

CONSTRUCTION SECTOR OVERVIEW

March 2019

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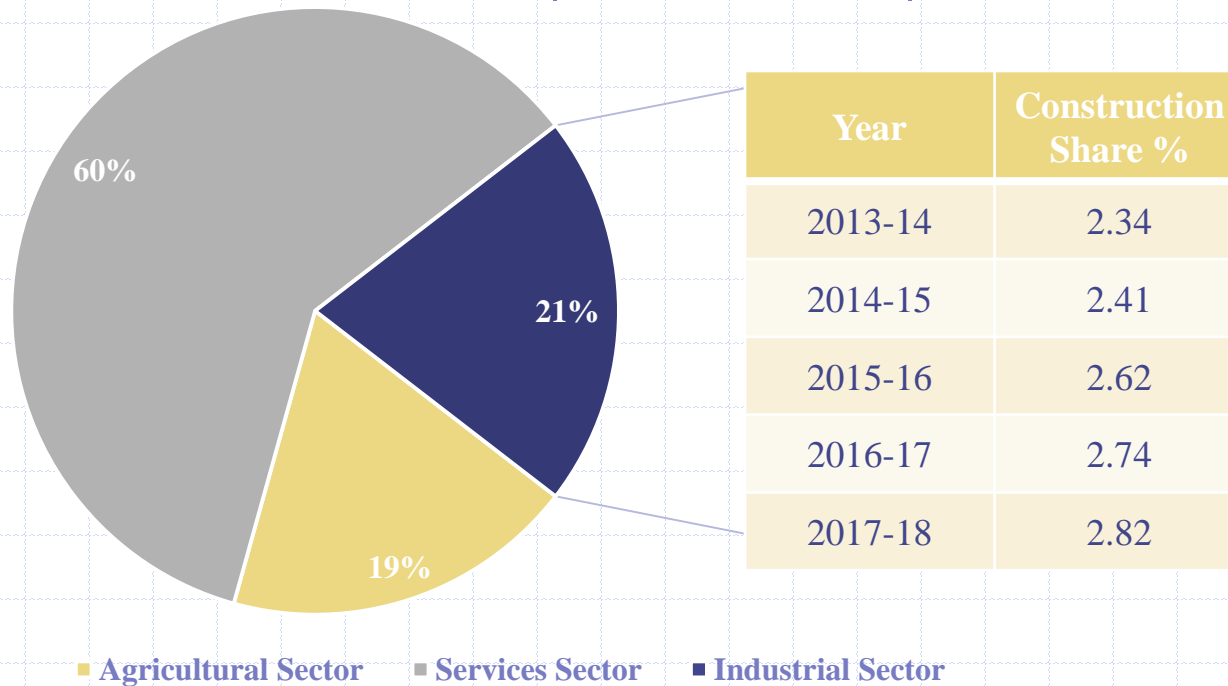
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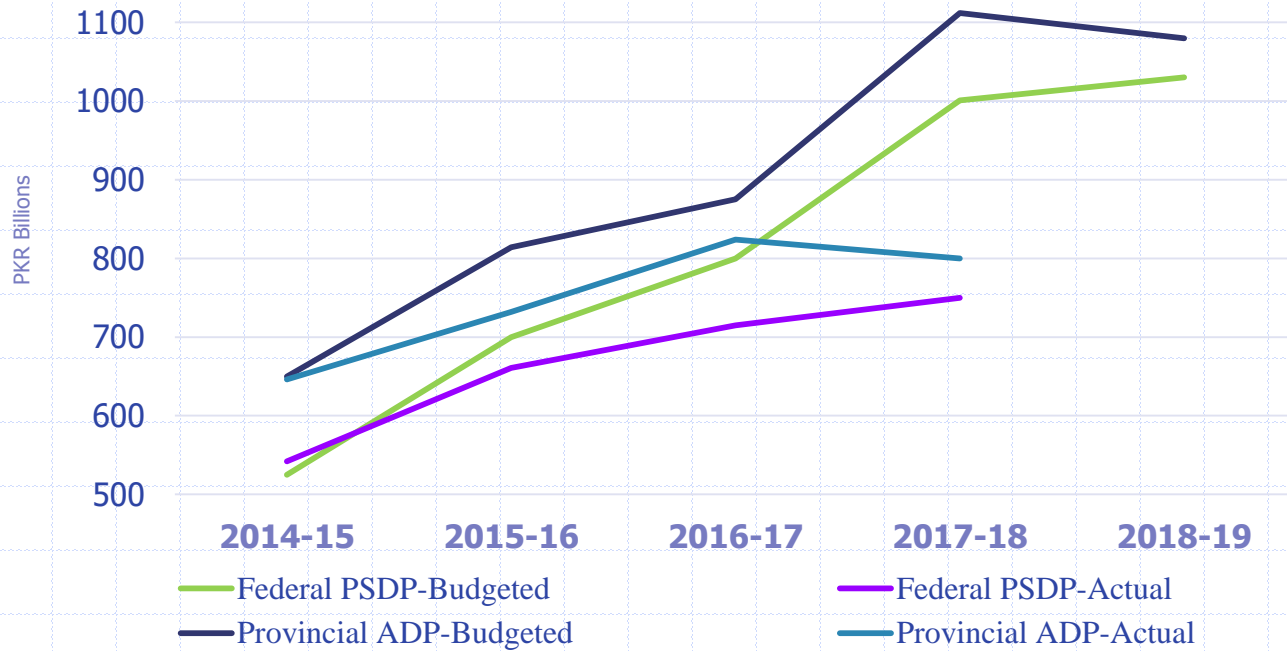
INDUSTRY SNAPSHOT

