The Pakistan Credit Rating Agency Limited

Rating Report

Ghani Global Glass Limited

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
23-Nov-2023	BBB+	A2	Positive	Maintain	-
23-Nov-2022	BBB+	A2	Positive	Maintain	-
23-Nov-2021	BBB+	A2	Positive	Initial	-

Rating Rationale and Key Rating Drivers

Ghani Global Glass Limited (the “Company” or “GGGL”) is a subsidiary of Ghani Global Holding Limited (GGHL). The company is primarily engaged in the manufacturing and sales of glass tubes, ampoules, vials, and chemicals. GGGL is Pakistan’s first concern to mass-produce pharmaceutical-neutral tubing glass. The company has invested in state-of-the-art European technology furnaces & and equipment to provide the finest product and create value through import substitution. According to the management, the current national market of glass tubes stands at ~7,733 tons per annum, approximately ~49% of the demand is being met through imports (~30% Germany & ~19% China), and the rest of ~51% is contributed by GGGL. The Company is aiming to increase its market share in the Chinese as well as European tubes segment. New furnace with three production lines the annual production capacity of the company is ~18.5TPD. Apart from the new three-line furnace, the management of the Company has decided to do the BMR of the existing old furnace to enhance the capacity of Neutral Borosilicate Glass Tube USP Type I. With the help of this Furnace, the company will be in a position to enhance its exports in South African countries and other Latin American and Eastern European countries. Furthermore, the installation of six Modern Mechanique Italian ampoules forming during the year contributes to the company’s expansion efforts. During FY23, the company’s topline clocked in at ~PKR 2,071mln (FY22: ~PKR 1,505mln) reflecting a growth of 38%primarily due to an increase in prices while volumes remained stagnant. However, the notable rise in interest rates led to a significant increase in finance costs, resulting in the company’s net profit being constrained to ~PKR102mln (FY22: ~PKR 198mln). 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 (~6%) market share in this segment. The current actual ampule converter capacity was ~30 million per annum. However, the Company faces 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 TERF 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 (TERF) 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(Jul-23),Methodology | Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology | Rating Modifiers(Apr-23)
Related Research	Sector Study | Glass(Dec-22)
Rating Analysts	Sohail Ahmed Qureshi | sohail.ahmed@pacra.com | +92-42-35869504

Profile

Legal Structure Ghani Global Glass Limited (GGGL) is a publicly listed concern incorporated in 2007. The Company became listed on Pakistan Stock Exchange on December 12, 2014.

Background Ghani Global Glass Limited was incorporated in Pakistan as a private company on October 4, 2007, under Ghani Tableware (Private) Limited, under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The status of the Company was changed to an unlisted public Company; consequently, its name was changed to Ghani Tableware Ltd. on July 24, 2008. The name of the Company was further changed to Ghani Global Glass Ltd. on July 14, 2009. The Company was merged into Libas Textiles Ltd. (a listed company). The Company became listed on Pakistan Stock Exchange on December 12, 2014. The Company commenced its commercial operations w.e.f. April 1, 2016.

Operations The Company principally manufactures and sells glass tubes, glassware, vials, ampoules, and chemicals. The Company Registered Office is at 10-N, Model Town Extension, Lahore. The manufacturing units have been installed at 52 K.M. Lahore Multan Road, Phool Nagar, District Kasur.

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 a total equity of ~PKR 15.041 bln on end-June 23. The Group has 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. Hafiz Farooq. The remaining Board comprises two members of the sponsoring family including the CEO.

Members' Profile Mr. Atique Ahmad Khan is appointed as the new Chief Executive Officer of the company. He has a diversified experience of more than 28 years in Glass, Textile, Industrial and Medical Gases, and Automobile Sectors. 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, 2023. 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. Atique Ahmad holds the office of CEO. The Company's management team comprises qualified and experienced professionals with a diversified range of skills related to the Glassware 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 manufacturing sector comprises of ~5-6 large players and several smaller players, competing across various product segments such as float glass, containers, and tableware. The sector caters to both direct consumers' demand as well as demand emanating from various industries such as construction, pharmaceuticals, and food & beverages. There are three broad categories or segments of glass manufacturers currently operating within Pakistan i.e, Float Glass, Tableware and Containers (Food & Beverages and Pharmaceutical Containers). According to the management, the current national market of glass tubes stands at ~7,733 tons per annum, approximately ~49% of the demand is being met through imports (~30% Germany & ~19% China), and the rest of ~51% is contributed by GGGL.

Relative Position Ghani Global Glass deals in the manufacturing and sales of Glass Tubes, Ampoules, and Vials serving the needs 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 good market share in this subsegment. In the ampoules sub-segment, there is significant competition with Ghani Global accounting for ~6% 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. New furnace capacity is ~18.5 Tons per day.

Revenues The Company's topline is led by Pharmaceuticals and Industrial needs. In FY23, net sales of the company recorded at ~PKR 2,071mln (FY22: ~PKR 1,505mln) reflecting a growth of 38% primarily due to an increase in prices.

Margins During FY23, the company's gross margins clocked in at 26.1% (FY22:27.9%). However, the notable rise in interest rates led to a significant increase in finance costs, resulting in the company's net profit being constrained to~4.9% as of FY23 (FY22: ~13.2%, FY21: ~9.5%)

Sustainability The impact of expansion on revenue and gross margins is yet to be materialized. Further, many new contracts are in the 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 relaxed credit terms to its customers. The Company's net working capital days increased to 171 days in FY23 (FY22: 157 days, FY21:134days). The current ratio of the company has improved and reached ~10.7x in FY23 (FY21~7.1x, FY20: ~6.1x).

