

## BROKER FIDUCIARY RATING REPORT

### Taurus Securities Limited

**REPORT DATE:**

15 September, 2021

**RATING ANALYSTS:**

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#### RATING DETAILS

**Broker Fiduciary Rating**

**BFR3**

*Good Fiduciary Standards*

**Rating Rationale**

The rating signifies strong ownership and governance, sound management and client services and internal controls and adequate business and financial sustainability.

**Rating Date**

15 September, 2021

#### COMPANY INFORMATION

**Incorporated in 1993**

**External auditors:** M/s Yousuf Adil– Chartered Accountants

**Public Unquoted Company**

**Chairman of the Board:** Muhammad Ismail Usuf

**Chief Executive Officer:** Syed Zain Hussain

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

*National Bank of Pakistan 58.3%~*

*Bank of Khyber 30.0%~*

*Saudi Pak Industrial and Agricultural Investment Company Limited – 8.3%~*

#### APPLICABLE METHODOLOGY

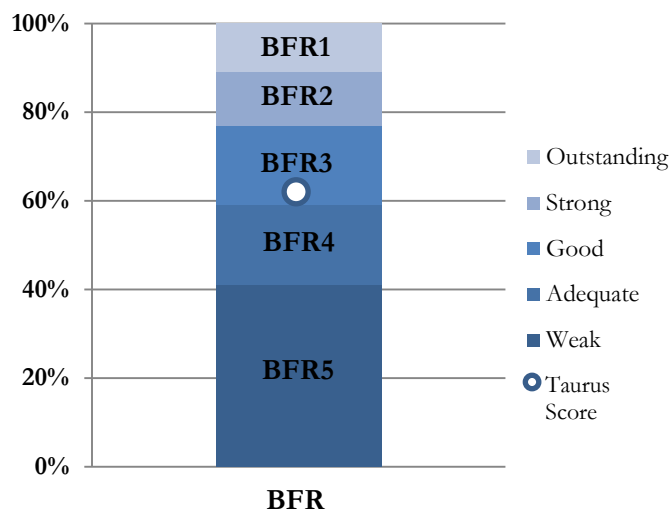
**Applicable Rating Criteria: Broker Fiduciary Ratings 2021**

<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

**Taurus Securities Limited**

**CORPORATE PROFILE OVERALL GRADING**

Taurus Securities Limited (TSL) is a public unlisted company incorporated in 1993. The company provides equity brokerage services along with financial/economic data research analysis. Major shareholding of the company is vested with National Bank of Pakistan (NBP), a state owned entity and one of the largest commercial banks in Pakistan. The head office of the company is located in Karachi, while a branch office is also present in Peshawar. The company provides both online and assisted trading services to its clients.



TSL holds Trading Rights Entitlement Certificate (TREC) for Trading & Clearing Services granted by Pakistan Stock Exchange Limited (PSX). External auditors of the company are M/s Yousuf Adil-Chartered Accountants. External auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).

Business and Financial Sustainability Indicators				
	HFY21	FY20	FY19	Latest two year average
Size of Net Worth (Rs. In Millions)	300	290	281	285
Gearing x (total interest bearing debt/ total equity)	0.21x	0.30x	0.50x	0.40x
Leverage x (total liabilities/ total equity)	1.42x	1.50x	1.14x	1.32x
Liquid Assets/ Total Liabilities (x)	1.39x	1.41x	1.46x	1.44x
Short term Investments/ Total Equity (%)	61%	63%	63%	63%
Market Share (%)	2%	2%	3%	2%
Efficiency (%)	98%	106%	136%	121%

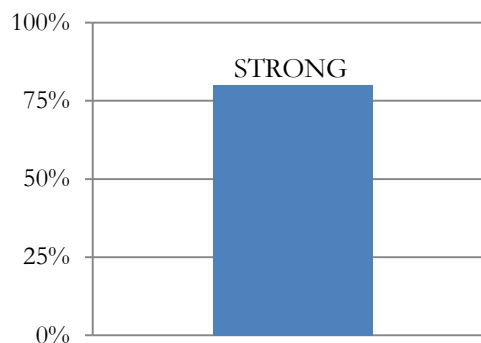
**Taurus Securities Limited**

**Rating Indicators**

**Ownership & Governance**

- Ratings take into account strong sponsor support with National Bank of Pakistan (NBP), Bank of Khyber and Saudi Pak Industrial & Agricultural Investment Company Ltd. (SAPICO) as majority shareholders.
- In line with best practices, the Board is composed of 8 directors with adequate independent representation. However, increasing the number of certified directors may further strengthen governance framework.

