

BROKER FIDUCIARY RATING REPORT

Taurus Securities Limited

REPORT DATE:

December 30, 2022

RATING ANALYSTS:

Shaheryar Khan Mangan
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RATING DETAILS

Broker Fiduciary Rating	BFR3+ <i>Good Fiduciary Standards</i>
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	December 30, 2022

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):	
<i>National Bank of Pakistan 58.3%~</i>	
<i>Bank of Khyber 30.0%~</i>	
<i>Saudi Pak Industrial and Agricultural Investment Company Limited – 8.3%~</i>	

APPLICABLE METHODOLOGY

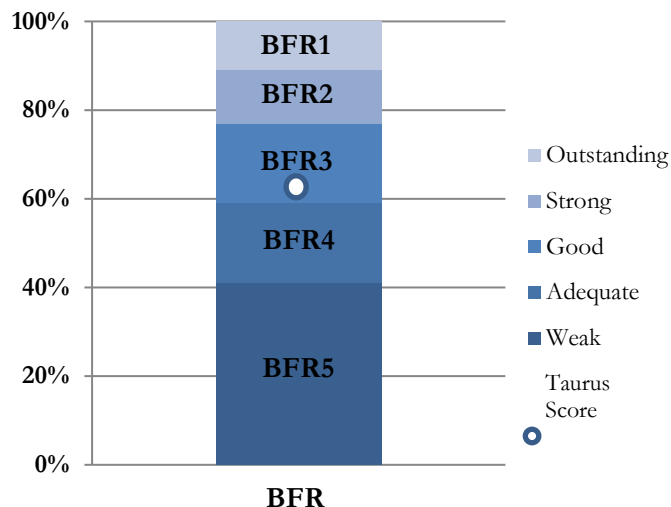
Applicable Rating Criteria: Broker Fiduciary Ratings 2021

<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

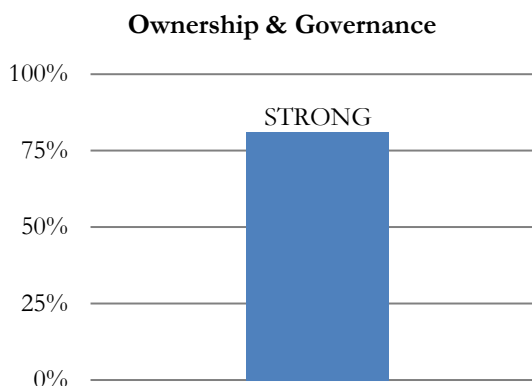
	HFY22	FY21	FY20	Latest two year average
Size of Net Worth (Rs. In Millions)	302.8	313.8	309.3	311.54
Gearing x (total interest bearing debt/ total equity)	0.18x	0.64x	0.28x	0.46x
Leverage x (total liabilities/ total equity)	1.46x	3.24x	1.40x	2.32x
Liquid Assets/ Total Liabilities (x)	1.33x	0.77x	1.41x	1.09x
Short term Investments/ Total Equity (%)	6%	51%	59%	55%

Taurus Securities Limited

Rating Indicators

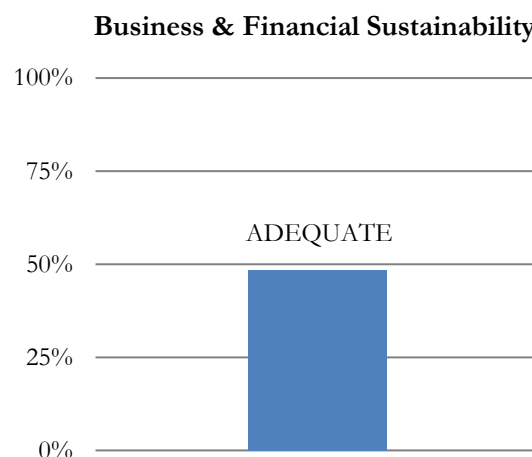
Ownership & Governance

- Company has strong sponsor support, with National Bank of Pakistan and Bank of Khyber as the major shareholders.
- At present, the Company’s board is represented by 8 members, including 3 independent directors, boding well for its governance structure.
- Company has three board committees functioning (Audit, HR, Risk) with repetition of members observed in committees. The same may be considered for effective governance and management oversight.



