



The Pakistan Credit Rating Agency Limited

## Rating Report

### Ghani Global Holdings Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
22-Nov-2021	A-	A2	Positive	Initial	-

#### Rating Rationale and Key Rating Drivers

The ratings reflect Ghani Global Holding Limited's ('Ghani Global' or 'the Company') emerging presence as a Holding Company for the Ghani Global Group ('The Group'). The Company has made investments in glass and industrial and medical gases segments through its subsidiaries Ghani Global Glass Limited (Global Glass) and Ghani Chemical Industries Limited (Ghani Chemicals), respectively. Lately, the Company has signed JV agreement with Kilowatt Labs Inc. that holds prominent position in renewable solutions in the global market, for technological transfer and formation of Kilowatt Labs Technologies Limited. However, the business is at its initial stages. All projects are predominantly funded through equity. Moreover, the Company was able to materialize the envisaged strategies despite a slowdown in the economy due to Covid-19. Ghani Chemicals has capitalized growth as a result of its third round of expansion of 110TPD and rationalized price for medical and industrial gases. Moreover, the subsidiary plans to go for an IPO within FY22. Global Glass follows import substitution business model to cope with the enhanced pharma needs and supplies. The subsidiary has announced an expansion to enhance capacity and value addition to tap the increasing demand of market and for diversification. Moreover, Global Glass has issued right shares during FY21. These projects have stabilized, however, are yet to become dividend-yielding investments. Moreover, institutionalization of investment policies would be beneficial. The Company has a strong financial profile, represented by 100% equity base. The management intends to rely primarily on equity based funding sources as against debts for expansionary measures. Lately, the Company has issued right shares to increase its equity base.

The ratings are dependent on the management's ability to execute its envisaged strategy of growth and expansion. Timely materialization of these initiatives into profitable ventures is critical to the ratings. Strong performance of subsidiaries, initiation of dividend flow, and effective management of financial profile and liquidity remains important.

#### Disclosure

<b>Name of Rated Entity</b>	Ghani Global Holdings Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Entity Rating
<b>Applicable Criteria</b>	Methodology   Holding Company Rating(Jun-21),Criteria   Correlation Between Long-term & Short-term Rating Scales(Jun-21),Criteria   Rating Modifiers(Jun-21)
<b>Related Research</b>	Sector Study   Holding Company(Aug-21)
<b>Rating Analysts</b>	Faiqa Qamar   faiqa.qamar@pacra.com   +92-42-35869504



## Profile

**Background** Ghani Global Holdings Limited ('Ghani Global' or 'the Company') is a Public Listed Company. The Company was formerly known as Ghani Gases Limited. It was incorporated under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) in Nov-07 and was listed on PSX in Jan-10. The Company's name was changed from Ghani Gases Limited to Ghani Global Holdings Limited in Aug-19. The transition marked the separation of manufacturing facilities from the Company and the basic principle became to manage investments in subsidiaries and associated companies.

**Structural Analysis** The Company's investments currently comprise long-term investments only in its three subsidiaries i.e., Ghani Global Glass Limited ('Global Glass') ~50.1% stake, Ghani Chemical Industries Limited ('Ghani Chemicals') ~ 74.5% stake, and Kilowatt Labs Technologies Limited ('Kilowatt Labs') ~100% stake. Global Glass follows import substitution model and is primarily engaged in the manufacturing and sale of glass tubes, glass-ware, vials, ampules and chemicals. Ghani Chemicals is primarily engaged in manufacturing, sale and trading of medical & industrial gases and chemicals. Kilowatt Labs is yet to commence operations and will primarily manufacture, sell, import, export or otherwise deal in all types of super capacitors, long term energy solutions for electric vehicles, solar and UPS battery solutions.

## Ownership

**Ownership Structure** The Company's majority ownership lies with the sponsoring family. Brothers, Mr. Masroor Ahmad Khan (15%), Mr. Attique Ahmad Khan (14%), and Mr. Hafiz Farooq Ahmad (14%) own majority (43%) of the total shares. The remaining shareholding lies with the spouses of Directors (8%), and General Public (49%).

**Stability** The Company is majorly owned by the sponsoring family and second generation has been successfully inducted in the business. Thus, the ownership of the Company is seen as stable.

**Business Acumen** The sponsors have decades of experience in various sectors of the economy. Ghani Global Group ('the Group') has presence in the glass manufacturing, chemicals, industrial gases, mining and automobile industries. The Group has gained prominence over time and enjoys the highest market share in the country in the glass segment of the country through Global Glass.

**Financial Strength** The Group has adequate financial muscle and has shown willingness and ability to support the Company in past.

## Governance

**Board Structure** The Company's Board comprises of seven members, including one Executive Director, four non-Executive Directors, and two Independent Directors.

