

Analysts:

M. Amin Hamdani

(amin.hamdani@vis.com.pk)

ENGRO ENFRASHARE (PVT) LIMITED**Chief Executive: Mr. Faisal Sattar****RATING DETAILS**

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/ WATCH	Positive		Stable	
RATING ACTION	Maintained		Reaffirmed	
RATING DATE	September 15, 2025		October 21, 2024	

APPLICABLE METHODOLOGY(IES):

VIS Entity Rating Criteria Methodology – Industrial Corporates

(<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>)**Rating Scale:**(<https://docs.vis.com.pk/docs/VISRatingScales.pdf>)**RATING RATIONALE**

The assigned ratings to Engro Enfrashare (Private) Limited (Enfrashare) reflect its strong sponsor support from the Engro Group, established market leadership in the TowerCo sector following the landmark acquisition of Deodar (Private) Limited, and a growing revenue base underpinned by portfolio expansion and rising tenancy ratios. The Company has demonstrated operational traction, turning profitable in HY25 after sustained losses since inception, supported by higher gross margins, cost efficiencies through solarization, and easing finance costs. The TowerCo sector's medium-to-low business risk profile, characterized by long-term lease contracts, stable demand fundamentals, and positive growth prospects from broadband penetration and upcoming 5G rollout, lends further support to the ratings. Nonetheless, the ratings remain constrained by the sector's capital-intensive nature, elevated leverage, and exposure to energy and fuel cost volatility. Going forward, continued improvement in cash flows, stable tenancy growth, and prudent financial management will remain important for ratings.

COMPANY PROFILE

Engro Enfrashare (Private) Limited ('Enfrashare' or 'the Company') was incorporated as a private limited Company on November 13, 2018. It is a wholly owned subsidiary of Engro Connect (Pvt) Limited - the telecom infrastructure arm of Engro Holdings Limited, a major Pakistani conglomerate and the Ultimate parent company of Enfrashare.

The Company is engaged in buying, building, maintaining and operating telecommunication infrastructure and any products, by products and activities relating to or ancillary thereto.

RS. MILLION	CY23	CY24	HYCY25
Net Sales	13,230	16,590	9,900
PBT	(2,742)	(57)	1,739
PAT	(2,209)	(337)	1,113
Paid up call	21,490	24,490	24,490
Equity (incl. surplus on PEE)	17,157	19,083	20,021
Total Debt	32,693	33,272	32,866
Debt Leverage	2.99	2.41	2.30
Gearing	1.91	1.74	1.64
FFO *	(1,231)	(508)	4,537
FFO/Total Debt (x)*	(0.04)	(0.02)	0.14
NP Margin	-16.7%	-2.0%	11.2%
*Annualized			

The registered office of the Company is located at Ufone Tower, Blue Area, Islamabad.

INDUSTRY PROFILE & BUSINESS RISK

The TowerCo sector primarily involves the construction, maintenance, and leasing of telecom towers to Mobile Network Operators (MNOs) under sales-leaseback (SLB) and build-to-suit model (BTS). The existing towers in Pakistan are mainly on BTS model, wherein towers are developed based on the specific requirements of telecom companies and leased for a long-term basis.

The growth of the TowerCo sector remains closely linked to the demand for services provided by Mobile Network Operators (MNOs), which at present is primarily driven by data services. In recent years, the strategic shift of MNOs toward infrastructure sharing, following the implementation of the Passive Telecom Infrastructure Policy, has contributed to significant growth for both the MNOs and the TowerCo sector. As of 2024, Pakistan's telecom tower network consists of an estimated 47,200 towers. Of these, 37,000 are owned by Mobile Network Operators (MNOs), while the remaining are owned by TowerCos. Among MNO-owned towers, Jazz holds the largest share with 10,700 sites, which have recently been acquired by the Engro Group, positioning it as a significant player in the market.

Within the portfolio held by TowerCo. sector, the market share is primarily distributed among four key players: Engro Enfrashare, Edotco, Tower Power Ltd., and Tawal Telecom

ESTIMATED MARKET SHARE

Company	2021	2022	2023	2024
Engro Enfrashare	48%	50%	51%	51%
Edotco.	43%	42%	34%	34%
Tower Power/ Associated Technologies	8%	7%	14%	13%
Tawal Telecom	1%	1%	1%	2%

A key performance metric for TowerCos is the tenancy ratio, which indicates the average number of tenants per site. A higher tenancy ratio translates to stronger operational earnings for the sector. Currently, Pakistan's industry-wide tenancy ratio stands at approximately 1.3x as compared to a global average of 2.2x.

