VIS
Credit Rating Company Limited

Analysts:
Musaddeq Ahmed Khan
(musaddeq@vis.com.pk)

APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Corporate Rating (https://docs.vis.com.pk/docs/CorporateMethodology.pdf)

Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

RS. MILLION	FY22	FY23	FY24
Net Sales	7,294	7,547	7,233
PBT	971	668	667
PAT	877	467	452
Paid up capital	250	10,250	10,250
Equity (incl. surplus on PPE)	12,937	13,403	13,837
Total Debt	-	-	-
Debt Leverage	0.37	0.30	0.23
Gearing	0.00	0.00	0.00
FFO	81	51	221
FFO/Total Debt (x)*	-	-	-
NP Margin (%)	12.02%	6.18%	6.25%

IZHAR CONSTRUCTION (PRIVATE) LIMITED

Chairman & Chief Executive: Mr. Ayub Sabir Izhar & Mr. Amir Farooq Izhar

RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A	A1	A	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Upgrade	
RATING DATE	June 02, 2025		March 27, 2024	

RATING RATIONALE

The assigned rating reflects Izhar Construction (Private) Limited's (ICPL) presence as an established player in the construction industry, supported by its affiliation with the diversified Izhar Group. The Company's proven track record and healthy portfolio of private-sector projects, including commercial and industrial developments, underpin its business strength.

Business risk is considered moderate to high, given the cyclical nature of the construction industry, exposure to material price volatility, inflation, and high coralation with overall health of the economy. However, ICPL's focus on private sector clients and operational flexibility provide coverage against these challenges.

On the financial front, ICPL has demonstrated sustained revenue growth and stable profitability, driven by higher project volumes, cost control, and sustained margins. The Company maintains a fully equity-funded capital structure with no external borrowings, resulting in zero gearing and strong capitalization metrics. Liquidity is sound, supported by positive operating cash flows, efficient working capital management, and absence of debt servicing pressures.

Going forward, the ratings will remain sensitive to the prevailing uncertainty in the country's political and economic situation, which is impacting the construction and real estate industry, along with the timely execution of the Company's ongoing projects.

AUDITOR'S REPORT

The FY24 financial statements were audited by PKF F.R.A.N.T.S., which is a QCR-rated firm and categorized as 'Category B' on the SBP's Panel of Auditors. The auditor issued an unmodified and unqualified opinion on the financial statements.

COMPANY PROFILE

Izhar Construction (Private) Limited ("ICPL" or "the Company") was incorporated in Pakistan on May 13, 1960, under the repealed Companies Act, 1913 (now the Companies Act, 2017). The Company is primarily engaged in civil construction, provision of engineering services, and the production and sale of ready-mix concrete.

The Company's registered office is located in Lahore, while its ready-mix concrete production plant is situated at 36-KM Multan Road, Lahore. Various construction sites are DHA Dolmen Mall Lahore, Indus Hospital, Mughal energy Limited, LUMS, Nova Care Hospital (Pvt.) Ltd, Al Fateh E-Mall and etc. Additionally, ICPL owns agricultural farms located 6 KM along the Talagang–Kalar Kahar Road in Kalar Kahar.

Moreover, ICPL holds equity interests of 9.93% in Green Industrial Solutions (Pvt.) Limited, which specializes in providing comprehensive turnkey solutions for power plants, grid stations, and process and control systems.

Group Profile

Izhar Group, founded in 1959 by the late Engineer Izhar Ahmad Qureshi, has entered its seventh decade of successful and innovative operations in the construction industry. Over the years, the Group has expanded its footprint across various sectors, evolving into a diversified conglomerate comprising ten companies. These include Izhar Construction (Pvt.) Ltd., Izhar Engineering (Pvt.) Ltd., Izhar Concrete (Pvt.) Ltd., Izhar Housing (Pvt.) Ltd., Izhar Pavers (Pvt.) Ltd., Accurate (Pvt.) Ltd., Green T&D (Pvt.) Ltd., MEP Solutions (Pvt.) Ltd., Green Industrial Solutions (Pvt.) Ltd., and Electrocraft Engineering. Each entity contributes to the Group's strong presence in engineering, infrastructure, housing, and technological solutions across Pakistan.

