

BROKER MANAGEMENT RATING REPORT

Taurus Securities Limited

REPORT DATE:

December 30, 2022

RATING ANALYSTS:

Shaheryar Khan Mangan

shaheryar@vis.com.pk

APPLICABLE

METHDOLOGY:

Broker Management Ratings 2020:

[https:// docs.vis.com.pk/ docs/BMR2020](https://docs.vis.com.pk/docs/BMR2020)

[07.pdf](#)

Rating Category	Latest Rating
Broker Management Rating	BMR2+
Rating Rationale	The rating signifies strong compliance and risk management and external controls, sound internal control, HR and infrastructure and client relationship and adequate financial management and regulatory requirement.
Rating Date	December 30, 2022

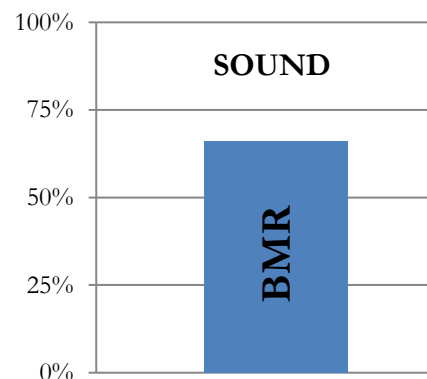
COMPANY INFORMATION

Incorporated in 1993	External auditors: Yousuf Adil Chartered Accountants
Public Unlisted Company	Chairman of the Board: Mr. Muhammad Ismail Usuf
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Syed Zain Hussain
<i>National Bank of Pakistan ~ 58.32%</i>	
<i>The Bank of Khyber ~ 30.0%</i>	
<i>Saudi Pak Industrial & Agricultural Inv. Co. Ltd. ~ 8.33%</i>	

Corporate Profile

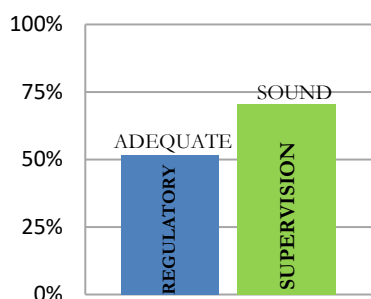
Taurus Securities Limited (TSL) is a public unlisted company incorporated in 1993, providing equity brokerage services and financial/economic data research analysis. Major shareholding of the company is vested with National Bank of Pakistan (NBP). The head office of the Company is located in Karachi,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

TSL is a public unlisted company holding Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), and is registered with SECP to provide Trading & Self Clearing Services. External auditors of the Company are Yousuf Adil Chartered Accountants. External auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP).



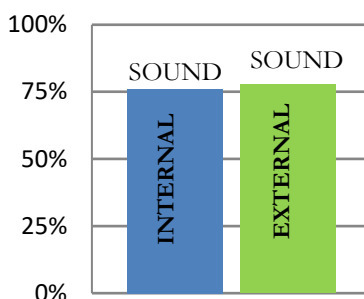
Rating Factors Scores

Regulatory Requirements & Supervision



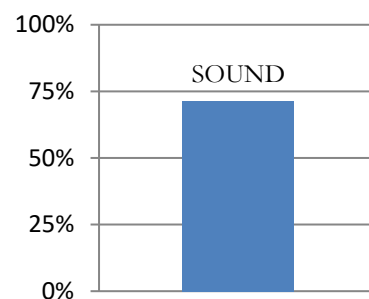
- With National Bank of Pakistan and Bank of Khyber being the major shareholders, the Company enjoys strong sponsor support
- The Company’s board, at present, is represented by 8 members, inclusive of 3 independent directors, boding well for its governance framework.
- Company has three board committees in place, adequately represented by independent directors. Repetition of directors is observed in committees, depicting room for improvement for effective governance and management oversight.
- Acquisition of additional business related licenses may bolster revenue growth of the Company.

