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Applicable Criteria

- Methodology | Corporate Ratings | Jun-20
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale | Jun-20
- Criteria | Rating Modifier | Jun-20

Related Research

- Sector Study | Trucks & Buses | Dec-19

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PACRA Maintains Entity Ratings of Ghandhara Industries Limited

Rating Type	Entity	
	Current (05-Nov-20)	Previous (13-Dec-19)
Action	Maintain	Downgrade
Long Term	A	A
Short Term	A1	A1
Outlook	Stable	Stable
Rating Watch	-	-

Ghandhara Industries Limited (GIL) operates in pickups, trucks & buses segment of the automobile sector. The strength of the company is its alliance with ISUZU – a leading Japanese brand in the country's trucks & buses segment. ISUZU has enabled the company to build a strong fortress in the competitive industry of Pakistan. Covid19 and associated lockdown has worsened the existing economic slowdown which has hampered the overall demand, impacting the business volumes of the company. Yet, the company has managed to restrict its top-line loss to 15% in FY20. Rising interest rates till Mar20 resulted in significant increase of finance cost which suppressed the company's profitability for the period under review. There has been a considerable reduction in policy rate and this will enhance the profitability of the company in near future. Over the years, the company has improved its ranking and share in the market, however, sustainability of the same is important. It is crucial to sustain the position while managing the rising competition. The group has built synergies between the two companies operating in the same sector. The sponsoring group upholds good corporate governance standards. Their business acumen is further enriched by the group's stake in the country's leading tyre manufacturing company. During the period under review, stretch in working capital and increased borrowings along with the rising finance cost have diluted the financial strength of the company. The working capital is supported by short term borrowings.

The ratings are dependent on upholding of the company's business as well as financial risk profile. Improvement in margins and intact coverages are imperative. Key element is company's stance on working capital management. Moreover, management's ability to sustain its market share during the demand crunch is crucial.

About the Entity

Ghandhara Industries Limited (GIL), incorporated in 1963, is primarily engaged in the assembly, body fabrication and sale of ISUZU buses and trucks in Pakistan and has a total capacity of 7,200 units per annum on a single shift. The company is quoted on the Pakistan Stock Exchange and has been accredited amongst the Forbes list of 'Asia's Top Two Hundred companies under a Billion' in FY16 and FY17. The group was founded by Gen. Habibullah Khattak in 1960 and has interests in various industrial sectors including Textile, Auto, Tyres & Rubber, Insurance and Construction. The board comprises seven members; four represent the sponsoring family. Mr. Ahmad Kuli Khan Khattak serves as the CEO whereas the day to day activities of the company are overseen and monitored by the Deputy Chief Executive (DCE) Mr. Muhammad Kuli Khan Khattak, son of the CEO. GIL has an experienced management, which has been associated with the company for a long time.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.