**Members' Profile** The Board is chaired by Mr. Masroor Ahmad Khan. He has more than 30 years of diversified experience in mining, glass, and industrial & medical gases manufacturing industries. Furthermore, Executive Director, Mr. Atique Ahmad Khan also has diversified experience of more than 27 years of Glass, textile, industrial and medical gases, and automobile sectors. He is also a qualified electrical and mechanical engineer.

**Board Effectiveness** There were seven Board meetings held during FY21, with majority attendance. The minutes of the meetings are adequately maintained. The Board is assisted by the presence of its two sub-committees, HR & Remuneration Committee and the Audit Committee. Both sub-committees are chaired by Independent Directors.

**Transparency** External auditors of the Company, ShineWing Hameed Chaudhri & Co., Chartered Accountants, issued an unqualified audit report for FY21. The firm is QCR rated and in category 'A' of SBP's panel of auditors.

## Management

**Organizational Structure** The Company has instituted a well-designed organisational structure to cater to its needs as a HoldCo. All Divisional Heads report to the Company's CEO, who reports to the Board. However, Head of Internal Audit and Human Resource report administratively to the CEO and functionally to the Board's Audit Committee, HR and Remuneration Committee, respectively.

**Management Team** Mr. Atique Ahmad Khan is the CEO and has been associated with the Company at the current position since inception. He carries over two decades of experience in glass, textile, industrial and medical gases, and automobile sectors. He is also a qualified electrical and mechanical engineer and is assisted by a team of experienced professionals. CFO, Mr. Asim Mehmud is an FCA and has almost decades of experience.

**Management Effectiveness** There are no management committees in place, currently. A formal review mechanism to monitor the performance of subsidiaries is expected to be implemented, going forward. An ERP system, (Oracle) has been set up at Group Level to efficiently manage the Company and its subsidiaries.

**Control Environment** The Company has set up an internal audit function along with the Board's Audit Committee to help implement the policies and procedures. The Company is yet to implement an investment policy and currently only has three long-term investments.

## Investment Strategy

**Investment Decision-Making** The Company's investment decisions are taken at the management level investment committee which includes CEO, two Directors, CFO, and GM Corporate.

**Investment Policy** The Company is yet to formulate formal investment policy. Currently, the Company holds three strategic investments in its subsidiaries.

**Investment Committee Effectiveness** The Company does not have any formal investment guidelines in place, however, management meetings are conducted on need-basis for making investment decisions of the Company.

## Business Risk

**Diversification** The Company's investment portfolio comprises three long-term investments in the glass segment (Global Glass), chemicals and industrial gases (Ghani Chemicals), and renewable energy segments (Kilowatt Labs). Total investments amount to ~ PKR 3.5bln as of FY21. The Company has limited diversification in its portfolio; as high concentration exists in glass segment (41% of total investment), and chemicals and industrial gases segment (59% of total investment) followed by minor investment in renewable energy segment (0.1% of total investment).

**Portfolio Assessment** The Company has invested in one listed subsidiary and two unlisted subsidiaries. The Company has an investment value of PKR 1,424mln in Global Glass. In FY21, the Company has increased its investment by PKR 701mln by subscribing to right shares. In FY21, Global Glass posted a topline of PKR 1.6bln, witnessing an increase of 9% (FY20: PKR 1.5bln). While, in Ghani Chemicals, the investment value currently stands at PKR 2,057mln. Ghani Chemicals posted topline of PKR 4.4bln in FY21, witnessing 86.5% increase compared to the preceding year (FY20: PKR 2.3bln.) The Company has a small investment value of 0.5mln in Kilowatt Labs, which is still in its initial gestation phase.

**Income Assessment** The Company's income comprises of profit on savings account and commission on corporate guarantees. The Company's total income stood at PKR 18mln during FY21, compared to PKR 13mln during FY20. The Company is yet to receive a consistent dividend stream or share of profits from its subsidiaries. The Company's bottom-line closed at a net loss of PKR 32mln during FY21 compared to a profit of PKR 0.65mln during the preceding year.

## Financial Risk

**Coverages** The coverages of the Company remain adequate owing to no financial charges and limited total cash flows.

**Capital Structure** The Company's capital structure comprises of equity only. The management intends to rely primarily on equity based funding sources as against debts for expansionary measures. During FY21, the Company issued right shares amounting to ~PKR 1bln resulting in an increase of total equity to ~PKR 3.8bln from ~PKR2.8bln in FY20.

**Consolidated Position** The Company, being the main holding company of the Group derives its financial strength from its subsidiaries and associated companies. The Consolidated asset base stood at PKR 9.8bln, equity base stood at PKR 5.8bln as of FY21. Furthermore, the Company generated consolidated topline of PKR 6bln and PAT of 792mln during FY21.



