2026

PAKISTAN STRATEGY

REP - 019

AKD Securities Limited

KSE100 SETTING NEW BENCHMARKS

KSE100 Index Target | 263,800

AKD Securities Limited

December 31, 2025
REP-019

Pakistan Strategy: KSE100 setting new benchmarks

AKD Research
research@akdsl.com
UAN - 111-253-111

KSE-100 is expected to continue its positive momentum due to further monetary easing driven by improving external account position and continuous focus on reforms amid political stability. We anticipate the KSE-100 Index to post a robust return of 53.0% in CY26 and to achieve a historic benchmark of US$100bn market capitalization, primarily driven by higher sustainable RoEs of banks, enhanced profitability along with improving cash flows of E&P and OMCs, and robust profitability of fertilizers.

Market to reach 263,800 by Dec'26 on macroeconomic stability: KSE-100 Index is expected to continue its positive momentum in CY26, as a sustained focus on reforms and an improving external account position, amid political stability, are likely to create room for further monetary easing. Subdued returns on alternative asset classes, coupled with a stronger currency, are expected to make equities the preferred investment choice in CY26. We forecast the KSE-100 Index to reach 263,800 by Dec'26, implying a return of 53.0% (48.4% in US dollar terms). This return positions the KSE-100 Index to reach a historic US$100bn market capitalization for the first time. We believe that improving relations with the U.S. and GCC countries will help revive investment in Pakistan.

A strong probability of continuity in the current political setup strengthens the case for equities to trade at multiples observed during periods of stability. Despite delivering a 188.6% return over the past 3-Yrs, the market is still trading at a 40.7% discount to its regional peers, while offering an attractive dividend yield of 6.2% for CY26.

KSE-100 outperformed peers in CY25 with record liquidity: Strong external account position on the back of disciplined approach under the IMF program, and Pakistan's re-emergence on the global stage following its clash with a neighboring country, contributed to the robust performance of the KSE-100 Index in CY25TD. Investor confidence, initially demonstrated by Companies and individuals, was further bolstered by mutual funds in the latter half of the year. Subsequently, the KSE-100 index posted positive return for the third consecutive year, achieving 49.7% in CY25TD (49.4% in US$ terms), with record high liquidity.

Policy rate to fall in single digit while maintaining high real interest rates: Strong external account position, driven by prudent fiscal policies under the IMF's Extended Fund Facility (EFF), would allow the SBP to continue monetary easing, as inflation is likely to fall toward the lower end of the central bank's target range post Jun'26. Robust remittances, along with improving access to external commercial financing on the back of rating upgrades from S&P and Moody's, would create room for higher imports as economic activity picks up. However, we expect the SBP to maintain relatively high positive real interest rates of 4–5% to avoid another boom-bust cycle.

MSCI EM entry to bring foreigners interest back: We expect foreign investment to return to local equities given strong macroeconomic stability, authorities focus on reforms and currency stability, supported by Pakistan likely entry into MSCI EM index and falling global interest rate environment. We expect Pakistan equities to be included in the MSCI EM Index, as three KSE- 100 stocks are likely to meet the eligibility criteria, while two others may fall marginally below the threshold. However, if local equities are not upgraded, their weight in the FM Index would increase considerably.

Model Portfolio: We have 'Overweight' stance on Banks, E&P, Fertilizer, Cement, OMCs, Autos, Textile and Technology as we expect these sectors to be the beneficiary of lower interest rates, structural reforms and subdued commodity prices. However, we have 'Underweight' stance on Power and Chemical due to changes in contracts of IPPs and subdued core margins, respectively.

Top Picks: OGDC, PPL, UBL, MEBL, HBL, FFC, ENGROH, PSO, LUCK, FCCL, INDU, ILP and SYS.

Priced on December 26, 2025

172,401 Current KSE100 Index	**263,800** Target KSE100 Index
19,464.78 Market Capitalization (PkRbn)	**69.47** Market Capitalization (US$bn)
1,036.3 12M Avg Turnover (mn)	**49.96** 12M Avg DT Value(PkRbn)

AKD Universe Valuations

	TP (Dec'26)	LDCP*	DY%	Total Upside
FFC	801	585	8.5%	45.4%
UBL	590	413	7.8%	50.8%
ENGROH	351	235	4.2%	53.3%
LUCK	731	486	1.4%	51.8%
MEBL	672	442	6.3%	58.4%
HBL	483	321	6.5%	56.8%
OGDC	522	270	6.3%	99.3%
PPL	412	227	4.6%	85.8%
SYS	277	166	1.5%	68.0%
PSO	900	458	3.3%	100.0%
FCCL	88	56	3.6%	60.1%
INDU	3,966	1,990	9.7%	109.0%
ILP	122	77	3.9%	60.9%

*prices based on Dec 26th 2025 Source: PSX & AKD Research

Top picks

Stock	FF Mcap (US$mn)	Reason For liking
FFC	1,784	Improvement in nutrient offtakes Lower gas prices and higher DAP core margins to sustain gross margins Growth in dividend income along with higher cash for future opportunities
UBL	1,291	Improving returns anchored by low-cost deposits Improved asset efficiency Cost efficiency indicators remain impeccable
ENGROH	810	Inclusion of Jazz tower business to improve earning profile Volumetric recovery in EFERT and improvement in chemical segment Improvement of energy portfolio cash flows on Circular Debt resolution
LUCK	763	Increase in volumetric demand and higher retention prices of cement Rebound in autos and mobile segment Tariff true-up of LEPCL and increase in ROE with commencement of Phase-III of Thar Mine II
MEBL	710	Strongest brand equity driven by religious sentiments Asset and efficiency indicators remain impeccable Deposit growth to remain strong
HBL	673	Sector leading deposits with resilient outlook Improving transaction channels through technology-focus Improving asset quality & well positioned investment book
OGDC	623	Improving cash flows due to potential clearance of petroleum sector circular debt Holds 8.33% stake in Reko Diq mining project and 10% stake in Abu Dhabi Block-5 Increasing payouts and advancing E&P activity due to improved liquidity
PPL	543	Improving cash flows due to potential clearance of petroleum sector circular debt Increasing payouts and advancing E&P activity due to improve liquidity Holds 8.33% stake in Reko Diq mining project and 10% stake in Abu Dhabi Block-5
SYS	524	Improvement in gross margins amid consolidation Increase in global IT spending to fuel growth Positioned to capitalize growth in MENA region
PSO	383	Improving receivables collection set to improve future quality of earnings Growth in OMC volumes and increase in regulated margins inline with CPI Deferment of RLNG cargos to improve working capital and reduce finance costs
FCCL	172	Higher retention prices over strong brand equity Improving local offtakes to increase revenue Lower interest rates to ease finance cost
INDU	99	Strong volumetric growth over improvement in auto sales Higher localization and strong brand equity to keep margins supported Strong balance sheet to cater any risk in the sector
ILP	77	Higher exports growth driven by expansions Easing cotton prices and improving utilization to recover gross margins Lower interest rates to reduce finance cost burden

Source: PSX & AKD Research

Stability continues to drive the KSE-100 index

Institutions alignment to turn challenges into opportunities: Current coalition political setup has demonstrated its strength by passing the 27th Amendment with a two-thirds majority and by turning challenges into opportunities on the diplomatic front. The downing of Indian fighter jets during a four-day clash proved to be a turning point in U.S.–Pakistan relations and strengthened Pakistan's ties with GCC nations amid the evolving Middle East situation. We expect an improvement in relations with Afghanistan, given its dependence on Pakistan for trade and global pressure to address terrorism.

Monetary easing to continue on strong external account position: Strong external account position, driven by prudent fiscal policies under the IMF's Extended Fund Facility (EFF), would allow the SBP to continue monetary easing, as inflation is likely to fall toward the lower end of the central bank's target range. Robust remittances, along with improving access to external commercial financing on the back of rating upgrades from S&P and Moody's, would create room for higher imports as economic activity picks up. However, we expect the SBP to maintain relatively high positive real interest rates of 4–5% to avoid another boom-bust cycle.

Structural reforms under IMF to combat low productivity: IMF's program strong focus on reforms across fiscal management, poverty alleviation and social protection, monetary and exchange rate policy, the financial sector, energy, broader structural areas, and climate-related issues would improve country's productivity by bringing efficiencies. These measures are intended to tackle Pakistan's deep-rooted structural weaknesses, including weak productivity, limited economic openness, inefficient allocation of resources, and high exposure to climate risks. Within the EFF and RSF framework, the policy agenda supports a phased fiscal adjustment aimed at delivering a primary surplus of 1.6% of GDP, underpinned by net growth of 3.2% of GDP and a more equitable tax regime.

Lower commodity prices to ease import bill and inflation: Pakistan stands to benefit from falling global commodity prices, which will lower import bill and keep the inflation downward sticky. Whereas, favorable weather conditions are also expected to boost wheat production, helping to ease prices post flood surge. Moreover, diversion of LNG cargoes would save ~US$1bn/annum in import bill besides, providing room for E&P companies to boost their production and bringing average gas prices downward by replacing expensive LNG with cheaper domestic flows.

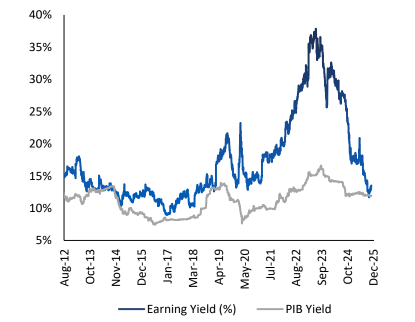
Reforms to build resilience and restore global credibility: Gov't efforts to execute structural reforms to correct economic mismanagement, fiscal leakages through unchecked subsidies, and institutional inefficiencies would channelize funds to productive use and reduce external dependence. Targeting energy (power and gas), taxation structure, SOEs governance and divestments, with these actions aiming to stabilize fiscal finances, restore global credibility, and in turn attract investment.

CPEC is a transformative leap towards economic future: Unlike Phase-I, which was dominated by power and transport projects, Phase-II is structured around industrial parks, special economic zones, port and rail upgrades, and a broader push to attract Chinese manufacturing and mining investment into Pakistan. Fast track implementation of US$7.0bn ML-1 and US$2.0bn Karakoram Thakot-Raikot section would provide impetus to economic growth in the near term.

Digitalization to unlock economic potential: Rising digitalization shows potential for a new digital Pakistan that creates structural growth opportunities for banks, fintech, and technology platforms, further benefiting individuals and corporates alike. Government-backed initiatives have accelerated transaction growth while improving economic documentation and raising tax collection.

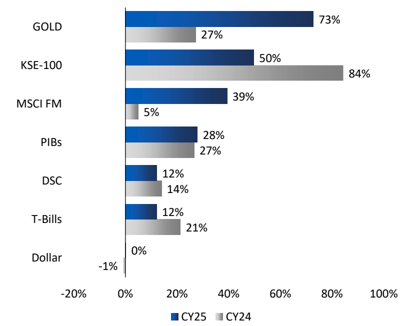
Foreign flows to follow reforms: We expect foreign capital flows to improve supported by renewed foreign investor confidence amid improving macroeconomic indicators and Pakistan's upgraded sovereign credit profile. Signs are aligning for the next phase of capital inflows as policy focus has decisively shifted toward attracting long-term, project-based investments to generate sustainable foreign inflows and enhance export capacity, while limiting rollover risks.

Average PIB and E/Y differential (%)



Source: Bloomberg & AKD Research

KSE100 among best asset classes in CY24 and CY25



Source: PSX, SBP, Bloomberg & AKD Research

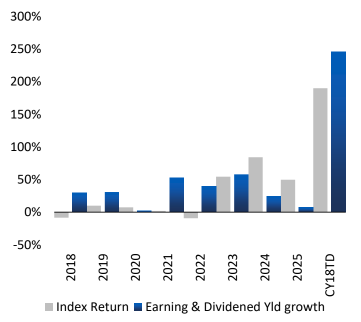
KSE-100 to be candidate for MSCI EM in CY26: We expect Pakistan equities to be included in the MSCI EM Index next year, as three KSE-100 stocks are likely to meet the eligibility criteria, while two others may fall marginally below the threshold. However, if local equities are not upgraded, their weight in the MSCI FM Index would increase considerably.

CY25 – Momentum continues for the 3rd consecutive year: Strong external account position given disciplined approach under the IMF program, and Pakistan's re-emergence on the global stage following its clash with a neighboring country, contributed to the robust performance of the KSE-100 Index in CY25TD. The signing of a defense pact with KSA and improved relations with the US along with improvement in credit ratings by Int'l agencies has further supported the rally. Investor confidence, initially demonstrated by Companies and individuals, was further bolstered by mutual funds in the latter half of the year.

Bottom-up approach yielding an index target of 263,800 by Dec'26: We have adopted a Bottom-up approach for Pakistan equities in CY26 and have arrived at a KSE100 index target of 263,800 by Dec'26, implying a return of ~53.0% (~48.4% in US$ terms), including an impressive dividend yield of ~6.3%. Our index target is primarily a function of our AKD's universe Dec-26 TP based on Risk free assumption of 10.5% and market risk premium of 6.0%.

Earning growth model yields similar target: Based on the earnings growth approach, our index target comes at 262,418pts, implying an upside of ~52.2% (~47.6% in US$ terms). The target is primarily a function of an average AKD universe 14.9% earnings growth for the next year and dividend yield of 6.3% with expectation of multiple rerating to 11x from current level of 8.4x.

Index return still lags previous year earnings and dividend yields



Source: PSX & AKD Research

Pakistan Economy Snapshot

	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Real Sector								
GDP Nominal (US$bn)	348.9	374.9	336.6	371.6	407.1	447.4	473.1	506.6
Real GDP Growth(%)	5.8	6.2	-0.2	2.6	3.0	4.0	4.1	3.9
Agriculture Growth (%)	3.5	4.2	2.2	6.4	1.5	2.7	3.1	2.8
Manufacturing Growth (%)	10.5	7.0	-3.9	-1.2	5.3	5.1	4.8	4.7
Services Growth (%)	5.9	6.7	0.0	2.3	3.0	4.2	4.2	4.0
External Account								
Current Account Balance (US$bn)	-2.8	-17.5	-3.3	-2.1	1.9	0.1	-1.1	-3.6
Current Account Balance (% of GDP)	-0.8	0.0	-1.0	-0.6	0.5	0.0	-0.2	-0.7
Trade Balance - SBP (% of GDP)	-8.2	-10.4	-7.4	-6.0	-6.6	-6.9	-6.9	-7.2
Inward Remittances (US$bn)	29.4	31.3	27.3	30.3	38.3	40.5	42.2	43.4
Remittances (% of GDP)	8.4	8.3	8.1	8.1	9.4	9.1	8.9	8.6
Foreign Direct Investment (% of GDP)	0.5	0.5	0.5	0.6	0.6	0.4	0.5	0.5
Exchange Rate (PkR/US$) Avg.	160	178	247	283.1	279.4	282.9	289.2	296.6
Exchange Rate (PkR/US$) End.	158	212	287	278	283.1	286.4	290.8	302.5
Fiscal								
Tax to GDP (Federal) (%)	10.9	9.2	9.2	9.5	11.1	11.6	11.7	11.5
Debt to GDP (%) End.	71.4	73.9	71.9	65.0	67.9	65.7	64.2	62.0
Federal budget balance (% of GDP)	-7.0	-7.1	-7.7	-6.8	-5.4	-3.9	-3.2	-2.9
Primary balance (% of GDP)	-0.5	-2.4	-1.0	0.9	2.4	2.5	2.3	2.1
Monetary								
Average CPI inflation (%)	8.9	12.2	29.0	23.4	4.5	6.3	4.0	6.0
Policy rate (%) - Jun'end	7.0	13.8	22.0	20.5	11.0	10.5	9.5	9.5
Policy rate (%) - Dec'end	9.8	16.0	22.0	13.0	10.5	9.5	9.5	9.5

Source: MoF, PBS, SBP & AKD Research

Institutions alignment to turn challenges into opportunities

The current coalition political setup has demonstrated its strength by passing the 27th Amendment with a two-thirds majority and by turning challenges into opportunities on the diplomatic front. The downing of Indian fighter jets during a four-day clash proved to be a turning point in U.S.–Pakistan relations and strengthened Pakistan's ties with GCC nations amid the evolving Middle East situation. We expect an improvement in relations with Afghanistan, given its dependence on Pakistan for trade and global pressure to address terrorism.

Coalition setup shows power by passing 27th Amendment: The 27th Amendment in the Constitution of Pakistan that introduces significant structural reforms in judicial and military governance manifest authority of the existing coalition setup. It establishes a separate court to handle constitutional disputes. The amendment restructures the military command by making the Army Chief as Chief of Defence Forces, while also creating a National Strategic Command selected by the Prime Minister. These reforms could enhance institutional clarity, governance efficiency, and decision-making stability, potentially improving investor confidence and supporting domestic and foreign investment by creating a clearer legal and strategic framework.

Pakistan relations with US take a U turn: U.S. intervention during the recent escalation between the two nuclear-armed neighbours, India and Pakistan, proved to be a turning point in improving Pakistan–U.S. relations. Washington used this opportunity not only to strengthen its influence in Pakistan but also to advance its broader strategic ambitions in South Asia and the Middle East. Pakistan's nomination of President Trump for the Nobel Peace Prize further helped shift the trajectory toward a more positive bilateral relationship. Building on this momentum, Pakistan and the U.S. have concluded several agreements, including a US$500mn partnership framework covering enriched rare-earth elements and mineral refining and processing, alongside a nuclear-arms–related deal. In addition, the U.S. EXIM Bank approved US$1.3bn in financing to support copper and gold extraction at the Reko Diq project.

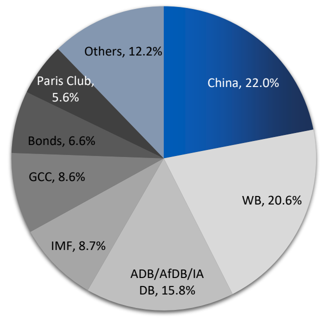
Ties with China continues to grow stronger: Pakistan and China agreed to formulate a five-year roadmap to further strengthen bilateral relations on both political and economic front. In addition, both sides agreed to expedite work on the Karakoram Thakot–Raikot section, while also considering third-party participation in the US$6.7bn ML-1 project. Notably, China remains Pakistan's largest creditor, with lending totaling US$23.5bn, and its largest trading partner, accounting for ~21% of total trade. China's consistent diplomatic support for Pakistan, particularly on issues such as Kashmir, continues to underpin their strategic partnership.

Gulf states emerging as key partners: The evolving geopolitical dynamics in the Middle East have enhanced Pakistan's strategic importance for GCC countries, underscoring its position as a highly capable military power after clash with India. Pakistan's signing of a defense pact with Saudi Arabia has reshaped the region's security architecture. This strategic partnership also supports stable oil supplies and encourages investment in Pakistan's energy and infrastructure sectors. Moreover, GCC countries, particularly KSA and the UAE, play a pivotal role in sustaining Pakistan's external financial stability through timely rollovers of sovereign deposits, including US$5bn from Saudi Arabia and US$3bn from the UAE. The Gulf region is also a major source of remittances for Pakistan, accounting for approximately 55% of inflows, with millions of Pakistani expatriates employed across GCC states.

India, Pakistan tension to persist: We do not foresee escalation between neighbouring India after Pakistan clearer victory in a four day clash during May'25, in which Pakistan shot down seven Indian planes and destroyed their defense system. However, relations with India are likely to remain strained under Modi's leadership.

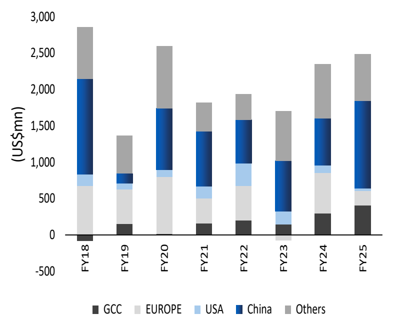
Afghanistan remains a key security concern: Relations with Afghanistan have worsened since Oct'25 after deadly clashes resulted in border closures. We expect trade normalization given Afghanistan's heavy dependence on Pakistani goods and route. Additionally, engagement by GCC nations and neighboring countries such as China and Iran may help de-escalate tensions and foster cooperation on counterterrorism.

Pakistan external debt composition by lender



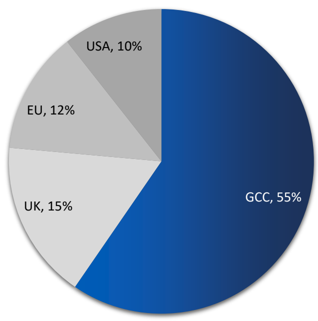
Source: IMF & AKD Research

China contributes significantly in FDI



Source: SBP & AKD Research

55% of remittances comes from GCC



Source: SBP & AKD Research

Table of Contents

Pakistan Economy

Back to table of contents

Pakistan Economy outlook
Monetary easing to continue on strong external account

AKD Securities Limited

Strong external account position, driven by prudent fiscal policies under the IMF's Extended Fund Facility (EFF), would allow the SBP to continue monetary easing, as inflation is likely to fall toward the lower end of the central bank's target range. Robust remittances, along with improving access to external commercial financing on the back of rating upgrades from S&P and Moody's, would create room for higher imports as economic activity picks up. However, we expect the SBP to maintain relatively high positive real interest rates of 4–5% to avoid another boom-bust cycle.

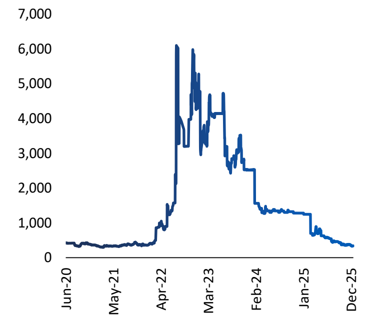
Higher positive real interest rates to be the norm: We expect the SBP to maintain forward 12-month positive real interest rates of 4–5%, with inflation gradually falling toward the lower band of the central bank's target range after peaking in Jun'26. Our assumption of 4–5% real interest rates is significantly higher compared with the 20-year average of +77 bps and the 10-year average of –4 bps. We expect inflation to average 6.3% in FY26 and 4.0% in FY27, based on our assumptions of improved food supplies, subdued Int'l oil prices, and lower periodic energy price adjustments. However, fiscal slippages, global energy supply shocks, and climate-change effects remain key risks to our inflation projections.

Money supply to remain supportive: We expect money supply growth to slow from FY26 onward but remain in double digits, reflecting lower government budgetary needs amid a curtailed fiscal deficit. Meanwhile, we expect private sector credit to expand, driven by borrowing from key sectors such as textiles, wholesale and retail, chemicals, and steel. Consumer financing is likely to pick up pace, particularly in the automobile segment, on the back of easing financial conditions, improved consumer sentiment, and a stable macroeconomic environment.

External account to remain in balance: External account is forecasted to remain in balance due to robust remittances and higher growth in services exports amid subdued commodity prices. However, we expect exports to decline in FY26 and food imports to surge due to flood induced disruption in agriculture output. We foresee current account to remain in surplus for FY26 by US$99mn and turned to deficit in later years as growth in imports would outpace increase in remittances and exports. Subsequently, we foresee SBP FX reserves to near US$25bn by FY28 along with a reduction in the SBP's forward/swap liabilities.

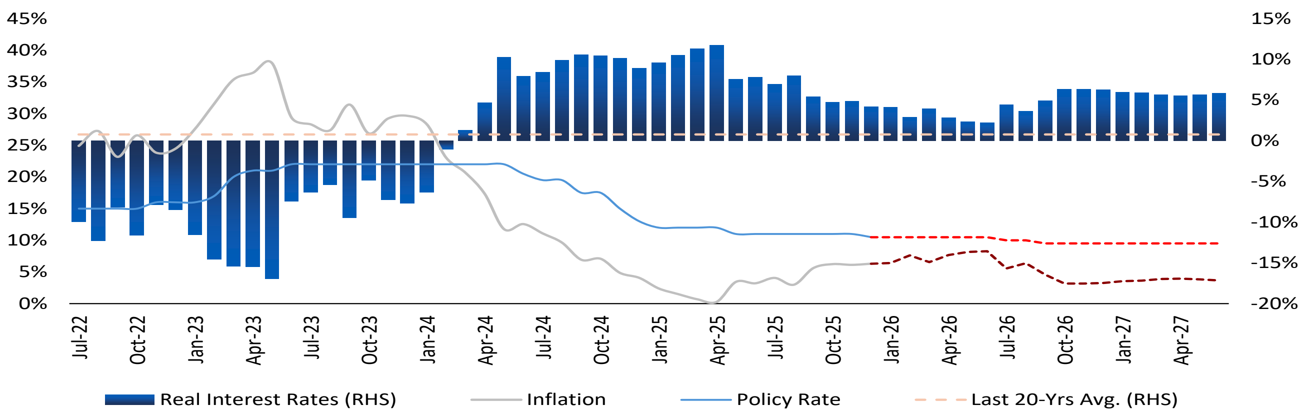
Growth to remain modest: GDP growth is expected to improve supported by stabilization and subdued commodity prices, with gains from structural reforms. We expect GDP growth to reach 4.0% in FY26 and further improve to 4.1% in FY27, driven by better performance in the agriculture and services sectors, along with continued growth in industries.

Pakistan CDS normalizes as external position improves



Source: Bloomberg & AKD Research

Policy rate to reach single digits in CY26



Source: SBP, PBS & AKD Research

Inflation to moderate on improved supplies

Continued relatively tight monetary and fiscal policies, amid a stable currency, are expected to keep inflation under control. However, supply-side frictions arising from an abnormal monsoon and floods may push inflation above the SBP's targeted range toward the end of FY26, before reverting to below the SBP target in FY27. We estimate inflation to average 6.3% in FY26 and 4.0% in FY27, driven by lower oil prices and a moderate increase in food prices.

The interaction of restrained domestic demand and improved supply conditions led to a steep decline in inflation, from 23.4% in FY24 to an eight-year low of 4.5% in FY25.

We expect inflation to remain elevated until Jun'26, with a likelihood of breaching the SBP's targeted upper band of 7.0% in 4QFY26 due to a low base effect. Thereafter, inflation is expected to fall below the SBP's targeted range in FY27. Our expectations are based on disinflation in heavyweight categories, including Food, Housing, Clothing, Restaurants, and Transport. Food prices are expected to normalize amid improved supply conditions. Moreover, the Transport index is expected to increase in FY26 due to increase in levies, before moderating in FY27 given stable oil prices and lower increases in levies. We also anticipate moderation in Housing index, given relatively smaller adjustments in electricity and gas tariffs.

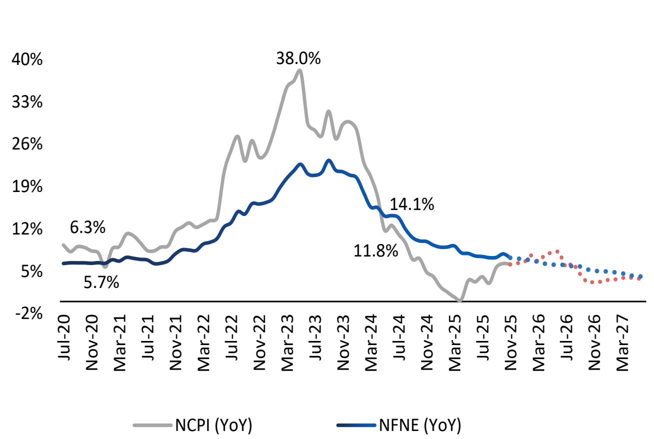
However, inflation outlook is subject to certain risks, including escalation in geopolitical conflicts, recurrence of food inflation pressures, uncertainty related to the adjustments in administered energy prices and any additional fiscal contingency measures.

Composition changes in National Consumer Price Index over the years

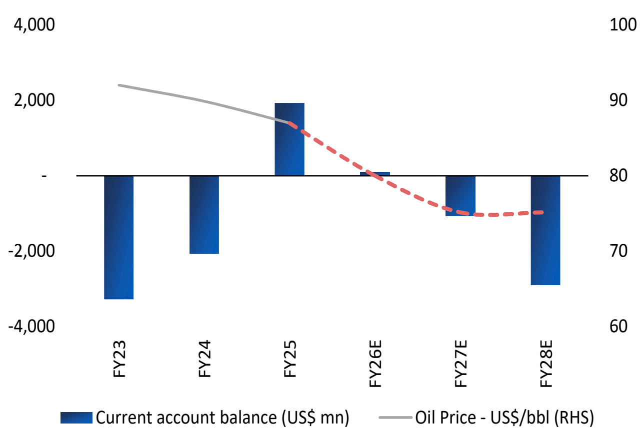
Item	Weight	Jun-24	Jun-25	Jun-26	Jun-27	FY25Change	FY26Change	FY27Change
CPI	**100.0%**	**252.7**	**264.0**	**280.7**	**292.1**	**4.5%**	**6.3%**	**4.0%**
Food and Non-Alcoholic Beverages	34.5%	279.4	277.5	293.0	303.3	-0.7%	5.6%	3.5%
Housing, Water, Electricity, Gas & Fuels	23.6%	222.7	237.1	255.1	267.1	6.5%	7.6%	4.7%
Clothing and footwear	8.6%	223.4	253.5	269.1	279.0	13.5%	6.1%	3.7%
Restaurants and hotels	6.9%	259.4	280.7	297.7	311.5	8.2%	6.1%	4.6%
Transport	5.9%	310.4	306.9	321.2	334.1	-1.2%	4.7%	4.0%
Miscellaneous	4.9%	270.8	306.8	349.2	368.6	10.3%	13.8%	5.6%
Furnishing and household equipment	4.1%	259.2	273.8	282.7	288.3	5.6%	3.2%	2.0%
Education	3.8%	186.6	207.8	225.6	241.2	11.3%	8.6%	6.9%
Health	2.8%	230.7	263.3	284.3	294.8	14.1%	8.0%	3.7%
Communication	2.2%	127.2	134.9	136.6	142.0	6.1%	1.3%	3.9%
Recreation and culture	1.6%	256.8	273.9	268.3	274.0	6.7%	-2.1%	2.2%
Alcoholic Beverages, Tobacco	1.0%	364.6	388.5	403.3	414.0	6.5%	3.8%	2.7%

Source: PBS & AKD Research

Core inflation to drop below headline inflation in 2HFY26

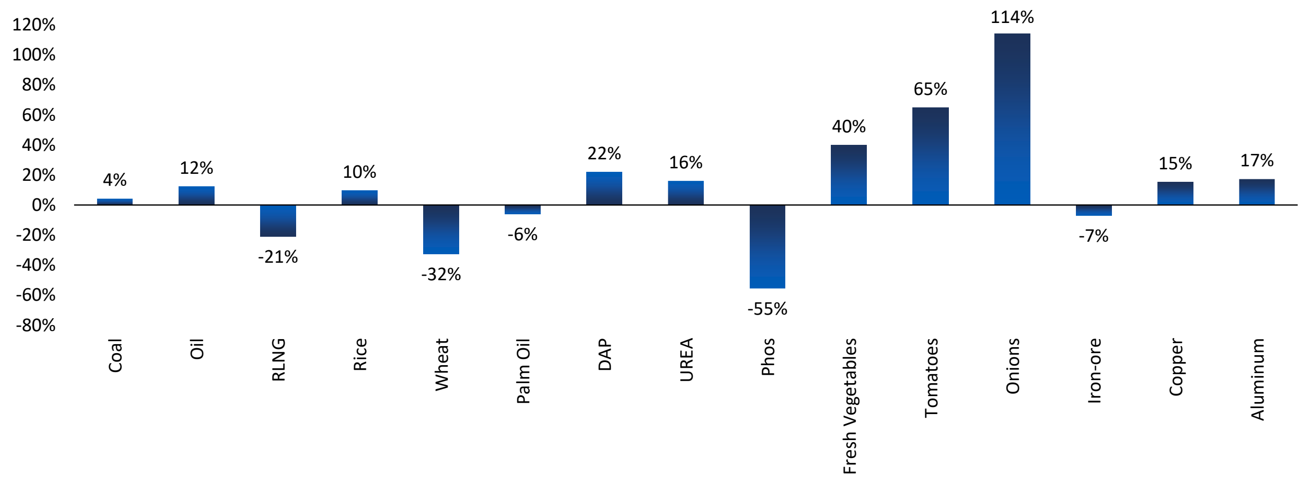


Decline in oil prices to ease burden on current account

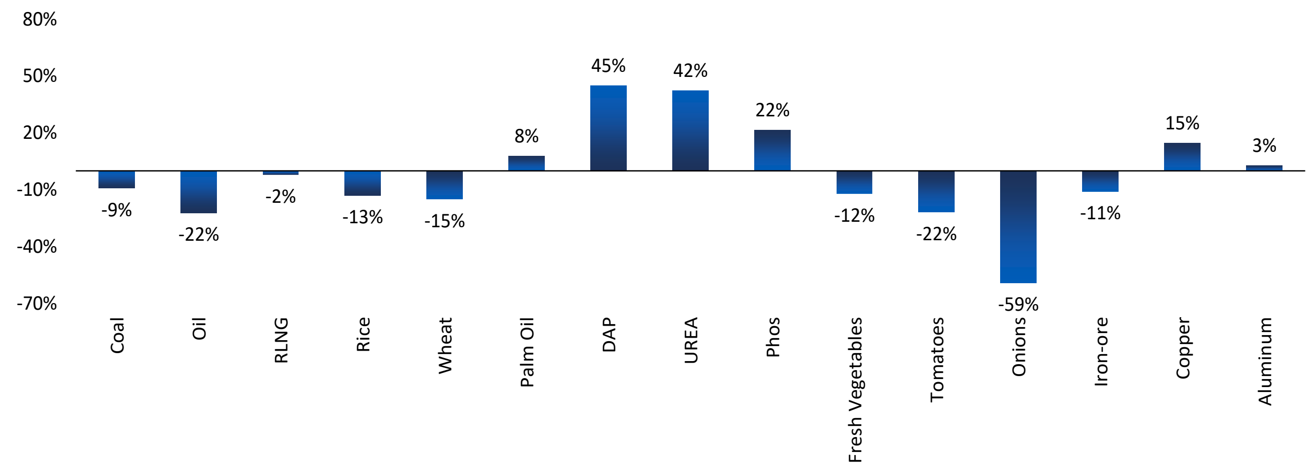


Source: SBP, PBS & AKD Research

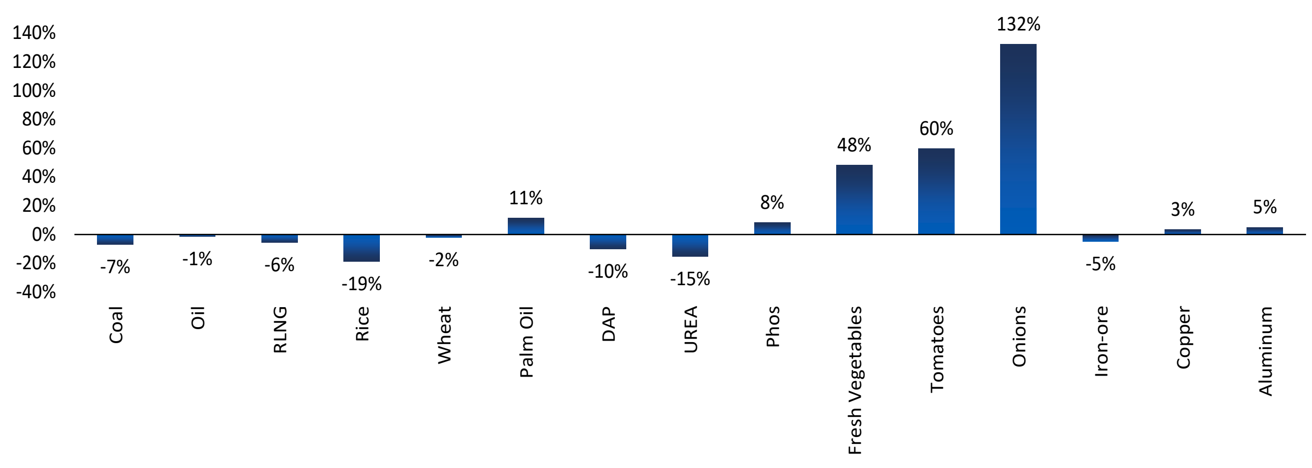
FY24: Prices remained volatile amid rising geopolitical tensions (YoY)



FY25: Commodity prices remained low amid industrial slowdown in China (YoY)



FY26E: Commodity prices expected to remain muted, while vegetables to surge amid floods (YoY)



Source: Bloomberg, World Bank, PBS & AKD Research

Current account to remain in balance

Resilient workers' remittances supported by moderation in interest and dividend repatriation, is expected to keep current account in balance for the current fiscal year. However, we expect both trade and services deficits would grow due to increase in economic activity and food supplies disruptions on the back of abnormal monsoon. Subsequently, we foresee current account to post minuscule surplus of US$99mn in FY26 and deficit of US$1.1bn in FY27. We foresee trade and services deficit to increase to US$36.8bn by FY27 as average 7.0% annual rise in imports is likely to outpace 3.3% annual pick up in exports during this period.

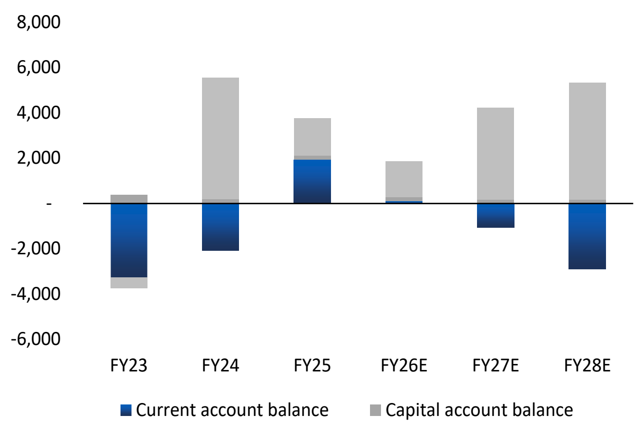
Lower prices and RLNG divergence to ease pressure on import bill: Non-oil imports, particularly machinery, metals, agriculture, and transport-sector imports, are anticipated to grow at a faster pace due to rising domestic demand. We expect growth in the food sector to remain moderate despite the surge in 5MFY26, owing to improvements in food supplies.

Meanwhile, petroleum and textile imports are expected to decline due to lower prices. The diversion of RLNG cargoes from Jan'26 would further support the decline in petroleum imports, as we expect 35 cargoes to be diverted on an annual basis. Textile imports are also expected to remain contained, supported by stable cotton production this year despite floods and an abnormal monsoon.

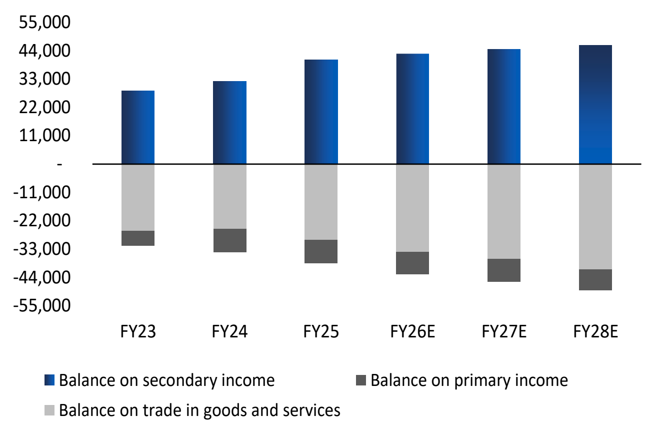
Downturn in Rice to dent to goods exports: Overall goods exports are expected to decline in FY26 due to a slump in rice exports, driven by the emergence of intense competition in the international market. We expect rice exports to fall by approximately 38% to below the US$2bn mark in FY26, a level last witnessed in FY18. Textile exports, however, are expected to remain resilient despite an uncertain environment arising from US tariffs. Knitwear exports are projected to post double-digit growth in FY26, while growth in bedwear and readymade garments is expected to moderate during the year. In contrast, cotton cloth and towel exports are expected to decline due to lower volumes. Petroleum group imports are also expected to remain lower due to subdued prices, despite reduced utilization of furnace oil (FO) in the domestic market, particularly following the imposition of the petroleum levy. However, technology exports are expected to record double-digit growth in the near term.

Remittances to provide significant support: Worker's remittances continue to show resilience in coming years given favorable policy measures and stable kerb premium. Increased emigration over the past three years due to subdued domestic economic activity, is also contributing to higher inflows. Moreover, the Primary income deficit is likely to fall to US$8.1bn by FY28 from US$9.1bn in FY25 given global monetary easing amid moderate increase in external debt.

Current account to report a surplus in FY26E (US$mn)



Secondary income finances majority of the trade & primary deficit (US$mn)



Source: SBP, PBS & AKD Research

Current account to remain in surplus for the consecutive year driven by robust remittances

Description	FY23	FY24	FY25	FY26E	FY27E	FY28E
Current account balance	**-3,275**	**-2,072**	**1,932**	**99**	**-1,069**	**-2,903**
Current account balance without off. transfers	-3,642	-2,488	1,433	-312	-1,502	-3,356
Exports of goods FOB	27,876	30,980	32,340	31,992	33,158	33,825
Imports of goods FOB	52,695	53,157	59,111	63,181	66,285	70,552
Balance on trade in goods	**-24,819**	**-22,177**	**-26,771**	**-31,189**	**-33,127**	**-36,727**
Exports of services	7,596	7,691	8,408	9,559	10,294	11,085
Imports of services	8,638	10,801	11,053	12,467	14,063	15,300
Balance on trade in services	**-1,042**	**-3,110**	**-2,645**	**-2,909**	**-3,769**	**-4,215**
Balance on trade in goods and services	**-25,861**	**-25,287**	**-29,416**	**-34,098**	**-36,896**	**-40,942**
Primary income credit	652	909	999	832	799	684
Primary income debit	6,417	9,895	**10,099**	9,507	9,587	8,820
Balance on primary income	**-5,765**	**-8,986**	**-9,100**	**-8,675**	**-8,788**	**-8,136**
Balance on goods, services and primary income	**-31,626**	**-34,273**	**-38,516**	**-42,772**	**-45,684**	**-49,078**
Secondary income credit	28,665	32,668	41,039	43,267	45,031	46,612
General government	380	449	569	444	460	480
Current international cooperation	28	22	26	33	27	27
Other official current transfers	352	427	543	411	433	454
Financial corporations, non-financial corporations, households &	28,285	32,219	40,470	42,824	44,570	46,131
Workers' remittances	27,333	30,251	38,300	40,547	42,168	43,433
Other current transfers	952	1,968	2,170	2,277	2,402	2,698
Secondary income debit	314	467	591	396	416	437
Balance on secondary income	**28,351**	**32,201**	**40,448**	**42,871**	**44,615**	**46,175**
Capital account balance	**375**	**195**	**170**	**170**	**170**	**170**
Net lending (+) / net borrowing (–) (balance from current and capital accounts)	**-2,900**	**-1,877**	**2,102**	**269**	**-899**	**-2,733**
Financial account	**468**	**-5,370**	**-1,655**	**-1,593**	**-4,056**	**-5,170**
Direct investment	**-670**	**-2,126**	**-2,475**	**-1,725**	**-2,017**	**-2,201**
Direct investment abroad	**957**	**220**	**15**	**132**	**132**	**132**
Direct investment in Pakistan	1,627	2,346	2,490	1,857	2,149	2,333
Portfolio investment	**1,012**	**376**	**638**	**899**	**267**	**-658**
Portfolio investment abroad	-14	-6	-11	-17	-17	-17
Portfolio investment in Pakistan	-1,026	-382	-649	-882	-250	675
Other Investment	**135**	**-3,610**	**183**	**-766**	**-2,306**	**-2,311**
Net acquisition of financial assets	-964	-381	93	-536	320	-
Net incurrence of liabilities	-1,099	3,229	-90	230	2,626	2,311
Deposit-taking corporations	283	-28	-417	-716	160	-
General Government	380	449	569	444	460	480
Disbursements	9,891	6,044	9,518	8,400	9,955	10,826
Amortization	11,660	6,727	7,643	7,061	8,389	10,034
Other Liabilities (net)	-316	2,248	445	-	-	-
Other Sector	-364	-363	468	178	160	-
Overall Balance	4,218	-2,862	-3,744	-1,862	-3,157	-2,438
Reserves and Related Items	-4,218	2,862	3,744	1,862	3,157	2,438
Reserve Assets	**-5,185**	**5,016**	**5,177**	**2,284**	**3,685**	**2,862**
Use of Fund Credit and Loans	**-967**	**2,154**	**1,433**	**422**	**528**	**424**
SBP Gross Reserves	**5,669**	**10,627**	**15,836**	**18,120**	**21,805**	**24,666**
External debt	**117,766**	**120,253**	**122,240**	**123,428**	**126,262**	**128,997**
GDP	**336.6**	**371.6**	**407.1**	**447.4**	**473.1**	**506.6**

Source: SBP, PBS & AKD Research

Rupee to remain stable

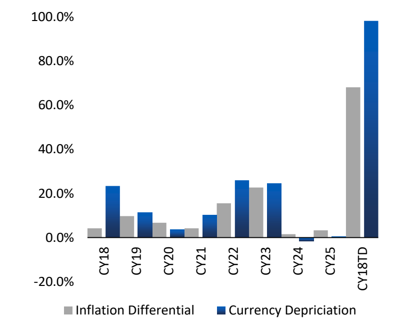
Rupee is expected to remain strong against Greenback supported by a well managed external account position, resilient remittances and rising IT exports amid tight monetary and fiscal policies. Stability in the PkR has translated into a reduction in inflation which is expected to remain in single digit. We foresee PkR to devalue at an inflation differential given building up of FX reserves, improved external account, tight monetary policy and prudent fiscal approach amid a focus on reforms to address structural issues. Continued efforts to curb smuggling along with a focus on preferential trade agreements, would also support stability.

FX movement remain modest as we navigate the uncertainties around the flood impact, reflecting strong footing of our economy and external accounts to weather shocks. This would build our comfort on stable exchange rate, which helps to build FX reserves. FX market largely display stability for the past two and a half years with the rupee hovering around PkR280/US$, given curbing of parallel market through nationwide crackdown against illegal currency trading, smuggling and hoarding. This is supported by simultaneous efforts of SBP to implement key reforms to improve exchange market functioning.

Central bank efforts to improve communication and transparency, by publishing semi annual targets of FX reserves and FX interventions, would help both local and foreign participants to gauge overall FX demand. Moreover, the revision in Foreign Exchange Exposure Limits (FEEL) has enhanced flexibility of banks to handle FX flows while maintaining prudent risk management.

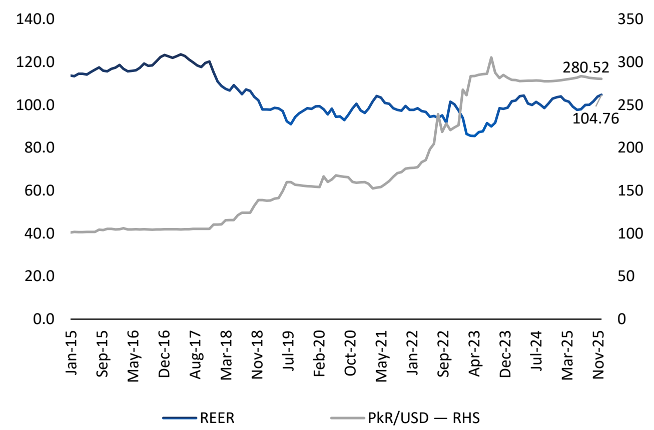
A stable FX market has allowed the SBP to conduct sizeable FX purchases, which have helped build reserves. During the period from Jun’24 to Sep’25, SBP has made net purchases of US$9.7bn from the FX market. However, the REER shows uptick since May’25 from 97.8 to 104.8 in Nov’25 because of higher inflation reading and appreciation of Pak Rupee against US$.

Currency depreciation was higher than inflation differential in last 8 years

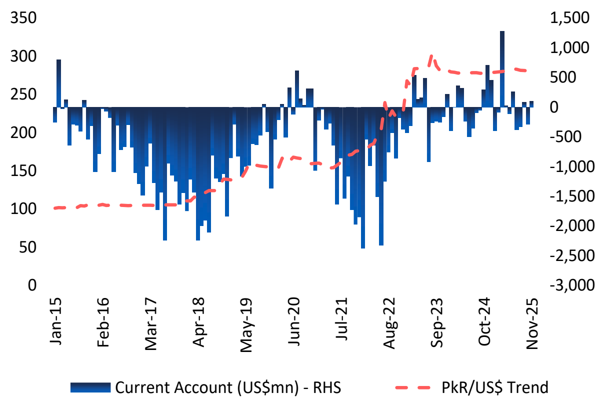


Source: SBP, PBS & AKD Research

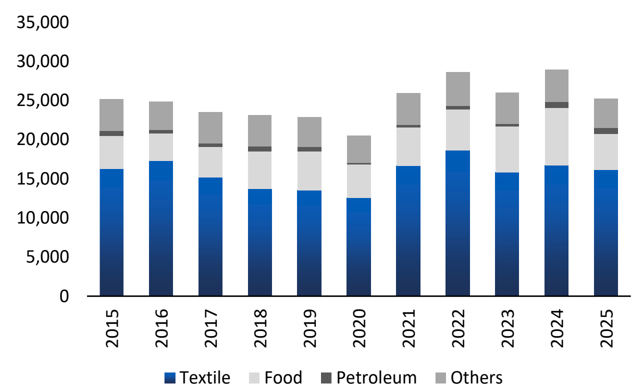
REER showing uptick since May’25 as Rupee appreciates



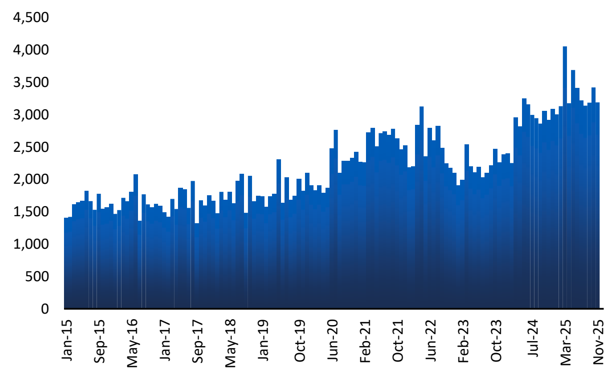
Current account turned negative in 5MFY26



Textile remain top contributor to country’s exports



Remittances provide buffer to external account (US$ mn)



Source: PBS, SBP & AKD Research

FX reserves to grow as access to borrowing improves

Improved prospects of higher financial inflows under the IMF program amid controlled Current Account Balance (CAB), opportunistic SBP FX purchases, rating upgrades by Moody's and S&P and stable rupee, would help central bank to build FX reserves. We forecast SBP reserves to reach around US$25bn mark by FY28, accompanied by reduction in the SBP's forward/swap liabilities during this period.

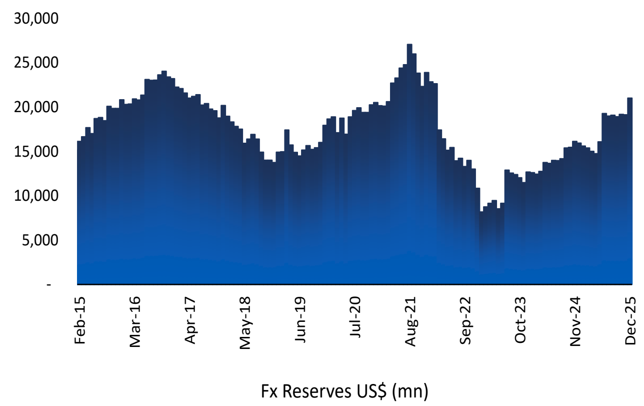
Balanced current account to remain the key: The current account is anticipated to remain balanced this year due to tight monetary policy and a prudent fiscal approach amid a flexible exchange rate. This, combined with improved financial inflows, both multilateral and bilateral, as well as rollovers of safe deposits, would provide the SBP room to build external buffers.

FDI to remain at mainstay: We expect financial account to create a room of US$11bn over the next 3-Yrs, more than half of which is likely to be driven by Foreign Direct Investment (FDI). Multilateral disbursements are projected to remain the mainstay majorly from WB and ADB. Meanwhile, key bilateral creditors fully maintaining their exposure through new financing activities. Access to external commercial financing is expected to gradually improve, including through a modest Panda bond issuance in FY26 and expected market re-entry in FY27. Furthermore, the SBP FX market interventions, focusing on buying dollars would allow central bank to cover interest payments and build FX reserves.

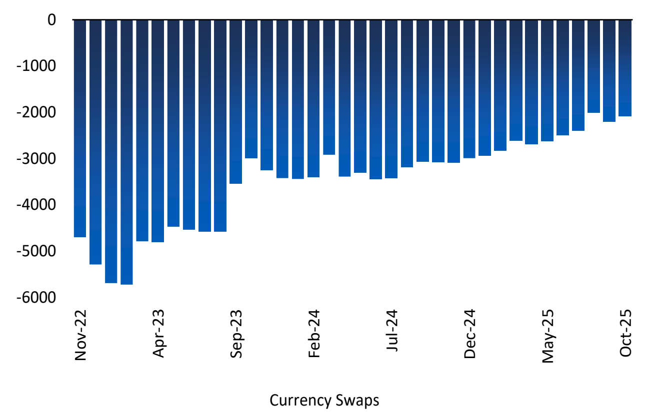
Reserves to reach US$25bn by FY28: SBP FX reserves are anticipated to reach US$24.6bn by FY28, import cover of 3.5 months, up from US$15.8bn in FY25, along with a reduction in the SBP's forward/swap liabilities by a quarter alone in FY26.

Multilaterals to remain major source of financing: Majority of the external debt stock, US$107bn or 26% of GDP, is owed to multilateral creditors. The country owes US$43.3bn to multilaterals, followed by US$18.2bn to bilateral creditors, and US$11.5bn to the private sector. IMF lending stood at US$9.0bn as of Sep'25.

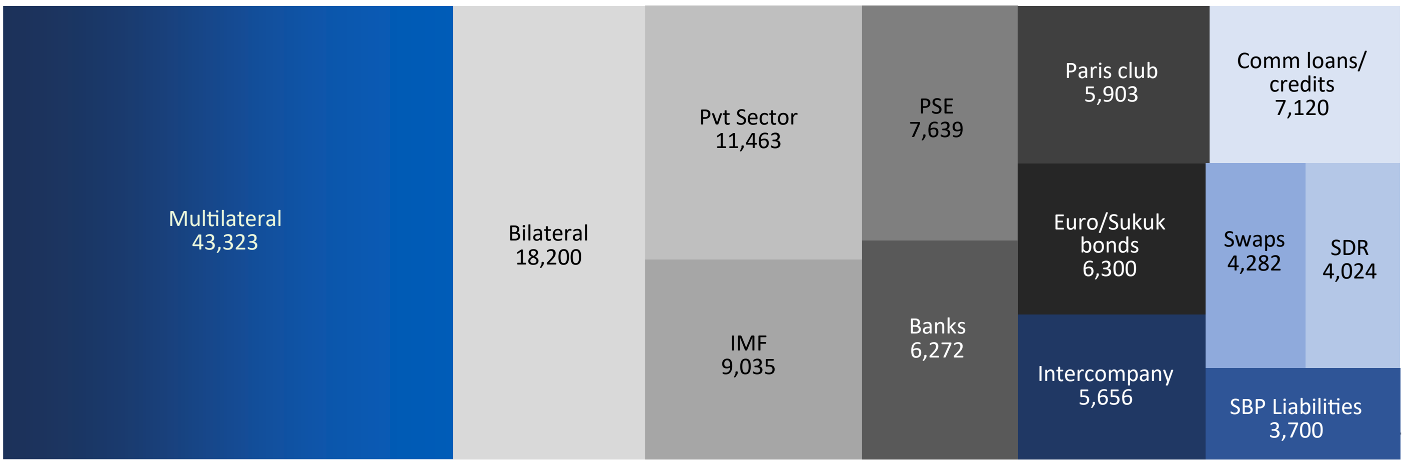
FX reserves reach 46-month high



Meanwhile, currency swap liabilities reduced to half (US$mn)



Outstanding debt stock position - Sep'25 (US$mn)



Source: SBP & AKD Research

GDP growth continues to improve

GDP growth is expected to improve supported by stabilization and subdued commodity prices, with gains from structural reforms. We expect GDP growth to reach 4.0% in FY26 and further improve to 4.1% in FY27, driven by better performance in the agriculture and services sectors, along with continued growth in industries.

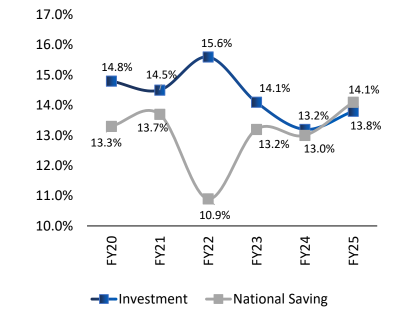
Agriculture and Services to gain pace: We expect the agriculture and services sectors to gain momentum in FY26, while the industrial sector is likely to grow at a slightly lower pace than last year, though still outperforming the other segments. The agriculture sector is projected to grow by 2.7% in FY26 and 3.1% in FY27, compared to 1.5% in FY25, supported by improved production of major crops and continued growth in livestock, despite floods and an abnormal monsoon season.

Important crops are expected to grow by 2.4% in FY26, compared to a contraction of 13.1% in the previous year, driven by improved production of wheat, cotton, maize, and sugarcane. In contrast, rice production is expected to decline by 3.2% due to higher flood incidence and spill over effect of increased competition in international markets. Moreover, livestock and poultry are expected to contribute positively, supported by lower feedstock prices, particularly maize.

Industrial sector to remain above 5%: Industrial sector growth is expected to slow but remain above the 5% level in FY26, supported by a significant reduction in interest rates, a stable currency, subdued commodity prices, and lower energy tariffs. In addition, industry lower capacity utilization levels would support growth without requiring significant capital expenditure. Recently introduced electricity packages for industries and agriculture are also expected to further aid growth.

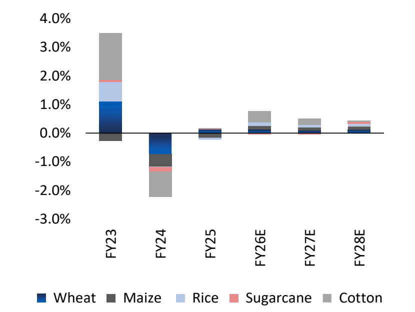
Services to gain from digitalization and documentation: The services sector is likely to benefit from spillover effects of enhanced industrial production and increased trading activity, further supported by rising digitalization and documentation of economy.

Saving rate improves on elevated interest rates



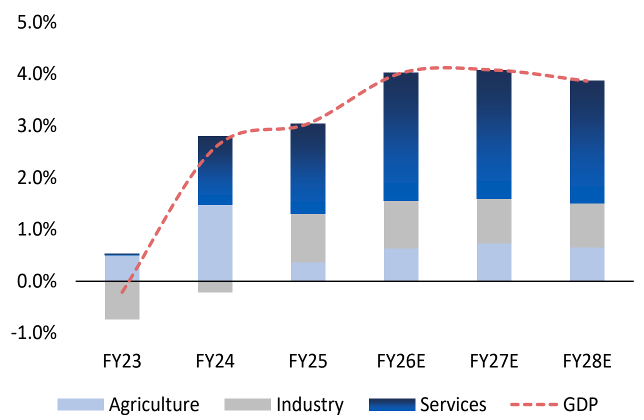
Source: SBP, PBS & AKD Research

Better wheat and stable cotton production to improve important crops growth

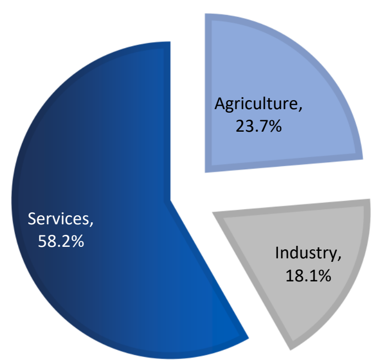


Source: PBS & AKD Research

Agriculture resurgence to fuel GDP growth



Services sector is the major constituent of GDP



Flood Impacts in 2022 and 2025

Description	2022 Monsoon Floods	2025 Floods (As of Sep'25)
People Affected	33mn	6.9mn
Lives Lost	Over 1,700	1,037
People Displaced	Nearly 8mn	Over 4mn
Houses damaged	2.05mn	0.23mn
Crops Inundated	4.4mn acres	2.2mn acres
Livestock Deaths	0.8mn	0.02mn

Source: MoF, FBR, Ministry of Planning, NDMA & AKD Research

Fiscal imbalances to narrow on reform push

Fiscal imbalance is expected to reduce considerably over the next three years, supported by robust growth in tax revenues alongside prudent expenditure management. Subsequently, we anticipate the tax-to-GDP ratio to remain at 11.5% over the next 3-yrs. Meanwhile, expenditure growth is expected to remain contained, primarily due to a significant decline in markup payments and controlled subsidies.

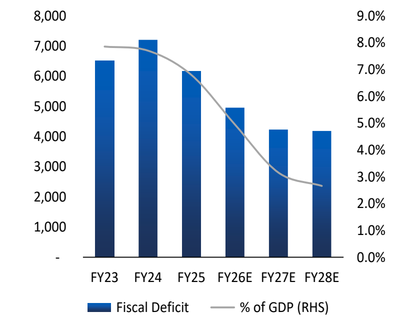
Tax revenue growth to be backed by reforms: Tax revenues are anticipated to grow at a double-digit pace, despite our expectation that inflation would fall to 4% in FY27, driven by measures legislated in FY25 and additional policy initiatives aimed at enhancing tax collection. Moreover, a continued focus on broadening the tax net, through the removal of GST and income tax exemptions and the alignment of withholding taxes (WHT) across all taxpayers, would support revenue growth. Furthermore, implementation of the new Agriculture Income Tax (AIT) regime by provinces, along with measures to strengthen compliance, curb underreporting, and improve communication, is expected to support provincial revenue growth at an average annual rate of ~17% over the next three years.

Non-Tax revenue to continue providing support: Non-tax revenues are expected to grow by 2% in FY26, compared with an average growth of 61% over the past 3-Yrs, primarily due to lower profit transfers from the SBP and reduced markup income from PSEs. Nevertheless, SBP is likely to remain the largest contributor to non-tax revenues, given the federal government's continued reliance on open market operations (OMO). Additionally, we assume the petroleum development levy (PDL) to register growth of over 20% over the next two years, driven by an increase of PkR12.5/ltr from current levels by Jan'27, along with average annual petroleum sales growth of 6% in white oil during the period.