The growth in Pakistan's towerCo. industry is primarily driven by an increasing population, rising mobile phone penetration, and the need for expanded broadband coverage. Additionally, the rollout of 5G is anticipated to further boost demand due to the need for a more densely distributed tower network to support the 5G technology.

Telecom Tower Providers (TTPs) in Pakistan face considerable operational challenges, particularly in relation to energy and fuel costs. In rural areas, a

significant number of telecom towers rely on diesel generators due to limited access to the electricity grid, resulting in elevated fuel expenses. However, the growing adoption of solarization at tower sites has helped mitigate some of these cost pressures.

Overall, the TowerCo sector is characterized by a medium-to-low business risk profile, attributed to its capital-intensive nature, long-term contractual lock-ins, limited termination risks, and growing demand. The sector's growth outlook remains positive, supported by the rising demand for 4G services and the anticipated rollout of 5G technology.

Operating Performance

During CY24, the Company has added 263 new towers to its portfolio incurring a capital expenditure of PKR 4.9 Bn, with portfolio of 4,215 towers. In HY25, further additions of 184 towers were made to the portfolio, bringing total figure to 4,399 towers. BY end CY25, tower portfolio is planned to be expanded to 4,478.

Tower Portfolio - Breakup				
Type	CY22	CY23	CY24	HY25
Sale and Lease back model	390	330	330	330
Built to Suite towers	2,939	3,622	3,885	4,069
Total	3,329	3,952	4,215	4,399
CAPEX (PKR Mn)	17,595	7,737	4,939	3,235

To accelerate infrastructure expansion, Engro Corporation (through its subsidiary Engro Connect) completed the landmark Engro-Deodar transaction, acquiring the tower infrastructure of Pakistan Mobile Communications Limited (PMCL), housed under Deodar (Private) Limited. The transaction, valued at approximately USD 563 million, comprised a cash payment of USD 187.7 million to Jazz and the assumption of Deodar's USD 375 million debt. The deal closed in June 2025 following regulatory approvals, with full operational integration expected to take around 20 months. With the addition of Jazz's 10,700 towers, Engro now commands industry leadership with a portfolio of nearly 15,000 sites, well ahead of peers. All future tower capex will be undertaken under Deodar, which is slated to merge with Engro Enfrashare in due course.

FINANCIAL RISK

Capital Structure

The Company's capitalization profile is shaped by the capital-intensive nature of the tower business and the impact of accumulated losses during its early growth phase, which resulted in elevated debt utilization. Notwithstanding this, sponsors have consistently demonstrated strong financial commitment through regular equity injections, enabling steady growth in the Company's equity base and supporting expansion plans.

As of end-CY24, the Company's gearing and leverage ratios stood at 1.74x and 2.41x, respectively (CY23: 1.91x and 2.99x). By end-HY25, these metrics improved to 1.64x and 2.30x, driven by improved profitability. Looking ahead, while capex requirements under Engro Enfrashare are expected to moderate, the Company remains committed to financing the Deodar project following its acquisition and therefore plans to maintain a capital structure with targeted gearing level in the 1.6x range, even as operating cash flows improve, underpinning managements approach to preserve financial flexibility while continuing to support infrastructure growth.

Profitability

During CY24, Enfrashare's revenue grew by 25% to PKR 16.5bn (CY23: PKR 13.2bn), driven by portfolio expansion and an improvement in tenancy ratio to 1.26x (CY23: 1.21x). This translated into a higher gross margin of 48.2% (CY23: 40.6%). Nonetheless, elevated interest rates weighed on profitability, resulting in a loss before tax of PKR 57mn, while the net loss narrowed to PKR 337mn with a net margin of -2% (CY23: -16.7%). In HY25, the Company achieved profitability for the first time since inception, aided by monetary easing and sustained operational gains. Revenue rose to PKR 9.9bn, supported by tenancy growth to 1.29x and the addition of 184 towers, while gross margin strengthened to 51%. Cost efficiencies were further enhanced through solarization, with nearly half of the sites now powered by solar energy. Consequently, the Company posted a net profit of PKR 1.1bn, reflecting a net margin of 11.2%. Going forward, profitability is expected to remain resilient, underpinned by stable revenues, improving tenancy ratios, operational efficiencies, and lower finance costs.

