

RATING REPORT

Cyan Limited

REPORT DATE:

January 20, 2025

RATING ANALYSTS:

Musaddeq Ahmed Khan
musaddeq@vis.com.pk

RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A	A1	A	A1
Rating Outlook/Watch	Stable		Stable	
Rating Date	January 20, 2025		January 24, 2024	
Rating Action	Reaffirmed		Maintained	

COMPANY INFORMATION

Incorporated in 1960	External auditors: M/s A.F. Ferguson & Co., Chartered Accountants
Public Listed Company	Chairman of the Board: Mr. Abdul Samad Dawood
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Mohammad Shamoon Chaudry
<i>Danwood Corporation (Pvt.) Limited – 64.7%</i>	
<i>General Public – 29.5%</i>	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Non-Bank Financial Companies

<https://docs.vis.com.pk/docs/NBFCs202003.pdf>

VIS Rating Scale:

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

Cyan Limited

OVERVIEW OF THE INSTITUTION

RATING RATIONALE

CL is public listed company incorporated under the Companies Act 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. Abdul Samad Dawood has had a history of involvement in the company, both as a Board member and in an executive capacity when he served as the Chief Executive Officer of Cyan from 2010-2014. Mr. Dawood is also the Chief Executive Officer of Engro Holdings Limited (formerly Dawood Hercules Corporation Limited) which is the largest shareholder of Engro Corporation. Mr. Dawood's experience of management and governance spans 21 years, with a special interest in mergers and acquisitions.

Profile of CEO:

Mr. Mohammad Shamoon Chaudry is the Director and Chief Executive Officer of Cyan limited since March 15, 2022. He currently serves on the Boards of DH Partners Limited, Dawood Lawrencepur Limited, Inbox Business Technologies Limited, and Pebbles (Private) Limited.

Mr. Chaudry holds more than 28 years of progressive and diverse experience in the financial sector, including financial control and

Company Profile

Cyan Limited ('CYAN' or the 'Company'), a Dawood Group Company, is a Public Limited Company incorporated in Pakistan on April 23, 1960 under the Companies Act, 1913 (now Companies Act, 2017). The Company is a subsidiary of Dawood Corporation (Private) Limited (the Parent Company) and is listed on the Pakistan Stock Exchange (PSX). The registered office of the Company is situated in Karachi. CYAN is an investment management company with two principal lines of business namely; Investment in public equities, and Strategic advisory services.

Auditor's Opinion

The CY23 financial statements were audited by A.F. Ferguson & Co., Chartered Accountants, which is a QCR rated firm and categorized as 'Category A' on the SBP's Panel of Auditors. The auditor issued an unmodified and unqualified opinion on the financial statements.

Capital Market Environment

The financial turnaround during CY24 was primarily attributed to favorable market conditions, supported by improvement in the political and economic conditions. This improvement coincided with the stabilization of the exchange rate and a positive shift in investor sentiment towards the equity market, which bolstered the KSE-100 index to all-time highs.

Additionally, the investment environment benefited from a significant decline in consumer price inflation, which fell to a 6.5-year low of 4.9% as of Nov'24. This was complemented by monetary easing measures from the State Bank of Pakistan (SBP), which helped in gradual reduction of the policy rate to 13.0%. Continued structural reforms and further interest rate cuts are expected to enhance business confidence and drive stronger equity market performance going forward.

Key Rating Drivers:

Ratings continue to draw support from the sponsors

The assigned ratings take into account the Company's association with the Dawood Group, which is one of the biggest conglomerates in the country having presence in multiple sectors including fertilizer, PVC, food, power generation, coal mining, LNG storage and private investments.

governance. Mr. Chaudry started his career in investment banking within Corporate Finance and Advisory in Pakistan. He then moved to New York selling listed equities to funds investing in emerging markets. Subsequently, shifting to development finance, helping Small and Medium Enterprises (SMEs). He has also worked in the GCC region for twelve years with primary expertise in Islamic investments, asset management, and financial control.

