



The Pakistan Credit Rating Agency Limited

Rating Report

Ghani Global Glass Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
23-Nov-2022	BBB+	A2	Positive	Maintain	-
23-Nov-2021	BBB+	A2	Positive	Initial	-

Rating Rationale and Key Rating Drivers

Ghani Global Group has diversified businesses, managed through a holding company named Ghani Global Holding Limited (GGHL). One of its subsidiaries is Ghani Chemical Industries Limited (GCIL) which is the largest producer of industrial and medical gases in Pakistan. In 2004, the holding company started another business venture and formed Ghani Global Glass Limited (GGGL) for the manufacturing & sale of Glass tubes, Ampoules & Vials serving the needs of the pharmaceutical segment. As stated by the management of the Company, GGGL is the only manufacturer of Glass Tubes in Pakistan, having state of Art European technology and creating value through import substitution. The current national market of glass tubes stands at approx. ~7,586 tonnes per annum, approximately 45%-50% of the demand is being met through imports (~25% Germany & ~ 30% China) and the rest of 50% is contributed by GGGL. The Company is aiming to increase its market share in the Chinese as well as European tubes segment. In the recent period under review, the annual furnace capacity was enhanced to 22TPD from 20TPD with an achievable glass tube production capacity of 18TPD from 15TPD. and the commencement of production from the new furnace, which also now enabled GGGL to explore export markets. The Company has also a presence in the value-added segment of Glass Tubes and converts them into Ampules, and Vials. The Company was able to capture a reasonable (~16%) market share in this segment. The current actual ampule converter capacity was ~30 million per annum. However, the Company faces immense competition in this particular tube conversion segment from organized and unorganized players. The operations of the Company are benefited from a sound system of internal controls implemented across the organization. The Company has availed ITERF facility for its production capacity expansion. Going forward the Company is expected to receive benefits from (a) rising demand for locally manufactured Glass Tubes (b) imposition of regulatory duties on Imports of Glass Tubes (c) export potential of the product (d) rationalized leverage policy. The financial profile of the Company is considered strong with comfortable coverages, cashflows, and working capital cycle. Capital structure is leveraged comprising a mix of short-term and long-term (ITERF) for capacity expansion projects.

The ratings are dependent on upheld sustainable profits and market share while retaining sufficient cash flows and coverages. However, adherence to maintaining its debt metrics at an adequate level is a prerequisite

Disclosure

Name of Rated Entity	Ghani Global Glass Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Corporate Rating(Jun-22),Methodology Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology Rating Modifiers(Jun-22)
Related Research	Sector Study Glass(Dec-21)
Rating Analysts	Sohail Ahmed Qureshi sohail.ahmed@pacra.com +92-42-35869504

Profile

Legal Structure Ghani Global Glass Limited (GGGL) is a public listed concern incorporated in 2007.

Background Ghani Global Glass Limited (GGGL) is a public listed concern incorporated in 2007.

Operations The Company is principally engaged in the manufacturing and sale of glass tubes, glassware, vials and ampules, and chemicals. The Company commenced its commercial operations with effect on April 01, 2016.

Ownership

Ownership Structure The majority stake in Ghani Global Glass Limited (~50%) is presently held by the Group holding company, Ghani Global Holdings Limited, which is majorly owned by the Ghani Family (~52%). The remaining shareholding lies with financial institutions, and the general public.

Stability The recent restructuring undertaken by the Ghani Group has resulted in the transition of Ghani Gases Limited – formerly a manufacturing entity – into the Group holding company, Ghani Global Holdings Limited.

Business Acumen The sponsors have over five decades of entrepreneurial experience in vastly diversified sectors including industrial gases, engineering, mining, glass, real estate, automobiles, and food.

Financial Strength The Ghani Group, which includes Ghani Global Holdings Limited, Ghani Global Glass Limited, and Ghani Chemical Industries Limited, had total equity of ~PKR 3.7bn on end-June 22. The Group has the adequate financial muscle and has shown a willingness and ability to support the Company in the past.

Governance

Board Structure The oversight of the Company lies with a seven-member Board of Directors, chaired by Mr. Atique Ahmad Khan. The remaining Board comprises two members of the sponsoring family including the CEO.