INDUSTRY PROFILE

The construction industry is a broad sector that encompasses the planning, design, construction, maintenance, and operation of physical facilities. It involves the building, repairing, renovating, and maintaining infrastructure such as roads, bridges, airports, and buildings. The construction industry is heavily reliant on two primary raw materials: cement and steel. This dependency exposes the sector to significant price risks, particularly as the cost of these materials continues to rise. In addition to raw material price volatility, the sector is also vulnerable to cost overruns driven by inflationary pressures, which can further strain financial stability and project budgets.

The steel industry faces several challenges, including high energy costs, reliance on imported raw materials, and competition from substandard products due to insufficient regulation. The industry also struggles with the threat of dumped imported products, which undermines local production. Additionally, sluggish demand from complementary industries such as automobiles, electrical equipment, and heavy machinery has resulted in low utilization rates, particularly for flat steel.

The cement industry in Pakistan has also been impacted by various challenges. Government fiscal constraints and limited foreign aid have delayed rehabilitation efforts in flood-affected areas, leading to a slowdown in the overall construction sector. Moreover, economic slowdowns in global markets have reduced cement exports to key destinations such as Sri Lanka and Bangladesh, both of which are experiencing foreign exchange crises. The rising costs of construction materials have further compounded the difficulties faced by the cement industry.

In FY23, Pakistan's construction sector contributed approximately 2.7% to the national GDP, with a market size estimated at Rs. 2.2t. This reflected a year-over-year growth of 18.1%. The sector's growth rate accelerated to 23.0% in FY24, with the market size expanding to around Rs. 2.7t, though its contribution to GDP remained steady at 2.7%. Looking ahead, the sector's performance is likely to remain rangebound.

BUSINESS RISK

The construction industry in Pakistan faces moderate to high business risk due to its heavy reliance on cement and steel, both of which are prone to price volatility.

Inflationary pressures often lead to cost overruns, while fiscal constraints and delayed public sector spending impact project flow and revenue stability. Additionally, challenges in upstream sectors like steel and cement—ranging from import dependence to weak demand—further exacerbate operational risks. Despite recent growth, the sector remains cyclic and vulnerable to macroeconomic fluctuations, limiting long-term visibility.

Operational Performance

The Company has successfully completed several private sector projects in FY24 and currently holds a large portfolio of ongoing contracts. These include a diverse range of developments such as shopping malls, corporate office complexes, and industrial buildings, reflecting its strong market presence and execution capabilities in the construction sector.

	No. Of Contracts	Revenue Achieved/Expected
Projects Completed during FY24	18	PKR 12,948m
Ongoing Projects in FY25	18	PKR 7,226m

FINANCIAL RISK

Capital Structure

The Company's capital structure remains entirely equity-funded, with no external borrowings on its books as of end-FY24. This conservative financial profile has remained consistent over the period, with capitalization solely supported by profit retention. Consequently, the balance sheet reflects a strong equity base and nil gearing, underscoring the Company's low-risk financial stance and independence from leveraging. The absence of interest-bearing liabilities shields the Company from volatility in interest rates and contributes positively to its bottom line.

Going forward, capitalization indicators are expected to remain comfortable, supported by stable earnings stream and a conservative funding strategy.

Profitability

In FY24, the Company experienced a marginal decline in net sales to PKR 7.2b (FY23: PKR 7.5b), reversing the upward trend observed from FY20 to FY23. However, despite the dip in sales, gross profit increased to PKR 1.3b (FY23: PKR 1.2b), reflecting improved gross margins in FY24. Operating expenses saw a reduction, primarily driven by lower administrative and other operating expenses. However, due to a significant decline in other income, operating profit remained relatively stable compared to last year. Finance cost, related to contract warranties and guarantees, dropped considerably, however, a rise in the tax expense curtailed the net profit, which slightly decreased to PKR 452.16m (FY23: PKR 466.53m). Going forward, the Company projects a rebound in profitability in FY25 with revenue expected to rise to PKR 7.6b, accompanied by an improvement in gross margin of 18%. Net profit is also forecasted to increase, indicating a healthier net margin of 6.6%.

