VIS
Credit Rating Company Limited

RATING REPORT

IZHAR CONSTRUCTION (PRIVATE) LIMITED

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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		Reaffirmed	
Rating Date	September 22, 2026		June 02, 2025	

Shareholding (5% or More)	Other Information
Yaqoob Tahir Izhar – 22%	Incorporated in 1960
Amir Farooq Izhar – 18%	Private Limited Company
Mahboob Nasir Izhar – 18%	Chief Executive: Mr. Amir Farooq Izhar
Marghoob Shakir Izhar – 15%	External Auditor: PKF F.R.A.N.T.S.

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 rating reflects Izhar Construction (Private) Limited's (ICPL) established presence in the construction industry, supported by its affiliation with the diversified Izhar Group. The Company maintains a diversified portfolio of private-sector projects, including commercial, corporate, and industrial developments. Business risk remains moderate to high, given the cyclical nature of the construction industry, exposure to cement and steel price volatility, inflationary pressures, and strong correlation with overall economic activity. However, ICPL's established market presence and franchise value, along with its ongoing project portfolio, provide support to revenue visibility. Going forward, maintaining a healthy flow of new contracts will remain important to sustain revenue generation and profitability, particularly given the Company's reliance on a major ongoing project of around PKR 12 billion. On the financial front, profitability remained stable, with margins improving during 9MFY26. The Company maintains a debt-free capital structure with no external borrowings, resulting in nil gearing and strong capitalization. The Izhar Group also maintains a policy of inter-company borrowing/investments rather than relying on bank borrowings, as the Group remains cash positive on a net basis. Liquidity remains sound, supported by a strong cash position, current ratio above 3.0x, negative net operating cycle, and absence of debt-servicing obligations. The ratings will remain sensitive to the timely execution of ongoing projects, sustainability of profitability and liquidity, continued flow of new contracts, and maintenance of the Company's conservative capital structure.

Company Profile

Izhar Construction (Private) Limited ("ICPL" or "the Company") is an established construction and engineering company operating in Pakistan. Incorporated in 1960, the Company is headquartered in Lahore and is engaged in civil construction, engineering services, and ready-mix concrete operations. ICPL operates a ready-mix concrete facility on Multan Road, Lahore, supporting its construction activities. The Company has executed projects across commercial, healthcare, education, industrial, and infrastructure segments.

Its project portfolio includes DHA Dolmen Mall Lahore, Indus Hospital, LUMS, Mughal Energy Limited, Nova Care Hospital (Pvt.) Limited, and Al-Fatah E-Mall. ICPL also owns agricultural farms in Kalar Kahar and maintains an equity investment in Green Industrial Solutions (Private) Limited, which provides turnkey engineering solutions for power plants, grid stations, and process and control systems.

Group Profile

Izhar Group was established in 1959 by the late Engineer Izhar Ahmad Qureshi and has developed into a diversified business group with over six decades of experience in the construction and engineering sectors. The Group has expanded its operations across multiple segments and currently comprises ten companies: 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. Collectively, the Group operates across engineering, construction, infrastructure, housing, and related technical solutions in Pakistan.

Management and Governance

CEO Profile

Mr. Amir Farooq Izhar serves as the Chief Executive Officer of Izhar Construction (Pvt.) Limited and has been associated with the Izhar Group since 1989. He holds a degree in Civil Engineering from California State Polytechnic University-Pomona, USA, and has extensive experience in construction, project management, business development, and specialized structures.

Board & Senior Management

Izhar Construction (Pvt.) Limited's governance framework is supported by a five-member Board of Directors, comprising the Chief Executive Officer and four other directors. The Board provides oversight of the Company's strategic direction and operations, while management remains responsible for day-to-day execution and financial management. The governance framework could be further strengthened through the inclusion of independent directors, enhancing oversight and board-level checks and balances.

Industry Profile & Business Risk

The construction sector remains an important component of economic activity and is closely linked to developments in infrastructure, commercial, industrial, and private investment. The sector is heavily reliant on cement and steel as key inputs, leaving it exposed to fluctuations in raw material prices, energy costs, exchange rates, and inflation. Rising construction costs can result in project cost overruns and margin pressure, particularly where contracts do not provide adequate mechanisms for price escalation.