Members' Profile Mr. Masroor Ahmad Khan – Chief Executive Officer – has been associated with the family business since 1985. With over 38 years of experience, he holds managerial and directorial positions in various Group companies. Most Directors have been associated with the Board since the inception of the Company and have extensive experience in diversified sectors.

Board Effectiveness Board meetings of the Company are held quarterly in compliance with the code of corporate governance.

Financial Transparency M/s, Crowe Hussain Chaudhury & Co. Chartered Accountants is the newly appointed external auditor of the Company gave an unqualified opinion on the Company's financial statements for the year ended June 30, 2022. The auditor is QCR listed and also appears on the State Bank of Pakistan's panel of auditors.

Management

Organizational Structure The Company's overall operations are segregated into six broad functional divisions with divisional heads reporting directly to the CEO.

Management Team Mr. Masroor Ahmad Khan holds the office of CEO. The Company's management team comprises qualified and experienced professionals with a diversified range of skills related to the Glass ware industry and other sectors.

Effectiveness Ghani Global Glass Limited maintains adequate IT infrastructure and related controls with the regular presentation of reports to senior management. Management committees are in place to attend to relevant matters with documentation of minutes.

MIS The Company has deployed an Oracle ERP solution which has resulted in the quality enhancement of its reporting system.

Control Environment MIS reports are presented regularly to the senior management. These mainly include i) Management Information Report - highlighting production dispatch and inventory levels of gases, ii) Target Analysis Reports - explaining budgeted and actual sales and production, and iii) Collection Analysis Report - highlighting outstanding debts and their collection from various customers. The Company has implemented the Oracle technology network into its database. This ensures the timely availability of information for efficient decision-making.

Business Risk

Industry Dynamics Pakistan's Glass industry has seen a significant demand owing Government's focus on the construction industry. The monetary relief provided by SBP uplifted the bearish economic environment during the pandemic. Owing to the amnesty schemes and special tax incentives announced by the Government the housing and construction sector picked up the pace and CPEC-related activities gained momentum.

Relative Position Ghani Global Glass deals in the manufacturing and sales of Glass Tubes, Ampoules, and Vials serving the need of the pharmaceutical segment. As per the management representation, Ghani Global is the only local manufacturer of tubes, with the remaining demand being met through imports, and occupies a market share of ~54% in this subsegment. In the ampoules sub-segment, there is significant competition with Ghani Global accounting for ~16% of ampoules supply. Other large manufacturers of ampoules include pharmaceutical companies meeting their own requirements such as Sami, Bosch, and Indus as well as commercial producers such as Friends Glass and Techno Glass. Previously, Ghani's total furnace capacity stands at ~20 Tons per day. With the installation of the new furnace, the total manufacturing capacity increased to ~22 Tons per day.

Revenues The Company's topline is led by Pharmaceuticals and Industrial needs. In FY22, net sales of the company recorded at ~1,505mln, (FY21: ~1,398mln, FY20: ~1,297mln).

Margins Company posted a ~27.9% gross margin as of FY22 (FY21: ~30.3%, FY20: ~22.1). Net margins of the company clocked at ~13.2% as at FY22 (FY21: ~9.5%, FY20: ~3.1%).

Sustainability The impact of expansion on revenue and gross margins is yet to be materialized. Further, many new contracts are in pipeline which will improve the financial position of the company.

Financial Risk

Working Capital The company's working capital requirements emanate from its need to finance its inventory of materials and offer credit periods to its customers. The Company's net cash cycle remained 157 days in FY22 (FY21: 134 days, FY20:128 days). As, inventory days reached 110 days in FY22 (FY21: ~87days, FY20: ~76days). The current ratio of the company has improved and reached ~6.9x in FY22 (FY21~6.1x, FY20: ~6.3x).

Coverages In FY22 the company's Free cashflows were PKR ~343mln (FY21: ~306mln). While interest coverage reached to ~1.6x in FY22(FY21: ~1.0, FY20: ~1.1).

