VIS
Credit Rating Company Limited

RATING REPORT

AL-FEROZ (PRIVATE) LIMITED

Chairman & Chief Executive: Mr. Shoaib Feroz

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

APPLICABLE METHODOLOGY(IES):

VIS Entity Rating Criteria Methodology – Corporates
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Construction Industry
https://docs.vis.com.pk/Methodologies%202024/CONSTRUCTION-INDUSTRY-RATING-CRITERIA.pdf

VIS Rating scale
https://docs.vis.com.pk/docs/VISRatingScales.pdf

RATING DETAILS

RATINGS CATEGORY	LATEST RATING	
	Long-term	Short-term
ENTITY	A+	A1
RATING OUTLOOK/ WATCH	Stable	
RATING ACTION	Initial	
RATING DATE	July 01, 2025	

RATING RATIONALE

Al-Feroz (Private) Limited ('AFPL' or 'the Company') has established itself as a prominent player in Pakistan's construction and real estate sector, supported by a portfolio of high-value projects, and a strong financial profile.

The Company has investments in key real estate developments, including Sky Towers, the Corporate Office Block (both in Dolmen City), and Dolmen Malls (Tariq Road and Hyderi), which collectively generate stable and recurring rental income. Additionally, AFPL's stake in Dolmen City REIT provides a steady stream of dividend income, providing it a further stream of predictable cashflows. Over time, AFPL has maintained stable revenues through rental income, accounting for 51.3% of total revenue in FY24, as well as dividend income contributing 47% of revenues.

The Company's profitability is bolstered by its low operational costs and a high efficiency ratio, consistently maintained below 20%. Fair value gains on investments have also contributed to profitability, reflecting the appreciation in asset values. Adjusting for the same, profitability profile remains robust.

AFPL's financial health is further strengthened by its conservative capital structure, marked by low leverage and the absence of interest-bearing debt. The Company primarily funds its projects through equity, which has grown steadily over time, supported by sustainable cash flow generation.

Going forward, Company's recent acquisition in DHA Dolmen Lahore (DDL) is anticipated to enhance its dividend stream. Additionally, with new developments in the pipeline along with diversification in the hospitality sector, Company's overall business risk remains elevated.

The Company operates in a high-risk business environment, facing challenges such as economic downturns, regulatory changes, high capital requirements, liquidity constraints, construction delays, environmental compliances, and political instability, all affecting profitability and investment returns. However, this is mitigated by the number of operational projects on the company's portfolio.

COMPANY PROFILE

Al-Feroz (Private) Limited ('AFPL' or 'the Company') was incorporated in Pakistan on July 25, 1983, under the Companies Act, 1913 (now the Companies Act, 2017) as a private limited company. The Company is primarily engaged in the business of construction, real estate development, and leasing of properties developed by the Company. In 2021, the Company underwent a restructuring process that involved the bifurcation of ownership between two sets of shareholders, the Nadeem family (represented by Dolmen (Pvt) Ltd) and the Feroz family (represented by Al Feroz (Pvt) Ltd). This helped in clearly defining ownership stakes and responsibilities, thus ensuring a more organized and transparent governance structure within the Dolmen Group.

Under Al Feroz, following investments are housed:

a) Dolmen Mal – Tariq Road

b) Dolmen Mall – Hyderi

c) Sky Tower A & B (Dolmen City)

d) Corporate Office Block (COB) [Part of Dolmen City]

e) Signature 27

GOVERNANCE

Sponsor/ Directors' Profile

Mr. Shoaib Feroz (CEO and Chairman)

With 34+ years of experience, Mr. Shoaib Feroz specializes in Real Estate, Amusement Parks, Mechanical Engineering, and Renewable Energy. As

CEO/Director of Al-Feroz (Pvt) Ltd (since 2021), Green Waste Energy (Pvt) Ltd (since 2020), and Pioneer Amusement Services (Pvt) Ltd (since 2013), he has led landmark projects like Dolmen City, Chunky Monkey Amusement, and renewable energy initiatives converting waste to synthetic gas. He holds a 17% ownership stake.