Debt Coverage & Liquidity

The Company's liquidity position has demonstrated gradual improvement, with the current ratio increasing to 1.08x in CY24 and maintaining at 1.01x in HY25 (CY23: 0.93x). Funds from Operations (FFO) tracked the profitability trend, improving from PKR -1.23bn in CY23 to PKR -508m in CY24, and turning positive at PKR 2.68bn in HY25. This translated into stronger debt coverage metrics, with FFO-to-total debt improving to -0.02x in CY24 and 0.14x in HY25 (CY23: -0.04x). Debt service capacity also strengthened, with DSCR (adjusted for cash) improving to 0.71x and 1.09x as of CY24 and HY25.

Going forward, liquidity is expected to strengthen as cash flows benefit from stabilizing operating margins, rising tenancy levels, and moderating capex under Engro Enfrashare. While additional funding commitments for the Deodar project may temporarily elevate debt servicing needs, these are expected to be offset by long-term, recurring cash inflows backed by lock-in contracts.

FINANCIAL SUMMARY <i>(amounts in PKR millions)</i>					
BALANCE SHEET	CY21	CY22	CY23	CY24	HY25
Property, Plant and Equipment	18,318	34,242	39,877	42,106	43,657
Right-of-use Assets	7,519	10,675	10,968	6,849	7,572
Trade debts	1,219	2,389	3,408	4,887	5,185
Cash & bank balance	4,630	2,596	3,594	1,610	1,989
Total Assets	35,569	58,925	68,402	65,115	66,130
Long-term debt (inc. current portion)	13,763	24,063	29,680	31,318	31,936
Short-term debt	-	2,500	3,013	1,954	931
Total Debt	13,763	26,563	32,693	33,272	32,866
Trade & Other payables	4,047	6,282	4,730	3,153	2,826
Total Liabilities	26,835	45,460	51,245	46,032	46,109
Paid-Up Capital	11,475	15,815	21,490	24,490	24,490
Accumulated Loss	(3,066)	(2,675)	(5,622)	(5,959)	(4,847)
Sponsors' contribution	326	326	326	326	326
Total Equity	8,734	13,466	17,157	19,083	20,021
INCOME STATEMENT	CY21	CY22	CY23	CY24	HY25
Net Sales	4,489	9,095	13,230	16,590	9,900
Gross Profit	2,088	3,831	5,370	7,996	5,053
Finance costs	(2,104)	(3,972)	(7,274)	(7,245)	(2,835)
Profit Before Tax	(520)	(788)	(2,742)	(57)	1,739
Profit After Tax	(669)	(253)	(2,209)	(337)	1,113
FFO *	(1,028)	(185)	(1,231)	(508)	4,537
RATIO ANALYSIS	CY21	CY22	CY23	CY24	HY25
Gross Margin (%)	46.5%	42.1%	40.6%	48.2%	51.0%
Net Margin (%)	-14.9%	-2.8%	-16.7%	-2.0%	11.2%
FFO to Long-Term Debt (x)*	(0.07)	(0.01)	(0.04)	(0.02)	0.14
FFO to Total Debt (x)*	(0.07)	(0.01)	(0.04)	(0.02)	0.14
Current Ratio (x)	1.70	0.89	0.93	1.08	1.01
Debt Servicing Coverage Ratio (x)*	0.28	0.43	0.36	0.56	0.89
DSCR (x) Cash adjusted	2.35	0.96	0.70	0.71	1.09
DSCR (EBITDA)	1.23	1.10	0.73	0.94	1.29
Gearing (x)	1.58	1.97	1.91	1.74	1.64
Leverage (x)	3.07	3.38	2.99	2.41	2.30
ROAA (%) *	-1.9%	-0.5%	-3.5%	-0.5%	3.4%
ROAE (%) *	-7.7%	-2.3%	-14.4%	-1.9%	11.4%
Cash Conversion Cycle (days)*	(531)	(353)	(140)	(43)	(26)

*Annualized

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Engro Enfrashare (Private) Limited				
Sector	Telecommunication				
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				
	15/09/2025	A-	A2	Positive	Maintained
	21/10/2024	A-	A2	Stable	Reaffirmed
	08/09/2023	A-	A2	Stable	Reaffirmed
	06/05/2022	A-	A2	Stable	Reaffirmed
	14/01/2021	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.				
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Due Diligence Meetings Conducted	S.No.	Name	Designation	Date	
	1.	Mr. Asad Khan	Director - Finance	02-Sept, 2025	