VIS
Credit Rating Company Limited

SACHAL ENGINEERING WORKS (PVT) LIMITED

Analyst:
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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	July 15, 2026		Nov 18, 2024	

Shareholding (5% or More)	Other Information
Mr. Ahmed Ali – 70.0%	Incorporated in 1990
Muhammad Ali Chandio – 12.0%	Private Limited Company
Murtaza Hussain Chandio – 6.5%	Chief Executive: Mr. Ahmed Ali
Mohsin Ali – 6.3%	External Auditor: RSM Avais Hyder Liaquat Nauman
Abdul Karim Qureshi – 5.0%	

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings

https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The assigned ratings incorporate the business risk profile of Sachal Engineering Works (Pvt) Limited, which is underpinned by the long-term nature of government infrastructure projects, providing earnings stability and revenue visibility through predetermined returns over the project life. The liquidity profile is supported by allocation of funds in the respective federal/provincial budgets, resulting in timely payments, while contractual price escalation mechanisms largely mitigate cost overrun risk. Nevertheless, delays in project execution remain an inherent risk associated with the construction business. The Company's revenue profile is concentrated, with the Ghotki-Kandhkot Bridge project remaining the largest contributor. Meanwhile, cash flow generation is considered healthy and debt coverages are strong.

SEWL's capitalization profile remains elevated, when adjusted for its sizeable investments in subsidiaries and joint ventures, which provides a clearer assessment of leverage attributable to company's core construction operations. Accordingly, prudent management of leverage and debt utilization towards core business will remain important considerations. It is also noted that the Company's investing business have not yet commenced generating dividend income. Going forward, successful bids for new projects as well as commencement of cashflows from the investment portfolio while managing overall capitalization profile will remain the key rating factors.

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Company Profile

Sachal Engineering Works (Pvt) Limited ('SEWL' or 'the Company') is a private limited company incorporated on 19-Aug, 1990. The principal activity of the Company is to carry on the business of road and other infrastructure development including expansion, planning, designing, implementation, construction, and execution of related projects. SEWL is a licensed 'C-A' Contractor by the Pakistan Engineering Council, allowing it to undertake projects without any contract price limit. In addition, the company invests in public-private partnership (PPP) based projects.

The head office of the company is located on 59-E, Street 7, I-10/3, Islamabad, Pakistan, while there are other regional offices and business units are situated in Karachi, Nooriabad, and Jamshoro.

Management and Governance

CHAIRMAN/CEO PROFILE

Mr. Abdul Karim Qureshi is the founder of Sachal Group of Companies and currently chairs the Board at SEWL. He is a graduate engineer from Sindh University with over 31 years of experience in the profession.

Mr. Ahmed Ali Qureshi is the son of Mr. Abdul Karim Qureshi and serves as the CEO of the Company. He holds a bachelors degree in civil engineering and supervises construction projects while managing business operations. He is also the founding director of Sachal Petroleum (Pvt) Limited, which is an associate company of the Sachal group.

BOARD & SENIOR MANAGEMENT

The Board structure is reflective of a privately held company and comprises sponsor directors, including Mr. Ahmed Ali (Chief Executive Officer), Mr. Abdul Karim Qureshi (Chairman), and Mr. Mukhtar Hussain Chandio (Director). The Board possesses extensive experience across engineering, infrastructure development and corporate management, providing strategic oversight to the Company's operations.

The financial statements of the Company are audited by 'RSM Avais Hyder Liaquat Nauman' Chartered Accountants, who appear on category A of SBP's list. The auditor has issued an unqualified opinion on FY25 accounts.

Business Risk

INDUSTRY UPDATE

Pakistan's construction sector demonstrated a notable recovery in FY25, registering growth of approximately 6.5% YoY, supported by easing macroeconomic pressures, improving investor sentiment, and an increase in infrastructure and housing activities. The sector contributes around 2.3% to GDP and nearly 12.5% to industrial output, reflecting its strong link with allied industries such as cement, steel, transport, and engineering services. Momentum continued into FY26, with construction activity strengthening amid lower inflation, easing interest rates, and increased public sector development spending. While the sector's outlook remains cautiously positive, supported by infrastructure initiatives and recovering private-sector demand, it remains vulnerable to execution delays, fiscal constraints, elevated taxation, and input cost volatility.