Investment Portfolio Composition and Growth

Investment Portfolio (PKR Mn)	Dec'22	%	Dec'23	%	Sep'24	%
PIB's	50.5	3.4%	46.0	2.9%	47.4	3.1%
Term Deposits	3.0	0.2%	3.0	0.2%	3.0	0.2%
Quoted shares – related parties	622.7	42.3%	639.0	39.6%	598.9	38.8%
Listed shares	792.9	53.9%	890.6	55.2%	859.0	55.6%
Mutual Fund	2.3	0.2%	34.3	2.1%	35.6	2.3%
Total Investments	1,471.4	100.0%	1,612.8	100.0%	1,543.9	100.0%
Total Asset	1,574.8		1,644.7		1,566.2	

The Company’s investment portfolio, dominated by investments in shares, continued to form a significant portion of its asset base, representing 98.0% of total assets as of Dec’23 and 98.5% as of Sep’24. The portfolio grew during CY23 to PKR 1,612.8m by end Dec’23 (Dec’22: PKR 1,471.4m), marking a 9.6% increase. The portfolio, however, marginally declined to PKR 1,543.9 million by Sep’24 resulting from revaluation deficit on quoted shares of related parties and the sale of some listed shares.

The portfolio remained concentrated in equity investments, with listed shares and quoted shares of related parties constituting the majority of the investments. By Sep’24, listed shares accounted for 55.6% (Dec’23: 55.2%; Dec’22: 53.9%) of the portfolio. Quoted shares of related parties made up 38.8% (Dec’23: 39.6%; Dec’22: 42.3%) of the portfolio in Sep’24.

In the fixed-income category, CYAN maintained a small allocation to Pakistan Investment Bonds (PIBs) and term deposits, which comprised 2.8% and 0.2% of the portfolio, respectively, as of Dec’23. These allocations remained largely unchanged as of Sep’24. While the investments in fixed-income instruments provide some stability in earnings, their overall contribution to the portfolio’s performance remains minimal.

The investment portfolio continues to face elevated market risk due to a high concentration in both specific sectors and individual stocks.

The portfolio remained subject to concentration risks. As of Dec’23, United Bank Limited (UBL) represented approximately 50%, while Systems Limited (SYS) accounted for around 36% of the total investment in the listed shares. Sector-wise, the portfolio was concentrated in commercial banking, which constituted 51% of the total listed shares, with technology making up 36%. The Company also has some exposure to the oil and gas exploration companies. This concentration highlighted the Company’s focus on a limited number of sectors.

By Sep’24, the concentration risks persisted, although there were some shifts in holdings. UBL’s share in the listed portfolio decreased to 40%, while Oil and Gas Development Company (OGDC) and Pakistan Petroleum Limited (PPL) saw an increase in their proportions to 20% and 16%, respectively. Meanwhile, the Company reduced its exposure to Systems Limited and added Highnoon Laboratories Limited, Fauji Fertilizer Bin Qasim

Limited, and K-Electric Limited to its investment portfolio. Sector-wise, the portfolio was concentrated in commercial banking at 40% and oil and gas exploration at 35%, reflecting the continued exposure to these key sectors.

Profitability improvement driven by strong investment performance amid market recovery and cost control, though limited revenue diversification remains a challenge

P&L (Extract) (PKR Mn)	CY22	CY23	9MCY24
Return on Investments	153.9	135.1	83.6
- Dividend Income	147.0	126.6	76.8
- Interest income on government securities	6.4	8.0	6.4
- Profit on term deposits receipt	0.5	0.5	0.4
Realized gain/ (Loss)	(127.7)	88.2	148.1
Unrealized gain/(Loss)	(371.4)	193.0	23.6
Other Income	1.5	2.5	1.5
Total Income/(Loss)	(343.7)	418.8	256.8
Operating Expenses (including finance cost)	(121.3)	(43.7)	(26.4)
Profit/(Loss) before tax	(464.9)	375.2	230.5
Profit/(Loss) after tax	(439.0)	324.6	205.9

In 2023, CYAN's profitability recovered significantly, primarily due to improvements in investment income and effective cost management. The Company recorded a total income of PKR 418.8m, a notable shift from the loss of PKR 343.7m in the previous year. CYAN's strategic focus on high-dividend yielding and growth stocks contributed to the improved investment returns, aligning with the broader market recovery in sectors such as banking and technology. For CY23, the Company outperformed the benchmark with a return of 65.41% compared to the KSE-100 index benchmark return of 54.50%.

