

CONSTRUCTION SECTOR OVERVIEW

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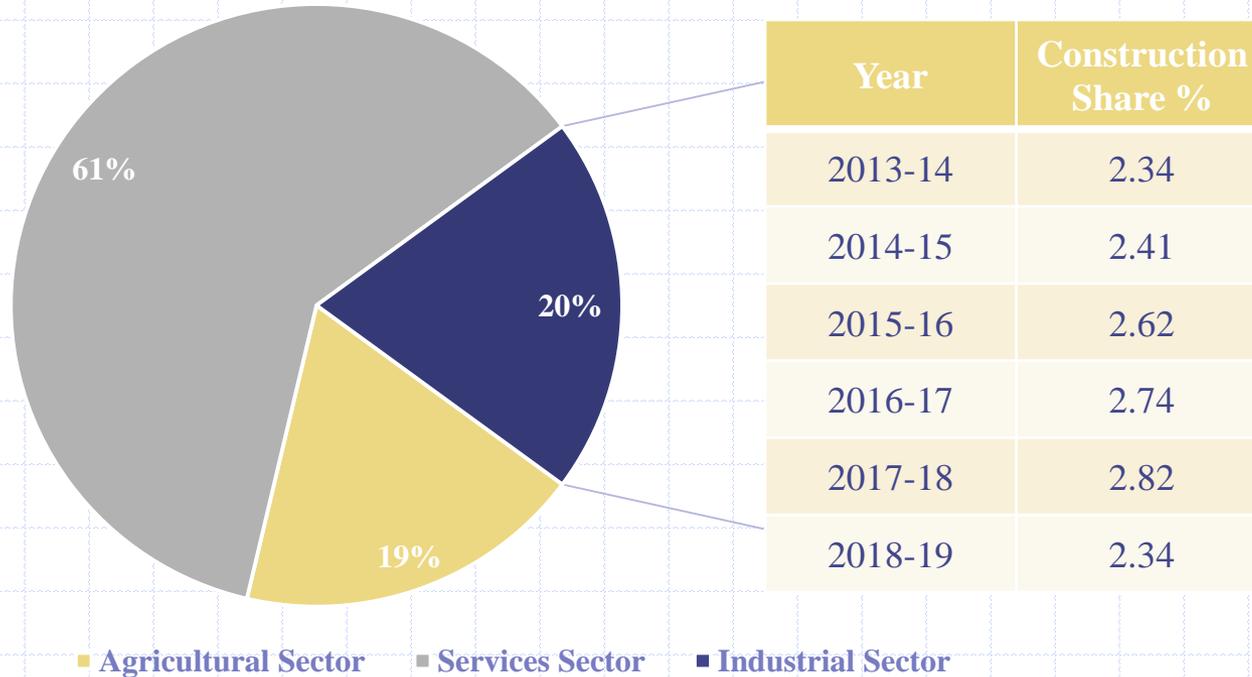
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INDUSTRY SNAPSHOT

