

MUHAMMAD MUNIR MUHAMMAD AHMED KHANANI SECURITIES LIMITED

Analysts:

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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		Reaffirmed	
RATING DATE	July 23, 2025		March 28, 2024	

Shareholding (5% or More)

Mr. Muhammad Munir Khanani – 99.99%

Other Information

Incorporated in 2006

Public Unlisted Company

Chief Executive: Mr. Muhammad Munir Khanani

External Auditor: Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Broker Entity Rating

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

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The assigned ratings reflect the industry standing of Muhammad Munir Muhammad Ahmed Khanani Securities Limited (“MMAKSL” or “the Company”), which ranks among the top five brokers on the Pakistan Stock Exchange (PSX) in terms of trading volumes and values. The ratings also draw support from the Company’s extensive nationwide footprint, supported by a strong branch network and a sizable client base of around 28,000. Ratings further incorporate the Company’s sizeable equity base, which has strengthened in line with improved profitability, primarily driven by brokerage and margin financing income, buoyed by increased market activity. The liquidity profile of the Company is considered adequate.

However, the Company’s financial risk profile has increased, as reflected by the rising gearing and leverage ratios. Additionally, bank borrowings for the margin financing relative to equity is considered high, exposing the company to significant credit risk. Market risk also remains high due to the Company’s sizable investments in equity securities. Furthermore, business risk is considered high, given the concentration of revenue in brokerage and margin financing activities, which are subject to intense industry competition and exhibit strong cyclicalities due to a strong correlation with the macroeconomic environment.

Company Profile

Mohammad Munir Mohammad Ahmed Khanani Securities Limited ('MMMAKSL' or 'the Company') is a public unlisted company incorporated under the repealed Companies Ordinance, 1984 (now, Companies Act, 2017). The Company is a Trading Right Entitlement Certificate Holder of the Pakistan Stock Exchange Limited. The registered office of the Company is located at the Pakistan Stock Exchange Building in Karachi. The principal activity of the Company is to carry on the business of stock brokerage, underwriting and investment etc. The company provides both online and assisted trading services to its clients, and has 24 branches across Karachi, Lahore, Islamabad, Sahiwal, Peshawar, Mansehra, Swat, and Rawalpindi.

Management and Governance

Shareholders/Owners/Sponsors

Major shareholding (~99.9%) of the Company is vested with Mr. Muhammad Munir Khanani, who serves as the Chief Executive Officer (CEO) of the company. Mr. Mohammad Munir Khanani is a seasoned professional with vast experience in the brokerage industry. He has served the Pakistan Stock Exchange on various positions for several years; these positions include Director of Pakistan Stock Exchange, Chairman of Arbitration Committee of the PSX, and Committee member of Margin Financing Product. Currently he is serving as the Vice President of the Stock Brokers Association.

Corporate Governance

The Company's board of directors consists of 5 members including two independent directors, and oversees four board committees namely Audit, HR, Nomination and Risk Management Committee. However, expanding the board size, with inclusion of more independent and certified directors, may further enhance the governance framework of the Company.

Management, Internal Controls & IT

The Company has documented policies, procedures, and controls for Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT). It has also undertaken steps to upgrade its digital infrastructure, including system automation to facilitate online client onboarding and enhancements to its online trading platforms to improve user experience. Contingency measures have also been outlined to support operational continuity.

Business Risk

INDUSTRY

The performance of the brokerage sector remains closely linked to the macroeconomic indicators of the country. The sector is inherently volatile and is characterized by high business risk due to its cyclicity, fragmented structure, intense competition, and strong regulatory oversight.

During FY24, PSX achieved the highest equity market performance globally, with the KSE-100 Index soaring to 78,444.96, a significant increase from 41,452.69 in FY23. The index recorded an 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, decrease in base interest rates and favorable financial developments, including the successful completion of the IMF Stand-by Agreement.

The positive momentum extended into FY25, with the KSE-100 delivering a strong return of ~60%, reaching a high of 125,627, globally positioning Pakistan amongst one of the best performing stock markets. This growth was underpinned by sustained economic recovery, monetary easing, and a stable currency. The Staff level agreement on the first review for the 37-month Extended Fund Facility as well as a new 28-month arrangement under the resilience and sustainability facility (RSF) has further 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 equity base of the Company has exhibited growth over time, in line with improved profitability, with net equity reaching PKR 5,880.2m as at Mar'25 (Jun'24: PKR 3,178.2m; Jun'23: PKR 2,344.4m). On the other hand, the gearing and leverage ratios increased to 0.83x and 1.73x as at Mar'25, respectively (Jun'24: 0.92x and 1.61x; Jun'23: 0.25x and 0.56x). When adjusted for customer balances, leverage ratio stands at 1.04x as at Mar'25 (Jun'24: 1.05x, Jun'23: 0.29x). This rise is primarily attributable to higher trade payables amid increased trading activity and elevated short-term borrowings to support margin financing operations in a low-interest rate environment, as well as to meet working capital requirements.

PROFITABILITY:

During FY24, the Company posted an operating revenue of PKR 750.7m (FY23: PKR 223.2m), reflecting a substantial increase of ~236%, in line with the positive industry trend amid enhanced investor confidence supported by improved macroeconomic indicators. Income from margin trading system and margin financing collectively accounted for ~44% of the revenue base, while brokerage income contributed ~40%. The remaining portion was derived from dividend income and markup on cash margins. In 9MFY25, the brokerage segment continued to exhibit growth, reaching PKR 539.8m and contributing ~59% to the Company's revenue. Income from margin financing remained broadly stable, while dividend income also remained at a comparable level.