In addition to higher revenue, general and administrative expenses decreased by 11% to PKR 36m in CY23 (CY22: PKR 51.4m). This reduction reflects ongoing efforts to streamline operations and improve cost efficiency. Financial charges also declined, further supporting improvement in the profitability. Consequently, CYAN moved from a net loss in CY22 to a profit after tax of PKR 324.6m. The Company's efficiency ratio strengthened in CY23 to 19.4% (CY22: 373.0%; CY21: 32.4%), indicating a lower proportion of recurring expenses relative to recurring income.

During 9MCY24, CYAN reported further improvement in profitability, driven by strong returns from its investment portfolio. The Company's portfolio achieved a return of 40%, supported by strategic investments in banking, energy, and technology, being above the benchmark's return of 37.5%. CYAN's focused portfolio provided stable income, particularly through its primary holding in United Bank Limited (UBL), which performed well. UBL's investment in fixed-rate instruments, amid declining interest rates, enhanced returns. Additionally, investments in OGDC and PPL in the energy sector benefitted from increased gas prices.

General and administrative expenses remained controlled during 9MCY24, contributing to the overall profitability. CYAN's cost management and strategic sector allocation helped maintain positive cash flow. The Company reported a profit after tax of PKR 205.9m with an improved efficiency ratio, standing at 11.3%.

The rating continues to be constrained by the lack of diversification in revenue streams, as advisory income from related parties has remained minimal. While CYAN has achieved positive results, navigating market volatility and economic shifts will be key to sustaining its profitability.

Future Outlook

Looking ahead, CYAN's management plans to maintain its current investment strategy, focusing on high-dividend yielding and growth stocks in the banking, oil & gas exploration, and technology sectors. With continued structural reforms and anticipated declines in interest rates, there is potential for improved business conditions and equity market performance. While these sectors are expected to perform well, the portfolio remains vulnerable to market volatility and sector-specific risks. Any significant shifts in market conditions or economic policy could affect the portfolio's performance, especially given the limited diversification across asset classes.

Sound liquidity and capitalization profiles:

Liquidity and Capitalization (PKR Mn)	CY22	CY23	9MCY24
Equity (excluding revaluation surplus)	697.8	1,022.4	982.0
Short term borrowings	255.7	-	-
Total Liabilities	343.3	105.6	104.4
Gearing (x)	0.37	0.00	0.00
Leverage (x)	0.49	0.10	0.11
ROAA	-20.4%	20.2%	17.1%*
ROAE	-42.2%	37.7%	27.4%*
Liquid Asset to Total Liabilities (x)	2.47	8.82	8.63

*Annualized

CYAN's liquidity and capitalization profile remained sound throughout CY23 and 9MCY24. The Company maintained a conservative financial approach, which contributed to favorable liquidity and capitalization metrics over the review period.

Liquid assets to total liabilities increased significantly in CY23, reaching 8.82x (CY22: 2.47x). This improvement was primarily driven by a reduction in total liabilities. This strengthened liquidity position provided the Company with a strong buffer to cover short-term obligations. In 9MCY24, the ratio remained healthy at 8.63x, reflecting continued stability.

By the end of Dec'23, the equity base (excluding revaluation) increased to PKR 1,022.4m (Dec'22: PKR 697.8m). This rise was supported by the Company's profitability rebound,

which allowed for retained earnings to boost the equity level. However, in 9MCY24, equity slightly declined to PKR 982.0m, largely due to revaluation deficit on quoted shares of related parties and interim dividend payouts.