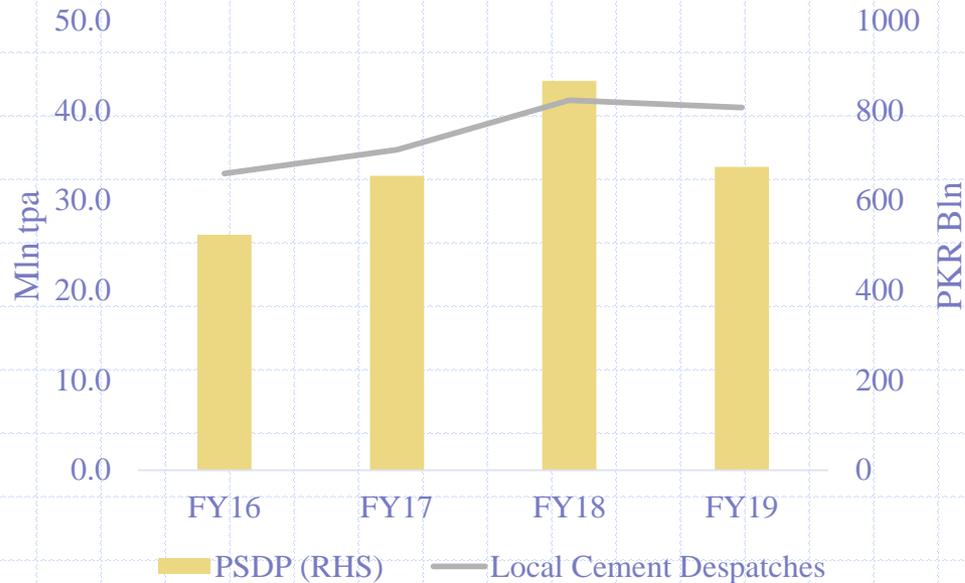
GDP | Sectoral Share | 2019



- Construction as a sub sector contributes 12.3% in industrial sector and in GDP its share is 2.34% against the share of 2.82% in FY18.
- Construction is considered as one of the potential components of industrial sector in the economy of Pakistan. This sub-sector has witnessed a negative growth of 7.57% against the growth of 9.13% in FY18.
- Going forward, growth seems to be a challenge, as discussed in later slides.

Correlation – PSDP and Local Despatches

PSDP & Local Despatches



Year	PSDP	Federal	Provincial
FY16	524	700	814
FY17	655	800	875
FY18	866	1001	1112
FY19	675	675	585

- Public Sector Development Expenditure have strong correlation with local cement despatches.
- According to revised release strategy for PSDP funds of FY20 (PKR 702bln), 20% for 1Q, 30% each for 2Q & 3Q while 20% will be released in 4Q.

Construction Industry

- The construction industry of Pakistan can be divided into the following six sub-sectors.
- Most of the development in the past few years has been in highways & motorways, flyovers & bridges, and building.
- Recent uptick in the construction of power & energy projects was witnessed from 2016 onwards in CPEC related projects but since most of them are at the maturing stage, the spending in this sector is gradually declining.



**HIGHWAYS &
MOTORWAYS**



**FLYOVERS &
BRIDGES**



BUILDINGS



AIRPORTS



**POWER &
ENERGY**



**DAMS &
BARRAGES**

Construction | Roads | Expansion of NHA Network

NHA's existing development portfolio consists of 38 on-going projects with an allocation of PKR 176bln in PSDP 2018-19.



Major Construction Projects | 2010-19

Following are some of the iconic large scale infrastructure / construction projects that have been completed in the last few years.