Mr. Irfan Feroz (Director)

A seasoned professional with 36+ years, Mr. Irfan Feroz specializes in Real Estate, Amusement Parks, and Manufacturing of Engineering Equipment. Serving as Director at Al-Feroz (Pvt) Ltd (since 2021), Brentwood (Pvt) Ltd (since 2013), and Metal Engineering Works (Pvt) Ltd (since 1991), he has executed key projects including Dolmen Malls, Signature-27 Apartments, and Sindbad Amusement. His contributions include pioneering long-term retail leases and manufacturing specialized transport carriers for defense industries. He owns 17% of the Company.

Mr. Kamran Feroz (Director)

With 38+ years in Real Estate, Amusement Parks, and Mechanical Engineering, Kamran Feroz holds leadership positions across multiple businesses. He has been serving as CEO/Director of Metal Engineering Works (Pvt.) Ltd. since 1991 and Al-Kehkashan (Pvt.) Ltd. since 1989. Additionally, he is a Director at Wonderland (since 1986), Brentwood (Pvt.) Ltd. (since 2013), and Al-Feroz (Pvt.) Ltd. (since 2014). He has overseen the development of Dolmen projects and Sindbad Amusement, emphasizing cost-effective, quality-driven real estate ventures. His engineering expertise includes manufacturing aircraft refuellers and specialized vehicles for defense sectors. He has a 17% shareholding in the entity.

AUDITOR'S REPORT

The FY24 financial statements were audited by AF Ferguson & Co., a member firm of the PwC Network. AF Ferguson & Co. is placed in Category A by the SBP and has a QCR rating. The auditor issued an unqualified opinion on AFPL's annual statements for FY24.

INDUSTRY PROFILE

In FY24, Pakistan's real estate sector faced economic and regulatory challenges, including high interest rates, sluggish construction growth, and project delays amid rapidly rising input costs, particularly of steel bars. However, macroeconomic stability, marked by monetary easing, inflation control, a stable PKR, and higher foreign reserves, improved liquidity and spurred investment. Total foreign investment, including FDI and portfolio inflows, surged 189% YoY in July 2024, largely due to contributions from China (via CPEC) and Gulf countries. Government efforts to formalize the economy, broaden the tax base, and curb the foreign exchange grey market further supported sectoral transformation.

Urbanization and a youthful demographic offered growth potential, but high CPI inflation (24.52% average) and elevated interest rates (19.5%) constrained progress. Import restrictions helped narrow the current account deficit but disrupted value chains. The commercial sector, particularly in relation to office spaces, remained robust, with high demand for premium spaces by MNCs and local groups, maintaining strong occupancy rates in Grade A buildings. Co-working spaces and the hospitality sector also showed resilience, with occupancy surpassing pre-COVID levels.

The industrial sector benefited from increased local trading and manufacturing, supporting demand for warehouses, while retail maintained high occupancy rates in malls. However, the residential sector struggled as investor demand dwindled due to overall macroeconomic conditions combined with a more aggressive tax regime for real estate, leading to lower take-up rates. Encouragingly, more REITs were launched, registering assets over Rs. 280b, and 39 NBFCs acquired licenses to act as real estate managers, signaling a growing institutional presence in the sector despite ongoing political and economic uncertainties. This augurs well for the sector going forward as previously the construction sector has remained dominated by the informal segment.

As 2025 begins, the property market in Pakistan is undergoing notable changes, driven by economic recovery, policy reforms, and evolving buyer preferences. The country's economy has demonstrated resilience, supported by remittances, growing exports, and government-led initiatives that have stabilized key indicators. Interest rates have dropped to 11% with projections to decline further, complemented by a stable PKR and controlled inflation. This favorable economic environment has positioned real estate as an attractive investment option.

