities Limited ("SSL or the "Company") incorporates adequate ownership structure and governance framework. Increasing the board size and inclusion of independent director in board level committees may result in improved governance framework. SSL's services mainly comprise of equity brokerage where it has a good mix of corporate/institutional and HNWI's. SSL has adequately defined organizational hierarchy where the responsibilities and reporting lines are structured. SSL provides prudent services to its clients with access to technical and fundamental reports and a dynamic reporting mechanism. Client services may be further enhanced through complaint tracking system. SSL has a sound IT infrastructure supported by established IT policy. Contingency measures are in place with off-site data backup. The internal control and regulatory compliance is considered sound whereby the Company has established Trading Policy and Procedures to deal with any potential conflict with clients trades. Segregation of Head of Finance and Compliance may strengthen the compliance function. The rating takes comfort from a low leveraged capital structure. For FY22, the revenue from equity brokerage has declined YoY by ~42% which is in line with the drop in market volumes. Improvement in equity through internally generated profits is critical going forward.

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 ~83%

Regulatory Disclosures	Analyst	Applicable Criteria	Related Research
	Afnan Iqbal afnan.iqbal@pacra.com +92-42-35869504 www.pacra.com	Methodology Broker Fiduciary Rating Jan-22	Sector Study Brokerage & Securities Jan-22

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