Internal & External Control Framework



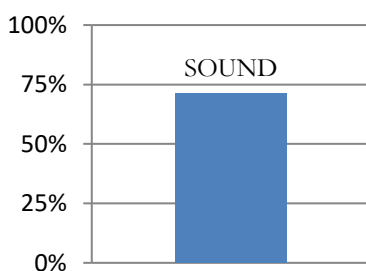
- Overall, policies and procedures are well articulated and circulated to all stakeholders.
- Company’s code of conduct encompass employee trading to some extent, however, a separate employee trading policy may be drafted in order to strengthen up internal control framework.
- Frequent review of policies and manuals may be considered for improving internal controls.
- External control framework is considered strong, albeit disclosure levels may be improved by addition of director’s report and CEO statement.

Client Relationship & Fairplay



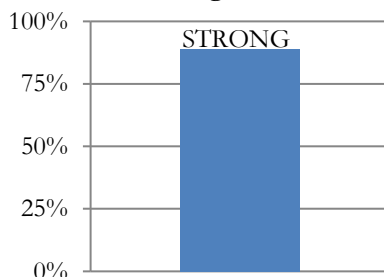
- Client services procedures may be facilitated through systematic complaint registration form.
- Company has an extensive research coverage disseminated to customer, albeit visibility of such research reports on website may be considered.
- Relationship with clients and customers is considered sound on the back of systems established over time; whereas an SMS based customer complaint and tracking system may provide greater customer satisfaction.
- TSL’s geographical diversification remains constrained, whereby improvement in the same may provide sustainability and growth to the Company.

Client Relationship & Fairplay



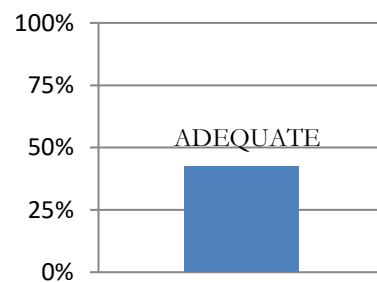
- Company has sound HR & infrastructure.
- Company has fully integrated Enterprise Resource Platform and business continuity framework at place. Additionally, disaster recovery exercise practiced greater than once a year.
- Independent risk management function may be considered in terms of improvement in HR & infrastructure.

Compliance & Risk Management



- No credit limits assigned to customers, indicative of a strong risk management framework.
- Procedures for reviewing non-compliant and suspicious trades are well in place.
- Overall, Company has strong compliance and risk management framework.

Financial Management



- During FY21, profitability of the Company remained fairly stable at Rs.11m (FY20: Rs.10.2), however in HFY22, it was impacted adversely amid significant slowdown in market activity, reporting a loss of Rs.5.66m. Profitability is expected to remain under pressure in the ongoing year.
- Market risk exposure registered a sizeable decline at end June 2022. Trading liabilities were also streamlined post year-end which has improved the liquidity profile of the Company. While capitalization indicators deteriorated at end FY21, the same have been streamlined with gearing and leverage improved at 0.18x (FY21: 0.64x) and 1.46x (FY21: 3.24x) respectively. Equity base remains small at Rs.302m.
- Efficiency of the Company stood at 82.9% in FY21 (FY20: 83.2%). Improvement in the same will be important for enhancing the financials.
- Going forward, augmentation and diversification of revenue streams, improvement in profitability metrics and maintenance of low gearing levels will remain important for rating.

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: BROKER MANAGEMENT RATING

BMR1A

Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.

BMR1++, BMR1+, BMR1

Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.

BMR2++, BMR2+, BMR2

Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.

BMR3++, BMR3+, BMR3

Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.

BMR4++, BMR4+, BMR4

Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.

BMR5

Weak regulatory compliance and business practices

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

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Taurus Securities Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BMR			
	30/12/2022	BMR2+	Stable	Reaffirmed
	15/09/2021	BMR2+	Stable	Initial
Instrument Structure	N/A			
Statement by the Rating Team	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.			
Probability of Default	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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