The Pakistan Credit Rating Agency Limited

Financial Summary  
PKR mln

Ghani Global Holdings Limited Holding Company	Jun-21 12M Audited	Mar-21 9M Management	Jun-20 12M Audited	Mar-20 9M Management	Jun-19 12M Audited
<b>A BALANCE SHEET</b>					
1 Investments	-	-	-	-	-
2 Related Party Investments	3,481	3,481	2,779	2,779	2,779
3 Non-Current Assets	0	0	0	0	0
4 Current Assets	295	284	3	19	2
<b>5 Total Assets</b>	<b>3,776</b>	<b>3,765</b>	<b>2,783</b>	<b>2,798</b>	<b>2,781</b>
6 Current Liabilities	16	2	2	30	2
7 Borrowings	-	-	-	-	-
8 Related Party Exposure	-	-	1	3	-
9 Non-Current Liabilities	-	-	-	-	-
<b>10 Net Assets</b>	<b>3,760</b>	<b>3,763</b>	<b>2,780</b>	<b>2,765</b>	<b>2,780</b>
<b>11 Shareholders' Equity</b>	<b>3,760</b>	<b>3,763</b>	<b>2,780</b>	<b>2,765</b>	<b>2,780</b>
<b>B INCOME STATEMENT</b>					
1 Total Investment Income	11	6	3	2	3
a Cost of Investments	-	-	-	-	-
<b>2 Net Investment Income</b>	<b>11</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>3</b>
a Other Income	-	-	-	-	-
b Operating Expenses	(36)	(35)	(2)	(1)	(2)
<b>4 Profit or (Loss) before Interest and Tax</b>	<b>(25)</b>	<b>(29)</b>	<b>1</b>	<b>1</b>	<b>0</b>
a Taxation	(7)	-	-	(16)	(0)
<b>6 Net Income Or (Loss)</b>	<b>(32)</b>	<b>(29)</b>	<b>1</b>	<b>(15)</b>	<b>0</b>
<b>C CASH FLOW STATEMENT</b>					
a Total Cash Flow	(32)	(29)	1	1	0
b Net Cash from Operating Activities before Working Capital Changes	(32)	(29)	1	1	0
c Changes in Working Capital	(128)	(4)	1	(1)	(0)
<b>1 Net Cash (Used in) or Available From Investing Activities</b>	<b>(160)</b>	<b>(33)</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>2 Net increase (decrease) in long term borrowings</b>	<b>(702)</b>	<b>(702)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3 Net Cash (Used in) or Available From Financing Activities</b>	<b>1,012</b>	<b>1,012</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4 Net Cash generated or (Used) during the period</b>	<b>150</b>	<b>277</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>D RATIO ANALYSIS</b>					
<b>1 Performance</b>					
a Asset Concentration (Market Value of Largest Investment / Market Value of	61.3%	54.0%	77.4%	83.3%	87.3%
b Core Investments / Market Value of Equity Investments	100.0%	100.0%	100.0%	100.0%	100.0%
c Marketable Investments / Total Investments at Market Value	0.0%	0.0%	0.0%	0.0%	0.0%
<b>2 Coverages</b>					
a TCF / Finance Cost	N/A	N/A	N/A	N/A	N/A
b TCF / Finance Cost + CMLTB	N/A	N/A	N/A	N/A	N/A
c Loan to Value (Funding / Market Value of Equity Investments )	0.0	0.0	0.0	0.0	0.0
<b>3 Capital Structure (Total Debt/Total Debt+Equity)</b>					
a Leveraging [Funding / (Funding + Shareholders' Equity)]	0.0%	0.0%	0.0%	0.0%	0.0%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	0.0%	0.0%	0.0%	0.0%	0.0%

**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	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	<b>Very high credit quality.</b> 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	<b>High credit quality.</b> 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	<b>Good credit quality.</b> 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+	<b>Moderate risk.</b> 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	<b>High credit risk.</b> 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	<b>Very high credit risk.</b> 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><b>Entities</b></p> <ul style="list-style-type: none"> <li>a) Broker Entity Rating</li> <li>b) Corporate Rating</li> <li>c) Financial Institution Rating</li> <li>d) Holding Company Rating</li> <li>e) Independent Power Producer Rating</li> <li>f) Microfinance Institution Rating</li> <li>g) Non-Banking Finance Companies (NBFCs) Rating</li> </ul>	<p><b>Instruments</b></p> <ul style="list-style-type: none"> <li>a) Basel III Compliant Debt Instrument Rating</li> <li>b) Debt Instrument Rating</li> <li>c) Sukuk Rating</li> </ul>
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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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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

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(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.

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

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(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

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(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)

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(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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