SEWL's business risk profile is assessed as moderate, supported by the essential nature of road and highway infrastructure it mainly undertakes. Nevertheless, despite being government-backed and predominantly toll road developments, such projects inherently carry execution and demand-related risks, particularly during the construction phase. While public-sector involvement provides policy support and contractual protections, projects remain exposed to execution risk, traffic demand uncertainty, tariff sensitivity, and reliance on timely government actions. These risks are more pronounced for urban, greenfield corridors where land acquisition, utility shifting, weather disruptions, and stakeholder coordination can materially affect timelines and costs.

Operational Performance

As of Dec'25, SEWL's ongoing project portfolio comprised approximately 10 projects with a cumulative value of PKR 43bn, of which work amounting to PKR 16.8bn has been executed. The portfolio remains concentrated, with the Ghotki-Kandhkot Bridge project representing the largest contract at a revised value of PKR 32bn, as shared by the management, accounting for approximately 74% of the total.

However, publicly available sources indicate that the cost of the Ghotki-Kandhkot Bridge project has increased to around PKR 46bn and could potentially rise further to PKR 70bn. Management has clarified that the Company's remaining commitment is contractually limited to a final equity investment of PKR 285mn, which is expected to be disbursed in August 2026. Accordingly, any cost escalations will be borne by the Government and will not require additional funding from the Company, whether in the form of debt or equity.

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Subsidiaries & Joint Ventures

SEWL executes a number of projects through subsidiaries and joint ventures, with its largest ongoing project, the Ghotki-Kandhkot Bridge, being undertaken through Ghotki Kandhkot Road & Bridge Company (Private) Limited (GKRBC). Incorporated in 2018 as a Special Purpose Company (SPC), GKRBC is responsible for executing the public-private partnership (PPP) project under a Design, Build, Finance, Operate and Transfer (DBFOT) concession. SEWL holds a 51% equity stake valued at PKR 3.49bn in GKRBC as of FY25, while the remaining shareholding is held by the Government of Sindh.

The Company has also diversified into the renewable energy sector through Riali Hydro Power Company (Private) Limited (RHPC) and Uzghor Hydro Power Company (Private) Limited (UHPC). RHPC is developing a 7.08 MW run-of-the-river hydropower project in Muzaffarabad, with approximately 80% of civil works completed. However, delays in opening LCs for import of electromechanical equipment have stalled project execution. UHPC is a similar hydropower project, which has yet to commence operations. Given the challenging operating environment in Pakistan's power sector, management intends to divest UHPC. SEWL holds direct equity stake of 72.2% valued at PKR 438.7mn in RHPC and 69.8% in UHPC, initially valued at PKR 15.89mn, which has fully eroded by accumulated losses as of FY25. The remaining ownership in these companies is held indirectly through common sponsors.

In addition, the Company maintains investments in several joint ventures accounted for under the equity method. Aggregate investment in these joint ventures stood at PKR 178mn as of FY25 (FY24: PKR 207mn). While these investments provide strategic diversification, they do not generate dividend income and therefore have no contribution to SEWL's cash flows. Going forward, the timeline for cash flows from these investments remain uncertain.

PROFITABILITY

During FY25, SEWL reported strong topline growth, with revenue increasing to PKR 13.0bn (FY24: PKR 5.6bn), primarily driven by higher execution on the Ghotki-Kandhkot project, which contributed approximately 62% (FY24: 68%) of total revenue. The project is nearing completion and is expected to conclude by June 2027. Revenue and costs are recognized under the percentage-of-completion method.

