

RATING REPORT

Multiline Securities Limited

REPORT DATE:

January 28, 2025

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A-	A2	A-	A2
Rating Outlook	Stable		Stable	
Rating Date	January 28, 2025		November 6 th , 2023	
Rating Action	Reaffirmed		Reaffirmed	

COMPANY INFORMATION

Incorporated in 2001	External auditors: Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants
Public Unlisted Company	Chairman: Haji Masood Parekh
Key Shareholders (with stake 5% or more): <i>Mr. Muhammad Hanif – 99.96%</i>	Chief Executive Officer: Mr. Muhammad Hanif

APPLICABLE METHODOLOGY (IES)

VIS Entity Rating Criteria Methodology – Securities Firms Ratings

<https://docs.vis.com.pk/docs/SecuritiesFirm202007.pdf>

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:

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

Multiline Securities Limited (MSL)

OVERVIEW OF THE INSTITUTION RATING RATIONALE

Multiline Securities Limited (MSL) was incorporated in 2001 under the Companies Ordinance 1984 as a private limited company. The company through direct and beneficial ownership is owned by Mr. Muhammad Hanif Moosa Darwarwala. Profile of Chairman

Mr. Masood is a renowned businessman with vast experience in the real estate market. Mr. Masood was Sole Proprietor at Multiline Estate in 2010. Profile of CEO

Mr. Muhammad Hanif is well known in the business community. He has been in the brokerage industry business since 1995. Mr. Hanif is also director of Korangi Roller Flour Mills (Pvt) Ltd, Karachi Grains (Pvt) Ltd & Universal Terminal (Pvt) Ltd, and executes his responsibilities in respect of operations of the companies' strategies of expansion growth and budgetary measure. He also has vast experience in Pakistan's money market and real estate business.

Company Profile:

Operating in the brokerage business for over two decades, Multiline Securities Limited (MSL) is currently engaged in provision of equity brokerage services to domestic retail, high net worth individuals (HNWI) and institutional clients. MSL is a family-owned company which operates through its head office and a branch based in Karachi.

Sector Update

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, led by appreciation of the Pakistani Rupee against the US Dollar. The surge was driven by improved economic indicators such as increased exports and remittances, a notable decline in inflation, and favorable political and financial developments, including the successful completion of the IMF Stand-by Agreement and a smoother transition of government.

The positive momentum extended into HFY25, with the KSE-100 Index reaching a record high of 117,000. This growth was underpinned by sustained economic recovery, monetary easing, a stable currency, and significant foreign direct investment (FDI) deals, such as Reko Diq. 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 the unexpected 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

Table 1: Industry Trading Metrics – KSE All share

	FY19	FY20	FY21	FY22	FY23	FY24	HFY25
Volume (In Billions)	37	49	131	73	47	112	87
Value (In PKR' Billions)	1,549	1,789	4,781	2,406	1,504	3,796	3,512

Key Rating Drivers

Higher brokerage revenue and unrealized gains supported Company's profitability

Table 2: P&L Extract

Figures in PKR' Millions	FY22	FY23	FY24	3MFY25*
Brokerage Income	87.25	64.26	177.44	32.22
IPO Commission	0.50	-	0.03	-
Dividend Income	23.29	29.69	32.76	6.10
Administrative Expense	109.78	98.02	198.88	37.91
Financial charges	0.29	0.89	2.46	2.60
Other income	3.76	23.89	44.30	22.3

Capital gain	12.13	(7.48)	22.97	22.01
Unrealized gain/loss	(86.60)	14.01	272.32	-
Profit before tax	(69.73)	19.34	344.19	42.16
Profit/(Loss) After Tax	(74.33)	20.16	336.18	42.16
ROAA**	(9.3%)	2.7%	34.2%	13.6%
ROAE**	(11.7%)	3.3%	42.9%	17.5%

*Unaudited Accounts

** Annualized

- During FY24, the Company’s brokerage income soared by ~176%, driven by favorable market dynamics and improved macroeconomic indicators. Notably, brokerage segment remains the primary contributor to the Company’s revenue mix.
- The increase in brokerage revenue was primarily driven by retail clients, who accounted for approximately 77% of total brokerage income, while institutional clients contributed around 23% to the brokerage mix.
- The Company’s market share stands at ~3%. Management aims to expand this share by increasing its branch network, growing its retail client base, particularly high-net-worth individuals, and enhancing its clientele through online platforms.
- IPO commission, on the other hand, contributed only a nominal share to the revenue mix, recorded at Rs. 0.03m in FY24. The Company is in the process of acquiring advisory and underwriting licenses to diversify and strengthen its revenue stream.
- With an overall increase in the revenue, the Company’s efficiency showed slight improvement, declining to 94.6% in FY24 (FY23: 104.3%, FY22: 98.9%).
- The profitability profile of the Company was supported by significant unrealized gains, which amounted to Rs. 272.32m in FY24.
- During 3MFY25, the Company’s revenue was subdued compared to the elevated levels of FY24. Consequently, the Company’s revenue for FY25 is expected to be lower than that of the prior period.
- Going forward, diversifying revenue streams, enhancing the client base, improving operational efficiency, and continued enhancement in profitability profile will remain important for the ratings.

