

**Date**

30-Nov-22

Analyst

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Applicable Criteria

- Assessment Framework | Broker Management Rating | Jun-22

Related Research

- Sector Study | Brokerage & Securities | Jan-22

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PACRA Maintains Broker Management Rating of Spectrum Securities Limited

Rating Type	Broker Management	
	Current (30-Nov-22)	Previous (30-Nov-21)
Action	Maintain	Initial
Long Term	BMR3+	BMR3+
Short Term	-	-
Outlook	Stable	Stable
Rating Watch	-	-

Spectrum Securities Limited ("SSL" or the "Company") is mainly engaged in the provision of equity brokerage services to the institutional and HNW/retail investors. The assigned rating incorporates the Company's satisfactory internal control and risk management framework. An in-house internal audit department provides support, the staff strength may be increased. The control environment could be strengthened further by separating the compliance and finance departments. The rating also takes note of an adequate customer relationship and IT infrastructure. A research department is in place to provide the clients with the necessary research services. The clients are provided with the portfolio statements on a timely basis. The Company has in place a Disaster Recovery plan and an efficient transactions execution and monitoring system. The Company has a lean organizational structure with most of the heads reporting to the CEO. The management team comprises seasoned professionals that ensure the sound quality of services. The rating draws comfort from the experienced profile of the CEO, Mr. Ahmed Nabeel, who has been associated with the capital markets for over 25 years. The Company has an adequate governance framework and an independent presence is well noted. However, the effectiveness of the board committees may be enhanced with the presence of an independent insight. The Company is managing a proprietary book with a market value of ~PKR 54mln at end-Jun'22. This exposes the bottom-line to market volatility. For FY22, the revenue from equity brokerage has declined YoY by ~42% which is in line with the drop in market volumes. Amid volatile market environment, the Company managed to on board new retail clientele which has supported the overall topline. The revenue from retail clientele has depicted a decent growth of ~1.4x YoY in FY22. The rating takes support from a low leveraged capital structure.

The improvement in revenue is essential for rating, going forward. The rating is dependent on the management's ability to enhance its market share to improve its competitive position in the brokerage industry. Retention of key personnel, improvement in customer servicing tools and maintaining strong controls will remain critical.

About the Entity

Spectrum Securities Limited ("SSL" or the "Company") was incorporated under the Companies Ordinance 1984 after the acquisition of TREC from M/S Mazhar Hussain Securities (Pvt.) Limited in the year 2000. SSL is a Corporate Member of the Pakistan Stock Exchange and registered with SECP. The Company's Board of directors comprises of three individuals including the CEO - Mr. Ahmed Nabeel. The CEO, Mr. Ahmed Nabeel has an extensive and diversified experience in the field of capital market spanning over twenty five years. Mr. Munir Hussain serves the board as an independent director while Mr. Muhammad Imran Arif (COO) serves as an executive director.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.