



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-2023	A-	A2	Positive	Maintain	-
22-Nov-2022	A-	A2	Positive	Maintain	-
22-Nov-2021	A-	A2	Positive	Initial	-

#### Rating Rationale and Key Rating Drivers

The long-term rating of 'A-' denotes high credit quality. Risk factors may vary with possible changes in the economy. The short-term rating of 'A-2' denotes satisfactory capacity for timely payment; liquidity factors are adequate. Outlook on the assigned ratings is 'Positive'.

The ratings portray 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's investment portfolio includes investments in the glass segment through Ghani Global Glass Limited (Ghani Global Glass), chemical and industrial gases segment through Ghani Chemical Industries Limited (Ghani Chemicals). The organization retains the capability to operationalize the envisioned strategies. In November 22, Ghani Chemicals achieved listing status subsequent to its merger with G3 Technologies. G3 Technologies, formerly recognized as Service Fabrics Limited, was acquired in August 2021. Ghani Chemicals has strategically pursued expansion initiatives to foster growth, with a particular focus on augmenting production capacity and exploring opportunities within the export market. Concurrently, Ghani Global Glass adheres to an import substitution business model, aligning its operations to address the heightened demands and supply requirements within the pharmaceutical sector. The subsidiary has augmented its production capacity, a strategic initiative designed to contribute significant value by addressing the escalating demand in the local market. This expansion not only facilitates diversification but also positions the subsidiary to actively pursue opportunities within the export market. While these projects have achieved stabilization, they have not yet matured into dividend-yielding investments. The institutionalization of investment policies would be constructive. The company maintains a robust financial profile, characterized by a 100% equity base. The management's strategic approach involves a preference for equity-based funding sources over debts for expansionary endeavors. This commitment to equity financing has been reinforced by the company's augmentation of its equity base through right issue.

The credit ratings are contingent upon the management's proficiency in implementing its envisioned strategy for growth and expansion. The punctual realization of these initiatives into financially lucrative endeavors is imperative for maintaining the ratings. Noteworthy factors include the robust performance of subsidiaries, and the efficient management of the financial profile and liquidity position.

#### 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(Jul-23),Methodology   Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology   Rating Modifiers(Apr-23)
<b>Related Research</b>	Sector Study   Holding Company(Aug-23)
<b>Rating Analysts</b>	Muhammad Zain Ayaz   zain.ayaz@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 in Pakistan on November 19, 2007 as a company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017) and was converted into a public company on February 12, 2008. 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') ~ 58.5% 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 principally engaged in manufacturing, sale and trading of medical & industrial gases and chemicals.

## Ownership

**Ownership Structure** The sponsoring family, including Masroor Ahmad Khan (15%), Atique Ahmad Khan (14%), and Hafiz Farooq Ahmad (14%), holds the majority (43%) of the company's shares. The rest of the shares are held by the spouses of Directors (8%) and the 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 the past.

## Governance

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

**Members' Profile** The Board is chaired by Mr. Atique Ahmad Khan. He has more than 28 years of diversified experience in mining, glass, and industrial & medical gases manufacturing industries. Furthermore, Executive Director, Mr. Hafiz Farooq 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 five Board meetings held during FY23, 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 opinion on the FY23 financials. The firm comes under the category 'A' of SBP's panel of auditors.

## Management

**Organizational Structure** The Company has instituted a well-designed organizational 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. Masroor 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 decade 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, President, CFO, and GM Corporate.

**Investment Policy** The company has established a formal investment policy. At present, it maintains one core investment and two strategic investments in its subsidiary companies.

**Investment Committee Effectiveness** The company currently follows a flexible approach to investment guidelines. Management convenes meetings as needed to collaboratively make investment decisions for 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 3.6bln as of FY23. The Company has limited diversification in its portfolio; as high concentration exists in chemical segment (~60% of the total investment), and glass segment holds about (40% of total investment) followed by minor investment in renewable energy segment (0.01% of total investment).