Capitalization During FY22, leveraging increased and stood at 40.16% (FY21: 22.4%, FY20:40.1%). Meanwhile, short-term borrowings increased to 34.4% in FY22. (FY21: ~18.5%, FY20: 56.7%) as short-term borrowings increased to PKR 534mln in FY22 (FY21: PKR 121mln).



The Pakistan Credit Rating Agency Limited

Ghani Global Glass Limited GLASS	Jun-22 12M	Jun-21 12M	Jun-20 12M
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A BALANCE SHEET

1 Non-Current Assets	2,627	1,812	1,519
2 Investments	-	-	-
3 Related Party Exposure	-	-	22
4 Current Assets	1,460	1,333	894
a Inventories	515	391	277
b Trade Receivables	295	277	255
5 Total Assets	4,087	3,145	2,435
6 Current Liabilities	211	218	142
a Trade Payables	65	121	51
7 Borrowings	1,152	654	919
8 Related Party Exposure	402	-	-
9 Non-Current Liabilities	0	1	1
10 Net Assets	2,322	2,272	1,372
11 Shareholders' Equity	2,322	2,272	1,372

B INCOME STATEMENT

1 Sales	1,505	1,398	1,297
a Cost of Good Sold	(1,085)	(974)	(1,010)
2 Gross Profit	420	424	287
a Operating Expenses	(104)	(145)	(99)
3 Operating Profit	316	279	188
a Non Operating Income or (Expense)	2	(13)	(6)
4 Profit or (Loss) before Interest and Tax	318	266	182
a Total Finance Cost	(81)	(110)	(142)
b Taxation	(39)	(23)	-
6 Net Income Or (Loss)	198	133	40

C CASH FLOW STATEMENT

a Free Cash Flows from Operations (FCFO)	343	306	275
b Net Cash from Operating Activities before Working Capital	282	174	134
c Changes in Working Capital	152	(193)	(11)
1 Net Cash provided by Operating Activities	434	(19)	122
2 Net Cash (Used in) or Available From Investing Activities	(903)	(381)	(51)
3 Net Cash (Used in) or Available From Financing Activities	353	502	(67)
4 Net Cash generated or (Used) during the period	(117)	102	4

D RATIO ANALYSIS

1 Performance			
a Sales Growth (for the period)	7.6%	7.8%	63.8%
b Gross Profit Margin	27.9%	30.3%	22.1%
c Net Profit Margin	13.2%	9.5%	3.1%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital / Net Profit Margin)	32.9%	8.1%	20.3%
e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets / Total Equity)]	8.6%	7.3%	3.0%
2 Working Capital Management			
a Gross Working Capital (Average Days)	179	157	139
b Net Working Capital (Average Days)	157	134	128
c Current Ratio (Current Assets / Current Liabilities)	6.9	6.1	6.3
3 Coverages			
a EBITDA / Finance Cost	5.0	4.0	2.0
b FCFO / Finance Cost+CMLTB+Excess STB	1.6	1.0	1.1
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Fin Cost)	3.9	2.5	2.8
4 Capital Structure			
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	40.1%	22.4%	40.1%
b Interest or Markup Payable (Days)	0.0	0.0	92.6
c Entity Average Borrowing Rate	7.5%	11.9%	14.0%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or 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.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
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.
AA-	
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.
A-	
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.
BBB-	
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.
BB	
BB-	
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.
B-	
CCC	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.
CC	
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



**The correlation shown is indicative and, in certain cases, may not hold.*

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’.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. 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 rating outlook of the respective opinion.

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.

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.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):

<p>Entities</p> <ul style="list-style-type: none"> a) Broker Entity Rating b) Corporate Rating c) Financial Institution Rating d) Holding Company Rating e) Independent Power Producer Rating f) Microfinance Institution Rating g) Non-Banking Finance Companies (NBFCs) Rating 	<p>Instruments</p> <ul style="list-style-type: none"> a) Basel III Compliant Debt Instrument Rating b) Debt Instrument Rating c) Sukuk Rating
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Rating Team Statements

(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)

2) Conflict of Interest

i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)

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

Restrictions

(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)

(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)

(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)

(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).

(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)

(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)

(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)

(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity

(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)

(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)

(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)

(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)

(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)

Monitoring and review

(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)

(19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)

(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)

(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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