Debt Coverage & Liquidity

The Company's liquidity profile has strengthened in FY24, underpinned by improved cash flow generation from operations and prudent working capital management. Funds from operation (FFO) exhibited steady growth, reflecting enhanced earnings quality and operating efficiency.

With no debt servicing obligations, the Company faces minimal liquidity pressure. Furthermore, efficient working capital management, supported by timely receivable collections and disciplined cost controls, contributed to a favourable liquidity position. The Company's internally generated funds are sufficient to meet operational requirements, providing ample flexibility for reinvestment and growth without reliance on external financing.

Financial Summary			Appendix I
Balance Sheet (PKR Millions)	**FY22A**	**FY23A**	**FY24A**
Property, plant and equipment	3,860.90	4,002.03	3,937.93
Intangible Assets	0.36	0.00	0.00
Long-term Investments	1.49	7.11	157.71
Stock-in-trade	1,994.12	1,982.12	1,234.20
Trade debts	2,784.54	3,895.42	3,326.07
Short-term Investments	0.00	0.00	1,451.42
Cash & Bank Balances	1,844.79	1,141.68	1,125.97
Other Assets	6,423.62	5,732.42	5,273.91
Total Assets	16,909.82	16,760.78	16,507.21
Creditors	3,972.55	3,353.56	2,667.56
Long-term Debt (incl. current portion)	-	-	-
Short-Term Borrowings	-	-	-
Total Debt	-	-	-
Other Liabilities	0.00	0.00	3.00
Total Liabilities	3,972.55	3,353.56	2,670.56
Paid up Capital	250.00	10,250.00	10,250.00
Revenue Reserve	10,418.62	885.15	1,317.32
Equity (excl. Revaluation Surplus)	10,668.62	11,135.15	11,567.32
Income Statement (PKR Millions)	**FY22A**	**FY23A**	**FY24A**
Net Sales	7,294.01	7,546.86	7,232.74
Gross Profit	1,105.38	1,183.95	1,287.53
Operating Profit	981.66	691.17	675.14
Finance Costs	10.79	23.34	8.09
Profit Before Tax	970.87	667.83	667.05
Profit After Tax	876.99	466.53	452.16
Ratio Analysis	**FY22A**	**FY23A**	**FY24A**
Gross Margin (%)	15.15%	15.69%	17.80%
Operating Margin (%)	13.46%	9.16%	9.33%
Net Margin (%)	12.02%	6.18%	6.25%
Funds from Operation (FFO) (PKR Millions)	80.92	50.53	221.14
FFO to Total Debt* (%)	-	-	-
FFO to Long Term Debt* (%)	-	-	-
Gearing (x)	0.00	0.00	0.00
Leverage (x)	0.37	0.30	0.23
Debt Servicing Coverage Ratio* (x)	8.50	3.07	28.12
Current Ratio (x)	2.96	3.48	4.24
(Stock in trade + trade debts) / STD (x)			
Return on Average Assets* (%)	5.97%	2.77%	2.72%
Return on Average Equity* (%)	8.57%	4.28%	3.98%
Cash Conversion Cycle (days)	-4	65	96

**Annualized, if required*

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Izhar Construction Private Limited				
Sector	Construction & Real Estate				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	Rating Type: Entity				
	02-Jun-2025	A	A1	Stable	Reaffirmed
	27-Mar-2024	A	A1	Stable	Upgrade
	12-Dec-2022	A-	A1	Stable	Reaffirmed
	28-June-2021	A-	A1	Stable	Reaffirmed
	31-Dec-2019	A-	A1	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.				
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Due Diligence Meetings Conducted	S.No.	Name	Designation	Date	
	1.	Mr. Syed Aamir Hashmi	G.M. Finance	9th April, 2025	
	2.	Mr. Waseem Iftikhar	G.M. Finance & MIS		