Expenditures to grow below inflation levels due to cut in policy rate: Gov't expenditures are expected to remain contained, reflecting lower markup payments and a reduction in subsidies, despite higher defense spending and the maintenance of development expenditures. We estimate markup expenses to decline by 8% in FY26, as the impact of the policy rate reduction to 10.5% begins to materialize. Subsidies are projected to fall by 20% in FY26, supported by the settlement of power sector circular debt and an ongoing push for SOE reforms. Meanwhile, development expenditures are expected to be maintained to meet the IMF's primary surplus target. Grants are likely to continue increasing due to higher allocations for social protection schemes and spending on programs focused on structural reforms to address core inefficiencies.

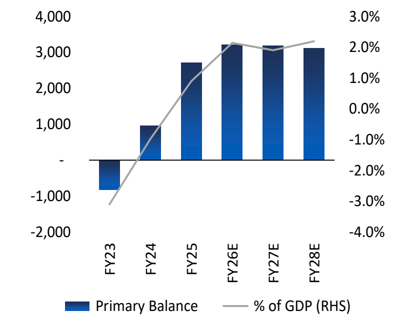
Fiscal deficit to fall below 3% by FY28: The broadening of tax base to include agriculture and services sectors, tightening of taxation on the real estate sector, and the removal of non-filer category combined with a prudent approach to spending (including pension reforms) are expected to significantly reduce the fiscal deficit. We anticipate the fiscal deficit to fall to 3.9% for FY26, further declining to 2.8% by FY28.

Reducing expenses to cushion the fiscal deficit (PkRbn)



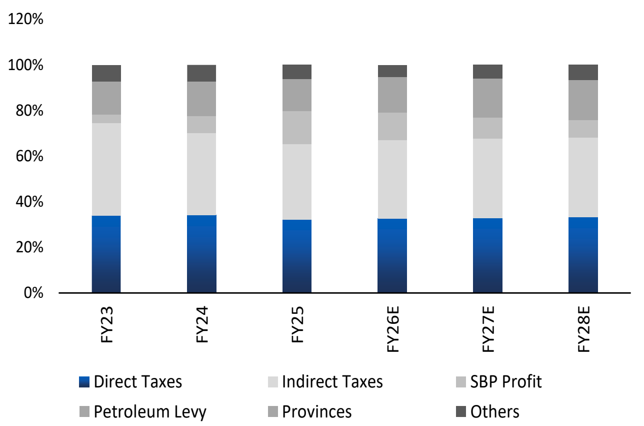
Source: MoF, PBS & AKD Research

Primary surplus on the rise (PkRbn)

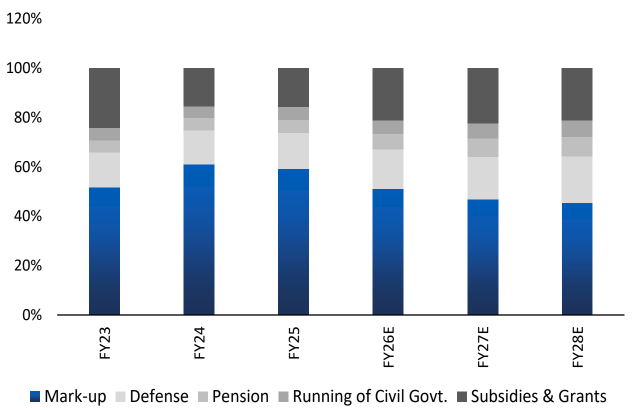


Source: MoF, PBS & AKD Research

Implementing agriculture tax to drive direct taxes



Eliminating subsidies to minimize expenses



Source: MoF, FBR & AKD Research

Fiscal deficit to fall considerably on higher revenue growth and monetary easing (PkRbn)

Description	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	**9,634**	**13,269**	**17,997**	**20,029**	**21,660**	**23,068**
Tax Revenue	7,819	10,085	12,723	14,660	16,057	17,280
Federal	7,169	9,311	11,744	13,430	14,656	15,738
Direct Taxes	3,272	4,531	5,792	6,539	7,137	7,635
Taxes on International Trade	935	1,104	1,285	1,461	1,553	1,697
Sales Tax	2,592	3,099	3,901	4,452	4,926	5,270
Federal Excise	370	577	767	978	1,040	1,136
Provincial	650	774	979	1,230	1,401	1,542
Non-Tax Revenue	**1,815**	**3,184**	**5,275**	**5,370**	**5,602**	**5,788**
Federal'	1,649	2,961	4,961	5,009	5,143	5,231
Petroleum	580	1,019	1,220	1,519	1,831	1,941
Surplus Profit of State Bank of Pakistan	371	972	2,620	2,428	2,015	1,740
Mark-up (PSEs & Others)	145	355	257	188	163	163
Dividend	69	89	187	197	280	346
Provincial'	166	223	314	360	460	557
Total Expenditure	**16,155**	**20,476**	**24,166**	**24,986**	**25,893**	**27,255**
Current Expenditure	**14,448**	**18,571**	**21,529**	**22,046**	**22,332**	**23,355**
Markup Payments	5,696	8,160	8,887	8,170	7,421	7,302
Defense	1,586	1,859	2,194	2,550	2,756	3,028
Development Expenditure & net lending	**1,953**	**2,078**	**2,966**	**2,940**	**3,561**	**3,901**
Statistical Discrepancy	**-246**	**-173**	**-329**	**-**	**-**	**-**
Overall Budget Balance	**-6,521**	**-7,207**	**-6,168**	**-4,957**	**-4,233**	**-4,187**
Primary Balance	***-826***	***953***	***2,719***	***3,213***	***3,188***	***3,115***
Financing	**6,521**	**7,207**	**6,168**	**4,957**	**4,233**	**4,187**
External	**-680**	**321**	**619**	**222**	**538**	**540**
Domestic	**7,201**	**6,886**	**5,549**	**4,735**	**3,696**	**3,648**
Non-Bank	3,673	-313	982	-	-	-
Bank	3,529	7,198	4,567	4,735	3,696	3,648
Privatization Proceeds	-	1	-	-	-	-
GDP	**84,658**	**106,045**	**114,692**	**126,575**	**136,799**	**150,294**
GDP Dollar	337	372	407	447	473	507
% of GDP						
Total Revenue	**11.4%**	**12.5%**	**15.7%**	**15.8%**	**15.8%**	**15.3%**
Tax Revenue	9.2%	9.5%	11.1%	11.6%	11.7%	11.5%
Federal	8.5%	8.8%	10.2%	10.6%	10.7%	10.5%
Non-Tax Revenue	2.1%	3.0%	4.6%	4.2%	4.1%	3.9%
Total Expenditure	**19.1%**	**19.3%**	**21.1%**	**19.7%**	**18.9%**	**18.1%**
Current Expenditure	17.1%	17.5%	18.8%	17.4%	16.3%	15.5%
Development Expenditure & net lending	2.3%	2.0%	2.6%	2.3%	2.6%	2.6%
Overall Budget Balance	**-7.7%**	**-6.8%**	**-5.4%**	**-3.9%**	**-3.1%**	**-2.8%**
Primary Balance	-1.0%	0.9%	2.4%	2.5%	2.3%	2.1%
Debt	60,841	68,914	77,889	83,116	87,723	92,903
Debt to GDP	71.9%	65.0%	67.9%	65.7%	64.1%	61.8%

Source: FBR, PBS & AKD Research

Structural reforms under IMF to combat low productivity

IMF's program places strong focus on reforms across fiscal management, poverty alleviation and social protection, monetary and exchange rate policy, the financial sector, energy, broader structural areas, and climate-related issues. These measures are intended to tackle Pakistan's deep-rooted structural weaknesses, including weak productivity, limited economic openness, inefficient allocation of resources, and high exposure to climate risks. Within the EFF and RSF framework, the policy agenda supports a phased fiscal adjustment aimed at delivering a primary surplus of 1.6% of GDP, underpinned by net growth of 3.2% of GDP and a more equitable tax regime.

Robust tax collection to achieve primary surplus: Under the FY26 budget, the government targets an underlying primary surplus of 1.6% of GDP, building on tax measures legislated in FY25 and introducing additional steps to enhance tax collection and fairness. The budget focuses on broadening the tax net by removing GST and income tax exemptions, aligning withholding taxes across taxpayers, and improving compliance. On the expenditure side, wage and pension increases have been contained, hiring restricted to critical positions, and power subsidies curtailed, creating fiscal space for higher social spending, particularly under BISP. However, FY26 revenue projections have been revised downward due to flood-related growth disruptions, lower nominal GDP, weaker FBR and provincial collections, and reduced CPP levy receipts. In response, the authorities are reprioritizing spending, utilizing contingency buffers and cutting non-essential current expenditure, especially at the provincial level, while remaining committed to achieving the primary balance target through continued fiscal discipline and structural reforms.

Enhanced social protection to reduce poverty and build resilience: Strengthening social protection and human capital development remains central to the program, particularly in light of recent floods and rising poverty, which increased to 25.3% in FY24. The authorities have strengthened the BISP budget, with the FY26 allocation including a 20% increase in spending on UCT and CCT programs, allowing the Kafaalat cash transfer to rise from PkR13,500 to PkR14,500 and expanding coverage by 200,000 families to 10.2mn households. Full execution of CCT programs, focused on education and nutrition, remains critical to improving human capital outcomes, alongside closer coordination with provinces to ensure effective targeting. In parallel, health and education spending is rising, with most provinces budgeting sizable increases in FY26, expected to lift aggregate spending to 2.8% of GDP, supporting inclusive growth and long-term productivity gains.

Tight and data-dependent monetary policy to anchor inflation and safeguard stability: Monetary policy needs to remain appropriately tight and data dependent to durably anchor inflation within the SBP's target range, with the SBP maintaining a positive real policy stance on a forward-looking basis amid elevated uncertainty. While headline inflation has temporarily eased, the SBP continues to closely monitor flood-related risks to inflation and the external account and stands ready to act decisively to keep expectations well anchored, supported by strengthened policy communication and a clearer MPC reaction function. In parallel, rebuilding reserve buffers through FX purchases and deeper FX market development remains critical to confidence, supported by greater reliance on interbank trading, exchange rate flexibility, and measures to shift remittance flows to formal channels. Financial stability will be preserved through firm enforcement of prudential regulations, including timely recapitalization or resolution of undercapitalized banks, alongside broader financial-sector reforms to support capital market development and private-sector credit growth.

Power and gas sector reforms to stem losses and contain circular debt: Structural weaknesses in the energy sector continue to weigh on economic efficiency, necessitating timely tariff adjustments and sustained cost recovery to prevent further accumulation of circular debt (CD). In FY26, CD pressures are expected to ease on the back of improved recoveries and lower technical losses, supported by regular quarterly tariff notifications and monthly fuel cost adjustments, while PkR400bn in stock

IMF: History of lending commitments to Pakistan (SDRmn)

Facility	Beginning	Amount Agreed	Amount Drawn
RSF	Sep-25	1,000	154
EFF	Sep-24	5,320	2,280
SBA	Jul-23	2,250	2,250
EFF	Jul-19	4,988	3,038
EFF	Sep-13	4,393	4,393
SBA	Nov-08	7,236	4,936
ECF	Nov-08	1,034	861
SBA	Nov-00	465	465
EFF	Oct-97	455	114
ECF	Oct-97	682	265
SBA	Dec-95	563	295
ECF	Dec-94	607	172
EFF	Dec-94	379	123
SBA	Sep-93	265	88
SAFC	Dec-88	382	382
SBA	Dec-88	273	194
EFF	Dec-81	919	730
EFF	Nov-80	1,268	349
SBA	Mar-77	80	80
SBA	Nov-74	75	75
SBA	Aug-73	75	75
SBA	May-72	100	84
SBA	Oct-68	75	75
SBA	Mar-65	38	38
SBA	Dec-58	25	0

Source: IMF & AKD Research

Extended Fund Facility (EFF)
Standby Arrangement (SBA)
Extended Credit Facility (ECF)
Structural Adjustment
Facility Commitment (SAFC)
Resilience & Sustainability Facility (RSF)

Availability	Millions of SDRs	Percent of Quota	Conditions
Sep-24	760	37.4	Approval of arrangement
Mar-25	760	37.4	1st review and end-Dec-24 performance
Sep-25	760	37.4	2nd review and end-Jun-25 performance
Mar-26	760	37.4	3rd review and end-Dec-25 performance
Sep-26	760	37.4	4th review and end-Jun-26 performance
Mar-27	760	37.4	5th review and end-Dec-26 performance
Sep-27	760	37.4	6th review and end-Jun-27 performance
Total	**5,320**	**261.9**	

Source: IMF & AKD Research

clearance subsidies is expected to keep net CD accumulation at zero. Reforms are being reinforced through greater private sector participation in DISCOs, with the first round of privatization for three DISCOs expected in early 2026, alongside steps to restructure transmission and launch a wholesale electricity market. In the gas sector, semiannual tariff adjustments, enhanced CD monitoring, and coordinated management of RLNG surplus remain priorities, supported by improved data transparency and the development of a comprehensive CD management plan.

Governance, anti-corruption, and SOE reforms to support sustainable growth: The authorities are advancing reforms to strengthen governance, enhance anti-corruption effectiveness, improve SOE oversight, and foster private-sector-led growth. As a key prior action, the Governance and Corruption Diagnostic (GCD) report was published in Nov'25, with work underway to finalize and publish the associated action plan following broader stakeholder consultations. Reforms to the asset declaration framework are progressing, including plans to publish asset declarations of high-level federal civil servants, expand coverage to provincial officials, and allow bank access to declarations. In parallel, the National Accountability Bureau will lead risk-based action plans to address corruption vulnerabilities across high-risk agencies, supported by enhanced provincial anti-corruption capacity and improved access to financial intelligence, reinforcing institutional integrity and investor confidence.

	End Jun'25	End Sep'25	End Dec'25	End Mar'26	End Jun'26
I. Quantitative Performance Criteria					
Floor on net international reserves of the SBP (US$mn)	-7,359	-7,000	-6,500	-5,600	-4,800
Ceiling on net domestic assets of the SBP (stock, PkRbn)	14,999	14,971	15,146	15,560	15,798
Ceiling on SBP's stock of net foreign currency swaps/forward position (negative, US$mn)	-2,500	-2,250	-2,000	-1,750	-1,500
Ceiling on the general government primary budget deficit (cumulative, excl. grants, PkRbn)	-2,545	-460	-3,194	-3,418	-3,156
Ceiling on the amount of government guarantees (stock, PkRbn)	5,600	5,700	5,800	5,800	5,800
Cumulative floor on targeted cash transfers spending (BISP) (PkRbn)	599	103	321	512	694
Cumulative floor on the number of new tax returns from new filers (thousands)	850	450	500	750	1,000
II. Continuous Performance Criteria					
Zero new flow of SBP's credit to general government	0	0	0	0	0
Zero ceiling on accumulation of external public payment arrears by the general government	0	0	0	0	0
III. Indicative Targets					
Floor on the weighted average time-to-maturity of the local currency domestic debt securities stock (years)	3.0	3.4	3.4	4.0	4.0
Cumulative floor on general government budgetary health and education spending (PkRbn)	2,863	432	1,200	2,170	3,470
Ceiling on the aggregate provincial primary budget deficit (cumulative, PkRbn)	-1,217	-851	-752	-1,217	-1,464
Floor on net tax revenues collected by the FBR (cumulative, billions of Pakistani rupees)	12,332	3,023	6,490	9,917	13,979
Floor on the consolidated net tax revenues collected by Provincial revenue authorities (cumulative, PkRbn)	918	246	488	785	1,190
Floor on net tax revenues collected by the FBR from retailers under the Tajir Doost scheme (cumulative, PkRbn)	0	0	0	0	0
Floor on net tax revenues collected by the FBR from retailers (cumulative, PkRbn)	531	133	366	517	707
Ceiling on net accumulation of tax refund arrears (cumulative, PkRbn)	-24	34	45	42	51
Ceiling on power sector payment arrears (cumulative flow, PkRbn)	337	200	300	400	400

Red indicates not met

Sources: IMF & AKD Research

Pakistan: Structural Conditionality

New Structural Benchmarks	Rationale	Date
Fiscal		
Finalize a roadmap by end-Dec'25 that includes at least: (i) prioritization of key reform areas; (ii) staffing requirements and roles; (iii) specific timelines and milestones; (iv) revenue impact estimates; and (v) key performance indicators (KPIs) to monitor progress and outcomes (e.g. the number of audits, number of transactions covered by digital invoicing, etc.). Based on the roadmap, complete all actions necessary to fully implement at least three priority areas agreed with IMF staff, including any required subordinate legislation, staff hiring and allocation, and initial KPI reporting.	Enhance the effectiveness of the FBR	end-Mar'26
Develop and publish a comprehensive medium-term (3 to 5 years) tax reform strategy that includes at least: (i) a sequenced roadmap of tax policy, administration, and legal reforms; (ii) clear governance arrangements; and (iii) a resource plan for implementation	Identify and mitigate severe corruption vulnerabilities	end-Dec'26
Governance		
Publish in a government website the asset declarations of high-level federal civils servant in line with the Jun'25 legislative amendments.	Enhance transparency and accountability	end-Dec'26
Publish an action plan to mitigate corruption vulnerabilities in identified departments based on an institutional-level risk assessment.	Identify and mitigate severe corruption vulnerabilities	end-Oct'26
Monetary and Financial		
Complete a comprehensive assessment of remittance costs and structural impediments to cross-border payments, complemented by an action plan.	Boost FX inflows sustainably	end-May'26
Conduct a comprehensive study of the bottlenecks for local currency bond market development and publish a strategic action plan to address areas of improvement.	Develop financial markets and diversify the investor base.	end-Sep'26
Energy Sector		
Finalize preconditions for the private sector participation processes for HESCO and SEPCO.	Improve DISCO management and efficiency	end-Dec'26
State-Owned Enterprises		
The government will sign public service obligations (PSO) agreements with each of the 7 largest PSOs before submission to Parliament of the FY27 budget, in line with updated manuals and guidelines in accordance with the SOE Act and Policy.	Improve transparency and costing of public obligations	end-Jun'26
Trade, Investment Policy, and Deregulation		
Federal and provincial governments will agree and the federal cabinet will adopt a national policy for sugar market liberalization containing key recommendations on licensing, price controls, import/export permissions, and zoning, and clear timelines for implementation	Liberalize commodity markets	end-Jun'26
Prepare and submit to parliament legislative amendments to the Companies Act, 2017 to strengthen compliance for unlisted firms, modernize corporate governance structures, and align corporate regulations with international best practices.	Reduce regulatory uncertainty, enhance transparency, and support capital market development.	end-Jun'26
Prepare and publish a concept note defining the scope, objectives, and expected outcomes of legislative amendments to the SEZ Act, including the rationale for reform, proposed KPIs, and the shift from profit to cost-based incentives.	Improve efficiency and provide a level playing field for investment	end-Jun'26

Sources: IMF & AKD Research

Key Themes

Back to table of contents

AKD Securities Limited

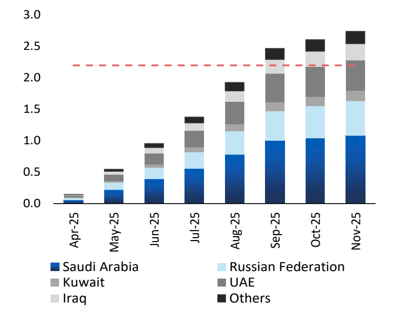
Lower commodity prices to ease import bill

Oil (US$/bbl)	Gas (US$/Mmbtu)	Coal US$/MT	Rice (US$/ton)	Cotton (USc/lb)
63.03	11.02	89.00	368.0	74.00

Pakistan stands to benefit from falling global commodity prices, which will lower import bill and keep the inflation downward sticky. This is partly due to higher supply globally. Whereas, divergence of LNG cargoes would help to ease pressure on import bill and lower domestic prices.

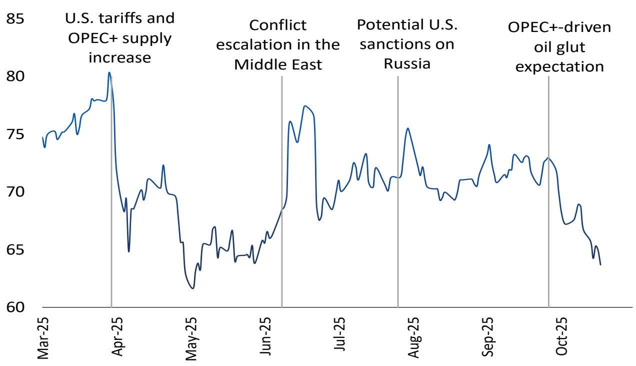
Oil prices to remain pressured despite intermittent geopolitical spikes: Crude oil markets remained under pressure for most of CY25 as excess supply and persistent trade policy tensions kept prices on a downward trajectory. This trend was briefly interrupted when US sanctions on Russia triggered a ~5% rebound. The broader softness in prices reflects OPEC+'s monthly policy decisions since Apr'25 to sharply increase production targets. Moreover, potential progress toward peace in the Middle East and the Russia-Ukraine conflict could exert downward pressure on oil prices for FY26. We anticipate oil prices to clock in at US$67.5/barrel for FY26.

OPEC+ target production rises (mn bpd)

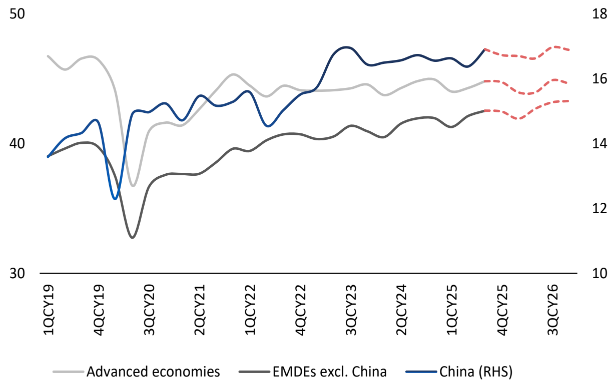


Sources: IEA, WB & AKD Research

Volatile oil prices amid geopolitical tension (US$/bbl)



Changes in global oil demand (mb/d)



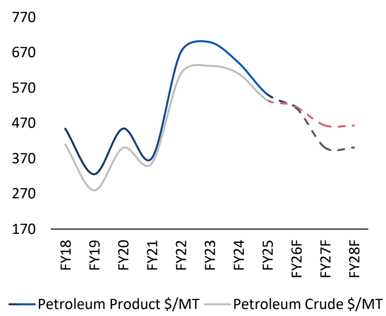
Source: Bloomberg, WB, IEA & AKD Research

Lower prices despite higher volumes to keep import bill stable: Pakistan's heavy reliance on petroleum imports has caused immense pressure on the import bill historically, with petroleum imports averaging at 20% of import payments during the past decade. We anticipate easing geopolitical tensions and contraction in overall demand to reduce oil prices come 2026, resulting in a muted burden on the import bill. With average oil prices of US$75.8/barrel in FY25, our forecast is 11%YoY down.

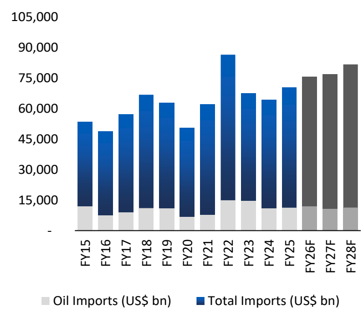
During FY25, oil import payments represented 19% of the total import bill, amounting to US$11.3bn for 21.0mn tons. For FY26, we forecast oil imports to increase by 12.3% YoY to 23.6mn tons, driven by resurgence in the economy. Despite the anticipated increase in volumes, the expected decline in prices should largely offset this, keeping the import value stable. Additionally, shifting country's power generation mix through reduction in furnace oil led generation towards RLNG, imported/local coal and nuclear are expected to alleviate future pressures on the import bill. However, we do expect demand for Motor Spirit (MS) to rise as OMC volumes recover during FY26 and beyond, with our forecast of 8.3mn tons for FY26E.

Global Outlook: US Energy Information Administration (EIA) estimates global consumption of liquid fuels to increase by 1.1mn bbl/d in 2026. With majority of the growth in demand stemming from India and China, expected to account for collective 38% of the consumption increase globally for 2026. Additionally, ongoing geopolitical tensions and the recent round of sanctions on Russia's oil sector could result in less oil production next year than current forecasts which may create uncertainties for next couple of months. Moreover, EIA forecasts the global oil production growth will

Petroleum prices to ease moving forward



Declining oil prices to ease import bill



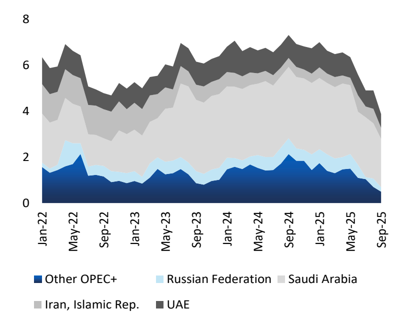
Source: PBS & AKD Research

lead to increased inventories in 3QFY26, indicating bearish trend in the crude commodity's price.

Gas prices to ease amid higher production: After spiking earlier in the year, LNG prices normalized, despite stronger global demand in 1HCY25 amid colder-than-usual weather in North America and reduced renewable output in Europe. However, China and India's demand decreased for imports, with China producing more domestic LNG.

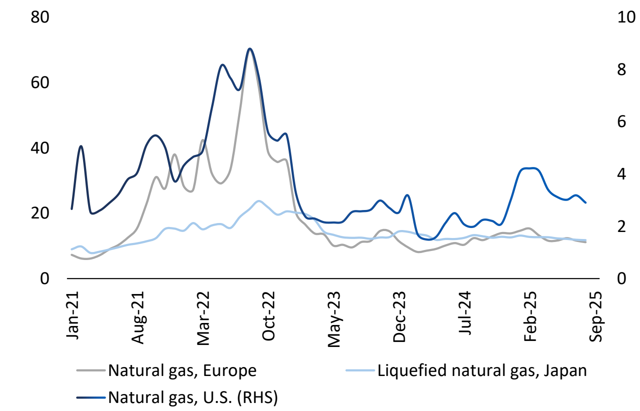
Global consumption is expected to reach an all time high in 2026, with demand growth of 2%, while supply is forecasted to increase by 7% with US, Canada and Qatar leading this growth and improving capacities. From 2026-28, global liquefaction capacity is expected to increase by around 170mn TPA. Overall, this will lead to gas prices to soften in 2026, with Russia's LNG exports now directed towards Asian countries ,further benefitting the continent.

Computed OPEC+ spare capacity (mn bpd)

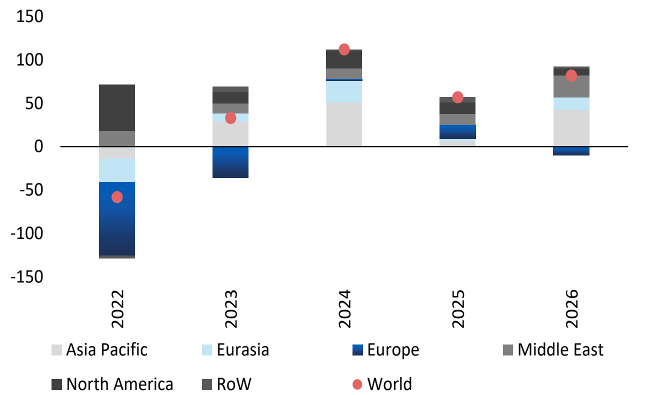


Sources: IEA, WB & AKD Research

LNG prices eased amid increased supply (US$/mmbtu)



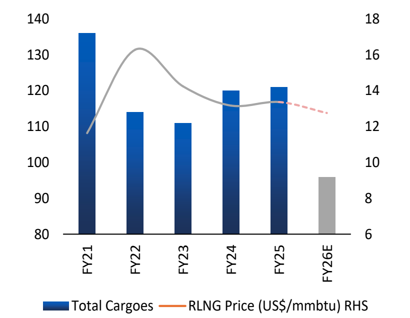
while Europe's demand on a downward spiral (BCM)



Source: Bloomberg; OSJ, WB & AKD Research

Gas demand, Imports Dip as consumption falls: Pakistan's total gas consumption declined ~5%YoY in 9MCY25 amid weaker power sector demand. In 5MFY26, domestic production fell 7%YoY to 2,757mmcfd. This reduction was largely impacted by system line pack congestion in the domestic gas network which continued to disrupt supplies, while lower use in captive generation given implementation of levies also contributed. LNG imports were similarly subdued (down 7%YoY) to 929mmcfd in 5MFY25 amid lower demand. Seasonal weakness in winter electricity usage persists, prompting the GoP to adjust procurement under long-term contracts. Pakistan would save over US$1bn by diverting 34 LNG cargoes in 2026 to avoid excess surplus. The cancellations were agreed under contractual flexibility provisions, reflecting the broader trend of global suppliers preferring spot sales amid strong international prices. We forecast Pakistan to import 96 cargoes in FY26 vs 117 in FY25. Despite the near-term surplus, gas demand is likely to firm once economic activity strengthens, led by textile and other export oriented industries.

LNG cargoes decline on softer RLNG prices

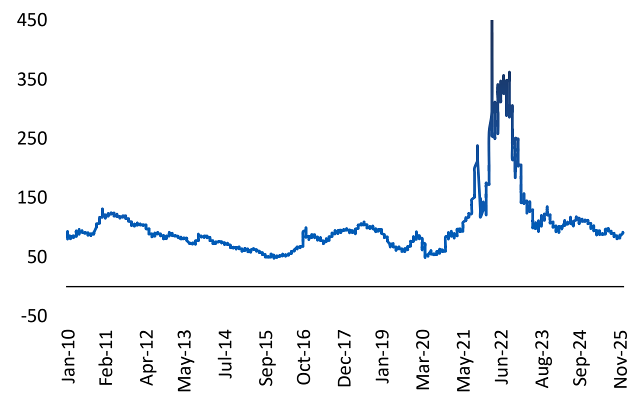


Source: Bloomberg & AKD Research

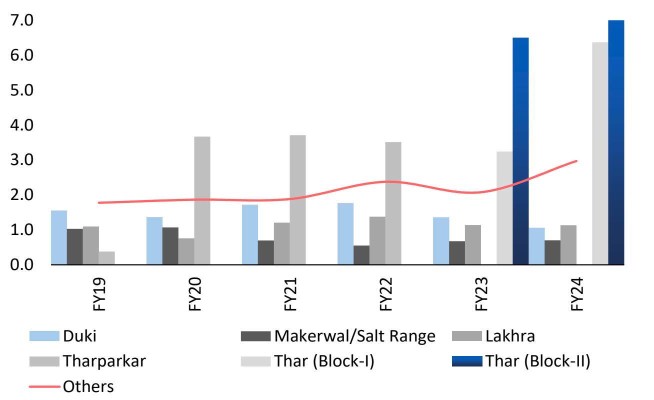
China's weak demand to lower coal prices: As per the IEA, global demand for coal in 2026 is forecasted to decrease slightly, roughly offsetting the increase recorded in 2025, with developments in China expected to shape global trends. A further decline in Europe, driven by higher reliance on renewable and environment-friendly energy sources, will also help offset any increases in other regions.

Shifting power mix leads to decreased demand: Shift in country's energy mix has increased the share of power generation to local coal, renewable sources and non-fossil fuels from heavy reliance on oil and gas previously. Pakistan's consumption for coal in the power sector increased to 19.2mn tons in FY24 from 5.9mn in FY18, with a CAGR of 26.7%. Overall country's coal demand has witnessed an increase of 3.4%YoY to 24.7mn tons in FY24. Wherein, demand from cement sector and other industries reduced consumption to 4.4mn tons in FY24 from 5.4mn tons in FY23, a decline of 19%YoY, amid economic slowdown. Moving forward, demand from the cement sector is to rebound on an annual basis, as our projections suggest cement offtakes to increase 9%YoY to 39.7mn tons during FY26. This is primarily due to interest rate cuts and significant increase in the PSDP budget.

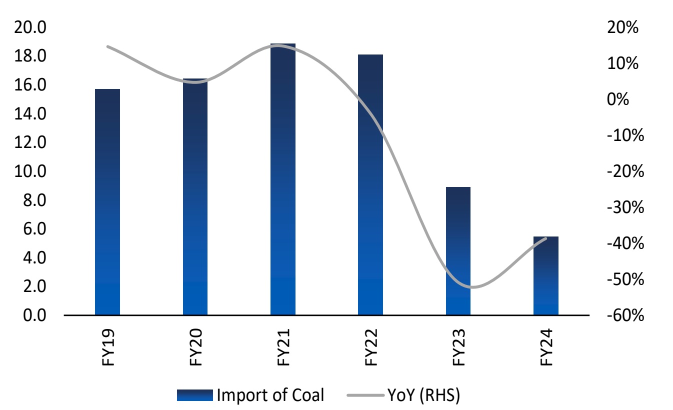
Coal prices retreat from their record peak (US$/ton)



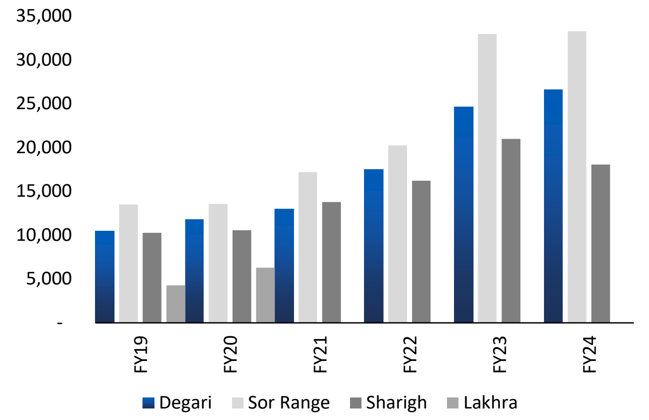
Thar block boosts local coal production (mn tons)



Reliance on imported coal fall amid changes in power mix (mn tons)



Local coal prices soar as demand surges (PkR/tons)

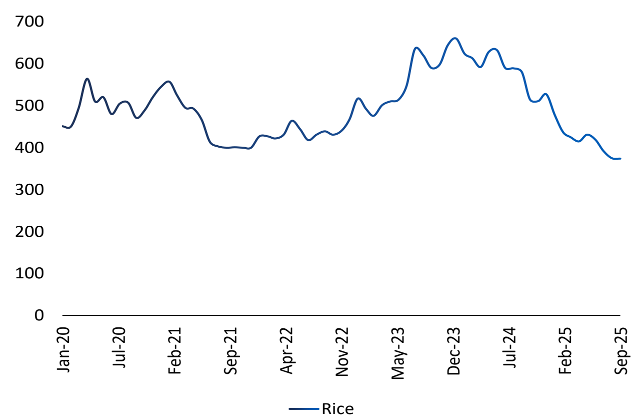


Source: PBS, Bloomberg, PMDC & AKD Research

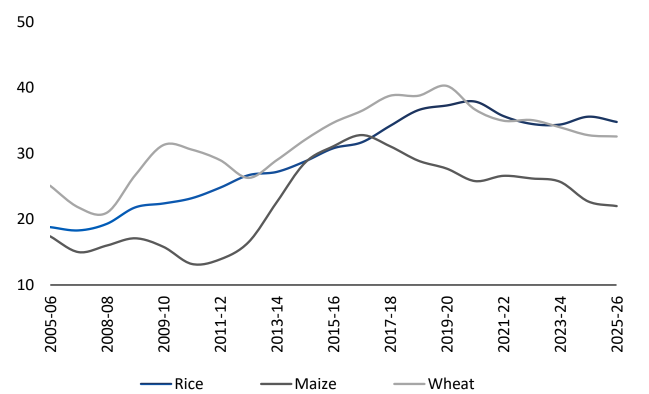
Rice prices poised to drop amid expanding global output: Rice prices continued to decline, with the World Bank stating a 31%YoY drop for 2025 while further estimating stability with 1% YoY decline in 2026. The sharp fall was driven by record-high production, India's removal of export restrictions, and a 5%YoY increase in leftover stocks for 2024-25, mainly among major exporters including Pakistan, India, Thailand, and the United States.

Moderation in rice exports amid renewed global competition: Pakistan's rice exports declined, totaling US$3.0bn in FY25 vs US$3.7bn in FY24, supported by price decline and decreased share in the global market following India's removal of restrictions on rice exports. The share of rice exports in Pakistan's total commodity exports fell to 9% in FY25 compared to 12% in FY24. With India gaining back its share and lower domestic production, we project Pakistan's rice exports to remain low around US$1.9bn in FY26.

Rice prices declined on increased supply (US$/ton)



Stock to use ratio remains on the higher side for grains

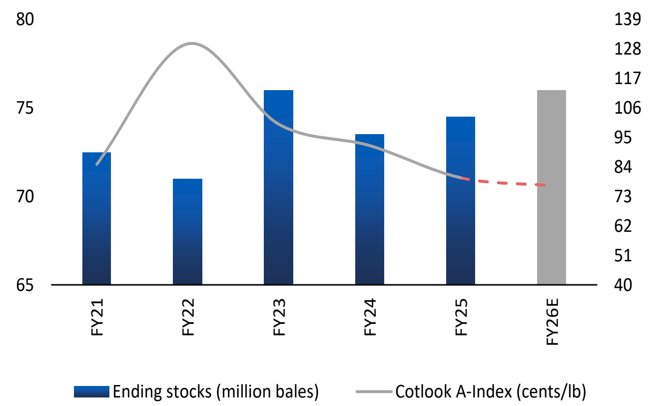


Source: Bloomberg, USDA, WB & AKD Research

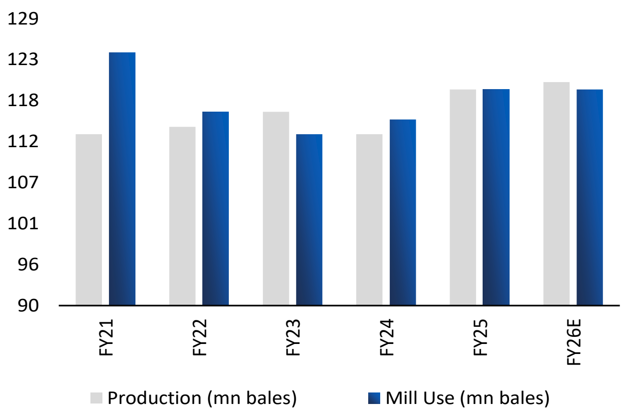
Cotton Outlook: Despite an 11% decline in international cotton prices in 2025 from previous year, they remained stable during the year due to 6%YoY increase in global production and higher demand. We expect raw material cost to ease further in FY26, providing support to gross margins as export prices contract. In addition, the said decline in cotton prices would also ease the working capital requirement, leading to improved liquidity. International cotton prices are projected to remain below US¢76/lb in FY26, down 5% from FY25, as global production is expected to exceed the mill use for second consecutive year, supported by higher production from China and Brazil while decline in consumption from China and Turkey. Mill usage will also be pressured by weaker global textile demand, alongside structural substitution toward Polyester Staple Fiber (PSF). Consequently, global cotton ending stock is expected to rise by 2%YoY to 1.4mn bales.

Textile export growth cushions current account deficit: Pakistan's textile exports increased 7%YoY to US$18bn in FY25, with 5MFY26 exports exceeding US$7.8bn, 3%YoY increase from SPLY. We expect textile sector to contribute in narrowing current account deficit. On the local front, Pakistan's cotton production is expected to remain flat with slight improvement in yield expected to offset the decline in sowing area. Subsequently, we expect local cotton prices to avg. at PkR15.7k/maund during FY26, down 10%YoY. With total demand expected at 12.3mn bales, we would need to import

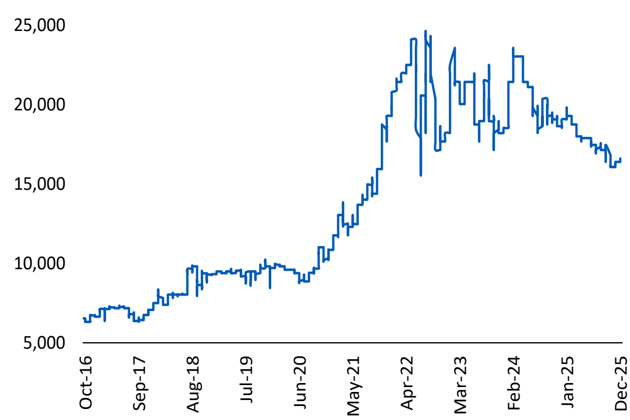
Cotton prices to ease with increased stock



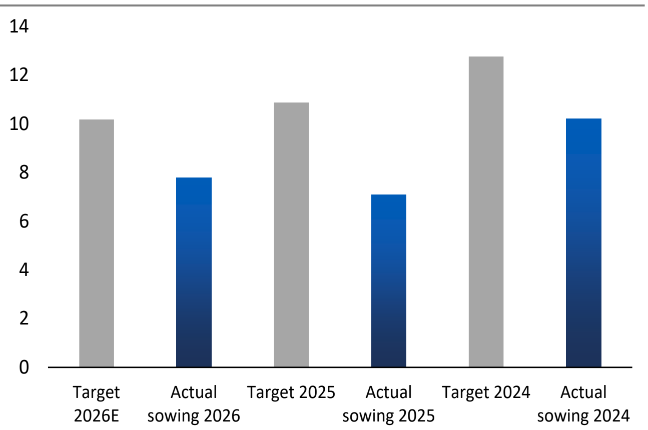
as production exceed mill use for the 2nd year (mn bales)



Local cotton prices eased with improved production



Local cotton output remains lower than anticipation



Source: USDA, FCA, KCA & AKD Research

Reform momentum to anchor economic discipline

Gas Power | Pakistan's Privatization | Tax Reforms | Border controls | Anti Corruption | state-owned enterprise

Pakistan's reform agenda is gaining traction across energy, fiscal, and governance fronts to stabilize the macro framework. Energy sector reforms aim to restore cost recovery and contain circular debt through tariff rationalization, subsidy withdrawal, and gas price alignment, improving cash flows and investment visibility. Privatization has re-emerged as a core fiscal tool, targeting banking, aviation, power distribution, and infrastructure to reduce subsidies and attract FDI.

Tax reforms are increasingly technology-led, with digitization and AI-driven enforcement broadening the tax base and supporting revenue growth. Stronger border enforcement is curbing smuggling and FX leakages, aiding formalization and protecting domestic industry. Governance, anti-corruption, and SOE reforms, though still early, are laying the groundwork to reduce fiscal drag, enhance accountability, and rebuild institutional credibility over the medium term.

Energy reforms to restore cost recovery and contain circular debt: Pakistan's energy framework is undergoing structural correction to arrest circular debt and restore cost recovery. Key measures include aggressive tariff rationalization, subsidy withdrawal, gas price alignment with revenue requirements, RLNG import curtailment, and structured settlement of legacy receivables—gradually improving sector cash flows, balance-sheet health, and medium-term investment visibility.

Privatization to remain core for fiscal efficiency: After prolonged stagnation, privatization has re-entered the reform agenda as a fiscal and efficiency lever. The government is advancing divestments across banking, aviation, power distribution, and infrastructure, supported by governance cleanup and fast-track facilitation. Successful execution is central to reducing subsidies, rebuilding confidence, and unlocking FDI.

Technology-led tax reforms to broaden base: Tax administration is shifting toward technology-led enforcement and compliance-based revenue mobilization. Digitization, AI-driven audits, POS integration, customs targeting, and centralized tax policy creation are improving documentation and collections. Growth in tax revenues and filer expansion are signaling a positive shift, though future sustainability hinges on execution and political continuity.

Border enforcement to curb leakages: Enhanced border enforcement is emerging as a key macro-stabilization tool. Notably, crackdowns on smuggling, tighter Afghan/Iran transit protocols, fencing, security scanners, and digital checkpoints are curbing illicit trade of goods and currency leakage. These steps are anticipated to support formalization, limit FX market distortions, protect the domestic industry, and reinforce the credibility of fiscal and trade reforms.

Anti-Corruption push to strengthen credibility: Governance reforms are being positioned as growth enablers rather than optics, led by the IMF-backed diagnostics report, major steps including asset declaration frameworks, AML/CFT strengthening, and regulatory streamlining aim to reduce rent-seeking, improve fiscal discipline, and restore institutional trust. However, progress remains at nascent stages, but the foundations are being laid for increased efficiency and accountability.

SOE reforms to reduce fiscal drag: SOE restructuring is accelerating amid rising fiscal pressures. Reforms focus on governance laws, independent boards, IFRS adoption, performance monitoring, and selective privatization or PPPs. With the budgetary support remaining elevated for the aforementioned process, increased oversight and defined ownership frameworks remain critical to containing losses, debt accumulation, and long-term contingent liabilities.

Gas and Power Sector Reforms

Authorities are aggressively overhauling the energy sector chain in order to address chronic inefficiencies, mounting circular debt in both gas and power, which have led to further strain on the fiscal balances. Key reforms include sharp tariff rationalization, ending of subsidies, improved cost recovery, and stronger governance frameworks across the energy value chain. These initiates have remained aligned with IMF benchmarks, with the aim to reduce fiscal losses and attract private investment. While near-term risks persist, the medium-term outlook has begun improving as structural inefficiencies continue to be tackled.

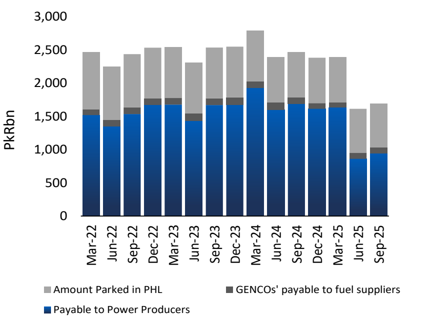
Gas prices duly rationalized: Authorities have diligently revised gas prices since early CY23, raising prices for all categories alike. To note, average prescribed prices for SNGPL have risen sharply from ~PkR500/mmbtu in FY20 to PkR1,853/mmbtu set of FY26, up 3.7x. This was due to sharp hikes in various categories including domestic users, commercial/industrial users, power generation and fertilizer feedstock consumers, in line with IMF demands, resulting in prices coming towards cost-recovery levels (revenue requirements) for both public gas utilities. This structural correction in pricing is also designed to reverse years of under-recoveries which contributed to ballooning circular debt in the gas chain, estimated to exceed PkR3.1tn (as per IMF report).

Gas circular debt resolution framework gains traction: GoP's multi-staged gas circular debt (CD) settlement framework plan aims to address PkR2.03tn receivables backlog in the gas sector, primarily stemming within SNGP and SSGC. The proposed mechanism focuses on four major inflows including i) additional PkR5/litre petroleum levy (PDL), ii) savings from optimizing LNG procurement, iii) incremental dividends from SOEs (OGDC, PPL, GHPL), and iv) recovery of RLNG receivables from the power sector, Under the plan, OGDC, PPL, GHPL, and PSO collectively stand to recover PkR1.39tn over the next five years, with authorities expected to ring-fence cash flows from above mentioned streams for settlement of past-due CD stock. Furthermore, SECP exemptions are under consideration to protect SOEs from adverse IFRS-related impacts, ensuring smoother earnings as well.

RLNG cancellations to resolve gas glut: Authorities have moved to curtail RLNG imports to address a gas surplus situation, cancelling 21 cargoes under Eni's 2017– 2032 agreement with Pakistan LNG Ltd (PLL), while retaining only peak winter deliveries for 2026–27. The country's LNG contracts are oil-indexed, including PSO's 15-year Qatargas SPA (3.75 mtpa at ~13.37% Brent), its 2022 10-year contract (~3 mtpa at 10.2% Brent), and PLL's ~0.75 mtpa Eni deal at ~12.14% Brent. Importantly, the mentioned take-or-pay volumes have overshot demand as generation from local fuel and renewables have grown in the mix, causing pipeline pressure to breach safe limits for gas utilities. The renegotiation and deferral of cargoes, including PSO's agreement with Qatargas are expected to ease take-or-pay obligations, enabling E&Ps to sustain output which was previously curtailed due to system constraints. The recent successful diversion of 35 LNG cargoes annually, 24 under PSO's Net Proceeds Differential Agreement (NPD) with Qatargas and 10–11 cancelled from PLL's ENI agreement, we estimate a reduction of ~315mmcfd in RLNG inflows. This would alleviate line pack pressure in the pipeline network and improve working capital positions for PSO and SNGPL. Additionally, we expect the deemed WACOG to decline by ~PkR150/mmbtu, as a greater share of indigenous gas replaces high-cost RLNG in the supply mix, enhancing affordability for power and industrial consumers.

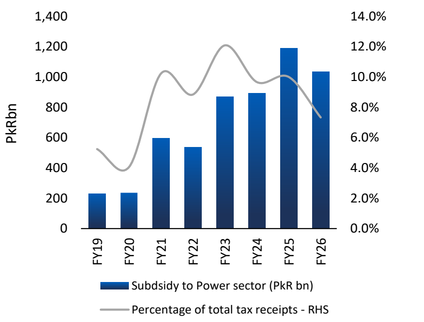
Power sector reforms clearance in works: Authorities have intensified efforts to address the ballooning circular debt in the power sector as well, a longstanding structural drag on fiscal stability. As part of the IMF led reform agenda, authorities have begun implementing a multi-pronged circular debt reduction plan which recently involved clearance of PkR1.23tn arrear backlog through cheaper commercial bank financing. Furthermore, negotiations and termination of contracts with IPPs further allowed PkR0.75tn in reduction in the outstanding backlog. For this reason, The Ministry of Energy (MoE) projects a phased elimination of the circular debt flow by FY26. Moreover, diligent quarterly/fuel tariff adjustments, targeted subsidy withdrawal,

Outstanding power CD on downward trend



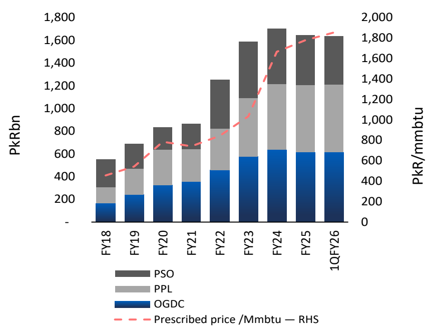
Source: MoE & AKD Research

Subsidy to power sector lower in relative terms



Source: MoF & AKD Research

Trade receivables have tapered off for Energy SOEs



Source: PSX & AKD Research

and stricter enforcement of recovery from defaulting consumers have also remained a focus.

DISCO and GENCO privatization to curb losses: Privatization of DISCOs and GENCOs will be an inflection point in the country's energy sector reform agenda, aimed at breaking the cycle of inefficiency, fiscal hemorrhage, and political interference that has long plagued state-run utilities. By transitioning towards private ownership, beginning with IESCO, GEPCO, and FESCO in early CY26, authorities are directly targeting the operational lapses that feed circular debt accumulation, through i) weak governance, and ii) losses and poor recovery. These steps are IMF-mandated and backed under a roadmap which also includes restructuring of the transmission grid and the launch of a wholesale market. Simultaneously, progress on GENCO privatization i.e. Nandipur and Guddu are also part of preconditions under the privatization agenda.

Pakistan's Privatization Drive Gains Momentum

Pakistan is rebooting its long-stalled privatization program in 2024–2025 as part of a broader economic reform agenda under the IMF. After years of inertia, the government is moving to sell or restructure state-owned enterprises (SOEs) to reduce fiscal burden and improve efficiency. Country's loss making SOEs have been a major drain on public finances – collectively posting PkR342bn in losses during 1HFY25, with authorities dolling out subsidies to the tune of PkR1.4tn during FY24, most of which were targeted at SOEs. Under the US$7.0bn IMF program, authorities have committed to divest loss-making state firms, targeting PkR87bn (~US$300mn) in privatization proceeds during FY26, the largest increase in decades. Notably, authorities struck their first success through the G2G majority stake sale of First Woman Bank Ltd (FWBL) at a value of US$14.6mn during Oct'25. Notably, top companies/sectors under GoP's privatization agenda include: PIA, DISCOs, ZTBL, HBFC, PAKRI and PECO, with privatization agenda planned during two phases (Ph I: immediate 12 months, Ph II: 3-5 years).

Revival part of IMF Reforms: Revitalizing the privatization agenda is a precondition cornerstone of Pakistan's IMF-backed reform program. The IMF has conditioned bailout support on Pakistan reducing its footprint in commercially unviable enterprises and improving governance. In response, the government has reactivated the Privatisation Commission and drawn up a pipeline of assets to sell. Key transactions are being fast-tracked with an emphasis on transparency and investor outreach through live-bidding process. Notably, the PM and finance team have invited foreign interest in privatizations during recent IMF-World Bank meetings, assuring that difficult decisions (from energy tariff adjustments to tax overhauls) are being made to complement the divestment efforts.

Power sector leads the way: Country's ailing power distribution cos are the forefront of the privatization effort. In the first phase, three electricity distribution companies –IESCO, FESCO and GEPCO are slated for sell-off, which will be followed by SEPCO and HESCO in the second phase. Notably, Turkish Energy firms are vowing interest in the process, where a Turkish firm (Raiffeisen Investment) was also hired to advise on DISCO sales. As per news flows, 90% of DISCO board seats are now occupied by private-sector professionals to improve governance ahead of privatization. By transferring these utilities to reliable operators, country aims to cut the ~20% T&D losses, thereby reducing the annual hemorrhage in the power segment which costs PkR1.2tn in annual subsidies (FY25).

High-profile transactions on the horizon: Beyond the power sector, two landmark transactions have been concluded. Authorities have completed the divestment of PIAC's core aviation business, selling a 75% stake for PkR135bn to a domestic conglomerate, in line with the GoP's plan to offload 51–100% of the loss-making national carrier by Dec'25. Other than the concluded transaction of FWBL, divestment of House Building Finance Company (HBFC) is planned with an aim to conclude these by mid CY26, as part of broader banking sector reforms. Further, authorities are also exploring offloading stakes in energy firms (OGDC and PPL) and state-owned refiner-

Privatization program

Sector	SOE	Phase
Aviation	Pakistan International Airlines Corp. (PIACL)	I
Real Estate	PIA-IL (Roosevelt Hotel NY)	I
Financial	Pakistan Re-Insurance Co. Ltd. (PRCL)	II
	State Life Insurance Corporation (SLIC)	II
	Postal Life Insurance Company Ltd. (PLICL)	III
	First Women Bank Ltd (FWBL)	I
	House Building Finance Corporation (HBFC)	I
	Zarai Taraqiati Bank Ltd. (ZTBL)	I
Retail	Utility Stores Corporation (USC)	II
Industrial	Pakistan Engineering Company (PECO)	I
	Sindh Engineering Ltd (SEL)	I
Power Sector	GENCO I	II
	GENCO II	II
	GENCO III	II
	GENCO IV	II
	IESCO	I
	FESCO	I
	GEPCO	I
	LESCO	II
	MEPCO	II
	HAZECO	II
	HESCO	II
	PESCO	II
	SEPCO	II

Source: PC & AKD Research

Profits/Losses of DISCOs (1HFY25)

DISCO	EBIT (PkRmn)	Subsidy adjustments (PkRmn)	Profit/(Loss for 1HFY25) PkRmn
LESCO	-3,650	26,062	(29,712)
MEPCO	8,399	43,568	(35,169)
FESCO	52,009	38,893	13,116
GEPCO	20,911	13,587	7,325
TESCO	10,480	14,845	(4,366)
HESCO	-47	39,586	(39,632)
IESCO	14,510	42,139	(27,629)
SEPCO	-9,762	11,537	(21,298)
PESCO	-26,093	27,588	(53,681)
QESCO	-60,355	32,299	(92,654)
TOTAL			**(283,700)**

Source: MoF & AKD Research

ies, potentially to Gulf investors, to capitalize on the country's energy resources. Long-neglected industries like Pakistan Steel Mills (PSM) are back on the agenda to revive the massive steel complex through sell-off or public-private partnership. Additionally, key infrastructure such as major airports are also considered for private sector involvement, while authorities remain open to leasing out other public transport assets (ports and rail services) to experienced operators. In summary, successful execution of a few of these high-profile sales during CY26 will not only inject revenue, but also build foreign confidence for subsequent transactions.

Policy support to remain favorable: To ensure the success of privatization deals, GoP is bolstering the process with supportive policies and oversight. A one-window platform through the Special Investment Facilitation Council (SIFC) has been developed to promote fast-track transactions by cutting through bureaucratic hurdles. Additionally, the authorities stress for privatization transactions to follow competitive and transparent bidding process, aiming to rebuild investor trust after past missteps. High-profile auctions, such as PIA's, are set to be televised live to dispel concerns.

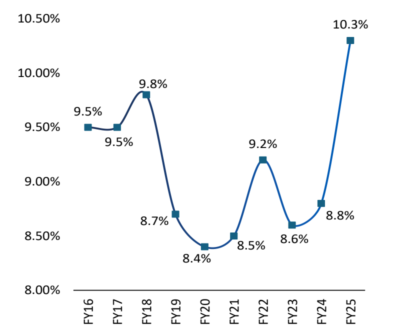
Additionally, the finance ministry has shifted tax policy functions under its wing and introduced simpler tax filing for individuals, signaling a more business-friendly and predictable policy environment. Pakistan is also moving its SOEs toward IFRS by CY26 (SOE Act 2023), which will improve financial disclosure and due diligence for potential investors. These reforms, alongside steps to resolve circular debt in the energy sector, are meant to address structural issues that dampened private interest in the past.

Tax Reforms through digitization to gain traction in CY26

Authorities are on track to accelerating taxation reforms, largely anchored by digitization initiatives and AI-driven enforcement, and remain a part of IMF-backed structural benchmarks. GoP has launched tech-enabled compliance systems, realigned tax policy creation under Finance Ministry, and have made progress on revenue mobilization through audits, POS integration through retailers, and removal of low-integrity FBR officials. Despite challenges of underperformance in indirect taxes, a wider tax gap, and political backlash over provincial fiscal revenue distribution — the reform trajectory has been on a stabilizing trajectory with regards to the fiscal fundamentals, with the country's fiscal deficit dropping to 5.4% of GDP (compared to 6.5% average between FY20-24).

Digitization and anti-evasion measures: Authorities are intensifying efforts to modernize tax administration through technology-driven reforms. A new National Targeting System (NTS) has been put forward to reduce sales tax evasion by tracking goods transport with e-tags and an electronic e-Bility system. Furthermore, digital monitoring checkpoints at borders and motorway are being installed to combat smuggling and speed up freight clearances. Further, a customs targeting system run through AI is being deployed at ports and airports to automatically monitor incoming/outgoing goods and detect fraud. These measures, along with expanded track-and-trace monitoring in sectors like tobacco, cement, steel, leather, ceremics and beverages, aim to plug leakage in key revenue areas. Notably, the PM's office has directed that reformation steps need to be rolled out swiftly in order to correct decades of mismanagement in the tax system.

Tax-to-GDP ratio on the up in FY25



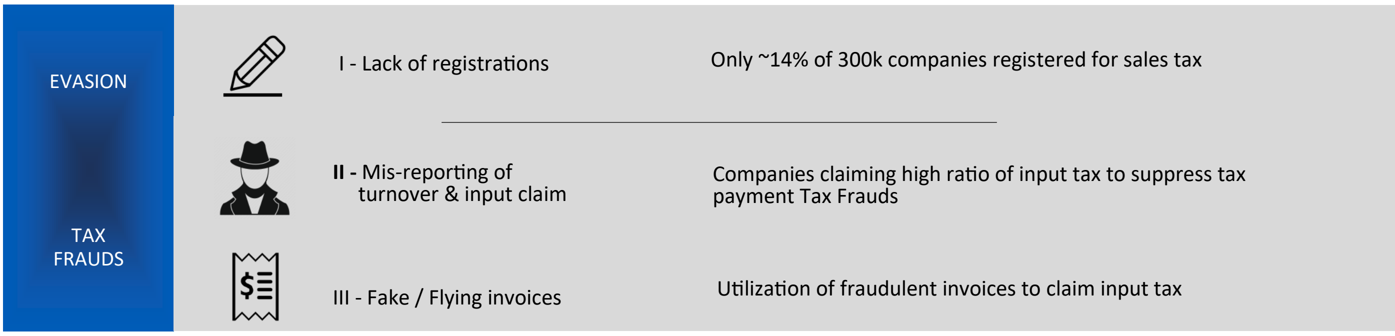
Source: FBR & AKD Research

IMF-supported compliance reforms: IMF has endorsed Pakistan's tax reform agenda as part of its ongoing program, where in the latest staff level report, it noted that tax revenues have risen above 12% of GDP after one year of efforts by the Federal Board of Revenue (FBR) and provinces. Moving forward, in order to sustain momentum towards 15% tax-to-GDP target, authorities are focusing on plugging the compliance and broadening the tax base. Key actions include increasing tax audits, expanding point-of-sale (POS) retail integration, implementing digital invoicing, and conducting public outreach to push tax filing by individuals. The tax machinery, with IMF's support, is developing a comprehensive roadmap to prioritize these compliance initiatives and fully implement at least three major reforms by Mar'26. In parallel, a new

Tax Policy Office (TPO) has been established under the Ministry of Finance to craft medium-term tax policy, simplify the complex tax code, and reduce reliance on ad-hoc revenue measures. The TPO will lead budget planning from FY2026-27 onward, freeing the FBR to focus solely on tax administration.

Improvements in revenue collection: Early results from these reforms are evident in Pakistan's revenue performance. FBR tax collection jumped 26%YoY during FY25 (adding PkR2.4tn during the year), led by fresh policy measures and rising enforcements. Tax receipts reached about 11.1% of GDP at the federal level in FY25, up from 9.5% in FY24. Furthermore, count of individual tax filers has also surged by 18% to about 5.8mn this year (vs. 4.9mn last year) as FBR's outreach and data tools bring more citizens into the net. Overall, crackdowns on smuggling and tax evasion should benefit the formal sector, legitimate manufacturers in tobacco, cement, and beverages stand to gain market share as illicit trade is curtailed.

FBR's Depiction of Sales Tax Fraud



Source: FBR & AKD Research

Border controls another boon to economic story

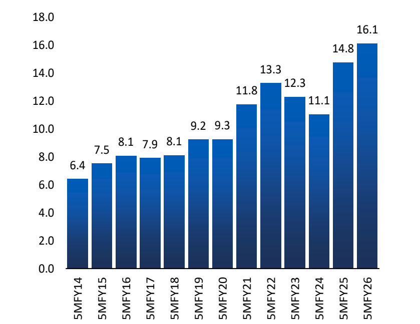
Pakistan is executing an overhaul of its border management and anti-smuggling security, as part of broader state reforms. This includes fencing the Afghan border and digitizing customs operations to cracking down on illicit fuel products, goods, and currency smuggling. This is an all-round effort to plug fiscal leakages and stabilize the domestic currency. These measures, coupled with institutional realignment and proposed creation of a dedicated Passports and Border Control Authority, are further steps of formalization in the border management system.