BUSINESS RISK

The Company's business risk can be categorized into two distinct parts i.e construction and development of projects and managing operational projects. The first part involves operating in a high-risk environment which remains vulnerable to macroeconomic fluctuations. Regulatory uncertainty further compounds this risk. High upfront capital requirements and long gestation periods make liquidity management a persistent challenge, especially when access to financing is constrained by macroeconomic conditions or institutional risk appetite. Construction delays, whether due to supply chain disruptions, labor shortages, or unforeseen technical challenges, can erode profit margins and lead to penalty clauses or reputational damage. Additionally, the growing emphasis on environmental and social governance (ESG) compliance introduces stricter standards around sustainable construction practices and community impact, which, while essential, may increase operational complexity.

However, the business risk in the management of developed projects is significantly lower due to stable income streams, particularly in the rental model used by the company. Since the company's portfolio is heavily tilted towards developed projects, overall business risk stands considerably mitigated.

Asset Mix

(PKR million)	FY21	FY22	FY23	FY24
Long term investment	0.0%	28.7%	24.6%	33.7%
Investment properties	82.5%	52.8%	57.8%	55.9%
Development properties	8.0%	14.8%	12.0%	9.0%
Cash and Bank	4.2%	3.1%	5.2%	1.1%
Total asset	**12,686**	**39,293**	**46,463**	**56,864**

AFPL's asset base has experienced notable growth at a CAGR of 45.51% over the past four years, primarily driven by long-term investments and investment properties, which consistently constitute the largest portion of assets. Asset base has been supported by gains from fair value assessments, resulting in an increase in value of total asset.

The name of the Company's valuator is M/s K.G. Traders (Private) Limited, as disclosed in the financial statements (Notes 8.2 for both 2023 and 2024). This firm conducted fair value assessments of AFPL's investment properties, which contributed significantly to the growth in the asset base through unrealized gains.

Investment and Properties

AFPL has built a strong presence in the real estate sector, earning revenue from a range of properties. As of FY24, the Company's rental and dividend income was generated from the following sources:

(PKR million)	FY21	FY22	FY23	FY24
Long term Investment				
Dolmen City REIT – 37.5% ownership	-	11,274.2	11,407.6	13,717.4
DHA Dolmen Lahore – 11.1% ownership	-	-	-	5,437.4
Investment Properties				
Dolmen Mall – Tariq Road - 50% ownership	7,621.0	8,307.1	9,167.5	9,167.5
Dolmen Mall - Hyderi – 50% ownership	1,591.7	1,677.8	1,872.8	1,872.8
Sky towers and COB – 50% ownership	-	9,920.0*	14,897.1	19,794.5

**After incorporating gain in fair value*

During FY24, the Company acquired an 11.1% share from Dolmen Private Limited (DPL) in DHA Dolmen Lahore (DDL), a private limited company primarily engaged in the construction of a commercial complex/mall on a 108-kanal plot located at Phase VI DHA Cantonment Lahore. This project is being developed under a joint venture agreement with DHA Lahore.

Development Properties (PKR million)	FY21	FY22	FY23	FY24
Signature -27	693.3	1,193.0	1,889.2	2,353.9
Grand Bazar	53.6	332.7	406.4	446.9
Sky Towers and Corporate Office Block	-	4,297.5	3,288	2155.4
Sahil One	-	-	-	139.4

Furthermore, AFPL has several projects under development, which includes Signature 27 (multi-story residential project in DHA Karachi), Grand Bazaar and Sahil One (a mixed-use project developed in partnership with DHA Karachi).

Al Feroz group has decided to diversify in the hospitality business. Going forward, AFPL will transfer physical property from Sky Tower - B against share in equity, resulting in 100% ownership of Brentwood Hospitality Private Limited (BHPL), a fully owned subsidiary. BHPL is developing a 16-floor hotel consisting of 200-

rooms, 40 suites and 42 serviced apartments, which is expected to be completed by December 2026.