2X660 MW PORT QASIM



AZADI INTERCHANGE LHR



BAHRIA TOWN KHI



CENTAURUS ISB



DOLMEN MALL KHI



EMPORIUM MALL LHR



GAWADAR EXPRESSWAY



NEW ISLAMABAD AIRPORT



GREATER IQBAL PARK LHR



HYPERSTAR LHR/KHI/ISB



NEW ISLAMABAD AIRPORT



KARAKORAM HIGHWAY



LAHORE RING ROAD

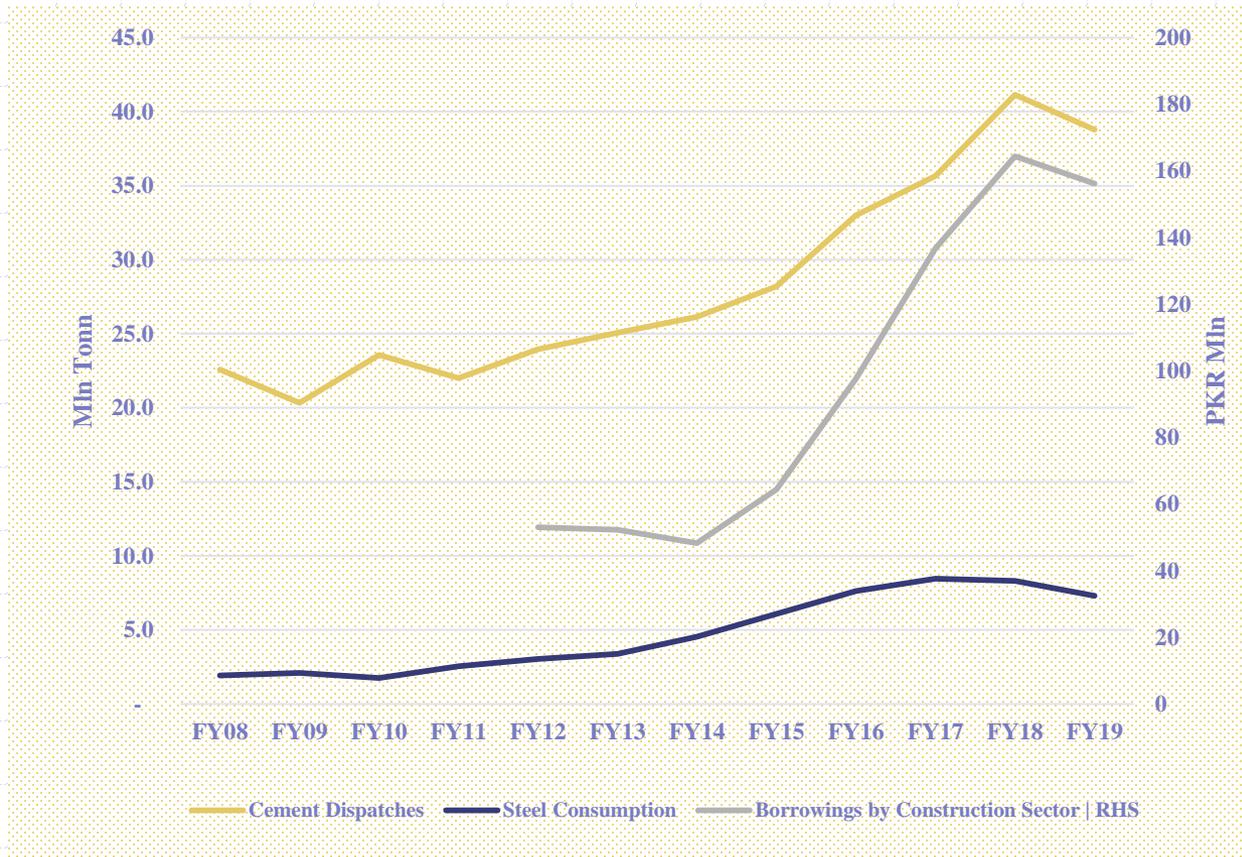


ORANGE LINE TRAIN LHR



MULTAN SUKKHUR MOTORWAY

Construction Sector | Trend | Consumption of Inputs



- Local cement dispatches and steel consumption has been on the rise on back of continuous economic growth over the years but both are expected to take hit in post FY19 period on account of slowing economic fundamentals.
- Further, credit off-take from banks for construction activities has shown continuous increase in the past 4 years although it is expected to slowdown on account of higher interest rate.

Mechanical Resources

- These mechanical resources are primarily used in the construction of Roads, Bridges and Highways.
- Large companies have their own inventory of specialized construction equipment.
- While smaller companies rely on renting this equipment depending on the duration and scope of the projects.



ASPHALT PLANT



EXCAVATOR



PTRs



CONCRETE PLANT



BITUMEN DISTRIBUTOR



LOADER



PAVERS



TANDEM ROLLER



TOWER CRANES



GANTRY CRANE



MILLING MACHINE



TRANSIT MIXER

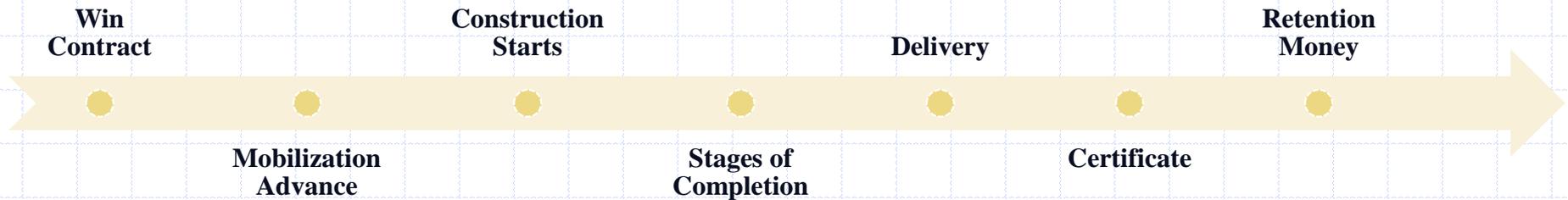


POWER CURBER



STRADDLE CARRIER

Construction Project Life Cycle



Every construction project has the following 7 stages in its life cycle:

