

**Date**

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Analyst

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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 | Trucks & Buses | Dec-21

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PACRA Maintains Entity Ratings of Ghandhara Nissan Limited

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

Ghandhara Nissan Limited ('GNL' or 'the Company') ratings reflect adequate business profile and accepted presence in the automobile sector of Pakistan. GNL holds connections with renowned multinational automobile manufacturers like JAC Motors, Dongfeng Motor Corporation, Groupe Renault, and recently with Chery International. The Company has solidified its position in the market through assembling & progressive manufacturing of JAC trucks & Chery SUVs, import & sale of Dongfeng and Renault trucks in complete built-up units, and assembly of other commercial MVs under contract agreements with Ghandhara Industries Limited and Ghandhara DF (Pvt.) Limited. The year FY2022 was a 'ballooning period' for the sector as the automobile sales and production accelerated. The buying interest among consumers started to revive after the pandemic crises as trucks sales soared by 57%, followed by 49% in jeeps & pickups, and 7% in buses. The Company managed to translate the same in its topline and achieved a significant growth of 66% at end Jun'22. Augmentation of Company's net revenue figure captures the overall performance of the industry and posted a healthy recovery. However, GNL's profitability matrix for the period under review is affected by increased cost of doing business (high raw material prices). Further, it is gauged that recent macroeconomic challenges; such as exchange rate volatility, inflationary pressure, policy hikes, contractionary policies, and domestic market fluctuations would lead to increase in cost of imported parts that could squeeze the sector's margins. Financial risk profile of the GNL is considered intricated as both the cash flows and debt coverage metrics witnessed deterioration driven by increase in total debt book and low margins. Nevertheless, the Company funded its expansion for assembling & distribution of Chery vehicles (launch of Tiggo 4 Pro & Tiggo 8 Pro in domestic market) by means of debt availed at concessionary rates under SBP's TERF scheme. The amount of leverage in the Company's capital structure stands at moderate levels. GNL possesses competitive edge, high brand value, and solid sponsorship support. Majority ownership of the Company is held by Bibojee Group of Companies. Their business acumen is further enriched by the group's stake in the Country's leading tyre manufacturing entity.

The ratings are dependent on upholding of the Company's business as well as financial risk profile amidst current challenges faced by the automobile & allied industry. Improvement in margins and intact coverages are imperative. Key element is Company's stance on working capital management. Moreover, management's ability to sustain its market share during the demand crunch is quite crucial.

About the Entity

Ghandhara Nissan Limited, incorporated in 1981, is a group concern of Bibojee Services (Pvt.) Limited - founded by Gen. Habibullah Khattak in 1960's with interests in various industrial sectors including Textile, Auto, Tyres & Rubber, Insurance & Construction. The prime business profile of the Company is assembly/progressive manufacturing of vehicles including JAC trucks & Chery SUVs, import & sale of parts/Nissan, Dongfeng & Renault vehicles in CBU conditions, and assembling of other vehicles under contract agreements. Product slate of the entity is dominated by Chinese brands. The BoD comprises ten members; Mr. Ali Kuli Khan Khattak is the new Chairman of the board whereas Mr. Ahmad Kuli Khan Khattak serves as the CEO.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.