The steel industry continues to face structural challenges, including elevated energy costs, reliance on imported raw materials, exchange rate sensitivity, and competition from substandard and potentially under-invoiced products. The threat of dumped imports also remains a concern for domestic producers. However, demand conditions improved during FY26, supported by a recovery in industrial activity. Large scale manufacturing recorded growth of 6.11% during FY26, with notable expansion in automobiles, electrical equipment, and other manufacturing segments, providing some support to steel demand.

The cement industry has likewise benefited from an improvement in domestic construction activity. During FY26, construction related activity strengthened alongside broader economic stabilization, although high energy, transportation, and input costs continue to constrain industry margins. The improvement in domestic demand provides some offset to challenges in export markets and historically low utilization levels within the sector.

In FY26, Pakistan's construction sector grew by 5.73%, compared with 8.77% in FY25, indicating continued expansion but at a more moderate pace. The sector accounted for 2.35% of national GDP and 12.95% of the industrial sector. Growth was supported by higher construction related expenditure across the private, public, and general government sectors. At the broader economic level, Pakistan's real GDP grew by 3.70% in FY26, while the industrial sector expanded by 3.51%, reflecting a gradual recovery in economic activity.

Overall, the construction industry in Pakistan continues to carry moderate to high business risk. While FY26 reflected a recovery in construction activity, sector growth moderated from the previous year and remains dependent on macroeconomic stability, public sector development spending, private investment, interest rates, and construction input costs. Dependence on cement and steel exposes contractors to material price volatility, while project delays, cost overruns, and working capital requirements can exert pressure on financial performance. Nevertheless, the recovery in domestic economic and industrial activity provides a more supportive operating environment than in the preceding period. Going forward, the sector is expected to maintain a positive but measured growth trajectory, with overall performance remaining sensitive to fiscal policy, infrastructure spending, financing conditions, and input cost dynamics.

Operational Update

	No. Of Contracts	Revenue Achieved/Expected
Projects Completed during FY24	18	PKR 12.95 bn
Projects Completed during FY25	5	PKR 5.22 bn
Projects Completed during 9MFY26	8	PKR 4.49 bn
Future Projects FY26-27	5	PKR 19.63 bn (FY27 expected)

The Company has maintained a steady pace of project execution, completing 18 projects with an aggregate value of PKR 12.95bn in FY24, followed by 5 projects valued at PKR 5.22bn in FY25 and a further 8 projects worth PKR 4.49bn during 9MFY26. In addition, 5 future projects with a combined tentative contract value of PKR 19.63bn have been identified for execution during FY26–FY27. The project portfolio spans various sectors, including commercial, healthcare, industrial, and institutional developments, although a significant portion of the contract value remains concentrated among a few major projects and clients.

Profitability

In FY25, the Company's net sales remained broadly stable at PKR 7.24bn (FY24: PKR 7.23bn), with growth in construction contracts and agriculture products largely offsetting the decline in sales of goods. Construction contracts remained the primary revenue contributor at approximately 94%, followed by sales of goods at 4% and agriculture products at 2%. Client concentration remained high at 77.32% (FY24: 73.27%), with M/s Civil Aviation Authority accounting for 21.15% of total revenue. Gross profit declined to PKR 1.23bn (FY24: PKR 1.29bn), primarily due to higher fuel and power and employee-related costs. Operating profit declined, with the operating margin moderating to 8.7% from 9.3%, while finance costs increased to PKR 20.5m (FY24: PKR 8.1m), mainly due to higher guarantee commission charges. Consequently, profit after tax declined to PKR 326m from PKR 452.2m, resulting in a net margin of approximately 4.5%.

During 9MFY26, net sales stood at PKR 6.66bn, with construction contracts contributing approximately 97% of total revenue. Client concentration increased further to 80.75%, mainly due to a higher proportion of projects undertaken for a concentrated customer base. Gross and operating margins improved during the period, supported by lower operating expenses and higher other income. However, the improvement was partly offset by a significant increase in finance costs, primarily due to higher guarantee commission charges. Despite this, profit margins improved, with net margin reaching approximately 4.9% during 9MFY26 compared with 4.5% in FY25.

