

May 20, 2014

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Faiq Sattar

## Cyan Limited

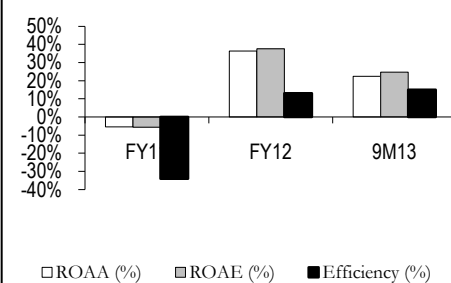
*Chairman: Mr. Shabbir Hussain Hashmi; Chief Executive: Mr. Abdul Samad*

### Rating Rationale

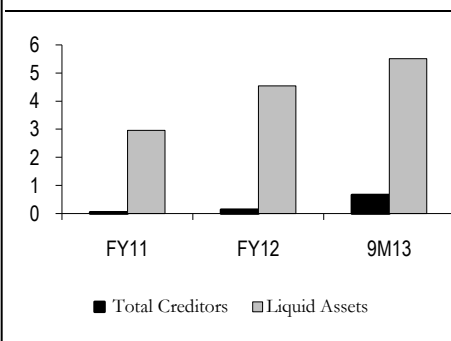
Category	Latest	Previous
Entity	A+/A-1 May 16, '14	N/A
Outlook	Stable May 16, '14	N/A

Owned by the Dawood group of companies, Cyan Limited (CL) historically operated as an insurance company by the name of Central Insurance Company Limited (CICL). In 2011, the board of directors and shareholders approved a business restructuring plan by virtue of which the company discontinued its insurance business and started operating as an investment company only. In line with the new mandate, management resources with experience in the areas of private equity/investment banking/fund management were inducted to execute the company's business plan.

### Key Financial Trends



The company's business plan envisages sizable private equity investment over a period of five years. The exposure is likely to be taken through a separate subsidiary; thereby limiting the liability of the company. The company intends to invest in mass market businesses having the potential to grow. Following a structured process, the management has shortlisted 3 companies after evaluating up to 14 different entities and it is likely that the first investment will be made shortly. Investment limit for private equity deals ranges from Rs. 350m to Rs. 1b. Detailed sector studies have been undertaken as a prelude to identifying potential investment opportunities. As a private equity investor, the company has an investment horizon of 4-6 years and exit plan is proposed to be in place prior to making a capital commitment.



CL currently carries sizeable equity market exposure. Around 2/3rd of the investment portfolio of Rs. 5.5b (FY12: Rs. 4.5b) at end 9M13 was invested in listed equities while the remaining portion largely comprised cash funds. The company has a documented investment policy entailing exposure limits and criteria for listed equities and debt securities. The management may consider incorporating additional parameters such as total return benchmark based on actual portfolio allocation and limits for interest rate risk in the investment policy document.

(in Rs. billions)	FY11	FY12	9M13
Total Assets	3.2	4.6	5.7
Investments	2.9	4.5	5.5
Profit after tax	(0.2)	1.4	0.9
Equity	3.2	4.5	5.0
Gearing (x)	Nil	Nil	Nil
Debt Leverage (%)	2	4	14
Liquid Assets to Borrowings and Creditors (x)	61	26	8
Liquid Assets % Total Assets	92%	98%	97%

Listed equities portfolio features concentration, with three scrips comprising 46% of the portfolio. These scrips have experienced significant price appreciation in addition to generating healthy dividend yield. A notable exposure is in group companies, which is regularly traded in the market. Equity exposure exceeds the approved limits as prescribed in the investment policy and the management intends to maintain it as such. Portfolio size is proposed to be rationalized as private equity deals materialize. The equity portfolio has generated a return of 54% and 35% in FY12 and 9M13, respectively. The return compares favorably to the benchmark index. Return on fixed income portfolio has moved in line with market benchmark rates.

Given the buoyant stock market, profitability has remained strong over the last two years and remains largely contingent upon market conditions. Moreover, deployment in private equity will be tested over time for asset quality and returns.

CL has implemented Sidat Hyder's integrated ERP while major policies and procedures have been developed and approved by the board. A dedicated risk management and research function is not in place. The internal audit function is outsourced to M/s Anjum Asim Shahid Rahman Chartered Accountants.

### Overview of the Institution

CL is public listed company incorporated under the Companies Act, 1913 (now Companies Ordinance, 1984) in 1960. Dawood Corporation (Pvt.) Limited is the majority shareholder with a stake of 49.5%. The remaining shares are held by associate companies, public sector companies, financial intermediaries and other individuals. Financial statements of FY12 were audited by M/s A.F. Ferguson & Company Chartered Accountants who have been reappointed for 2013 [JCR-VIS](#)

## JCR-VIS Credit Rating Company Limited

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

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<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Outlook</b>	<b>Rating Type</b>	<b>Rating Action</b>
<b>16-May-14</b>	A+	Stable	Entity [ A-1 : Short Term ]	Initial

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