



**Date**

dd-mm-yy

**Analyst**

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**Applicable Criteria**

- Methodology | Corporate Rating | Jun-21
- Criteria | Correlation Between Long-term & Short-term Rating Scales | Jun-21

**Related Research**

- Sector Study | Trucks & Buses | Dec-20

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**PACRA Maintains Entity Ratings of Ghandhara Nissan Limited**

Rating Type	Entity	
	Current (dd-mm-yy)	Previous (05-Nov-20)
Action	Maintain	Maintain
Long Term	A	A
Short Term	A1	A1
Outlook	Stable	Stable
Rating Watch	-	-

Ghandhara Nissan Limited (GNL) ratings reflect reputable business profile and presence in the trucks segment of the automobile sector. The product portfolio of the company is dominated by Chinese brands (including HDTs, LDTs, & LCVs) together with French truck. Ghandhara Nissan has solidified its position in the market through assembling & progressive manufacturing of JAC Trucks, import and sale of Dongfeng & Renault Trucks in complete built-up units, and assembly of other vehicles under contract agreement with Ghandhara Industries Limited and Ghandhara DF (Pvt.) Ltd. During FY21, automobile sales and production accelerated as the scars of COVID-19 pandemic started to reverse. Production and sale of trucks grew by ~29% and ~20%, respectively. The sector’s margins improved significantly as compared to preceding year which was majorly impacted by Global Pandemic Crises. However, bottom-line of the sector remains under pressure. It is further gauged that recent currency devaluation which would lead to increase in cost of imported parts could create pressure on the sector’s margins. Top-line growth of the company captures the overall performance of the industry and posted a healthy recovery in earnings for the period under review. Financial risk profile of the company is considered strong as both the cash flows and debt coverage metrics witnessed an improvement driven by volumetric growth and margins. The amount of leverage in the company’s capital structure moderately stands at lower levels. GNL holds competitive market position, 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 company. Furthermore, the company has entered into formal arrangements with M/S. Chery International Corporation – Wuhu, China for manufacturing & distributing of Chery passenger cars (SUVs/Crossovers) in Pakistan.

The ratings are dependent on upholding of the company’s business as well as financial risk profile. Improvement in margins and intact coverages are imperative. Key element is company’s stance on working capital management and leveraged capital structure. Moreover, management’s ability to sustain its market share while benefiting from positive demand fundamentals is crucial.

**About the Entity**

Incorporated in 1981, Ghandhara Nissan Limited (GNL) is a group Company 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 and Construction. The principle business of the company is assembly/progressive manufacturing of vehicles including JAC trucks, import and sale of parts/Nissan, Dongfeng and Renault vehicles in completely built up conditions and assembling of other vehicles under contract agreement. The board comprises ten members; four represent the sponsoring family. Mr. Raza Kuli Khan Khattak is 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.