Smuggling crackdown taking shape: Domestic agencies are aggressively targeting the smuggling of goods and foreign currency to strengthen fiscal and forex health, through widespread raids and often seizing contraband worth billions including fuel, sugar, fertilizers etc. Furthermore, currency hawala networks likewise are taking a hit, where July'25 FIA operation helped the rupee rally by ~PkR4 per US$ (from ~PkR285), while also driving down the grey channel rate. These measures stand necessary to narrow the gap between official and informal FX rates, which aids in the realization of formal flows through trade and worker remittances. To curb abuse of the Afghan Transit Trade (ATT), authorities have imposed key measures:

- **Ban on high-risk imports including tires, black tea, fabrics, appliances, cosmetics**
- **Processing fees of 10% surcharge and bank guarantees is levied**
- **Containers to remain sealed and exit via designated checkpoints to verify Afghan-bound cargo in order to facilitate tracking.**

Improving oversight: Country's border infrastructure and management are in the process of overhaul, with 98% of the 2,670 km Pakistan–Afghanistan frontier now effectively fenced. Furthermore, new joint check-posts, digital enforcement centers and cargo scanners have been placed, alongside digitalization initiatives at petrol pumps and a naval sea barrier to crackdown on illicit shipment. Furthermore, a new autonomous Passports & Border Control Authority (PBCA) is to centralize immigration and border security, now taking over the FIA immigration and passport wings.

Remittances have recovered due to grey channel curbs (US$bn)



Source: SBP & AKD Research

Anti-Corruption Reforms under emphasis

Pakistan is intensifying governance and anti-corruption reforms as part of its IMF program, targeting systemic inefficiencies across fiscal management, state-owned enterprises, tax machinery (federal and provincial), and judicial integrity. Recent progress includes publication of the Governance and Corruption Diagnostic Report, launch of asset declaration reforms, and institutional risk assessment led by the NAB. Additionally, legislative updates to the Companies and SEZ Acts, improvements in AML laws, and strengthened provincial anti-corruption bodies are a part of transparency under the incumbent ruling regime.

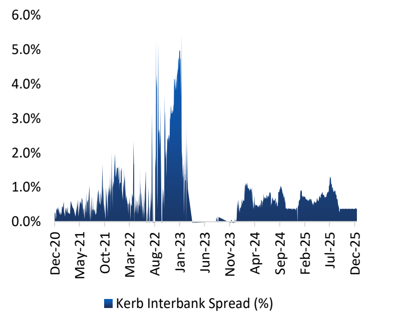
Governance and anti-corruption reforms: IMF under the EFF program has placed stringent emphasis on governance and anti-corruption. Notably, IMF's Diagnostic report during late CY25 cited that 'corruption is a persistent feature' of Pakistan's governance, culminating to a substantial drag on growth, investment and public trust. The lending authority under its GCD report highlighted weak fiscal management, hazy regulations, and the state's dominant role in many sectors as creating systemic vulnerabilities and encouraging rent-seeking behavior. Additionally, the lending authority noted that law enforcement of financial crimes is 'weak', while courts are widely seen as 'corrupt' while anti-corruption agencies continue to have political influence.

IMF's reform roadmap and recommendations: IMF has outlined a comprehensive reform agenda, which are anticipated to lift country's medium term GDP growth by 5 -6% through higher efficiency and broadening of tax revenues. Key measures include:

- **Tax and revenue Reforms:** Establish a dedicated tax policy office, simplify complex tax code and reduce leakages through audits
- **Fiscal discipline and procurement:** Improve budget credibility by limiting post-budget adjustments (supplementary grants) and enforcing transparent procurement rules for SOEs.
- **Regulatory reform**: Rationalize overlapping business regulations and digitize compliance systems
- **Rule of law and AML/CFT:** Improve judicial integrity and improve laws regarding contract and property rights
- **Anti-corruption institutions:** Publish the asset declarations of senior government officials to allow greater public access

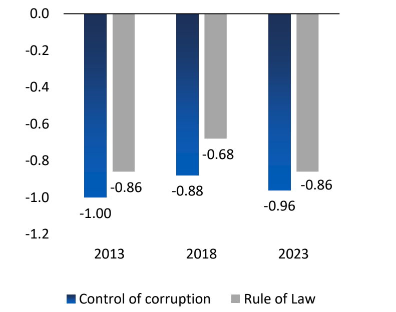
Progress and early: Several reforms have seen concrete progress including the finalization of the GCD report (meeting a prior action), which is expected to guide forthcoming policy plans. Notably, the country was removed from the FATF grey list during late CY23, indicating significant improvement under the AML/CFT compliance. Furthermore, a tax policy office was established to centralize tax reforms, with a medium-term tax strategy (3–5 year roadmap) to be published by end CY26. Additionally, Jun'25 saw amendments to the civil servants act, with authorities planning to setup a centralized digital system to file and publish asset declarations of high-level officials by end CY26. Additionally, changes to SEZ Act is also anticipated by mid of upcoming calendar year.

Open market — Interbank spread has receded



Source: SBP, MGLink & AKD Research

WJP — Rule of Law Index (Pakistan)



Source: IMF Technical Assistance Report

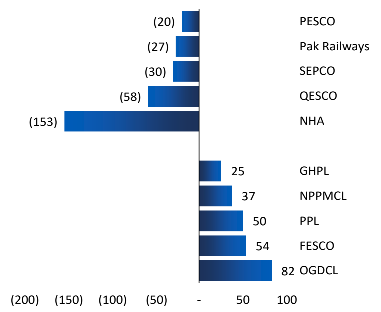
SOE reforms advance to rectify fiscal strain

Pakistan's state-owned enterprise (SOE) reform agenda is gaining traction amid escalating fiscal pressures. With loss-making SOEs incurring ~PkR343bn as of 1HFY25 and debt liabilities standing at PkR8.8tn, the government is intensifying restructuring, privatization, and governance reforms. Backed by IMF mandates, efforts include legal amendments, enhanced board independence, IFRS compliance, and asset divestments such as PIA and DISCOs. While financial support to SOEs remains substantial, institutional mechanisms like the Central Monitoring Unit (CMU) and Sovereign Wealth Fund reforms aim to strengthen oversight, transparency, and long-term fiscal sustainability. However, execution risks and entrenched inefficiencies still challenge the reform momentum.

Government's reform agenda and actions: Recognizing the fiscal risks, authorities have launched a comprehensive SOE reform agenda. During FY26 budget, the government boosted development funding for SOEs to PkR354.8bn (up 80%YoY), showcasing commitment to restructure key enterprises as their losses mount. Furthermore, cabinet committee has completed a classification of SOEs to determine which are to be restructured, privatized, or run via public-private partnerships (PPP). Moreover, the GoP has fast-tracked the settlement of independent boards at several SOEs to improve oversight and reduce political interference. Finally, a SOE Governance Act 2023 was introduced which mandated stronger financial reporting and accountability, including all SOEs needing to adopt IFRS standards by Feb'26. Some tangible steps include (i) CCoE on SOEs approved winding up three railway subsidiaries, and ii) appointments of independent directors to boards of DISCOs.

IMF oversight and governance benchmarks: The Washington based lender has been closely steering country's SOE reforms through program conditions. Key structural benchmarks target improved governance and reduced fiscal risk from SOEs, the GoP is required to bring all SOEs under the new SOE law framework alongside amendments of nine outdated SOE, with a deadline of upto Aug'26. Furthermore, reforms to nascent sovereign wealth fund (SWF) law are underway to ensure a transparent divestment and proper fiscal safeguards Mar'26. Additionally, another major emphasis by the IMF is improving SOE oversight as of Dec'25 end, where all commercial SOE boards must become majority independent directors. For this reason, the Finance Division's Central Monitoring Unit (CMU) is now fully staffed and producing detailed performance reports, with all SOEs are expected to publish business plans, Statements of Corporate Intent, and audited financials in line with IFRS this year, as per IMF's staff report. Crucially, the government will begin finalizing Public Service Obligations (PSOs) and finally incorporating these in FY27 budget. The aforementioned steps, coupled with anti-corruption measures including asset declarations for officials and a published action plan on corruption risks are aimed at bolstering governance and potential investor confidence.

Top 5 Profit and Loss making SOEs — 1HFY25 (PkRbn)



Source: MoF & AKD Research

Top loss making SoEs in 1HFY25 along with their accumulated losses (PkRbn)

	1HFY25	Accumulated Losses
National Highway Authority	-153	-1,953
Quetta Electric Supply Company Ltd	-58	-771
Sukkur Electric Power Company Ltd	-30	-473
Pakistan Railways	-27	-7
Peshawar Electric Supply Company Ltd	-20	-685
Pakistan Steel Mills Corporation (Private) Ltd	-16	-256
Pakistan Telecommunication Company Ltd	-7	-44
Pakistan Agricultural Storage & Services Corporation Ltd	-7	11
Pakistan Post Office	-6	-93
Utility Stores Corporation (Private) Ltd	-4	-16
GENCO-II: Central Power Generation Co Ltd Thermal Power Station, Guddo	-4	-93
GENCO-III: Northern Power Generation Company Ltd, Thermal Power Station, Muzaffargarh	-3	-56
Neelum Jhelum Hydro Power Company	-2	-58
GENCO-I: Jamshoro Power Company Ltd	-1	-31
All Other losses	-5	-1,370
Total	**-343**	**-5,893**

Source: MoF & AKD Research

2.3 China Pakistan Economic Corridor - CPEC

China Pakistan Economic Corridor - CPEC

Socio Economic | Regional Connectivity | Job Growth | Urban Development | Trade & Industry Cooperation

AKD Securities Limited

CPEC: A transformative leap towards Pakistan's economic future.

The revival of CPEC Phase-II has re-emerged as a meaningful macro catalyst for Pakistan's industrial and construction landscape, with recent high-level engagements between Pakistan and China signaling a renewed commitment to accelerate industrial cooperation, mining development, energy transition and trade-oriented infrastructure. Unlike Phase-I, which was dominated by power and transport projects, Phase-II is structured around industrial parks, special economic zones, port and rail upgrades, and a broader push to attract Chinese manufacturing and mining investment into Pakistan. Recent bilateral meetings and MoUs, reportedly amounting to multi-billion-dollar investment commitments across various sectors, indicate that the strategic focus has shifted toward value-added production and logistics connectivity.

Pakistan and China have agreed to form a consortium comprising the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB), China and Pakistan to work on the 1,700km Karachi-Peshawar railway line and Karakoram highway. Government has opted to implement the project in phases, with the Karachi–Rohri segment receiving financing commitments from the Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB). The Karachi–Rohri segment of ML-1 is critically important for the Reko Diq Project's viability, because once upgraded it will serve as the main rail corridor to carry copper and gold concentrates from the ore-transport link (branching off near Rohri) down to Karachi's ports for export.

The revival CPEC Phase-II has significant implications for cyclical sectors, with several industries poised to benefit from the ramp-up in construction and infrastructure development. The cement and steel sectors are among the first to feel the impact, as the ongoing construction of industrial zones, factories, logistics hubs, and corridor-linked infrastructure drives sustained demand for raw materials like clinker, cement, rebar, and steel.

As Phase-I already demonstrated, the cyclical sectors are highly sensitive to CPEC-related projects, and Phase-II promises a similar boost, with its focus on industrial development expected to increase utilization rates and stabilize pricing for large producers over the long term.

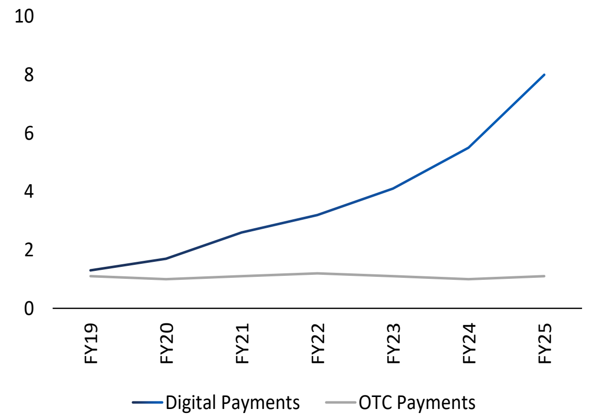
For oil marketing companies (OMCs), the revival translates to higher fuel throughput as construction mobilization ramps up, heavy equipment operations increase, and freight and port activity scale in tandem with the industrial growth in the corridor. Notably, enhanced port usage, particularly at Gwadar, opens opportunities in storage, marine fuels, and logistics-driven retail volumes.

While the revival narrative is encouraging, execution risk remains a key consideration. The real impact will depend on how effectively MoUs are translated into EPC contracts, financing, and on-ground project progress. If the government's timelines are adhered to, CPEC Phase-II has the potential to generate a sustained demand cycle across these key sectors, cement, steel, and OMCs, offering cyclical upside at a time when domestic construction has otherwise been relatively subdued.

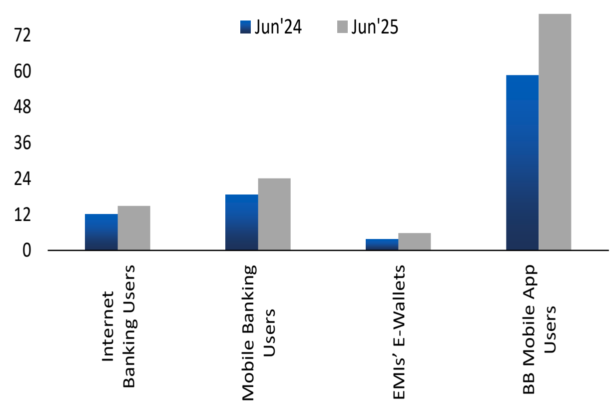
Digitalization: Unlocking Economic Potential

Digitalization in Pakistan is gaining strong momentum, with digital payments increasingly shaping the financial ecosystem. In FY25, retail and digital payment volumes and values grew sharply, supported by rapid user adoption, particularly across mobile banking and wallet-based channels. Government-backed initiatives have accelerated transaction growth while improving economic documentation and raising tax collection. While cash remains dominant in terms of value, rising digital awareness shows potential for a new digital Pakistan that creates structural growth opportunities for banks, fintech, and technology platforms, further benefiting individuals and corporates alike.

Retail payment on a continuous incline (bn)



Growth witnessed across all Digital payment channel (mn users)



Source: SBP & AKD Research

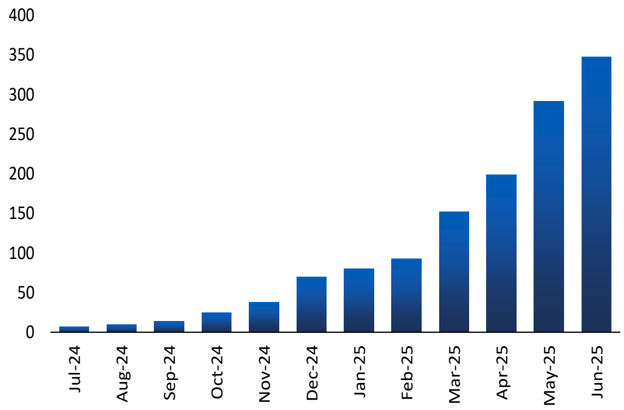
Digital payments in Pakistan continued to rise in FY25, supported by an increasing user base and higher transaction activity. Retail payments volume grew by 38%YoY from 6.6bn to 9.1bn transactions, while the value of these transactions increased by 12%YoY to PkR612.0tn. Similarly, digital retail payments volume rose by 45%YoY to reach 8.0bn transactions, while the amount increased by 54%YoY to PkR177.5tn. Notable expansion came from mobile-first channels: branchless banking app users rose from 58.7mn to 79.2mn, mobile banking app users from 18.7mn to 24.1mn, and e-money wallet users from 3.7mn to 5.8mn during FY25. Internet banking users also increased 24%YoY to 14.9mn, highlighting rapid digital uptake.

Retail value payments breakdown through the years (Volume in mn, Value in PkRbn)

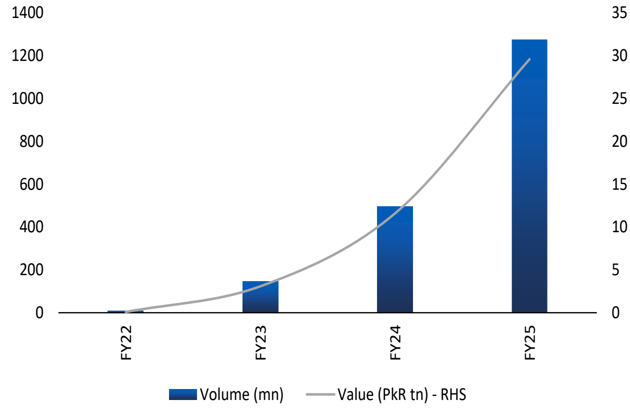
	FY21		FY22		FY23		FY24		FY25	
Transaction via	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
ATM	599	8,076	692	9,628	810	12,154	931	14,913	1,040	17,428
POS	89	453	138	707	199	1,064	271	1,502	378	2,055
Internet Banking	93	5,661	142	10,250	172	16,330	223	23,486	297	39,233
Mobile App Banking	193	4,915	388	11,851	661	23,791	1,123	46,344	1,810	82,328
Call Centers / IVR	0	8	0	7	0	8	0	8	0	6
E-Commerce	22	61	46	106	32	142	40	194	52	250
EMI Wallet	-	-	-	-	33	72	85	226	165	471
BB Wallet	1,560	2,816	1,770	3,753	2,167	5,681	2,873	8,994	4,240	14,167
Direct Debit	3	9,701	3	12,784	3	16,815	2	19,364	2	23,260
BB Agent	503	2,250	632	2,979	565	3,336	448	3,345	534	3,782
Bank Branch	580	209,222	596	282,918	572	325,874	569	430,384	567	429,009
Total Transactions	**3,641**	**243,163**	**4,405**	**334,983**	**5,212**	**405,266**	**6,566**	**548,760**	**9,085**	**611,988**

Source: SBP & AKD Research

Corporate payments via RAAST (PkRbn)



…driving strong growth in RAAST usage



Source: SBP & AKD Research

This follows the cashless initiatives taken by the GoP including SBP's 'Go Cashless Campaigns', promotion of RAAST which has enabled 1.9bn transactions totaling PkR44.3tn, and other such schemes to ensure a more documented economy. Not only is RAAST used for individuals, rather 17 banks have been integrated into its bulk payment system allowing corporate transactions. These transactions have shown continuous growth, showing strong acceptance. The value of these transactions have grown a remarkable 48x to PkR347bn in Jun'25 vs Jul'24.

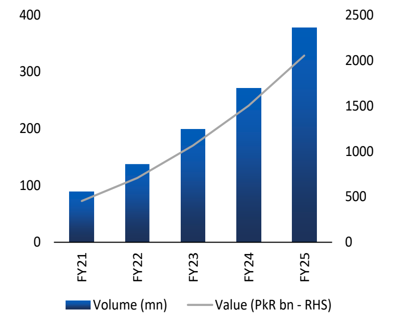
These initiatives are anticipated to improve tax collection efficiency, reduce informal economic activity and strengthen compliance frameworks. Sales tax in Pakistan grew by ~42%, and according to FBR, the enhanced use of technology and data has been a key driver of the 26.3%YoY increase in total tax revenue. This follows the rapid expansion of digital payment infrastructure across the country. The number of Point of Sale (POS) terminals rose 56%YoY to 196k, while POS merchants expanded 61%YoY to 159k in FY25. ATM penetration also improved, with ATMs growing 7%YoY to 20k, and CDMs rising sharply by 79%YoY to 1k, underscoring the importance of self-service banking channels. These developments strengthen transaction visibility, credit assessment, and risk monitoring, which over time should support broader macroeconomic stability.

Moreover, this reduced cash usage lowers transaction costs and improves system efficiency for banks and merchants. This gives commercial banks in Pakistan structural growth opportunities and rise to fintech platforms. Currently, the country has 42 licensed banks including digital and microfinance banks, most of which allow cross platform compatibility across wallets, which is lowering barriers for SMEs and small merchants. Policy backing reduces execution risk and supports long-term sustainability of digital payments growth.

Alongside the advancement in payments, Pakistan experienced growth in its IT exports, with 5MFY26 numbers reaching US$1.8bn vs US$1.5bn in SPLY. We anticipate banking sector to benefit from this digitalization, largely with improvement in fee income leading to higher non-interest revenues. The higher demand for such services and platform would consequently lead to higher engagement for tech companies countrywide.

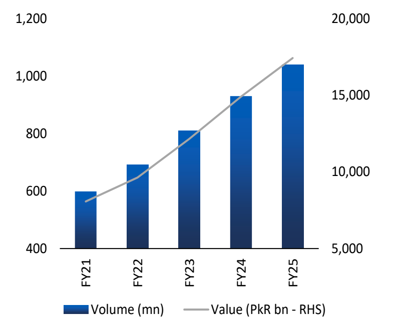
However, even with 88% retail payments conducted through digital channels, digital transactions still account for only 29% of total payments (up from 21% in FY24), reflecting the continued dominance of cash in the economy. Despite the dominance, we have seen a shift in recent times, showing potential of the country.

POS Transactions (Banks & MFBs)



Source: SBP & AKD Research

ATM Transactions (Banks & MFBs)



Source: SBP & AKD Research

Foreign inflows to improve as reforms build credibility

FDI | Debt | FIPI

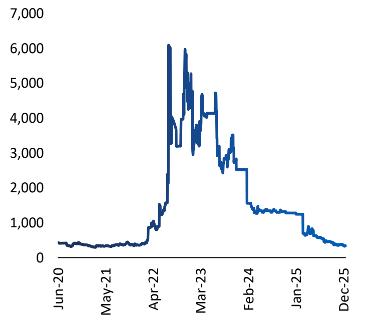
AKD Securities Limited

Foreign inflows to improve on economic recovery

We expect foreign capital flows to improve, including FDI, foreign debt, and foreign portfolio investment (FIPI), supported by renewed foreign investor confidence amid improving macroeconomic indicators and Pakistan's upgraded sovereign credit profile. Signs are aligning for the next phase of capital inflows as policy focus has decisively shifted toward attracting long-term, project-based investments to generate sustainable foreign inflows and enhance export capacity, while limiting rollover risks. Moreover, we are set to re-enter global debt markets through bond issuance after a five-year hiatus, following recent sovereign rating upgrades. Meanwhile, we expect foreign portfolio flows to also gradually unlock, driven by improving equity market valuations, stable exchange rate, and easing global interest rates.

Credit rating upgrades signal improved external credibility: With Pakistan's recovery toward macroeconomic stabilization following entry into IMF's EFF program has resulted in sovereign credit rating upgrades by all three major international rating agencies. Fitch initiated the improvement by upgrading Pakistan's rating to 'B-' with stable outlook from 'CCC+' in Apr'25. This was followed by S&P upgrade to 'B-' from 'CCC+' in Jul'25, marking the first upgrade in three years. Subsequently, Moody's upgraded Pakistan to 'Caa1' from 'Caa2' in Aug'25 and revised the outlook to Stable.

Pakistan CDS normalizes as external position improves



Source: Bloomberg & AKD Research

Fitch initiated with rating upgrades

Date	Rating	Outlook
Apr-25	**B-**	**Stable**
Jul-24	CCC+	Under review
Dec-23	CCC	Under review
Oct-23	CCC	Under review
Feb-23	CCC-	Under review
Oct-22	CCC+	Under review
Jul-22	B-	Negative
Dec-18	B-	Stable
Jan-18	B	Negative
Sep-15	B	Stable

S&P Improved rating after 3 years

Date	Rating	Outlook
Jul-25	**B-**	**Stable**
Dec-22	CCC+	Stable
Jul-22	B-	Negative
Feb-19	B-	Stable
Oct-16	B	Stable
May-15	B-	Positive
Aug-09	B-	Stable
Dec-08	CCC+	Under review
Nov-08	CCC	Under review
Oct-08	CCC+	Negative

Moody's upgraded the rating at last

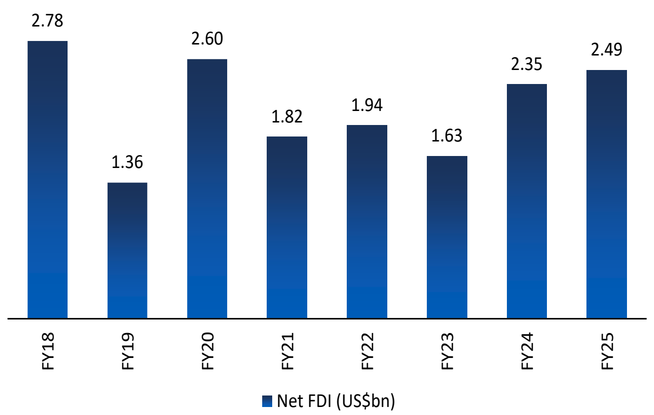
Date	Rating	Outlook
Aug-25	**Caa1**	**Stable**
Aug-24	Caa2	Positive
Feb-23	Caa3	Stable
Oct-22	Caa1	Negative
Jun-22	B3	Negative
Aug-20	B3	Stable
May-20	B3	Under review
Dec-19	B3	Stable
Jun-18	B3	Negative
Jun-15	B3	Stable

Source: Fitch, S&P, Moody's & AKD Research

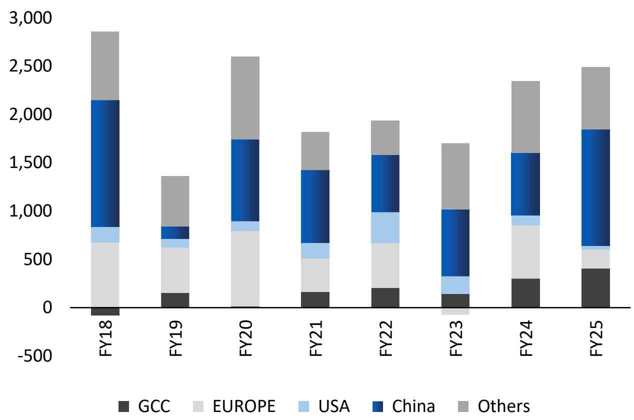
Revival of FDI

We believe conditions are aligning for the next phase of FDI inflows as govt. intensifies efforts to attract long-term, project-based investments. Over recent years, authorities have focused on macro stabilization, policy consistency, and institutional reforms aimed at creating a more investor-friendly environment. The said measures are designed to address long-standing structural bottlenecks that historically constrained foreign investment, despite Pakistan being the world's fifth-most populous country and a sizable consumer and labor market.

FDI inflows remain contained for many years



...majorly stemming from China under CPEC projects (US$mn)



Source: SBP & AKD Research

Structural and policy reforms to facilitate sustainable FDI inflows: As Pakistan transitions into the next growth phase, govt. has prioritized reforms to attract foreign investment, particularly into export-oriented sectors. Several structural and policy reforms have already been implemented, while additional measures remain in the pipeline to further streamline investment processes and enhance policy predictability for foreign investors.

National Tariff Policy 2025–30; Pivot toward export-led industrialization: Govt. approved National Tariff Policy (NTP) 2025–30 alongside the FY26 federal budget, with aim to reduce distortionary tariffs, eliminate para-tariffs, and support export-led industrialization. While NTP 2019–24 removed customs and additional duties on over 2,000 tariff lines (primarily raw materials and capital goods), NTP 2025–30 seeks to enhance transparency and policy credibility.

Key measures under NTP 2025–30 include, i) reducing the number of CD slabs from five to four, with the maximum slab lowered to 15% by FY30, ii) phasing out ACDs and RDs over three and five years, respectively, iii) elimination of all special duties under the Fifth Schedule by FY30.

The removal of para-tariffs is expected to enhance Pakistan's competitiveness by lowering the cost of imported industrial inputs and intermediate goods. The said shift from previous tariff regime is the institutionalization of tariff decision-making through enhanced oversight by Tariff Policy Board, reducing reliance on ad-hoc SROs. This aims to align protection with sectoral performance and Global Value Chain (GVC) participation. Notably, Pakistan's avg. tariff (including CDs, ACDs, RDs) is above 20%, highest in South Asia.

National Tariff Policy Progression: Key Shifts from 2019–24 to 2025–30

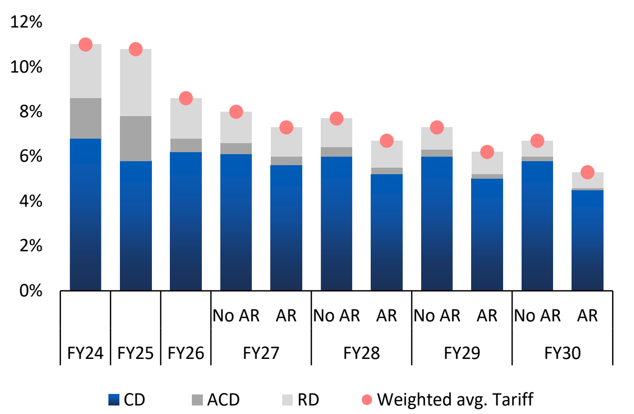
Aspect	NTP 2019-24	NTP 2025-30	Measure	Current 2024-25 (%)	Target by 2030 (%)
Purpose	Shift from revenue-centric to trade policy tool	Target export-led growth	Simple average tariff	20.2 (with CD, ACD, RD)	9.7
Major Reform	Removed CD & ACD on 2,198 lines (raw/capital)	Eliminate ACDs & RDs	CD reduction	11.9	9.7
Tariff Average	Reduced from 10.6% in 2018-19 to 6.7% by 2023-24	Target 9.7% simple average	ACD elimination	3.6	0 (4 years)
Sectoral Rationalization	Textiles, pharma, steel, footwear, paper	Sector consolidation & auto sector reform post-2026	RD elimination	4.6	0 (5 years)
Policy direction	Rationalize tariffs for efficiency	GVCs, green tech, and competitiveness	Fifth schedule concessions	High reliance	Phase out to first schedule

Source: NTC, SBP, & AKD Research

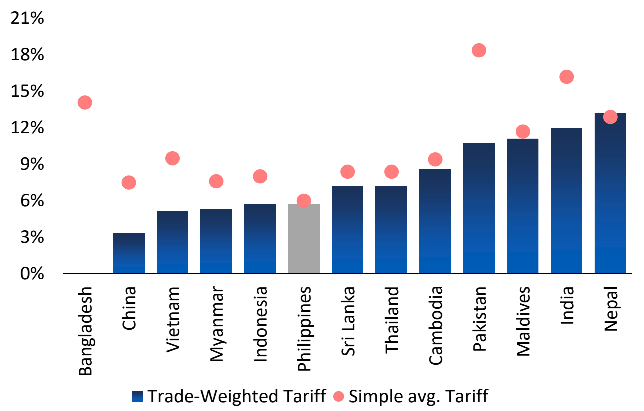
Tariff rationalization to support growth and boost exports: NTP implementation would lift Pakistan's GDP growth by 0.5–0.75ppt with substantial boost in exports, as per IMF estimates. We believe sustained policy continuity would be critical to achieve the set goals, given past reversals in tariff reform efforts. While we anticipate export growth to materialize gradually amid global trade disruptions, easing commodity prices, particularly oil, would help offset higher import volumes stemming from lower tariffs.

Meanwhile, Govt projections indicate exports are expected to grow 10–15%, outpacing import growth of 5–6%, thereby improving the trade balance. Additionally, tariff easing would have a disinflationary impact, especially on imported food items. Although near-term fiscal revenue losses are estimated at around PkR500bn, GTAP simulations suggest these could be offset over the medium-to-long term through higher GDP growth.

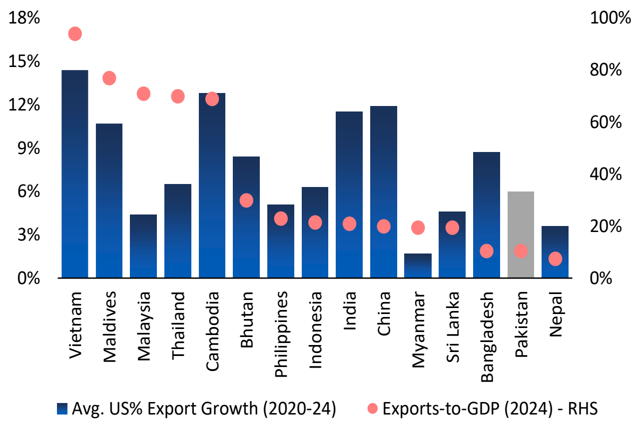
Weighted average tariff to drop under NTP



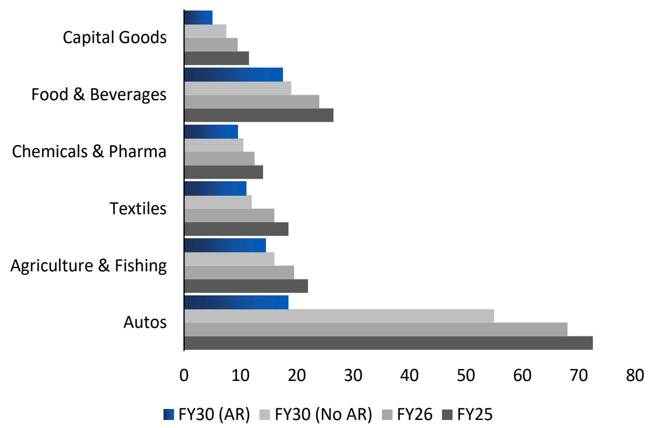
Pakistan tariff was highest among region pre-NTP...



...while exports growth is lowest in the region



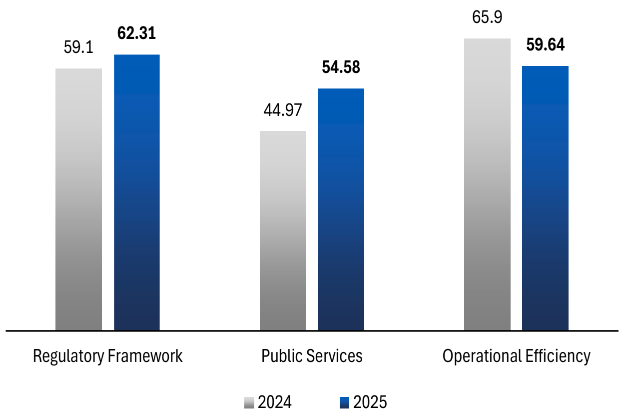
Auto sector to witness highest tariff cuts



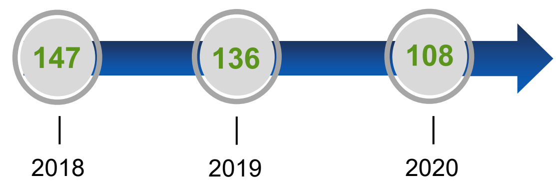
Source: IMF, SBP & AKD Research

Business readiness reforms to strengthen investor confidence: We expect Pakistan's business readiness ranking to improve further, supported by continued regulatory reforms, particularly following the passage of 'Asaan Karobar Bill'. Over recent years, Pakistan has implemented more than 300 reforms, resulting in steady improvement in World Bank B-READY score. Prior to the discontinuation of Ease of Doing Business (EODB) rankings in 2020, Pakistan had improved its position by 39 places across the last two EODB reviews, reaching 108th. The measures aim to create a more predictable and efficient regulatory environment for both domestic and foreign investors.

Pakistan's Business readiness score improved in 2025



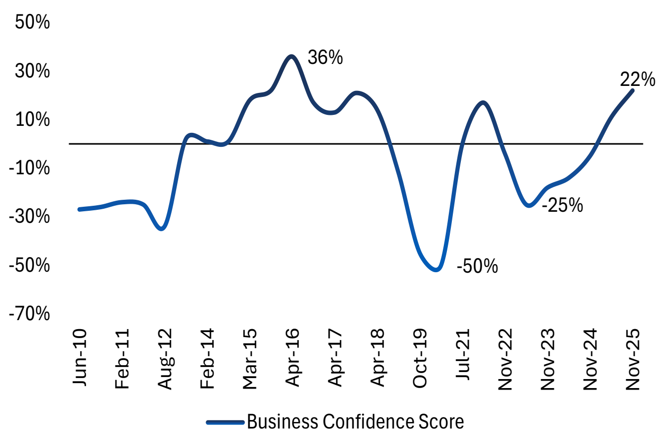
Prior discontinuation, EODB rating improved by 39 positions



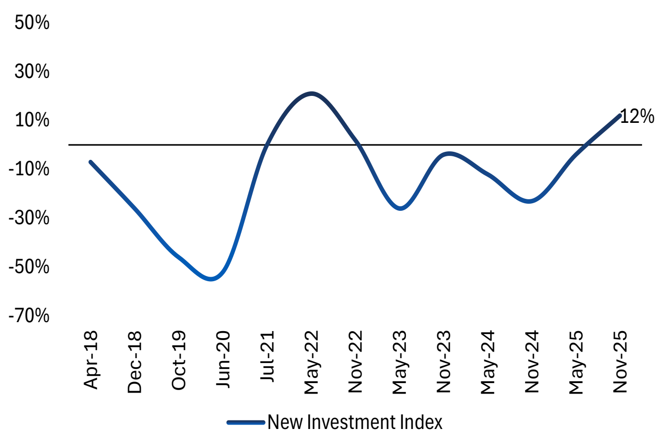
Source: World Bank & AKD Research

Business confidence indicators signal recovery in investment sentiment: With continued efforts of previous years, business sentiment continues to improve, evident as Pakistan's business confidence index reaching its second-highest level since FY11, as per latest OICCI survey. Moreover, the new investment index turned positive in Nov'25 survey for the first time in three years, signaling a gradual recovery in private sector investment appetite.

Business confidence improved to second highest level since inception



...while new investment index also turned positive after 3 years

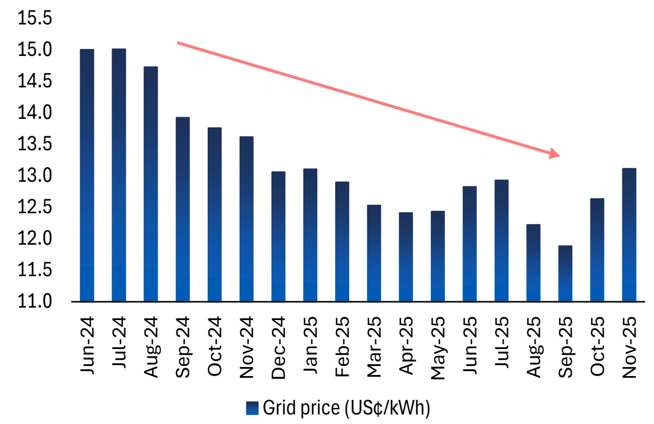


Source: OICCI & AKD Research

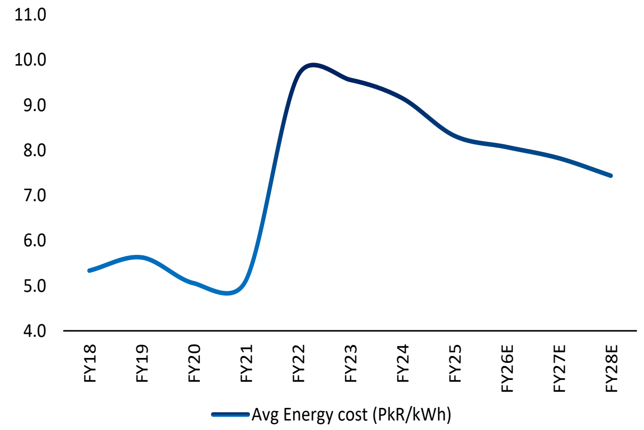
'Asaan Karobar Bill' to reduce regulatory frictions: Asaan Karobar Bill establishes a legal framework for a centralized Pakistan Business Portal and Regulatory Registry, aimed at streamlining licensing and registration processes. The bill seeks to eliminate redundant and outdated RLCOs (registrations, licenses, certificates, and permits) that historically inflated business costs and deterred FDI. Moreover, a dedicated Asaan Karobar Technical Unit (AKTU) will conduct Regulatory Impact Assessments (RIAs) for all new business regulations, while any regulation not listed in the digital registry will be deemed unenforceable. The bill also envisages One-Window system integrating applications, digital verification, and e-payments.

Energy sector reforms to improve cost competitiveness: Energy sector reforms have gained traction from last year, including IPP contract revisions and circular debt resolution through PkR1.3tn borrowing from commercial banks at KIBOR minus 0.9%. With said reforms, grid tariffs have eased from peaks above PkR40/kWh to ~PkR35-36/kWh, with further easing expected due to better absorption of capacity charges with increasing utilization, lower interest rates, and exchange rate stability. Additionally, govt. has approved National Energy Plan framework aimed at lowering electricity cost, particularly for industries. Govt. has also approved the framework for auctioning wheeling charges.

Grid tariffs declined with initiation of energy sector reforms



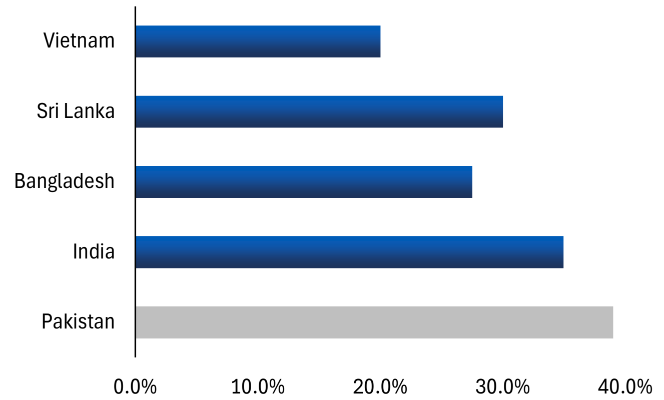
...while declining energy cost to further ease grid tariff



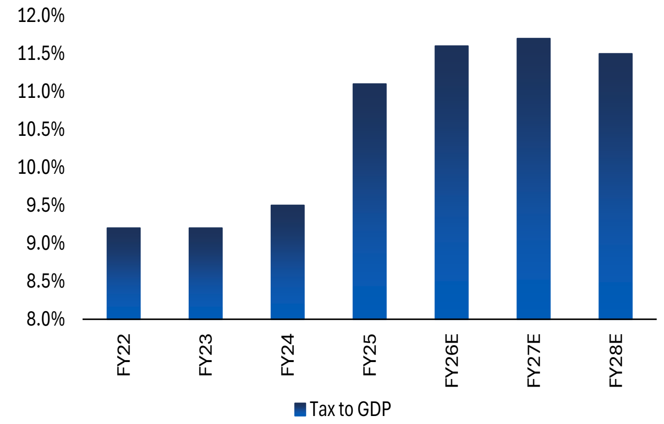
Source: NEPRA & AKD Research

Tax reforms as a potential catalyst for investment upside: Prime Minister has signaled intent to pursue taxation reforms and ease the tax burden on industry. Any concrete progress on this front could significantly catalyze investment, particularly given Pakistan's relatively high effective tax rates compared to regional peers.

Pakistan has the higher corporate taxation among peers



...while rising tax to GDP to facilitate taxation reforms



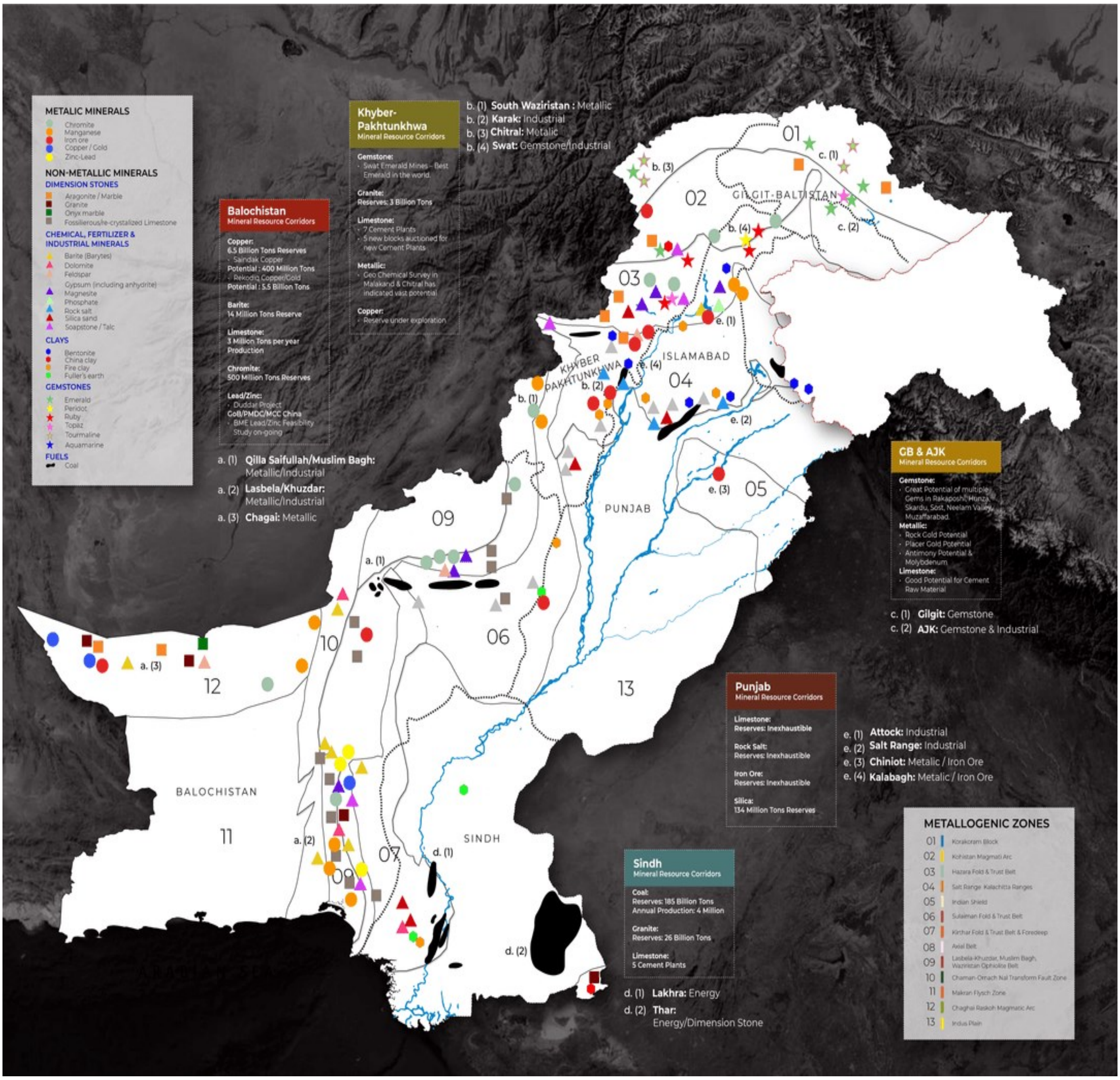
Source: MoF, PBS, WB & AKD Research

FDI opportunity landscape

Mining & Minerals, an anchor sector for the next phase of FDI: We expect mining sector to remain at the forefront of foreign investor interest over the medium term. Sector has gained meaningful traction in recent years, particularly following successful feasibility outcomes at Reko Diq and advancing exploration at National Resources Limited (NRL). Growing foreign participation across the value chain suggests that capital deployment is likely to accelerate as projects transition from exploration to development.

Pakistan is endowed with a wide range of strategically important minerals that are critical for the global energy transition, positioning country as an increasingly attractive destination for mining investment. Extensive geological surveys have confirmed the presence of significant reserves of metallic minerals, industrial minerals, dimension stones, energy minerals, and gemstones. Moreover, Pakistan hosts several metallogenic belts, including a highly prospective stretch of Tethyan Metallogenic Belt, one of world's most significant copper and gold regions, offering large-scale, long-life mining opportunities.

Pakistan mining potential landscape



Source: PMIF & AKD Research

Copper & Gold potential concentrated in Chagai belt: The Chagai district of Balochistan, located within a magmatic arc system, is widely regarded as one of the most prospective copper and gold regions globally. Moreover, momentum has strengthened following successful geological surveys, feasibility studies, and early-stage mining activity. Importantly, development of enabling infrastructure, particularly improved connectivity to seaports, is expected to catalyze further investment inflows.

Multiple supporting infrastructure projects are in the pipeline, including rail connectivity from Balochistan to Gwadar, development of a dedicated mineral export port, water supply pipelines, and downstream metal processing and beneficiation facilities. Collectively, these initiatives materially enhance project economics and improve long-term execution visibility.

Infrastructure from Balochistan to Gwadar to boost investments in the region

Source: SIFC & AKD Research

Key mining players driving sector development:

Reko Diq: Reko Diq remains the flagship project of Pakistan's emerging mining sector, with multi-billion-dollar capital inflows expected over the development phase. Recent progress in regulatory clarity, dispute resolution, and project structuring, supported by SIFC framework, has significantly improved execution visibility and investor confidence.

National Resources Limited (NRL): NRL is a joint venture between Fatima Fertilizer, Liberty Mills, and Lucky Cement, focused on developing large-scale mining assets in Balochistan. Company has secured two mining leases, one copper-gold prospect and one lead-zinc prospect, and is currently conducting exploration activities at both sites with encouraging early results.

Mari Minerals: Mari Minerals, a subsidiary of Mari Energies, has acquired an 87.5% working interest in mineral exploration licenses in the Chagai region, expanding its copper and gold portfolio. The dedicated project company is expected to be established upon completion of regulatory and corporate approvals to advance exploration activities.

Ark Metals: Ark Metal is evaluating high-potential mineral opportunities in Balochistan, encouraged by positive initial exploration results. Company aims to expand its footprint in Pakistan's mineral sector, contributing to resource development and long-term economic growth.

Companies at forefront of Mining:

REKO DIQ MINING COMPANY

NATIONAL RESOURCES

MARI MINERALS

Ark Metals

Thar Coalfield; a resource with expanding FDI potential: Thar coalfield in Sindh, covering ~9,100 sq. km, hosts over 175bn tons of lignite reserves, making it one of the largest coal deposits globally. Of the 12 identified blocks, four have been allocated to domestic and international investors for mining, power generation, and gasification, while the remaining blocks remain available for investment.

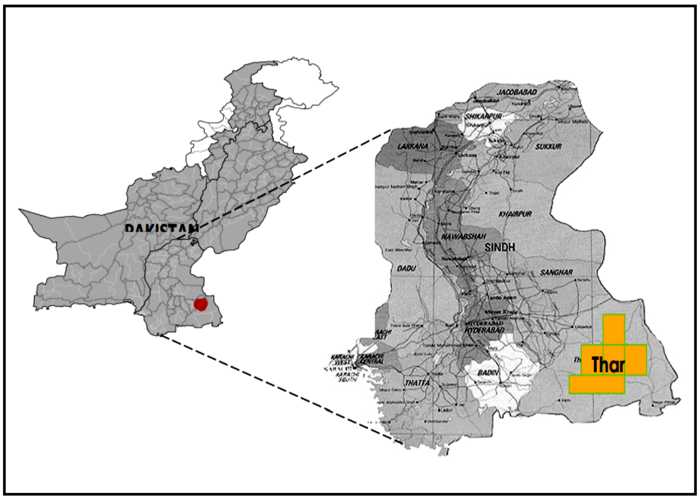
Successful commercialization, particularly by SECMC, and ongoing infrastructure development are expected to attract incremental FDI into additional blocks, as well as downstream projects such as power generation and coal gasification.

Comparison of Thar with Other International Mines

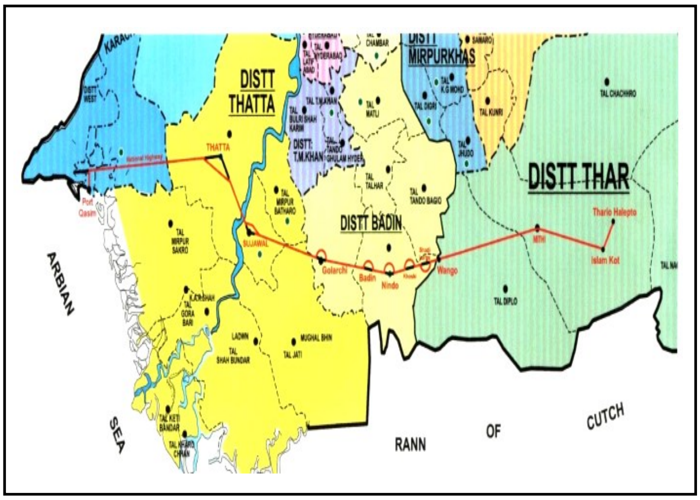
Deposit	Stripping Ratio (m^3: t)	Heating Value (MJ/kg)
Thar	6.6 : 1	11.6
Kosovo	1:01	7.8
Germany		
Rhenish Area	*4.9 : 1*	*8.9*
Hambach	*6.3 : 1*	*10.5*
Hungary	9:01	7.1
Greece	10:01	5.02

Source: TCEB & AKD Research

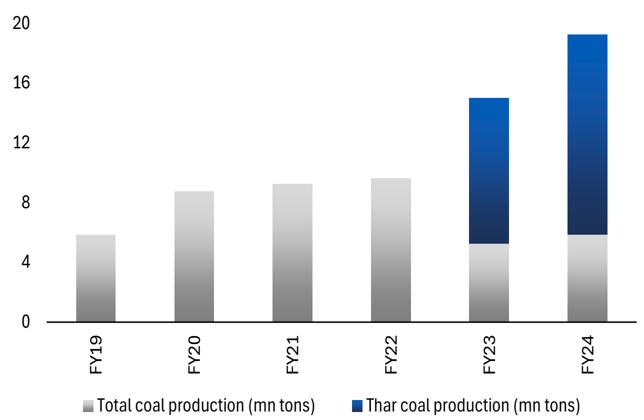
Thar coalfield spans over 9,100 sq.Km in Sindh



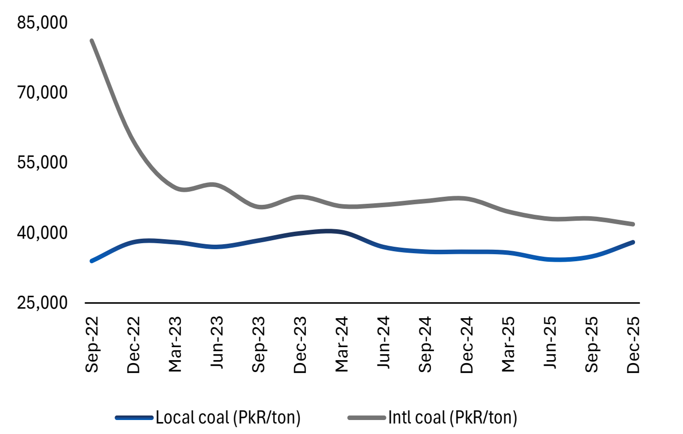
Established route for transportation of machinery from port



Domestic coal output increases with Thar project



With local coal at discount to intl' coal



Source: PD, TCEB & AKD Research

Other high-potential mineral resources

Pakistan's broader mineral landscape also offers investment opportunities across multiple regions, including

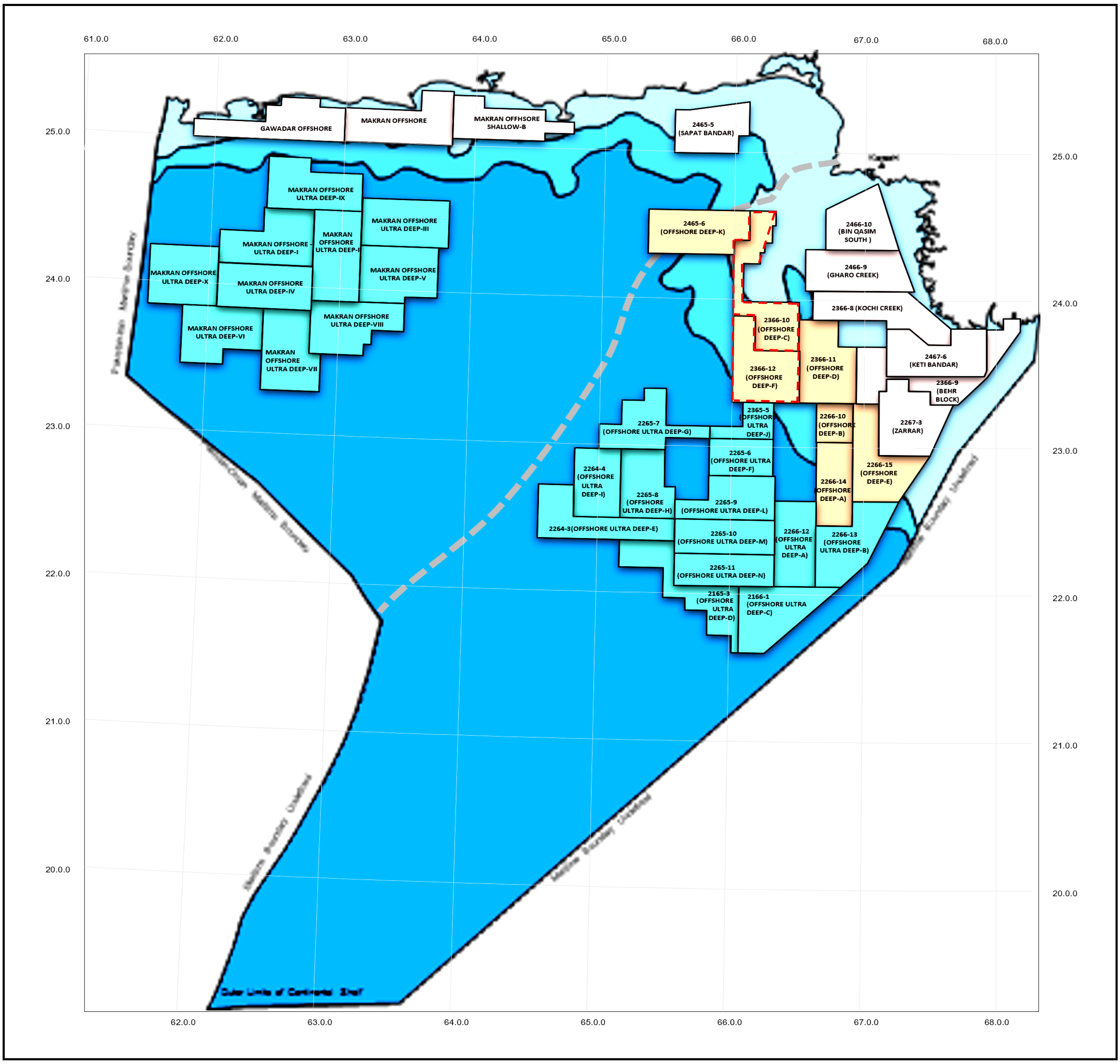
* Barite-Lead-Zinc in Khuzdar.
* Iron ore deposits in Chiniot.
* Salt Mine in Khewra.
* Metallic Minerals in KPK and Gilgit Baltistan
* Pink Granite in Sindh

Oil & Gas Exploration to be next wave of foreign interest: We expect the upstream oil and gas exploration sector to follow mining as next major FDI theme, supported by significant reserve potential and structural reforms aimed at addressing circular debt and improving sector economics. Notably, Pakistan and Turkiye signed a joint bidding agreement for offshore exploration in Apr'25, while TPOC has participated in multiple onshore and offshore bidding rounds.

Govt. policy remains focused on attracting foreign investment into upstream petroleum exploration to optimally exploit indigenous hydrocarbon resources while ensuring competitive investor returns.

Shale & offshore exploration an untapped upside: Pakistan holds substantial shale gas and shale oil potential, particularly in the Lower and Middle Indus Basins. According to studies by Ministry of Petroleum and USAID, Pakistan has an estimated 95 TCF of recoverable gas and 14 BSTB of recoverable oil reserves. Offshore basins remain relatively under-explored, offering meaningful discovery potential. Notably, Pakistan's exploration success ratio of 1:2.55 compares favorably with the global average of 1:10, underscoring geological attractiveness.

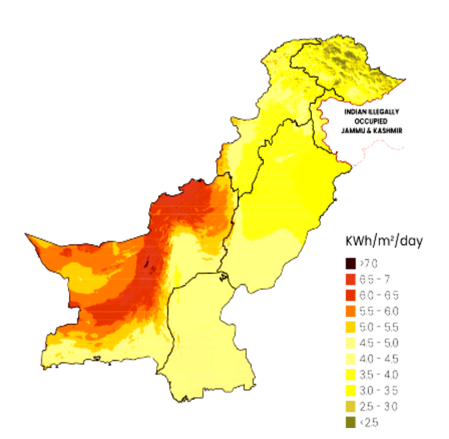
Offshore exploration area with market of recent biddings; TPOC participated in two bids (market in red)



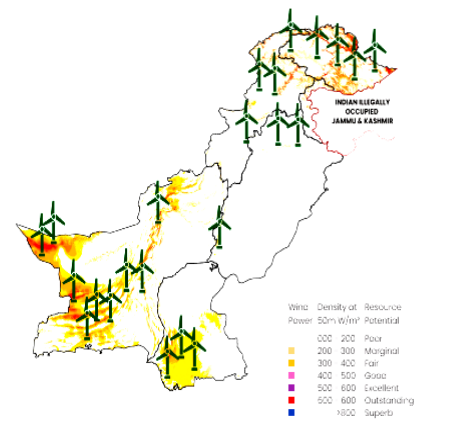
Source: PPIS & AKD Research

Renewable energy, a potential for structural growth: Pakistan's energy demand is projected to rise by 31% by 2031, with total generation capacity expected to reach ~63GW. Under the Green Pakistan Initiative, renewable energy has emerged as a core investment priority for SIFC. Pakistan offers an estimated 3,300GW of renewable energy potential, spanning solar, wind, and hydro, presenting a significant long-term opportunity for foreign investors.

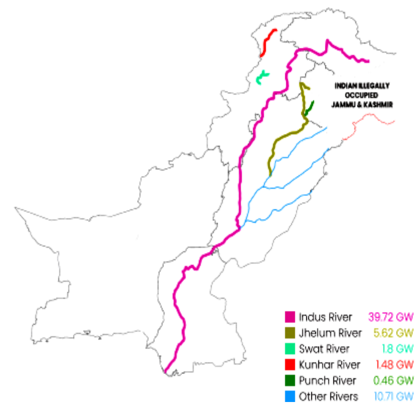
Solar capacity is 2,900GW



Wind capacity is 340GW



Hydro capacity is 60GW



Source: SIFC & AKD Research

Unlocking scale and productivity in agriculture through corporate farming: Green Pakistan Initiative (GPI) aims to transform Pakistan's agriculture, livestock, and afforestation sectors by attracting US$30–50bn in investment over the next 3–5 years. The initiative plans to develop 4.8mn acres under a 30-year corporate farming lease model, supported by mechanization, precision agriculture, optimized water management, and data-driven soil and climate analytics. Additionally, Agri Mall hubs are planned at over 250 locations to provide integrated access to inputs, financing, and advisory services.

Privatization is getting momentum: Pakistan's privatization agenda has regained momentum following the successful privatization of PIA, First Women Bank, and Pakistan Engineering Council. Several additional entities are in the pipeline, including profitable power distribution and generation companies, state-owned insurance firms, and others, which could attract strategic foreign investors.