GDP | Sectoral Share | 2018



- Construction as a sub sector contributes 13.5% in industrial sector and in GDP its share is 2.82% against the share of 2.74% in FY17.
- 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 9.13% against the growth of 9.84% in FY17.
- Going forward, growth seems to be a challenge, as discussed in later slides.

Budgeted vs. Actual Federal & Provincial PSDP Spending



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Federal PSDP - Budgeted	525	700	800	1,001	1,030
Federal PSDP - Actual	542	661	715	750	
Provincial ADP - Budgeted	650	814	875	1,112	1,080
Provincial ADP - Actual	646	732	824	800	

* Total Federal PSDP 2018-19 would be PKR 1,030 bln out of which PKR 230 bln would be self-financing by the corporation/authorities and PKR 800 bln would be provided through budget 2018-19.

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 72 on-going projects with an allocation of PKR 305bln in PSDP 2017-18. Currently following are the major ongoing CPEC projects related to NHA:

Project Name	Length (Km)	Status	Indicative Period
Short Term Projects (Eastern Alignment)			
M1 – Gojra (M-1, M-2, M4)	402	Completed	–
Basima-Hoshab-Gwadar	400	Completed	–
Multan – Sukkur (M-5)	392	Under Construction	2013 – 2019
Khunjrab – Raikot including Atta Abad Lake	335	Completed	–
Short to Medium Term Projects (Western Alignment)			
Surab – Hoshab (N-85)	449	Completed	–
Zhob – Quetta (N-50)	331	Under Construction	2018 – 2023
Quetta – Khuzdar (N-25)	306	Under Construction	2018 – 2023
Medium to Long Term Projects (Central Alignment)			
D.G. Khan – Dera Allah Yar	303	Feasibility Study Plan	2023 – 2033
D.I. Khan – DG Khan	229	Feasibility Study Plan	2023 – 2033

Source: Pakistan Economic Survey 17-18

Construction | Roads | Motorways/ Expressways

Sr. #	Motorway/ Expressways	Length (Km)	Status
1.	Islamabad – Peshawar (M-1)	156	Completed
2.	Lahore – Islamabad (M-2)	357	Completed
3.	Havelian – Mansehra	39	Ongoing
4.	Hazara Motorway (E-35)	59	Ongoing
5.	Hakla – D.I.Khan	285	Ongoing
6.	Lahore – Multan (M-3)	230	Completed
7.	Faisalabad – Gojra (M-4)	58	Completed
8.	Khanewal – Multan (M-4 Extension)	56	Completed
9.	Sukkur – Multan (M-5)	392	Ongoing
10.	Hyderabad – Sukkur (M-6)	296	Procurement under process
11.	Karachi – Hyderabad (M-9)	136	Ongoing
	Total	2,064	

