

Analysts:

Shaheryar Khan Mangan
shaheryar@vis.com.pk

Zainab Imran

zainab.imran@vis.com.pk

**APPLICABLE
METHODOLOGY(IES):**

VIS Entity Rating Criteria
Methodology – Securities
Firms Rating

Rating Scale:

<https://docs.vis.com.pk/Methodologies-2025/SecuritiesFirms.pdf>

| RS. MILLION | FY23 | FY24 | 6MFY25 |
|--------------------------------------|-------|-------|--------|
| Operating Revenue | 550 | 1,232 | 1,029 |
| PBT | (144) | 429 | 393 |
| PAT | (153) | 378 | 306 |
| Paid up capital | 1,275 | 1,275 | 1,275 |
| Equity (incl. surplus on PEE) | 1,382 | 1,872 | 2,178 |
| Total Debt | 632 | 1,506 | 1,831 |
| Debt Leverage (x) | 0.65 | 1.29 | 2.01 |
| Gearing (x) | 0.45 | 0.80 | 0.84 |
| Liquid Assets | 629 | 1,786 | 2,737 |
| Liquid Assets/Total Liabilities (x)* | 0.68 | 0.74 | 0.55 |
| Efficiency (%) | 87.0% | 73.4% | 65.5% |

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MRA SECURITIES LIMITED

Chief Executive Officer: Mirza Muhammad Baig

Chairman: Muhammad Shoaib

RATING DETAILS

| RATINGS CATEGORY | LATEST RATING | | PREVIOUS RATING | |
|-----------------------|---------------|------------|------------------|------------|
| | Long-term | Short-term | Long-term | Short-term |
| ENTITY | A- | A2 | A- | A2 |
| RATING OUTLOOK/ WATCH | Stable | | Stable | |
| RATING ACTION | Reaffirmed | | Maintained | |
| RATING DATE | May 02, 2025 | | January 24, 2024 | |

RATING RATIONALE

The assigned rating takes into account the Company's strong presence in the stock market, being recognized among the top brokerage houses on the Pakistan Stock Exchange (PSX) in terms of volumes and value traded. The rating also incorporates the capitalization profile of the Company, supported by a sizeable equity base and improved profitability in FY24 and 1HFY25. Growth in profitability was primarily driven by brokerage income, reflecting the Company's ability to benefit from higher market activity amid favorable market conditions. Operational efficiency also improved, as reflected by a declining cost-to-income ratio.

However, brokerage revenue continues to dominate the revenue mix, indicating limited diversification and exposing the Company to higher business risk amid heightened competition in the brokerage segment, with over 200 brokerage firms licensed by the Securities and Exchange Commission of Pakistan (SECP).

COMPANY PROFILE

MRA, incorporated in 2000, is an Unlisted Public Limited Company with a decade-long experience in providing equity brokerage services to domestic retail clients, high-net-worth individuals, and institutional clients. Headquartered in Karachi, the brokerage house operates eight other branches within the city. The majority shareholding in MRA is vested with the Rafiq family. The Company is registered with Securities & Exchange Commission of Pakistan (SECP) and holds Trading Rights Entitlement Certificate (TREC) for Trading and Self Clearing (TSC) granted by

Pakistan Stock Exchange Limited (PSX). External auditors of the company are from Category 'A' of State Bank of Pakistan's list of auditors.

INDUSTRY PROFILE

During FY24, PSX achieved the highest equity market performance globally, with its KSE-100 Index soaring to 78,444.96, a significant increase from 41,452.69 in FY23. The index recorded an impressive annual return of 89% in PKR terms and 94% in USD terms. The surge was driven by improved economic indicators such as increased exports and remittances, a notable decline in inflation, and favorable financial developments, including the successful completion of the IMF Stand-by Agreement.

The positive momentum extended into 6MFY25, with the KSE-100 Index reaching a record high of 115,127. This growth was underpinned by sustained economic recovery, monetary easing, and a stable currency. The initiation of a three-year Extended Fund Facility (EFF) program with the IMF enhanced investor confidence, while improvements in private sector credit, auto financing, petroleum sales, power generation, exports, and remittances further contributed to market activity. Looking ahead, while the potential risks, including any potential devaluation of the PKR and political uncertainty, could pose challenges, improving macroeconomic indicators along with declining external financing needs are likely to sustain market performance.