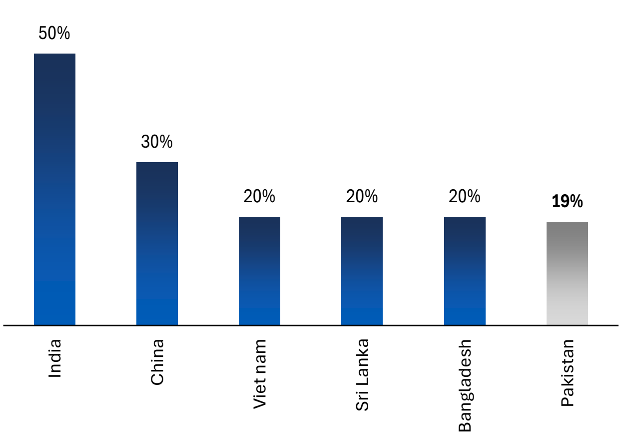
Privatization priority list

Phase I	Roosevelt, HBFC, ZTBL,SEL, Discos
Phase II	State Life, PAKRI, Utility store, Gencos, Discos
Phase III	Postal Life Insurance

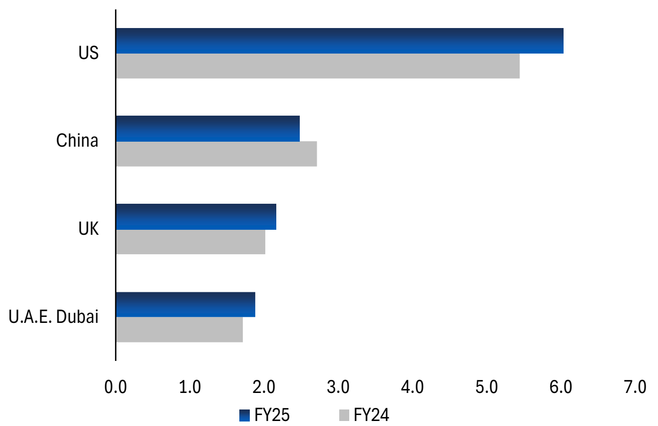
Source: PC & AKD Research

Trade realignment offers relocation opportunity: Ongoing global trade tensions and reciprocal tariff regimes, particularly on China, present an opportunity for Pakistan to attract Chinese manufacturing relocation. Govt. is reportedly developing incentive frameworks under CPEC to position Pakistan as a competitive alternative manufacturing base.

Pakistan have comparatively lower U.S tariffs then peers



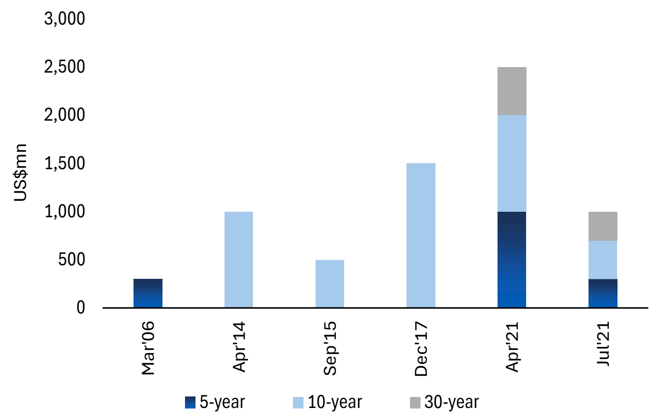
...while U.S is largest export destination of Pakistan (US$bn)



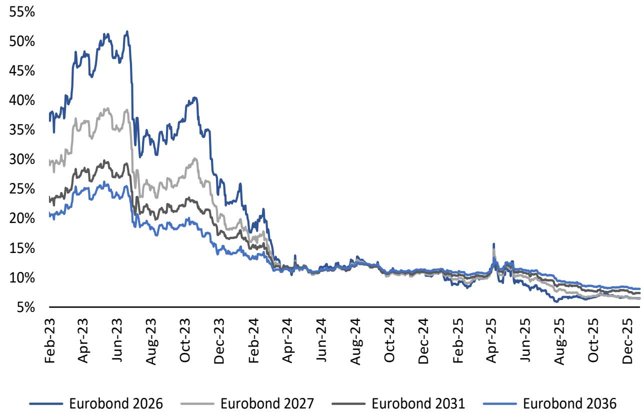
Source: White House, SBP & AKD Research

Re-entry into global debt markets to broaden capital access: Following recent sovereign rating upgrades, Pakistan is preparing to re-enter global debt markets after a five-year hiatus. Authorities are progressing toward issuance of an inaugural US$250mn RMB-denominated Panda Bond, as part of a broader US$1.0bn program, alongside a potential Eurobond issuance under the GMTN program in 2026.

Pakistan issued last Eurobond in CY21



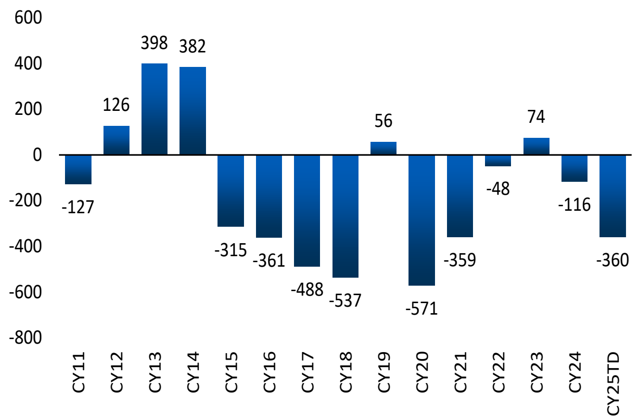
Eurobond yield improved significantly with improving macros



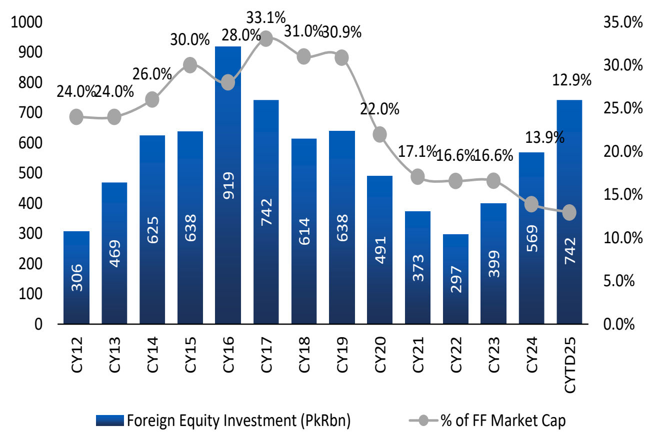
Source: SIFC & AKD Research

Gradual normalization of foreign portfolio flows expected: Foreign investors pushed selling of Pakistan equities following reclassification to FTSE Frontier Market status. However, we expect portfolio flows to gradually return, supported by improving equity market valuations, exchange rate stability, and easing global interest rates. A potential reclassification to MSCI Emerging Market would serve as a strong catalyst for renewed foreign inflows.

Foreigner remain net seller in last two year



... lowering as equity investment as %age of free-float



Source: NCPL, PSX & AKD Research

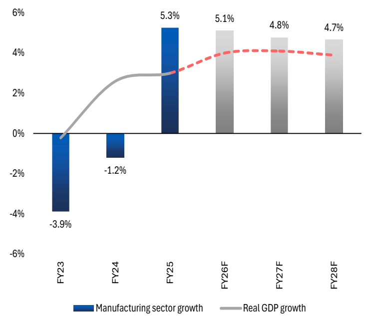
AKD Securities Limited

Ample industrial capacity to support growth phase

With the macro narrative shifting from stabilization to growth, we have ample surplus industrial capacity to meet incremental demand without requiring material near-term CAPEX. The said excess capacity is expected to, i) enable a smooth transition from recovery to growth, ii) limit import-led pressure on the external account, and iii) support stronger free cashflow generation across corporate as utilization improves rather than capacity expands.

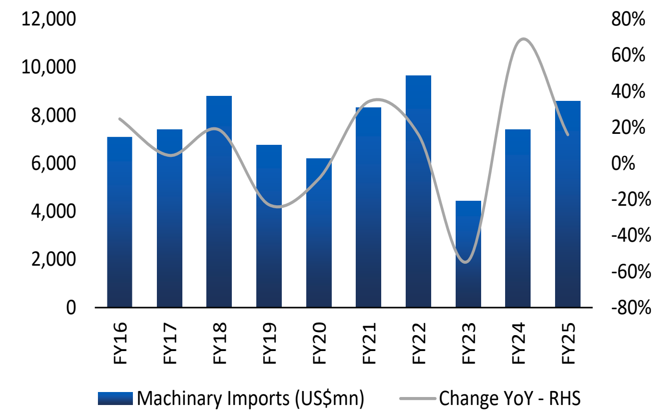
Industrial growth to not be import-intensive: Following the govt's subsidized loan schemes post-COVID, local industries entered an expansionary phase, with private-sector credit largely directed toward capacity expansion. However, the subsequent macro downturn and demand compression led to a sharp contraction in Large-Scale Manufacturing Index (LSMI) activity, which has declined over the past three years and remains below FY21 levels. Consequently, avg. manufacturing capacity utilization declined to ~65% in FY25, down from a peak of 73% in FY21, and currently stands at ~66%. This underutilization has been broad-based across major industrial sectors, implying that future output growth is likely to be driven primarily by better capacity absorption rather than fresh investment.

Manufacturing sector growth to outpace

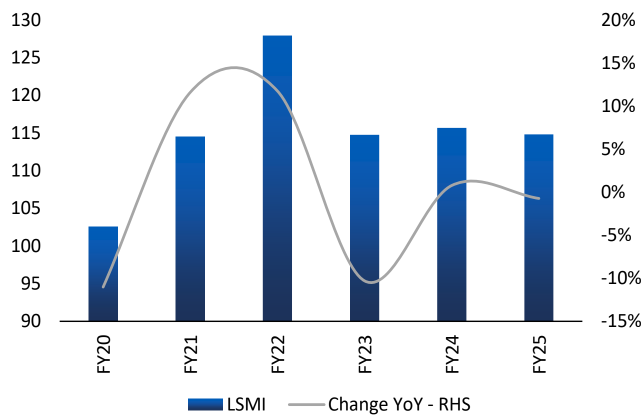


Source: PBS & AKD Research

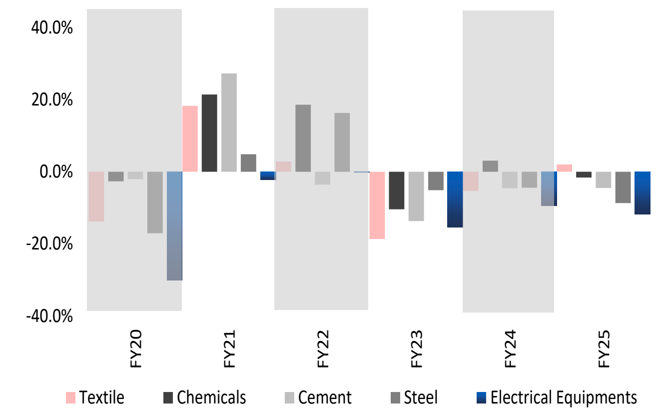
Machinery Imports surged following subsidized loans in FY20



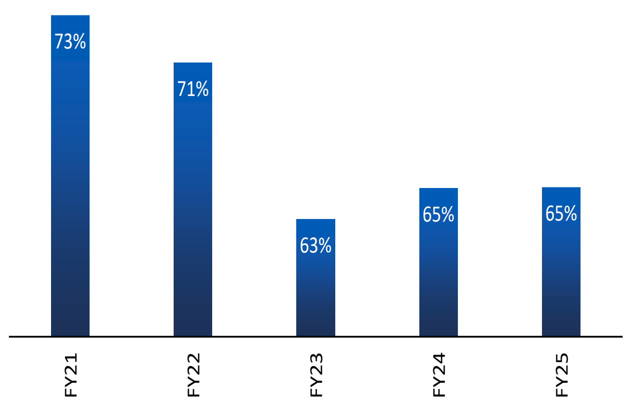
While manufacturing output dropped for last 2-years



Negative growth observed across major sectors



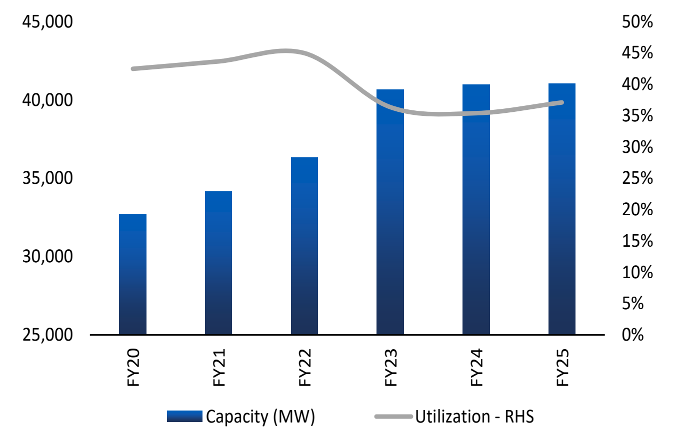
Taking avg. industrial utilization to drop (re)



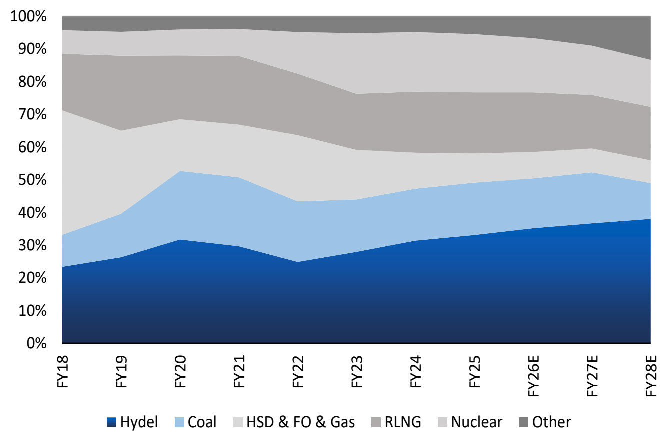
Source: PSX, PBS, SBP & AKD Research

Power Sector: As a key enabler of industrial activity, power sector is well-positioned to support incremental growth. Installed generation capacity currently exceeds peak demand by nearly two times, significantly reducing the need for additional thermal capacity in the medium term.

Utilization dropped amid capacity expansion



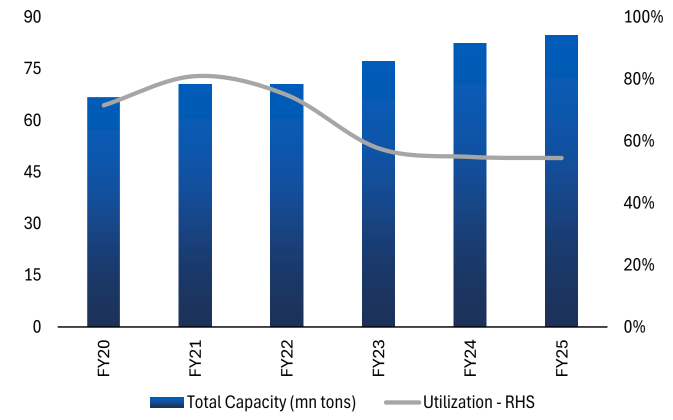
Energy mix to shift toward renewables



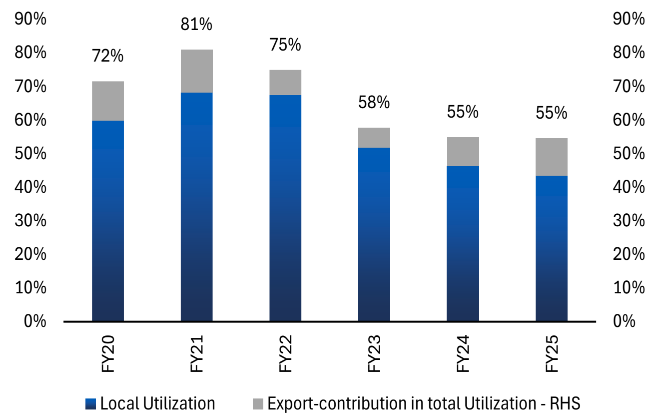
Source: NEPRA & AKD Research

Cement sector to recover within existing capacity envelope: Economic stagnation and stagflation severely impacted construction activity, pushing cement capacity utilization down to ~55% overall (local utilization ~44%). While demand is expected to recover gradually, we expect local utilization to remain below 80% through FY30. Given this surplus capacity, particularly in North, cement manufacturers are likely to defer major expansion plans over the next two years, allowing demand recovery to be absorbed within the existing capacity base.

Utilization fell amid expansions and demand slowdown



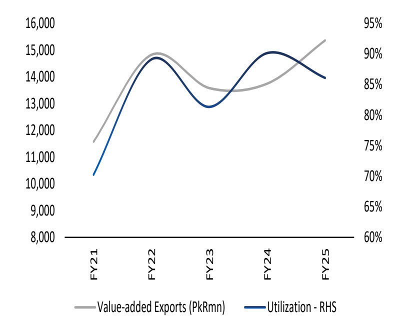
Utilization dropped mainly on declining local demand



Source: ACPMA, SBP & AKD Research

Utilization yet to normalize in Textile sector: Textile sector (listed players) expanded capacity by ~18% between FY22 and FY25, spanning spinning, weaving, and value-added segments, with an additional 15–20% capacity expected by FY26/FY27. Despite the said expansion, textile exports remain below their FY22 peak of US$19.3bn. As a result, utilization levels across spinning, weaving, and finished goods have fallen below 90%, while unlisted small players are reportedly operating at ~50% utilization, as per news reports. Given this backdrop, we expect CAPEX activity to remain subdued relative to historical expansion cycles.

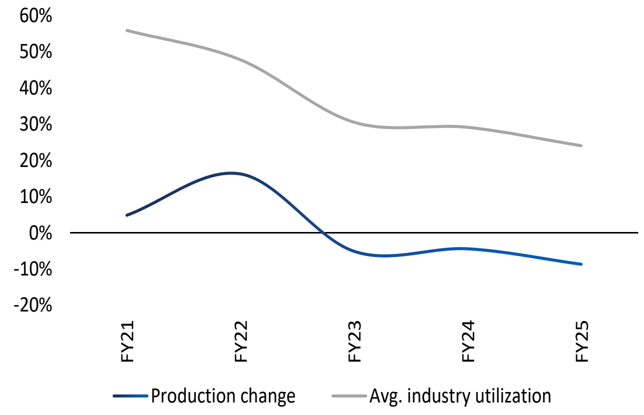
Utilization stands below 90%



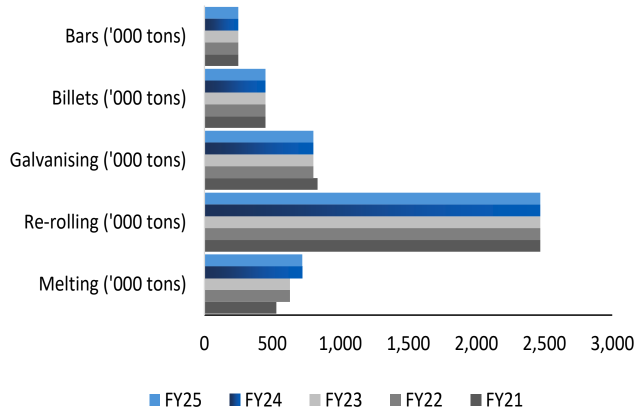
Source: PBS & AKD Research

Recovery likely to be absorbed by idle capacity in Steel sector: Local steel production has contracted for three consecutive years, declining by 5%/4%/9% in FY23/FY24/FY25, respectively, reflecting weak construction demand and sector-specific challenges. Consequently, capacity utilization among listed players has fallen sharply, with melting utilization at ~44% and re-rolling utilization at ~24% in FY25. We expect the anticipated cyclical recovery in demand to be met by existing idle capacity, keeping new investment needs limited.

Utilization dropped amid output slowdown



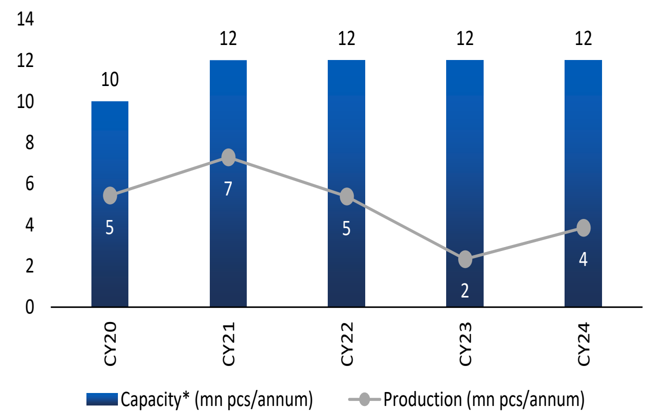
Though capacity remain unchanged



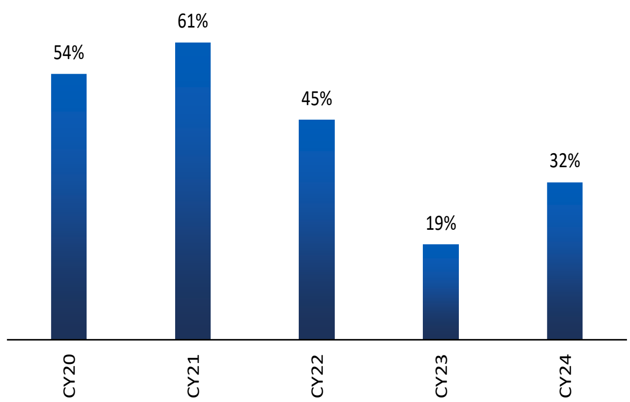
Source: PBS, PSX & AKD Research

Recovery on cards without expansions in Electrical appliances segment: Production of electrical appliances, including refrigerators, deep freezers, and air conditioners, has started to recover but remains ~47% below CY21 levels. Consequently, capacity utilization stands at ~32% in CY24, compared to 61% in CY21. While we expect output growth to track broader economic recovery, current utilization levels suggest no requirement for capacity expansion in the near term.

Production declined sharply in last 2-years



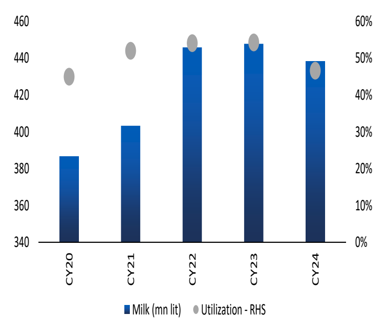
Utilization dropped with declining demand



*Combined capacity of Refrigerators, freezers, and ACs

Source: PBS, PSX & AKD Research

Milk segment utilization on decline



Source: PBS & AKD Research

Large headroom to capture informal market share in food sector: Food sector also offers substantial excess capacity. Listed dairy players are operating at ~47% utilization for liquid milk, while value-added milk products are at ~64% utilization. This provides ample room to support growth while capturing share from the loose milk market, which still accounts for over 90% of total consumption. Growth in this sector is therefore likely to be driven by formalization and better capacity utilization, rather than capital-intensive expansion.

KSE-100 to be candidate for MSCI EM in CY26

We expect Pakistan equities to be included in the MSCI EM Index next year, as three KSE-100 stocks are likely to meet the eligibility criteria, while two others may fall marginally below the threshold. However, if local equities are not upgraded, their weight in the MSCI FM Index would increase considerably. These factors are likely to support local equities, which are already trading at a significant discount to regional peers.

Probability of joining the MSCI EM Club: Pakistan equities are likely to be upgraded to MSCI EM index this year as we anticipate three securities to meet the inclusion criteria based on our target prices for Dec'26, while we expect two others to be marginally below the threshold. Although Pakistan's weight in the MSCI EM index will be small, an improved outlook for Pakistan equities could attract a broader pool of quality foreign investors. Notably, Pakistan equities were reclassified to FM as it no longer meets EM standards for size.

...weight to increase substantially if stays in FM: The rally in Pakistan equities is likely to continue in CY26, despite a ~188.6% return over the last three years, given significant monetary easing and a stable currency supported by a strong external position under the IMF program. This bull run could significantly increase the weight of Pakistan equities in the MSCI FM main index to ~11% by the end of CY26 from current level of ~7.9%, while the weight in the MSCI Small Cap index could rise to ~18% from 12.1%, based on our calculations.

KSE-100 outperform MSCI FM Index in most of the years: KSE-100 outperformed in comparison to the MSCI EM and MSCI FM indices. MSCI EM and MSCI FM provided a return of ~39.4% and 29.9%, respectively during the year. Consequently, with the return of 49.4%, KSE-100 outperform MSCI World, MSCI EM and MSCI FM by 19.5% and 10.0%, respectively. Despite this outperformance KSE-100 is still trading at a discount of 28%.

MSCI FM Index

S.No	Stock	FF Market Cap (US$ mn)	Weight
1	FFC	1,781.4	1.0%
2	UBL	1,288.9	0.7%
3	LUCK	1,092.3	0.6%
4	HBL	963.4	0.5%
5	OGDC	772.6	0.4%
6	HUBC	714.8	0.4%
7	MEBL	709.3	0.4%
8	BAHL	685.5	0.4%
9	EFERT	681.7	0.4%
10	MCB	678.8	0.4%
11	PPL	632.3	0.3%
12	MARI	602.1	0.3%
13	NBP	448.6	0.2%
14	PSO	382.9	0.2%
15	ENGROH	355.1	0.2%
16	POL	353.4	0.2%
17	BAFL	269.1	0.1%
18	MTL	226.3	0.1%
19	MLCF	204.9	0.1%
20	BoP	197.3	0.1%
21	DGKC	193.7	0.1%
22	FCCL	172.1	0.1%
23	AKBL	151.7	0.1%
24	FABL	145.8	0.1%
25	SAZEW	122.0	0.1%
26	SNGP	119.6	0.1%
27	SEARL	104.6	0.1%
28	SYS	99.0	0.1%
29	ABOT	78.2	0.0%
30	ILP	77.4	0.0%

Source: MSCI & AKD Research

Stocks likely to meet criteria of MSCI EM index

S.No.	Stock	TP	FIF (mn)	Outstanding shares (mn)	FF Market Cap (US$ mn)	Full Market Cap (US$mn)
1	FFC	801	854	1,423	2,367	3,946
2	UBL	590	876	2,504	1,790	5,114
3	LUCK	731	630	1,465	1,594	3,707
4	OGDC	522	801	4,301	1,448	7,771
5	HBL	483	841	1,467	1,406	2,452
6	PPL	412	780	2,721	1,113	3,880
7	MEBL	672	450	1,801	1,047	4,188
8	MCB	544	510	1,185	960	2,231
9	BAHL	266	1036	1,111	954	1,023
10	EFERT	264	861	1,335	787	1,220

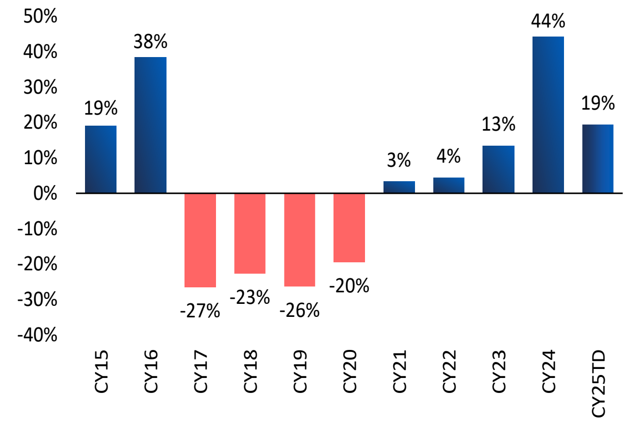
Source: Bloomberg, PSX & AKD Research

MSCI EM selection criteria

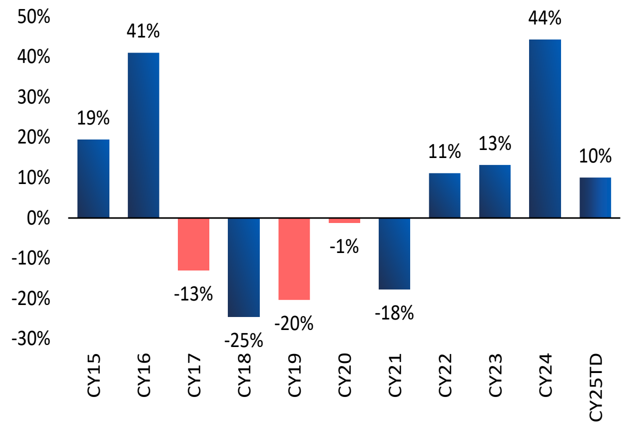
Criteria	Emerging Market
A Economic Development	
A.1 Sustainability of economic development	No requirement
B Size and Liquidity Requirements	
B.1 Number of companies meeting the following Standard Index criteria	3
Company size (full market cap)	US$2,964 mm
Security size (float market cap)	US$1,482 mm
Security liquidity	15% ATVR
C Market Accessibility Criteria	
C.1 Openness to foreign ownership	Significant
C.2 Ease of capital inflows / outflows	Significant
C.3 Efficiency of the operational framework	Good and tested
C.4 Availability of investment instrument	High
C.4 Stability of the institutional framework	Modest

KSE-100 to beat MSCI index returns CY26

KSE-100 outperforms MSCI EM index in CY25TD



KSE-100 tops MSCI FM index returns for the last four years



Source: Bloomberg, PSX & AKD Research

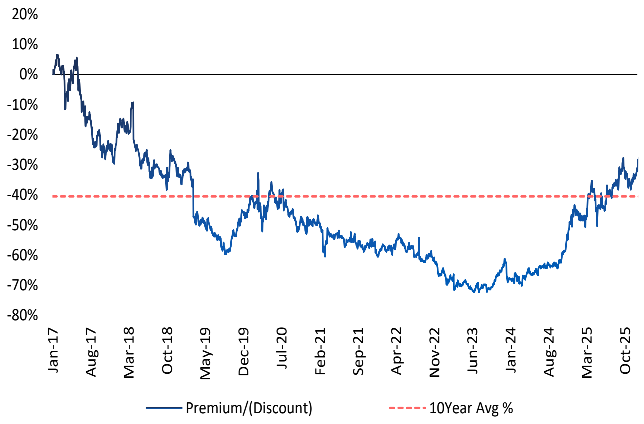
Stocks currently in MSCI FM small cap

S.No.	Stock	FF Market Cap (US$ mn)	Weight	S.No.	Stock	FF Market Cap (US$ mn)	Weight
1	CHCC	137.1	0.6%	39	SNBL	31.2	0.1%
2	TRG	90.2	0.4%	40	CSAP	12.8	0.1%
3	PAEL	98.8	0.5%	41	IGIHL	25.9	0.1%
4	PIOC	142.3	0.7%	42	NCL	19.4	0.1%
5	NML	100.8	0.5%	43	GATM	18.7	0.1%
6	NATF	81.9	0.4%	44	FEROZ	20.3	0.1%
7	KAPCO	61.4	0.3%	45	ARPL	13.9	0.1%
8	TGL	53.1	0.2%	46	PREMA	8.9	0.0%
9	SHFA	51.3	0.2%	47	FCL	15.2	0.1%
10	PSX	81.6	0.4%	48	TREET	20.5	0.1%
11	SSGC	37.4	0.2%	49	NETSOL	12.5	0.1%
12	AICL	77.9	0.4%	50	JSBL	24.2	0.1%
13	GHGL	44.9	0.2%	51	BFBIO	14.2	0.1%
14	GHNI	42.2	0.2%	52	LPL	11.6	0.1%
15	ISL	57.3	0.3%	53	CEPB	17.5	0.1%
16	GAL	44.5	0.2%	54	PAKOXY	24.0	0.1%
17	CNERGY	35.7	0.2%	55	ASL	15.3	0.1%
18	PABC	32.6	0.1%	56	SGF	21.5	0.1%
19	UNITY	25.7	0.1%	57	JSCL	15.9	0.1%
20	MUREB	42.6	0.2%	58	FLYNG	19.1	0.1%
21	INIL	39.4	0.2%	59	IDYM	4.9	0.0%
22	HCAR	28.1	0.1%	60	PAKRI	16.0	0.1%
23	Power	40.7	0.2%	61	EPQL	11.4	0.1%
24	ACPL	27.6	0.1%	62	AGHA	8.8	0.0%
25	HUMNL	28.3	0.1%	63	BIFO	8.2	0.0%
26	LOTCHEM	39.6	0.2%	64	TPLP	13.1	0.1%
27	EPCL	26.8	0.1%	65	PCAL	10.7	0.0%
28	CPHL	34.4	0.2%	66	BBFL	18.6	0.1%
29	NPL	39.6	0.2%	67	GATI	7.0	0.0%
30	PRL	29.3	0.1%	68	GCIL	27.4	0.1%
31	AVN	22.7	0.1%	69	GGL	15.8	0.1%
32	THCCL	51.3	0.2%	70	IPAK	14.9	0.1%
33	NCPL	36.2	0.2%	71	ICL	28.3	0.1%
34	WTL	25.1	0.1%	72	JVDC	59.2	0.3%
35	PIBTL	47.0	0.2%	73	SITC	24.1	0.1%
36	NRL	37.8	0.2%	74	SPEL	7.8	0.0%
37	MUGHAL	31.3	0.1%	75	TOMCL	17.8	0.1%
38	SNBL	31.2	0.1%	**Total**			**12.1%**

Source: PSX & AKD Research

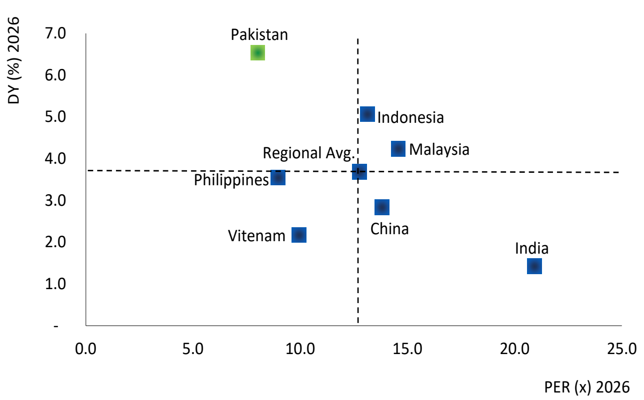
Pakistan trading at a discounted P/E over the years...

... currently at a 28% discount compared to MSCI Indices

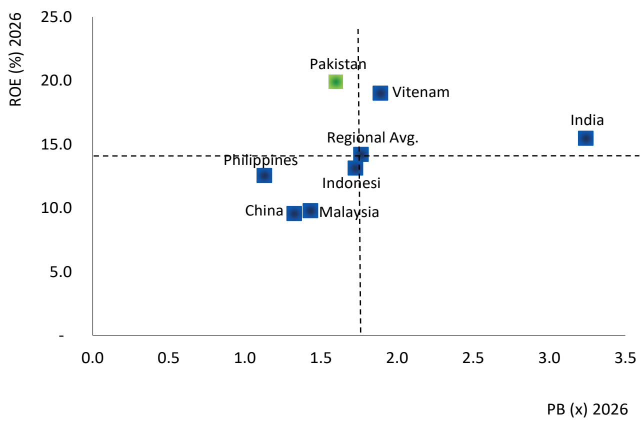


Source: Bloomberg, PSX & AKD Research

Pakistan's trading at discount despite highest DY in the region...



.... with the highest return in the region



Source: Bloomberg, PSX & AKD Research

KSE-100 continues to trade at discounted P/E and P/b despite higher DY

	PE(x) CY25	PE(x) CY26	PB CY25	PB CY26	DY(%) CY25	DY(%) CY26
Pakistan	9.1	8.0	1.6	1.6	5.4	6.5
Srilanka	17.6	13.9	2.0	1.6	3.2	4.2
Thailand	13.9	13.2	1.2	1.2	4.0	4.3
Indonesia	16.0	13.1	2.0	1.7	5.0	5.1
Malaysia	15.7	14.6	1.5	1.4	4.0	4.2
Phillippines	9.8	9.0	1.2	1.1	3.4	3.6
Vitenam	14.7	9.9	2.1	1.9	2.2	2.2
India	24.4	20.9	3.5	3.2	1.4	1.4
Average	16.0	13.5	1.9	1.7	3.3	3.6
Premium /(Discounts)	**-42.9%**	**-40.7%**	**-17.6%**	**-8.2%**	**63.4%**	**83.5%**

Source: PSX, Bloomberg & AKD Research

Pakistan Market Strategy

Back to table of contents

Pakistan Strategy CY2026

CY25 – Momentum continues for the 3rd consecutive year

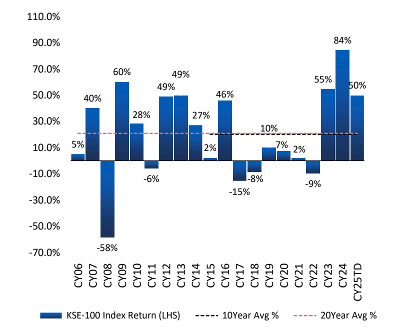
AKD Securities Limited

Strong external account position on the back of disciplined approach under the IMF program, and Pakistan's re-emergence on the global stage following its clash with a neighboring country, contributed to the robust performance of the KSE-100 Index in CY25YTD. The signing of a defense pact with KSA and improved relations with the US along with improvement in credit ratings by Int'l agencies has further supported the rally. Investor confidence, initially demonstrated by Companies and individuals, was further bolstered by mutual funds in the latter half of the year.

Bullish momentum witnessed on political setup continuity: KSE-100 started the year with negative returns in Jan'25 and Feb'25, as the SBP slowed the pace of monetary easing and concerns emerged over the implications of US reciprocal tariffs. However, the index began to gain momentum on expectations of a successful first IMF review and relaxation in targets—particularly FBR revenue collection—before experiencing a knee-jerk reaction due to the Indo-Pak conflict. Following Pakistan's clear victory in the four-day clash, the KSE-100 surged 41.4% by Sep'25, supported by improved relations with the US administration and the signing of a defense pact with KSA. A rise in geopolitical tensions with neighboring Afghanistan caused the index to fall in Oct'25, but it resumed its upward trend thereafter on the expectation of successful completion of the IMF's second review.

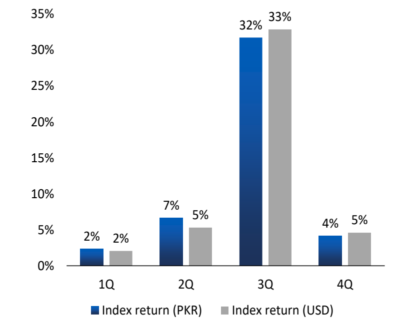
KSE-100 remained the best in region: Subsequently, the KSE-100 index posted positive return for the third consecutive year, achieving 49.7% in CY25TD (49.4% in US$ terms), with the majority of the gains attributed to capital appreciation. In the global arena, the KSE-100 Index ranked the best performing market in region. Capital gains accounted for 41.6% of the return, while 8.1% was explained by dividends. Notably, the Rupee dropped slightly by 0.2% against the greenback due to a significant improvement in the external account position. Market performance was accompanied by record volumes, which rose 37.0%YoY to 1,032mn shares.

KSE-100 posted 3rd straight gain in CY25



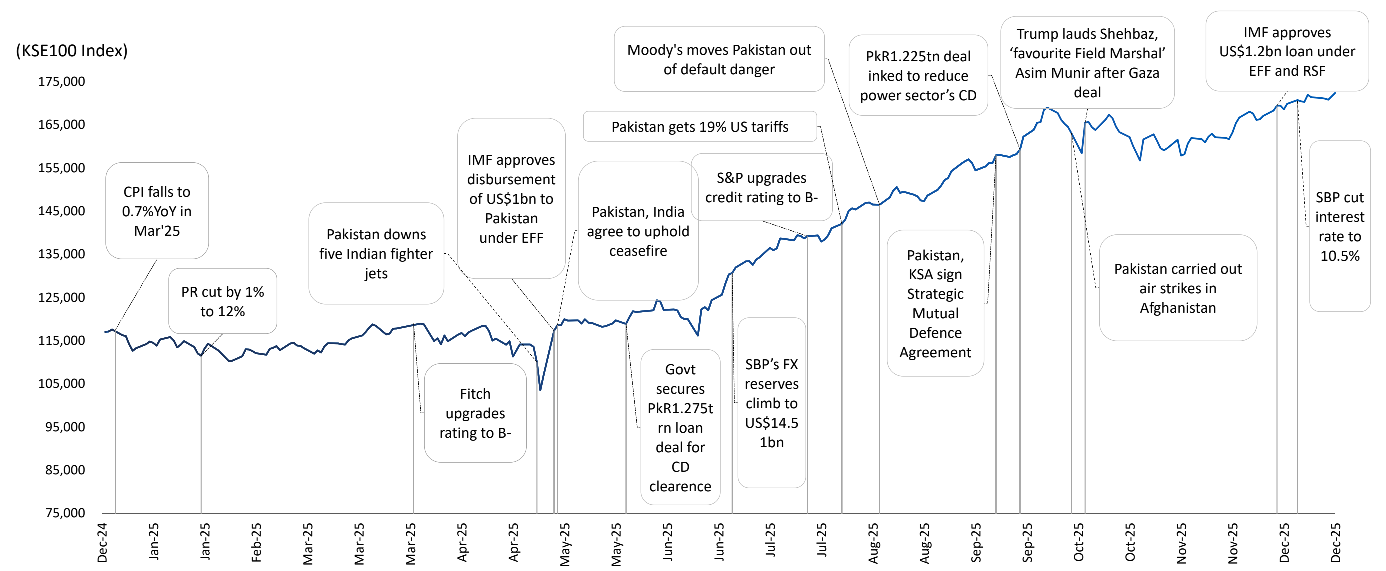
Source: PSX & AKD Research

Return skewed toward 3Q



Source: PSX & AKD Research

KSE-100 Index CY25 Timeline

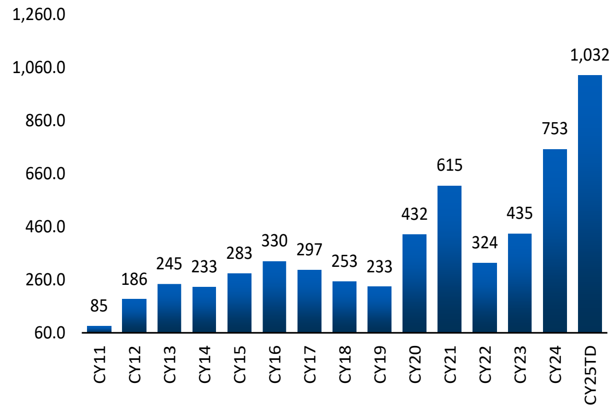


Source: News Flow & AKD Research

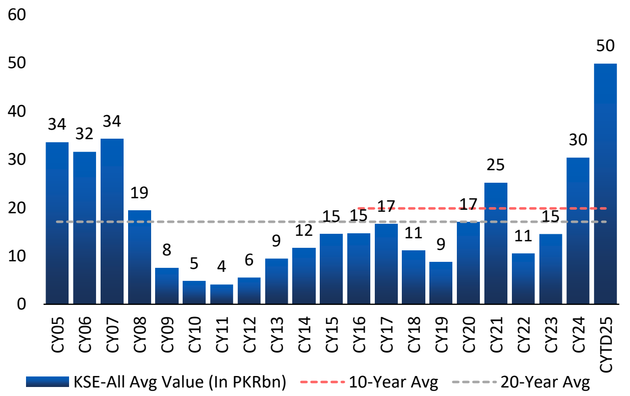
Liquidity improved to record high

The Average Daily Turnover (ADTO) hit all time high increasing by 64.0%YoY to PkR49.9bn (increased 62.5%YoY in US$ terms to US$177mn) in CY25YTD. In dollar terms the ADTO was the highest since CY08. Market depth responded positively to evolving geopolitical developments and steadily improving economic indicators in particular strong external account performance. This is evident from improving market activity, where ADTO increased by 49.4% from ~PkR39.8bn (or US$141.8mn) in 1HCY25 to ~PkR59.5bn (or US$221.0mn) in 2HCY25. During the last quarter of CY25 ADTO increased to ~PkR61.4bn (or US$218.8mn), up 23.6% when compared to full year average.

ADTV reaches record during CY25TD (mn shares)



ADTO remains high amid improving economic stability (PkRbn)



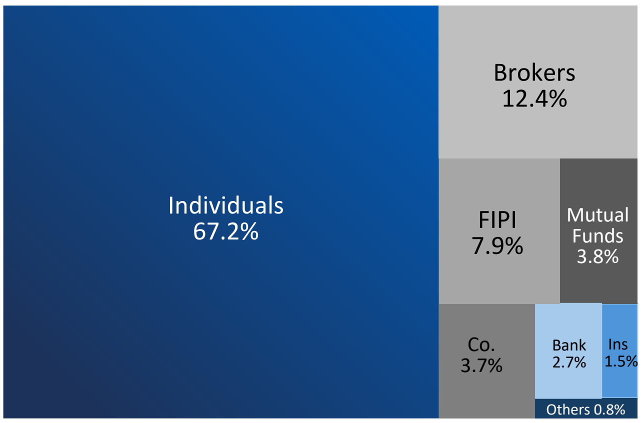
Source: PSX & AKD Research

In terms of shares traded (a more common liquidity barometer for domestic investors), average volumes have reached all-time high. Traded volume clocked in at ~1,031.7mn shares in CY25TD against 735.1mn last year, up by 37.0%YoY. However, significant uptick in volumes was seen throughout the year, averaging 1,279.2mn shares in 2H vs 767.5mn shares in the 1HCY25. Notably, these volumes are more than two times when compared to last 10-Yr average of 470.3mn.

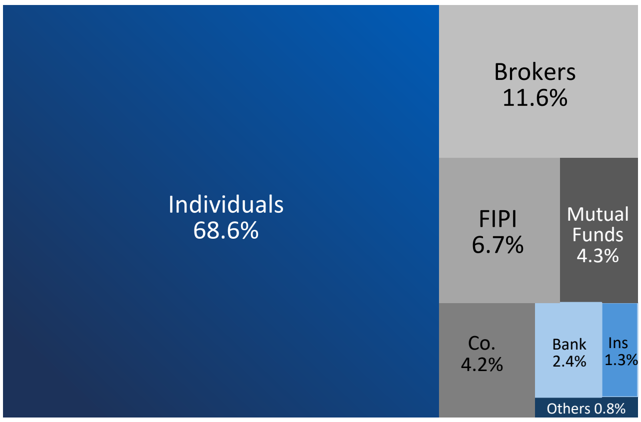
Individuals continues to remain major liquidity provider: In terms of participation, individuals remained the lead liquidity provider with a market participation of 68.6% in total ADTO during CY25YTD compared to 67.2% in CY24. Besides Individuals, Companies and Mutual Funds participation also increased, while participation of all other participants dropped significantly. Notably, Foreigners share in overall trading value decreased to 6.7% in CY25TD compared to 7.9% during last year.

Brokers' contribution to ADTO dropped this year with participation of 11.6% against 12.4% and 15.2% in CY24 and CY23, respectively. Notably, Companies participation witnessed improvement of 47bps to 4.2% in CY25 due to higher buying quantum this year. Moreover, participation from Insurance and banks dropped too to 1.3% and 2.7% in CY24, respectively.

Individuals remain major liquidity provider in CY24...



...further gained share in CY25TD



Source: NCCPL & AKD Research

Mutual Funds remain the key driver behind Index gains

This year, Mutual Funds, Individuals and Companies were the primary buyers in the KSE-100, supporting the market and providing liquidity for exiting foreign investors, Insurance, and Banks. Notably, barring Mutual Funds, Insurance, Companies and NBFC, all other local investors joined foreigners as net sellers.

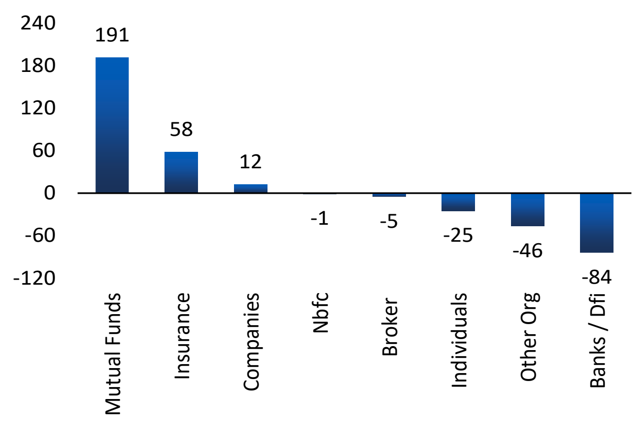
Fertilizer remained top pick of Mutual Funds: Mutual Funds (MF) have bought US$283.6mn shares, enhancing their exposure in all sectors, barring OMCs. This investment surge coincided with a 210.5% growth in last three years in industry AUMs to PkR4.1tn at Nov'25. MF equity exposure increased to 13.9% of total AUMs due to their aggressive buying, but still significantly lower than 40% exposure seen in CY16. They enhanced exposure in Fertilizer the most by US$75.3mn followed by buying of US$59.7mn in All other sectors and US$58.2mn in Banks.

Individuals showed liking for Banks: Individuals was the 2nd largest market buyer, purchasing US$241.7mn in shares. Their key liking was in Banks (US$90.0mn) followed by All other sectors (US$37.8mn), E&P (US$33.8mn) and Power (US$20.4mn). They also bought US$19.5mn Technology, US$16.5mn Fertilizer, US$9.9mn FMCG and US$5.2mn Cements but trimmed exposure in Textile by US$4.4mn.

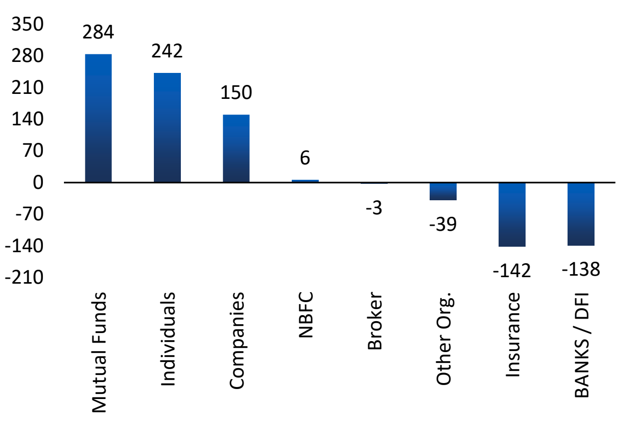
Banks sold aggressively during first 9M: Banks aggressively sold shares till Sep'25 to realize gains and mitigate shrinking NIMs impact on profitability, but turned buyer in last quarter. They offloaded US$59.5mn in All other sectors, alongside reductions in Fertilizer (US$46.9mn), Banks (US$40.7mn) and Cements (US$35.3mn). Nevertheless, banks increased their exposure to OMC (US$28.8mn), E&Ps (US$18.2mn), and FMCG (US$9.6mn).

Insurance turned seller in 4Q: Insurance realized gains of US$60.4mn in the Banks followed by US$35.6mn in the OMCs and US$26.4mn in Power, with overall selling of US$141.5mn. The sell-off in Banks and OMCs was driven by significant profit-taking, while trimming in Power were influenced by termination of IPPs contracts.

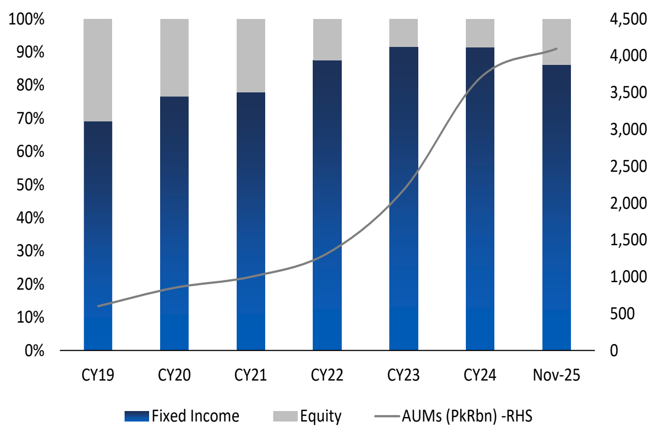
Mutual funds remained major net buyer in CY24 (US$ mn)...



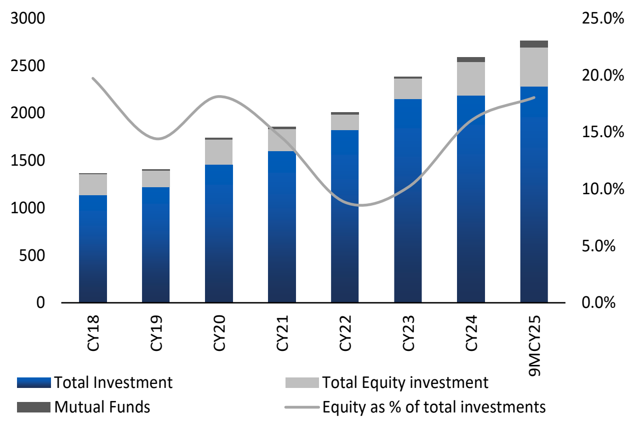
...and continues to lead in CY25 as well (US$ mn)



Mutual fund investments in equity are still below historical levels



Insurance equity exposure is also remained low



Source: NCCPL, PSX & AKD Research

Foreigners remained net sellers despite market rally

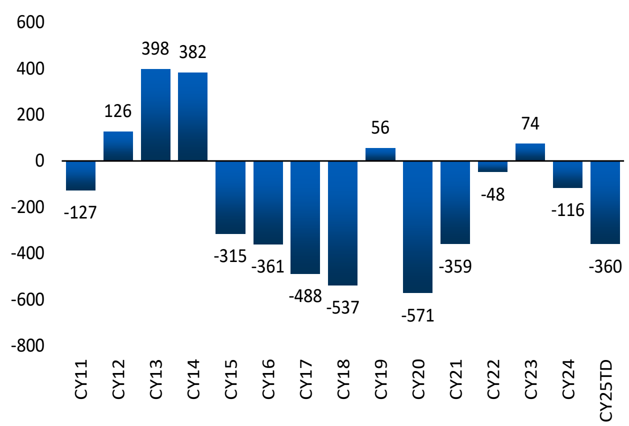
Foreign investors remained net seller for the 2nd consecutive year, particularly after reclassification by FTSE to Frontier market amid broader sell off in Asian market. However, we expect this trend to reverse given probable reclassification of Pakistan to Emerging Markets due to continuation of recent bull run over macroeconomic stability.

Foreigners holding fall to lowest in a decade: Foreign selling, triggered by Pakistan's reclassification to Frontier Market (FM) status by FTSE in July last year, continued throughout the year, with net outflows of US$359.7mn in CY25TD. This sustained selling pushed foreign holdings to their lowest levels in percentage terms. Notably, Asian Markets, excluding China and Japan, also witnessed net outflows in CY25, due to selloff in tech stocks as concerns over stretched valuations prompted investors to reduce exposure.

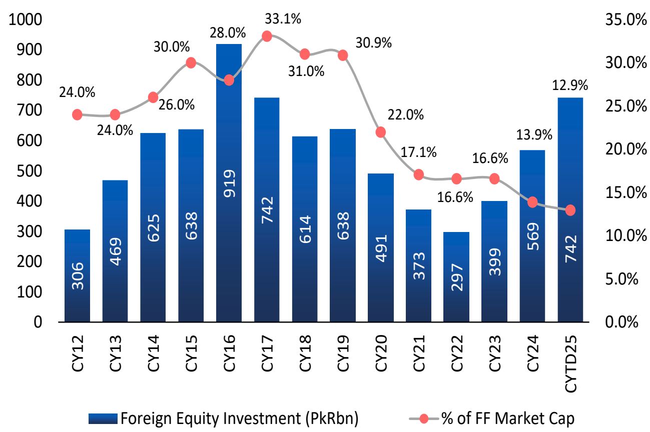
Foreign ownership declined to 12.9% of the free float and 3.8% of total market capitalization, marking a two-decade low. Over the past decade, FIIs have reduced their exposure to the PSX by approximately US$2.7bn, with the bulk of selling concentrated in the first five years. The key drivers of these outflows include fund reallocations away from smaller Emerging Markets (EM) and Pakistan's reclassification by both MSCI and FTSE from EM to FM status. However, the recent surge in Pakistan equities, coupled with a stable currency under the IMF program, is likely to improve prospects for foreign inflows into equities.

Selling across the board: All sectors experienced net outflows this year, with Banks recording the largest outflow of US$113.6mn, followed by E&Ps and the Others, which saw outflows of US$67.5mn and US$55.8mn, respectively. Fertilizer, FMCG, Power, Technology, Cement, and Textile sectors also posted outflows of US$37.8mn, US$32.8mn, US$30.4mn, US$9.4mn, US$6.4mn, and US$5.0mn, respectively. Meanwhile, OMCs saw the lowest outflow of just US$1.2mn in CY25TD.

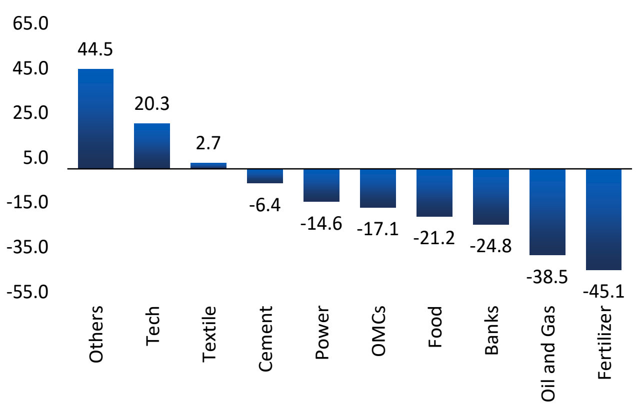
Foreigners remained sellers in as in majority of Asian markets (US$ mn)



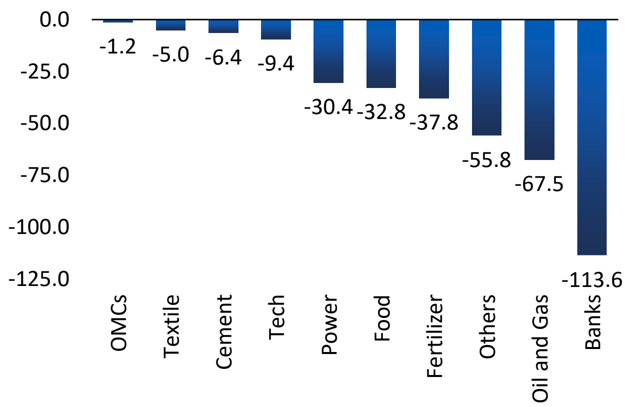
FII exposure in equity drops to lowest as % of FF market cap



Foreigners remained buyers in Tech and Textile during CY24 (US$mn)



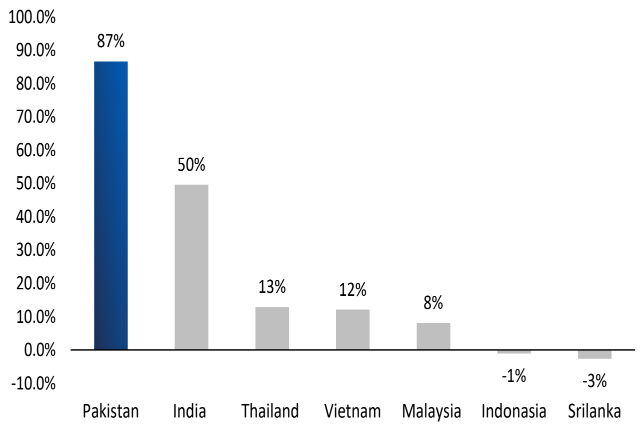
FII remained seller across the board in CY25TD (US$mn)



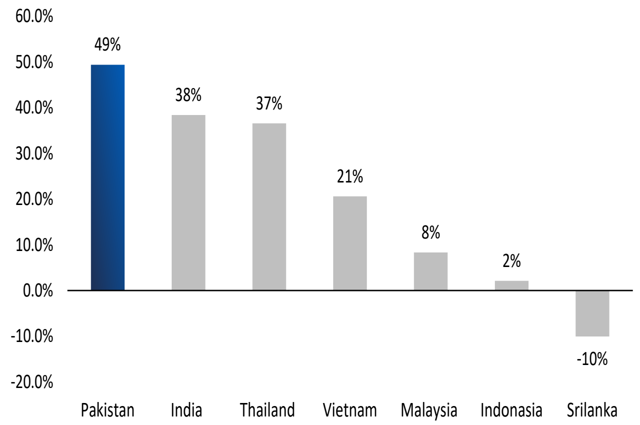
Source: NCCPL & AKD Research

KSE-100 continues to outperform peers in the region

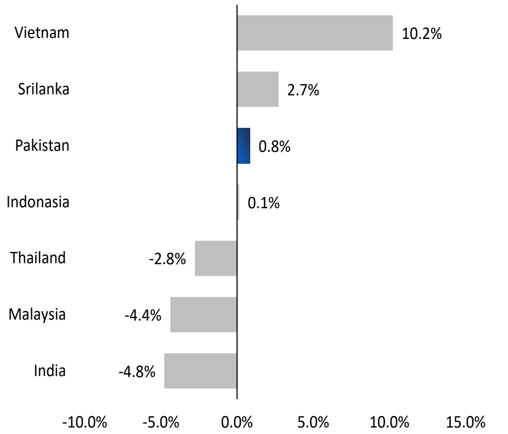
Pakistan outperformed the region in returns in CY24



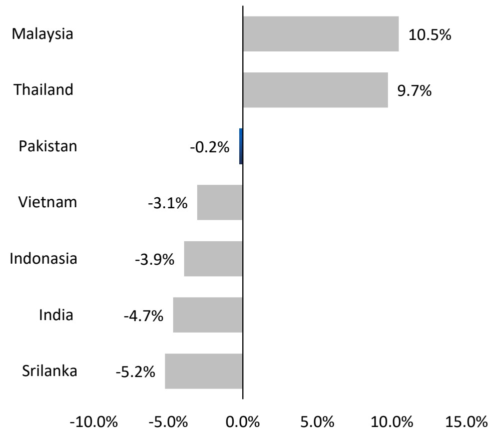
KSE-100 continues to lead regional peers in CY25TD as well



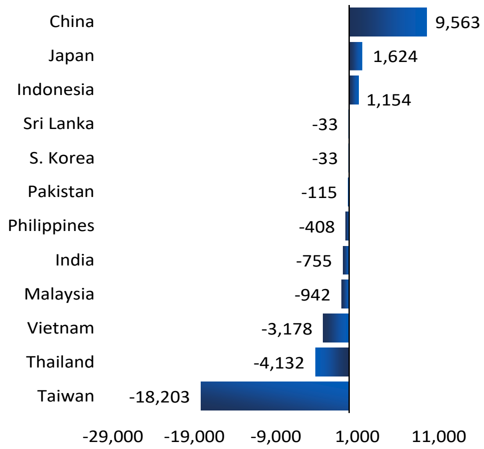
Rupee appreciated in CY24 as Current Account turns surplus…



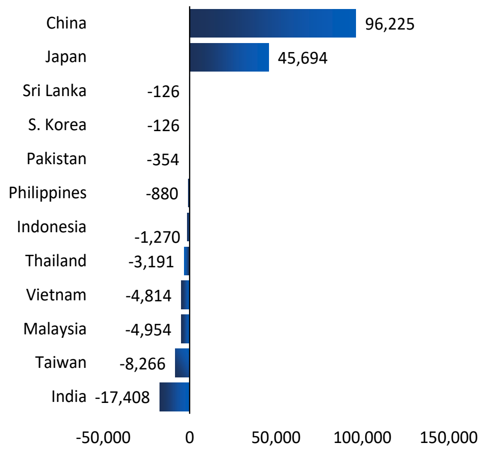
….but slightly depreciated in CY25TD



Selling witnessed by foreigners across the region in CY24 (US$mn)



Foreigners selling continues in CY25TD (US$mn)



Source: SBP, Bloomberg, PSX, NCCPL & AKD Research

Banks and Cement propel market performance

KSE-100 index has delivered an impressive return of 49.7% year-to-date, taking cumulative market return to 188.6% during the last three years. This remarkable surge can be largely attributed to the strong performance of all key sectors. Among the primary drivers of this growth are the Banks, Cement, Fertilizer, Inv. Companies, and Power sectors. These sectors have seen substantial gains, which have significantly contributed to the overall positive performance of the index.