Sound liquidity, stable capitalization profile and manageable market risk

Liquidity Risk:

- The liquid assets of the Company stood at Rs. 685.4m as at Sept’24 (Jun’24: Rs. 862.6m, Jun’23: Rs. 533.5m, Jun’22: Rs. 473.3m). The Company’s short-term investments, comprising quoted equity securities, account for ~78% of the liquid assets.
- The Company’s liquid assets provide 2.38x coverage against its total liabilities, reflecting a sound liquidity profile.

Credit Risk:

- MSL’s credit risk primarily stems from its trade debt profile, which has increased over time, reaching Rs. 321.6m as of Sept’24 (Jun’24: Rs. 108.5m, Jun’23: Rs. 54.8m). However, aging profile of the Company is considered manageable.

Market Risk:

- As at Sept’24, the investment in equity securities was recorded at Rs.537.5m (Jun’24: Rs. 503.4m, Jun’23: Rs.354.6m).

- Consequently, investments in relation to equity stood at ~55%, indicating a moderate level of market risk, albeit increased over time

Capitalization profile benefits from low leverage and minimal debt levels:

- The Company's capitalization profile draws support from its low-leveraged balance sheet, with leverage standing at 0.29x as at Sept'24 (Jun'24: 0.29x, Jun'23: 0.20x). Additionally, the Company has a nominal short-term debt of Rs.32.0m, with gearing recorded at 0.03x as at Sept'24 (Jun'24: 0.00x, Jun'23: 0.00x).
- Amid higher profitability, the Company's equity base rose to Rs. 975.7m as at Sept'24 (Jun'24: Rs. 951.8m, Jun'23: Rs. 615.6m). The unrealized gain on remeasurement of investments account for ~29% of the Company's equity.

Governance framework is reflective of Company's operational status as Public Unlisted Company:

- MSL is a public unlisted company comprising of a four-member board. At present, the Company has two board level committees, namely audit and risk.
- Overall governance framework may be further improved through increasing board size through inclusion of certified and independent members on the board.
- Disclosure levels of the Company are considered adequate, the same may be enhanced through additional disclosure in line with best practices.

Multiline Securities Limited (MSL)

FINANCIAL SUMMARY (Rs. in millions)					Appendix I
<u>BALANCE SHEET</u>	FY21	FY22	FY23	FY24	3MFY25*
Property, Plant & Equipment	37.5	51.0	32.3	24.6	35.6
Trade Debts	50.1	30.5	54.8	108.5	321.6
Receivables against MF	248.5	92.2	53.3	103.6	41.3
ST Investments	333.2	318.5	354.6	503.4	537.5
LT Investments	-	-	-	-	-
Cash and Bank balances	110.3	154.8	179.0	359.3	147.9
Total Assets	850.0	740.4	739.4	1,224.8	1,263.4
Trade and Other Payables	145.6	145.0	122.8	271.6	140.6
Short Term Borrowings	22.3	-	-	-	32.0
Total Liabilities	168.0	145.0	123.8	273.0	287.7
Paid up Capital	100.0	100.0	100.0	100.0	100.0
Retained Earnings	569.8	495.5	515.6	851.8	656.6
Unrealised gain on revaluation of available for sale investments	-	-	-	-	219.1
Total Equity (Exc. Revaluation Gain)	669.8	595.5	615.6	951.8	756.6
<u>INCOME STATEMENT</u>					
Recurring Revenue	153.7	111.0	93.9	210.2	38.3
<i>Brokerage Income</i>	138.1	87.3	64.3	177.4	32.2
<i>Dividend income</i>	14.9	23.3	29.7	32.8	6.1
<i>IPO Commission</i>	0.6	0.5	-	0.0	-
Recurring Expenses	(88.7)	(109.8)	(98.0)	(198.9)	(37.9)
Capital (loss)/ gain on investments	62.3	12.1	(7.5)	23.0	22.0
Unrealized (loss)/ gain on investments	51.2	(86.6)	14.0	272.3	-
Finance Cost	(0.4)	(0.3)	(0.9)	(2.5)	(2.6)
Profit/(Loss) Before Tax	182.9	(69.7)	25.5	348.5	42.2
Profit/(Loss) After Tax	162.7	(74.3)	20.2	336.2	42.2
<u>RATIO ANALYSIS</u>					
Liquid Assets to Total Liabilities (%)	264.0%	326.5%	431.0%	316.0%	238.2%
Liquid Assets to Total Assets (%)	52.2%	63.9%	72.2%	70.4%	54.3%
Current Ratio (x)	4.8	4.6	5.6	4.4	4.2
Leverage (x)	0.3	0.2	0.2	0.3	0.3
Gearing (x)	0.0	-	-	-	0.0
Efficiency (%)	57.7%	98.9%	104.3%	94.6%	98.9%
ROAA (%)**	22.0%	-9.3%	2.7%	34.2%	13.6%
ROAE (%)**	27.6%	-11.7%	3.3%	42.9%	17.5%

*Unaudited accounts

** Annualized

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REGULATORY DISCLOSURES				Appendix II	
Name of Rated Entity	Multiline Securities Limited (MSL)				
Sector	Brokerage Industry				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	28-Jan-25	A-	A2	Stable	Reaffirmed
	06-Nov-23	A-	A2	Stable	Reaffirmed
	14-Apr-22	A-	A2	Stable	Reaffirmed
	12-Feb-21	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.				
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Due Diligence Meeting Conducted	Name	Designation		Date	
	Mr. Rahib Madraswala	CFO/CCO		December 02, 2024	
	Mr. Shahid	Finance Manager			