

## RATING REPORT

### Taurus Securities Limited

**REPORT DATE:**

July 1, 2016

**RATING ANALYSTS:**

Muniba Khan

*muniba.khan@jcrvis.com.pk*

Narendar Shankar Lal

*narendar.shankar@jcrvis.com.pk*

#### 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 28, 2016		Jun 26, 2015	

#### COMPANY INFORMATION

**Incorporated in 1993**

External auditors: **Grant Thornton Anjum Rahman**

**Public Unquoted Company**

Chairman of the Board: **Mr. Risha A. Mohyeddin**

**Key Shareholders (with stake 5% or more):**

Chief Executive Officer: **Mr. Syed Zain Hussain**

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 (May 2015)

<http://www.jcrvis.com.pk/Images/Securities%20methodology%201%20-2015.pdf>

## Taurus Securities Limited (TSL)

### OVERVIEW OF THE INSTITUTION

TSL is a public unlisted company incorporated in 1993. The company provides equity brokerage services along with financial/economic data research analysis. The head office of the company is located in Karachi, while a branch office is also present in Peshawar.

### RATING RATIONALE

Taurus Securities Limited (TSL) is an equity brokerage house possessing Trading Rights Entitlement (TRE) Certificate granted by Pakistan Stock Exchange Limited (PSEL). TSL offers both online and physical trading services to its clients. In terms of average value traded, the company accounted for 2.5% (2014: 2.8%) market share of KSE-100 index during 2015.

#### Rating drivers

- Sponsor support:** TSL is a subsidiary of National Bank of Pakistan (NBP), which holds 58.3% ownership stake in the organization. NBP is a state owned entity and largest public sector bank in the country. Remaining shareholding of the company is vested with Bank of Khyber (BoK) and Saudi Pak. Industrial & Agricultural Investment Company Ltd. (SAPICO). Both parties possess sound risk profile. JCR-VIS anticipates that support from sponsors would be forthcoming in case the need arises.
- Standalone risk profile:** Ratings also incorporate conservative risk appetite of the company. Absence of proprietary book coupled with limited stock market exposure in the form of ready-future arbitrage transactions also provides comfort to the ratings. Exposure of TSL to MTS remained minimal during the outgoing year, while future growth is expected in the online segment which purely cash base facility. TSL has not participated in any underwriting activity since commencement and neither does it envisage participation in the same, going forward. Trading limits assigned to clients are dependent upon risk profile and credit ratings of counterparties.
- Profitability:** Profitability of the brokerage house depicted improvement in 2015 in comparison to the preceding year. Higher brokerage and commission income, fueled by increased share turnover, translated into an improved bottom-line. In line with the historical trend, higher share of commission income was contributed by institutional clients. However, sizeable increase was witnessed in commission income generated from retail clients on timeline basis due to higher number of online customers. Overall concentration related indicators also depicted improvement on timeline basis.
- Liquidity:** Liquidity metrics of the bank exhibited considerable decrease due to volatile nature of trade debts, which arise during the normal course of business. However, stringent margin requirements and monitoring mechanisms ensure that these are recovered within due course. Moreover, despite availability of credit lines, gearing ratio of the company remains on minimal due to lower utilization of the same. Overall liquidity profile of the company is considered sound given the sizeable quantum of liquid assets in relation to deposits and borrowings. As such, TSL does not carry any major liability on its books which may trigger liquidity concerns.

**Taurus Securities Limited****Appendix I**

<b>FINANCIAL SUMMARY</b>			
	<i>(amounts in PKR millions)</i>		
<b><u>BALANCE SHEET</u></b>	<b>DEC 31, 2015</b>	<b>DEC 31, 2014</b>	<b>DEC 31, 2013</b>
Trade Debts	61.6	61.8	477.6
Investments	167.6	161.2	178.6
Receivable against Margin Trading	-	5.5	3.2
Cash and Bank balances	147.2	134.1	79.8
<b>Total Assets</b>	<b>455.8</b>	<b>420.8</b>	<b>845.5</b>
Trade and Other Payables	158.2	120.4	505.4
Short Term running finance	-	-	29.8
<b>Net Worth</b>	<b>296.9</b>	<b>299.4</b>	<b>309.0</b>
<b><u>INCOME STATEMENT</u></b>	<b>DEC 31, 2015</b>	<b>DEC 31, 2014</b>	<b>DEC 31, 2013</b>
Brokerage and Commission Income	97.5	82.9	92.4
Administrative Expenses	97.9	90.6	80.1
Finance Costs	1.0	1.5	1.6
<b>Profit Before Tax</b>	<b>23.8</b>	<b>19.2</b>	<b>36.0</b>
<b>Profit After Tax</b>	<b>19.0</b>	<b>15.9</b>	<b>26.3</b>
<b><u>RATIO ANALYSIS</u></b>	<b>DEC 31, 2015</b>	<b>DEC 31, 2014</b>	<b>DEC 31, 2013</b>
Commission Income / Turnover (%)	7.6	7.9	7.2
Liquid Assets to Total Liabilities (%)	92.6	110.4	18.7
Liquid Assets to Total Assets (%)	32.3	31.9	11.8
Debt Leverage (x)	0.5	0.4	1.7
Efficiency (%)	92.0	89.8	67.4
<b>ROAA (%)</b>	<b>4.3</b>	<b>2.5</b>	<b>4.2</b>
<b>ROAE (%)</b>	<b>6.4</b>	<b>5.2</b>	<b>8.8</b>

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.

# JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES		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>				
	06/28/2016	A	A-2	Stable	Reaffirmed
	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.				
<b>Disclaimer</b>	Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2016 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.				