

## RATING REPORT

## Vision Builders (Private) Limited

**REPORT DATE:**

January 10, 2020

**RATING ANALYST:**

Talha Iqbal  
[talha.iqbal@vis.com.pk](mailto:talha.iqbal@vis.com.pk)

Asfia Aziz  
[asfia.aziz@vis.com.pk](mailto:asfia.aziz@vis.com.pk)

Rating Category	Latest Rating	
	Long-term	Short-term
Entity	BBB	A-2
Rating Outlook	Stable	
Rating Date	January 10, 2020	

## COMPANY INFORMATION

Incorporated in November 2012	External auditors: Baker Tilly Mehmoood Idrees Qamar, Chartered Accountants
Private Limited Company	Chairman: Mr. Abdul Aleem Khan
Key Shareholders (with stake 5% or more):	
<i>Mr. Abdul Aleem Khan</i>	

## APPLICABLE METHODOLOGY (IES)

**VIS Entity Rating Criteria** (*April 2019*)

<https://s3-us-west-2.amazonaws.com/backupsqvis/docs/Corporate-Methodology-201904.pdf>

*Real Estate Developers* (*August 2017*)

<https://s3-us-west-2.amazonaws.com/backupsqvis/docs/RealEstate%20Methodology%20201708.pdf>

## Vision Builders (Private) Limited

OVERVIEW  
OF THE  
INSTITUTION

## RATING RATIONALE

Vision Builders (Private) Limited (VBPL), incorporated in 2012 is a part of Vision Group of Companies that deals in major real estate projects in Pakistan owned largely by Mr. Aleem Khan and his family. The group possesses expertise of more than two decades in the real estate sector.

**Group Structure**

Vision Builders (Private) Limited (VBPL) was incorporated in 2012 and is a part of Vision Group of Companies that deals in real estate projects in Pakistan. Principal activities of the company include provision of land development services, construction and development supervision services, and construction services that involve establishment of housing estates, construction of houses, community buildings, flats, commercial and multi-storied buildings, roads and laying of sewerage and water supply. The aforementioned activities are primarily provided to a group related project- Park View Villas (Lahore). The Company is owned by Mr. Aleem Khan and his family. The group possesses expertise of more than two decades in the real estate sector. Leading projects undertaken by the vision group are as follows:

- Park View Villas (Multan Road, Lahore)
- Park View City (Islamabad—Park View Enclave)
- Park View Corporate Sector (Mall Road Lahore)
- Park View Signature Apartments (Gulberg, Lahore)
- Park View Icon Karachi (II Chundrigar Road)
- The National School
- Abdul Aleem Khan Foundation

**Business risk profile is dependent on pace of work on Park View Villas which constitute bulk of revenues**

The company provides land development, construction and supervisory services to Vision Developers Private Limited (VDPL) (Park View Villas, Lahore). Given VBPL's high reliance on progress of Park View Villas project, business risk profile is considered high on the back of sizeable client concentration risk. Moreover, delays in regulatory approvals for planned expansion at PVV may impact pace of work and revenues. However, business risk profile draws comfort from steady pace of work on the project which has resulted in consistent revenues over the last 3 years. Furthermore, a sizeable portion of development work on Park View Villas is planned over the next few years which is expected to translate into healthy growth in revenues over the rating horizon.

**Financial Risk**Balance Sheet Snapshot

Major components of asset base of the company comprise receivables from related parties (VDPL and We Farms Private Limited). The receivable are interest free and payable on demand. The company also holds free hold land amounting to Rs. 190m on its balance sheet comprising land bank of 142 canals at Bedian Road Lahore. On the liabilities side, major contributor includes mobilization of long term debt followed by interest free trade payables to related parties (PVEPL and Green Huts Farms Private Limited) against advances received from the same in preceding years. Equity base of the company has witnessed growth on a timeline basis owing to profit retention.

