

CRESCENT STAR INSURANCE LIMITED

CORPORATE BRIEFING SESSION

BRIEF HISTORY

Crescent Star Insurance Limited (the Company/CSIL) was incorporated in Pakistan as a Public Limited Company in the year 1957 under the Companies Act, 1913 (now the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange and its registered office is situated at 2nd Floor, Nadir House, I. I. Chundrigar road, Karachi, Pakistan.

The Company is engaged in providing non-life general insurance services mainly in spheres of Fire and property damage, Marine, aviation and transport, Motor, Accident & health and Miscellaneous. The Company while having a paid up capital of PKR 1.076 billion which is nearly double the minimum required, also maintains an asset base of PKR.1.522 billion and equity of PKR.1.129 billion. Through its strategy of prudent underwriting and selection of business classes CSIL maintains a very low loss ratio which is one of the best in the industry. CSIL also has one of the best assets to liability ratio.

The Company maintains a breakup value of Rs.10.48/ share.

KEY FINANCIAL HIGHLIGHTS

(RUPEES IN MILLION)

	Sep 2022	Dec 2021	Dec 2020	Dec 2019	Dec 2018	Dec 2017	Dec 2016	Dec 2015	Dec 2014	Dec 2013
Gross Premium	123.13	91.61	105.07	115.99	114.62	113.28	190.29	265.77	237.05	84.93
Net Premium	79.77	95.59	112.64	110.85	111.27	109.61	206.35	236.91	136.25	55.77
Paid-up Capital	1,076.95	1,076.95	1,076.95	1076.95	1,076.95	826.83	826.83	620.13	620.13	121.00
Reserve & Retained Earnings	251.55	201.30	152.00	96.81	49.86	112.43	37.16	13.60	(68.08)	(55.89)
Discount on Issue of Right Shares	(199.65)	(199.65)	(199.65)	(199.65)	(199.65)	(199.65)	(199.65)	(199.65)	(199.65)	-
Investments	255.99	247.52	241.78	167.16	165.58	241.15	188.47	78.06	270.00	14.68
Underwriting Provisions	151.29	109.44	107.91	114.61	109.01	123.76	143.20	185.98	159.55	61.31
Total Assets	1,521.85	1,404.57	1,333.07	1,254.77	1,179.59	1,243.01	1,009.12	838.22	574.84	164.82
Profit Before Tax	68.55	51.88	66.16	63.58	(49.24)	40.02	25.62	89.86	(34.47)	2.07
Profit After Tax	50.00	46.84	54.58	49.13	(63.10)	73.17	23.56	81.68	(35.83)	1.47
Return on Total Assets-%	3.29	3.34	4.09	3.92	(5.35)	5.89	2.33	9.74	(6.23)	0.89
Return on Shareholders' Equity-%	4.43	4.34	5.30	5.04	(6.81)	9.89	3.55	18.82	(10.17)	1.65
Break-up Value per Share	10.48	10.02	9.56	9.05	8.61	8.94	8.03	8.32	5.68	7.33
Earnings per Share in Rupees	0.46	0.43	0.51	0.46	(0.60)	0.88	0.30	1.33	(0.70)	0.10
Market Value of Share	2.05	2.82	2.82	2.15	1.71	4.09	10.52	12.99	4.69	7.80
P/E Ratio	4.42	6.48	5.56	4.67	(2.86)	4.65	35.07	9.77	(6.70)	78.00

INDUSTRY COMPARISON

INSURANCE COMPANIES	CSIL	ASIA	EASTWEST	PREMIER	SHAHEEN	TPL
For the Year =====>	2021	2021	2021	2021	2021	2021
Net working capital (Rs.)	856 M	664 M	702 M	(137) M	16 M	991 M
Current Ratio	4.01	2.46	1.48	0.93	1.05	1.68
Total assets/ net worth	1.3	1.97	2.62	2.97	1.59	3.13

EXPENSES						
Claim Expense	10.28%	28.10%	41.91%	99.75%	23.73%	-46.39%
Management Expense	84.18%	49.18%	17.70%	71.73%	78.06%	-39.42%
Commission Expense	4.62%	21.06%	22.57%	3.41%	19.54%	-9.24%
Total Expense Ratio	99.08%	98.34%	82.18%	174.89%	121.33%	-95.05%