Commercial Banks having an index weightage of 29.1% has provided an impressive return of 76.8% in current year to date. This surge was fueled by commercial banks strong dividend yield during the year, supported by higher deposit growth and higher non-markup income amid lower provisioning expense.

Fertilizer sector’s return has clocked in at 60.1% in current year to date, having an index weightage of 13.5%. The sector's performance remained robust throughout the year, driven by attractive dividend yields on the availability of cheaper gas. Furthermore, on probable inclusion of heavy weight FFC, having 9.87% weight in KSE100 index, in KMI All Share Index as it achieves shariah compliant status further fueled the rally.

Oil & Gas Exploration having an index weightage of 11.4% has provided return of 17.8% this year even after impressive return of 100% last year. OGDC and PPL delivered robust returns in CYTD, primarily driven by the government’s concerted efforts to address the long-standing issue of circular debt, which has historically weighed on the sector’s financial performance. However, MARI and POL remained laggards, the former due to trading at higher multiples and the latter owing to a lack of new discoveries despite dividend yield of 12.1%.

Cement sector’s return clocked in at 72.9% year-to-date, with an index weightage of 10.1%. The exceptional return can be largely attributed to higher profitability driven by improvement in gross margins and lower financing cost. Moreover, surge in domestic sales, particularly in 1HFY26, and acquisition of PIOC by MLCF on higher valuation than market prices has provided further impetus to the sector returns.

Pharmaceutical sector has provided return of 8.4% CYTD, having an index weightage of 2.7%. This relatively lower performance was mainly due to a slowdown in volumetric growth following significant price adjustments after the deregulation of the non-essential drug portfolio.

Oil & Gas Marketing sector, having an index weightage of 3.3%, provided a return of 9.1% on concerns over inventory losses on the back of falling international oil prices. The position was further exacerbated by aggressive selling of Insurance in heavy weight PSO.

Auto Assemblers with an index weightage of 3.1% has provided an return of 13.6% during year-to-date. This surge in the sector was primarily driven by improved volumes amid absence of import restrictions, and notably benefited from substantial pick up in Auto financing amid lower policy rate.

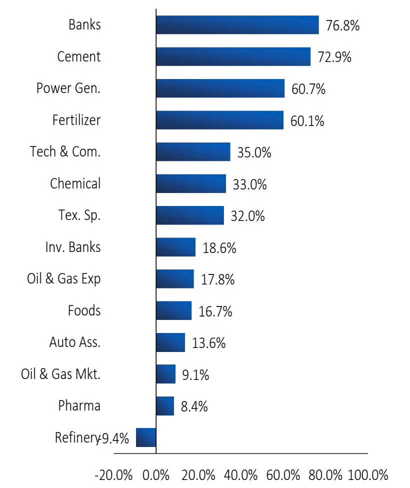
Chemical sector surged 33.0% during CYTD, having index weight of 0.8%, due to acquisition of LOTCHEM despite decline in primary core margins.

Textile, having an index weight of 1.5%, delivered return of 32.0% during CYTD driven by higher profitability. The sector remained a key beneficiary of lower cotton prices, higher volumetric sales, reduced financing costs, and competitive US tariffs.

FMCGs, with an index weight of 2.4%, posted returns of 16.7% this year, supported by improved profitability stemming from volumetric growth, lower working capital requirements, and declining feedstock prices. However, a surge in wheat and maize prices following an abnormal monsoon season and floods has raised concerns about rising input costs.

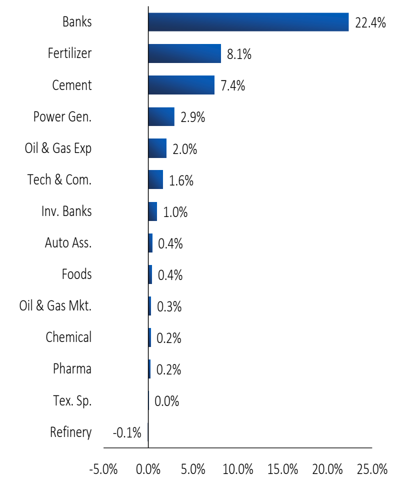
Refineries were the only sector among the major contributors to record negative returns, primarily due to delays in the refinery policy and weaker refining margins. The sector posted a negative return of 9.4% in CYTD and carries an index weight of 0.8%.

Banks tops returns in CYTD



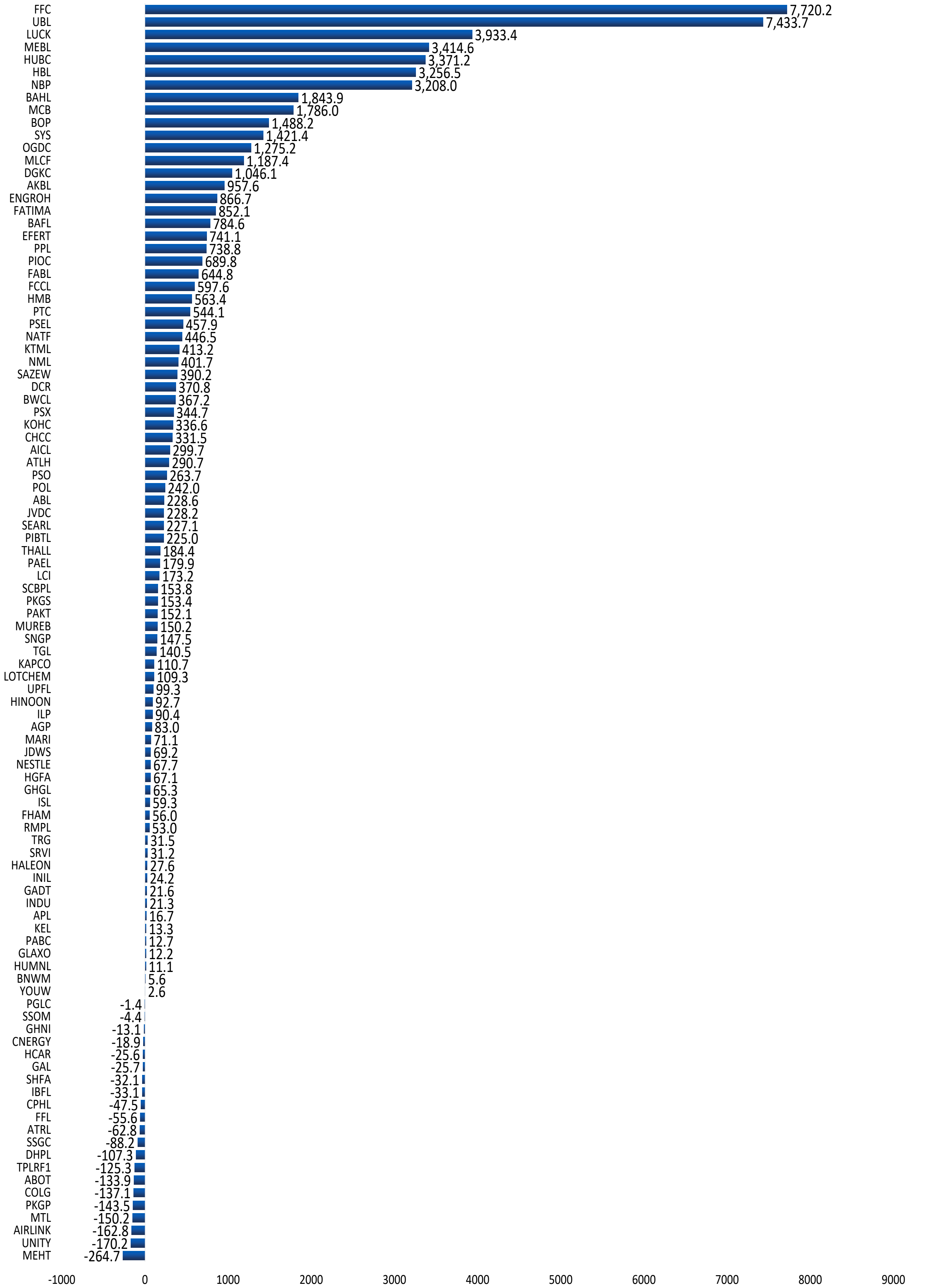
Source: PSX & AKD Research

Sector wise contribution in index



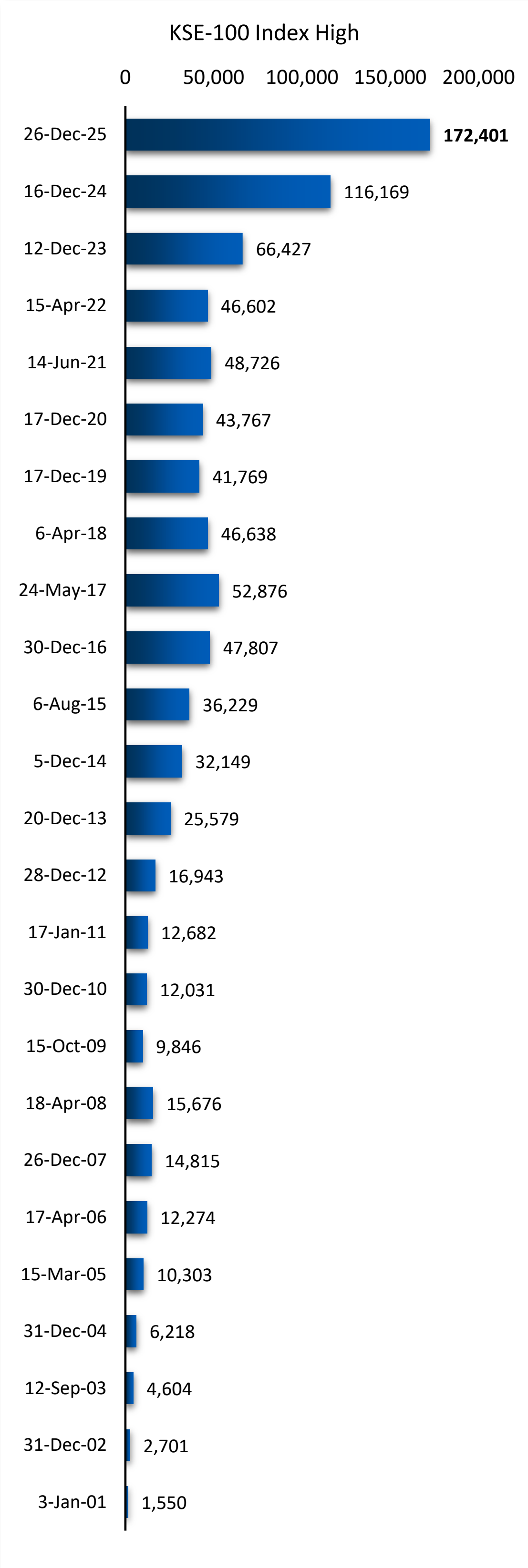
Source: PSX & AKD Research

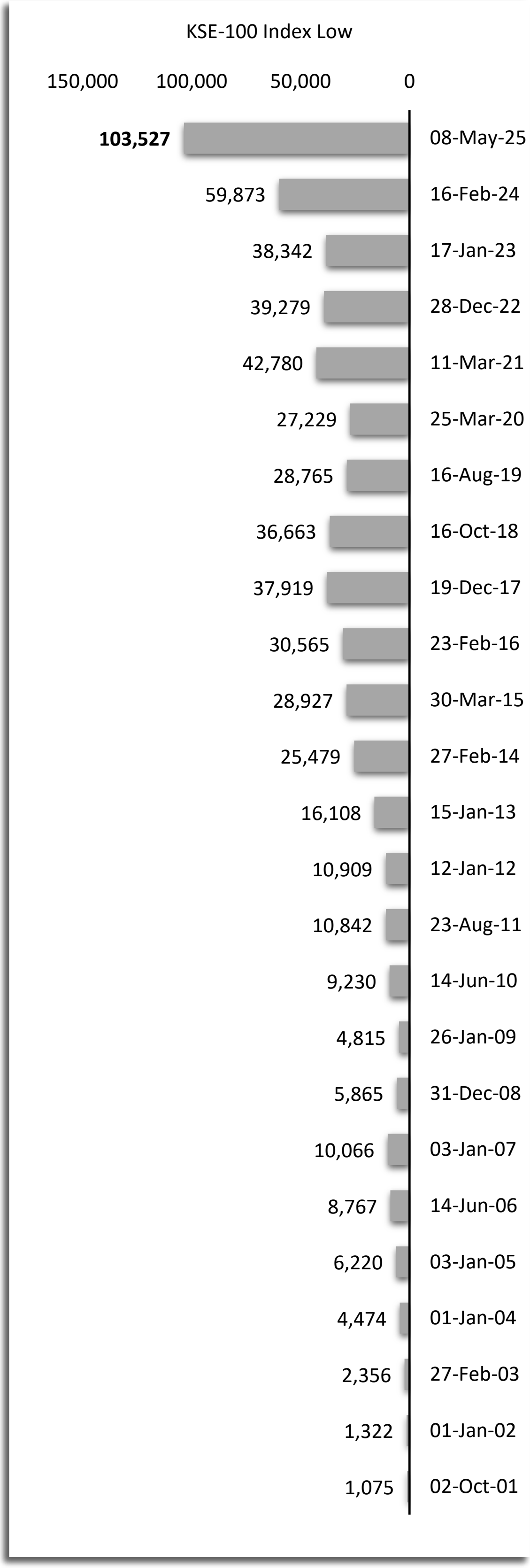
Company wise point contribution in CY25



Source: PSX & AKD Research

KSE-100 Index Performance Over the Years





Source: PSX & AKD Research

Return provided by stocks in CY25 along with reasons

Stock	Total Return	DY	Reason
Banks			
AKBL	186%	16%	Initiated half year and quarterly payouts
UBL	137%	28%	Aggressive growth in low cost deposits, cost efficiency and higher payouts
FABL	108%	14%	Clean loan portfolio and strong deposit growth followed by religious sentiments
HBL	102%	10%	Sector leading deposits, digitalization and well positioned investment book
MEBL	99%	12%	Robust asset quality and healthy capital ratios led to high cash payouts
BAHL	58%	13%	Solid asset quality, aggressive branch expansion and continuous deposit growth
MCB	49%	13%	Leading CASA mix, solid asset quality led to high cash payouts
ABL	47%	12%	Cost efficiency and well positioned investment book
BAFL	44%	12%	Clean loan portfolio, digital transformation and intensive marketing campaign
Fertilizers			
FATIMA	109%	10%	Higher profitability over improved production and higher sales of CAN and NP
FFC	80%	14%	Increased profitability over higher sales, cheaper gas, and higher dividend income
EFERT	19%	9%	Higher payouts and improvement in gross margins amid absence of imported urea cost
INV. BANKS / INV. COS. / SECURITIES COS			
ENGROH	-1%	0%	Absence of dividend due to acquisition of 'Jazz' tower business
Oil & Gas			
OGDC	27%	7%	Energy sector reforms, growth in production base and valuation upside from Reko Diq stake
PPL	17%	4%	Energy sector reforms, growth in production base and valuation upside from Reko Diq stake
POL	8%	12%	Concerns over lack of new discoveries despite higher dividend yield
MARI	1%	3%	Lower incentive for dividend yield oriented investors as stock price reflecting growth prospects
Cement			
MLCF	165%	0%	Improved gross margins amid increase in retention prices and acquisition of PIOC & AGL
DGKC	138%	2%	Surge in profitability due to higher exports and prices along with ease in coal prices
LUCK	123%	2%	Higher sales with improved GMs and increased dividend from subsidiaries
PIOC	104%	5%	Acquisition interest by MLCF declining finance cost amid monetary easing and de-leveraging
FCCL	57%	3%	Increased profitability given higher retention prices and increased market share
KOHC	57%	0%	Expansion in gross margins over better retention prices and lower royalty rates
CHCC	34%	2%	Higher gross margins amid better retention prices and lower royalty rates
Power			
NPL	120%	11%	Pivot towards EV segment Cherry Automobiles Ltd (33% equity stake)
HUBC	87%	15%	Robust DY during the year, combined with the unveiling of the EV business in partnership with BYD
Technology			
SYS	35%	5%	Margins expansions and significant growth in Mena and North America region
Automobile Assembler			
INDU	2%	9%	New entrants poses threat to company's future sales
HCAR	-9%	3%	Intense competition emerging in company's operating segments of 1,300cc and above
Oil & Gas Marketing			
PSO	6%	2%	Concerns over inventory losses overshadowed reduction in receivables and margin increase
APL	4%	5%	Concerns over increasing competition from new entrants.
Textile			
NML	69%	2%	Recovery in gross margins and rally in portfolio companies
NCL	36%	6%	Improved profitability due to decline in finance cost over lower interest rates
ILP	14%	1%	Increased exports however margins contracted due to underutilization of new capacities
Chemical			
EPCL	-11%	0%	Losses increased due to lower core delta margins and increase in gas prices
Steel			
MUGHAL	35%	0%	Recovery in construction activity and declining policy rate
ISL	12%	3%	Recovery in autos, white good sales and construction activity, alongside declining policy rate

Source: PSX & AKD Research

Earning growth to remain robust in CY26

Using the AKD universe as a proxy (~75% of free-float market cap), we forecast earnings growth of ~14.9% for the year 2025. The E&P sector is expected to be a major contributor to our universe's earnings growth, with a projected increase of ~16% next year due to higher volumetric sales amid stable Int'l oil prices. Moreover, MARI profitability is anticipated to surge the most by ~30% on the back of increase in flows from newly commenced fields, particularly Shewa, and improvement in uptake from fertilizer sector.

Cement is the second major earnings contributor to our forecast for next year due to a pickup in domestic offtakes and easing coal prices. Moreover, a significant reduction in the policy rate from a peak of 22% would significantly improve profitability of the sector, given its high leverage. Fertilizer sector is expected to post earning growth of 13.1% due to improvement in Urea offtakes along with continuation of cheaper gas availability to FFC and FATIMA main units.

Technology sector is anticipated to continue to post impressive earnings growth in CY26 of ~46%YoY, driven by higher global IT spending; rising software and digital transformation investments across the MENA region; and government-led initiatives promoting startups, digitalization, and IT exports; amid easing wage pressures as regional visa restrictions slow overseas talent outflow.

Investment Companies profitability is anticipated to grow at 12.0% in CY26 due to improvement in contribution from Telecom, Power, Food and Fertilizer segments for ENGROH.

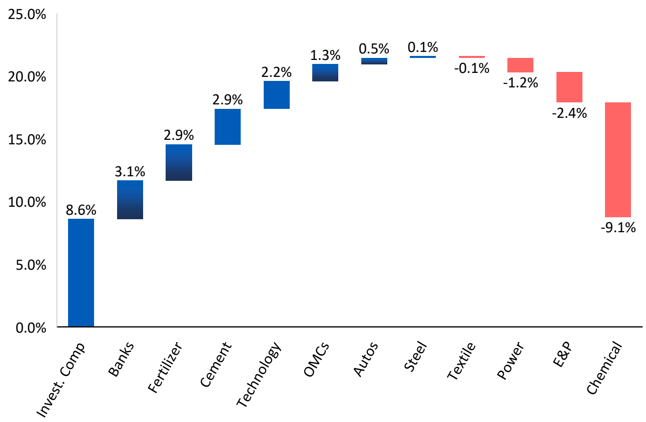
Power sector is expected to post growth of 7.3% next year due to higher contribution for HUBC from its subsidiaries on the back of higher dollar indexation and increasing debt component in tariff.

The OMC sector is expected to post ~24.0% profitability growth, driven by improving volumes due to a curb on smuggling and increased industrial activity. Moreover, higher margins and lower financing charges, amid reduced working capital requirements, would further boost profitability growth. The Textile sector's earnings growth is likely to rebound next year, with growth of ~64.7%YoY, after falling for last three consecutive years due to reduced inventory cost and lower financing charges.

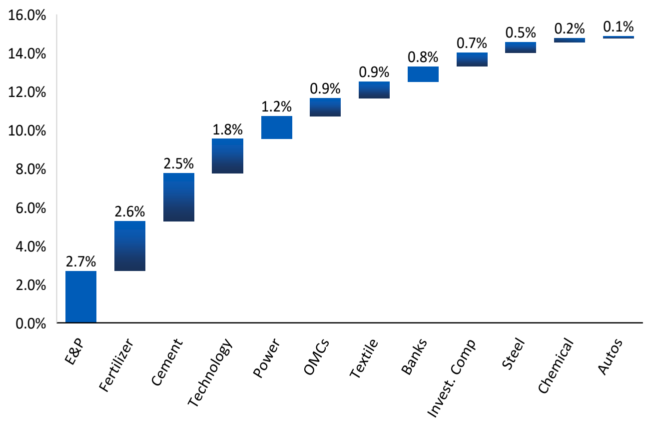
Steel after posting strong rebound last year, is anticipated to post robust profitability growth of 82.9% this year. This growth would be driven by significant reduction in the policy rate and easing electricity charges. Chemical sector is expected to turn profitable due to improvement in core margins and easing financial charges.

Banks profitability is expected to grow by 2.6% in CY26 as decline in NIMs due to significant reduction in policy rate would be overshadowed by strong deposit growth and higher contribution from Non-Interest Income. Moreover, curtailed provisioning expense on monetary easing would further support sector's profitability.

Invest. companies to lead earnings growth in CY25E



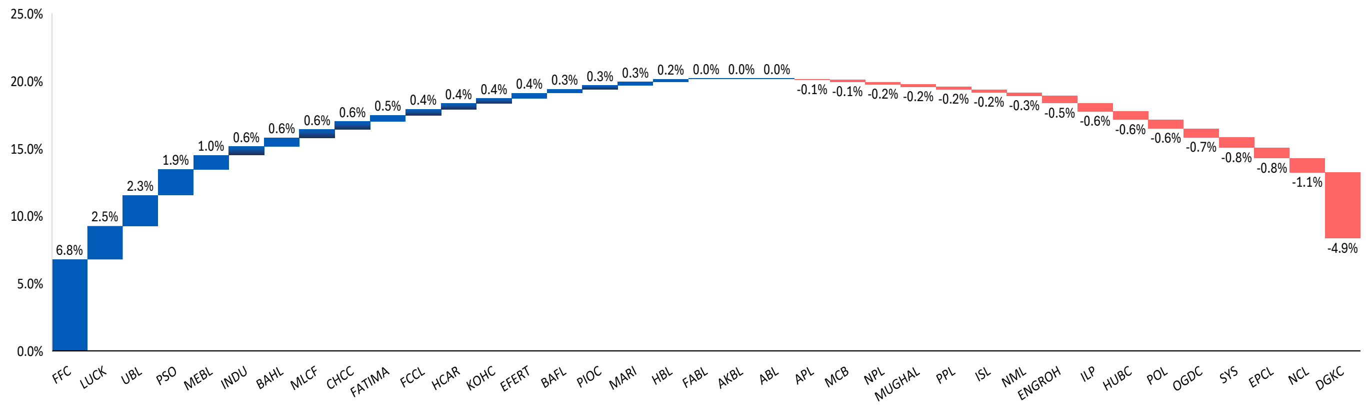
All major sectors to post positive growth in CY26E



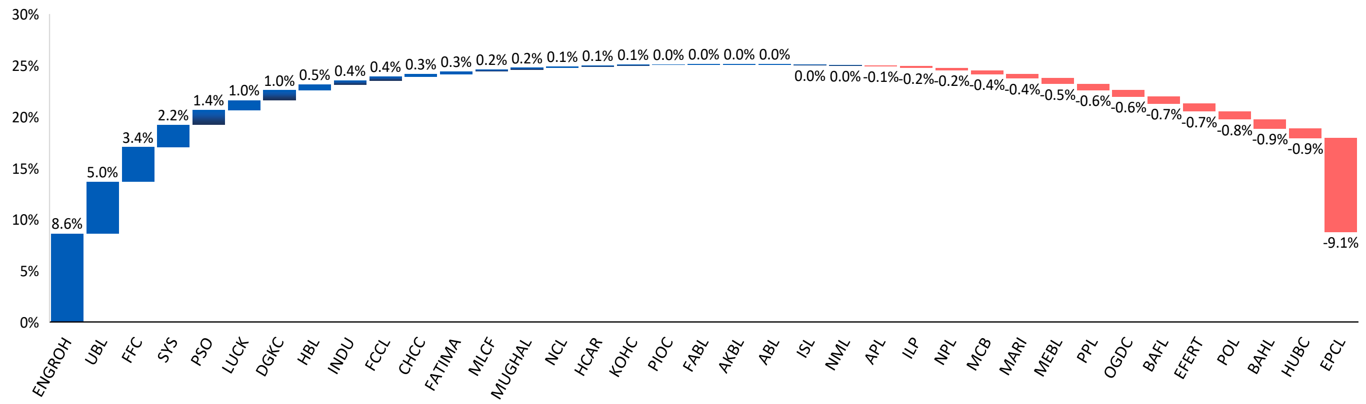
Source: PSX & AKD Research

ENGROH & UBL to lead growth in CY25E

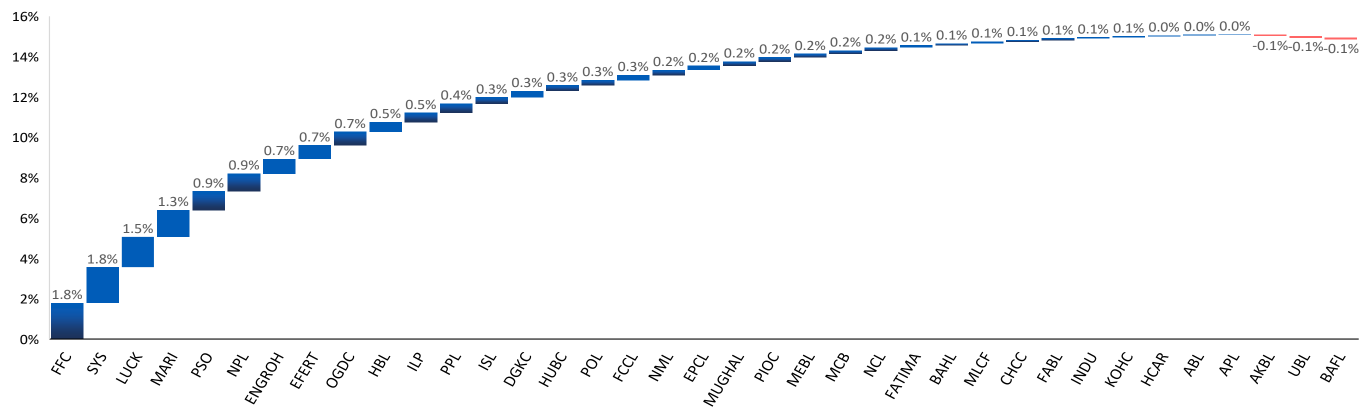
FFC led the growth in CY24



EPCL negative growth overshadowed positive contribution from ENGROH, UBL & FFC in CY25



SYS & ENGROH to lead earning growth in CY26E



Source: PSX & AKD Research

Bottom-up approach yielding an index target of 263,800 by Dec‘26

We have adopted a Bottom-up approach for Pakistan equities in CY26 and have arrived at a KSE100 index target of 263,800 by Dec’26, implying a return of ~53.0% (~48.4% in US$ terms), including an impressive dividend yield of ~6.3%. Our index target is primarily a function of AKD’s universe Dec-26 TP based on Risk free assumption of 10.5%, accounting for tax differential between equities and fixed income for our forecast of 11% for 5-Yr PIB, and a market risk premium of 6.0%.

Key sectors driving this return include Banks, E&P, Fertilizer, Cement, Invest. Companies and OMCs. We believe the banking sector is available at a steep discount relative to their sustained ROEs, with our preference remains towards top-tier banks, including UBL, MEBL and HBL.

The E&P sector is expected to remain beneficiary of energy sector reforms along with increased mining and Exploration activities, which would not only improve cash flows but lift profitability of the sector. Our top picks, OGDC and PPL, are poised to benefit from financial close of Reko Diq and commencement of production from Abu Dhabi offshore block 5. Fertilizers, which have performed well over the last three years with cumulative earnings growth of ~184% and a high teen dividend yield are expected to continue their upward trajectory due to improvement in nutrients offtakes and continuation of cheaper gas to MARI based plants of FFC and FATIMA.

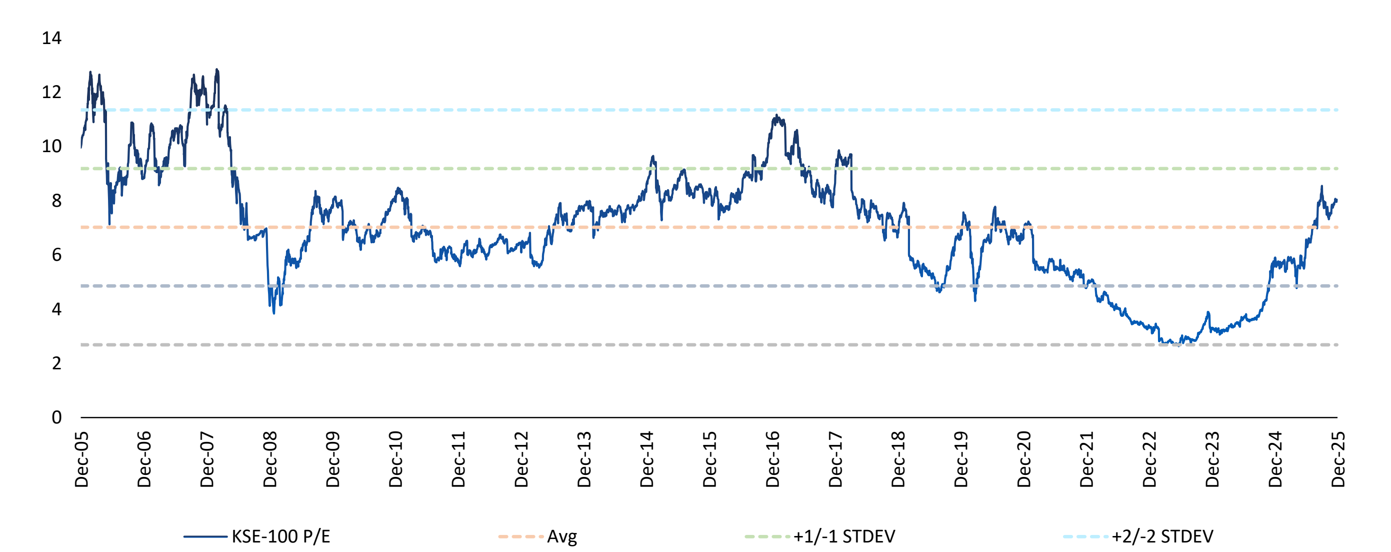
Cements are expected to remain a beneficiary from uptick in domestic demand and lower energy prices amid lower interest rates. Investment Companies, primarily ENGROH, is expected gain from acquisition of Jazz tower business “Deodar”, full reflection of power portfolio, and recovery in fertilizer and food segment.

OMCs are expected to benefit from volumetric growth and CPI linked margins. Gas sector circular debt reforms would improve cash flow position of our top pick PSO. Technology is poised to reap the benefits of investment in human resources and expansion into the MENA region. Textile would remain a preference for investors given increasing exports and lower cotton prices. Demand for steel and autos is expected to continue this year. Unlike in the past, the power sector is expected to underperform the broader index as the impact of expansions are already priced in.

Earning growth approach yielding index target of 262,418

Based on the earnings growth approach, our index target comes at 262,418pts, implying an upside of ~52.2% (~47.6% in US$ terms). The target is primarily a function of AKD universe 14.9% earnings growth for the next year and dividend yield of 6.3%. Furthermore, we anticipate re-rating of the market’s P/E multiple to 11.0x from its recent level of 8.4x, justified by higher growth, continuous focus on reforms, improved cash flows, and partly by the tax advantage over fixed-income instruments.

KSE-100 trading near two decade average P/E despite 188.6% rally over last three years



Source: Bloomberg, PSX & AKD Research

Sector wise Portfolio positioning

Sector	Index Weightage (%)	Stance	Reason
Banks	29.1	Overweight	Rising deposit inflows, formalization of the economy, expanding digital payments, and transition towards Islamic framework are set to keep the sector in limelight.
Fertilizer	13.5	Overweight	Nutrient offtakes are expected to recover due to improving agronomics. Additionally, gross margins to improve on lower discounts. Lastly, strong payouts to continue on healthy cash generation.
E&P	11.4	Overweight	Continued rationalization in energy prices, alongside clearance of past overdue circular debt backlog to unlock valuation upside. Furthermore, enhanced E&P activity upside potential alongside growth in earnings from Reko Diq post CY28 to enhance prospects further.
Cement	10.1	Overweight	Increasing demand led by resumption of construction activity on the back of easing interest rates, and higher public expenditure. Gross margins to remain supported due to higher retention, easing coal prices and power efficiencies.
Invest Comp.	5.2	Overweight	Sector is likely to remain in limelight given turnaround of telecom segment, stable profitability of energy portfolio amid energy sector reforms, and improving prospects of Fertilizer, Food and Chemical portfolio.
Power	4.8	Underweight	Revisions in IPP contracts to keep payouts of listed players in check. However, transition towards automobile segments may bring in valuation upside as country's demand for NEV segment grows.
Technology	4.6	Overweight	Accelerating global and regional technology spending, rising software and digital transformation investments across the MENA region, government-led initiatives promoting startups, digitalization, and IT exports, and easing wage pressures as regional visa restrictions slow overseas talent outflow.
OMC	3.3	Overweight	Continued revision in OMC margins alongside healthy recovery in economic activity to bring-in growth in OMC volumes. Furthermore, rationalization of energy prices and clearance of GCD backlog is expected to keep the sector under limelight as well.
Auto Assembler	3.1	Overweight	Recovery in sales volume led by lower financing rates, currency stability, and stable input prices.
Textile	1.5	Overweight	Expected increase in exports along with ease in input prices to improve profitability. Additionally, lower financing rates domestically are expected to ease financial burden.
Chemical	0.8	Underweight	Core-delta margins recovery to be lagged while higher gas tariffs along with levy to keep gross margins contained.
Steel	0.5	Overweight	Declining policy rate alongside decline in steel prices may result in recovering construction and related activity post 2HFY26.

Source: PSX & AKD Research

AKD Universe Valuation Sheet

Company	Symbol	Price (PkR)	TP (PkR)	Stance	EPS FY 25E	EPS FY 26E	EPS FY 27E	PE FY 25E	PE FY 26E	PE FY 27E	PB FY 25E	PB FY 26E	PB FY 27E	DY FY 25E	DY FY 26E	DY FY 27E
Oil & Gas Marketing																
Pakistan State Oil	PSO	458	900	**BUY**	44.5	65.0	80.4	10.3	7.0	5.7	0.9	0.8	0.7	2.2%	3.3%	4.4%
Attock Petroleum	APL	546	760	**BUY**	83.5	84.8	87.6	6.5	6.4	6.2	1.1	1.0	0.9	4.7%	6.4%	6.9%
Steel																
Mughal Iron & Steel	MUGHAL	105	142	**BUY**	2.6	10.2	14.2	39.9	10.2	7.4	1.3	1.2	1.0	0.0%	1.9%	2.4%
International Steels Limited	ISL	106	151	**BUY**	3.6	7.6	12.1	29.4	13.9	8.7	1.8	1.7	1.5	2.4%	4.3%	6.6%
Cement																
Lucky Cement Limited	LUCK	486	731	**BUY**	52.5	66.6	71.9	9.3	7.3	6.8	2.1	1.6	1.3	0.8%	1.4%	1.9%
Maple Leaf Cement	MLCF	122	157	**BUY**	11.0	10.0	12.2	11.1	12.2	10.0	1.8	1.6	1.4	0.0%	1.0%	2.1%
Cherat Cement Company	CHCC	360	640	**BUY**	44.7	42.2	51.6	8.1	8.5	7.0	2.1	1.7	1.4	1.5%	1.9%	2.5%
Pioneer Cement Ltd	PIOC	391	372	**SELL**	21.5	23.5	30.3	18.2	16.6	12.9	1.9	1.7	1.6	2.6%	4.0%	5.1%
Kohat Cement Company	KOHC	121	194	**BUY**	12.6	11.7	14.3	9.6	10.3	8.5	2.3	1.9	1.6	0.0%	0.0%	2.5%
Fauji Cement Company	FCCL	56	88	**BUY**	5.4	6.0	7.7	10.4	9.3	7.3	1.6	1.5	1.3	2.2%	3.6%	4.4%
D.G. Khan Cement	DGKC	248	389	**BUY**	19.8	23.6	29.2	12.5	10.5	8.5	1.1	1.0	0.9	0.8%	1.8%	3.4%
Power																
Hub Power Company	HUBC	221	196	**SELL**	39.8	40.2	44.1	5.6	5.5	5.0	1.2	1.0	0.9	6.8%	6.8%	6.8%
Nishat Power Limited	NPL	70	87	**BUY**	-2.1	4.0	3.7	-33.1	17.4	19.0	0.9	0.9	0.8	8.6%	3.6%	2.9%
Automobile Assembler																
Honda Atlas Cars	HCAR	276	444	**BUY**	19.0	25.8	27.7	14.6	10.7	10.0	1.7	1.5	1.4	2.9%	3.6%	4.0%
Indus Motor Ltd	INDU	1,990	3,966	**BUY**	292.7	333.6	340.8	6.8	6.0	5.8	2.0	1.7	1.5	8.8%	9.7%	10.1%
Oil & Gas Exploration																
Oil & Gas Development	OGDC	270	522	**BUY**	39.5	39.5	51.0	6.8	6.8	5.3	0.9	0.8	0.7	5.6%	6.3%	7.6%
Pakistan Petroleum Ltd	PPL	227	412	**BUY**	33.1	34.2	40.5	6.9	6.6	5.6	0.9	0.8	0.7	3.3%	4.6%	7.7%
Mari Petroleum Company	MARI	703	935	**BUY**	54.3	57.4	87.4	13.0	12.2	8.1	3.1	2.8	2.3	3.1%	3.3%	5.0%
Pakistan Oilfields Ltd	POL	609	850	**BUY**	85.1	89.4	106.3	7.2	6.8	5.7	2.2	2.1	2.1	12.3%	13.1%	14.8%
Chemical																
Engro Polymer & Chemicals	EPCL	33	28	**SELL**	-4.5	0.5	1.2	-7.4	65.8	28.1	1.3	1.3	1.2	0.0%	0.0%	0.0%
Textile																
Nishat Mills Limited	NML	179	318	**BUY**	17.1	15.9	28.0	10.4	11.2	6.4	0.4	0.4	0.4	1.1%	1.1%	2.0%
Nishat Chunian Limited	NCL	45	84	**BUY**	3.3	7.2	14.6	13.8	6.3	3.1	0.5	0.5	0.4	4.4%	4.4%	8.8%
Interloop Limited	ILP	77	122	**BUY**	3.8	8.0	13.3	20.2	9.7	5.8	2.0	1.7	1.5	1.3%	3.9%	5.8%
Banks																
Habib Bank Ltd	HBL	321	483	**BUY**	46.7	51.2	54.6	6.9	6.3	5.9	1.0	1.0	0.9	5.9%	6.5%	8.7%
MCB Bank Ltd	MCB	374	544	**BUY**	48.9	50.8	53.3	7.6	7.4	7.0	1.4	1.4	1.4	9.6%	9.6%	10.7%
United Bank Ltd	UBL	413	590	**BUY**	50.9	50.5	45.3	8.1	8.2	9.1	2.3	2.3	2.3	7.2%	7.8%	7.8%
Meezan Bank Ltd	MEBL	442	672	**BUY**	49.2	50.8	53.8	9.0	8.7	8.2	2.8	2.5	2.2	6.3%	6.3%	6.8%
Bank AL Habib Ltd	BAHL	186	266	**BUY**	28.6	29.3	33.6	6.5	6.3	5.5	1.2	1.1	1.0	8.6%	8.6%	9.7%
Bank Al Falah Ltd	BAFL	106	171	**BUY**	17.0	16.2	16.7	6.3	6.6	6.4	0.9	0.8	0.8	9.4%	9.4%	9.9%
Faysal Bank Limited	FABL	90	134	**BUY**	13.0	14.0	14.4	6.9	6.4	6.3	1.2	1.1	1.1	8.9%	8.4%	8.4%
Askari Bank Limited	AKBL	98	116	**BUY**	15.3	14.4	13.2	6.4	6.8	7.4	1.0	0.9	0.8	4.6%	5.6%	6.1%
Allied Bank Limited	ABL	182	334	**BUY**	29.1	30.8	33.0	6.3	5.9	5.5	0.8	0.8	0.7	8.8%	8.8%	11.0%
Inv. Banks / Inv. Cos																
Engro Holdings Ltd	ENGROH	235	351	**BUY**	45.3	50.7	55.0	5.2	4.6	4.3	1.4	1.1	1.0	1.1%	4.2%	8.5%
Fertilizer																
Fauji Fertilizer Company	FFC	585	801	**BUY**	58.8	66.7	68.1	10.0	8.8	8.6	5.3	4.6	4.0	7.1%	8.5%	8.5%
Engro Fertilizers Ltd	EFERT	222	264	**BUY**	18.1	21.7	22.1	12.2	10.2	10.0	6.4	6.6	6.3	8.3%	9.5%	9.5%
Fatima Fertilizer Company	FATIMA	151	175	**BUY**	21.8	23.7	21.8	6.9	6.4	6.9	1.8	1.5	1.4	5.6%	6.3%	5.6%
Technology																
Systems Limited	SYS	166	277	**BUY**	7.7	11.2	14.8	21.7	14.9	11.2	5.2	4.1	3.2	1.0%	1.5%	1.9%

Source: PSX & AKD Research

Key Risks

I. Intensifying political tensions and challenges may result in significant shifts in the political landscape, potentially leading to changes in leadership, policy direction, and overall governance structures

II. Volatility in global commodity prices, driven by intensifying geopolitical tensions and a subsequent rise in oil prices, could significantly increase the import bill, putting pressure on national finances. This, in turn, may fuel inflationary pressures

III. Climate change-induced flooding has the potential to severely impact the agricultural sector, disrupting crop production and food supply, which could lead to a slowdown in GDP growth and broader economic challenges.

IV. Non-compliance with IMF targets may lead to an early exit from the IMF program, halting financial inflows, destabilizing the currency, and exerting pressure on foreign reserves.

V. FBR's inability to meet revenue targets could result in further reductions in the PSDP budget, leading to decreased government spending on infrastructure and development projects.

VI. Decline in remittances could put significant pressure on the current account balance, exacerbating the country's trade deficit and straining foreign exchange reserves.

VII. Any upward revision in tariffs imposed by U.S. could negatively impact exports, leading to a widening trade deficit. This may also create pressure on currency stability as export revenues decline and foreign exchange reserves come under strain.

VIII. US-led restrictions on China could create challenges for the China-Pakistan Economic Corridor (CPEC), potentially disrupting trade and infrastructure projects, as well as complicating diplomatic and economic relations between the involved countries.

IX. Smuggling remains a significant threat to sectors such as refineries, tire manufacturing, and mobile phone production, as it undermines legitimate businesses, distorts market competition, and leads to revenue losses for both companies and the government.

X. Instability in Afghanistan, could lead to increase in terrorism, posing a security threat to the region, potentially destabilizing neighboring countries, disrupting trade routes, and increasing the risk of cross-border conflicts.

XI. Escalation of tensions with India could lead to heightened security risks, potential military confrontations, and a strain on diplomatic relations, which may negatively impact regional stability, trade, and economic cooperation.

XII. Legalization of cryptocurrencies as an asset class might divert investor flows away from equities toward cryptos

Source: AKD Research

Sector Outlook

Back to table of contents

AKD Securities Limited

Commercial Banks — Overweight

UBL	MEBL	MCB	HBL	BAFL	BAHL	FABL	ABL	AKBL
TP (PkR) 590	TP (PkR) 672	TP (PkR) 544	TP (PkR) 483	TP (PkR) 171	TP (PkR) 266	TP (PkR) 134	TP (PkR) 334	TP (PkR) 116

Pakistan's banking sector is poised to strengthen as moderating inflation and expected monetary easing boost credit growth and banking activity. Rising deposit inflows, supported by formalization of the economy, expanding digital payments, and steady remittance channels, will reinforce funding stability. Meanwhile, transitioning towards an Islamic banking framework and gradual recovery in private sector borrowings are expected to drive asset expansion. We maintain 'Overweight' stance on the sector, with MEBL, UBL, and HBL as our preferred picks.

Asset Base growth to outpace NIMs compression: The domestic banking sector has experienced deposit growth exceeding M2 supply by 161bps CYTD, and deposits are expected to continue outpacing M2 expansion. With robust deposit mobilization, improving CASA mix, and a gradual slowdown in investment growth, the sector's asset base is set to expand strongly, more than offsetting NIMs compression and ensuring sustained profitability. We expect SBP to maintain positive real interest rates of 4–5% going forward, with inflation anchored within its medium-term range, paving the way for a single digit policy rate in CY26. GDP growth is projected to recover from 3.0% in FY25 to 4.0% in FY26E, supported by reforms targeting agriculture, industry, exports, and digital expansion.

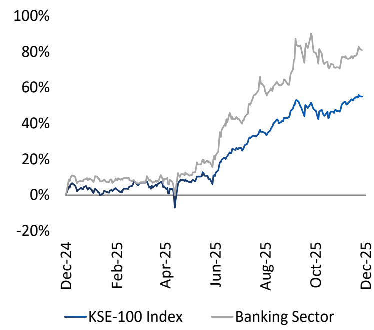
Islamic transition to enhance stability and competitiveness: Pakistan's full shift to Islamic banking by Jan'28 is set to strengthen sector funding, with deposit growth expected to remain robust given customers preference toward Shariah-compliant products. Islamic banks already enjoy a cost advantage under the MDR framework, passing on 75% of asset returns to depositors vs. a policy rate minus 1.5% floor for conventional banks. Moreover, the government's growing issuance of Shariah-compliant debt expands investment avenues and would ease balance sheet transition. Coupled with historically lower NPLs (2.9% vs. sector average 5.1%) and outsized deposit expansion (8.1x for Islamic banks since Mar'17 vs. 3.5x for conventional), the transition underscores the sector's capacity to deepen deposits, enhance asset quality, and build long-term resilience. Our projections incorporate full Islamic transition from 2031 onward, which would enhance NIMs for banks with larger deposit bases and higher savings proportions.

Digitalization and remittances to boost fee income: Fee-based income is expected to strengthen with growing digital adoption, formalization of the economy, and higher formal remittance inflows supported by revised incentive scheme. With currency in circulation set to decline and more flows channeled through banks, fee-based revenues would rise further. Reduced cash usage and initiatives like Raast P2M will boost digital transactions and float income, supporting deposit growth and revenue diversification. We expect AKD Universe's Non-interest income to grow at 5-yr CAGR of 7.4% during CY26-30E.

Banking Sector: Price Performance

	1M	6M	CYTD
Absolute (%)	6.3	53.8	68.0
Rel. Index (%)	0.6	12.5	20.5
Absolute (PkR)	5.7	41.2	47.5

Commercial Banks vs. KSE100



Source: PSX & AKD Research

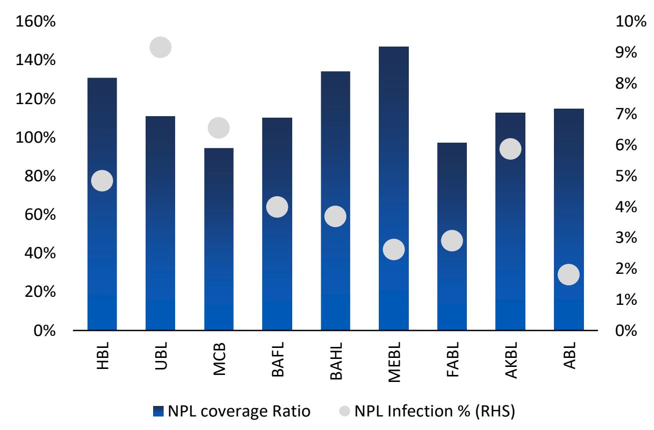
***Bank* - Valuations & Multiples**

(Year End Dec'31)	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Earnings Growth	83.0%	12.7%	2.0%	2.6%	1.4%	7.7%
P/E	8.7	7.7	7.6	7.4	7.3	6.7
ROE	24.0%	22.6%	20.0%	19.5%	18.8%	19.1%
ROA	1.4%	1.3%	1.1%	1.1%	1.0%	1.0%
P/B	2.1	1.7	1.5	1.4	1.4	1.3
Net Margins	27.4%	26.1%	24.5%	24.2%	23.4%	22.9%
Dividend Yield	5.3%	6.6%	7.3%	7.6%	8.4%	9.5%
ETR	51.4%	53.1%	54.3%	52.1%	52.2%	52.2%
ADR	41.9%	53.3%	35.4%	34.5%	34.1%	34.6%
IDR	86.5%	91.5%	103.9%	98.4%	91.6%	85.0%

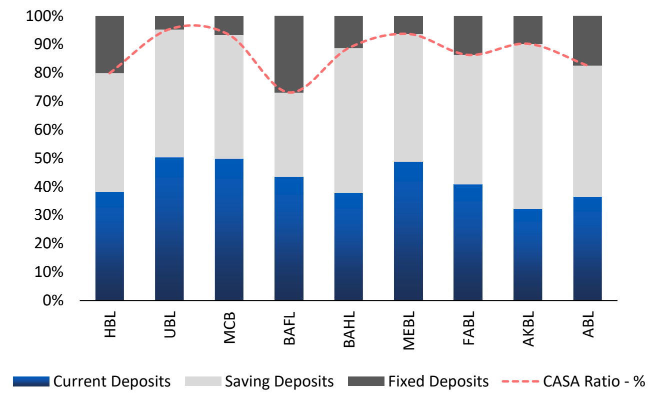
Source: PSX & AKD Research

Stable NIMs and deposit growth to strengthen sector outlook

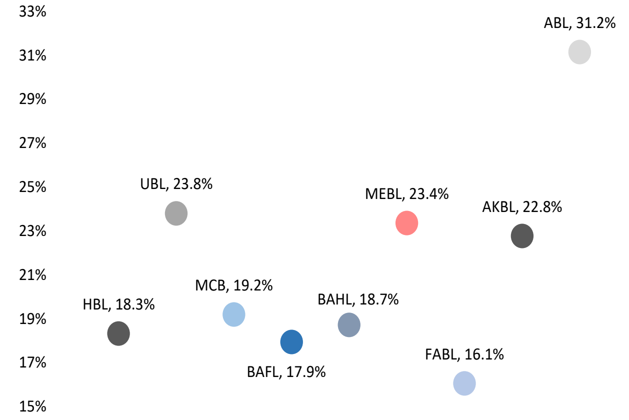
Loan infection is comfortably accounted for



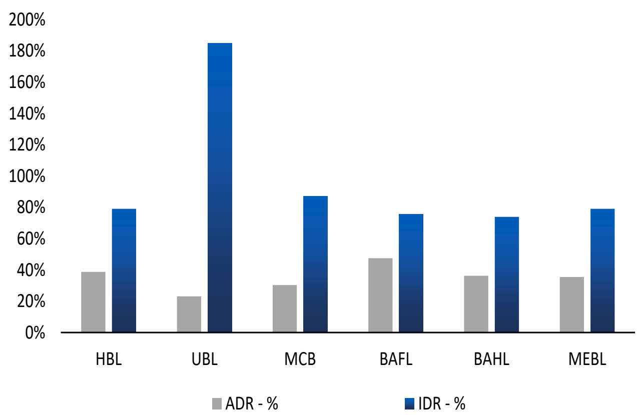
Deposit Composition vs. CASA ratio



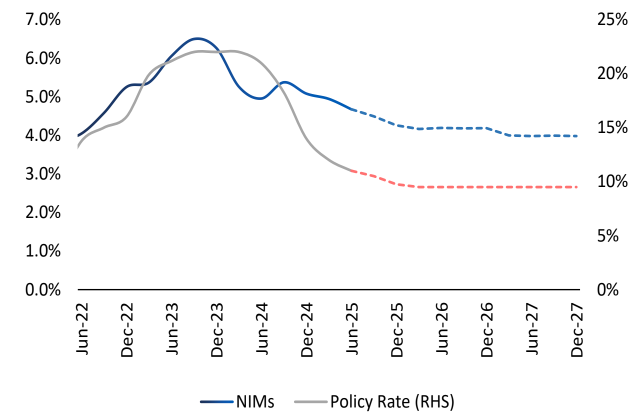
CAR comfortably above regulatory requirements



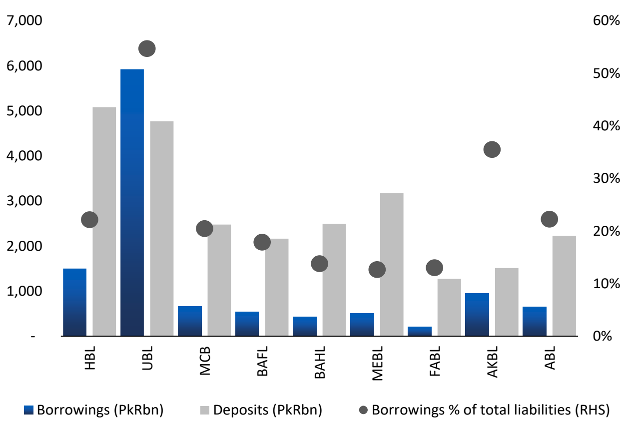
HBL and BAFL ADR is on the higher side



NIMs to follow the policy rate



UBL towers above the rest in terms of borrowings



Source: SBP, PSX and AKD Research

AKD Securities Limited

Fertilizer — Overweight

FFC	ENGROH	EFERT	FATIMA
TP (PkR) 801	TP (PkR) 351 *	TP (PkR) 264	TP (PkR) 175

We maintain 'Overweight' stance on fertilizer due to i) expected improvement in nutrient offtakes amid better agronomics, ii) ease in inventory to lower working capital, iii) healthy cashflows to continue higher payouts. FFC remains our top pick from the sector with Dec'26 TP of PkR801/sh.

Offtakes to recover on improving farm economics and pricing support: We expect urea offtakes to recover going forward, with CY26 offtakes projected to rise by 5% YoY to ~6.5mn tons, up from ~6.2mn tons in CY25. The recovery is expected to be driven by, i) improving farm economics supported by better crop yields and stable commodity prices, ii) provincial govt. support measures, and iii) continued discounting by manufacturers amid a supply-heavy market. To recall, urea offtakes declined by 4%YoY during 11MCY25, primarily due to weak farm economics and delayed sowing following floods.

Exports remain unlikely, inventory cooldown expected by next year: We expect the sector to continue facing elevated urea inventories in near term, as likelihood of exports remains slim. Urea inventories stood at ~1.2mn tons by end-Nov'25 and were ~1.4mn tons at the start of the current Rabi season, significantly above the required buffer stock of ~300k tons. The said surplus reflects stagnant domestic demand alongside elevated production levels, supported by continuous gas availability to RLNG-based plants. In absence of an export window, inventory normalization would take period of a year, keeping working capital high for EFERT and FATIMA.

Gas supply streamlining to ensure long-term sustainability: Sector is actively working toward long-term gas security. Pressure Enhancement Facility (PEF) on the Mari network, from FFC, EFERT, and FATIMA, is expected to be completed by CY26, with cumulative CAPEX of ~US$300mn. Furthermore, players without gas allocation, RLNG-based fertilizer plants and EFERT, are expected to receive gas allocation from Mari network, potentially by next year, with supply commencement anticipated from CY28 following an estimated US$200mn in incremental CAPEX. Notably, the gas allocation has been approved by ECC and requires other necessary approvals. With improved gas availability, sector's urea production capacity is expected to reach ~6.9–7.0mn tons annually, exceeding historical peak local demand and providing flexibility to support corporate farming initiatives over the medium term.

DAP margins to stay above historical avgs: We expect local DAP production economics to remain favorable, supported by stable gas availability and strong global pricing dynamics. DAP core margins are projected to average ~US$130/ton in CY26, before easing toward ~US$110/ton over the medium term. Core-margin strength is underpinned by restricted exports from Belarus and Russia, alongside rising global phosphoric acid demand. Notably, Russia, Ukraine, and Belarus collectively account for ~17% of global DAP exports, keeping global supply tight.

***Fertilizer* - Valuations & Multiples**

(Year End Dec'31)	CY23	CY24	CY25	CY26E	CY27E	CY28E
Earnings Growth	44.8%	64.0%	18.6%	14.1%	0.2%	2.2%
PE	4.0	4.6	9.4	8.3	8.3	8.1
ROE	34.4%	40.0%	40.6%	40.5%	36.2%	33.3%
ROA	12.8%	14.3%	16.3%	17.7%	16.6%	16.5%
P/BV	1.4	1.8	3.8	3.4	3.0	2.7
Gross Margins	34.1%	33.2%	36.0%	36.4%	36.6%	36.6%
EBITDA Margin	29.3%	27.6%	30.5%	30.7%	31.7%	31.2%
Net Margins	12.8%	14.6%	16.8%	17.8%	18.4%	18.3%
Dividend Yield	18.3%	15.0%	7.3%	8.4%	8.5%	8.4%

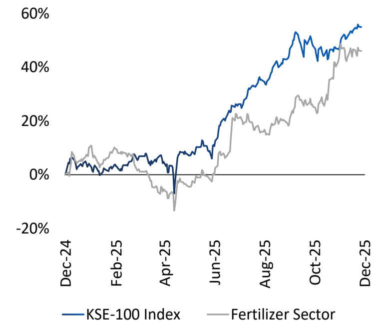
Source: PSX & AKD Research

Fertilizer Sector: Price Performance

	1M	6M	CYTD
Absolute (%)	0.2	47.1	44.0
Rel. Index (%)	-5.5	5.8	-3.5
Index Abs. (%)	5.7	41.2	47.5

Source: PSX & AKD Research

Fertilizer Sector vs. KSE100

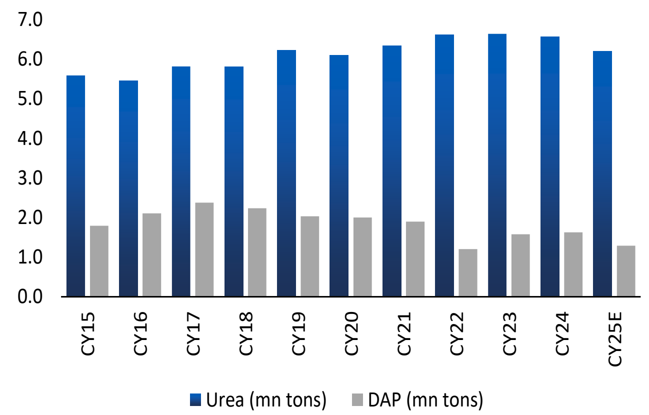


*Majorly tilted toward Fertilizer

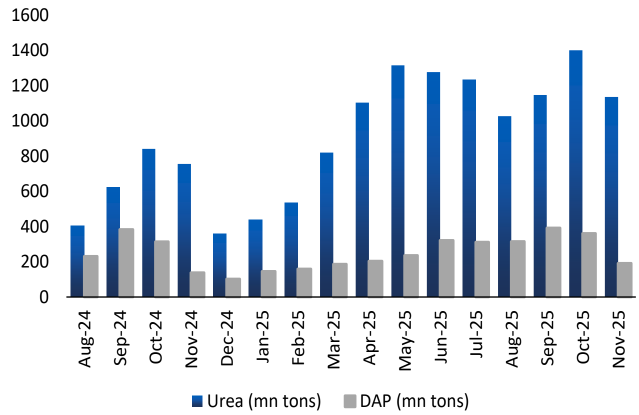
Source: PSX & AKD Research

Offtakes to recover on improving farm economics

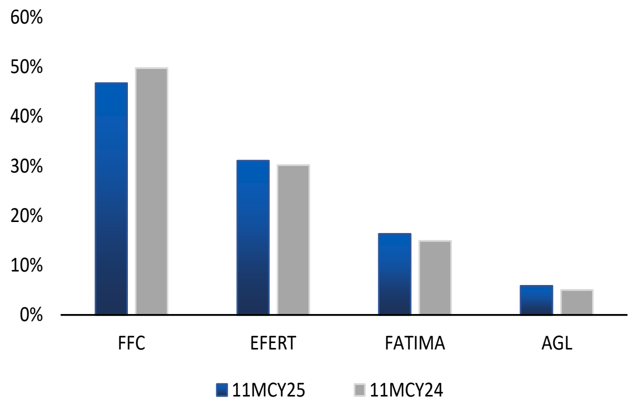
Nutrient offtakes remains contained in CY25



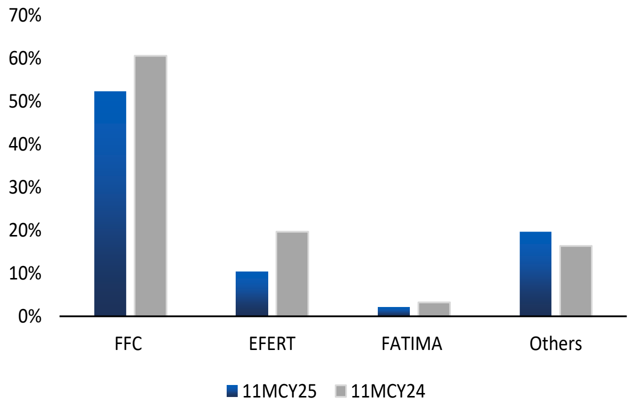
...taking urea inventory to multi-year high



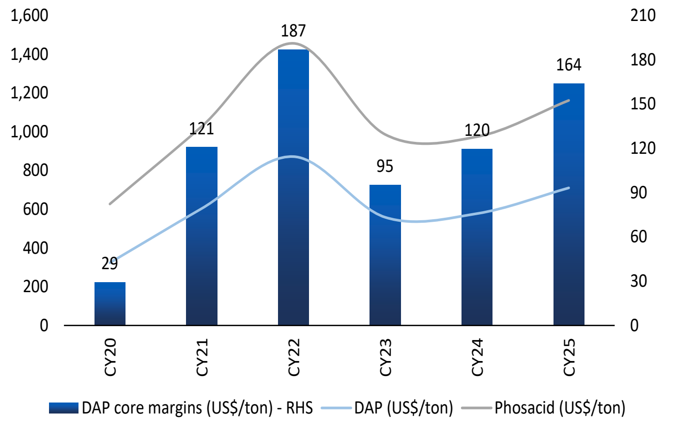
EFERT urea share recovered as it was impacted by turnaround in SPLY



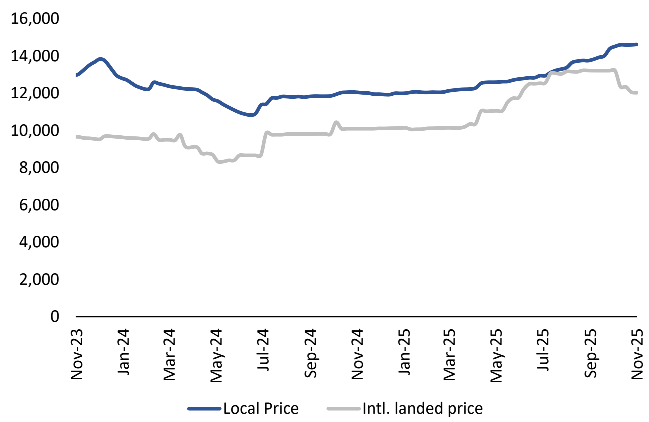
FFC DAP market share declined on recovery of private imports



DAP core margins remained higher on improved demand



...while eased recently on improvement in supply chain



Source: NFDC, PBS, Bloomberg, PSX & AKD Research

AKD Securities Limited

Oil & Gas Exploration — Overweight

MARI	OGDC	PPL	POL
TP (PkR) 935	TP (PkR) 522	TP (PkR) 412	TP (PkR) 850

Country's upstream energy sector is turning the corner, with improving liquidity to unlock exploration drive, higher production due to deferral of LNG cargos, revival of offshore licensing after two decades, and an overall improved security outlook, with these catalyst being supportive of an upward re-rating. We like OGDC and PPL, with Dec'26 target prices of PkR522/sh and PkR412/sh, respectively.