Leverage and gearing indicators have remained at comfortable levels over time, reflecting CYAN's cautious approach to debt and financial management. Leverage dropped to 0.10x (CY22: 0.49x) in CY23, and remained low at 0.11x by end 9MCY24. Similarly, with no debt on the statement of financial position, the gearing ratio stands at 0.00x in both 9MCY24 and CY23 (CY22: 0.37x). The repayment of PKR 255.7m in short-term borrowings during CY23 contributed to the overall reduction in financial risk, allowing the Company to operate with minimal reliance on external funding.

Going forward, CYAN's liquidity and capitalization profiles are expected to remain stable, provided the Company maintains its conservative financial strategy. The absence of debt and strong equity levels place CYAN in a favorable position to navigate market fluctuations. However, careful management of liabilities and sustained profitability will be important for preserving this sound financial position amidst evolving economic conditions.

Cyan Limited
Appendix I

FINANCIAL SUMMARY				
	(Amounts in PKR millions)			
BALANCE SHEET	31-Dec-21	31-Dec-22	31-Dec-23	30-Sep-24
Cash and Bank Balances	0.2	0.4	4.1	3.0
Short-term Investments	2,586.1	846.8	927.9	897.6
Long-term Investments	46.2	622.7	684.9	646.3
Total Investments	2,632.3	1,469.5	1,612.8	1,543.9
Total Assets	2,730.3	1,574.8	1,644.7	1,566.2
Lease Liabilities	31.2	0.0	0.0	0.0
Short-Term Borrowings	671.4	255.7	0.0	0.0
Total Liabilities	847.1	343.3	105.6	104.4
Paid-up Capital	615.6	615.6	615.6	615.6
Equity (excluding re-measurement & surplus)	1,383.0	697.8	1,022.4	982.0
INCOME STATEMENT				
	CY21	CY22	CY23	9MCY24
Revenue from Operations	661.0	26.3	223.3	231.7
Operating Expenses (including finance cost)	218.4	121.3	43.7	26.4
Profit Before Tax	217.4	-464.9	375.2	230.5
Profit After Tax	203.9	-439.0	324.6	205.9
RATIO ANALYSIS				
	CY21	CY22	CY23	9MCY24
Efficiency (%)	32.4%	373.0%	19.4%	11.3%
Gearing (x)	0.49	0.37	0.00	0.00
Leverage (x)	0.61	0.49	0.10	0.11
Current Ratio (x)	3.24	2.50	8.86	8.67
ROAA (%)	6.5%	-20.4%	20.2%	17.1%*
ROAE (%)	11.5%	-42.2%	37.7%	27.4%*
Liquid Assets to Total Liabilities (x)	3.05	2.47	8.82	8.63

*Annualized

REGULATORY DISCLOSURES				Appendix II	
Name of Rated Entity	Cyan Limited				
Sector	Inv. Banks / Inv. Cos. / Securities Cos.				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
	RATING TYPE: ENTITY				
	01/20/2025	A	A1	Stable	Reaffirmed
	01/24/2024	A	A1	Stable	Maintained
	11/14/2022	A	A1	Negative	Maintained
	11/11/2021	A	A1	Stable	Maintained
	01/1/2021	A	A1	Negative	Maintained
	12/31/2019	A	A1	Stable	Reaffirmed
	01/2/2019	A	A1	Stable	Reaffirmed
	12/27/2017	A	A1	Stable	Reaffirmed
	12/13/2016	A	A1	Stable	Reaffirmed
	10/6/2015	A	A1	Stable	Downgrade
05/16/2014	A+	A1	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.				
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2025 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.				
Due Diligence Meeting Conducted	Name		Designation		Date
	Mr. Mohammad Shamoan Chaudry		CEO		20 th Nov 24
	Mr. Muhammad Anas Karimi		CFO		