



Dawood Hercules Corporation Limited (DHCL)

PKR mln

BALANCE SHEET	31-Mar-18	31-Dec-17	31-Dec-16	30-Dec-16	30-Dec-15
	3M	Annual	Annual	Annual	Annual
Non-Current Assets	150	157	126	126	133
Investments (Incl. associates)	47,530	39,147	37,478	37,478	37,574
Equity	23,309	37,478	37,478	37,478	37,574
Others	24,221	1,669	-	-	-
Advance against Investment	-	-	-	-	-
Current Assets	621	297	347	347	1,164
Inventory	-	-	-	-	-
Trade Receivables	-	-	-	-	-
Others	621	297	347	347	1,164
Total Assets	48,301	39,601	37,950	37,950	38,871
Debt	11,082	6,381	6,758	6,758	4,424
Short-term	-	1,242	2,869	2,869	432
Long-term (Incl. Current Maturity of long-term debt)	11,082	5,140	3,889	3,889	3,993
Other short-term liabilities	600	450	351	351	651
Other Long-term Liabilities	4	4	2	2	-
Shareholder's Equity	36,614	32,766	30,839	30,839	33,795
Total Liabilities & Equity	48,301	39,601	37,950	37,950	38,871
INCOME STATEMENT					
Turnover	1,365	5,779	2,336	7,422	21,932
Gross Profit	1,230	5,287	2,134	6,675	20,642
Other Income	1	2	3	12	284
Financial Charges	(85)	(493)	(138)	(393)	(219)
Net Income	975	3,852	1,870	5,470	20,194
Cashflow Statement					
Free Cashflow from Operations (FCFO)	460	4,589	4,735	5,873	20,264
Net Cash changes in Working Capital	-	(111)	(1,028)	(152)	84
Net Cash from Operating Activities	302	3,980	(208)	5,328	20,194
Net Cash from Investing Activities	18,138	(1,729)	8	(9)	(16,797)
Net Cash from Financing Activities	5,942	(681)	(2,572)	(6,041)	(2,138)
Ratio Analysis					
Performance					
Turnover Growth	-16.8%	-22.1%	-100.0%	45.9%	71.6%
Gross Margin	81.9%	91.5%	91.4%	89.9%	94.1%
Net Margin	593.1%	66.7%	80.0%	73.7%	92.1%
ROE	97.2%	11.6%	17.3%	17.3%	58.8%
Capital Structure (Total Debt/Total Debt+Equity)	23.2%	16.3%	18.0%	18.0%	11.6%



DEBT INSTRUMENT RATING SCALE & DEFINITIONS

The instrument rating reflects forward-looking opinion on credit worthiness of underlying debt instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

LONG TERM RATINGS		SHORT TERM RATINGS	
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments.	<p>A1+: The highest capacity for timely repayment.</p> <p>A1: A strong capacity for timely repayment.</p> <p>A2: A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.</p> <p>A3: An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.</p> <p>B: The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.</p> <p>C: An inadequate capacity to ensure timely repayment.</p>	
AA+ AA AA-	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.		
A+ A A-	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.		
BBB+ BBB BBB-	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.		
BB+ BB BB-	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.		
B+ B B-	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.		
CCC CC C	Very high credit risk. Substantial credit risk “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.		
D	Obligations are currently in default.		

<p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.</p>	<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating Watch may accompany Outlook of the respective opinion.</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information</p>
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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

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- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

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- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
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- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
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- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

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- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) PACRA’s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA’s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA’s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(f-VII)

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