- **Win Contract:** After successful bidding the contract is awarded to the contractor
- **Mobilization Advance:** Is given to the contractor so that machinery, equipment and labor can be mobilized
- **Construction Starts:** Within a stipulated time period, as mentioned in the contract
- **Stages of Completion:** The project is divided into certain number of stages and the contractor is paid after successful completion of each milestone
- **Delivery:** The project needs to be delivered within an agreed timeframe after which the contractor may accrue damages
- **Certificate:** When the client is satisfied and there are no pending disputes, a certificate of completion is issued
- **Retention Money:** Is returned to the contractor after completion of a certain time period after project delivery

Major Delay Causes with Responsible Entities– Various Delay Categories

Delay Cause	Category of Delay	Responsible Entity	Delay Criticality Ranking
Change orders/ directives	Contract Related Delays	Owner	1
Labor productivity issues	Labor Related Delays	Contractor	2
Poor site management and supervision	Management/ Administrative Delays	Contractor	3
Inspections/ Audits	Construction Site Related Delays	Contractor	4
Poor cost estimation & control	Management/ Administrative Delays	Contractor	5

Categorical Delay Criticality Ranking with Responsible Entities

Category of Delay	Major Responsible Entity	Delay Criticality Ranking
Design related delays	Consultant (100%)	1
Financial/ Economic Delays	Owner (100%)	2
Contract related delays	Owner (85.71%)	3
Construction site related delays	Contractor (64.29%)	4
Subcontracted work related delays	Contractor (100%)	5

Construction Industry

Major Players

Infrastructure

(Roads, Bridges, Pipelines, Irrigation)

- ZKB
- SKB
- AKB
- Matracon Pakistan
- SARCO
- Habib Construction Services
- Usmani Int. Associates
- MAAKSONS

Building Works

(Buildings, Housing Schemes)

- Mughals
- Guarantee
- Paragon
- MAAKSONS
- Kingcrete Builders
- Bahria Town

Niche Markets

Army & DHA

MAAKSONS

Road Infrastructure

ZKB

Building Works & Real Estate

Kingcrete Builders

Fast Track

Habib Construction Services

Construction Sector – Peer Comparison

Client Name	Zahir Khan & Brothers		M. A. Aleem Khan & Sons		Habib Construction		Kingcrete Builders		Usmani International		Etimad Engg.	
	Partnership		Private Ltd		Public Unlisted		Partnership		Private Ltd		Private Ltd	
Ratings	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current
Rating - Long Term	A	A	BBB+	BBB+	BBB	BBB	BB	BB+	BBB-	BB+	BBB-	BBB
Rating - Short Term	A2	A2	A2	A2	A2	A2	B	A3	A2	A3	A3	A2
Financial Indicators	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19
Revenue (PKR mln)	40,298	22,827	5,299	3,308	10,508	3,483	3,395	2,155	2,290	2,240	1,150	912
GP Margin (%)	21%	22%	17%	16%	-14%	1%	17%	19%	18%	16%	22%	23%
Net Profit (PKR mln)	5,024	2,992	337	185	(1,969)	(550)	114	(13)	167	80	74	42
NP Margin (%)	12%	13%	6%	6%	-19%	-16%	3%	-1%	7%	4%	6%	5%
Equity	47,342	45,010	2,652	2,937	4,667	4,114	1,006	827	1,103	1,183	599	529
Borrowing ST	-	-	394	1,017	116	150	-	357	88	90	310	238
Borrowing LT	-	-	39	48	-	-	253	462	48	39	66	120
Borrowing - Total	-	-	433	1,065	116	150	253	819	136	129	376	358

Construction Sector – Future Outlook

In the background of pandemic COVID-19 and already muted level of construction activity, as also reflected by PACRA reports on steel and cement, the following key indicators are pertinent;

- Incentive package for Naya Pakistan Housing Scheme is expected to create positive demand for the construction sector.
- Interest rates has seen a substantial dip (425bps); this will create appetite for the financing and also reduce current cost of doing business.
- Construction activity for private Sector is expected to follow the trajectory of the economic revival of the country.
- Large scale mega projects will remain dependent upon the extent of funds release under PSDP which has a high inverse correlation with budget deficit.
- Other important indicators including energy cost have also rationalized in to direct and indirect favor of the construction sector.

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