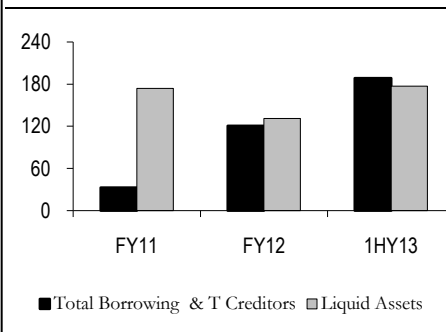
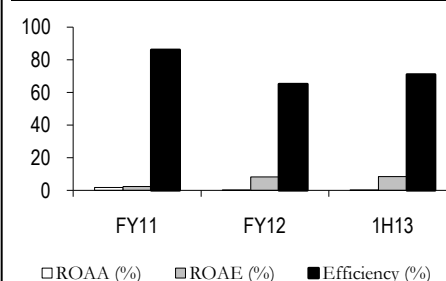


January 02, 2014

Analysts: Amir Shafique
Faiq Sattar

Category	Latest	Previous
Entity	A/A-2 Dec 31, '13	A/A-2 Nov 26, '12
Outlook	Stable Dec 31, '13	Stable Nov 26, '12

Key Financial Trends



(in Rs. millions)	FY11	FY12	1HY13
Total Assets	310.6	409.4	483.8
Investments	97.3	135.7	180
Profit after tax	6.3	23.1	12
Equity (Rs. in m)	277.6	288.7	293.9
Gearing (x)	Nil	Nil	Nil
Debt Leverage (x)	0.1	0.4	0.6
Liquid Assets to Borrowings and Creditors (x)	5.3	1.1	0.9
Liquid Assets % Total Assets	56%	32%	37%

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 FY12 were audited by M/s KPMG Taseer Hadi & Company Chartered Accountants who have been reappointed for 2013 JCR-VIS

Taurus Securities Limited

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

Rating Rationale

Taurus Securities Limited (TSL) is primarily engaged in equity brokerage business. The company has strong institutional backing, with National Bank of Pakistan (NBP) as the major shareholder. TSL is also one of the few local brokerage houses catering to foreign clients. The company had an equity base of Rs. 294m at end HY13, with growth achieved on the back of retained earnings (FY11: Rs. 277.6m).

TSL has continued to maintain a conservative approach. The company does not carry any meaningful stock market exposure. Market risk associated with equity holdings is hedged by simultaneous sale in the futures market. The company has deployed some funds in the Margin Trading System (MTS) though the quantum remains limited.

On the equity brokerage side, credit risk arising from retail clients is managed by way of active monitoring of client positions. A 40% margin requirement is currently in place for retail clients, breach of which triggers sale of securities held as collateral. In case of institutional clients, the company has established counterparty limits, based on financial strength. Moreover, the introduction of Institutional Delivery Mechanism (IDS) has eliminated the need for funding trades of clients, which are members of IDS. TSL has credit line of Rs. 240m available from NBP to bridge the funding gap between settlements; its utilization has been nominal over the past year.

Karachi Stock Exchange Limited (KSEL) depicted healthy trading volumes in 2012 with an average of 196.7m shares (FY11: 96.9m) traded per day; the trend continued in HY13. TSL was able to benefit from the increased activity; the company was able to capture a larger market share in HY13. Historically, the company's share turnover has largely emanated from institutional clients; however, the proportion of retail business has increased over time while exceeding institutional volumes in HY13. Revenues however continue to be driven by institutional business, as such clients deal in higher priced stocks.

Operating and administrative expenses stood higher mainly on account of bonus/sales commission and KSEL's service charges against trading. Nevertheless, incremental expense was outpaced by growth in revenues with efficiency ratio improving to 71% (FY11: 86%) in HY13. Given the increase in brokerage income, the company booked net profit of Rs. 12m (FY12: Rs. 23.1m; FY11: Rs. 6.3m) in HY13.

Liquid assets (excluding shares sold in future) improved to Rs. 177m (FY11: Rs. 174m). Liquid assets as a proportion of total liabilities stood at 0.93x (FY11: 5.3x). This decline was due to increased trading activities and varies with business activity. The company does not carry any major liability on its books that may trigger liquidity requirements.

There has been stability at the helm of the organization. Turnover was witnessed in the research department, with new head of research along with three analysts having joined the department in 2013.

JCR-VIS Credit Rating Company Limited

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

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Entity</u>				
31-Dec-13	A	Stable	A-2	Reaffirmed
26-Nov-12	A	Stable	A-2	Upgrade
23-Dec-11	A-	Stable	A-2	Reaffirmed
03-Jan-11	A-	Stable	A-2	Reaffirmed
04-Jan-10	A-	Stable	A-2	Maintained