

## RATING REPORT

### Cyan Limited

**REPORT DATE:**

December 27, 2017

**RATING ANALYSTS:**

Muniba Khan

[muniba.khan@jcrvis.com.pk](mailto:muniba.khan@jcrvis.com.pk)

Sidra Ahsan Qureshi

[sidra.qureshi@jcrvis.com.pk](mailto:sidra.qureshi@jcrvis.com.pk)

#### RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A	A-1	A	A-1
Rating Outlook	Stable		Stable	
Rating Date	Dec 27, '17		Dec 13, '16	

#### COMPANY INFORMATION

Incorporated in 1960	External auditors: M/s A.F. Ferguson & Co., Chartered Accountants
Public Listed Company	Chairman of the Board: Mr. Hasan Reza-Ur-Rehman
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Sulaiman S. Mehdi
Dawood Corporation (Pvt.) Limited – 62.0%	
General Public – 20.7%	
Mr. Hussain Dawood – 8.0%	

#### APPLICABLE METHODOLOGY(IES)

 Non-Bank Financial Companies (October 2017): <http://jcrvis.com.pk/docs/NBFCs%20201710.pdf>

## Cyan Limited

### OVERVIEW OF THE INSTITUTION

*CL is public listed company incorporated under the Companies Act, 1913 (now Companies Ordinance, 1984) in 1960. Prior to being restructured as an investment company in 2011, CL operated as an insurance company by the name of Central Insurance Company Limited (CICL). The company is listed on the Pakistan Stock Exchange.*

#### **Profile of Chairman:**

*Mr. Rabim has over 30 years of domestic and international experience in the Banking and Financial Services Industry. Most recently he served as the Executive Director, in-charge of the Chairman's Office of the Dawood Hercules Group. He currently serves on the Boards of Dawood Hercules Corporation Limited and Dawood Lawrencepur Limited. He has also held several senior roles in international banks. He has received his degree from the University of Delaware in USA.*

#### **Profile of CEO:**

*Mr. Mehdi has over sixteen years of experience in investments, legal & corporate affairs. He joined CICL as the COO and Company Secretary (CS) on October 01, 2010 and led the insurance license revocation process for CICL. He has worked with leading financial services groups in senior positions in the area of investments, operations, marketing, legal and corporate affairs. Mr. Mehdi holds a Master's degree and is also a Fellow member of the Institute of Corporate Secretaries of Pakistan (FCISP).*

### RATING RATIONALE

Assigned ratings of Cyan Limited (CL) derive strength from its sponsors including Dawood Hercules Group, a prominent industrial conglomerate having presence across diversified sectors. CL is primarily focused towards investing in high growth potential companies while maintaining a proprietary book. On a standalone basis, current ratings reflect CL's sound liquidity profile, adequate capitalization indicators and experienced management team.

#### **Key Rating Drivers:**

**Business Operations:** In addition to managing a portfolio of marketable securities, the company focuses on investing in private equity; no deals have been signed under this investment class as yet. The company has historically re-strategized plans for developing its private equity portfolio. Given the prevailing challenges of private limited companies, CL also plans to enter into strategic advisory services along with private equity. Here the company would act as an advisor, without any equity investment, for entities to improve their governance framework and operational efficiencies; permission for the same is awaited from the regulator. This would enable clients to restructure themselves in order to improve bottom line and subsequently go public at an appropriate price multiple. In the ongoing year, the company completed a restructuring contract with Inbox Technology Limited and also partially booked income of Rs. 16m. Moreover, private equity team has worked on 7 proposals during the ongoing year out of which one deal was accepted and is still under negotiation.

**Equity Investment Portfolio:** Total investments (at market value) amounted to Rs. 2.9b (FY16: Rs. 3.6b; FY15: 2.8b) at end-9M17. Approximately 98% of the portfolio is invested in listed equities while the remaining exposure comprises mutual funds and Treasury Bills placed with the State Bank of Pakistan as statutory deposit. Given the recent downward trajectory witnessed in the stock market, profitability of CL was negatively affected during 9M17; the company maintains a significant amount of exposure in equities. Total unrealized loss amounted to Rs. 407.6m translating into a net loss of Rs. 245.9m on the bottom line. Nonetheless, the management believes that its stance towards the market and investments in stocks, with inherent fundamental values, will allow CL to recoup losses on the portfolio.

**Governance and Management Framework:** Management team is spearheaded by Mr. Sulaiman S. Mehdi. Senior management team comprises qualified professionals. One change has been observed in the senior management during the ongoing year with appointment of Mr. Naresh Kumar in its private equity team. In order to increase capacity of its investment activities, management has also increased headcount of the research team.

## JCR-VIS Credit Rating Company Limited

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

### Cyan Limited

### Appendix I

<b>FINANCIAL SUMMARY</b>				
<i>(amounts in PKR millions)</i>				
<b>BALANCE SHEET</b>	<b>Sep 30, 2017</b>	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Cash and Bank Balances	0.6	0.9	159.9	21.8
Total Investments	2,901.2	3,612.5	2,825.3	4,780.4
Total Assets	3,027.4	3,659.0	3,032.4	4,886.5
Tier-1 Equity	2,033.2	2,425.8	2,094.7	4,251.1
Net Worth	2,591.6	3,172.6	2515.1	4,590.5
<b>INCOME STATEMENT</b>				
	<b>Sep 30, 2017</b>	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Revenue from Operations	(142.2)	860.4	714.1	1,227.5
Operating Expenses	74.3	113.0	218.2	200.2
Profit Before Tax	(230.7)	734.3	495.9	1,027.2
Profit After Tax	(245.9)	711.2	335.0	898.8
<b>RATIO ANALYSIS</b>				
	<b>Sep 30, 2017</b>	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Average Return on Equity Portfolio	-10.67%	38.66%	23.89%	31.25%
Dividend Payout	-	41%	70%	440%
Efficiency (%)	-	22.8%	44.4%	22.9%
Gearing	0.1	0.1	0.0	0.0
Leverage	0.2	0.2	0.2	0.1
Current Ratio	7.0	7.9	6.5	17.9
ROAA (%)	-	21.3%	8.5%	17.3%
ROAE (%)	-	31.5%	10.6%	18.2%
Liquid Assets to Total Liabilities (x)	6.6	7.3	5.7	16.1

**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

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.

**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](http://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](http://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

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](http://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.

# JCR-VIS Credit Rating Company Limited

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

REGULATORY DISCLOSURES				Appendix III	
<b>Name of Rated Entity</b>	Cyan Limited				
<b>Sector</b>	Non-Bank Financial Companies				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Rating				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	12/27/2017	A	Stable	A-1	Reaffirmed
	12/13/2016	A	Stable	A-1	Reaffirmed
	10/6/2015	A	Stable	A-1	Downgrade
	5/16/2014	A+	Stable	A-1	Initial
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	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.				
<b>Probability of Default</b>	JCR-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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