**Portfolio Assessment** The Company has invested in Two listed subsidiaries and One unlisted subsidiary. The Company has an investment value of PKR 1,424mln in Ghani Global Glass Limited ('GGGL'). In FY23, GGGL posted a topline of PKR 2.4bln, witnessing an increase of 37% (FY22: PKR 1.7bln). GGGL's profitability has witnessed an increasing trend over the years however due to current practical difficulties faced by the industry for opening of LCs and import of machinery parts, the repair work of existing furnace has been delayed. Company posted net profit of PKR 102mln, compared to net profit 197mln from the preceding year due to higher cost of sales. Regarding Ghani Chemical Industries Limited ('GCIL'), the investment value currently stands at PKR 2,157mln. GCIL posted topline of PKR 5.1bln in FY23, witnessing 6.3% increase compared to the preceding year (FY22: PKR 4.8bln.) The Company posted net profit of PKR 508mln in FY23, compared to net profit 870mln in FY22. The Company has a small investment value of 0.5mln in Kilowatt Labs.

**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 150mln in FY23, compared to PKR 99mln in FY22. The Company has gradually started to receive consistent share of profits from its subsidiaries. Bottom line of the Company's closed at 16mln compared to PKR 10mln in FY22, mainly due to the high turnover.

## 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. During FY23, total equity of the Company stayed stagnant at PKR 3.8bln (FY22: 3.8bln).

**Consolidated Position** The Company, being the main holding company of the Ghani Global Group derives its financial strength from its subsidiaries and associated companies The Group had a consolidated asset base of PKR 17bln, equity base of PKR ~12bln as of FY23. Furthermore, the Group generated consolidated topline of PKR ~7.5bln and PAT of 625mln.



The Pakistan Credit Rating Agency Limited

Financial Summary

PKR mln

Ghani Global Holdings Limited Holding Company	Jun-23	Dec-22	Jun-22	Jun-21
	12M Audited	6M Management	12M Audited	12M Audited
<b>A BALANCE SHEET</b>				
1 Investments	-	-	-	-
2 Related Party Investments	3,581	3,581	3,581	3,481
3 Non-Current Assets	0	0	0	0
4 Current Assets	221	214	210	295
5 Total Assets	3,803	3,796	3,791	3,776
6 Current Liabilities	15	12	21	16
7 Borrowings	-	-	-	-
8 Related Party Exposure	0	-	-	-
9 Non-Current Liabilities	-	-	-	-
10 Net Assets	3,787	3,784	3,771	3,760
11 Shareholders' Equity	3,787	3,771	3,771	3,760
<b>B INCOME STATEMENT</b>				
1 Total Investment Income	10	4	8	11
a Cost of Investments	(0)	(0)	(0)	(0)
2 Net Investment Income	10	4	8	11
a Other Income	-	-	-	-
b Operating Expenses	(11)	(8)	(14)	(36)
4 Profit or (Loss) before Interest and Tax	22	2	15	(25)
a Taxation	(6)	(2)	(4)	(7)
6 Net Income Or (Loss)	16	(0)	10	(32)
<b>C CASH FLOW STATEMENT</b>				
a Total Cash Flow	9	(9)	11	(32)
b Net Cash from Operating Activities before Working Capital Changes	9	(9)	11	(32)
c Changes in Working Capital	6	17	(59)	(128)
1 Net Cash (Used in) or Available From Investing Activities	14	9	(48)	(160)
2 Net increase (decrease) in long term borrowings	-	-	(100)	(702)
3 Net Cash (Used in) or Available From Financing Activities	-	-	-	1,012
4 Net Cash generated or (Used) during the period	14	9	(148)	150
<b>D RATIO ANALYSIS</b>				
1 Performance				
a Asset Concentration (Market Value of Largest Investment / Market Value of Equity Investments)	100.0%	56.0%	62.4%	60.3%
b Core Investments / Market Value of Equity Investments	100.0%	100.0%	100.0%	100.0%
c Marketable Investments / Total Investments at Market Value	0.0%	0.0%	0.0%	0.0%
2 Coverages				
a TCF / Finance Cost	87679.0	-85331.0	111329.0	-324991.0
b TCF / Finance Cost + CMLTB	87679.0	-85331.0	111329.0	-324991.0
c Loan to Value (Funding / Market Value of Equity Investments )	0.0	0.0	0.0	0.0
3 Capital Structure (Total Debt/Total Debt+Equity)				
a Leveraging [Funding / (Funding + Shareholders' Equity)]	0.0%	0.0%	0.0%	0.0%
b (Funding + Off Balance Sheet Exposure) / Shareholders' Equity	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+	
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-	
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	
CC	<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.
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):

- 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

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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)

### **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)

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(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)

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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

(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)

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(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)

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