



GGL(Rs.'000)	FY10	FY11	FY12
Net Sales	270,618	444,462	740,142
Sales Growth	-	64%	67%
Cost of Sales	245,108	298,932	464,608
Gross Profit	25,508	145,531	275,534
GP Margin	9%	33%	37%
Other Income	52,821	112,883	51,155
Operating Profit	-27,987	142,133	116,333
Finance Cost	34,571	142,133	72,864
YoY Growth	-	31%	-49%
Profit Before Tax	-62,558	85,013	94,624
Taxation	1,646	5,569	7,904
Profit After Tax	-64,204	79,444	86,720
EPS	-0.89	1.10	1.20

Source: SCSTrade Research Portal

### Highlights

52 week Hi	28.11
52 week Low	8.41
Close	25.41
Market Cap	1.84bn
Free Float	20mn
Beta	1.18

Based on Mar 24, 2013 closing

<http://www.scstrade.com>

### Analyst

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### News: Circular debt reaches Rs 872.4b

Planning Commission & United States Agency for International Development (USAID) have jointly calculated that power sector circular debt has reached Rs 872.4 bn by June 30, 2012 from Rs 84 bn in 2005. Planning Commission and USAID unveiled the report titled Circular Debt Report on Tuesday. According to the report, the circular debt increased because of the non-collection of the revenue of Rs 384.5 billion, loss of Rs72.2 bn owing to delay in tariff notification, loss of Rs 53.3 bn under the head of non-implementation of fuel price adjustment, Rs 292.91 bn loss because of tariff differential subsidy, loss of Rs 69.55 bn because of not allowing the actual losses to be recovered.(The nation)

### Ghani Gases: Good value investment...

Hold

Ghani Gases Company (GGL) specialises in liquid oxygen which is used in hospitals, chemical process, fabrication steel manufacturing.

Other products include liquid nitrogen (which is generally used in dairy products and food preservative), liquid argon, and calcium carbide (potential and demand for these products)

As illustrated by the usage of GGL's products, the main clients are oil and gas, chemical and fertilizer, pharmaceuticals, healthcare, food & beverages, steel & iron mills and ship breaking and scrap cutting. GGL has made inroads in Karachi based industry.

The company operates under the supervision of Ghani group which has other subsidiaries like Ghani Glass etc.

### Time of growth started...

The topline is witnessing growth trajectory during FY11 & FY12. During 1HFY13, GGL announced interim cash dividend of Re.0.5/sh, we do not expect final cash dividend to be more than that as GGL is currently involved in expansion plan to double the existing production capacity (currently 25.6mn cubic meter) by installing another ASU plant at Port Qasim.

GGL earns other income in terms of rentals, profit on deposits and consultancy. Consultancy income dropped by 68% in FY12 whereas rental income remained unchanged at Rs.36mn which represents fixed rentals on some residual or dormant property.

GGL Rs.('000)	1QFY12	1HFY12	9MFY12	FY12	1QFY13	1HFY13	9MFY13E	FY13E
Net Sales	143,850	303,393	473,494	740,142	287,833	545,713	818,570	1,091,426
Cost of Sales	86,096	194,136	313,427	464,608	182,271	329,424	507,513	676,684
Gross Profit	57,755	109,256	160,067	275,534	105,562	216,289	311,056	414,742
GP Margin	40%	36%	34%	37%	37%	40%	38%	38%
Other Income	15,872	32,139	41,614	51,155	773	899	-	-
Finance Cost	18,179	37,218	55,723	72,864	15,924	29,343	40,015	58,686
Profit Before Tax	20,090	33,593	43,165	94,624	45,361	90,400	138,252	179,002
Taxation	1,597	3,352	5,146	7,904	1,442	2,731	16,590	21,480
Profit After Tax	18,493	30,240	38,019	86,720	43,919	87,669	121,661	157,522
EPS	0.26	0.42	0.52	1.20	0.61	1.21	1.68	2.17
DPS	-	-	-	-	-	0.5	-	-

Source: SCSTrade Research Portal & Research Team

It is also worth discussing that the trend of financial charges has been in alignment of sales which shows that the amount raised is being used to finance short term assets, it is therefore can be estimated that the financial charges would always cover sales, that is why financial charges is not a big risk to deal with. However, the operation seems to be quite dependent upon electricity.

### Valuation

GGL is currently yielding at a P/E of 11x. Based on increased production capacity we maintain our hold stance.