

Date

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Applicable Criteria

- Methodology | Corporate Rating | Jul-23
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jul-23
- Methodology | Rating Modifiers | Apr-23

Related Research

- Sector Study | Trucks & Buses | Dec-22

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PACRA Maintains Entity Ratings of Ghandhara Industries Limited

Rating Type	Entity	
	Current (20-Oct-23)	Previous (21-Oct-22)
Action	Maintain	Maintain
Long Term	A+	A+
Short Term	A1	A1
Outlook	Stable	Stable
Rating Watch	-	-

Ghandhara Industries Limited ('GIL' or 'the Company') is one of the prominent automobiles entity in its niche of trucks & buses. The primary business activities of the Company include; assembling & marketing of trucks (LDTs, MDTs & HDTs), buses, D-MAX pickups, and body fabrication services. GIL's core strength can be defined by its alliance with ISUZU – a leading Japanese brand in the trucks & buses sector. ISUZU has enabled the Company to build a strong fortress in the competitive industry of Pakistan. The level of localization in the trucks and buses segment is relatively low when compared to other sectors operating in Pakistan. During FY23, the growth in trucks and buses industry of Pakistan remained historically laggard, as it is directly related to economic activities. Local truck manufacturing experienced a massive decline in FY23 as it fell by ~45.15% YoY; while total bus manufacturing declined by ~6.03% compared to same period last year, mainly due to import restrictions imposed on auto and allied sector while opening of LCs on back of depletion of FX reserves. The sectoral performance remained uncertain and also kept the margins under pressure owing to macroeconomic challenges, thereby affected the overall cost of doing business. Consequently, GIL reflected the same in its topline and recorded negative growth of ~40% at end Jun'23. The Company's net profitability matrix deteriorated explicitly due to lower sales volume and ramped up finance cost during review period. In future, the Company intends to cover against principal risks and uncertainties by securing undisrupted supply of CKDs and expanding its customer base to ensure targeted growth in sales volumes and profits. Generally, GIL's strategy to cover from customers' advances has proved to be beneficial as business relies less on borrowed capital to fuel growth and other initiatives. The cash flows of GIL from its operations are considered adequate; showing reasonable level of coverages. Over the years, the Company has been able to sustain its edge in the domestic automotive market while managing uprising competition and secured high share. The sponsoring group has successfully built synergies between the associated concerns operating in the auto & allied sector of Pakistan. Besides, it upholds good corporate governance standards. Their business acumen is enriched by the group's stake in the country's tyre manufacturing company as well. Financial risk profile is signified by finer working capital cycle and leveraged capital structure (majorly comprised of short-term borrowings). The ratings are dependent on upholding of the Company's business as well as financial risk profile amid unfavorable macroeconomic conditions. Improvement in margins and intact coverages shall remain imperative. Key element is management's ability to strategies sustenance of market share during the demand crunch is quite crucial.

About the Entity

Ghandhara Industries Limited, incorporated in 1963, is engaged in the assembly and sale of ISUZU trucks & buses, followed by body fabrication services. It has a total capacity of around 4,800 units per annum on a single shift basis for trucks and buses. The group was founded by Gen. Habibullah Khattak in 1960 and has vested interests in multiple sectors including Textile, Auto, Tyres & Rubber, Insurance & Construction.

The board is comprised of seven members; four represent the sponsoring family. Mr. Ahmad Kuli Khan Khattak serves as the CEO whereas day-to-day business activities are monitored by the Deputy Chief Executive (DCE), Mr. Muhammad Kuli Khan Khattak (son of CEO). The Company holds on to an experienced management team which has been associated for a long period of 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.