Fresh E&P activity to drive sector growth: E&P firms have scaled up capital expenditure with notable increases in both drilling and G&G pursuits. Notably, industry participants have struck 21 discoveries during FY25, up 40%YoY. Furthermore, drilling activity has remained consistent, with total 53 wells drilled (exploration/ development: 23/30) during FY25, compared to 59 in FY24. Finally, capex in E&P activities by the listed players has surged as well, estimated at US$534mn in FY25, up 35%/74% from US$394mn/US$307mn in FY24/FY23, respectively.

RLNG cancellations to resolve gas glut: Authorities have moved to curtail RLNG imports to address a gas surplus situation, cancelling 21 cargoes under Eni's 2017– 2032 agreement with Pakistan LNG Ltd (PLL), while retaining only peak winter deliveries for 2026–27. Importantly, the mentioned take-or-pay volumes have overshot demand as generation from local fuel and renewables have grown in the mix, causing pipeline pressure to breach safe limits for gas utilities. The deferral of cargoes, including PSO's agreement with Qatargas are expected to ease take-or-pay obligations, enabling E&Ps to sustain output which was previously curtailed due to system constraints.

Enhanced security situation to renew confidence: Security risks have remained a key variable, but recent developments suggest improving ground conditions, with SIFC is spearheading targeted investment protection frameworks in Balochistan and KPK, particularly around mineral assets. Furthermore, with Phase-II of the CPEC project in discussions and the initiation of economic activity through the Gwadar air and seaports, the semi-remote areas of the province are likely to see increased security measures in the near future.

Offshore awards reopen after two decades: Petroleum Division recently awarded 23 of 40 offshore blocks under the 2025 bid round, marking the first major offshore licensing activity in 18 years. The auctioned area spans ~53.5k sq. km, with Phase-I commitments of US$80mn, and potential up to US$750mn–1bn, with total 4,427 work units committed. The round drew strong participation from domestic and foreign E&Ps alike, including TPAO (Türkiye). During Phase-I, firms will carry out seismic and geological studies to assess hydrocarbon potential, after which, authorities will invite global oil producers to join the next exploration phase, with several already under dialogue with local partners.

***E&P* - Valuations & Multiples**

(Year End Jun'30)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Earnings growth	67.7%	6.4%	-20.8%	2.3%	30.0%	4.5%
P/E	6.8	6.4	8.1	7.9	6.1	5.8
ROE	22.3%	20.0%	14.5%	13.6%	16.0%	15.3%
ROA	15.7%	14.5%	11.0%	10.4%	12.4%	12.1%
P/BvS	1.5	1.3	1.2	1.1	1.0	0.9
Gross margin	67.1%	65.0%	59.8%	60.2%	61.9%	61.8%
EBITDA margin	80.9%	69.8%	68.6%	65.5%	65.8%	66.6%
Net margin	45.6%	44.0%	39.7%	38.5%	38.7%	39.4%
Dividend yield	2.8%	3.9%	3.9%	4.8%	6.6%	7.5%
ETR	39.4%	28.6%	35.4%	36.1%	36.4%	36.4%

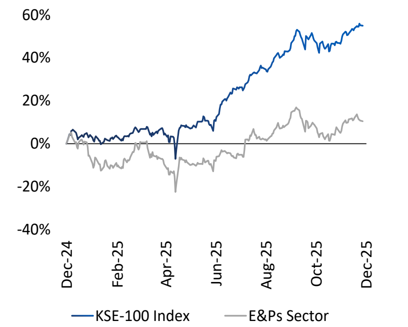
Source: PSX & AKD Research

E&P Sector: Price Performance

	1M	6M	CYTD
Absolute (%)	5.7	21.7	6.3
Rel. Index (%)	0.0	-19.5	-41.2
Index Abs. (%)	5.7	41.2	47.5

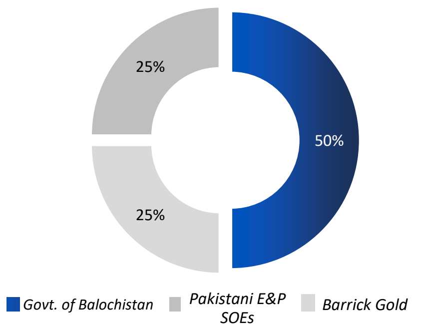
Source: PSX & AKD Research

E&P Sector vs. KSE100



Source: PSX & AKD Research

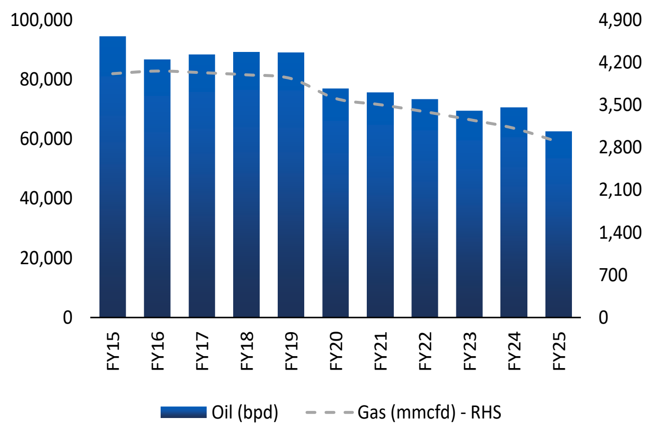
OGDC, PPL and GHPL collectively own 25% in Reko Diq Mining Project



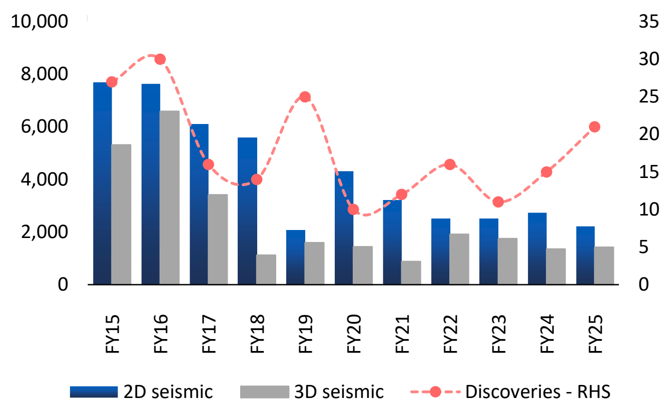
Source: BG Financials & AKD Research

Fundamental reforms under way in upstream oil and gas sector

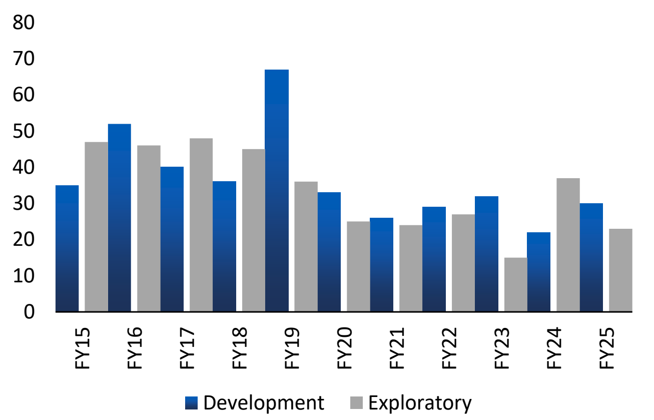
Oil and Gas production on a continuous decline



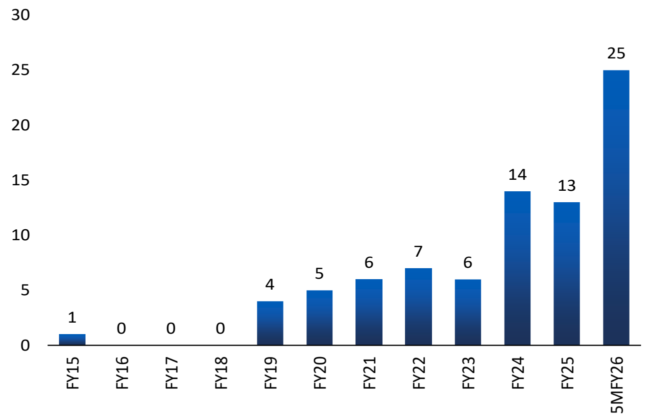
Exploration activity set for revival ahead (sq. km)



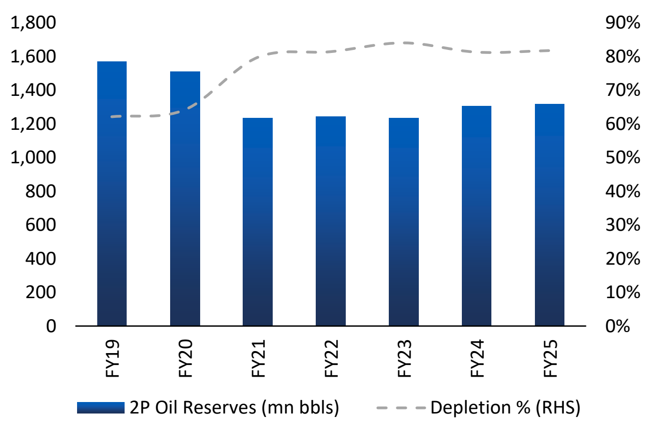
Drilling activity showing signs of recovery as cash flows improve



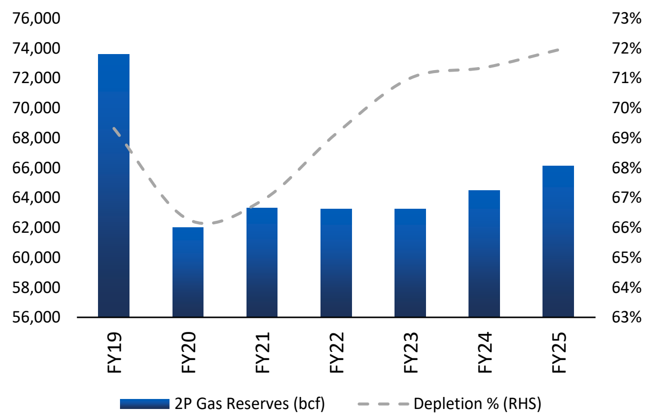
Surge in award of exploration licenses



Oil Reserves show slight uptick as of Jun'25



Gas Reserves have followed the same trend



Source: PPIS, OGRA, PSX & AKD Research

Cement — Overweight

LUCK	FCCL	KOHC	CHCC	PIOC	MLCF	DGKC
TP (PkR) 731	TP (PkR) 88	TP (PkR) 194	TP (PkR) 640	TP (PkR) 372	TP (PkR) 157	TP (PkR) 389

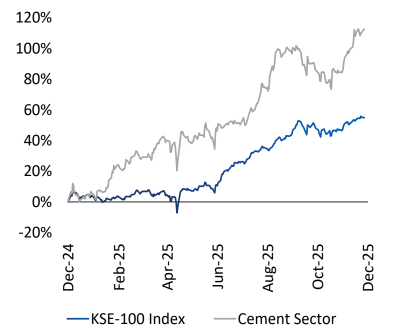
AKD Securities Limited

Cement Sector: Price Performance

	1M	6M	CYTD
Absolute (%)	12.9	43.9	87.7
Rel. Index (%)	7.2	2.6	40.2
Index Abs. (%)	5.7	41.2	47.5

Source: PSX & AKD Research

Cement Sector vs. KSE100 Index



Source: PSX & AKD Research

Cement sector in Pakistan is on track for a rebound in FY26, with domestic sales projected to grow by 8.7%YoY, driven by a significant reduction in interest rates and increased government spending on development projects. Demand is further buoyed by incentives for the housing sector and improving macroeconomic conditions. Moreover, a reduction in debt levels and lower financing rates are also expected to boost profitability within the sector. Given the favorable combination of these factors, we continue to maintain an 'Overweight' rating for the sector.

Local rebound to lift dispatches: We anticipate domestic cement dispatches to rise by 8.7%YoY in FY26 and 8.0%YoY in FY27, primarily fueled by a recovery in domestic construction activity, following a reduction in interest rates. The decline in cement demand was largely experienced during previous years, due to persistent weakness in the real estate sector and a slowdown in construction activity, given i) elevated construction cost, ii) higher financing rates, and iii) muted public development spending. Looking ahead, improvement in farmer income, coupled with pent-up demand from the past four years, is expected to result in recovery during FY26 and beyond, supported by i) recovery in private construction amid easing construction cost and lower financing rates, ii) revival of CPEC Phase-II, and iii) improvement in agricultural income with higher expected yields post-flood.

Easing Coal & Power cost to boost margins: We anticipate gross margins for cement companies under the AKD universe to remain robust, primarily supported by a 17% YoY decline in international coal prices and a 9%YoY reduction in grid electricity tariffs in FY26. Moving forward, we anticipate Int'l coal prices to remain US$90/85/ton during FY26/FY27, respectively. These said developments are likely to strengthen the sector's profitability, especially for players like MLCF, FCCL, DGKC, PIOC, and KOHC given their higher reliance on coal and grid for energy needs.

Debt levels on decline: We anticipate AKD Cement universe's finance cost to decline by 45%YoY in FY26, given falling financing rates coupled with decrease in outstanding debt. Notably, AKD Cement universe Finance cost to EBITDA decreased to 9% in FY25 from 16% in FY24, amid heightened focus on repaying expansion related borrowing, where AKD Cement universe total debt has reduced by 16%YoY as of Sep'25.

Investment Perspective: We maintain an 'Overweight' stance on the Pakistan cement sector, with expectations of a meaningful recovery in FY26 driven by monetary easing, fiscal support, and improving macroeconomic conditions. Domestic offtakes are projected to grow by 8.7%YoY to 39.7mn tons in FY26, supported by a sharp decline in interest rates, alongside further room for rate cut and sharp increase in PSDP. In our view, the alignment of macro, monetary, and fiscal levers makes the cement sector an attractive space for investment, with a cyclical upswing expected to materialize over the next 12 months. Though, price indiscipline remains key risk for the sector profitability.

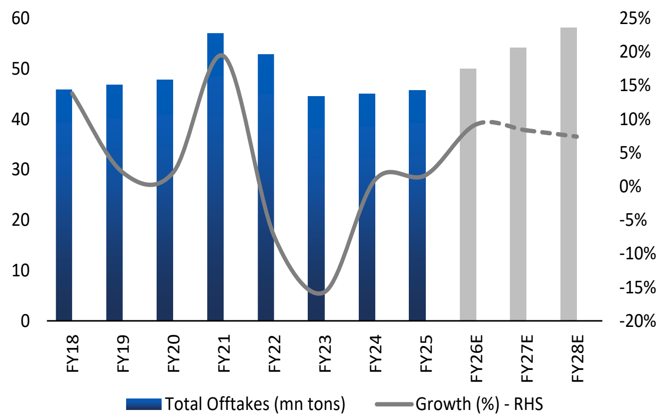
***Cement* - Valuations & Multiples**

(Year End Jun'30)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Earnings Growth	-6.7%	75.3%	44.8%	11.4%	24.9%	18.9%
PE (x)	11.1	21.4	14.8	13.3	10.6	8.9
P/Bv (x)	1.0	2.9	2.5	2.1	1.8	1.6
EV/EBITDA	4.3	9.5	7.4	6.5	5.0	4.0
ROE	8.8%	13.6%	16.6%	15.8%	17.2%	17.7%
Gross Margin	25.7%	30.0%	34.0%	33.4%	35.8%	37.4%
Net Margin	9.0%	14.4%	19.8%	20.9%	23.2%	24.4%
D/E (x)	0.4	0.3	0.2	0.2	0.1	0.1

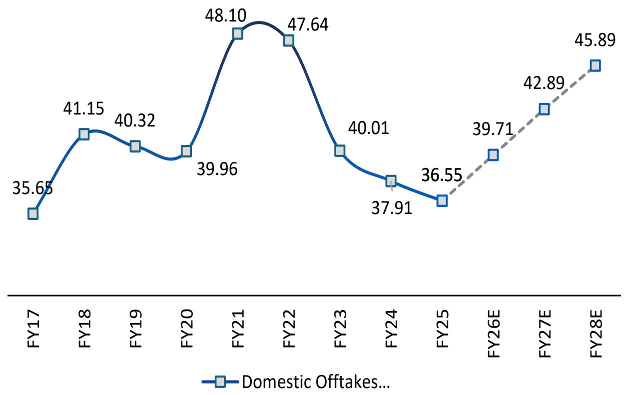
Source: PSX & AKD Research

Economic recovery with eased coal prices to support earnings

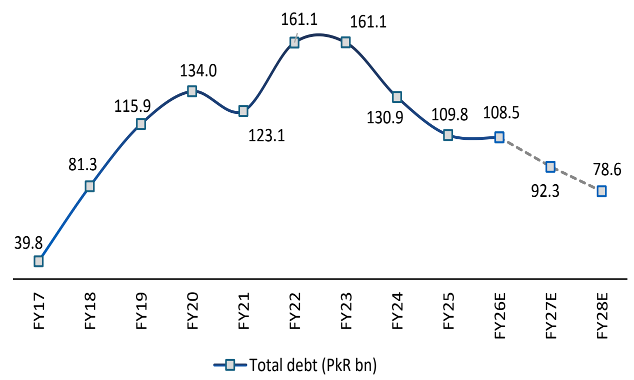
Cement offtakes to increase by 9%YoY in FY26



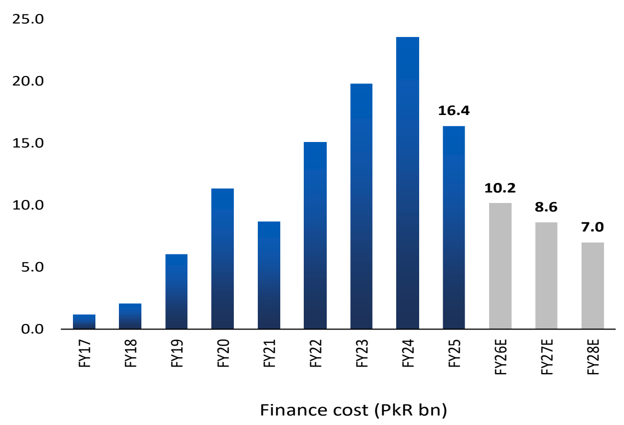
...with domestic sector growth leading the charge (mn tons)



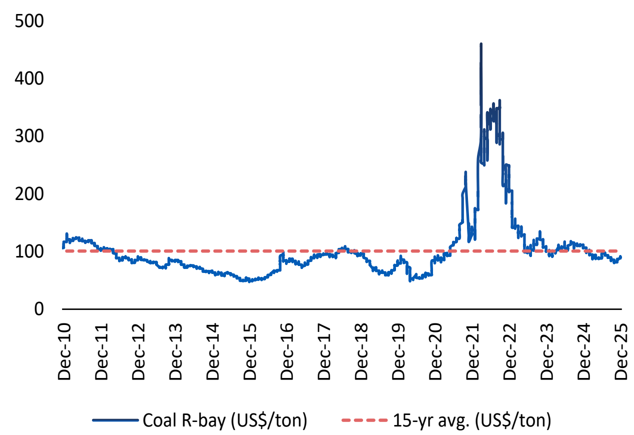
AKD cement universe debt declines by 15%YoY during FY25



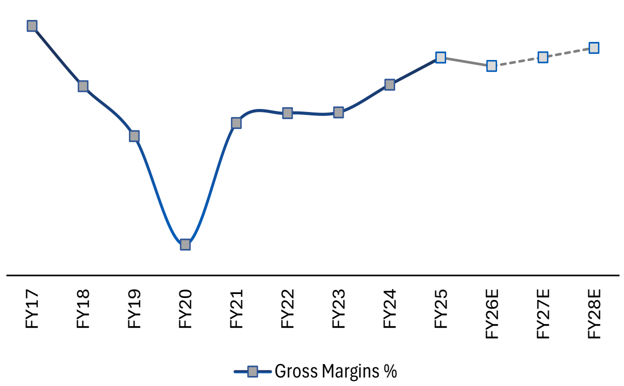
While finance cost to decline by 30%YoY in FY26



Coal prices fall below long term average in FY25



Gross margins to improve given pick-up in cement prices



Source: APCMA, PBS, Bloomberg, PSX, & AKD Research

Technology — Overweight

SYS
TP (PkR)
277

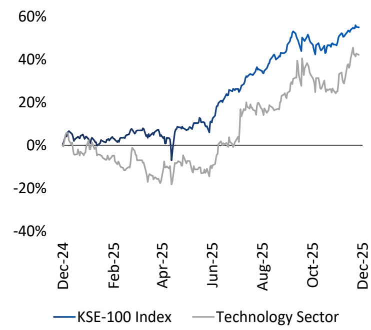
AKD Securities Limited

Technology Sector: Price Performance

	1M	6M	CYTD
Absolute (%)	13.2	58.7	34.2
Rel. Index (%)	7.6	17.5	-13.3
Index Abs. (%)	5.7	41.2	47.5

Source: PSX & AKD Research

Technology Sector vs. KSE100 Index



Source: PSX & AKD Research

We maintain an 'Overweight' outlook on the IT sector supported by i) accelerating global and regional technology spending, ii) strong demand for AI-driven data center infrastructure, iii) rising software and digital transformation investments across the MENA region, iv) government-led initiatives promoting startups, digitalization, and IT exports, and v) easing wage pressures as regional visa restrictions slow overseas talent outflow. SYS stands out as our recommended pick with Dec'26 target price PkR277.0/sh.

Tech spending to accelerate Rising investment in data center infrastructure, especially driven by the rapid integration of artificial intelligence, is expected to be the key force behind global IT sector expansion. As organizations navigate inflation, geopolitical uncertainty, and tighter operating environments, technology is increasingly being adopted to enhance efficiency and lower business costs. In line with these trends, global IT spending is expected to rise by 7.9%YoY in 2025, reaching approximately US$5.4tn compared to US$5.0tn in the prior year, as per Gartner. Meanwhile, the country's IT exports recorded an 18%YoY increase, climbing to US$3.8bn in FY25.

MENA region mega projects to boost IT spendings: MENA region is anticipated to remain at the forefront of the global IT boom, with IT spending in the region expected to rise by 8.9%YoY to US$169bn in 2025, up from US$155bn in 2024, as per Gartner. This growth would primarily be driven by a substantial 37%YoY increase in data center systems spending to US$13bn, along with a 14%YoY rise in software spending to US$20.5bn. The surge in IT investment is closely tied to major upcoming regional initiatives and events, including Saudi Vision 2030 with the NEOM City project, the Riyadh Expo 2030, Qatar's National Vision 2030, and the FIFA World Cup 2034.

Government push for IT investment and entrepreneurship: Actively advancing its Vision of Digital Pakistan, Government of Pakistan is driving a series of transformative initiatives aimed at enhancing the country's digital landscape and attracting investment. A key component of this vision is the Pakistan Startup Fund (PSF), a government-backed initiative designed to support the growth of startups by facilitating investments from both global and local venture capital (VC) firms. The PSF offers equity-free capital or grants, covering 10%- 30% of the total investment made by VCs in specific funding rounds. With government contribution of PkR2bn, the fund aims to catalyze PkR50bn within the Pakistani startup ecosystem.

Visa curbs to ease pay pressures: Moderation in compensation growth is expected, as the recent visa restrictions in MENA region have reduced overseas opportunities for Pakistani IT professionals. In the past, higher salaries in these markets forced local firms to raise pay to retain talent. With mobility now limited, the pressure to match MENA-level compensation has eased, and is anticipated to boost gross margins.

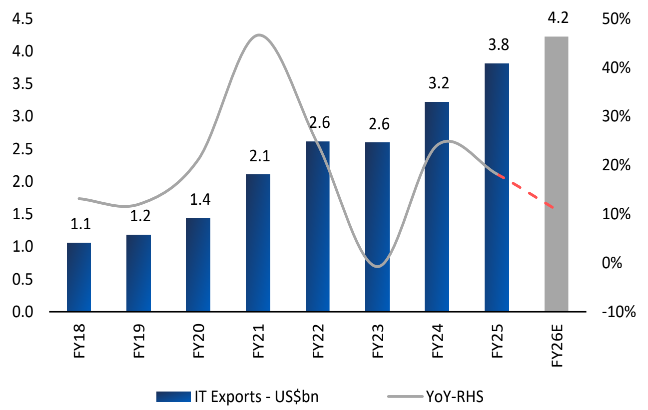
***Technology* - Valuations & Multiples**

(Year End Dec'31)	CY23	CY24	CY25E	CY26E	CY27E	CY28E
EPS (PkR)	5.9	5.1	7.7	11.2	14.8	19.7
EPS Growth	31.1%	-14.1%	51.3%	46.0%	32.6%	32.8%
PE	14.9	17.2	21.7	14.9	11.2	8.4
ROE	26.9%	19.3%	23.8%	27.4%	28.3%	29.8%
ROA	17%	13%	17%	19%	20%	21%
DPS	1.2	1.2	1.8	2.5	3.3	6.0
Dividend Yield	1.4%	1.4%	1.1%	1.5%	2.0%	3.6%
Bv	22.0	26.3	32.2	40.9	52.5	66.2
P/Bv	4.0	3.3	5.7	4.1	3.2	2.5

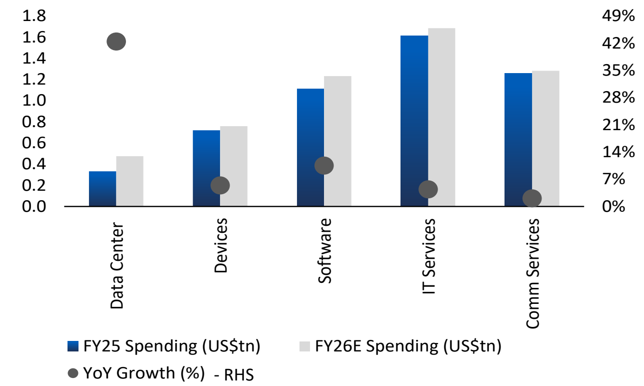
Source: PSX & AKD Research

Increasing global IT spending to surge exports

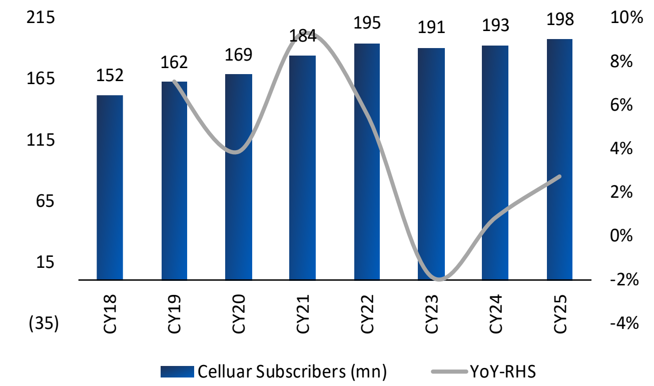
IT exports on the rise



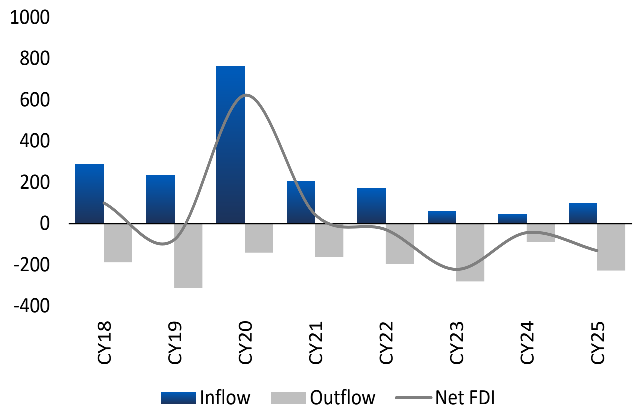
With surge in global IT spending



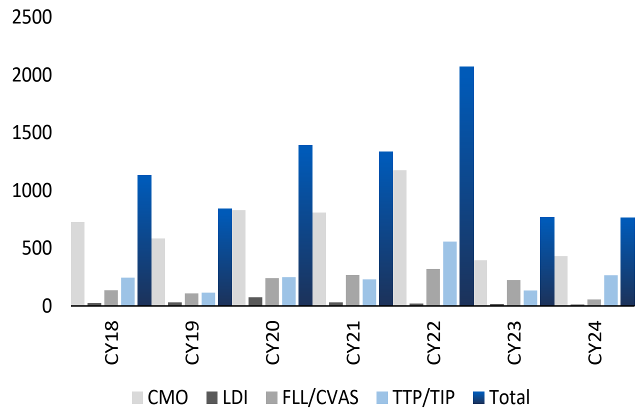
Annual mobile cellular subscribers witness resurgence



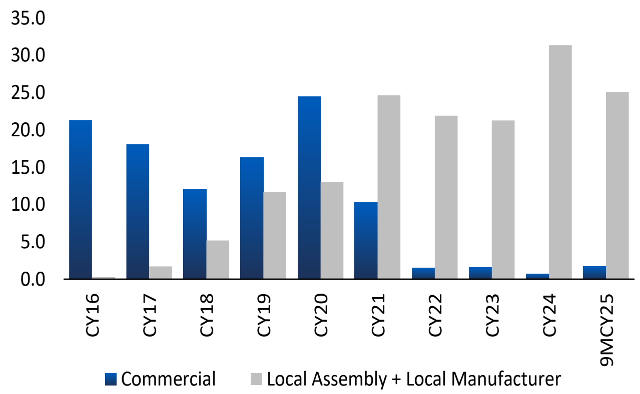
…while FDI registers net outflow in Telecom sector (US$ mn)



Investment by Telecom Industry remains subdued (US$mn)



Local assembly reduces dependence on commercial imports (mn)



Source: SBP, PTA & AKD Research

AKD Securities Limited

Oil & Marketing — Overweight

PSO TP (PkR) 900

APL TP (PkR) 760

Pakistan's OMC sector is strengthening, driven by circular debt relief, fuel demand recovery, margin hikes and early EV infrastructure investment. Stronger macro tailwinds and anti-smuggling actions further support fundamentals. We like PSO and APL with Dec'26 target prices of PkR900/sh and PkR760/sh, respectively.

Circular debt unwind to strengthen cash flows: Ongoing bi-annual gas price revisions have lifted tariffs toward cost-recovery levels for the listed fuel suppliers (PSO, OGDC, PPL), while the inclusion of RLNG diversion subsidies in Sui companies' revenue requirements since early CY24 positions PSO as a key beneficiary as well. Moreover, the recent PkR1.23tn refinancing of overdue power circular debt is expected to cascade through to OMCs under our coverage, with PSO and APL's exposure as of 1QFY26 standing at PkR67bn (PkR143/sh) and PkR1.2bn (PkR9.7/sh) through GENCO and Attock Gen Ltd, respectively. Separately, the deferral of 24 RLNG cargoes annually under the QatarGas arrangement should materially ease PSO's working capital needs, benefiting through lower finance costs and reduced cash-flow strain from historically weak gas receivables from SNGPL.

Demand recovery gaining traction: OMC sector volumes are entering a second consecutive year of growth, with 5MFY26 and FY25 sales up 1%/7%YoY, respectively. We project full-year sector growth of ~5%YoY, underpinned by improving macro momentum (FY26/27 GDP growth of 4.0%/4.1%), softer crude oil prices supporting transport fuel affordability, and a strong recovery in auto sales (industry/passenger cars up 40%/48% in 5MFY26). Furthermore, incremental support from tighter anti-smuggling enforcement (for HSD) and an expected rebound in agricultural activity. However, upside to HSD demand may be capped by ongoing rollout of solar-powered agricultural tube wells.

OMC margins to rise by PkR1.22/liter: Authorities have approved a PkR1.22/liter increase in regulated OMC margins in early Dec'25, with 50% implemented immediately and the balance linked to digitalization milestones aimed at end-to-end fuel traceability via GPS and digital tracking. Accordingly, effective Jan'26, margins would rise to PkR8.48/liter. Upon full implementation, OMC margins will reach ~3.5% of MS/HSD prices—the highest since Jan'17. Higher margins are positive for sector working capital, supporting retail capex and reducing reliance on borrowings—particularly beneficial for PSO given historical cashflow constraints tied to gas receivables, while for APL this underpins improved payout capacity.

Companies making headway into EV infrastructure: PSO and APL are accelerating their push into Pakistan's nascent EV charging ecosystem. PSO, via its renewable arm, has partnered with HUBCO Green to roll out a nationwide 4-wheeler charging network and is set to launch Battery Energy Storage Solutions (BESS) across commercial segments. The company is also collaborating with NEECA on EV policy formulation, reinforcing its green energy positioning.

***OMCs* - Valuations & Multiples**

(Year End Jun'30)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Earnings growth	-82.7%	63.8%	5.5%	31.1%	18.7%	20.0%
P/E	15.7	9.6	9.1	6.9	5.8	4.9
ROE	6.9%	10.3%	10.0%	11.7%	12.5%	13.5%
ROA	1.7%	2.7%	2.9%	4.0%	4.7%	5.6%
P/B	1.1	1.0	0.9	0.8	0.7	0.7
Gross margin	2.5%	2.8%	3.0%	3.3%	3.2%	3.3%
EBITDA margin	1.1%	1.4%	1.7%	2.1%	2.2%	2.4%
Net margin	0.4%	0.7%	0.8%	1.1%	1.1%	1.3%
Dividend yield	2.4%	2.9%	2.8%	3.2%	4.9%	7.2%
ETR	59.5%	53.9%	55.1%	50.7%	49.6%	48.7%

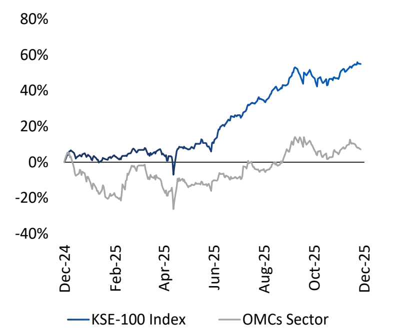
Source: PSX & AKD Research

OMC: Price Performance

	1M	6M	CYTD
Absolute (%)	2.4	20.0	2.4
Rel. Index (%)	-3.2	-21.2	-45.1
Index Abs. (%)	5.7	41.2	47.5

Source: PSX & AKD Research

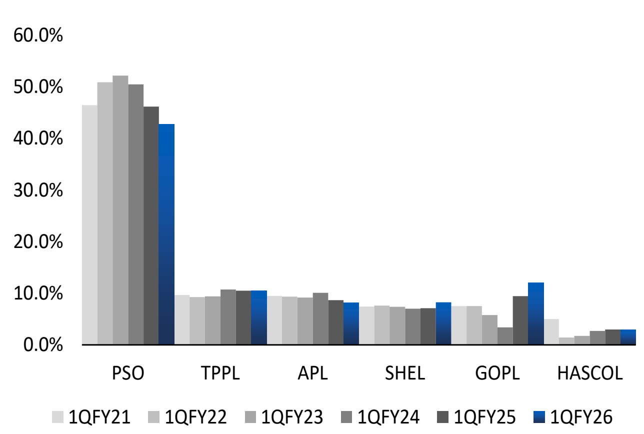
OMC Sector vs. KSE100 Index



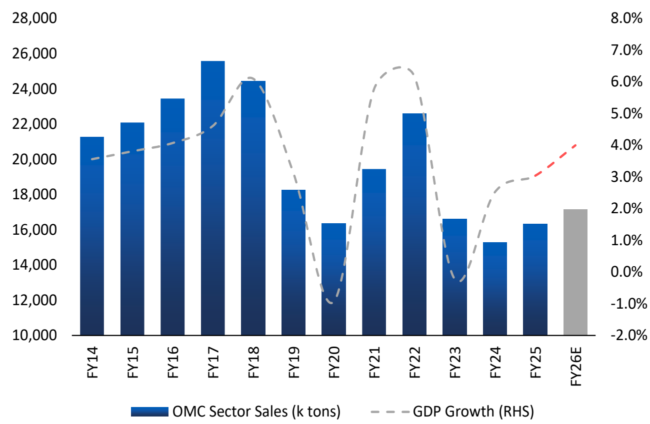
Source: PSX & AKD Research

Economic revival to boost OMC sales

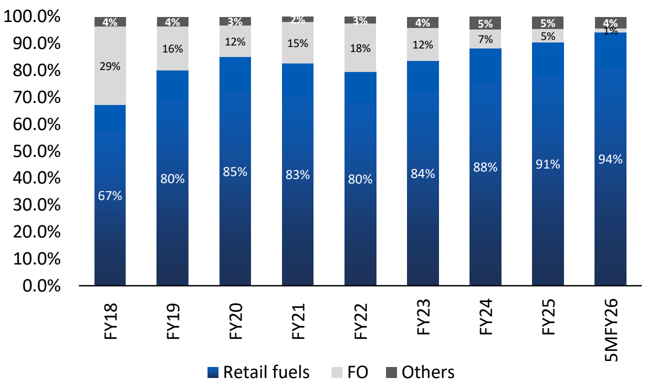
1QFY historical market share trends



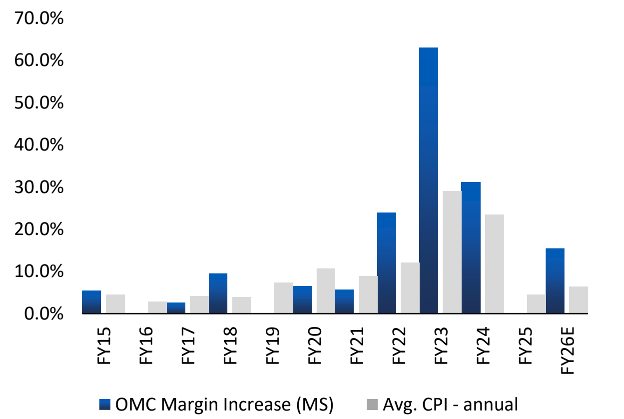
OMC volumes to recover as GDP growth improves



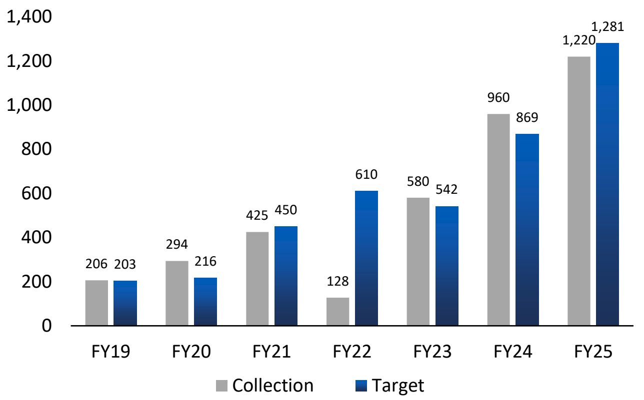
Dominance of retail fuels has increased over the years



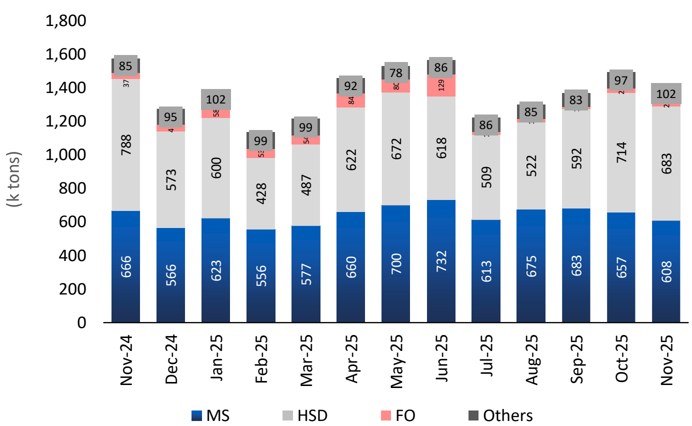
Regulated margin increases have largely followed NCPI trends



PDL collection to remain strong (PkRbn)



Volumes recovered in recent months following price stability



Source: OGRA, MoF, OCAC & AKD Research

Automobile — Overweight

INDU TP (PkR) 3,966

HCAR TP (PkR) 444

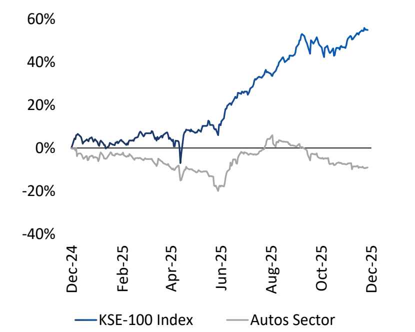
AKD Securities Limited

Automobaile Sector: Price Performance

	1M	6M	CYTD
Absolute (%)	-1.2	11.3	-8.8
Rel. Index (%)	-6.8	-30.0	-56.3
Index Abs. (%)	5.7	41.2	47.5

Source: PSX & AKD Research

Automobile Sector vs. KSE100 Index



Source: PSX & AKD Research

We have an 'Overweight' stance on the sector due to expected recovery in volumes. We project 24%/20%YoY growth in the auto sector for FY26 and FY27; owing to i) lower financing rates, ii) currency stability to support demand, and iii) stable CRC and HRC prices. We prefer 'INDU' with Dec'26 target price of PkR3,966/sh. We anticipate INDU to capture a major chunk of the HEVs market moving forward, with the anticipated launch of Hybrid variant in it's flagship product 'Corolla' and 'Hilux'.

Monetary easing to fuel auto upswing: We project 24%/20%YoY growth in the auto sector for FY26 and FY27, respectively, within the Passenger Car & LCV segment, primarily supported by a broad-based revival in economic activity as interest rates continue to normalize. Policy rates have already eased to 10.5%, down sharply from the historic high of 22% in Jun'24, restoring and improving affordability. This monetary easing has translated into a strong rebound in auto demand, with sector sales rising 48%YoY during 5MFY26, driven by the 10th consecutive month of growth in auto financing. The combined impact of lower borrowing costs, improving macroeconomic indicators, and renewed customer sentiment places the sector on a robust recovery trajectory heading into FY26–27.

Currency stability supports demand: Stability in the domestic currency has helped keep car prices in check during 1HFY26, and we expect this trend to persist. A relatively stable exchange rate is likely to prevent any meaningful pressure on OEM input costs, supporting stronger gross margins. At the same time, stable vehicle prices should help preserve affordability, thereby reinforcing demand momentum as the sector continues to recover. Furthermore, predictable pricing dynamics improve consumer confidence and reduce deferred purchasing decisions.

Tractor and truck sales to ramp up: The Punjab government has announced a Green Tractor Scheme and High Power Tractor Program, under which 20,000 tractors will be provided to farmers at subsidized rates. This initiative is expected to meaningfully uplift tractor sales in FY26 by improving farm-level affordability and accelerating mechanization. In addition, the Strategic Investment Facilitation Council (SIFC) is encouraging the development of corporate farming through land leasing arrangements, which should further stimulate demand for high-horsepower tractors. Meanwhile, demand for trucks is also anticipated to strengthen, supported by the government's enforcement of axle load regulations and increased availability of financing under the Kamyab Jawan Scheme, both of which are likely to encourage fleet upgrades across the logistics sector.

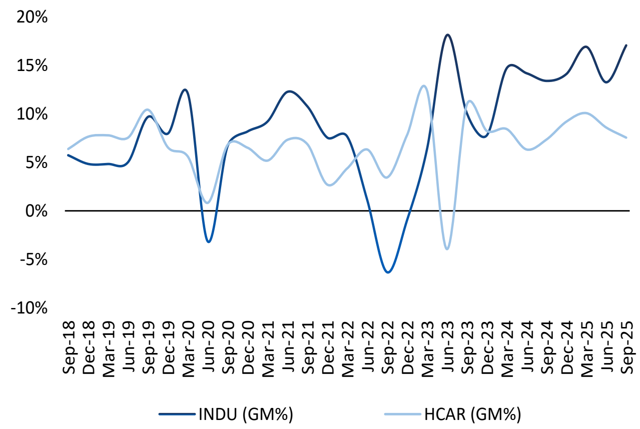
Automobile **- Valuations & Multiples**

(Year End Jun'30)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue growth	-38.2%	-14.8%	40.9%	22.7%	24.4%	11.5%
NPAT growth	24.5%	71.4%	16.4%	4.7%	4.9%	2.8%
P/E	6.4	5.1	6.7	6.4	6.1	5.9
P/B	1.2	1.5	2.0	1.7	1.5	1.3
ROA	8.5%	13.5%	12.4%	11.3%	10.5%	10.0%
ROE	18.6%	28.8%	29.5%	26.2%	24.7%	22.8%
Gross margin	6.7%	15.1%	16.8%	17.8%	15.6%	14.3%
EBITDA margin	6.1%	12.9%	16.0%	16.4%	13.8%	13.4%
NPAT margin	7.6%	15.3%	12.7%	10.8%	9.1%	8.4%
Unit sales growth	-57.9%	-29.2%	52.0%	25.7%	16.0%	9.5%

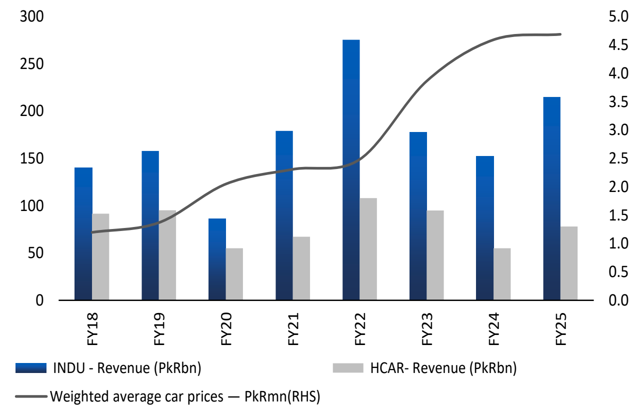
Source: PSX & AKD Research

Stable currency to uphold margins

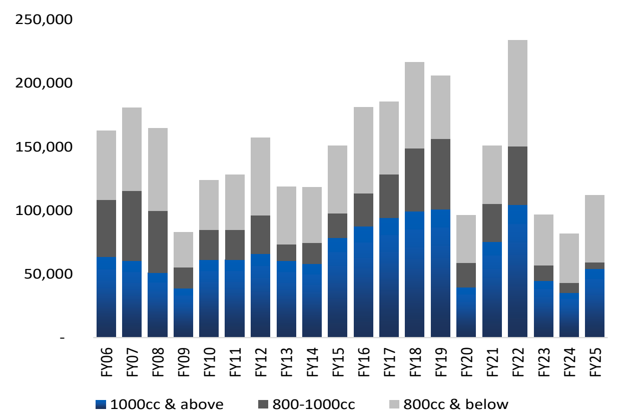
OEM's margins on the rise amid stable currency



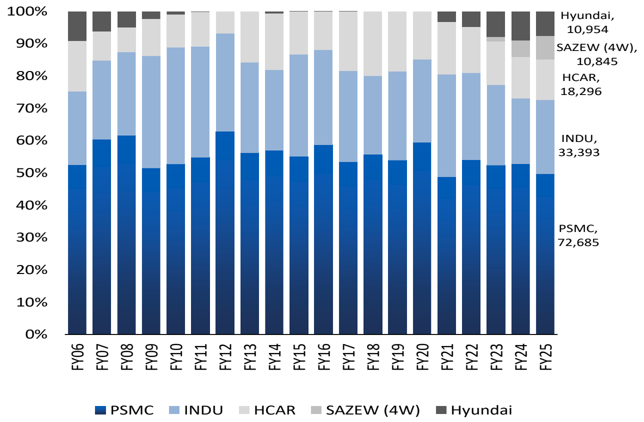
OEM revenue surges due to higher prices



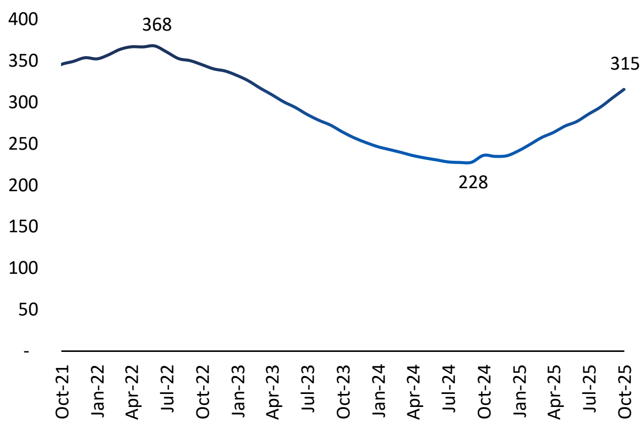
Economical segments lead growth (units)



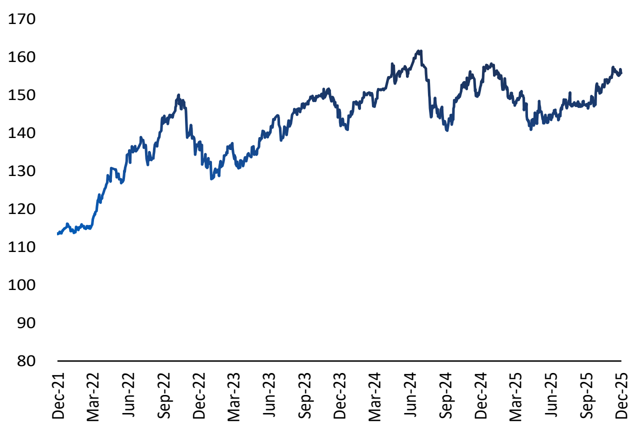
OEM market share remains volatile amid competition



Auto financing shows growth for tenth consecutive months (PkRbn)



Appreciating JPY to uphold high price levels (US$/JPY)



Source: SBP, Bloomberg, PAMA, PSX & AKD Research

AKD Securities Limited

Textile — Overweight

ILP	NML	NCL
TP (PkR) 122	TP (PkR) 318	TP (PkR) 84

We have an 'Overweight' stance on textile sector due to i) expected gradual recovery in exports, ii) easing input prices, iii) monetary easing. Moreover, we expect lower competitive tariffs present opportunity to capture market share from countries with higher tariffs.

Exports to continue gradual recovery, led by value-added segment: We expect textile exports to continue a gradual recovery trajectory, with FY26 value-added exports projected to rise by 7%YoY to US$15.8bn. The recovery is expected to be driven by higher volumes in the value-added segment, which should more than offset the decline in non-value-added textile exports. However, international pricing is expected to remain under pressure due to increased export concentration following the implementation of U.S tariffs, partially offsetting the benefit of volumetric growth. To highlight, textile exports increased 3%YoY to US$7.8bn during 5MFY26, led by a 5% YoY rise in value-added exports, while non-value-added exports declined by 9%YoY.

Lower competitive tariffs present opportunity: We expect the competitive structure U.S tariffs presenting opportunity to materially improve textile exports, given expected lower competitive tariffs compared to regional peers, including China, Vietnam, Bangladesh and India. This coupled with declining energy cost, our exporters are now better positioned to leverage their available capacity and enhance market share. Notably, textile exports to the U.S. account ~27% of Pakistan's total textile exports (US$4.7bn in FY25).

Lower cotton prices to support margins and ease working capital: We expect input cost to ease further in FY26, providing support to gross margins amid softer export pricing. International cotton prices are projected to remain below US¢76/lb in FY26, down 5%YoY, as global cotton production is expected to exceed mill consumption for the second consecutive year. On the domestic front, cotton production is expected to remain largely flat, with slight yield improvement offsetting a decline in the sowing area. As a result, we expect local cotton prices to average ~PkR15.7k/maund in FY26, down 10%YoY.

Easing energy cost to further support margins: We believe a decline in RLNG and coal prices would provide additional support to energy cost, thereby supporting gross margins. RLNG prices are expected to decline in FY26, while international coal prices are projected to ease to ~US$90/ton. Moreover, increasing reliance on alternative energy sources, including biomass and solar, is expected to structurally lower energy costs for key textile players. While the govt's recently announced incremental electricity package is supportive, we expect its impact on sector profitability to remain modest. Moreover, easing policy rate is expected to keep finance cost of the sector in check.

***Textile* - Valuations & Multiples**

(Year End Jun'30)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Earnings growth	4.0%	-27.1%	-46.7%	52.4%	72.8%	22.1%
PE	2.5	5.1	13.4	9.8	5.7	4.7
ROE	20.3%	12.0%	5.5%	7.6%	11.9%	13.2%
ROA	8.6%	5.2%	2.4%	3.5%	5.8%	6.9%
P/Bv	0.5	0.6	0.7	0.7	0.7	0.6
Gross Margins	20.6%	17.7%	14.7%	16.6%	19.0%	19.8%
EBITDA Margin	19.2%	16.8%	13.1%	14.2%	16.3%	16.7%
Net Margins	9.5%	5.6%	2.8%	4.0%	6.1%	6.9%
ETR	15.1%	23.4%	43.0%	38.0%	36.6%	36.8%
Dividend yield	12.3%	7.1%	1.6%	3.0%	4.7%	5.9%

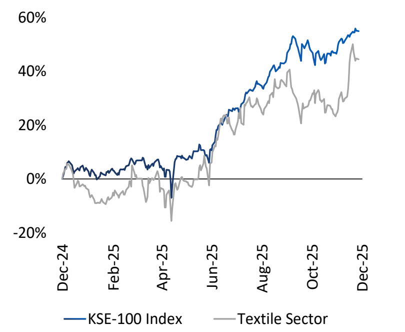
Source: PSX & AKD Research

Textile Sector: Price Performance

	1M	6M	CYTD
Absolute (%)	13.9	33.9	34.5
Rel. Index (%)	8.3	-7.3	-13.0
Index Abs. (%)	5.7	41.2	47.5

Source: PSX & AKD Research

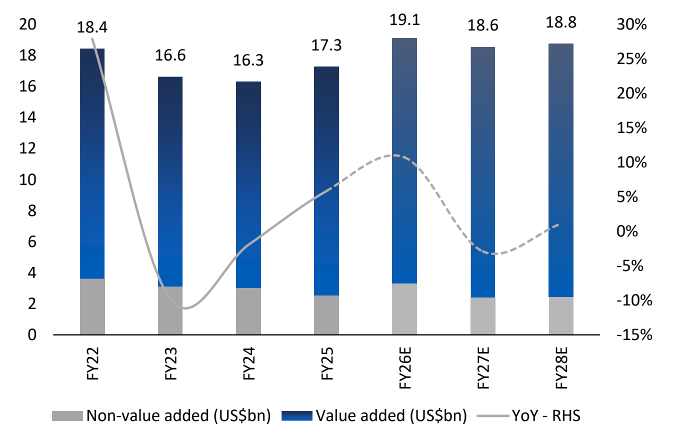
Textile Sector vs. KSE100 Index



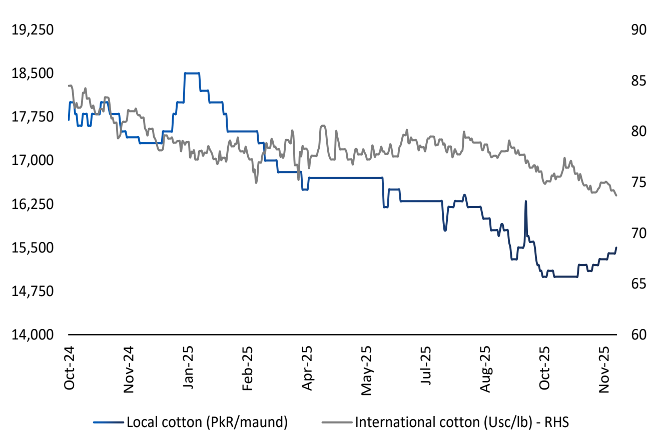
Source: PSX & AKD Research

Easing cotton price to support margins

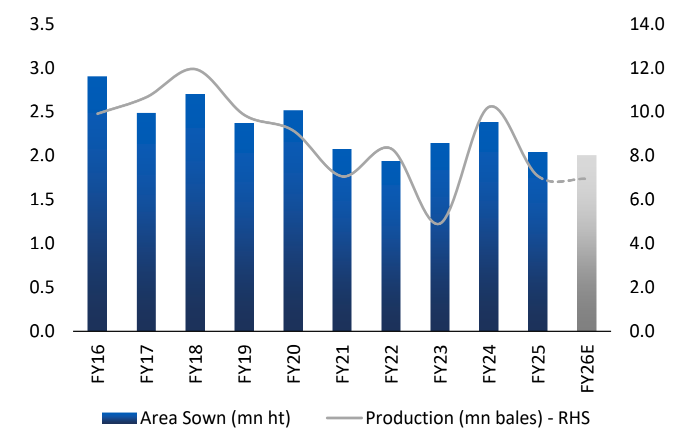
Textile exports to witness gradual growth



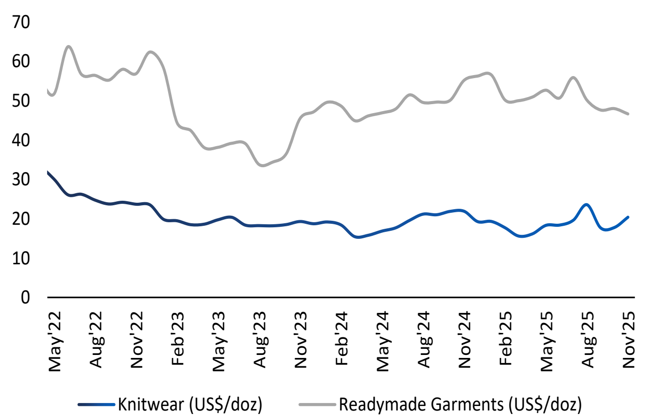
...while declining cotton prices to support margins



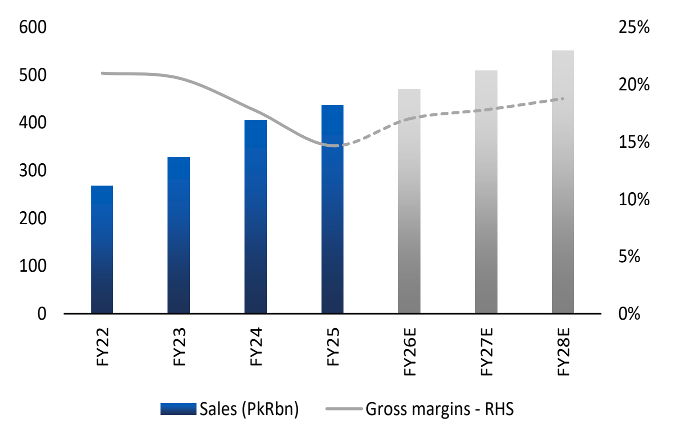
Local cotton production to remain flat with stagnant sowing area



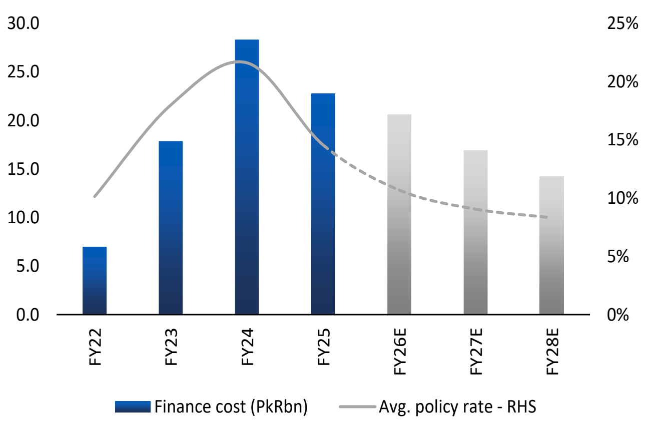
International export prices under pressure



Sector's gross margins to recover with easing cotton prices



With declining finance cost amid lower policy rate



Source: APTMA, PBS, PSX, KCA, PCCA, Bloomberg & AKD Research

Chemical — Underweight

EPCL
TP (PkR)
28

AKD Securities Limited

We maintain our 'Underweight' stance on chemical sector due to muted profitability owing to persistant lower core margins and higher gas price. Core margins are expected to recover going forward though recovery to be time lagged.

Margin recovery to be time-lagged amid global oversupply: We expect recovery in core margins of chemical sector to remain time-lagged, keeping profitability of commoditized chemical businesses under pressure in the near term. Notably, significant expansion in global chemical capacities, coupled with subdued demand growth amid slower industrial activity, has weighed heavily on pricing and margins across key product chains. While demand is expected to recover by 6%/5%YoY in FY26/FY27, respectively, supply-side overhangs are likely to delay a meaningful margin normalization.

