

RATING REPORT

Taurus Securities Limited

REPORT DATE:

October 20, 2017

RATING ANALYSTS:

Jazib Ahmed, CFA

jazib.abmed@jcrvis.com.pk

Hamza Rizwan

hamza.rizwan@jcrvis.com.pk
RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A	A-2	A	A-2
Rating Outlook	Stable		Stable	
Rating Date	Oct 2, 2017		Jun 28, 2016	

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%2020-2015.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.

Profile of the CEO

Mr. Syed Zain Hussain has over 20 years of experience in stock brokering and fund management. He holds a bachelor’s degree from South Eastern University in Marketing. He is associated with TSL for over 10 years.

Financial Snapshot

Core Equity:

HYFY17: 385.0m;
FY16: 295.3m; FY15: 296.9m

Assets: HYFY17:

783.3m; FY16: 1.2b;
FY15: 456.0m

Commission:

HYFY17: 57.5m; FY16: 98.3m; FY15: 97.5m

Profit After

Tax:HYFY17: 59.4m;
FY16: (0.9)m; FY15: 19.0m

RATING RATIONALE

Taurus Securities Limited (TSL) is an equity brokerage house and entails Trading Rights Entitlement certificate. TSL is a subsidiary of National Bank of Pakistan (NBP) with residual ownership of Bank of Khyber (BOK) and Saudi Pak Industrial & Agricultural Investment Company Limited. TSL is a risk averse franchise and comprises for about 3.1% (FY15: 2.5%) market share of PSX index during 2016. The assigned rating takes into account the low risk profile of TSL and their minimal exposure in MTS and no involvement in underwriting business.

Rating drivers

- **Sponsor Support**

TSL entails strong sponsorship from NBP, BOK and Saudi Pak Industrial & Agricultural Investment Company Limited. All these entities carry strong risk profile; especially NBP a state owned bank and the largest public sector bank.

- **Standalone Risk Profile**

TSL follows a risk averse business strategy in comparison to their competitors. Their strategy entails investment in limited stocks and has exposure in only ready future arbitrage transaction which reflects the assigned ratings. TSL follows a very conservative approach in MTS which explains the slow growth in that segment, although TSL has diverted its focus towards bringing more online clients while offering only cash trades. TSL has no involvement in any kind of underwriting and neither have they planned to do it in future.

- **Profitability**

TSL posted a loss for the year 2016 due to multiple reasons at play. Brokerage and commission improved but with a very slight increase; downturn in stock market in 1st and 4th Quarter registered a lower growth in commissions. Other income segment including margin trading, capital gains and dividends took a dip for the period under review. Administration expenses and finance cost created an adverse effect on the income. However, result in HYFY17 seems moderate. TSL is in continuous efforts to increase their online clients to boost their income in future.

- **Liquidity and Capitalization**

Liquidity of the business varies in line with the position of the stock market. Liquid assets to liability ratio stood at 79.1% (2015: 216.3%). The variation in ratio is due to the variation in trade payables which differs from month to month on account of trading activity. Cash and bank balances are considered liquid assets in case of TSL amounting to Rs. 357.1m (2015: Rs. 147.2m. Moreover, despite short term financing, gearing and leverage of the business is restricted at a lower end. Resultantly the overall liquidity profile is considered sound. Equity took a slight dip in FY16 due to loss registered in the income statement but it has increased to Rs. 385.0m (FY16: Rs. 295.4m) at end-HY17.

Taurus Securities Limited

Appendix I

FINANCIAL SUMMARY			
	<i>(amounts in PKR millions)</i>		
BALANCE SHEET	30-Jun-17	31-Dec-16	31-Dec-15
Trade Debts	105.5	418.0	61.6
Investments	204.7	148.6	167.6
Receivable against Margin Trading	-	0.0	-
Cash and Bank balances	183.1	357.1	147.2
Total Assets	783.3	1,169.3	455.8
Trade and Other Payables	248.9	633.5	158.2
Short Term running finance	150.0	240.0	-
Net Worth	384.5	295.4	296.9
INCOME STATEMENT			
	30-Jun-17	31-Dec-16	31-Dec-15
Brokerage and Commission Income	57.5	98.3	97.5
Administrative Expenses	60.3	109.9	97.9
Finance Costs	1.9	1.8	1.0
Profit Before Tax	64.3	2.2	23.8
Profit After Tax	59.4	-0.8	19.0
RATIO ANALYSIS			
	30-Jun-17	31-Dec-16	31-Dec-15
Commission Income / Turnover (%)	-	6.5	7.6
Liquid Assets to Total Liabilities (%)	86.9	114.7%	214.1
Liquid Assets to Total Assets (%)	44.3	85.7	74.7
Debt Leverage (x)	1.0	3.0	0.5
Efficiency (%)	105.0	109.0	94.4
ROAA (%)	12.2	-0.1	4.3
ROAE (%)	35.0	-0.3	6.4

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

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

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

{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

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.

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

'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 DISCLOSURES		Appendix III			
Name of Rated Entity	Taurus Securities Limited(TSL)				
Sector	Brokerage				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	10 /2/2017	A	A-2	Stable	Reaffirmed
	06/28/2016	A	A-2	Stable	Reaffirmed
	06/26/2015	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
Instrument Structure	N/A				
Statement by the Rating Team	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.				
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