Source: Pakistan Economic Survey 17-18

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

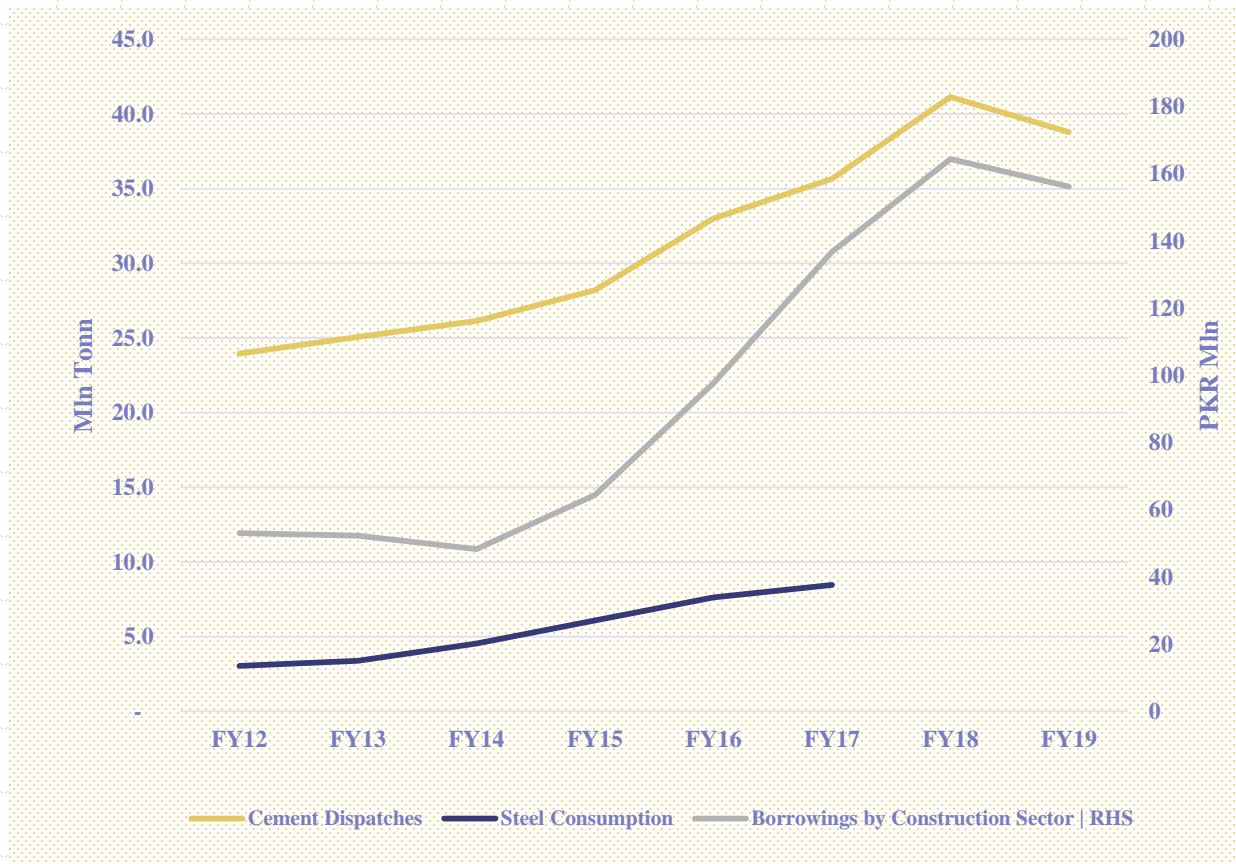


ORANGE LINE TRAIN LHR



MULTAN SUKKHUR MOTORWAY

Construction 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 FY18 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



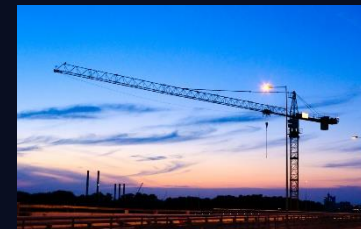
LOADER



PAVERS



TANDEM ROLLER



TOWER CRANES



GANTRY CRANE



MILLING MACHINE



TRANSIT MIXER

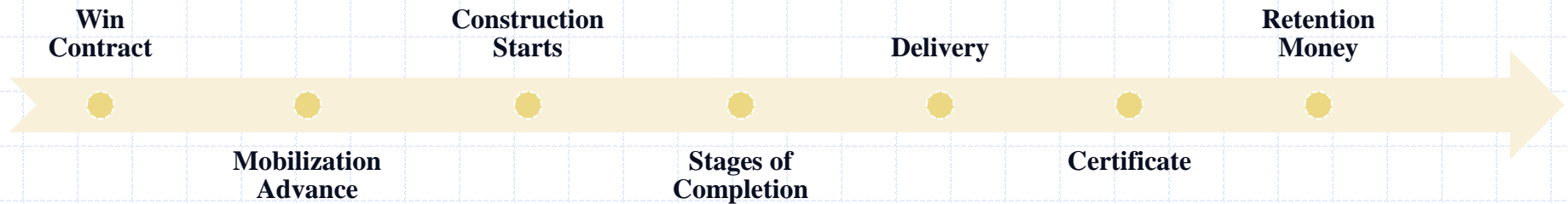


POWER CURBER



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	
	Partnership		Private Ltd		Public Unlisted		Partnership		Private Ltd	
Ratings	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous
Rating - Long Term	A-	-	BBB+	BBB+	BBB	A-	BB	BB-	BBB-	BBB-
Rating - Short Term	A2	-	A2	A2	A3	A2	B	B	A2	A2

Financial Indicators	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17
Revenue (PKR mln)	40,298	27,623	5,300	3,220	10,508	17,916	3,395	1,059	1,984	610
GP Margin (%)	21%	20%	17%	20%	-14%	17%	17%	23%	17%	18%
Net Profit (PKR mln)	5,024	3,262	337	266	(1,969)	1,459	114	5	118	37
NP Margin (%)	12%	12%	6%	8%	-19%	8%	3%	0%	6%	6%
Equity	47,342	45,572	2,652	2,315	4,667	6,636	1,006	1,262	1,103	935
Borrowing ST	-	-	401	523	116	153	-	196	88	103
Borrowing LT	-	-	143	167	-	-	406	340	235	260
Borrowing - Total	-	-	544	690	116	153	406	536	323	363

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**
- **Housing Schemes**

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