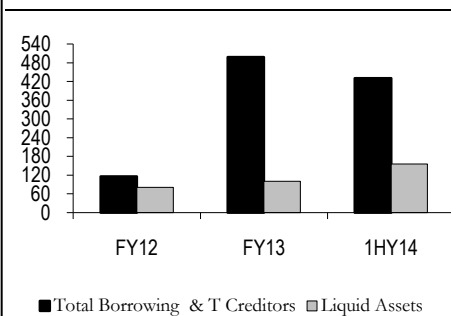
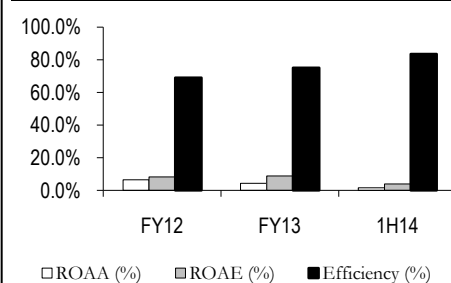


November 25, 2014

Analysts: Amir Shafique
S.A.Qadeer

Category	Latest	Previous
Entity	A/A-2 Nov 21,'14	A/A-2 Dec 31,'13
Outlook	Stable Nov 21,'14	Stable Dec 31,'13

Key Financial Trends



(in Rs. millions)	FY12	FY13	1HY14
Total Assets	409.5	845.5	734.9
Investments	135.7	178.6	145
Profit after tax	23.5	26.3	12
Equity (Rs. in m)	288.5	309	304.7
Gearing (x)	Nil	0.1	0.003
Debt Leverage (x)	0.4	1.7	1.4
Liquid Assets to Borrowings and Creditors (x)	0.70	0.20	0.36
Liquid Assets % Total Assets	20%	12%	21%

Overview of the Institution

TSL is public unlisted company incorporated in 1994. NBP is the majority shareholder with a stake of 58.3%. The remaining shares are held by The Bank of Khyber, Saudi Pak Industrial and Agricultural Investment Company Limited and other individuals. Financial statements of

FY13 were audited by M/s KPMG, Caser Had & Company Chartered Accountants who have been reappointed for 2014. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. JCR-VIS is paid a fee for most rating assignments. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. Copyright 2014 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.

Taurus Securities Limited

Chairman: Mr. Nadeem A. Ilyas; Chief Executive: Syed Zain Hussain

Rating Rationale

Taurus Securities Limited (TSL) is an unlisted public limited company operating since June, 1993. TSL is backed by National Bank of Pakistan (NBP), a state owned entity and one of the largest commercial banks in Pakistan. Other shareholders of TSL include The Bank of Khyber and Saudi-Pak Industrial and Agricultural Investment Company (Pvt.) Ltd. The company is amongst the few brokerage houses in Pakistan providing brokerage services to foreign investors.

TSL continues to maintain a conservative stance and is largely engaged in brokerage services. The company does not hold any proprietary book while stock exposure is limited to ready-future arbitrage transactions that entail no market risk. The management participates in Margin Trading System (MTS) on a limited scale. Average exposure on MTS has remained within manageable limits and that also in selective scrips duly approved by the board. The company requires a margin of 40% from retail clients. Margin requirements are strictly adhered to and shares are held as collateral until full payment. Certain institutional clients are members of Institutional Delivery System (IDS) and their transactions are settled directly with CDC without funding by the broker, thereby mitigating credit risk. As such, the company also limits in place for institutional clients, depending on counterparty risk profile.

KSE-100 index continued to depict an upward trend attracting higher share volumes in 2013 and HY14. There was a dip in the company's market share in terms of share volume to 2.33% (FY12: 2.71%) in 2013 and 2.13% in HY14. As per management, the company's policy to limit exposure in MTS while restricting trades in speculative scrips is the primary reason for the decline in market share. Business mix, in terms of share volume handled for retail and institutional clients remained similar in 2012 and 2013; in HY14, retail proportion has inched up. In HY14, there was a notable dip in share volume of institutional clients but commission income decreased by only a small margin. Given that institutional clients are inclined towards higher priced scrips, these incur more commission income on trading.

Liquid assets as a proportion of total liabilities stood at 18.2% (FY12: 67.2%). The decline was largely on account of higher outstanding balance of payables to clients against share trading. These payables are matched with receivables and vary according to business activity. The company does not carry any major liability on its books that may trigger liquidity requirements. Net Capital Balance (NCB) of the company stood at Rs. 240.6m, which denotes satisfactory solvency position as at December 31, 2013.

The company posted a profit of Rs. 26.3m (FY12: Rs. 23.1m) on the back of higher brokerage & commission income during 2013. Total administrative expenses depicted an upward trend largely on account of performance bonus and sales commission paid to employees; some of the increase in expenses is however variable in nature and tied to profitability.

The Chief Financial Officer (CFO) resigned from the company and the position is still vacant. Moreover, the head of internal audit resigned and subsequently a new resource was hired for the position. There has also been an increase in overall turnover ratio primarily at administrative and sales staff during HY14.

Given its shareholding structure, the corporate governance rules 2013 for public sector companies are applicable to TSL; the company has applied to the regulatory authority for seeking exemption in relation to certain provisions of the Code. Full scope adoption of the Code may however enhance governance standards.