Coverages The company's FCFO stood at FY23 ~PKR 516mln (FY22:343mln). While interest coverage reached to~2.5x in FY23(FY22: ~1.7, FY21: ~1.0).

Capitalization During FY23, leveraging increased and stood at 45.6% (FY22: 40.16%, FY21: 22.4%). Meanwhile, during FY23 short-term borrowings increased and stood at PKR 628mln (FY22: PKR 534mln) while long-term borrowings stood at PKR 337mln at FY23 (FY22: PKR 487mln).

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Financial Summary
PKR mln

Ghani Global Glass Limited	Jun-23	Jun-22	Jun-21
Glass	12M	12M	12M
A BALANCE SHEET			
1 Non-Current Assets	2,564	2,627	1,812
2 Investments	-	-	-
3 Related Party Exposure	-	-	-
4 Current Assets	2,139	1,460	1,333
a Inventories	*845*	*515*	*391*
b Trade Receivables	*450*	*295*	*277*
5 Total Assets	4,704	4,087	3,145
6 Current Liabilities	200	206	218
a Trade Payables	*104*	*65*	*121*
7 Borrowings	1,069	1,152	654
8 Related Party Exposure	960	407	-
9 Non-Current Liabilities	51	0	1
10 Net Assets	2,424	2,322	2,272
11 Shareholders' Equity	2,424	2,322	2,272
B INCOME STATEMENT			
1 Sales	2,071	1,505	1,398
a Cost of Good Sold	*(1,530)*	*(1,085)*	*(974)*
2 Gross Profit	541	420	424
a Operating Expenses	(133)	(104)	(145)
3 Operating Profit	408	316	279
a Non Operating Income or (Expense)	*(9)*	*2*	*(13)*
4 Profit or (Loss) before Interest and Tax	399	318	266
a Total Finance Cost	*(266)*	*(81)*	*(110)*
b Taxation	*(31)*	*(39)*	*(23)*
6 Net Income Or (Loss)	102	198	133
C CASH FLOW STATEMENT			
a Free Cash Flows from Operations (FCFO)	*516*	*343*	*306*
b Net Cash from Operating Activities before Working Capital	*257*	*282*	*174*
c Changes in Working Capital	*(26)*	*152*	*(193)*
1 Net Cash provided by Operating Activities	231	434	(19)
2 Net Cash (Used in) or Available From Investing Activities	(117)	(903)	(381)
3 Net Cash (Used in) or Available From Financing Activities	(32)	353	502
4 Net Cash generated or (Used) during the period	82	(117)	102
D RATIO ANALYSIS			
1 Performance			
a Sales Growth (for the period)	37.6%	7.6%	7.8%
b Gross Profit Margin	26.1%	27.9%	30.3%
c Net Profit Margin	4.9%	13.2%	9.5%
d Cash Conversion Efficiency (FCFO adjusted for Working C	23.7%	32.9%	8.1%
*e Return on Equity [Net Profit Margin * Asset Turnover * (T*	4.3%	8.6%	7.3%
2 Working Capital Management			
a Gross Working Capital (Average Days)	185	179	157
b Net Working Capital (Average Days)	171	157	134
c Current Ratio (Current Assets / Current Liabilities)	10.7	7.1	6.1
3 Coverages			
a EBITDA / Finance Cost	4.1	5.9	4.0
b FCFO / Finance Cost+CMLTB+Excess STB	2.5	1.7	1.0
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Fi	1.2	2.3	2.5
4 Capital Structure			
a Total Borrowings / (Total Borrowings+Shareholders' Equit	30.6%	33.2%	22.4%
b Interest or Markup Payable (Days)	0.0	0.0	0.0
c Entity Average Borrowing Rate	10.7%	6.8%	11.9%

Credit Rating

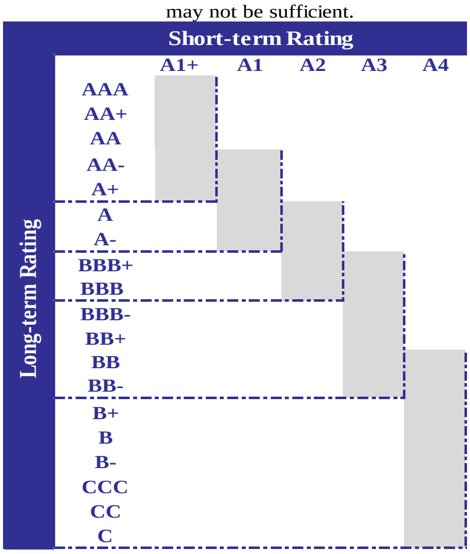
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Long-term Rating

Scale	Definition
AAA	**Highest credit quality.** Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
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.

Short-term Rating

Scale	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
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 surveill 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):

a) Broker Entity Rating
b) Corporate Rating
c) Debt Instrument Rating
d) Financial Institution Rating
e) Holding Company Rating
f) Independent Power Producer Rating
g) Microfinance Institution Rating
h) Non-Banking Finance Companies Rating

Regulatory and Supplementary Disclosure

(Credit Rating Companies Regulations,2016)

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 | 17-(a)
(19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)

Proprietary Information