Financial Risk

Capital Structure

The Company maintains a highly conservative capital structure, with no external borrowings as of end-FY25 and 9MFY26. Capitalization is entirely supported by shareholders' equity and retained earnings, resulting in nil gearing and limited financial risk. The absence of debt-funded expansion has preserved balance sheet flexibility and shields the Company from refinancing and interest rate risks. Accordingly, finance costs remain a minimal component in overall operating cash flow. The Company's capitalization profile is expected to remain strong over the medium term, supported by continued earnings retention and the Group strategy on relying on inter-company borrowing before taking bank financing. a conservative funding approaches.

Debt Coverage & Liquidity

The Company's liquidity position remained comfortable during FY25 and 9MFY26, supported by a debt-free capital structure and a strong cash position. While Funds from Operations (FFO) remained modest at PKR 5 million in FY25 and turned negative at PKR 187 million in 9MFY26, cash balances remained substantial at around PKR 1.7 billion and PKR 1.9 billion, respectively. During 9MFY26, the Company deployed PKR 100 million in long-term investments in associates within the Group. The sizeable cash buffer provides adequate flexibility to meet near-term working capital and project execution requirements, while the absence of external borrowings limits debt servicing obligations.

The current ratio remained above 3.0x, providing adequate coverage of short-term obligations. Moreover, the Company maintained a net operating cycle of 155 days as of 9MFY26, reflecting an inventory holding period of 68 days and receivable days of 111 days, partly offset by a payable period of 24 days. Overall, the strong cash position, sound short-term liquidity, and debt-free capital structure provide adequate liquidity headroom despite the weakening in FFO during 9MFY26.

FINANCIAL SUMMARY					(Rs. in millions)
BALANCE SHEET	**FY22**	**FY23**	**FY24**	**FY25**	**9MFY26**
Property, plant and equipment	3,861	4,002	3,938	3,912	4,081
Stock-in-Trade	1,994	1,982	1,234	1,403	1,322
Trade Debts	2,785	3,895	3,326	2,794	2,588
Cash & Bank Balances	1,845	1,142	1,126	1,780	1,936
Total Assets	16,910	16,761	16,507	17,397	18,371
Trade Payables	579	513	631	423	543
Long Term Debt	-	-	-	-	-
Short Term Debt	-	-	-	-	-
Total Debt	-	-	-	-	-
Total Liabilities	3,973	3,354	2,671	3,271	3,917
Paid Up Capital	250	10,250	10,250	10,250	10,250
Total Equity	12,937	13,407	13,837	14,125	14,454
INCOME STATEMENT	**FY22**	**FY23**	**FY24**	**FY25**	**9MFY26**
Net Sales	7,294	7,547	7,233	7,240	6,656
Gross Profit	1,105	1,184	1,288	1,234	1,180
Operating Profit	982	691	675	631	615
Profit Before Tax	971	668	667	611	575
Profit After Tax	877	467	452	326	328
RATIO ANALYSIS	**FY22**	**FY23**	**FY24**	**FY25**	**9MFY26**
Gross Margin (%)	15.2%	15.7%	17.8%	17.0%	17.7%
Operating Margin (%)	13.5%	9.2%	9.3%	8.7%	9.2%
Net Margin (%)	12.0%	6.2%	6.3%	4.5%	4.9%
Funds from Operation (FFO)	80.9	50.5	221.1	4.9	(186.53)
Gearing (x)	-	-	-	-	-
Leverage (x)	0.37	0.30	0.23	0.28	0.32
Debt Servicing Coverage Ratio* (x)	8.50	3.07	28.12	1.14	(3.65)
Current Ratio (x)	2.96	3.48	4.24	3.70	3.25
Return on Average Assets* (%)	6.0%	2.8%	2.7%	1.9%	2.4%
Return on Average Equity* (%)	8.6%	4.3%	4.0%	2.8%	3.6%
Cash Conversion Cycle (days)	96	244	246	202	155

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 TYPE: ENTITY				
Rating Date	**Medium to Long Term**	**Short Term**	**Rating Outlook**	**Rating Action**
22-Sep-2026	A	A1	Stable	Reaffirmed
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 Meeting Conducted

S.No.	Name	Designation	Date
1	Waseem Iftikhar	CFO	09th Sep 2026
2	Aamir Hashmi	GM Finance	