PVC margins to improve, though still below historical avgs: We expect PVC–ethylene core margins to expand by ~12%YoY to an average of US$345/ton in CY26, although still below the long-term average of ~US$400/ton. The improvement is expected to be driven by stabilization in PVC prices, supported by a gradual recovery in global housing and construction activity. Meanwhile, ethylene prices are expected to ease due to oversupply from new cracker capacity additions in Asia. Over the medium term, we expect PVC–ethylene margins to revert toward historical avgs as global supply-demand dynamics normalize.

PTA margins to remain under pressure on persistent oversupply: We expect PTA–PX core margins to remain under pressure, averaging below the historical levels of ~US$110/ton, as capacity additions in China and India continue to outpace downstream demand growth. Notably, PTA prices have declined to an avg of ~US$650/ton in CYTD, compared to US$750/ton in CY24, reflecting surplus inventories and weak demand, particularly from China. Meanwhile, PX prices have remained volatile, averaging ~US$836/ton in CYTD. Consequently, PTA–PX core margins have compressed to ~US$95/ton in CYTD, below the CY23/24 averages of ~US$100/105 per ton. We expect a modest recovery in margins during CY27, with a more meaningful mean reversion likely post-CY27, contingent on supply rationalization.

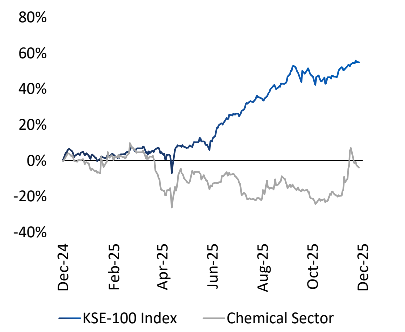
Energy cost pressures to weigh on profitability: Recent upward revisions in gas tariff, along with the imposition of levies on captive gas, have materially strained margins across the chemical sector, particularly for energy-intensive processes such as chlor-alkali production. Notably, process gas tariffs have been increased to ~PkR2,300/mmbtu, from PkR2,150/mmbtu in SPLY, while captive gas costs have effectively risen to ~PkR4,000/mmbtu, inclusive of levies. Moreover, conversion to grid power remains operationally challenging for sensitive chemical processes, limiting their cost pass-through flexibility.

Chemical Sector: Price Performance

	1M	6M	CYTD
Absolute (%)	14.9	7.2	-11.8
Rel. Index (%)	9.3	-34.0	-59.3
Index Abs. (%)	5.7	41.2	47.5

Source: PSX & AKD Research

Chemical Sector vs. KSE100 Index



Source: PSX & AKD Research

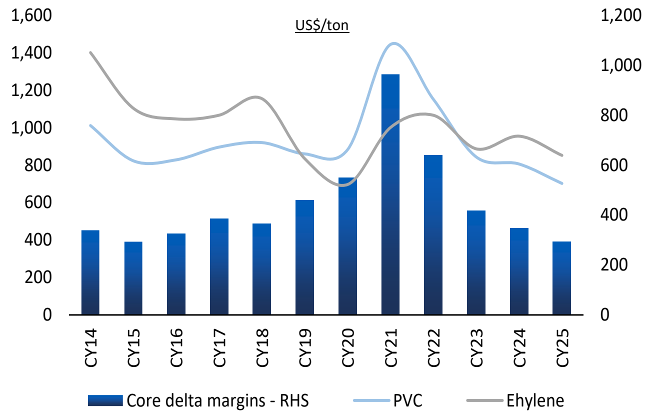
Chemical **- Valuations & Multiples**

(Year End Dec'31)	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Earnings Growth	-23.6%	-101.8%	25.4x	-114.9%	134.0%	96.5%
PE	6.0	-233.3	-7.4	65.8	28.1	14.3
ROE	29.0%	-0.6%	-17.6%	1.7%	4.1%	8.8%
ROA	9.1%	-0.2%	-3.9%	0.4%	1.0%	2.3%
P/Bv	1.4	1.4	1.3	1.3	1.2	1.1
D/E	1.1	1.5	2.1	1.9	1.8	1.6
D/A	0.4	0.4	0.5	0.4	0.4	0.4
Gross Margin	25.5%	8.7%	6.7%	10.5%	12.0%	13.9%
Net Margin	11.0%	-0.2%	-5.3%	0.7%	1.6%	2.8%

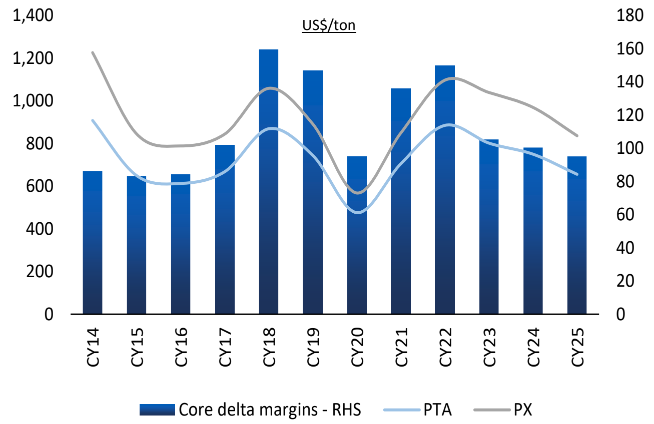
Source: PSX & AKD Research

Chemical core margins contracted on oversupply

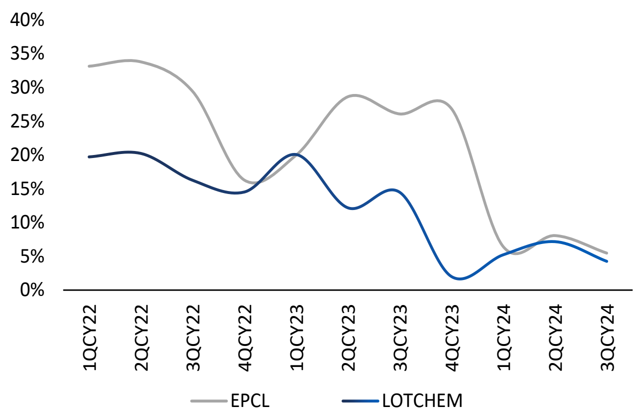
PVC core margin continue to ease in CY25



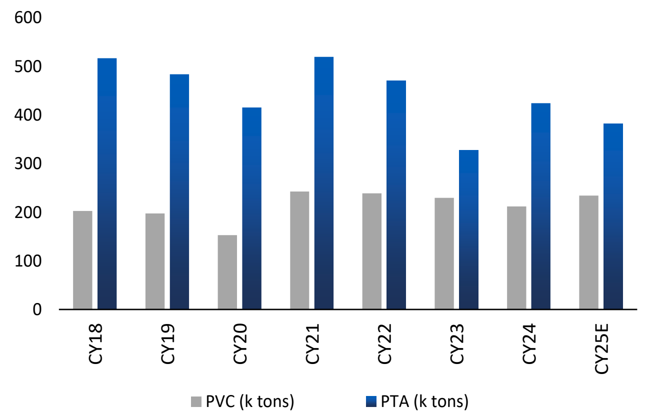
PX-PTA core margins also on continuous decline



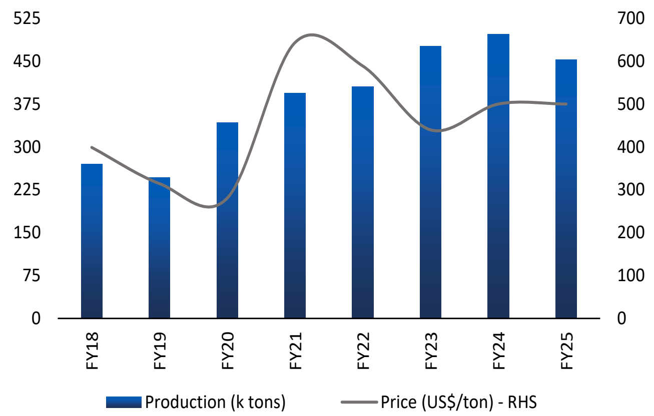
Gross margins followed core-margins trend



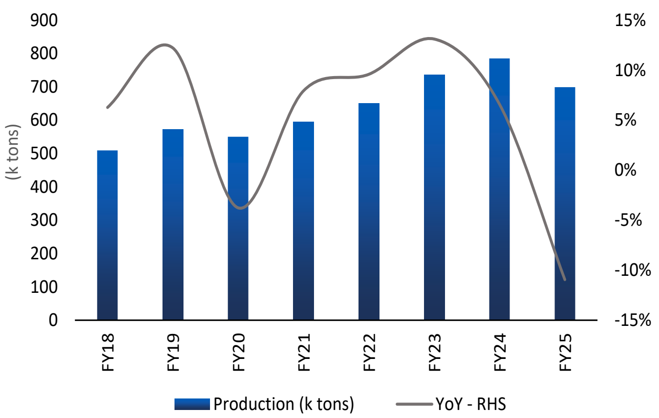
...despite recovery in production volumes



Caustic soda demand declined amid increase in prices



...while soda ash demand contracted with economic slowdown



Source: PBS, Bloomberg, PSX & AKD Research

Steel — Market Weight

MUGHAL
TP (PkR)
142

ISL
TP (PkR)
151

AKD Securities Limited

Domestic steel industry has shown early signs of recovery after a prolonged downturn, where steel scrap imports have surged by 58%YoY during 4MFY26, while steel manufacturing as per PBS have stood modestly down by 3.4%YoY largely due to production losses from two major players currently undergoing financial restructuring. Encouragingly, country's large scale manufacturing has turned positive, as domestic output led by autos, appliances and construction have risen by 8.3%YoY during Oct'25, majorly led by i) declining inflation, in-turn stimulating decline in policy rate to stimulate demand revival, ii) infrastructure outlays i.e. PSDP set at PkR4.2tn for FY26, led by civil works and dam projects, iii) soft global steel prices to keep working capital needs to a minimum, iv) duty rationalization on scrap steel and HRC, and iv) incremental electricity package to support margins.

Early signs of demand normalization: Domestic steel production is showing measured recovery, with major listed players reporting double-digit growth in local offtakes during 1QFY26. This recovery comes after a weak FY25, where domestic output declined 8.7%YoY amid elevated financing costs and subdued economic activity, with billet production estimated reported at ~3.8mn tons (down 22%YoY). Notably, demand for flat steel has begun to improve, led by a pickup in two-wheeler and passenger car sales (up 33%/43%YoY) and rising appliance demand, while HRC/CRC prices have firmed towards ~PkR200k/ton (ex-GST). Additional support has come from the imposition of 10% sales tax in FATA/PATA starting FY26 and stricter anti-dumping enforcement on coated products (galvalume). For long products, global rebar prices remain at multi-year lows (~US$450/ton), implying landed costs of ~PkR220k/ton, below the GST floor price of PkR242k/ton set by the FBR, supporting contractor margins and stimulating construction activity.

Policy tailwinds strengthen domestic competitiveness: Recent regulatory measures are geared toward restoring a level playing field for local producers, led by withdrawal of generous tax exemptions which encouraged grey imports from frontier regions. As part of the FY26 budget, GST on FATA/PATA imports has been raised to 10% (from 0%) and is scheduled to increase further to 16% by FY29. In parallel, customs duties on key raw materials have been rationalized, with ACD on steel scrap reduced to 0% (from 2%), easing input cost pressures. The Federal Budget FY26 has also introduced a PkR5bn mark-up subsidy for housing finance alongside tax incentives for low-cost housing, aimed at stimulating construction activity.

Margin expansion driven by cost reliefs: Bottomline performance across the steel sector is improving, led by reductions in both energy and financing costs. Under the 'Roshan Maeeshat' power package, industrial electricity tariffs have been lowered to PkR22.98/kwh from ~PkR35/kwh, as power typically accounts for ~7-10% of total cost for steel producers. On the financing side, monetary easing in recent years have resulted in easier working capital financing and raw material imports.

***Steel* — Valuations & Multiples**

(Year End Dec'31)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Earnings growth	-35.3%	-19.2%	-55.4%	182.6%	50.7%	10.4%
P/E	5.6	8.8	24.1	12.0	7.8	7.1
ROE	14.9%	11.5%	4.7%	11.9%	15.9%	15.8%
ROA	6.8%	5.0%	2.1%	5.1%	7.5%	7.8%
P/B	0.8	1.0	1.1	1.4	1.2	1.1
Gross margin	14.1%	10.1%	8.9%	12.2%	13.4%	13.2%
EBITDA margin	11.3%	7.9%	7.1%	9.9%	11.3%	10.9%
Net margin	4.9%	3.5%	1.7%	4.7%	6.1%	6.4%
Dividend yield	9.1%	4.8%	1.8%	3.4%	5.2%	5.7%
ETR	26.6%	-6.3%	33.7%	34.9%	29.3%	29.3%

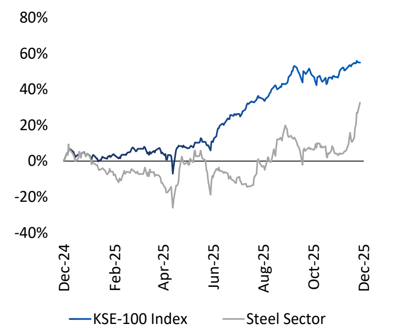
Source: PSX & AKD Research

Steel Sector: Price Performance

	1M	6M	CYTD
Absolute (%)	21.9	38.8	15.3
Rel. Index (%)	16.2	-2.4	-32.2
Index Abs. (%)	5.7	41.2	47.5

Source: PSX & AKD Research

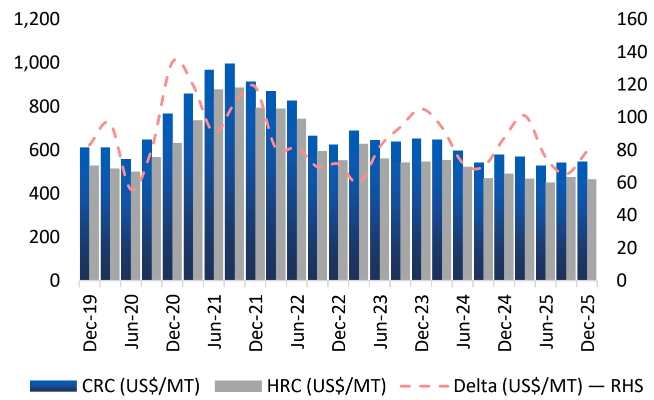
Steel Sector vs. KSE100 Index



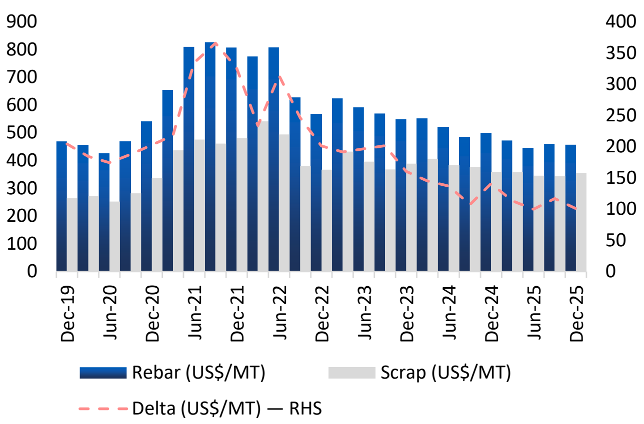
Source: PSX & AKD Research

Steel to rebound on construction revival

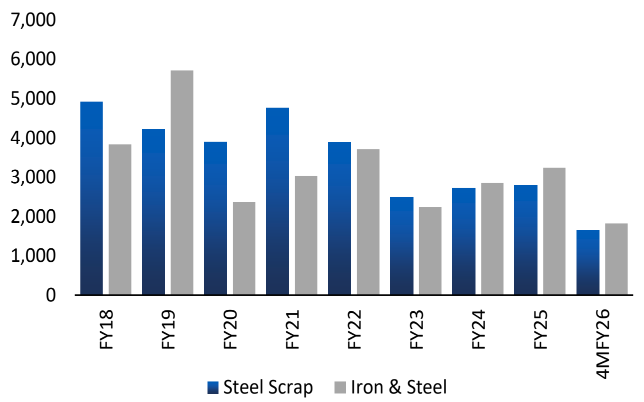
Global flat steel prices at multi-year lows



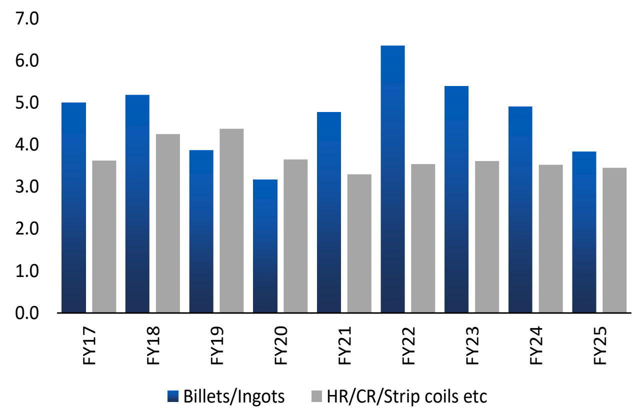
...with long-steel prices undergoing similar fate



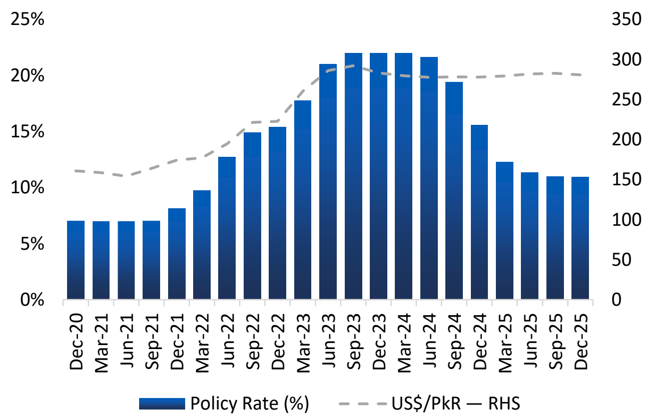
Iron and Steel production set to recover in FY26



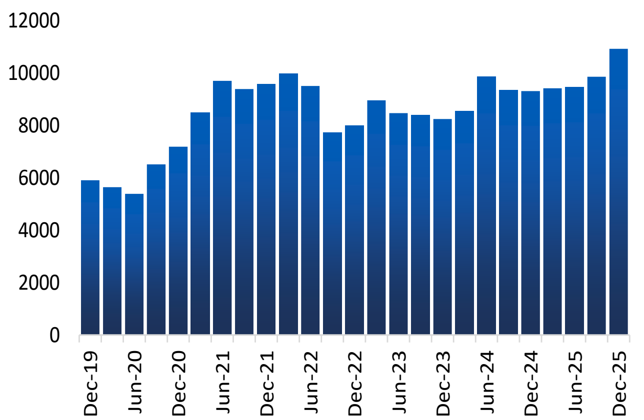
Long steel volumes saw a subdued FY25



Policy rate decline and a stable US$/PkR to aid engineering sector



Copper prices continue to surge higher (US$/ton)



Source: PBS, Bloomberg, PSX and AKD Research

Preferred Stock

Back to table of contents

Fauji Fertilizer Company Ltd. (FFC)

Structural cost advantage to sustain superior returns

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
585.3	1,423.1	832,874.4	2.9	1,576.6

FFC continues to benefit from cheaper gas to its base plants, translating into structurally higher margins compared to peers. In addition, the expected recovery in nutrient offtakes, driven by improving farm economics, is likely to support higher sales volumes and easing discount intensity, further strengthening profitability. Moreover, company's strong balance sheet positions it well to pursue value-accretive expansion opportunities, unlocking incremental growth.

Cheaper gas to keep urea margins well above peers: We expect FFC's urea gross margins to remain above 50%, materially higher than peer margins of 30–35%, supported by its low-cost gas sourcing from Mari. Notably, company's gas price remains ~53% lower than Sui rates, under a 10-year gas supply agreement with Mari. We anticipate the company's gas price to remain unchanged until contract expiry in CY29, driven by i) continued govt. focus on supporting farm economics, and ii) price being above Mari's wellhead price, limiting upward revision risk. Beyond CY30, we have assumed sector-wide gas price rationalization.

Offtakes recovery to drive volume-led earnings growth: We expect FFC's urea offtakes to increase by 8%YoY to 3.13mn tons in CY26, supported by i) improving farm economics amid better water availability and higher crop yields, and ii) higher production from the Port Qasim plant, enabled by consistent gas availability. Meanwhile, DAP offtakes are projected to increase by 6%YoY to 0.86mn tons, primarily due to higher preference for locally produced fertilizer amid volatile international prices.

Healthy balance sheet and investments to enhance growth visibility: We expect company's other income to remain strong, contributing ~16% to PBT, supported by a growing cash and short-term investment and stable dividend inflows. Dividend income is expected to rise further with the inclusion of dividends from FPCL (75% stake) and TEL (30% stake), and higher dividends from AKBL (64.7% stake). Moreover, we project standalone cash and ST investments to reach PkR181bn (PkR127/sh) by Dec'25, aided by easing inventory levels. Notably, we have assigned a premium to net cash (excluding GIDC) using a Residual Income Model, given FFC's strong historical track record of delivering returns double to its hurdle rate. Notably, investments across power, food, and banking segments contribute PkR198/sh to our SoTP valuation.

In addition, FFC's board has approved to join the winning consortium for PIA's privatization. While we have not incorporated this into our base case, pending deal clarity.

Investment Perspective: We have a 'BUY' stance on FFC with Dec'26 SoTP target price of PkR801/sh, offering potential upside of 37%, along with CY26 dividend yield of 8.5%. Our positive stance is anchored on i) structurally lower gas costs supporting superior margins, ii) recovery in nutrient offtakes amid improving farm economics, iii) recurring dividend income from power and banking subsidiaries, iv) improving performance of the food business through higher penetration and cost efficiencies, and v) a strong cash position enabling value-accretive growth opportunities.

Earnings revision: We maintain our earnings estimates flat at PkR66.7/sh and PkR68.1/sh for CY26 and CY27, respectively.

Target price change: We have rolled forward and revised our target price upward to PkR801/sh for Dec'26, from PkR597/sh for Jun'26, driven by i) higher projected net cash position, ii) revision in risk-free rate, and iii) inclusion of a net cash premium under the residual income model.

Risks: i) Early withdrawal of discounted gas for base plants, ii) deterioration in farm economics due to price disruptions or adverse weather events, iii) revisions to power subsidiary agreements, and iv) deployment of capital into projects with sub-optimal IRRs.

AKD Stance

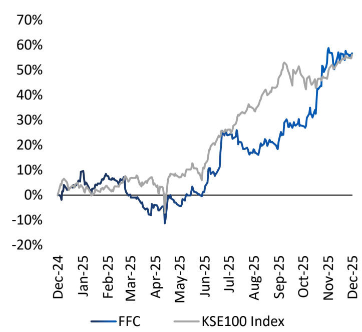
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
801	**585.3**
T. UPSIDE/DOWNSIDE	DIV. YIELD
45.4%	**8.5%**

FFC: Price Performance

	1M	6M	CYTD
Absolute (%)	-0.7	54.8	59.8
Rel. Index (%)	-6.4	13.6	9.6
Absolute (PkR)	-4.2	207.2	218.9

KATS Code	FFC
Bloomberg Code	FFC.PA
Price PkR	585.3
Market Cap (PkRmn)	832,874.4
Market Cap (US$mn)	2,972.4
Shares (mn)	1,423.1
Free Float Shares(mn)	853.9
1Yr High (PkR)	593.1
1Yr Low (PkR)	331.3
3M Avg DT Value (PkR'000)	1,576,577
3M Avg DT Value (US$'000)	5,626.6
1Yr Avg DT Value (PkRmn)	1,049.0
1Yr Avg DT Value (US$mn)	3.744

FFC vs. KSE-100 Index



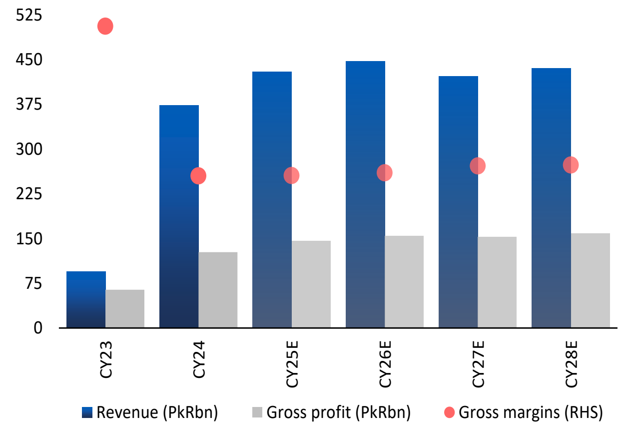
Source: PSX & AKD Research

FFC Superior margins and healthy balance sheet driving value

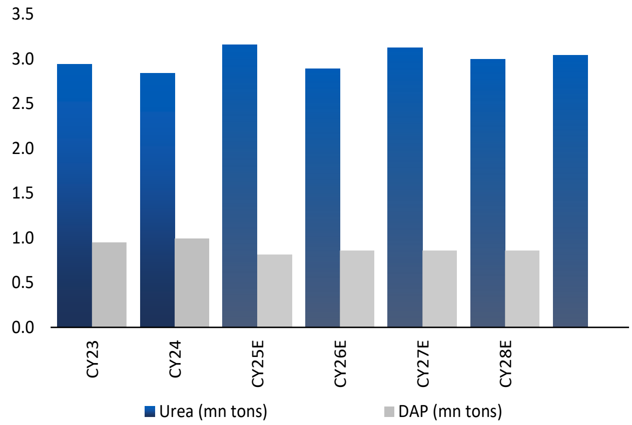
FFC sum of the part valuation (Dec'26 TP)

	Valuation Method	Valuation (PkRmn)	Shares held (%)	Portfolio Dis-count (%)	FFC share (PkRmn)	TP Contri (PkR/sh)	% contri in TP
Standalone	DCF	787,954			787,954	554	69%
Premium on Net Cash	RI	69,544			69,544	49	6%
AKBL	DCF	165,220	65%	20%	85,544	60	8%
FFF	DCF	47,751	100%	25%	35,813	25	3%
FFL	DCF	71,450	82%	20%	46,963	33	4%
TEL	DDM	96,112	30%	30%	20,184	14	2%
PMP	DDM	95,147	38%	30%	24,976	18	2%
FPCL	DDM	25,060	75%	25%	14,096	10	1%
FWE 1	DDM	20,316	100%	25%	15,237	11	1%
FWE 2	DDM	17,877	80%	25%	10,726	8	1%
FCCL	DCF	214,134	4%	25%	6,890	5	1%
AGL	Market value	40,504	37%	25%	11,349	8	1%
FFCEL	DDM	13,829	100%	25%	10,372	7	1%
OLIVE	Book value	100	100%	25%	75	0	0%
Dec'26 TP						**801**	

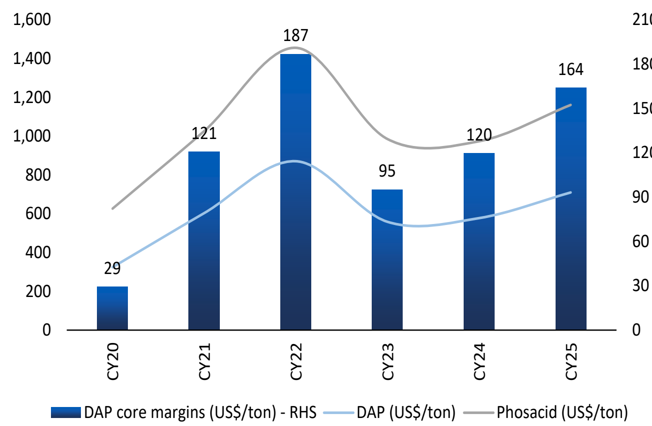
Sales are expected to improve with supported margins



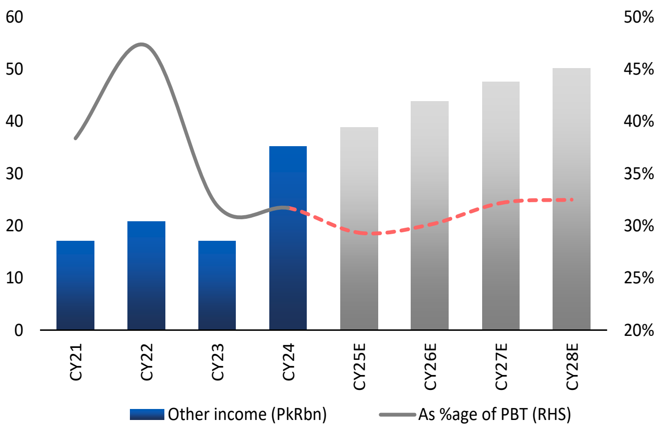
...as offtakes expected to rebound in CY26



Higher DAP margins to keep DAP profitability stable



...while other income expected to improve continuously



Source: NFDC, Bloomberg, PSX & AKD Research

FFC - Annual Financial Data Bank (Unconsolidated)

(Valuation Multiples)	CY23	CY24	CY25E	CY26E	CY27E	CY28E
EPS	20.9	45.5	58.8	66.7	68.1	71.1
DPS	13.8	34.9	41.5	50.0	50.0	52.0
Bv	43.5	92.7	109.9	126.6	144.7	163.8
PE	4.7	4.1	10.0	8.8	8.6	8.2
Dividend Yield	14.2%	18.6%	7.1%	8.5%	8.5%	8.9%
P/Bv (x)	2.2	2.0	5.3	4.6	4.0	3.6
Earnings Growth	22.8%	118.1%	29.2%	13.6%	2.0%	4.4%
ROE	48.0%	49.1%	53.4%	52.7%	47.0%	43.4%
Gross Margin	40.3%	34.0%	34.1%	34.7%	36.2%	36.4%
Net Margin	18.6%	17.3%	19.5%	21.3%	22.9%	23.2%

Income Statement	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Sales	159,472	373,537	429,276	446,819	422,367	435,804
Gross Profit	64,252	127,173	146,171	154,979	152,857	158,612
EBITDA	62,669	121,228	143,796	157,530	161,071	167,413
Profit Before Tax	53,547	111,112	132,612	145,605	147,894	154,343
Net Profit	29,673	64,731	83,612	94,952	96,880	101,172

Balance Sheet	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Current Assets	130,123	278,512	281,011	298,073	306,560	331,947
Long Term Assets	93,158	138,440	152,666	162,971	162,978	163,960
Total Assets	223,281	416,952	433,677	461,044	469,537	495,907
Current Liabilities	139,217	243,705	244,757	251,670	237,305	238,960
Non-Current Liabilities	22,212	41,367	32,487	29,144	26,278	23,822
Total Liabilities	161,428	285,072	277,244	280,814	263,583	262,783
Total Equity	61,853	131,880	156,433	180,230	205,954	233,124

Cash Flow	CY23	CY24	CY25E	CY26E	CY27E	CY28E
CF from Operations	72,099	115,104	68,259	106,373	99,937	108,935
CF from Investing	(11,899)	(1,657)	(20,562)	(17,249)	(8,609)	(9,935)
CF from Financing	(21,704)	(35,613)	(81,750)	(68,305)	(76,615)	(76,134)
Net Change in Cash	38,496	77,834	(34,053)	20,819	14,713	22,865
Cash & Cash Equivalents	86,315	191,620	157,567	178,386	193,099	215,964

Source: PSX & AKD Research

AKD Securities Limited

United Bank Limited

An attractive dividend play!

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
412.5	2,504.2	1,033,052.3	1.1	431.5

UBL's profitability outlook remains strong, supported by its robust deposit base with CASA projected to stay high and zero-cost deposits maintaining a sizeable share, ensuring resilience across cycles and sustaining superior Net Interest Income. With OMO-driven alpha narrowing as rates stabilize, growth will rely more on balance sheet strength driving from deposits, income diversification, and efficiencies, with the investment book expected to contract through CY29. Despite network expansion, UBL's cost-to-income is projected at 36.6% in CY26E, among the most efficient in the sector. We maintain a 'Buy' stance with a Dec'26 target price of PkR590.0/sh, offering total upside of 50.8%.

Improving returns anchored by low-cost deposits: We expect UBL's deposits to grow at a 5-yr 11.3% CAGR during CY26-30E, with CASA projected at 95.0% by CY30E (vs. 95.3% in Sep'25) and zero-cost deposits remaining near the current level of ~50% of deposits. This strategic push towards no-cost and low-cost funding will provide resilience across rate cycles and enhance funding efficiency. As monetary easing progresses, UBL's strong deposit profile is expected to sustain a competitive edge and support superior Net Interest Income over the medium term.

Temporary strategic lift nearing its limit: UBL is expected to maintain a cautious approach toward leveraging OMOs, with its recent strategy of channeling funds into PIBs proving highly effective during a falling rate environment. However, with interest rates forecasted to stabilize over the medium term, the scope to consistently generate alpha from OMO deployment into government securities is likely to narrow. Going forward, we expect profitability momentum to increasingly rely on balance sheet strength, cost efficiency, and diversification of income streams rather than replicating past investment windfalls.

Asset efficiency to improve: UBL's loan portfolio carries an infection ratio of 9.2%, with total coverage at 111% as of Sep'25, underscoring a strong provisioning buffer and any improvement in asset quality would result in future reversals. Management further emphasized that the bank has no intention of expanding advances through low-spread lending, reiterating that credit will only be extended where high spreads can be achieved. As a result, UBL is positioned to earn positive spreads on advances going forward, in contrast to the negative spreads witnessed in the past.

Cost efficiency indicators remain impeccable: On the expense side, UBL's network expansion has accelerated, 344 branches opened during 9MCY25, yet admin expenses are still expected to grow at a 5-yr CAGR of 8.8% during CY26-30E. We anticipate cost-to-income to normalize around 38.5% by CY30E, reflecting revenue moderation and cost optimization.

Earnings revision: We have had revision in our earnings estimates, up by 4.4%/4.2% for CY26E/CY27E, respectively, due to i) realization of high spread on PIBs, ii) higher growth in deposit with tilt towards low cost deposits, and iii) improvement in spreads on advances.

Target price change: We have rolled over UBL's target price to PkR590.0/sh for Dec'26 compared to our previous target price of PkR476.0/sh for Jun'26, due to high spread on PIBs, higher than expected deposit growth along with improvement in deposit mix and improvement in spreads on advances.

Investment Perspective: We have a 'Buy' stance on UBL with Dec'26 target price of PkR590.0/sh. Our liking for UBL stems from; i) low-cost deposit base, ii) temporary strategic lift, iii) improving asset quality, and iv) impeccable cost efficiency.

Risks: i) Stunted M2 growth may result in lower deposit growth, ii) worsening deposit mix, iii) investment yields to fall below policy rate, and iv) increase in cost of OMOs.

AKD Stance

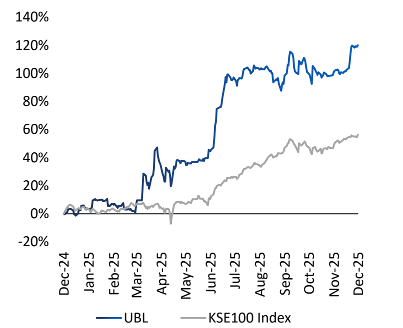
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
590	**412.5**
T. UPSIDE/DOWNSIDE	DIV. YIELD
50.8%	**7.8%**

UBL: Price Performance

	1M	6M	CYTD
Absolute (%)	9.8	52.4	115.8
Rel. Index (%)	4.1	11.2	65.7
Absolute (PkR)	36.7	141.9	221.4

KATS Code	UBL
Bloomberg Code	UBL.PA
Price PkR	412.5
Market Cap (PkRmn)	1,033,052.3
Market Cap (US$mn)	3,686.8
Shares (mn)	2,504.2
Free Float Shares(mn)	876.5
1Yr High (PkR)	412.5
1Yr Low (PkR)	185.0
3M AvgDT Value (PkR'000)	431,493
3M Avg DT Value (US$'000)	1,539.9
1Yr Avg DT Value (PkRmn)	545.3
1Yr Avg DT Value (US$mn)	1.946

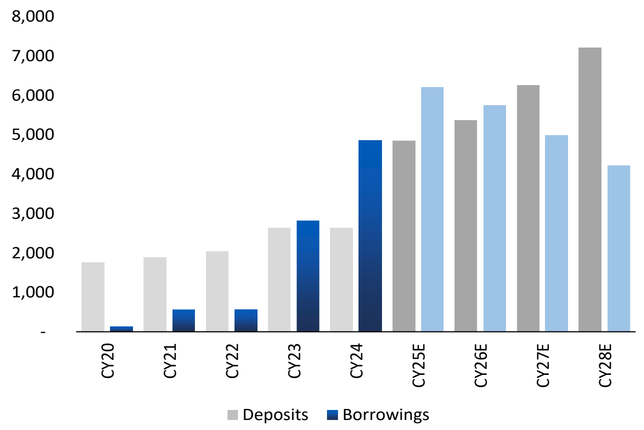
UBL vs. KSE-100 Index



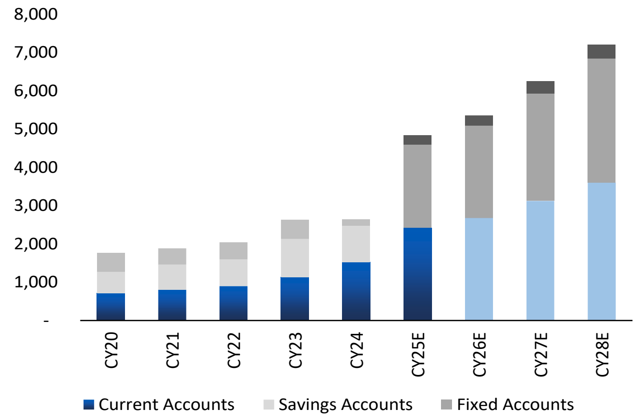
Source: PSX & AKD Research

Utilizing leverage towards investments remains the plan

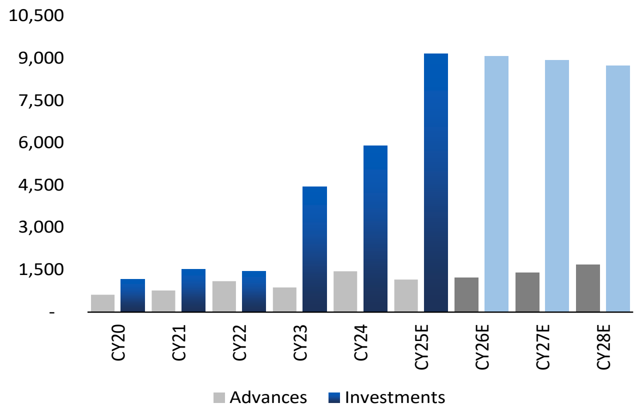
Deposits to demonstrate robust growth (PkRbn)



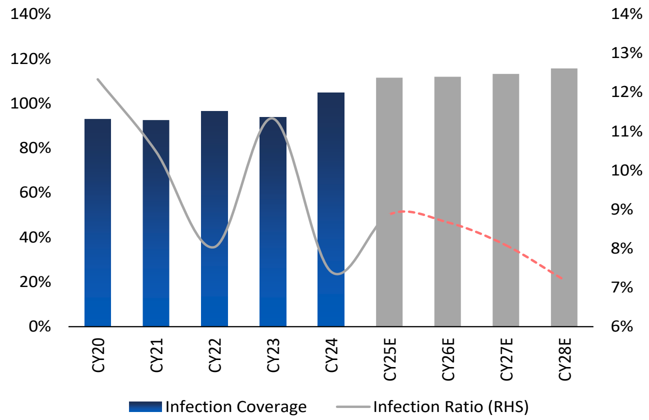
...along with significant improvement in the deposit mix



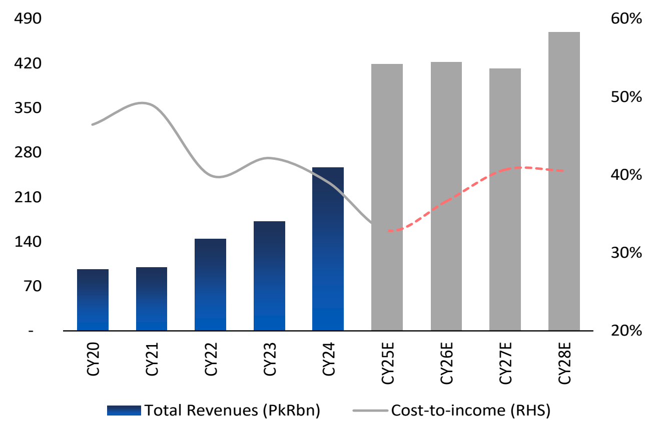
Focus to remain towards building IDR (PkRbn)



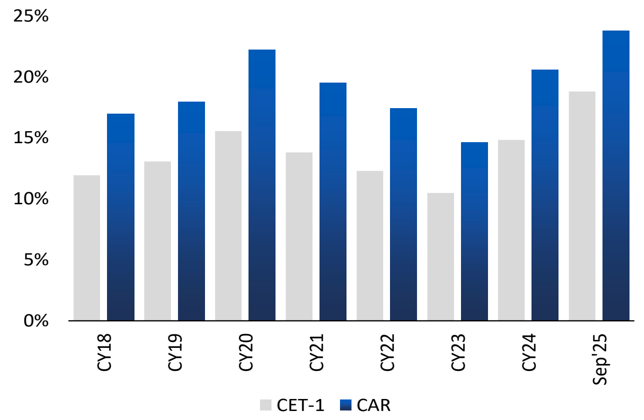
...as infection remains high



Higher revenue brings in benefit of operating leverage



Capital ratios show room for high payouts



Source: PSX & AKD Research

UBL - Annual Financial Data Bank

(Valuation Multiples)	CY23	CY24	CY25E	CY26E	CY27E	CY28E
EPS	22.0	30.0	50.9	50.5	45.3	51.5
DPS	22.0	22.0	29.5	32.0	32.0	36.0
Bv	114.2	128.1	177.3	178.6	180.6	189.7
PE	2.9	4.0	8.1	8.2	9.1	8.0
Dividend Yield	34.0%	18.3%	7.2%	7.8%	7.8%	8.7%
P/Bv (x)	0.6	0.9	2.3	2.3	2.3	2.2
Earnings Growth	73.3%	34.2%	68.3%	-0.8%	-10.3%	13.7%
ROE	25.1%	31.3%	45.4%	37.1%	29.8%	30.8%
Net Interest Margin (NIMs)	3.7%	2.7%	3.9%	3.3%	3.2%	3.6%

Income Statement	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Net Interest Income	148,975	173,548	350,818	346,321	331,994	379,189
Non-Markup Income	22,969	83,359	68,130	76,326	80,304	90,569
Total Revenues	171,944	256,907	418,949	422,648	412,297	469,758
Total Expenses	70,094	97,104	132,022	149,206	162,754	184,798
Provision/Credit allowance charge	-11,133	12,775	-3,468	4,222	8,060	10,388
Profit Before Tax	110,585	143,806	284,721	263,738	236,555	268,982
Net Profit	55,145	75,156	127,530	126,562	113,512	129,075

Balance Sheet	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Advances	872,041	1,443,482	1,149,550	1,222,077	1,398,709	1,674,727
Investments	4,435,751	5,889,766	9,163,297	9,074,778	8,920,388	8,730,899
Total Assets	5,904,675	8,069,097	11,680,524	11,765,288	11,921,752	12,155,292
Deposits	2,634,716	2,639,876	4,846,054	5,364,798	6,267,881	7,237,683
Borrowings	2,823,888	4,855,374	6,209,745	5,751,629	4,988,102	4,224,576
Total Liabilities	5,618,802	7,748,289	11,236,594	11,318,117	11,469,525	11,680,204
Total Equity	285,873	320,808	443,929	447,171	452,226	475,088

Source: PSX & AKD Research

Engro Holdings Ltd.

Multi-segment earnings upswing

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
235.4	1,204.2	283,512.3	1.9	436.6

ENGROH's profitability is expected to accelerate meaningfully, driven by turnaround of telecom segment, continued stability of energy portfolio, and recovery in fertilizer offtakes. Though, payouts are expected to remain contained in near term, as internal cashflows would be allocated toward funding Deodar acquisition.

Volume recovery and inventory normalization in fertilizer segment: We expect EFERT's profitability to improve by 19%YoY to PkR28.9bn in CY26, from PkR24.2bn in CY25, primarily supported by higher nutrient offtakes and easing discount intensity. We project EFERT's urea offtakes to increase by 15%YoY, driven by improving farm economics. Consequently, company's urea inventory is expected to decline sharply to 160k tons by Dec'26, from 504k tons as of end-Nov'25, which should materially ease working capital requirements and finance cost. Moreover, potential allocation of gas to EFERT's base plant would further strengthen production stability. Looking ahead, we expect fertilizer gross margins to boost beyond CY30, as sector gas prices rationalize following the expiry of long-term Mari gas contracts for FFC and FATIMA in CY29.

Telecom turning profitable with scale: We expect Connect to turn profitable in CY26, delivering PkR8.0bn (PkR6.6/sh), following the acquisition of Jazz's tower portfolio (10.5k towers), which increases total sites to over 15k towers. Moreover, finance cost is projected to decline to ~40% of EBITDA, from ~57%/97% in CY25/CY24, respectively, supported by easing policy rates and gradual deleveraging. We project segment profitability to grow at a 5-year CAGR of 27% (CY26–30), driven by: i) improvement in tenancy ratio to 1.33x by CY30, from 1.16x in CY26, ii) declining finance cost amid debt reduction, and iii) normalization of effective tax rate to ~39%, as profitability improves. To recall, telecom segment currently bears a high effective tax rate, primarily due to the 6% minimum turnover tax. In addition, govt's recent approval of 5G spectrum is expected to further support long-term value creation through network densification and site expansion.

Stable cashflows anchoring valuation of energy portfolio: ENGROH's energy portfolio remains a key earnings stabilizer, expected to contribute PkR25.0/sh and PkR25.8/sh in CY26 and CY27, respectively. EPTL (50% stake) would be the largest contributor, with expected profitability of PkR18.0/sh and PkR18.6/sh over the same period. Moreover, with ongoing govt. reforms aimed at curbing circular debt, we expect EPTL receivables to remain manageable. On chemicals front, EPCL's losses are expected to narrow, supported by recovery in PVC and caustic soda demand and an improvement in core margins toward ~US$400/ton. Meanwhile, FCEPL (40% stake) is expected to sustain growth momentum, driven by rising demand across milk and frozen dessert categories, supported by brand strength and improving operating leverage.

Investment Perspective: We have a 'BUY' stance on ENGROH with Dec'26 SoTP target price of PkR351, offering potential upside of 49%. Our positive outlook is underpinned by i) turnaround of telecom segment, ii) stable earnings from energy portfolio, and iii) recovery in fertilizer offtakes supporting EFERT's profitability.

Earnings revision: We revise our earnings estimates upward by 63% and 68% for CY26 and CY27, respectively, primarily reflecting the continued contribution from energy portfolio and improved visibility on telecom segment.

Target price change: We have rolled forward our target price to PkR351.0/sh for Dec'26, from PkR301.0/sh for Dec'25. Notably, the positive impact of energy portfolio continuation in valuation is partly offset by decline in our telecom valuation due to increase in sector's taxation.

Risks: i) Higher cost or lower tenancy ratios in telecom segment, ii) deterioration in farm economics, iii) revision to PPAs, and iv) weaker margin in chemical segment.

AKD Stance

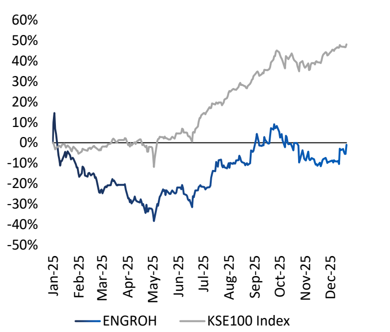
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
351.0	235.4
T. UPSIDE/DOWNSIDE	DIV. YIELD
53.3%	4.2%

ENGROH: Price Performance

	1M	6M
Absolute (%)	10.4	31.9
Rel. Index (%)	4.7	-9.3
Absolute (PkR)	22.1	56.9

KATS Code	ENGROH
Bloomberg Code	ENGROH.PA
Price PkR	235.4
Market Cap (PkRmn)	283,512.3
Market Cap (US$mn)	1,011.8
Shares(mn)	1,204.2
Free Float Shares(mn)	963.4
1Yr High (PkR)	272.4
1Yr Low (PkR)	146.9
3M Avg DT Value (PkR'000)	436,581
3M Avg DT Value (US$'000)	1,558.1

ENGROH vs. KSE-100 Index



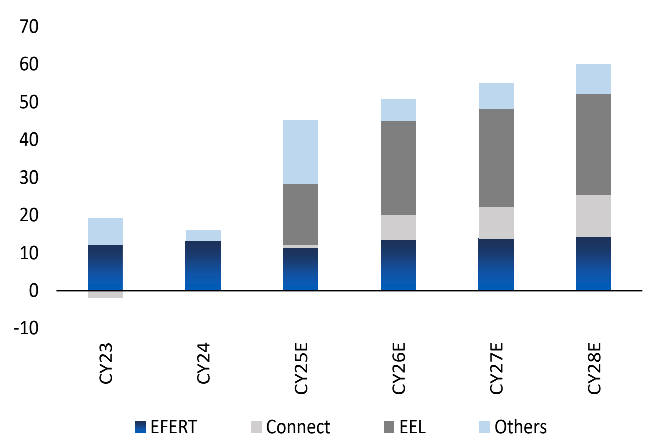
Source: PSX & AKD Research

Energy portfolio inclusion to augment earnings

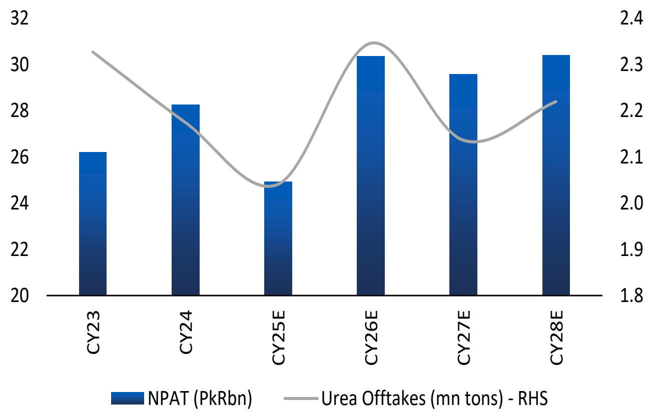
ENGRO sum of the part valuation (Dec'26 TP)

	Valuation Method	Valuation (PkRmn)	Shares held (%)	Portfolio Discount (%)	ENGROH share (PkRmn)	TP Cont (PkR/sh)	% cont in TP
EFERT	DCF	352,519	56%	25%	148,587	123	35%
EPTL	DCF	264,527	50%	25%	99,396	83	24%
Engro Connect	DCF	141,435	100%	25%	106,076	88	25%
FCEPL	Marked value	65,582	40%	25%	19,640	16	5%
Elengy Terminal	DDM	30,329	56%	25%	12,738	11	3%
EPCL	DCF	25,059	56%	25%	10,544	9	2%
Engro Vopak	DCF	20,111	50%	25%	7,542	6	2%
SECMC	DCF	141,065	12%	30%	11,751	10	3%
EPQL	DCF	7,840	69%	25%	4,045	3	1%
Engro Eximp FZE	Book Value	1,973	100%	25%	1,479	1	0%
Engro Infinit	Book Value	1,117	100%	25%	838	1	0%
Others	Book Value			0%	5	0	0%
Dec'26 TP						**351**	

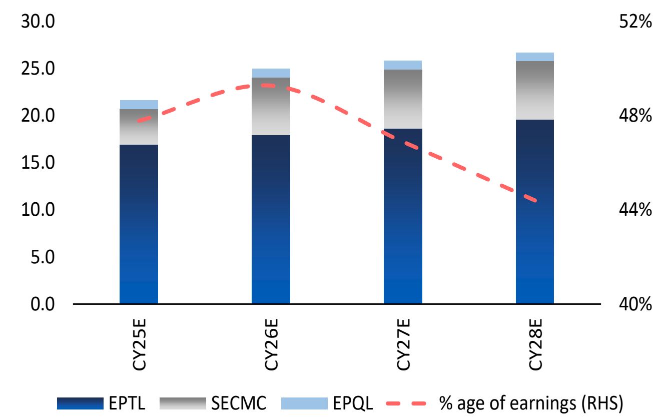
Earnings to improve primarily led by energy portfolio inclusion (PkR/sh)



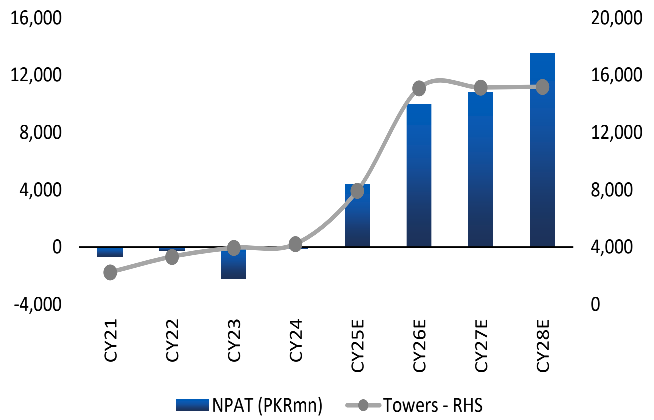
...EFERT earnings to improve supported by higher offtakes



Energy portfolio contribution to ease



...as tower business to turn profitable with Jazz tower acquisition



Source: PSX, Bloomberg & AKD Research

ENGROH - Annual Financial Data Bank

(Valuation Multiples)	CY23	CY24	CY25E	CY26E	CY27E	CY28E
EPS	17.5	15.8	45.3	50.7	55.0	60.1
DPS	48.0	10.7	2.5	10.0	20.0	21.0
Bv	121.5	123.8	167.5	208.2	243.3	282.4
PE	7.4	9.5	5.2	4.6	4.3	3.9
Dividend Yield	37.1%	7.1%	1.1%	4.2%	8.5%	8.9%
P/Bv (x)	1.1	1.2	1.4	1.1	1.0	0.8
Earnings Growth	-13.6%	-9.5%	186.8%	12.0%	8.5%	9.2%
ROE	14.4%	12.8%	27.0%	24.4%	22.6%	21.3%
Gross Margin	32.3%	27.1%	25.9%	33.8%	34.8%	35.7%
Net Margin	4.4%	3.8%	9.4%	11.0%	12.0%	12.6%

Income Statement	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Sales	482,489	504,792	578,966	555,115	550,530	576,783
Gross Profit	155,636	137,039	149,927	187,625	191,736	205,822
EBITDA	170,269	151,070	154,439	186,819	193,244	206,817
Profit Before Tax	77,164	66,923	143,806	123,765	133,370	144,512
Net Profit*	21,020	19,014	54,523	61,083	66,283	72,405

Balance Sheet	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Current Assets	349,681	192,581	345,045	351,211	374,301	400,159
Long Term Assets	452,815	294,172	689,182	685,330	710,463	683,870
Total Assets	802,496	749,612	1,034,227	1,036,542	1,084,763	1,084,029
Current Liabilities	577,306	325,055	400,064	409,998	411,730	408,790
Non-Current Liabilities	252,062	137,614	373,656	344,358	296,391	254,520
Total Liabilities	508,832	829,368	669,669	773,720	754,356	708,121
Total Equity*	146,356	149,093	201,729	250,771	292,969	340,085

Cash Flow	CY23	CY24	CY25E	CY26E	CY27E	CY28E
CF from Operations	106,963	18,110	47,322	111,850	136,391	151,892
CF from Investing	5,255	14,256	(12,123)	(56,565)	(63,811)	(15,221)
CF from Financing	(93,699)	(51,646)	(33,124)	(9,214)	(72,841)	(72,695)
Net Change in Cash	18,519	(19,281)	2,075	46,072	(261)	63,977
Cash & Cash Equivalents	46,710	27,429	29,504	75,576	75,315	139,292

*Attributed to equity shareholders

Source: PSX & AKD Research

Lucky Cement Ltd. (LUCK)

Gross across segments with strong balance sheet

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
486.4	1,465.0	712,517.4	1.4	627.3

LUCK is expected to deliver significant earnings growth, driven by volumetric expansion, higher retention prices, and dividend inflows from LEPCL. With the broader economic recovery underway, autos and mobile segment are well-positioned to witness renewed growth, enhancing its appeal as an investment opportunity. We have a 'BUY' stance on the stock with Dec'26 target price of PkR731/sh, reflecting a total upside of 52%.

Market leadership intact, exports to accelerate: We expect the company's domestic market share to remain broadly stable at ~15.7% across FY26/FY27/FY28. In addition, LUCK's penetration into new export destinations, alongside strengthening global demand dynamics, is expected to expand export volumes by 5%/11%YoY in FY26/FY27, respectively.

Renewables backed cost leadership: LUCK remains the lowest-cost producer within the AKD cement universe, reporting COGS/ton of PkR8,836, largely attributable to its heavy reliance on self-generated power. Following the recent commissioning of a 28.8MW wind power project at the South plant, renewables now account for above 50% of the company's total power requirements. In addition, the installation of battery storage at the South plant is expected to further enhance the operational efficiency and utilization of renewable energy.

Strategic expansion to diversify: LUCK's foreign operations continue to perform well, with increasing demand and recently announced capacity enhancement in DR Congo by 1.6mn TPA by installing a fully integrated cement line, taking total cement capacity to 2.91mn TPA. We estimate consolidated EPS contribution from Congo to increase to PkR6.1/6.9 per sh during FY28/FY29, respectively. In addition, company has announced a new grinding line expansion of 0.7mn TPA in Samawah, Iraq. Consequently, we estimate consolidated EPS contribution from Iraq to increase to PkR10.5/10.9 during FY26/FY27, respectively.

LEPCL payouts to increase post Tariff True-Up: LUCK's 660MW IPP, LEPCL, continues to add significant value to the company. We expect the wholly owned subsidiary's dividend to increase to PkR11.7bn in FY27 from PkR6.0bn in FY26, due to expected tariff true-up during the year with expectations of continued payouts moving forward as well. Furthermore, company's ROE is expected to enhance to 29.5% in FY26 from 27.2% currently, following the commencement of thar coal supply post commissioning of Phase-III of Thar Coal Mine 2 during 2HFY26.

Sportage upgrade to rekindle demand: Following the recent rollout of new variants, LMC (72% stake) is well positioned to leverage the Sportage's established reputation as one of Pakistan's top-selling crossover SUVs. We project LMC's FY26 volumes to reach 13k units, translating into a market share of 7.1%.

Earnings revision: We have had a upward revision in our earnings estimates, up by 9.6%/5.7% for FY26/FY27, respectively, due to upward revision in other income and higher prices in the South.

Target Price change: We have rolled over the stock's target price to PkR731.0/sh for Dec'26 compared to our previous target price of PkR558.6/sh for Jun'26. The upward revision is due to incorporation of foreign operation expansion and inclusion of premium on net cash using residual income model.

Investment Perspective: We have a 'BUY' stance on the stock with Dec'26 SoTP target price of PkR731/sh. Our liking for LUCK stems from i) improvement in core margins, ii) increase in dividend from power segment, and iii) expected recovery in cyclical segments benefiting it's subsidiaries.

Risks: i) Decline in cement prices, ii) disruption in exports, iii) lower than anticipated offtakes growth, and iv) delay in tariff true-up of LEPCL.

