

## RATING REPORT

### Taurus Securities Limited

**REPORT DATE:**

July 1, 2015

**RATING ANALYSTS:**

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**RATING DETAILS**

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
<b>Entity</b>	A	A-2	A	A-2
<b>Rating Outlook</b>	Stable		Stable	
<b>Rating Date</b>	Jun 26, 2015		Nov 21, 2014	

**COMPANY INFORMATION**

<b>Incorporated in 1993</b>	External auditors: <b>KPMG Taseer Hadi &amp; Co. Chartered Accountants</b>
<b>Public Unquoted Company</b>	Chairman of the Board: <b>Mr. Muhammad Ismail Usuf</b>
<b>Key Shareholders (with stake 5% or more):</b>	Chief Executive Officer: <b>Mr. Syed Zain Hussain</b>
National Bank of Pakistan – 58.3%	
The Bank of Khyber – 33.0%	
Saudi Pak. Industrial and Agricultural Investment Company Limited – 8.3%	

**APPLICABLE METHODOLOGY(IES)**

**JCR-VIS Entity Rating Criteria: Securities Firms (Sep 2003)**

<http://www.jcrvis.com.pk/images/SecuritiesFirms.pdf>

## Taurus Securities Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE
<p>TSL is public unlisted company incorporated in 1994. TSL provides equity brokerage services and financial/economic data research analysis. The head office of the company is located in Karachi while a branch is situated in Peshawar.</p>	<p>Taurus Securities Limited (TSL) is a subsidiary of National Bank of Pakistan (NBP), a state owned entity and the largest public sector bank in the country. Remaining shareholding is vested with The Bank of Khyber (BoK) and Saudi Pak. Industrial &amp; Agricultural Investment Company Ltd. (SAPICO).</p> <p>On a standalone basis, the ratings draw comfort from the conservative risk appetite of the company. TSL does not hold any proprietary book and stock market exposure is limited to ready-future arbitrage transactions. Moreover, exposure in Margin Trading System (MTS) has remained limited. Trading limits assigned to institutional clients are as per the Board approved policy which takes into account the risk profile and credit ratings of counterparties.</p> <p>Share turnover at the KSE-100 index declined by 8.5% during FY14 while TSL posted a higher reduction of 14.8% in share turnover. Resultantly, market share of the company declined to 2.0% during FY14 (FY13: 2.2%). The company has targeted a market share of 2.2 – 2.4% for FY15.</p> <p>Profitability of TSL declined to Rs. 15.9m during FY14 (FY13: Rs. 26.3m) on account of low brokerage &amp; commission income, a drop witnessed in both institutional and retail income. Two foreign institutional clients who represented about 11.1% of total commission income decided not to continue business with TSL. Moreover, drop in KSE-100 index share turnover impacted retail business commission. Business mix, in terms of share volume handled for retail and institutional clients remained largely unchanged during FY14. Meanwhile, concentration related indicators depicted improvement on a timeline basis.</p> <p>During the last quarter of FY14, the company launched its online trading portal. TSL online trading facility is 100% cash based with no margin facility. Commission rates charged for the online portal are lower than trading with a TSL agent. Going forward, the management plans to utilize the online trading platform to bolster retail client base.</p> <p>Liquidity indicators of the institution exhibit variation on account of payables against share trading; these payables are matched with receivables and vary according to business activity. Trade debts are created as per normal course of business; adequate client margin monitoring mechanisms ensures that these are recovered in a timely manner. As such, the company does not carry any major liability on its books that may trigger liquidity concerns. Meanwhile, gearing of the company remains negligible on account of low utilization of credit lines.</p> <p>Notable changes at the senior management included appointment of Head of Research and Head of Online Trading. Moreover, company secretary has been given additional task of Chief Financial Officer. The Board has constituted a Human Resource Committee. The company has been given exemption from certain requirements under Public Sector Companies Corporate Governance Rules, 2013 including presence of independent director on the Board.</p>

