The Pakistan Credit Rating Agency Limited

PRESS RELEASE

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Applicable Criteria

- Methodology | Corporate Rating | Jul-24
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Apr-25
- Methodology | Rating Modifiers | Apr-25

Related Research

- Sector Study | Technology | Jun-24

Disclaimer

PACRA Assigns Initial Ratings to Avanceon Limited

Rating Type	Entity
	Current (14-Jul-25)
Action	Initial
Long Term	A
Short Term	A1
Outlook	Stable
Rating Watch	-

Avanceon Limited ("AVN" or "the Company") has established itself as a key player in the industrial automation sector. Since its inception more than two decades ago as a computer reseller, AVN has transformed into a premier turnkey automation and control solutions provider, driven by sustained operational excellence and industry acclaim. AVN's ownership profile leverages its dual role as both a holding company and an operating entity, comprising five direct subsidiaries and two second-tier affiliates. AVN enhances its value proposition and expands market reach by offering a comprehensive portfolio of both industrial and digital industrial solutions. This is further supported by value-added services offered through its subsidiary, Octopus Digital Limited, which delivers customized KPI-based dashboard systems for real-time performance assessment. These solutions aim to digitalize clients' manufacturing, supply chain, and financial workflows under the After-Market Support(AMS) segment. The Company generates revenue from two primary streams: (i) Project Revenue and (ii) AMS. In CY24, Project Revenue contributed approximately PKR 15.0bln out of a total consolidated topline of PKR 16.1bln (CY23: PKR 17.7bln, 1QCY25: PKR 2.5bln), highlighting its central role in the Company's business valuation matrix. AMS represents a subscription-based, recurring revenue stream, offering a steady and predictable contribution. Project Revenue, on the other hand, is linked to specific contracts and timelines, which can lead to some fluctuations in revenue recognition. Looking ahead, the Company's management anticipates substantial growth in the AMS segment, which is expected to enhance the overall stability and sustainability of the Company's revenue profile. The Company serves a diverse customer base across multiple key industries, including oil and gas, water and wastewater, infrastructure, transportation, food and beverages, sugar and ethanol, as well as chemicals and fertilizers. During CY24, the Company's geographic revenue distribution was led by the UAE, contributing 34.8% of total revenue, followed by Qatar at 29.8%, KSA at 18.1%, and Pakistan at 17.3%. Aligned with Saudi Arabia's Vision 2030, the Company expects KSA to emerge as a key growth market over the next five years, particularly for projects related to the energy and water management sectors. In line with this strategic focus, AVN has established a new staging and testing facility in Dammam, KSA, to support project execution and enhance service delivery in the region. The Company's business strategy is predicated on a low fixed-cost model, wherein services are billed internationally while operational execution is carried out from Pakistan. This approach has supported healthy gross margins over the years, 38.8% in 1QCY25, 26.4% in CY24, and 31.5% in CY23. AVN maintains joint venture partnerships with global leaders in the automation industry, who also serve as key suppliers for the execution of its projects. These strategic alliances support operational efficiency and strengthen the Company's overall business risk profile. The credit quality metrics of AVN largely remain in a reasonable range, which supplements its financial risk profile. However, the Company carries a sizeable balance of intercompany trade receivables, with certain balances aged between one to two years, exerting pressure on the working capital cycle. As per management representation, these receivables are expected to be gradually converted into equity. The management of the Company is mindful of achieving the milestone of USD 100mln sales by 2028.
The ratings are contingent upon the Company's ability to sustain its growth trajectory in international markets while ensuring prudent management of associated risks. Volatility in trade receivables remains a key area of consideration. Financial discipline is considered core to the ratings, with enduring emphasis on maintaining sound credit quality metrics.

About the Entity

The Company's major shareholding of ~70.04% rests with the individuals, Mr. Bakhtiar Hameed Wain (~59.07%), Mr. Amir Wain (~10.40%), and Mr. Tanveer Karamat (~0.57%). The remaining stake of ~29.96% is vested with free float in public/institutions and others. The Company has a seven-member board, inclusive of three independent members, chaired by Mr. Khalid Hamid Wain.