FINANCIAL RISK

Capital Structure

The Company's equity base has grown in tandem with its profitability, reaching PKR 2,177m as at Dec'24 (June'24: PKR 1871m; June'23: 1418m). However, gearing and leverage indicators weakened, standing at 0.84x and 2.01x as at Dec'24 (Jun'24: 0.80 and 1.29x, Jun'23: 0.45x and 0.65x) respectively. When adjusted for customer assets held in banks, leverage increases to 1.18x as at Jun'24 (Jun'23: 0.63x). This increase is primarily attributed to higher short-term borrowings to finance investment or trading in shares, given lower interest rate environment, as well as to meet the working capital requirements.

Profitability

Benefitting from a bullish equity market, the Company's revenue base rebounded in FY24 and 1H FY25, reaching PKR 1.6bn and PKR 1.2bn respectively, primarily contributed by brokerage income, followed by capital gains on investments. The Company's revenue mix remains highly concentrated in brokerage segment, which accounted for 91% in FY24 (FY23: ~91%), indicating limited diversification. The Company's clientele remained heavily dominated by retail clients, representing ~98%, while domestic institutions accounted for the remaining 2%. Additionally, concentration risk remains high, with top 10 clients contributing ~45% contribution to brokerage revenue.

On the operational front, MRA's operational efficiency improved as a result of a sizeable increase in revenue, with cost-to-income ratio declining to ~65% in HFY25 (FY24: ~73%, FY23: ~87%), albeit still on the higher side. With the improvement in revenues, the Company's profitability rebounded significantly in FY24, and remained robust in 1HFY25. Going forward, diversifying revenue base as well as further enhancement in the Company's profitability will remain important for the ratings.

Credit Risk

The Company's trade debts amounted to PKR 2,033 million as at December '24 (June '24: PKR 1,283 million; June '23: PKR 1,189 million), representing receivables due from clients. The provision for expected credit losses (ECL) stood at 2% of total debts as of June'24. Overall, the Company's credit profile is considered satisfactory, as ~86% of the total debts are due by 1-30 days, while the remaining are due for more than 30 days. The Company's credit risk also emanates from margin financing, which has increased overtime, with receivables against margin financing standing at PKR 1,675 million as at Dec'24 (Jun'24: PKR 996 million, Jun'23 (PKR 354m), representing ~71% of its equity base, indicating higher exposure to credit risk. To mitigate credit risk arising from trade debts and receivables against margin financing, the Company has implemented comprehensive risk management policies and guidelines. Clients are assigned trading limits based on their net worth, and adequate margins are collected and maintained accordingly. Collaterals, primarily in the form of equity securities, are also held in line with these policies. However, since the value of these collaterals is subject to market fluctuations, the recoverability of receivables remains exposed to market risk.

Market Risk

MRA is engaged in proprietary investments, with investments in quoted equity securities recorded at PKR 420 million as at Dec'24 (Jun'24: 1,105, June '23: PKR 510 million). These investments accounted for ~19% of the Company's equity base as at Dec'24 (June '24: ~59%, June '23: 36%), indicating a reduced exposure to market risk. Going forward, market risk is expected to decline further as the Company plans to curtail its short-term investments.

Liquidity Risk

As at Dec'24, liquid assets of the Company, comprising cash balances, short term investments, and exposure deposits, stood at PKR 2,431m (Jun'24: PKR 1,786m, Jun'23: PKR 629m), providing coverage of 0.55x against total liabilities (Jun'24: 0.74x, Jun'23: 0.68x). Additionally, current ratio also reflects the Company's liquidity profile, which was recorded at 1.56x as at Dec'24 (Jun'24: 1.90x, Jun'23: 3.09x).

GOVERNANCE

Room for improvement exists in board strength. At present, the board comprises of three members along with independent representation. Additionally, four board committees have been formulated, namely, Audit, HR, Risk, and Investment,

however repetition of common members has been observed. Minimizing the same through inclusion of more members in the board may improve governance framework. The Company has Know Your Customer (KYC), Customer Due Diligence (CDD), and Anti-Money Laundering / Countering Financing of Terrorism (AML/CFT) policies and procedures in place, aligned with Securities and Exchange Commission of Pakistan (SECP) guidelines, and these have been duly implemented.

