

**Date**

21-Nov-24

**Analyst**

Hassaan Ahmad  
Hassaan.Ahmad@pacra.com  
+92-42-35869504  
www.pacra.com

**Applicable Criteria**

- Assessment Framework | Broker Management Rating | Nov-23

**Related Research**

- Sector Study | Brokerage & Securities | Jan-24

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**PACRA Maintains Broker Management Rating of Spectrum Securities Limited**

Rating Type	Broker Management	
	Current (21-Nov-24)	Previous (21-Nov-23)
Action	Maintain	Maintain
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 institutional and HNW/retail investors. During FY24 the brokerage industry experienced high volumes. This can be attributed to low market P/E multiples, declining interest rates, and improving macro-economic indicators renewing investor confidence. The trend has continued in FY25, with significant rate cuts providing the impetus to investors to shift their investments from fixed income to the equity market. The strategic vision of the primary sponsor, Mr. Muhammad Owais, enabled a timely equity injection to take advantage of the market uptick. Resultantly, SSL was able to enhance its market share from ~1.8% in FY23 to ~2.7% in FY24. Governance framework is adequate; however, board size may be enhanced for better oversight. The Company has a lean organizational structure with most of the heads reporting to the CEO. The management team comprises seasoned professionals who ensure the sound quality of services. The rating draws comfort from the experienced profile of the CEO. The assigned rating incorporates the Company's satisfactory internal control and risk management framework. An in-house internal audit department provides support; however, staff strength may be increased to augment the oversight framework. 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 Company's effective and recently tested Disaster Recovery plan, and an efficient transaction execution and monitoring system, provides a boost to the rating. The Company is managing a proprietary investment book with a market value of ~PKR 23mln at end-Jun'24. The magnitude of short-term investments at ~6% of equity limits exposure to market risk. The Company's brokerage revenue increased significantly from ~PKR 42mln in FY23 to ~PKR 115mln in FY24 due to increased market activity. SSL has an adequate equity base of ~PKR 386mln at end-Jun'24.

Going forward, continued topline growth and enhancement of topline diversification are key factors for ratings. Meanwhile, 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, who has an extensive experience in the field of capital markets 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.