

CONSTRUCTION SECTOR OVERVIEW

April 2018

INDUSTRY SNAPSHOT

Construction - Growth in industry					
	Share in GDP	Growth		Contribution to industry growth	
		FY16	FY17	FY16	FY17
Construction	2.7	14.6	9.0	1.7	1.1
Industry	20.9	5.8	5.0	5.8	5.0

- Construction as a sub sector contributes 13.13 percent in industrial sector and in GDP its share is 2.7 percent against the share of 2.6 percent in FY16; it absorbs 7.31 percent of labor force.
- Construction is considered as one of the potential components of industrial sector in the economy of Pakistan. This sub-sector has witnessed a growth of 9.0 percent against the growth of 14.6 percent in FY16, as most of the CPEC related projects were initiated in 2015 and 2016.

Major Construction Projects 2010-18

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 Industry

- The construction industry of Pakistan can be divided in to 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

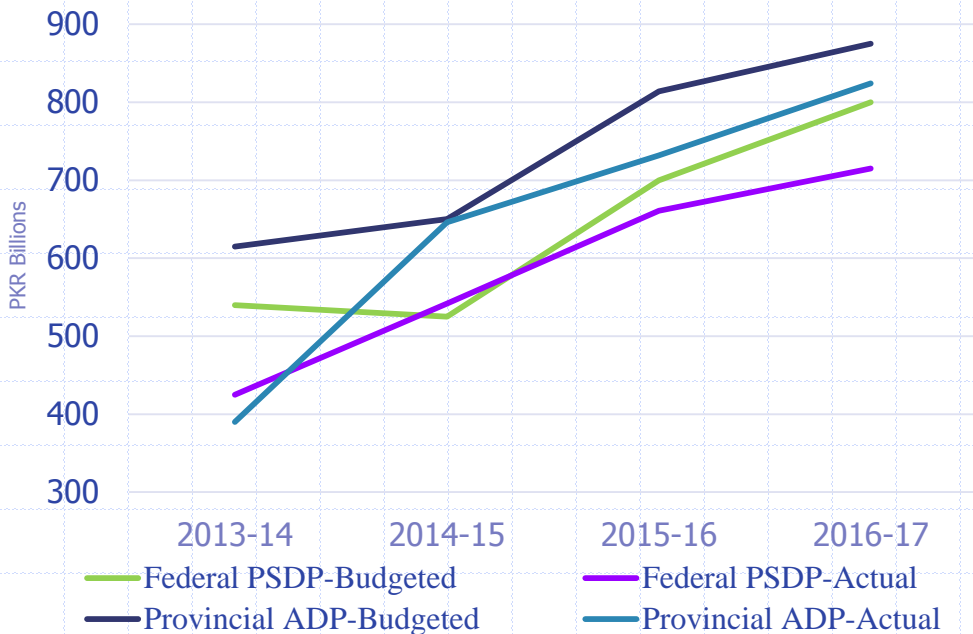


**POWER &
ENERGY**



**DAMS &
BARRAGES**

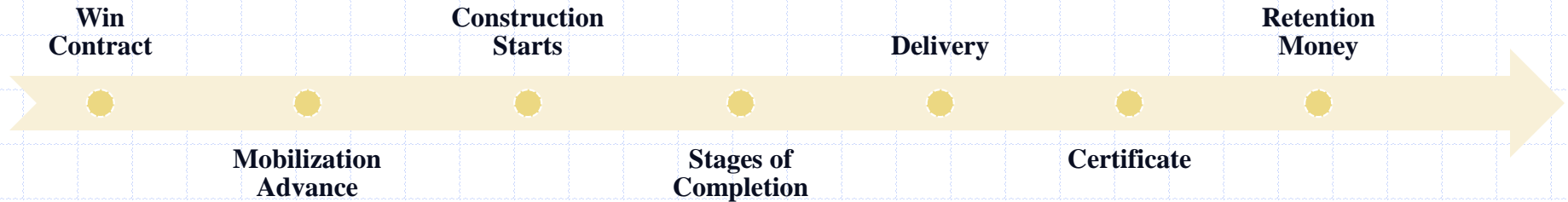
Budgeted vs. Actual Federal & Provincial PSDP Spending



	2013-14	2014-15	2015-16	2016-17
Federal PSDP - Budgeted	540	525	700	800
Federal PSDP - Actual	425	542	661	715
Provincial ADP - Budgeted	615	650	814	875
Provincial ADP - Actual	390	646	732	824

- Total PSDP budget has been increasing for the past 5 years.
- As depicted in the above graph, PSDP funds have been under utilized except for 2014-15, where a slight drop in budgeted allocation resulted in over-spending in that year.

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

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 Industry

Major Players

Infrastructure

(Roads, Bridges, Pipelines, Irrigation)

- ZKB
- SKB
- AKB
- 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

Building Works & Real Estate

Kingcrete Builders

Fast Track

Habib Construction Services

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 Sector – Future Outlook

Following factors would play a crucial role in shaping the future outlook of the construction sector.

- **Socio–political stability**
- **Sustainability and growth in PSDP – CPEC**
- **Economic growth**
- **Demand from retail side**
- **Funding for mega projects beyond banking systems appetite**
- **Tremendous room available for growth, given latent demand in multiple avenues**

Bibliography

- SBP statistical data
- PACRA in-house database
- Assessment of Pakistani Construction Industry – Current Performance and the Way Forward - Sarosh H. Lodi, Professor and Chairman, Department of Civil Engineering, N.E.D. University of Engineering and Technology, Karachi, Pakistan

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