| Financial Summary (PKR Millions) | | | | | Appendix I | |
|---|-------------|-------------|-------------|-------------|-------------|----------------|
| <u>BALANCE SHEET</u> | FY20 | FY21 | FY22 | FY23 | FY24 | 1HFY25* |
| Trade Debts | 407.4 | 1,098.3 | 809.0 | 1,189.0 | 1,283.9 | 2,033.3 |
| Long Term Investments | - | - | - | - | 6.1 | 3.1 |
| Short term Investments | 511.2 | 1,238.3 | 988.3 | 510.4 | 1,105.1 | 420.1 |
| Cash and Bank balances | 26.9 | 48.7 | 38.1 | 33.7 | 223.2 | 186.4 |
| Total Assets | 1,969.7 | 4,607.1 | 3,096.3 | 2,346.6 | 4,294.6 | 6,561.6 |
| Trade and Other Payables | 337.7 | 921.4 | 366.0 | 232.6 | 784.3 | 1,919.1 |
| Short term borrowings | 441.4 | 1,443.3 | 919.2 | 406.8 | 1,345.8 | 1,653.2 |
| Paid Up Capital | 750.0 | 750.0 | 750.0 | 1,275.0 | 1,275.0 | 1,275.0 |
| Net Worth (excluding revaluation surplus) | 1,007.1 | 1,868.7 | 1,497.6 | 1,418.5 | 1,871.5 | 2,177.8 |
| | | | | | | |
| <u>INCOME STATEMENT</u> | FY20 | FY21 | FY22 | FY23 | FY24 | 1HFY25* |
| Total Revenue | 612.3 | 2,223.7 | 481.3 | 529.5 | 1,629.3 | 1,208.1 |
| Brokerage Income | 489.5 | 1,469.6 | 767.2 | 549.5 | 1,231.7 | 1,029.3 |
| Dividend Income | 7.4 | 17.9 | 22.7 | 14.0 | 23.3 | - |
| Administrative Expenses | 361.0 | 1,196.5 | 746.3 | 523.7 | 981.2 | 696.2 |
| Finance Costs | 54.8 | 66.7 | 85.2 | 143.0 | 197.6 | 119.3 |
| Profit Before Tax | 196.5 | 959.6 | (351.0) | (141.1) | 434.8 | 392.4 |
| Profit After Tax | 160.6 | 828.7 | (371.1) | (152.7) | 378.5 | 305.8 |
| | | | | | | |
| <u>RATIO ANALYSIS</u> | FY20 | FY21 | FY22 | FY23 | FY24 | 1HFY25* |
| Liquid Assets to Total Liabilities | 0.56 | 0.62 | 0.79 | 0.68 | 0.74 | 0.55 |
| Liquid Assets to Total Assets | 0.27 | 0.37 | 0.41 | 0.27 | 0.42 | 0.42 |
| Leverage | 0.96 | 1.24 | 0.91 | 0.63 | 1.29 | 2.01 |
| Gearing | 0.51 | 0.65 | 0.52 | 0.45 | 0.80 | 0.84 |
| Current Ratio (x) | 2.17 | 1.66 | 1.88 | 3.09 | 1.90 | 1.56 |
| Efficiency (%) | 68.7% | 78.8% | 89.3% | 87.0% | 73.4% | 65.5% |
| ROAA (%) | 9.4% | 25.2% | -9.6% | -5.6% | 11.4% | 12.1% |
| ROAE (%) | 17.3% | 57.6% | -22.1% | -10.5% | 23.0% | 30.2% |

| REGULATORY DISCLOSURES | | | | | Appendix II |
|---------------------------------|---|---------------------|--------------------|----------------------|----------------|
| Name of Rated Entity | MRA Securities Limited | | | | |
| Sector | Brokerage | | | | |
| Type of Relationship | Solicited | | | | |
| Purpose of Rating | Entity Rating | | | | |
| Rating History | Rating Date | Medium to Long Term | Short Term | Rating Outlook/Watch | Rating Action |
| | RATING TYPE: ENTITY | | | | |
| | 02-05-2025 | A- | A2 | Stable | Reaffirmed |
| | 24-01-2024 | A- | A2 | Stable | Maintained |
| | 11-11-2022 | A- | A2 | Negative | Maintained |
| | 18-10-2021 | A- | A2 | Stable | Reaffirmed |
| | 21-12-2020 | A- | A2 | Stable | Reaffirmed |
| | 03-01-2020 | A- | A2 | Stable | Initial |
| Instrument Structure | N/A | | | | |
| Statement by the Rating Team | VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. | | | | |
| Probability of Default | VIS’ ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default. | | | | |
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| Due Diligence Meeting Conducted | Name | | Designation | | Date |
| | Mr. Muhammad Farhan | | Director | | 20 March, 2025 |
| | Mr. Zubair | | Compliance Officer | | |