RATING REPORT

Ali Gohar & Company Pvt. Ltd

REPORT DATE:
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RATING ANALYSTS:
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RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	**Long-term**	**Long-term**
Entity	**A**	**A-**
Rating Date	*March 03,'16*	*April 16,'15*
Rating Outlook	Stable	Positive
Outlook Date	*March 03,'16*	*April 16, '15*

COMPANY INFORMATION

Incorporated in 1968	**External auditors:** Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants
Private Limited Company	**Chairman of the Board:** Mr. Arshad Gohar
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Mr. Arshad Gohar
Mr. Arshad Gohar- 99%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria *http://www.jcrvis.com.pk/images/methodology.pdf*

Ali Gohar & Company Pvt. Ltd

OVERVIEW OF THE INSTITUTION

Ali Gohar & Company (Private) 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 FY15 have been audited by Ernst &Young Ford Rhodes Sidat Hyder.

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, experienced & professional management team and favorable working capital cycle which results in limited external funding requirements. Liquidity profile is supported by improving cash flows, sizeable liquidity carried on balance sheet and manageable level of trade debts.

Distribution industry in Pakistan is very fragmented and competitive in nature resulting in low margins for industry players. Stringent regulatory requirements in Punjab particularly for movement of temperature sensitive medicines and food items may pose challenges for smaller distributors and result in consolidation in the industry. This is expected to benefit distribution companies with strong infrastructure and focus on compliance and quality control. As per management, AG&C is well positioned to benefit from these regulations given that it already had the infrastructure in place prior to introduction of these regulations. AG&C currently has an extensive outreach extends to 634 towns across the country. Strength of distribution network is evident from around 70% of sales being carried out to the retail channel. Going forward, further strengthening the company's infrastructure and compliance framework will be AG&C's key focus.

Business risk with principal is mitigated through contractual agreement as per which foreign currency and sales return and expiry risk is borne by the principals. The company is exposed to credit risk apart from instances where credit is given to customers on the request of the principal. In case of the latter, credit risk falls on the principal in case of default by the customer.

Revenues of the company have depicted healthy growth during FY15 and 1HFY16.Along with organic growth from existing principals addition of new principals has also contributed to growth in turnover during FY15. Growth in revenues from high margin products and increase in distributor margins has translated into improved profitability. With addition of new principals, growth in sales of high margin products and organic growth in sales from existing principals, profitability of the company is expected to grow in FY16. This along with increase in prices of pharmaceutical products from FY17 is also expected to support future profitability.

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. No credit is allowed to retailers which account for around three fourths of the total sales while an extended payment period is allowed by principals. On account of favorable working capital cycle, utilization of short-term borrowings has historically remained limited and is also a key rating factor. Capitalization levels of the company have strengthened over time on account of profit retention.

ISSUE/ISSUER RATING SCALE & DEFINITIONS Appendix I

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURE — Appendix II

Name of Rated Entity	Ali Gohar & Company Pvt. Ltd
Sector	Distribution
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	see table below
Instrument Structure	N/A
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
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Rating History

Rating Date	Medium to Long Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY			
3/03/2016	A	Stable	Upgrade
4/16/2015	A-	Positive	Maintained
1/21/2014	A-	Stable	Initial