During the year, gross margin moderated to 14.3% (FY24: 17.0%), reflecting inflationary pressures, particularly higher fuel costs. While government contracts generally incorporate price escalation clauses linked to key construction inputs, including cement, bitumen, steel, and fuel, the reimbursement mechanism is based on predefined weightages assigned to each cost component. Accordingly, any increase in input prices is recoverable only to the extent of its allocated weightage, limiting full pass-through of inflationary pressures.

Although administrative and operating expenses declined as a percentage of revenue, profitability remained constrained by lower other income compared to the previous year, which had included a one-off gain on the disposal of fixed assets. Historically, other income has remained a significant contributor to earnings (FY25: 58% of net profit; FY24: 315%), comprising mainly share of profit from joint ventures under the equity method and returns on savings accounts. During FY25, however, the Company recognized a share of loss from its joint ventures and subsidiaries, with other income primarily supported by profit on savings accounts. It is pertinent to note that SEWL's sizeable investments in subsidiaries and joint ventures do not generate dividend income, resulting in no contribution to Company's actual cash flows. Nevertheless, lower finance costs supported net margin, which remained broadly stable at 2.1% (FY24: 2.4%).

Going forward, management expects FY26 revenue to reach approximately PKR 15.0bn, with around PKR 14.0bn already booked as of May 2026. The revenue outlook remains favorable, supported by the remaining execution of the Ghotki-Kandhkot project and a healthy project pipeline. During FY25 and HY26, the Company participated in bids for seven projects aggregating PKR 27.0bn and secured five contracts with a combined value of PKR 18.0bn. These include a road infrastructure project in Gharo valued at approximately PKR 13.0bn, which is expected to support revenue growth over the medium term.

Financial Risk

CAPITAL STRUCTURE

SEWL's balance sheet reflects a moderate capitalization profile, with reported gearing and leverage standing at 0.05x and 0.74x, respectively, as of FY25 (FY24: 0.20x and 0.64x). The improvement in gearing was primarily attributable to a reduction in long-term borrowings, comprising lease liabilities.

However, given that a significant portion of the Company's asset base comprises long-term investments in subsidiaries and joint ventures, we adjust equity for long term investments and related receivables to assess the leverage attributable to the Company's core operations, separate from its investing business. On this basis, adjusted equity declines to PKR 1.6bn from the reported PKR 6.5bn as of FY25. Consequently, adjusted gearing and leverage increase to 0.20x and 2.89x, respectively (FY24: 0.78x and 2.46x).

Capitalization Metrics	FY22	FY23	FY24	FY25	HY26
Equity (PKR Mn)	5,964	6,071	6,211	6,482	6,544
Leverage (x)	0.81	0.63	0.64	0.74	1.23

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Gearing (x)	0.28	0.22	0.20	0.05	0.04
Long term Investments (PKR Mn)	3,265	3,676	4,590	4,108	4,134
Adjusted Equity (PKR Mn)	2,589	2,286	1,609	1,661	1,457
Adjusted Leverage (x)	1.86	1.68	2.46	2.89	5.54
Adjusted Gearing (x)	0.65	0.57	0.78	0.20	0.19

As per management, the decision to reduce borrowings was supported by the Company's cash rich position. Going forward, additional debt may be raised to finance new projects, however, such borrowings are expected to be undertaken at the respective SPV, established for individual project, rather than in SEWL.

DEBT COVERAGE & LIQUIDITY

SEWL maintains an adequate liquidity profile, supported by a current ratio over 2.0x and by the nature of government infrastructure contracts, where project budgets are pre-allocated, resulting in timely receipts typically within 3–4 days of invoicing, consequently limiting receivables build up. Moreover, inflationary pressures on key construction inputs are largely mitigated through contractual price escalation mechanisms, reducing the risk of working capital stress.