## Taurus Securities Limited

## Appendix I

<b>FINANCIAL SUMMARY</b>				
	<i>(amounts in PKR millions)</i>			
<b><u>BALANCE SHEET</u></b>	<b>MAR 31, 2015</b>	<b>DEC 31, 2014</b>	<b>DEC 31, 2013</b>	<b>DEC 31, 2012</b>
Trade Debts	330.5	61.8	477.6	109.9
Investments	174.9	161.2	178.6	135.7
Receivable against Margin Trading	-	5.5	3.2	8.4
Cash and Bank balances	148.1	134.1	79.8	81.1
<b>Total Assets</b>	<b>764.4</b>	<b>420.8</b>	<b>845.5</b>	<b>409.5</b>
Trade and Other Payables	456.6	120.4	505.4	120.9
Short Term running finance	-	-	29.8	-
<b>Net Worth</b>	<b>306.8</b>	<b>299.4</b>	<b>309.0</b>	<b>288.6</b>
<b><u>INCOME STATEMENT</u></b>	<b>MAR 31, 2015</b>	<b>DEC 31, 2014</b>	<b>DEC 31, 2013</b>	<b>DEC 31, 2012</b>
Brokerage and Commission Income	27.1	82.9	92.4	70.9
Administrative Expenses	21.8	90.6	80.1	63.2
Finance Costs	0.4	1.5	1.6	1.0
Profit Before Tax	10.7	19.2	36.0	33.6
Profit After Tax	7.5	15.9	26.3	23.5
<b><u>RATIO ANALYSIS</u></b>	<b>MAR 31, 2015</b>	<b>DEC 31, 2014</b>	<b>DEC 31, 2013</b>	<b>DEC 31, 2012</b>
Market Share (Share Turnover) (%)		2.0	2.2	2.4
Commission Income / Turnover (%)		7.6	7.2	6.1
Liquid Assets to Total Liabilities (%)	46.6	110.4	18.7	67.3
Liquid Assets to Total Assets (%)	27.9	31.9	11.8	19.8
Debt Leverage (x)	1.49	0.41	1.74	0.42
Efficiency (%)	66.3	81.0	67.4	65.8
ROAA (%)	5.0	2.5	4.2	6.4
ROAE (%)	9.8	5.2	8.8	8.2

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix II

Medium to Long-Term

**AAA**

Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

**AA+, AA, AA-**

High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

**A+, A, A-**

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

**BBB+, BBB, BBB-**

Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

**BB+, BB, BB-**

Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

**B+, B, B-**

Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

**CCC**

Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

**CC**

A high default risk

**C**

A very high default risk

**D**

Defaulted obligations

Short-Term

**A-1+**

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

**A-1**

High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

**A-2**

Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

**A-3**

Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

**B**

Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

**C**

Capacity for timely payment of obligations is doubtful.

**Rating Watch:** JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. [www.jcrvis.com.pk/images/criteria\\_watch.pdf](http://www.jcrvis.com.pk/images/criteria_watch.pdf)

**Rating Outlooks:** The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. [www.jcrvis.com.pk/images/criteria\\_outlook.pdf](http://www.jcrvis.com.pk/images/criteria_outlook.pdf)

**(SO) Rating:** A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities

and not on the basis of the credit quality of the issuing entity alone.

**'p' Rating:** A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. [www.jcrvis.com.pk/images/policy\\_ratings.pdf](http://www.jcrvis.com.pk/images/policy_ratings.pdf)

**'SD' Rating:** An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURE		Appendix III			
<b>Name of Rated Entity</b>	Taurus Securities Limited				
<b>Sector</b>	Brokerage				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Rating				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	11/21/2014	A	A-2	Stable	Reaffirmed
	12/31/2013	A	A-2	Stable	Reaffirmed
	11/26/2012	A	A-2	Stable	Upgrade
	12/23/2011	A-	A-2	Stable	Reaffirmed
	1/3/2011	A-	A-2	Stable	Reaffirmed
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	JCR-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.				
<b>Probability of Default</b>	JCR-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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