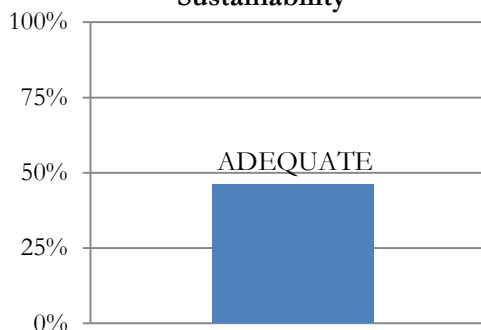
**Ownership & Governance**



**Business & Financial Sustainability**

- During FY20, company's profitability profile witnessed significant improvement supported by increase in core brokerage income. During HY21, profitability continued to grow and was reported at Rs. 10.6m (FY20 10.2m, FY19 0.6m) in line with market trend.
- Liquidity profile is considered sound with liquid assets providing 1.44x coverage to total liabilities.
- Capitalization indicators remain at adequate levels during HY21. Gearing declined to 0.20x (FY20: 0.3x, FY19: 0.5x) while leverage was up in FY20 to 1.5x (FY19: 1.14x) and reducing to 1.42x at HY21 end.
- Market risk is negligible as the company does not maintain an active propriety book.
- The company's efficiency ratio has witnessed an improvement on a timeline basis, although still remaining on the higher side. Recurring expenses in relation to recurring revenues were reported to be 98% during HY21 (FY20 106% FY19 136%)
- Overall business and financial sustainability of the company is adequate. Size of equity, significant dependence on brokerage segment, lower efficiency levels and limited market share

**Business & Financial Sustainability**

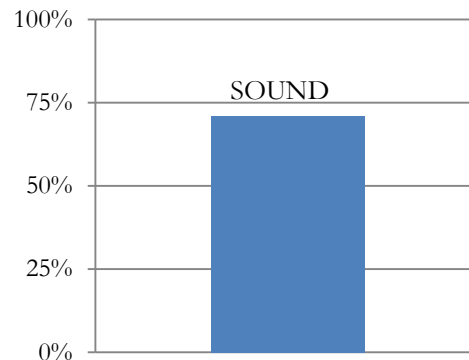


remains a rating constraint.

**Management & Client Services**

- Client servicing procedures and resources are in place however the same may be enhanced through sms based prompt trade alerts and complaint tracking system.
- Client resources may be more pronounced through greater visibility and communications.
- Company’s organizational structure is well defined with professional management in place. However, segregating risk management as a separate function may be considered.
- Disaster recovery measures are in place, although, increasing the frequency of disaster recovery exercise may be considered.

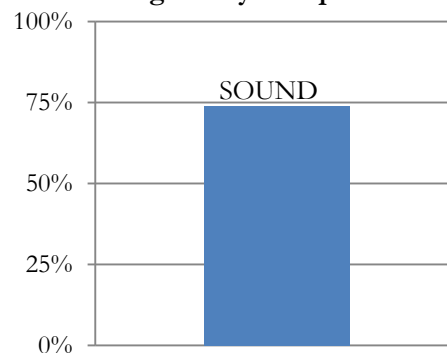
**Management & Client Services**



**Internal Controls & Regulatory Compliance**

- Internal control and regulatory compliance is considered sound. Credit worthiness evaluation, reviewing of suspicious trades and customer orders are done on monthly basis.
- Scope of policies and manuals is well defined and comprehensive; however, increasing the frequency of review of these policies and manuals may further enhance the control framework.
- Segregation and independence of audit and compliance functions is noted.

**Internal Controls & Regulatory Compliance**



**Broker Fiduciary Rating Explained**

*In Securities Broker Fiduciary Rating (SBF), the strength of fiduciary role of the securities brokers is captured through the relative financial strength of the securities broker firm and its sponsors along with depth of internal control and governance framework, which are key rating ingredients. Responsiveness of the risk and internal control structure, quality of HR and soundness of the business infrastructure determine the strength of management and level of service quality of a stock broker. VIS Credit Rating Co. Ltd. (VIS) has developed a rating system that evaluates brokerage firms on the basis of such practices and the systems instituted to safeguard investor interests are at the forefront.*

## FIDUCIARY RATING SCALE &amp; DEFINITIONS

## Appendix I

**RATING SCALE & DEFINITIONS: SECURITIES BROKER FIDUCIARY RATING****BFR1**

Outstanding fiduciary standards

**BFR4++, BFR4+, BFR4**

Adequate fiduciary standards

**BFR2++, BFR2+, BFR2**

Strong fiduciary standards

**BFR5++, BFR5+, BFR5**

Weak fiduciary standards

**BFR3++, BFR3+, BFR3**

Good fiduciary standards

**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.vis.com.pk/images/criteria\\_outlook.pdf](http://www.vis.com.pk/images/criteria_outlook.pdf)

**Taurus Securities Limited**

REGULATORY DISCLOSURES		Appendix II			
<b>Name of Rated Entity</b>	Taurus Securities Limited				
<b>Sector</b>	Brokerage				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Broker Fiduciary Rating (BFR)				
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>	
	<b>RATING TYPE: BFR</b>				
	15/9/2021	BFR3	Stable	Initial	
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	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>	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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