



**Date**

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**Analyst**

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**Applicable Criteria**

- Methodology | Broker Entity Rating | Jun-21
- Criteria | Correlation Between Long-term & Short-term Rating Scales | Jun-21
- Criteria | Rating Modifiers | Jun-21

**Related Research**

- Sector Study | Brokerage & Securities | Jan-21

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**PACRA Upgrades Entity Ratings of KTRADE Securities Limited (Formerly: Khadim Ali Shah Bukhari Securities)**

Rating Type	Entity	
	Current (22-Nov-21)	Previous (26-May-21)
Action	Upgrade	Initial
Long Term	A-	BBB+
Short Term	A2	A2
Outlook	Stable	Stable
Rating Watch	-	-

KTRADE Securities Limited (“KTRADE” or the “Company”) is an emerging brokerage house re-launched in 2018 with an aim to provide technology-driven and innovative products to the retail investors. The rating upgrade reflects the improvement in the Company’s governance structure, where an independent director was taken on-board during CY21, resulting in a strengthened governance framework. The ratings accounts for the adequate sponsors’ profile, seasoned management team and a strong control environment. KTRADE has recently converted into public unlisted company for inclusion in the category of “Trading and Clearing Members” of PSX. KTRADE has outsourced its internal audit function and has devised proficient risk assessment procedures. The benchmark app ‘KTRADE’ has a user-friendly interface and it is one the most used app of financial industry. During CY21, the Company has doubled its retail investors base. KTRADE has formed an IT Company by the name of Bloktech Limited with an ownership stake of ~81% to cater to the ongoing needs of IT infrastructure. This reflects the commitment of management towards digitization and innovation. KTRADE has also signed MoU with one of the major microfinance Institute to capture vast universe of retail market. The Company’s current market share stood at ~1.5% and the topline is concentrated to commission on equity brokerage; however, the Company has diversified its product base to augment the revenue stream. During CY21, the Company has acquired the license for ‘Consultant to the Issue’ and the license for trading in fixed income securities which may enhance the sustainability and diversification of revenue stream. The rating upgrade also takes into account the notable improvement in brokerage commission of ~2.5x which stand at ~PKR 154mln at end-Jun’21 (FY20: ~PKR 45mln). The Company is also intending to increase the branch network and has also filed application with PSX in this regard. Zero leveraged capital structure, improved liquidity indicators bode well for the Company. Furthermore, the Company has adequate capitalization levels with the Net Capital Balance (NCB) of ~PKR 393mln as at end-Jun’21 and post capital injection the equity of the Company has reached to ~PKR 506mln which provides comfort from the financial risk perspective.

The ratings are dependent on the management’s ability to strengthen revenue base by augmenting consultancy and advisory services. Improvement in market share and sustaining profitability from core operations remain critical. Meanwhile, upholding strong internal controls , sound governance structure, retention of key management personnel and diligent monitoring of risks is important

**About the Entity**

KTRADE Securities Limited incorporated in 2013 as TREC Holder of the Pakistan Stock Exchange. Recently, the Company has converted into public unlisted Company and renamed to KTRADE Securities Limited. Oxford Frontier Capital Limited is the major shareholder of the Company holding ~51% of the ownership. The Company’s service offering includes Economic and Investment Research, Equity Brokerage, and Financial Advisory service. With its head office based in Karachi, the Company operates through three offices, one in Multan and two in Karachi. The board of directors (BoD) of the Company comprises three experienced professionals, including the CEO and an independent 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.