With a rise in revenue, the Company's cost-to-income ratio declined significantly to ~23% in 9MFY25 (FY24: ~22%, FY23: ~79%), indicating stronger operational efficiency. Profitability also improved, with profit after tax rising to PKR 1,035.3m in FY24 (FY23: PKR 139.5m). This momentum continued in 9MFY25, with profit after tax reaching PKR 1,938.2m, further supported by unrealized gains. Going forward, continued enhancement in profitability will be important for the ratings.

CREDIT RISK

As at Mar'25, trade debts of the Company were recorded at PKR 153.4m (Jun'24: PKR 508.0m, PKR 1,006.8m), while receivables against margin financing stood PKR 3,866.8m (Jun'24: PKR 2,633.9, Jun'23: 1,570.2m), which has increased on timeline basis, representing ~76% of the equity (Jun'24: ~83%, Jun'23: ~67%), reflective of a higher exposure to credit risk. To mitigate this risk, the Company maintains collaterals in the form of equity securities. Additionally, the Company has implemented a Risk Management System (RMS) within its trading terminals to ensure that client trading limits are not breached.

MARKET RISK

The Company's proprietary trading primarily involves equity securities, with short-term investments amounting to PKR 5,468.2m as at Mar'25 (Jun'24: PKR 3,550.0m; Jun'23: PKR 900.7m). These investments represent ~107% of the Company's equity base (Jun'24: ~112%; Jun'23: ~38%). The Chief Operating Officer (COO) and one of the directors are authorized by the Board to execute proprietary trades. The investment portfolio is reviewed on a fortnightly, and at times, weekly basis. Investment decisions are guided by prevailing industry trends and valuations of listed securities in the local stock exchange.

LIQUIDITY RISK

As at Dec'24, liquid assets of the Company, comprising cash balances and short-term investments, stood at PKR 9,019.0m as at Mar'25 (Jun'24: PKR 5,343.1m, Jun'23: PKR 1,773.4m), providing coverage of 1.02x against total liabilities (Jun'24: 1.04x, Jun'23: 1.35x). However, adjusting for short term investments pledged with financial institutions, the Company's liquid assets stands at PKR 4,008.2m as at Mar'25 (Jun'24: PKR 2,197.2m, Jun'23: PKR 984.1m), thereby providing coverage of 0.45x against its total liabilities (Jun'24: 0.43x, Jun'23: 0.75x), reflective of an adequate liquid assets coverage. Additionally, current ratio also reflects the Company's adequate liquidity profile, which was recorded at 1.55x as at Mar'25 (Jun'24: 1.58x, Jun'23: 2.63x).

Financial Summary

Appendix I

Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	9MFY25M
Trade Debts	2,046.2	1,570.2	2,633.9	3,866.8
Short Term Investments	1,156.9	900.7	3,550.0	5,468.2
Cash & Bank Balances	902.8	872.6	1,793.1	3,550.7
Total Assets	4,392.3	3,660.2	8,304.5	13,970.2
Long Term Loans (Including Current Portion)	-	-	-	-
Short Term Loans - Secured	1,198.8	587.4	2,924.5	4,267.8
Trade Payables	975.4	714.5	2,168.0	4,556.9
Total Liabilities	2,185.2	1,315.8	5,126.3	8,853.8
Paid Up Capital	395.1	395.1	395.1	395.1
Equity (Excluding Revaluation Surplus)	2,207.0	2,344.4	3,178.2	5,116.4

Income Statement (PKR Millions)	FY22A	FY23A	FY24A	9MFY25M
Commission, Dividend & Other Income	342.4	223.2	750.7	916.6
Capital (Loss)/ Gain on Investments	-148.7	-145.8	452.5	1,242.8
Total Revenue	193.7	77.4	1,203.2	2,159.4
Administrative Expenses	-142.9	-197.0	-178.0	-213.1
Other Income/(Expenses) - net	26.6	24.9	85.8	19.3
(Diminution)/Appreciation in Short Term Investments	-710.7	281.3	175.4	307.9
Financial Charges	-100.5	-54.6	-138.8	-96.6
Profit Before Tax	-733.9	131.9	1,147.5	2,177.0
Profit After Tax	-735.0	139.5	1,035.3	1,938.2

Ratio Analysis	FY22A	FY23A	FY24A	9MFY25M
Liquid Assets to Total Liabilities (%)	94.3%	134.8%	104.2%	101.9%
Liquid Assets to Total Assets (%)	46.90%	48.45%	64.34%	64.56%
Leverage (x)**	0.99	0.56	1.61	1.73
Current Ratio (x)	1.93	2.63	1.58	1.55
Gearing (x)	0.54	0.25	0.92	0.83
Efficiency (%)	39.61%	79.42%	22.48%	22.77%
ROAA (%) *	-13.04%	3.46%	17.31%	17.40%
ROAE (%) *	-28.55%	6.13%	37.49%	46.74%

*Annualized, if required

**Adjusted for customer balances

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	Mohammad Munir Mohammad Ahmed Khanani Securities Limited				
Sector	Brokerage				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	23-July-25	A-	A2	Stable	Reaffirmed
	28-Mar-24	A-	A2	Stable	Reaffirmed
	07-Nov-22	A-	A2	Stable	Reaffirmed
	17-Aug-21	A-	A2	Stable	Reaffirmed
	07-May-20	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 Meetings Conducted		Name	Designation	Date	
		Mr. Abdul Hadi Khanani	Head of Operations	June 30, 2025	
		Mr. Abdul Razzak	Chief Financial Officer		