FINANCIAL RISK

Capital Structure

(PKR million)	FY21	FY22	FY23	FY24
Total Debt	0.0	0.0	0.0	0.0
Equity (excl. Revaluation Surplus)	12,227.1	29,640.0	31,198.9	34,478.5
Equity (incl. revaluation surplus)	12,227.12	38,190.98	44,922.91	54,218.51
Gearing (x)	0.0	0.0	0.0	0.0
Leverage (x)	0.0	0.0	0.0	0.1

AFPL's strong financial profile is underpinned by its conservative capital structure, characterized by zero interest-bearing debt and minimal leverage, with a leverage ratio consistently at 0.0x until FY24, where it marginally increased to 0.1x. The absence of gearing underscores the Company's reliance on internal equity funding rather than external borrowings. Equity (excluding revaluation surplus) has grown steadily from PKR 12.2b in FY21 to PKR 34.5b in FY24, supported by strong internal capital generation.

Profitability

Revenue Streams

(PKR million)	FY21	FY22	FY23	FY24
Rental Income Share	**96.3%**	**44.4%**	**48.6%**	**51.3%**
Sky Towers	0	427	622	981
Corporate Office Block	0	151	205	218
Dolmen Mall Tariq Road	583	363	457	501
Dolmen Mall Hyderi	92	30	106	110
Dividend Income Share	**0.0%**	**54.1%**	**50.1%**	**47.4%**
Marketing Income Share	**3.7%**	**1.5%**	**1.3%**	**1.3%**
Total Revenue	**702**	**2,188**	**2,860**	**3,525**
Revenue YoY Growth	-	*212%*	*31%*	*23%*

Rental income, accounted for 96.3% of total revenue in FY21, has decreased in proportion, contributing 51.3% of total revenue by FY24. However, this was mainly due to the introduction of Dolmen REIT to the portfolio leading to diversification of income sources through dividend income. In absolute terms, rental income has seen consistent growth, rising from PKR 676mn in FY21 to PKR 1,810mn in FY24.

Dolmen Mall Tariq Road provides a steady contribution, while Dolmen Mall Hyderi exhibits modest growth. Sky Towers and the Corporate Office Block became significant contributors to rental income starting in 2022. Since then, Sky Towers has been the largest contributor, with rental income from these properties supporting overall growth.

Dividend income has become a significant revenue stream, growing to 47.3% of total revenue by FY24. It is expected to be further bolstered by the newly acquired equity in DDL.

Marketing income, which involves renting out defined spaces for marketing stalls, kiosks, carts, signage, and similar uses, has grown from PKR 26mn in FY21 to PKR 47mn in FY24. Although its share in total revenue remains small, it continues to contribute to the company's overall revenue.

Profitability Analysis (PKR million)	FY21	FY22	FY23	FY24
PBT	541	10,493	7,600	9,030
Unrealized Gains	-	8,551	5,173	6,016
PBT (PKR million)*	541	1,942	2,427	3,015
PAT (PKR million)	394	10,155	6,732	8,092
Efficiency	**23.0%**	**12.1%**	**15.4%**	**15.1%**

**Adjusted for unrealized gain*

The Company changed its accounting treatment in FY23 to recognize properties at fair value, rather than at cost less accumulated depreciation and impairment losses, as previously applied. This shift has had a notable impact on reported profitability, with unrealized gains from fair value adjustments contributing significantly to profit before tax (PBT). However, this change has no cash flow impact and therefore no bearing on the overall risk profile of the Company.

While headline PBT reached PKR 8.6b in FY24, the adjusted PBT—excluding unrealized gains—stood at PKR 3.0b, up from PKR 2.4b in FY23, reflecting a genuine improvement in core profitability with a 4-year CAGR of 53.7%, due to expansion in its portfolio of developments and investments. Furthermore, operating efficiency has been maintained at a strong level, with the efficiency ratio consistently under 20% and recorded at 15.1% in FY24, indicating that the Company's recurring income continues to comfortably cover its operating costs.