Funds from Operations (FFO) increased to PKR 887mn during FY25 (FY24: PKR 571mn), in line with higher revenue. Combined with lower debt levels following the reduction in lease liabilities, this translated into improved debt servicing capacity. Consequently, FFO coverages remained strong, while Debt Service Coverage Ratio (DSCR) improved to 4.7x (FY24: 1.3x). However, coverage indicators moderated downwards during HY26 despite lower debt levels, due to weaker FFO resulting from lower revenue recognized by the period-end.

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FINANCIAL SUMMARY *(amounts in PKR millions)*

BALANCE SHEET	FY22 A	FY23 A	FY24 A	FY25 A	HY26 M
Property, plant and equipment	2,843	2,430	2,374	2,270	2,431
Long term Investments	3,265	3,676	4,590	4,108	4,134
Retention Money Receivable	434	457	545	680	721
Contract Assets	2,191	1,898	1,729	304	304
Receivables from customers	768	26	47	1,219	547
Advances, deposits & other rec	642	1,114	590	1,513	3,203
Cash & Bank Balances	449	142	168	1,083	3,167
Total Assets	**10,777**	**9,902**	**10,166**	**11,276**	**14,608**
Trade and other payables	2,874	2,207	1,031	1,774	3,183
Long-term Debt (incl. current portion & lease)	1,131	1,184	1,014	309	264
Short-Term Borrowings	542	130	236	16	16
Total Debt	1,673	1,314	1,250	325	281
Total Liabilities	**4,813**	**3,831**	**3,955**	**4,794**	**8,064**
Paid up Capital	890	5,936	5,936	5,936	5,936
Unappropriated profits	5,046	108	247	519	580
Loan from Director	27	27	27	27	27
Total Equity	**5,964**	**6,071**	**6,211**	**6,482**	**6,544**

INCOME STATEMENT	FY22 A	FY23 A	FY24 A	FY25 A	HY26 M
Net Sales	3,824	4,448	5,676	13,044	2,979
Gross Profit	867	1,099	973	1,868	438
Operating Profit	775	806	997	1,654	321
Finance Costs	196	338	374	194	33
Profit Before Tax	580	469	623	1,460	288
Profit After Tax	244	106	137	271	62

RATIO ANALYSIS	FY22 A	FY23 A	FY24 A	FY25 A	HY26 M
Gross Margin	22.7%	24.7%	17.1%	14.3%	14.7%
Operating Margin	20.3%	18.1%	17.6%	12.7%	10.8%
Net Margin	6.4%	2.4%	2.4%	2.1%	2.1%
Funds from Operation (FFO)*	760	950	571	887	359
FFO to Total Debt* (x)	0.45	0.72	0.46	2.73	1.28
FFO to Long Term Debt* (x)	0.67	0.80	0.56	2.87	1.36
Gearing (x)	0.28	0.22	0.20	0.05	0.04
Leverage (x)	0.81	0.63	0.64	0.74	1.23
Debt Servicing Coverage Ratio* (x)	1.21	1.31	1.30	4.77	2.03
Current Ratio (x)	1.06	1.16	1.50	2.09	2.16
(Stock in trade + trade debts) / STD (x)	1.42	0.20	0.20	75.02	33.68
Return on Average Assets*	2.5%	1.0%	1.4%	2.5%	1.0%
Return on Average Equity*	4.2%	1.8%	2.2%	4.3%	1.9%
Cash Conversion Cycle (days)*	52	1	(2)	21	34

**Annualized, if required*

A - Actual Accounts

M - Management Accounts

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REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Sachal Engineering Works (Pvt) Limited
Sector	Construction
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook / Rating Watch	Rating Action
RATING TYPE: ENTITY				
15-July-2026	A-	A2	Stable	Reaffirmed
19-Nov-2024	A-	A2	Stable	Reaffirmed
23-Aug-2023	A-	A2	Stable	Initial

Statement by the Rating Team	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	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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Due Diligence Meetings Conducted

S.No.	Name	Designation	Date
1.	Mr. Fuad Kehar	Executive Director - Finance	23-June-26
2.	Mr. Zafar Bakhtiar	Executive Director - Finance	

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