INSURANCE COMPANIES	ASKARI	ATLAS	SGI	UBL	IGI	ALFALAH	ALPHA	CENTURY	HABIB	RELIANCE
For the Year =====>	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
Net working capital (Rs.)	772 B	(237) M	3 M	1.89 B	1.34 B	340 M	91 M	821 M	1.02 B	401 M
Current Ratio	1.36	0.92	1	1.8	1.25	1.16	1.31	1.87	1.67	1.87
Total assets/ net worth	2.71	2.23	1.57	3.27	4.59	2.74	1.51	1.7	3.34	1.76

EXPENSES										
Claim Ratio	63.37%	33.99%	12.97%	53.47%	55.13%	50.59%	25.53%	50.11%	47.17%	21.17%
Management Expense	29.96%	33.76%	39.61%	31.32%	31.29%	20.98%	82.56%	35.82%	61.83%	50.18%
Commission Expense	-2.25%	-9.96%	5.15%	10.70%	2.16%	21.86%	24.96%	-9.03%	-5.45%	18.14%
Total Expense Ratio	91.08%	57.79%	57.73%	95.49%	88.58%	93.43%	133.05%	76.90%	103.55%	89.49%

** Source: IAP- Insurance Year Book 2021-22

OVERVIEW OF COMPANY'S INVESTMENT PORTFOLIO

The Company has a vibrant investment portfolio with steel and foods being the major components.

Dost Steel Limited (DSL)

The Company made an equity investment of PKR 421 million in 2016 in Dost Steel Limited, a state of art re-rolling plant situated in Punjab. As valued by independent valuers the market asset value of DSL in 2019 was PKR 5 billion which currently translates to PKR 6 billion based on the current dollar rupee parity. This equity investment was made against shareholders agreement whereby the Company was to be issued 93.7 million shares representing 29.7%. It was also agreed that CSIL will have 60% nomination on the board of DSL as well as Mr. Naim Anwar to be Chairman of the Board. Unfortunately CSIL received only 15 million shares against 93.7 million. The Company since then have been pursuing with the sponsors to issue the balance shares. However the sponsors have been refusing to issue the balance shares. In order to protect the Company's interest, CSIL has taken the following steps:

1. The Company has initiated legal proceeding in the Lahore High Court for issuance of the balance shares as well as recovery of the markup charged by CSIL on the advance given to DSL. The hearing of the case is in progress and the Company expects a favorable decision in its favor. Resultantly CSIL will have majority say in the affairs of DSL.
2. DSL management has passed in EOGM to issue shares otherwise than right to a potential new investor which CSIL has opposed on the ground that shares to new investor cannot be issued without first issuing to CSIL for its investment in DSL. We are pleased to state that SECP has upheld our objection that shares to new investor cannot be issued without first issuing shares to CSIL.

Crescent Star Foods (Private) Limited (CSF)

The Company's subsidiary Crescent Star Foods (Private) Limited is in the process of merger with and into PICIC Insurance Limited which will effectively make CSF a listed Company. Unfortunately the merger process has been extraordinarily delayed. The petition for sanction of the Scheme of Arrangement could not be heard by the Honorable Court due to Covid and the board being discharged on several occasions due to the high number of cases before the Bench.

After the merger the surviving entity PICIC Insurance Limited plans to become a FMCG Company. The business plan envisages opening up of 100 restaurants. Listing of the Company will open other avenues of investment as well and the sponsors have prepared a detailed business plan which will be shared with the shareholders once the merger is sanctioned by the Court. The Company expects to benefit from the allocation of swap shares which will be considered as investment in securities.

FUTURE OUTLOOK OF THE COMPANY

The Company is threading on sound footing with prudent underwriting and low claim ratio. We expect growth in the premium amounts due to:

- i. Devaluation of the rupee, the value of insurable assets have increased
- ii. Growing realization of the importance of having insurance.

Further the allocation of swap shares (PICIC merger) to the Company will open new venues of investment for the Company.

The Company has successfully diversified its underwriting to fields where banks are not involved due to unfair practices of bank enlistment and limits denying the fundamental right of doing business which is unlawful under Insurance Ordinance and Competition Act. The Company has captured a significant business in non-bank related underwriting. The future of the Company is bright and we expect to grow further after the matters of DSL and CSF PICIC merger goes through.