Liquidity Profile

	FY21	FY22	FY23	FY24
FFO **(PKR million)**	444.2	1,538.3	1,939.8	2,182.6
Current Ratio (x)	12.25	14.81	8.21	4.42

The Company's Fund from Operations (FFO) reflects consistent growth, increasing from PKR 444.2m in FY21 to PKR 2.2b in FY24, highlighting its strong operating cash flow generation capacity. Although the current ratio declined from 12.25x in FY21 to 4.42x in FY24, it remains well above standard benchmarks, indicating healthy short-term liquidity. Moreover, Return on Equity (ROE) remained strong, averaging over 25% in the last two years, underscoring efficient capital utilization and sustained profitability.

Financial Summary

Balance Sheet (PKR Millions)	FY21A	FY22A	FY23A	FY24A
Property, plant and equipment	4.1	7.6	6.3	9.6
Right-of-use Assets	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0
Long-term Investments	0.0	11,274.2	11,407.6	19,154.9
Stock-in-trade	1,019.1	5,823.2	5,583.5	5,095.6
Trade debts	32.6	34.7	28.3	30.1
Short-term Investments	0.0	0.0	0.0	0.0
Cash & Bank Balances	539.0	1,224.6	2,405.5	625.7
Other Assets	11,091.0	20,928.6	27,032.0	31,947.9
Total Assets	12,685.8	39,292.8	46,463.2	56,863.8
Creditors	26.7	57.9	57.0	105.6
Long-term Debt (incl. current portion)	0.0	0.0	0.0	0.0
Short-Term Borrowings	0.0	0.0	0.0	0.0
Total Debt	0.0	0.0	0.0	0.0
Other Liabilities	432.0	1,043.9	1,483.3	2,539.7
Total Liabilities	458.6	1,101.8	1,540.3	2,645.3
Paid up Capital	2.1	1.1	1.1	1.1
Unappropriated Profit	12,225.0	29,638.9	31,197.9	34,477.5
Equity (excl. Revaluation Surplus)	12,227.1	29,640.0	31,198.9	34,478.5
Revaluation Surplus	0.00	8,551.0	13,724.0	19,740.0
Equity (excl. Revaluation Surplus)	12,227.1	29,640.0	31,198.9	34,478.5

Income Statement (PKR Millions)	FY21A	FY22A	FY23A	FY24A
Net Sales	701.8	2,187.7	2,860.5	3,524.8
Operating Profit	541.2	10,493.3	7,600.1	9031.0
Finance Costs	0.0	0.0	0.0	0.0
Profit After Tax	394.0	10,155.3	6,731.9	8,091.8

Ratio Analysis	FY21A	FY22A	FY23A	FY24A
Operating Margin (%)	77.1%	479.7%	265.7%	256.2%
Net Margin (%)	56.1%	464.2%	235.3%	229.6%
Funds from Operation (FFO) (PKR Millions)	444.2	1,538.3	1,939.8	2,182.6
FFO to Total Debt* (%)	-	-	-	-
FFO to Long Term Debt* (%)	-	-	-	-
Gearing (x)	0.0	0.0	0.0	0.0
Leverage (x)	0.0	0.0	0.0	0.1
Debt Servicing Coverage Ratio* (x)	-	-	-	-
Current Ratio (x)	12.25	14.81	8.21	4.42
(Stock in trade + trade debts) / STD (x)	-	-	-	-
Return on Average Assets* (%)	5.1%	39.1%	15.7%	15.7%
Return on Average Equity* (%)	5.4%	48.5%	22.1%	24.6%
Cash Conversion Cycle (days)	20.2	5.6	4.0	3.0

**Annualized, if required*

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Al Feroz (Private) Limited				
Sector	Construction and 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				
	July 1, 2025	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.				
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.				
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2025 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.				
Due Diligence Meetings Conducted	S.No.	Name	Designation	Date	
	1.	Mr. Aftab Ahmed	CFO	21st April 2025	
	2.	Mr. Salman Idrees	DGM - Finance		