

Ali Gohar & Company (Private) Limited

Report Date: April 22, 2015

Rating	Initial	Recent
Entity Rating	A-/A-2	A-/A-2
Outlook	Stable	Positive
Date	Jan 21, '14	Apr 16, '15

Rating Rationale

The assigned ratings incorporate low business risk and sound financial risk profile of Ali Gohar & Company (Private) Limited (AG&C). Ratings also reflect company's status as one of the leading national distributor in the country, stable positive cash flows & sizeable liquidity carried on balance sheet, experienced & professional management team, sound IT infrastructure and favorable working capital cycle which results in limited external funding requirements.

Revenues of the company have increased consistently over the years,. Profitability has witnessed healthy growth in the on-going year due to increase in sales in the specialized healthcare product segment, reduction in distribution cost and incremental income arising from short-term investments. The specialized health care segment would remain one of the company's key business focus, going forward. Given that, about a quarter of the company's overheads arise from transportation related costs, the recent decline in oil prices is expected to have a positive impact on the company's profitability. In addition, incremental income arising from short-term investments is expected to provide support to the company's bottom line.

During FY14, the company sold an investment property. Funds generated from sale of investment property have been channeled towards short-term investments. Resultantly, liquid assets carried on the balance sheet have increased and liquidity profile of the company has strengthened on a timeline basis. Liquidity profile of the company is also supported by stable cash flow from operations. Future capital expenditure is proposed to be funded through internal sources, as in the past.

AG&C's working capital cycle is favorable, given that the company enjoys an extended payment period from its principal while conversion of inventory into cash takes a much shorter time. While trade debts have increased on a timeline basis by end-June'14, ageing profile of the same is considered manageable given that only 3% of the same have been overdue for more than a year. Ageing profile of trade debts will continue to be tracked by JCR-VIS. While there is no borrowing outstanding at end-FY14, limited borrowings were utilized during the period. Capitalization levels of the company have strengthened over time on account of internal capital generation and profit retention. With growth in equity being higher than increase in trade payables, debt leverage decreased to 1.62x (FY13: 1.98x) by end-FY14.

AG&C is one of the leading national level distributors in the country, particularly in the pharmaceutical business. Management team of the company is spearheaded by Mr. Arshad Gohar. Senior management team has remained stable and comprises experienced individuals. Quality of AG&C's IT infrastructure is considered sound. There is room for enhancing governance framework by enhancing board composition and improving board oversight.

About the Institution:

Ali Gohar & Company Limited (AG&CL) was incorporated in Pakistan in 1968 as a Private Limited Company. The company is primarily engaged in distribution and supply of pharmaceutical products, surgical instruments and selected consumer goods. Financial statements for FY14 have been audited by Ernst & Young Ford Rhodes Sidat Hyder

Chairman & CEO: Mr. Arshad Gohar**Rating Analysts:**

Talha Iqbal
 Mohammad Aarsal Ayub