Business & Financial Sustainability

- 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 as the Company offloaded its investments with short-term investments to equity recorded at 0.06x at end June 2022. Trading liabilities were also streamlined post year-end which has improved the liquidity profile of the Company. Liquid assets to total liabilities were recorded at 133% at June 2022 end. 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.
- Cost to income ratio of the Company has remained on the higher side historically.

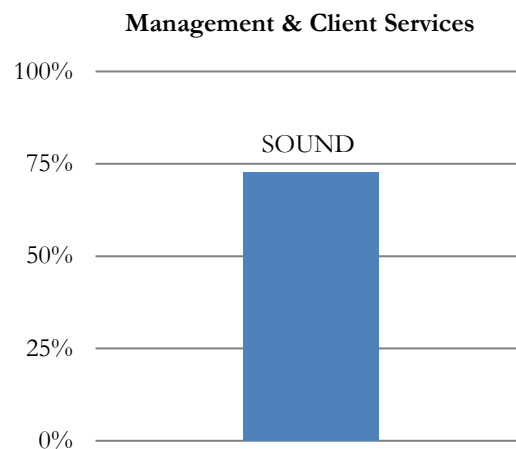


Efficiency of the Company stood at 82.9% in FY21 (FY20: 83.2%). Improvement in the same will be important for enhancing the financial.

- Overall, business and financial sustainability of the Company remains adequate. Going forward, augmentation and diversification of revenue streams, improvement in profitability metrics and maintenance of low gearing levels will remain important for rating.

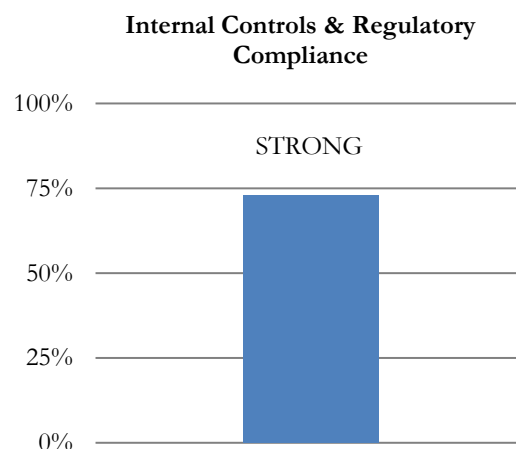
Management & Client Services

- Client servicing procedures and resources are in place with sound relationship with clients and customers, albeit an SMS based customer complaint may help in the improvement of the same.
- Client services procedures may be facilitated through systematic complaint registration form.
- Company’s organizational structure is well defined with IT policies and procedures in place along with presence of fully integrated ERP platform.
- Disaster recovery exercise is conducted greater than once a year, which bodes well for enhancing operational efficiencies.



Internal Controls & Regulatory Compliance

- Overall, policies and procedures are well defined and comprehensive and circulated to all the stakeholders.
- Frequent review of policies and manuals may be considered for improving internal controls.
- Company does not allocate any credit limits to customers, reflecting its conservative policy.
- Procedures for reviewing non-compliant and suspicious
- Overall, internal controls and regulatory compliance is considered sound.



Taurus Securities Limited

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 & 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

Taurus Securities Limited

REGULATORY DISCLOSURES		Appendix II			
Name of Rated Entity	Taurus Securities Limited				
Sector	Brokerage				
Type of Relationship	Solicited				
Purpose of Rating	Broker Fiduciary Rating (BFR)				
Rating History	Rating Date	Rating	Rating Outlook	Rating Action	
	RATING TYPE: BFR				
	30/12/2022	BFR3+	Stable	Upgrade	
	15/9/2021	BFR3	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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