Topline depicted growth in FY19 while margins showcased recovery. Revenue and margins are expected to be sustained in FY20

Sales revenue of the company increased by 19% during FY19 owing to higher construction and development activities at PVV. Majority of the revenue emanates from construction activities provided to VDPL with the remaining emanating from supervision of development and construction activities by third-party contractors. Consequently client and related party concentration risk is considered on the higher side. Gross margins of the company have remained healthy and have ranged between 23%-30%. Gross margins declined to 23% during FY18 due to higher fuel, machinery rental and earth filling costs. Given VDPL's plan to acquire further land for sale and development, future projected revenue stream of VBPL is expected to improve, going forward. Ratings remain dependent on management's effort to meet projected revenue targets and maintaining margins.

Adequate liquidity profile with debt servicing cushion projected to improve for FY20

Liquidity profile of the company is considered sufficient to service outstanding debt obligations in view of improving profitability profile during FY19. Given no further projected debt drawdown, limited capex requirement, and projected enhancement in profitability, debt servicing cushion is projected to increase over the rating horizon.

Satisfactory Capitalization Profile

Equity base of the company have witnessed improvement on a timeline basis owing to higher profit generation and retention of the same. Debt on the books of VBPL comprises long term debt to finance group related exposures. Given equity growth outpacing debt drawdown, gearing and leverage indicators have improved on a timeline basis. Moreover, the same are projected to further decline going forward in view of debt repayments and growing equity base led by projected improvement in profitability profile.

**Corporate Governance**

VBPL has been making concerted efforts to improve the overall corporate governance framework. The external auditors, Baker Tilly Mehmood Idrees Qamar, Chartered Accountants, are in the SBP's A category panel of auditors while EY has been hired to conduct an overall assessment of internal controls at the organization and suggest areas to strengthen the same. Besides strengthening internal control environment, improvements in board composition and oversight are also planned.

**Vision Builders (Private) Limited**
**Appendix I**

Vision Builders (Pvt) Limited <i>(amounts in PKR millions)</i>			
<b><u>BALANCE SHEET</u></b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
Paid Up Capital	5	5	5
Total Equity (Including loan from directors)	493	672	925
<b><u>INCOME STATEMENT</u></b>			
Total Revenue	1,352	1,106	1,317
Profit Before Tax	284	228	368
Profit After Tax	213	179	253
<b><u>RATIO ANALYSIS</u></b>			
FFO	378	70	225
Current Ratio (x)	2.9	3.8	3.6
Gearing (x)	2.11	1.55	0.90

**VIS** Credit Rating Company Limited

**RATING SCALE & DEFINITIONS: ISSUES / ISSUERS**

**Medium to Long-Term**

**AAA**

Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

**AA+, AA, AA-**

High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

**A+, A, A-**

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

**BBB+, BBB, BBB-**

Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

**BB+, BB, BB-**

Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

**B+, B, B-**

Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

**CCC**

Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

**CC**

A high default risk

**C**

A very high default risk

**D**

Defaulted obligations

**Short-Term**

**A-1+**

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

**A-1**

High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

**A-2**

Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

**A-3**

Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

**B**

Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

**C**

Capacity for timely payment of obligations is doubtful.

**Rating Watch:** VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. [www.vis.com.pk/images/criteria\\_watch.pdf](http://www.vis.com.pk/images/criteria_watch.pdf)

**Rating Outlooks:** The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. [www.vis.com.pk/images/criteria\\_outlook.pdf](http://www.vis.com.pk/images/criteria_outlook.pdf)

**(SO) Rating:** A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

**(blr) Rating:** A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

**'p' Rating:** A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. [www.vis.com.pk/images/policy\\_ratings.pdf](http://www.vis.com.pk/images/policy_ratings.pdf)

**'SD' Rating:** An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES						Appendix III
<b>Name of Rated Entity</b>	Vision Builders (Private) Limited					
<b>Sector</b>	Construction					
<b>Type of Relationship</b>	Solicited					
<b>Purpose of Rating</b>	Entity Rating					
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>	
	<b><u>RATING TYPE: ENTITY</u></b>					
	10/01/2020	BBB	A-2	Stable	Initial	
<b>Instrument Structure</b>	NA					
<b>Statement by the Rating Team</b>	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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