AKD Stance

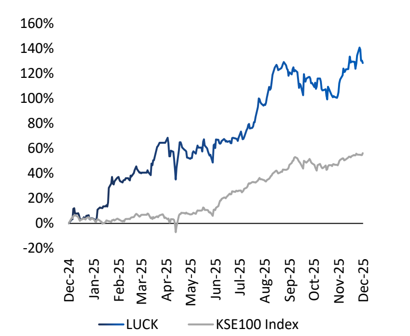
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
731	**486.4**
T. UPSIDE/DOWNSIDE	DIV. YIELD
51.8%	**1.4%**

LUCK: Price Performance

	1M	6M	CYTD
Absolute (%)	11.4	42.5	121.0
Rel. Index (%)	5.7	1.3	70.9
Absolute (PkR)	49.7	145.1	266.3

KATS Code	LUCK
Bloomberg Code	LUCK.PA
Price PkR	486.4
Market Cap (PkRmn)	712,517.4
Market Cap (US$mn)	2,542.9
Shares (mn)	1,465.0
Free Float Shares(mn)	439.5
1Yr High (PkR)	512.7
1Yr Low (PkR)	212.8
3M Avg DT Value (PkR'000)	627,340
3M Avg DT Value (US$'000)	2,238.9
1YrAvgDTValue(PkRmn)	768.3
1YrAvgDTValue(US$mn)	2.742

LUCK vs. KSE-100 Index



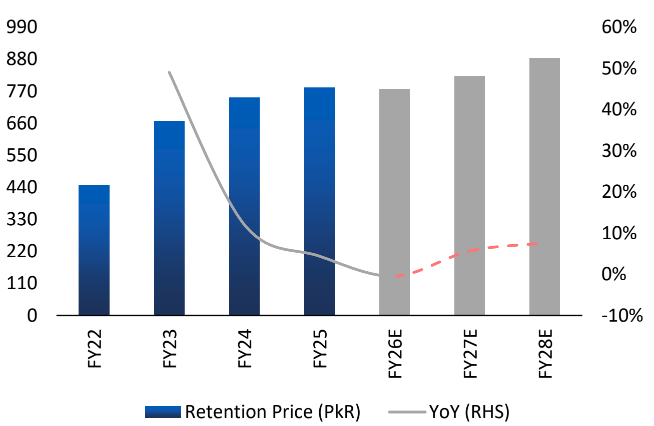
Source: PSX & AKD Research

Increasing share of renewables to boost margins

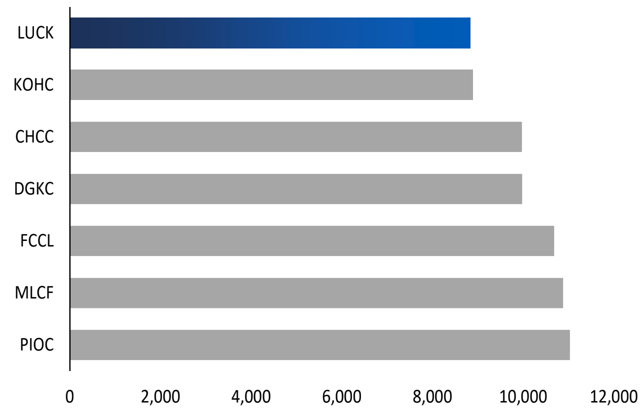
LUCK sum of the part valuation (Dec'26 TP)

	Valuation Method	Valuation (PkRmn)	Shares held (%)	Portfolio Discount (%)	LUCK share (PkRmn)	TP Contri (PkR/sh)	% contri in TP
Standalone	DCF	488,909			488,909	334	46%
Premium on Net cash	RI	102,189			102,189	70	10%
LEPCL	DDM	232,908	100%	25%	174,681	119	16%
LMC	DCF	178,712	71%	25%	95,352	65	9%
LCI	Market value	133,797	55%	20%	58,871	40	5%
Iraq	DCF	263,722	50%	25%	98,896	68	9%
Congo	DCF	131,759	50%	25%	49,410	34	5%
YEL	DDM	14,571	20%	30%	2,040	1	0%
NRL	Book value		33%	30%	961	0	0%
LHL	Book value		75%	25%	32	0	0%
Target Price (Dec-26)						**731**	**100%**

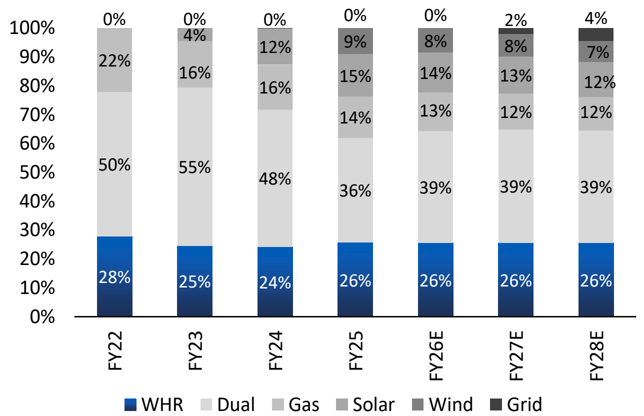
Retention prices to rebound during FY27



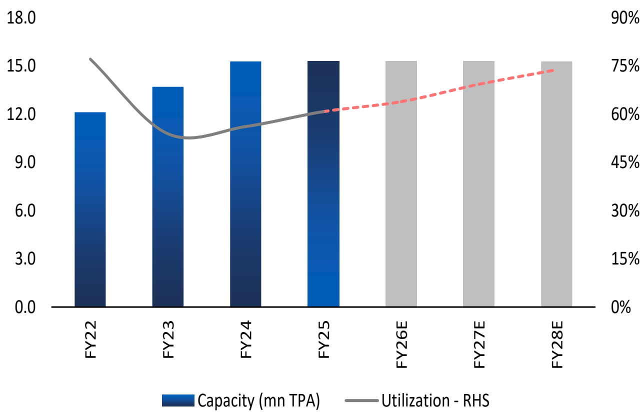
...with LUCK being cheapest cement producer (PkR/ton)



...given higher reliance on self generation



...and utilization pick-up amid resurgence in domestic market



Source: APCMA, PSX & AKD Research

LUCK - Annual Financial Data Bank

(Valuation Multiples)	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS	33.3	44.7	52.5	66.6	71.9	80.5
DPS	3.6	3.0	4.0	7.0	9.0	10.0
Bv	155	186.8	237.1	299.7	364.6	436.1
PE	14.6	10.9	9.3	7.3	6.8	6.0
Dividend Yield	0.7%	0.6%	0.8%	1.4%	1.9%	2.1%
P/Bv (x)	0.6	0.8	2.1	1.6	1.3	1.1
Earnings Growth	65.3%	34.4%	17.4%	26.8%	8.0%	11.9%
ROE	21.4%	24.0%	22.2%	22.2%	19.7%	18.5%
Gross Margin	24.3%	30.1%	27.3%	26.6%	26.4%	26.2%
Net Margin	15.5%	17.6%	18.9%	19.4%	19.1%	19.4%

Income Statement	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	385,125	410,995	449,630	548,430	601,819	659,137
Gross Profit	93,634	123,517	122,738	146,064	158,704	172,705
EBITDA	99,199	130,312	132,772	152,273	165,504	180,584
Profit Before Tax	62,328	92,100	106,403	138,632	152,139	170,553
Net Profit*	48,758	65,556	76,956	97,604	105,371	117,915

Balance Sheet	FY23	FY24	FY25	FY26E	FY27E	FY28E
Current Assets	238,776	275,133	320,554	415,838	484,840	558,767
Long Term Assets	369,583	384,529	408,808	437,515	465,190	495,076
Total Assets	608,359	659,662	729,362	853,353	950,031	1,053,843
Current Liabilities	175,713	184,362	177,774	207,314	212,500	214,053
Non-Current Liabilities	171,646	164,668	163,547	157,303	144,171	131,602
Total Liabilities	347,359	349,030	341,320	364,617	356,671	345,654
Total Equity*	227,484	273,626	347,301	439,045	534,161	638,891

Cash Flow	FY23	FY24	FY25	FY26E	FY27E	FY28E
CF from Operations	79,886	60,524	115,165	104,123	118,518	129,763
CF from Investing	(58,169)	(32,429)	(41,539)	(48,680)	(49,019)	(52,690)
CF from Financing	18,123	(6,939)	(18,993)	1,659	(24,197)	(29,308)
Net Change in Cash	39,840	21,156	54,633	57,102	45,302	47,765
Cash & Cash Equivalents	83,138	86,863	141,777	198,879	244,181	291,946

*Attributed to equity shareholders

Source: PSX & AKD Research

Meezan Bank Limited

Strong ROE trajectory justifies premium valuation

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
442.0	1,800.6	795,863.2	1.6	708.5

MEBL is expected to sustain strong deposit momentum, supported by its aggressive branch expansion and strengthening digital franchise, though some moderation in growth is anticipated compared to historical trends. Margins may come under pressure with regulatory changes, but the bank's strong deposit mix and exposure to variable-rate instruments should provide a cushion. Asset quality remains among the strongest in the sector, backed by healthy provisioning buffer, while cost efficiency is set to improve with scale and network optimization. We have a 'Buy' stance on the stock with Dec'26 target price of PkR672.0/sh, reflecting a total upside of 58.4%.

Deposit growth to remain strong: We anticipate deposits to grow at a modest 5-yr CAGR of 13.7% during CY26-30E given sector transition towards Islamic framework, with CASA slightly increasing towards 94.5% by CY30E against 93.7% as of Sep'25. MEBL had delivered exceptional deposit growth in the past, achieving a solid 18%/19% 5/10-year CAGR, respectively with a CASA ratio consistently above 75% over the last 5 years. Additionally, bank's deposit mobilization strategy had remained aggressive, averaging 65 annual branch openings since CY18 alongside strong foothold in digital space, with plans to add further 100-150 branches in CY26.

Markup Income to moderate: MEBL's NIMs surged to 9.5% in CY24 (vs. 9.2% in CY23), driven by the absence of a rate floor on savings deposits (46.3% of mix as of Dec'24) and a robust CA base (49% of mix) led by individual depositors during the multi-year high-interest rate environment. However, the recent MDR-like regulation imposed by the SBP in Nov'24, requiring IBIs to offer at least 75% of the weighted average gross yields of all investment pools, has pressure NIMs currently. While this may compress spreads in the near term, we believe MEBL is positioned to offset the impact by attracting depositors seeking returns previously sidelined by lower rates, supporting deposit mobilization. Looking ahead, we expect NIMs to moderate to 6.9%/6.3% in CY25E/26E, respectively, with MEBL's high CASA mix and significant exposure to variable-rate GIS investments likely to cushion the impact.

Asset and efficiency indicators remain impeccable: We forecast a conservative cost of risk, supported by strong provisioning buffers. MEBL maintains one of the cleanest loan portfolios in the industry, with an infection ratio of 2.6% and coverage of 147% as of 9MCY25. On expenses, network expansion continues (22 branches opened during 9MCY25), with admin costs expected to grow at a 5-yr CAGR of 6.3% during CY26–30E. We expect cost-to-income to normalize at ~31% by CY30E, reflecting revenue growth amid branch network optimization.

Earnings revision: We have had revision in our earnings estimates, up by 3.1%/1.4% for CY26E/CY27E, respectively, due to i) higher deposit growth and ii) improved deposit mix.

Target price change: We have rolled over MEBL's target price to PkR672.0/sh for Dec'26 compared to our previous target price of PkR588.0/sh for Jun'26, due to i) stronger asset book expansion led by deposit growth and expected improvement in cost-to-income due to stabilizing inflation.

Investment perspective: We have a 'Buy' stance on MEBL with Dec'26 target price of PkR672.0/sh. Our liking for MEBL stems from; i) strong deposit growth, ii) High CASA ratio, and iii) impeccable asset and efficiency indicators.

Risks: i) Slower M2 growth may result in lower deposit growth, ii) worsening deposit mix, iii) unstable economic conditions affecting asset quality resulting in provisioning expenditure, and iv) high inflation resulting in more than expected cost-to-income.

AKD Stance

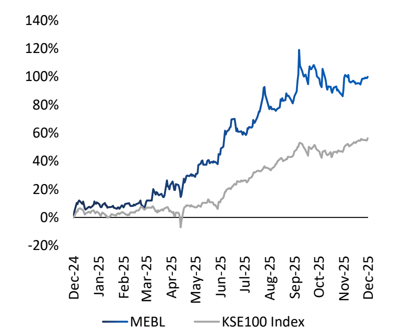
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
672	**442.0**
T. UPSIDE/DOWNSIDE	DIV. YIELD
58.4%	**6.3%**

MEBL: Price Performance

	1M	6M	CYTD
Absolute (%)	4.7	38.2	82.7
Rel. Index (%)	-1.0	-3.0	32.5
Absolute (PkR)	19.9	122.3	200.0

KATS Code	MEBL
Bloomberg Code	MEBL.PA
Price PkR	442.0
Market Cap (PkRmn)	795,863.2
Market Cap (US$mn)	2,840.3
Shares (mn)	1,800.6
Free Float Shares(mn)	450.1
1YrHigh(PkR)	484.4
1YrLow(PkR)	221.0
3MAvgDTValue(PkR'000)	708,501
3MAvgDTValue(US$'000)	2,528.5
1YrAvgDTValue(PkRmn)	492.0
1YrAvgDTValue(US$mn)	1.756

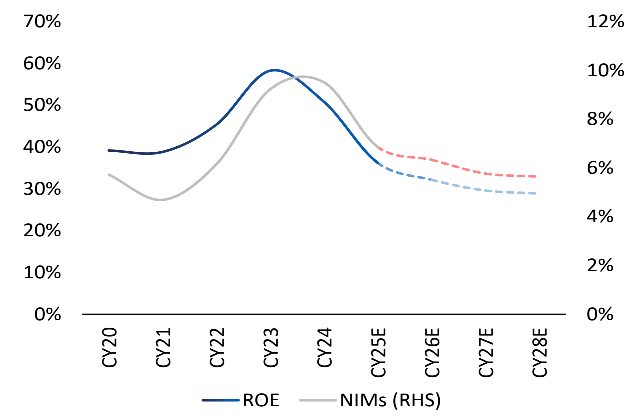
MEBL vs. KSE-100 Index



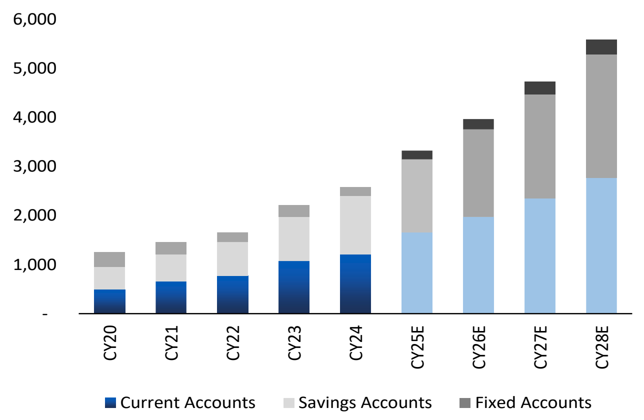
Source: PSX & AKD Research

NIMs and cost to income to normalize going ahead

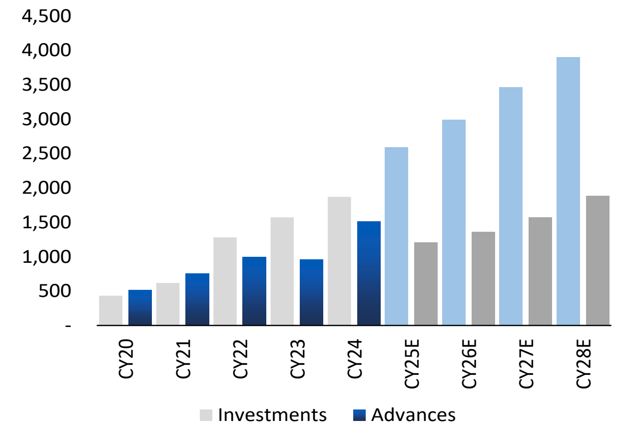
ROE and NIMs have grown largely in line



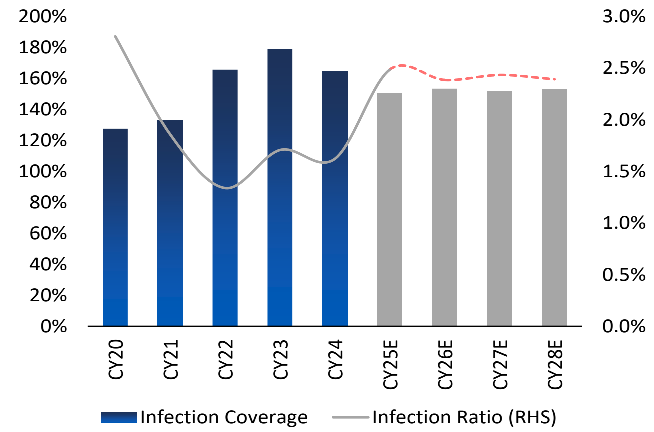
Deposit growth led by high CASA concentration (PkRbn)



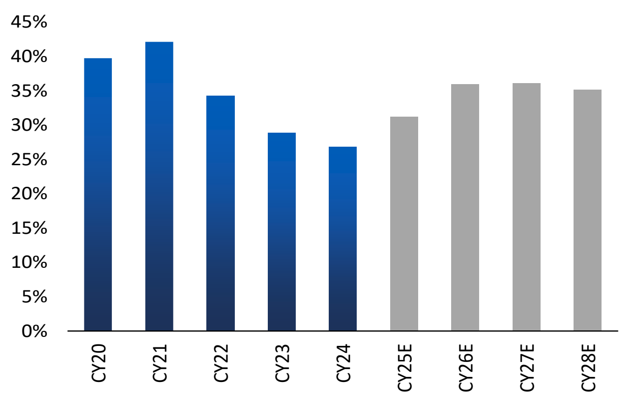
Asset book continues towards expansion (PkRbn)



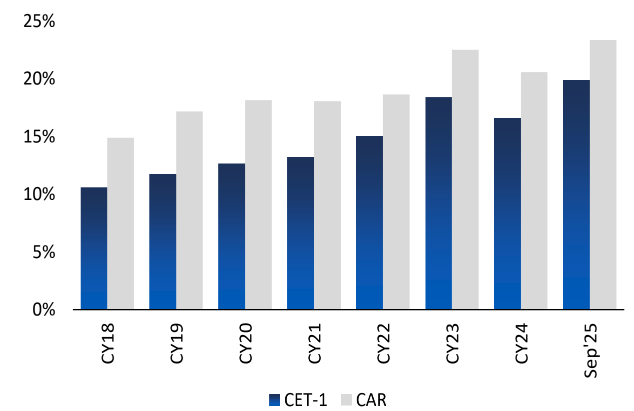
...along with robust asset quality



Cost-to-Income set to normalize



Capital ratios far above the regulatory requirement



Source: SBP, PSX & AKD Research

MEBL - Annual Financial Data Bank

(Valuation Multiples)	CY23	CY24	CY25E	CY26E	CY27E	CY28E
EPS	46.9	56.3	49.2	50.8	53.8	60.2
DPS	20.0	28.0	28.0	28.0	30.0	32.0
Bv	102.7	137.2	156.5	179.0	203.8	232.1
PE	2.4	3.9	9.0	8.7	8.2	7.3
Dividend Yield	17.8%	12.8%	6.3%	6.3%	6.8%	7.2%
P/Bv (x)	1.1	1.6	2.8	2.5	2.2	1.9
Earnings Growth	87.7%	20.0%	-12.6%	3.3%	5.9%	11.9%
ROE	58.3%	50.8%	36.2%	32.1%	29.6%	28.9%
Net Interest Margin (NIMs)	9.2%	9.5%	6.9%	6.3%	5.8%	5.6%

Income Statement	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Net Interest Income	226,429	285,954	250,433	262,988	276,282	311,930
Non-Markup Income	22,107	28,878	36,133	41,401	47,578	52,638
Total Revenues	248,536	315,309	286,566	304,389	323,861	364,568
Total Expenses	71,788	84,611	89,396	109,394	116,944	128,290
Provision/Credit allowance charge	7,340	9,221	4,087	4,358	4,964	10,299
Profit Before Tax	169,408	221,476	193,083	190,638	201,953	225,980
Net Profit	84,476	101,344	88,590	91,506	96,937	108,470

Balance Sheet	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Advances	961,673	1,514,756	1,209,596	1,374,176	1,600,267	1,932,313
Investments	1,572,388	1,870,536	2,593,967	2,987,185	3,442,279	3,876,715
Total Assets	3,012,109	3,900,411	4,436,782	5,139,311	5,985,506	6,942,989
Deposits	2,217,474	2,584,871	3,324,010	3,969,493	4,739,107	5,604,387
Borrowings	377,495	722,286	511,482	496,211	496,211	496,211
Total Liabilities	2,827,201	3,653,427	4,155,070	4,816,979	5,618,476	6,525,102
Total Equity	184,908	246,984	281,712	322,332	367,030	417,887

Source: PSX & AKD Research

AKD Securities Limited

Habib Bank Limited

Steady growth amid shifting dynamics

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
321.3	1,466.9	471,343,7	2.0	612.4

HBL is expected to sustain its sector-leading deposit base, supporting balance sheet growth with a stable funding mix. Ongoing digital transformation should drive transaction volumes and non-interest income, while improving macro conditions and strong provisioning would aid asset quality stabilization. NIMs are projected at 4.7%/4.3%/4.0% for CY25E/CY26E/CY27E, with the investment book well placed to capture spreads across rate cycles. Additionally, the turnaround of foreign operations and domestic subsidiaries is set to lift earnings further. We maintain a 'Buy' stance with a Dec'26 target price of PkR483.0/sh, offering total upside of 56.8%.

Sector-Leading deposits with resilient outlook: We expect HBL's deposits to grow at a 5-yr CAGR of 10.3% during CY26-30E, along with its CASA slightly moderating towards 80.2% over the same period from 79.9% as of Sep'25. To note, HBL currently leads the sector with record deposits of PkR5.1tn as of Sep'25, up 16% from Dec'24, primarily driven by growth of 23% in its current deposits in 9MCY25. Domestic deposits totalled PkR4.2tn as of Sep'25. Moreover, stability in the domestic exchange rate should shield the bank's foreign portfolio and liabilities from losses, reinforcing a positive outlook.

Improving transaction channels through technology-focus: HBL's digital transformation continues to drive efficiency and better customer engagement. Transactions through HBL Mobile and Internet Banking grew 30%YoY to 239mn, with transaction value up 47%YoY to PkR8.2tn in 9MCY25. Remittance and foreign transaction channels also gained traction, supported by the 'Symphony' and 'Infinity' platforms. Going forward, enhanced digital capabilities are set to further boost non-interest income.

Improving asset quality: We expect asset quality to stabilize as macroeconomic conditions improve, driven by sustained inflation at low levels and declining interest rates. HBL's infection ratio improved to 4.9% as of Sep'25 from 6.3% as of Dec'20, primarily due to prudent lending by the bank. The bank also upheld a strong coverage ratio of 131% in Sep'25 compared to 100% as of Dec'20, ensuring adequate provisioning against distressed assets.

Well positioned investment book: HBL has recognized the opportunity to earn substantial spread by utilizing leverage to build up its investment book, increasing it by 59% in 9MCY25 to PkR4.0tn as of Sep'25. Majority of this increase was towards the floater PIBs (58%) which the industry currently states to provide an alpha given the positive spread floater PIBs provide over the borrowing rate.

Earnings revision: We have had revision in our earnings estimates, up by 3.9%/1.8% for CY26E/27E, respectively, due to i) turnaround of foreign operations, ii) decrease in litigation expenditure on foreign operations, and iii) utilization of leverage to earn an alpha from floater rate investments.

Target price change: We have rolled over HBL's target price to PkR483.0/sh for Dec'26 compared to our previous target price of PkR401.0/sh for Jun'26, due to stronger asset book growth led by deposit growth, utilization of leverage towards investments and improving cost-to-income due to turnaround of foreign operations and domestic subsidiaries.

Investment Perspective: We have a 'BUY' stance on HBL with Dec'26 target price of PkR483.0/sh. Our liking for HBL stems from; i) continued expansion of low-cost deposit base, ii) improving transaction channels through technology-focus, iii) improving asset quality, and iv) strategic book building.

Risks: i) Stunted M2 growth may result in lower deposit growth, ii) worsening deposit mix.

AKD Stance

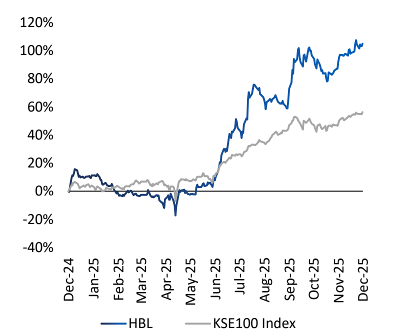
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
483	**321.3**
T. UPSIDE/DOWNSIDE	DIV. YIELD
56.8%	**6.5%**

HBL: Price Performance

	1M	6M	CYTD
Absolute (%)	6.8	90.0	84.2
Rel. Index (%)	1.1	48.8	34.1
Absolute (PkR)	20.4	152.2	146.9

KATS Code	HBL
Bloomberg Code	**HBL.PA**
Price PkR	**321.3**
Market Cap (PkRmn)	471,343.7
Market Cap (US$mn)	1,682.2
Shares (mn)	1,466.9
Free Float Shares(mn)	586.7
1Yr High (PkR)	325.4
1Yr Low (PkR)	129.9
3M AvgDT Value (PkR'000)	612,397
3M Avg DT Value (US$'000)	2,185.6
1Yr Avg DT Value (PkRmn)	518.0
1Yr Avg DT Value (US$mn)	1.849

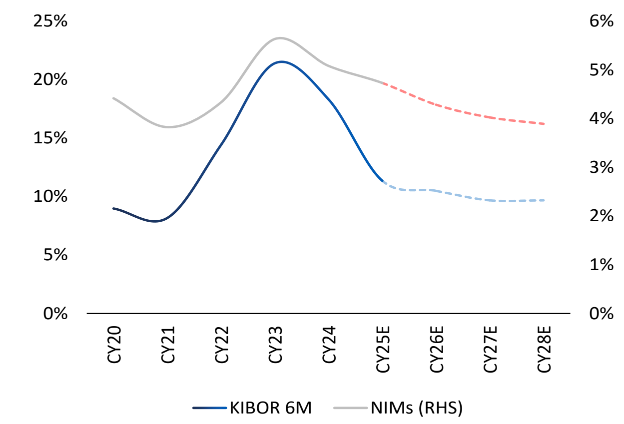
HBL vs. KSE-100 Index



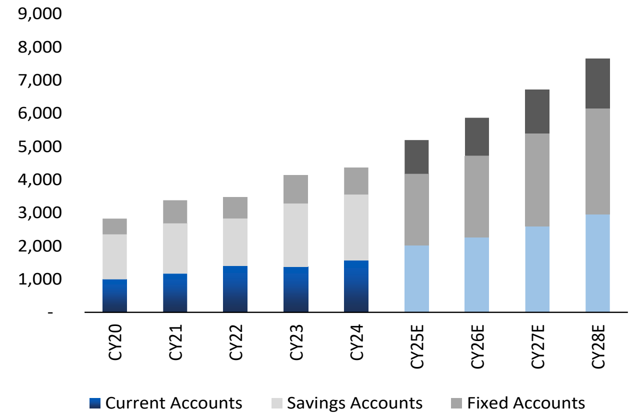
Source: PSX & AKD Research

HBL Capital ratios continue to improve

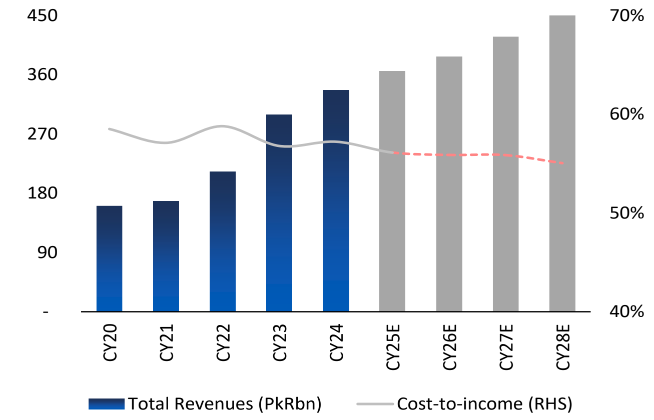
NIMs to remain resilient...



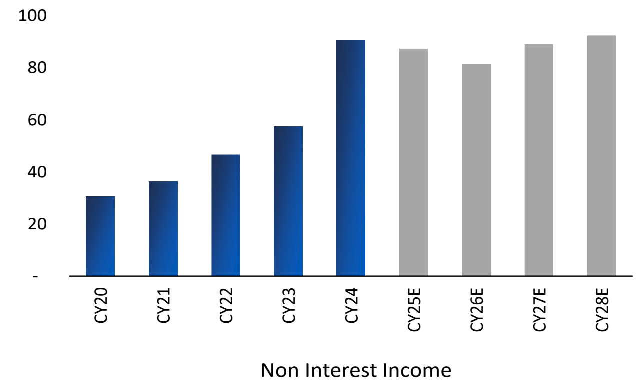
...mainly due to improved mix amidst rising deposits (PkRbn)



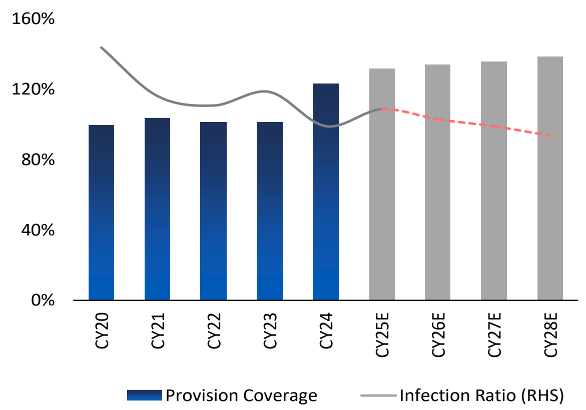
Cost-to-income declines due to rising revenue



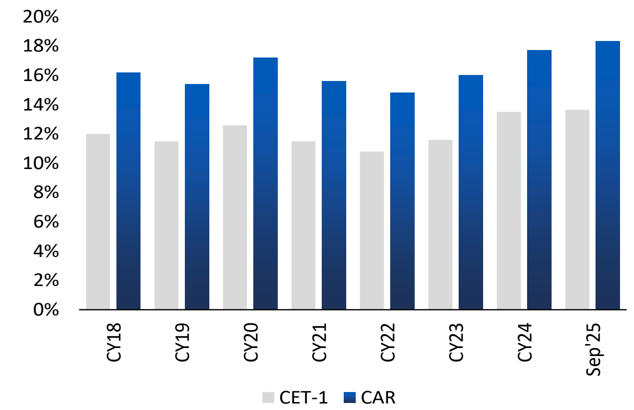
...due to support of non-interest income (PkRbn)



Provisioning has remained adequate



...along with strong capital buffers



Source: SBP, PSX & AKD Research

HBL - Annual Financial Data Bank

(Valuation Multiples)	CY23	CY24	CY25E	CY26E	CY27E	CY28E
EPS	39.3	41.1	46.7	51.2	54.6	59.8
DPS	9.8	16.3	19.0	21.0	28.0	32.0
Bv	249.5	280.1	318.0	333.7	351.4	373.3
PE	2.2	3.1	6.9	6.3	5.9	5.4
Dividend Yield	11.5%	12.9%	5.9%	6.5%	8.7%	10.0%
P/Bv (x)	0.3	0.5	1.0	1.0	0.9	0.9
Earnings Growth	67.9%	-9.9%	26.8%	10.1%	5.2%	10.1%
ROE	18.5%	15.0%	17.5%	17.2%	16.4%	16.6%
Net Interest Margin (NIMs)	5.6%	5.1%	4.7%	4.3%	4.0%	3.9%

Income Statement	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Net Interest Income	242,133	245,622	278,182	305,659	328,727	362,077
Non-Markup Income	57,451	90,741	87,407	81,645	89,123	92,458
Total Revenues	299,584	336,363	365,588	387,304	417,849	454,536
Total Expenses	172,767	195,196	208,154	219,597	236,811	253,978
Provision/Credit allowance charge	13,266	26,604	11,268	13,521	17,781	21,221
Profit Before Tax	113,551	114,563	146,166	154,185	163,257	179,336
Net Profit	57,676	60,345	68,488	75,169	80,036	87,750

Balance Sheet	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Advances	1,861,345	2,435,435	2,026,285	2,234,759	2,508,673	2,878,524
Investments	2,562,299	2,528,200	4,439,088	5,153,385	5,949,950	6,699,898
Total Assets	5,534,348	6,055,113	7,738,182	8,860,183	10,137,564	11,485,460
Deposits	4,142,352	4,370,371	5,194,252	5,867,655	6,715,785	7,657,814
Borrowings	665,043	826,883	1,590,222	1,895,633	2,201,043	2,506,454
Total Liabilities	5,168,328	5,644,314	7,271,721	8,370,691	9,622,136	10,937,839
Total Equity	366,021	410,798	466,461	489,492	515,428	547,621

Source: PSX & AKD Research

Oil & Gas Development Company Limited

Cash flow revival, exploration upside and Minerals pivot to drive re-rating

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
270.4	4,300.9	1,162,971.0	4.3	1,134.9

Our liking for OGDC stems from i) markedly improved cashflows over the past two year, reflected in higher payouts and accelerated E&P operations, ii) significant stake in Reko Diq (8.33%) to yield results post FY29, and iii) potential for sizeable wild-cat discovery in Abu Dhabi offshore block-5, iv) strong 2P reserve position and substantial recoverable reserve life. Moreover, Company's revenue mix comprises of 48%/41%/11% Gas/Oil/LPG, with an estimated total production life currently stands at a little over ~15 years. In summary, we have a Dec'26 target price of PkR522/sh on the stock, which offers a 99.3% upside from current levels.

Path to gas circular debt resolution: Authorities have been in the pursuit of resolving the gas circular debt misnomer, which has ballooned to ~PkR613bn (US$2.2bn) for OGDC as of Sep'25 end. With the collection rates now nearing 100%, an evidence of consumer gas prices now standing at par of cost-recovery levels for the entire gas production and distribution chain. Moving forward, we expect continual of austerity measures in the gas distribution chain, alongside bi-annual gas tariff revisions. Furthermore, authorities also are vowing to resolve the gas circular debt backlog as well, with recent new flows suggesting gradual clearances of past receivables alongside cross-subsidization through additional PDL on fuel and savings on RLNG cargoes to fund the backlog clearance.

Ramping up exploration activity: OGDC remains the leading E&P company in terms of participation in auctions, with company securing 20 of the 46 exploration leases on offer since FY21, with most being in the promising and relatively unexplored Balochistan province. Furthermore, FY25 capex along amounted to US$263mn (up 60% YoY), well over the US$150mn average seen during FY20-24. For FY26, management plans to pursue high-risk, high-potential opportunities through annual capex of ~US$200-250mn (PkR50– 60bn), with a keen focus on frontier regions in KPK and Balochistan. Furthermore, discussion with U.S. firms in order to venture into unconventional plays (shale rock) and offshore exploration blocks also remains promising, possibly during the upcoming exploration bidding round during Oct'25.

Reko Diq and Abu Dhabi block to be catalysts: We estimate the company's 8.33% stake in the Reko Diq mining project to contribute PkR52/sh to its valuation (adjusted for a minority stake discount). This valuation is based on production and cash flow assumptions from the updated feasibility study of the project. We estimate the first significant cash flows from the project to impact OGDC starting CY29, aligned with Phase-1 of the mining operations. Additionally, OGDC, PPL, MARI and GHPL each hold 25% equity stake in PIOL (40% production interest) to explore Abu Dhabi's offshore block-5, which was awarded in Aug'21. Notable progress has been done including drilling of several appraisal wells, with an additional exploratory well planned.

Earnings revision: We have had revision in our earnings estimates by –14%/+23% for FY26/27E, respectively, due to i) significant addition of new finds aiding to production growth, and ii) steeper decline in gas circular debt to aid cash flows

Target price change: We have rolled over OGDC target price to PkR522/sh to Dec'26 compared to our previous target price of PkR371.0/sh for Dec'25, due to enhancement in positive working capital position, consistent additions to production base and updated assumptions in the Reko Diq Mining Project.

Investment Perspective: We have a 'Buy' stance on OGDC with a Dec'26 target price of PkR522/sh, alongside a DY of 6.3% during the same period. Our outlook is strengthened due to the following aspects: i) strong production profile, alongside consistent reserve replacement, ii) higher future exploration prospects on back of improving liquidity situation, iii) 8.33% stake in highly prospective Reko Diq Mining Project, iv) off-shore working interests in Abu Dhabi Offshore Block-5, along with consortium partners and v) improvement in cash payouts.

Risks: i) RLNG surplus crowding out pipeline space, forcing production curtailments, ii) delay in receivables affecting cash flows, and iii) lower reserve replacement amid maturing fields.

AKD Stance

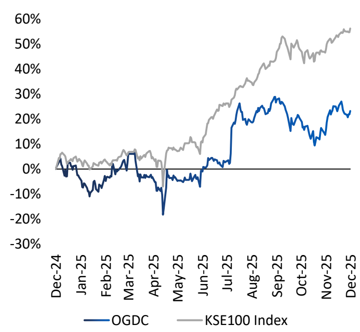
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
522.0	**270.4**
T. UPSIDE/DOWNSIDE	DIV. YIELD
99.3%	**6.3%**

OGDC: Price Performance

	1M	6M	CYTD
Absolute (%)	6.6	24.4	19.0
Rel. Index (%)	1.0	-16.8	-31.1
Absolute (PkR)	16.8	53.1	43.1

KATS Code	**OGDC**
Bloomberg Code	**OGDC.PA**
Price PkR	**270.4**
Market Cap (PkRmn)	1,162,971.0
Market Cap (US$mn)	4,150.5
Shares (mn)	4,300.9
Free Float Shares(mn)	645.1
1Yr High (PkR)	282.9
1Yr Low (PkR)	179.4
3M Avg DT Value (PkR'000)	1,134,901
3M Avg DT Value (US$'000)	4,050.3
1Yr Avg DT Value (PkRmn)	1,301.2
1Yr Avg DT Value (US$mn)	4.644

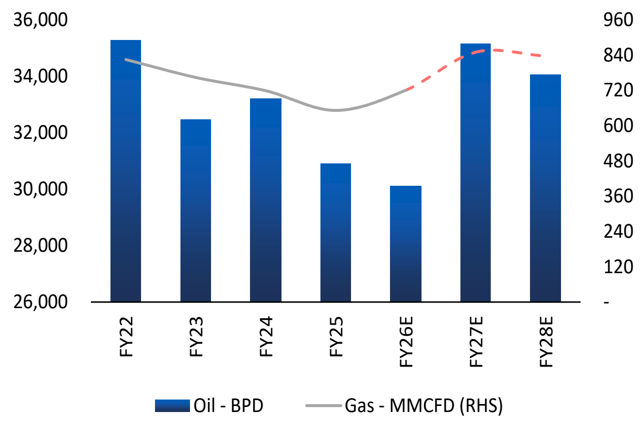
OGDC vs. KSE-100 Index



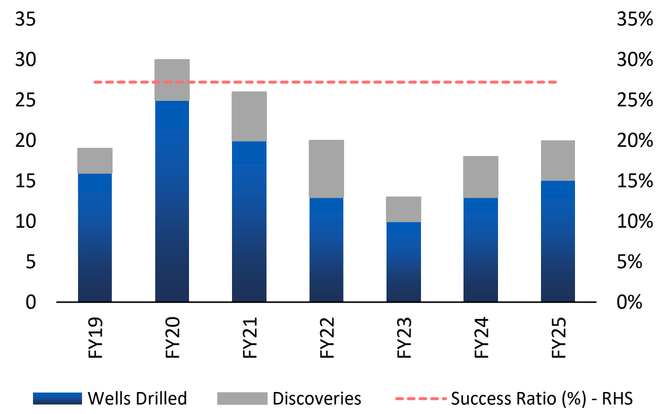
Source: PSX & AKD Research

Revival of E&P activity anticipated with improved cashflows

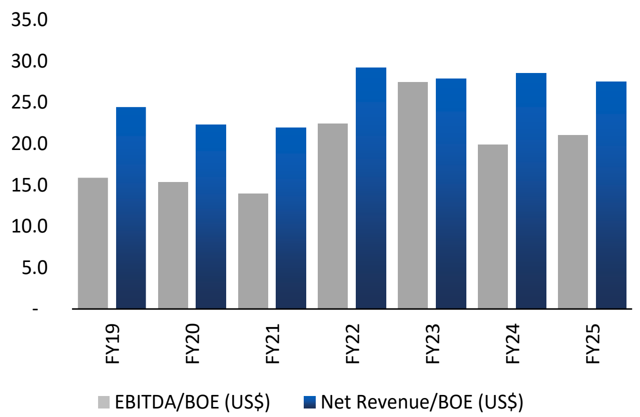
Production over the years: Oil & Gas



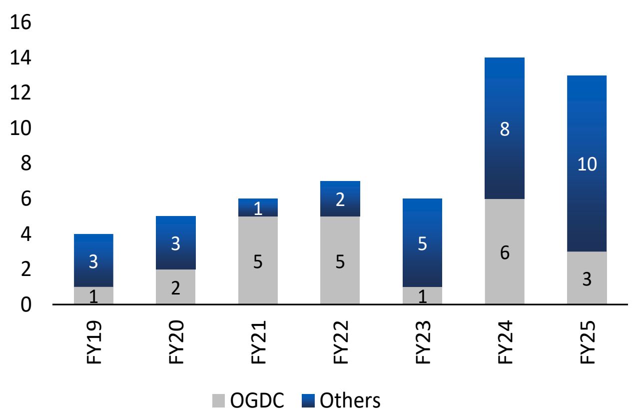
High discovery success despite liquidity challenges



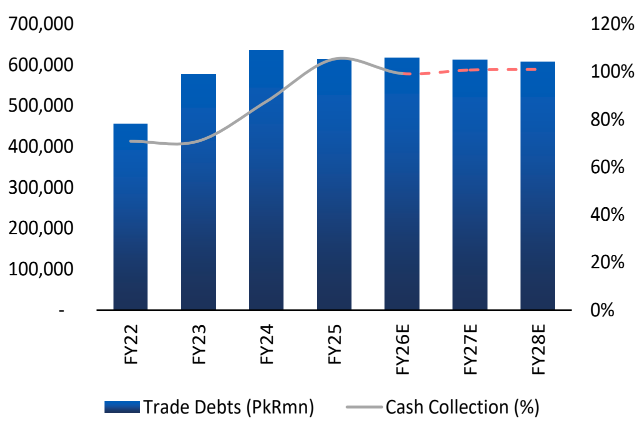
Operational efficiency remains strong



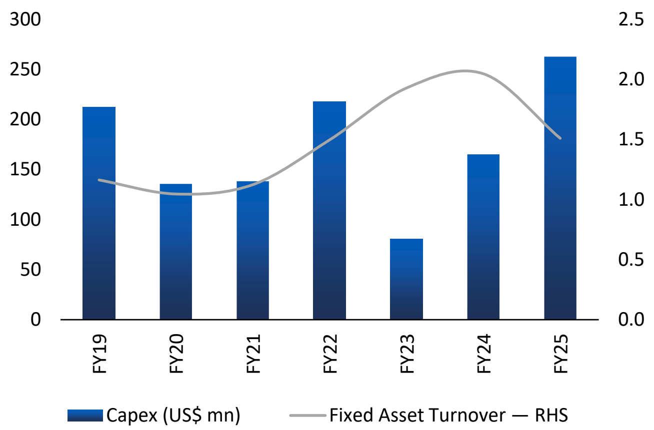
Exploration block auction success: OGDC vs. Other E&P cos.



Trade Receivables to slowdown post FY25E



Company has reignited capex post liquidity boost



Source: PPIS, OGRA & AKD Research

OGDC - Annual Financial Data Bank

(Valuation Multiples)	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS	52.2	48.6	39.5	39.5	51.0	52.5
DPS	8.6	10.1	13.1	17.0	20.5	23.8
Bv	252	291	313	342	374	404
PE	5.2	5.6	6.8	6.8	5.3	5.2
Dividend Yield	10.6%	8.8%	5.6%	6.3%	7.6%	8.8%
P/Bv (x)	0.3	0.4	0.9	0.8	0.7	0.7
Earnings Growth	68%	-7%	-19%	0.0%	29%	3%
ROE	21%	17%	13%	12%	14%	13%
Gross Margin	65%	61%	58%	59%	60%	59%
Net Margin	54%	45%	42%	40%	39%	40%

Income Statement	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	413,594	463,698	401,178	419,643	557,081	568,648
Gross Profit	269,727	283,313	231,608	246,361	333,540	337,988
EBITDA	417,938	336,233	319,270	311,592	398,423	410,476
Profit Before Tax	383,773	293,787	279,315	273,782	354,855	365,900
Net Profit	224,618	208,976	169,904	169,841	219,209	225,917

Balance Sheet	FY23	FY24	FY25	FY26E	FY27E	FY28E
Current Assets	959,118	1,060,489	1,123,384	1,175,667	1,300,445	1,409,511
Long Term Assets	464,948	543,765	531,222	594,147	626,160	643,951
Total Assets	1,424,065	1,604,254	1,654,606	1,769,815	1,926,604	2,053,462
Current Liabilities	160,964	180,856	125,278	117,340	137,811	138,696
Non-Current Liabilities	180,203	172,902	181,090	182,296	180,048	177,949
Total Liabilities	341,167	353,758	306,368	299,636	317,859	316,646
Total Equity	1,082,898	1,250,496	1,348,238	1,470,179	1,608,745	1,736,816

Cash Flow	FY23	FY24	FY25	FY26E	FY27E	FY28E
CF from Operations	107,119	219,170	173,810	201,875	329,634	323,700
CF from Investing	-160,551	-55,227	-198,053	-107,607	-116,819	-56,540
CF from Financing	47,566	-48,679	-63,974	-46,694	-82,891	-99,944
Net Change in Cash	-5,865	115,264	-88,217	47,575	129,925	167,216
Cash & Cash Equivalents	25,766	141,030	52,814	100,388	230,313	397,529

Source: PSX & AKD Research

Pakistan Petroleum Limited

Deep value opportunity amid circular debt normalization and mining exposure

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
227.4	2,721.0	618,639.2	8.4	1,703.2

We continue to advocate for significant upside in Pakistan Petroleum Ltd (PPL), with a 'Buy' call of PkR412/sh for Dec'26, as we believe the stock has still not played in the positives stemming for rationalization of gas price increases, potential clearances of circular debt backlog, healthy hydrocarbon production growth and strategic pivot into minerals and mining through investments in Reko Diq and BLZ projects. However, contrary to its peers, PPL has underperformed the broader market by 47% during CYTD, on the back of reduced production due to mix of maturing production assets and RLNG line pack pressure, while sharp increase in gas based receivables on books up till Jun'24 also aided to the decline. Presently, company is trading at an implied oil price of US$20/bbl, an unjustified 71% discount to the prevailing Arab light prices, has cumulative reserves of 410mn boe (32mn bbl oil and 2.2 TCF of gas) with a reserve to annual production ratio of 9.5 years.

Circular debt resolution to bode well: With authorities having curbed the gap between cost and sale price of gas (substantial adjustment already implemented), with SNGPL's average consumer price now at PkR1,895/mmbtu as compared to ~PkR570/mmbtu in FY21. Notably, outstanding trade receivable balance on PPL's book stand at PkR593bn (PkR218/sh) as of Sep'25, while owing from Sui cos are PkR578bn (PkR212/sh), around 97.5% of the balance. More recently, PPL's cash collection ratio has significantly improved to 94% during FY25, compared to FY19-24 avg. of 67%, but 20% excluding FY21, which is when GoP uplifted the sector through timely cash injections. For this reason, we believe slowing down of circular debt to be the great anchor in rerating of PPL's specifically, as we anticipate GCD buildup to greatly slowdown beyond FY26, with our assumptions nearing 100% cash collection ratio moving forward, with possibilities of clearances of overdue backlog as well.

Diversification into minerals and mining to unlock prospects: PPL and OGDC hold 8.33% stake each in the Reko Diq copper and gold project, contributing to a collective 25% interest of domestic SOEs in Reko Diq Mining Company (RDMC), alongside GHPL. With a mining life of 42 years, our valuation estimates conclude an incremental value of PkR82/sh for PPL, with an annual equity contribution requirement of US$97mn annually until beginning of Phase-1 by CY29. Other mineral investments include Barytes, Lead & Zinc (BLZ), operating thorugh its mining arm i.e. Bolan Mining Enterprises (BME), a JV between PPL and GoB, aims to generate US$144mn annually as per company estimates, over the mining life of 42 years. Finally, company also holds effective 10% in Abu Dhabi Offshore Block-5 as well, along with consortium partners OGDC, MARI and GHPL collectively represented by PIOL (40% interest in block).

Earnings revision: We have revised our earnings estimates for PPL by –14%/+6% for FY26/27E, respectively, driven by i) monetization of new discoveries and improved production continuity from Tal block, Shah Bandar block and Gambat South, and ii) normalization of receivable cycles amid faster gas circular debt clearance.

Target price change: We have rolled forward our PPL target price to PkR412/sh for Dec'26, compared to PkR281/sh for Dec'25, due to i) stronger operating cash flow outlook, ii) improving production base, and iii) high value stake in Reko Diq mining project.

Investment Perspective: We have a 'Buy' stance on PPL with a Dec'26 target price of PkR412/sh, alongside a DY of 4.6% during the same period. Our outlook is strengthened on the back of: i) higher future exploration prospects given improving liquidity situation, ii) 8.33% stake in highly prospective Reko Diq Mining Project, and iii) offshore working interests in Abu Dhabi Block-5, along with consortium partners and iv) improvement in cash payouts.

Risks: i) RLNG surplus crowding out pipeline space, forcing production curtailments, ii) delay in receivables affecting cash flows, and iii) lower reserve replacement amid maturing fields.

AKD Stance

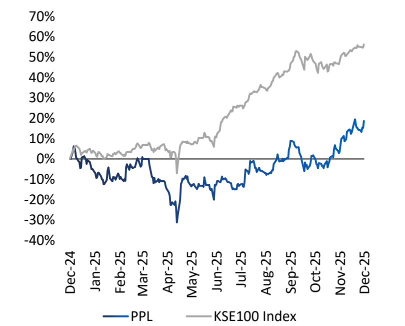
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
412.0	**227.4**
T. UPSIDE/DOWNSIDE	DIV. YIELD
85.8%	**4.6%**

PPL: Price Performance

	1M	6M	CYTD
Absolute (%)	14.5	35.4	11.7
Rel. Index (%)	8.9	-5.9	-38.4
Absolute (PkR)	28.8	59.4	23.8

KATS Code	PPL
Bloomberg Code	PPL.PA
Price PkR	227.4
Market Cap (PkRmn)	618,639.2
Market Cap (US$mn)	2,207.8
Shares (mn)	2,721.0
Free Float Shares(mn)	669.3
1Yr High (PkR)	229.0
1Yr Low (PkR)	131.9
3M Avg DT Value (PkR'000)	1,703,194
3M Avg DT Value (US$'000)	6,078.5
1Yr Avg DT Value (PkRmn)	1,352.3
1Yr Avg DT Value (US$mn)	4.826

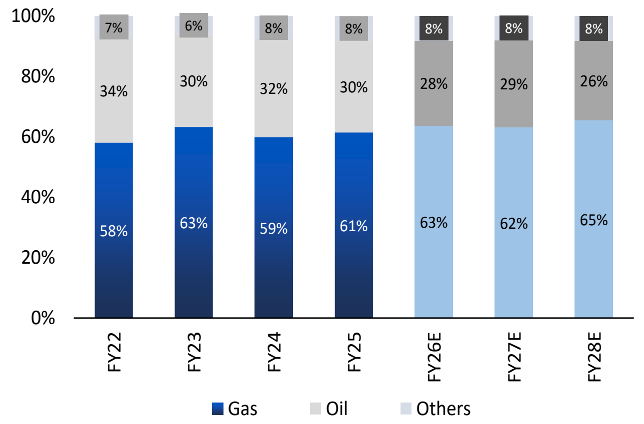
PPL vs. KSE-100 Index



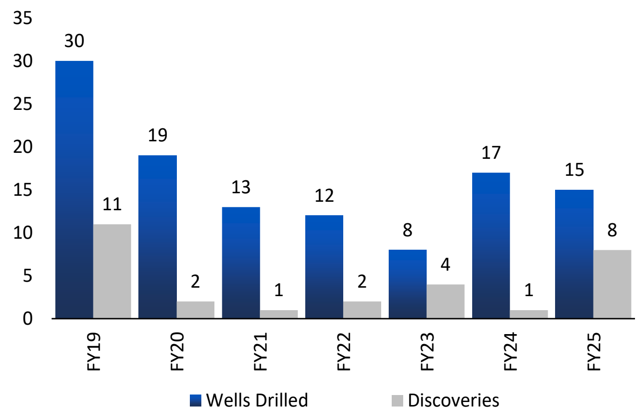
Source: PSX & AKD Research

Enhanced gas collections to boost liquidity

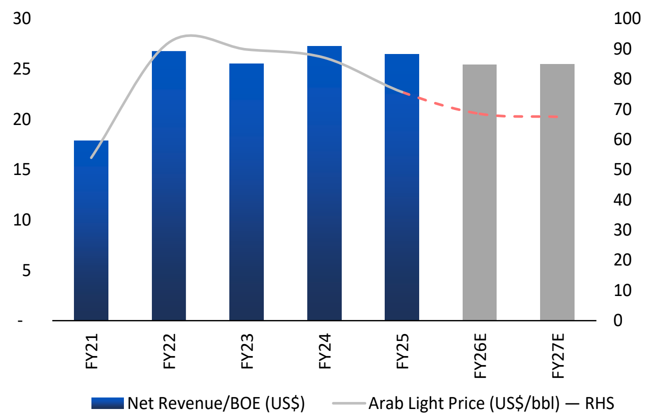
Gas drives majority of the revenues



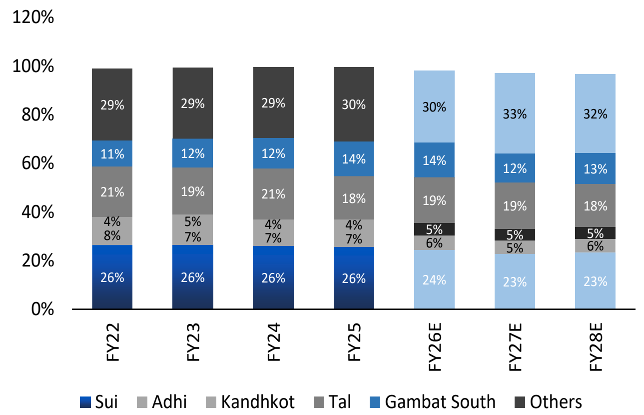
Exploration activities enhances as liquidity improves



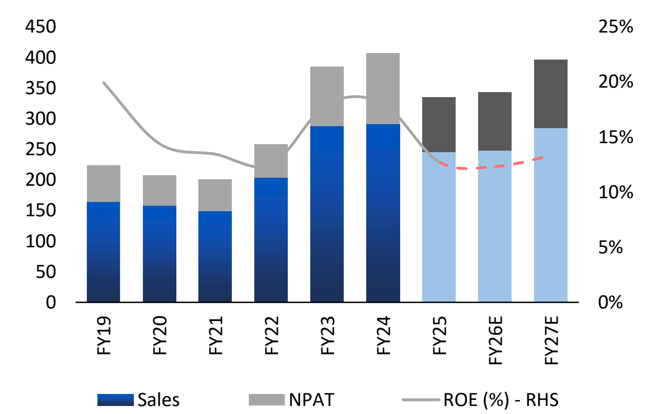
Valuations remain relatively cheap



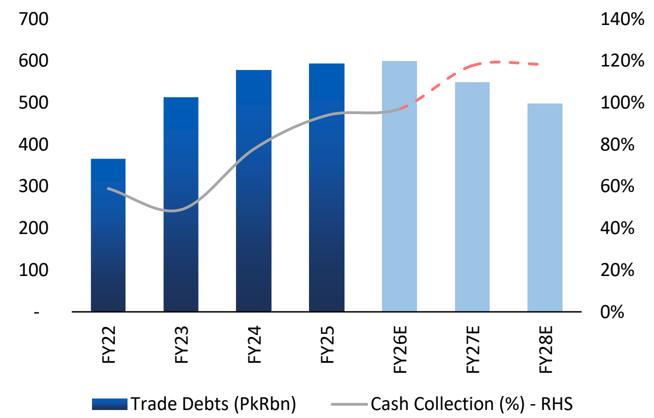
Most producing blocks way past peaks



ROE is anticipated to recover further as distributions increase (PkRbn)



Trade debt build-up to slow down significantly



Source: PPIS, OGRA, PSX & AKD Research

PPL - Annual Financial Data Bank

(Valuation Multiples)	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS	35.7	42.4	33.1	34.2	40.5	39.9
DPS	2.5	6.0	7.5	10.5	17.5	19.5
Bv	199	235	259	285	308	328
PE	6.4	5.4	6.9	6.6	5.6	5.7
Dividend Yield	3.9%	6.0%	3.3%	4.6%	7.7%	8.6%
P/Bv (x)	0.3	0.4	0.9	0.8	0.7	0.7
Earnings Growth	79%	19%	-22%	3.6%	18%	-2%
ROE	18%	18%	13%	12%	13%	12%
Gross Margin	67%	65%	62%	61%	62%	62%
Net Margin	34%	40%	37%	37%	38%	39%

Income Statement	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	288,053	291,241	244,977	248,823	288,079	278,546
Gross Profit	212,551	211,914	169,289	169,876	198,338	191,786
EBITDA	156,418	153,752	125,511	126,492	151,685	145,198
Profit Before Tax	164,912	160,279	136,868	141,545	167,387	164,634
Net Profit	97,222	115,477	89,949	93,149	110,312	108,553

Balance Sheet	FY23	FY24	FY25	FY26E	FY27E	FY28E
Current Assets	600,695	710,880	701,986	777,848	838,259	882,832
Long Term Assets	193,749	202,161	227,408	236,789	239,298	243,086
Total Assets	794,445	913,041	929,394	1,014,636	1,077,557	1,125,918
Current Liabilities	181,133	200,083	146,953	162,502	162,727	155,594
Non-Current Liabilities	72,445	72,226	77,417	77,572	77,572	77,572
Total Liabilities	253,577	272,309	224,370	240,074	240,299	233,166
Total Equity	540,867	640,732	705,023	774,562	837,258	892,752

Cash Flow	FY23	FY24	FY25	FY26E	FY27E	FY28E
CF from Operations	28,614	88,519	35,760	123,318	178,678	172,023
CF from Investing	-36,378	-72,136	-11,297	-37,337	-24,974	-26,779
CF from Financing	8,635	-15,474	-25,307	-23,689	-47,617	-53,059
Net Change in Cash	871	909	-843	62,293	106,087	92,185
Cash & Cash Equivalents	6,299	7,208	6,364	68,657	174,743	266,929

Source: PSX & AKD Research

System Ltd.

Empowering growth in a world of rising IT investments

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
166.4	1,472.9	245,028.4	3.0	472.0

SYS has experienced a recovery in margins, driven by its efforts to consolidate investments across vertical segments, particularly in AI, where gross margins are expected to improve further. This trend was evident in 9MCY25, with GM rising to 26.7% from 23.6% in SPLY, indicating that these investments are beginning to yield results.

Set to capitalize on MENA region upside: Company is well-positioned to benefit from its past investments and expanded presence in the MENA region, where growth is expected to be driven by major upcoming initiatives and events such as Saudi Vision 2030 and the NEOM City project, Riyadh Expo 2030, Qatar's National Vision 2030, and the FIFA World Cup 2034. According to Gartner, the MENA region is expected to remain at the forefront of the global IT boom, with IT spending projected to grow 8.9%YoY to US$169bn in 2025, up from US$155bn in 2024.

Margins on the mend: Company has invested heavily and restructured its workforce to expand into new markets, which initially weighed on margins. However, it is now shifting focus toward consolidating its investments in these regions rather than pursuing further expansion. Additionally, recent visa restrictions for Pakistani nationals in the MENA region are expected to improve employee retention, easing the upward pressure on salaries that previously contributed to margin compression. Moreover, the local market remained to be the most volatile region for the company where gross margins were depressed. With several legacy loss-making contracts now expired or renegotiated, gross margins in the region have improved, reaching 11.3% in 9MCY25.

Acquisition to drive growth: SYS has been pursuing an aggressive M&A strategy to accelerate future growth by acquiring fast-growing companies and strengthening its inorganic expansion. SYS has recently acquired BAT SAA Services, and SYS's associated company Techvista Systems FZ LLC, has simultaneously entered into a multi-year long term Master Services Agreement for Business Process Outsourcing Services dated July 29, 2025 with Accenture (UK) Limited for the provision of AI-powered global shared services as a sub-contractor intended to be provided through the BAT SAA Services. Most recently, the company announced the amalgamation of Confiz Pakistan Ltd, a top-three IT company in Pakistan, further reinforcing its footprint in North American and European markets and unlocking upsell opportunities providing additional growth. We have not incorporated the Confiz acquisition into our base case due to pending regulatory approvals. However, once completed, the acquisition is expected to add around 10% to SYS's topline inorganically, contribute an incremental PkR9.0/sh to our target price, and enhance earnings by PkR1.1/sh and PkR1.4/sh for CY26 and CY27, respectively.

Earnings revision: We have had a upward revision in our earnings estimates, up by 20%/14% for CY26/CY27, respectively, due to improvement in gross margins.

Target Price change: We have revised upward and rolled over the stock's target price to PkR277/sh to Dec'26 compared to our previous target price of PkR176/sh for Dec'25. The upward revision was due to earlier-than-anticipated margins recovery and higher growth.

Investment Perspective: We have a 'BUY' stance on the stock with Dec'26 DCF target price of PkR277/sh. Our liking for SYS stems from i) Increasing IT exports, up 14%YoY during 5MFY26, ii) improving gross margins given consolidation, and iii) strong presence in MENA region to drive growth amid increased spending on IT.

Risks: i) Appreciation of domestic currency, ii) further scale down of Saudi-NEOM city project, and iii) higher attrition rate of employees as retention of a large workforce may be difficult to manage for the company.

AKD Stance

	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
277	**166.4**
T. UPSIDE/DOWNSIDE	DIV. YIELD
68.0%	**1.5%**

SYS: Price Performance

	1M	6M	CYTD
Absolute (%)	13.2	58.7	33.8
Rel. Index (%)	7.6	17.5	-16.3
Absolute (PkR)	19.4	61.6	42.1

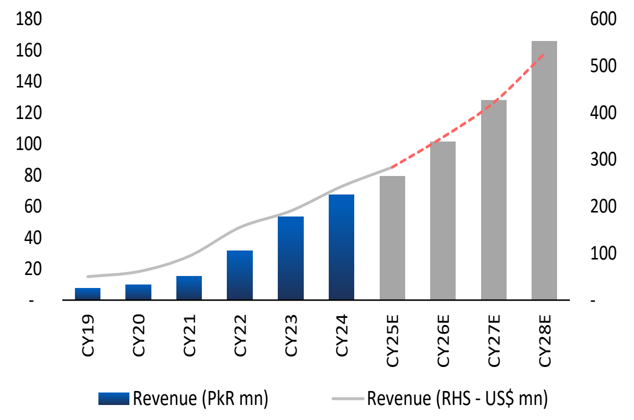
KATS Code	**SYS**
Bloomberg Code	**SYS.PA**
Price PkR	**166.4**
Market Cap (PkRmn)	245,028.4
Market Cap (US$mn)	874.5
Shares (mn)	1,472.9
Free Float Shares(mn)	881.7
1Yr High (PkR)	170.9
1Yr Low (PkR)	96.0
3M Avg DT Value (PkR'000)	471,986
3M Avg DT Value (US$'000)	1,684.5
1Yr Avg DT Value (PkRmn)	344.3
1Yr Avg DT Value (US$mn)	1.229

SYS vs. KSE-100 Index

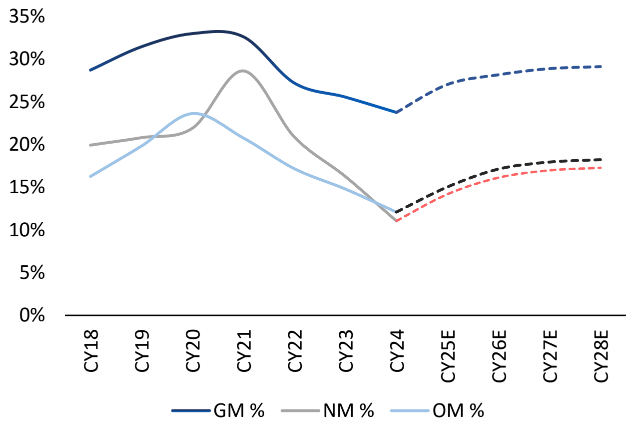
Source: PSX & AKD Research

systems Revenue growth with margins expansion

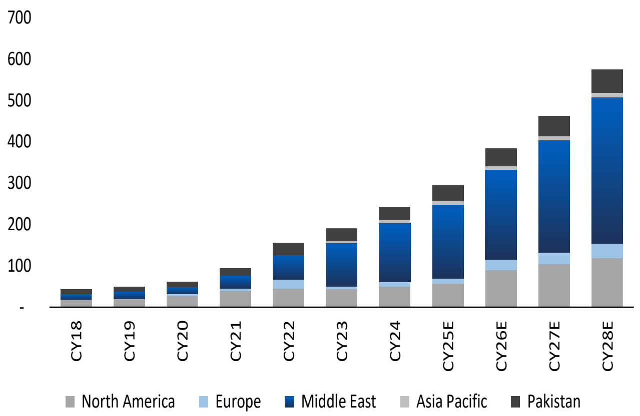
Aggressive acquisitions to keep revenue growth robust



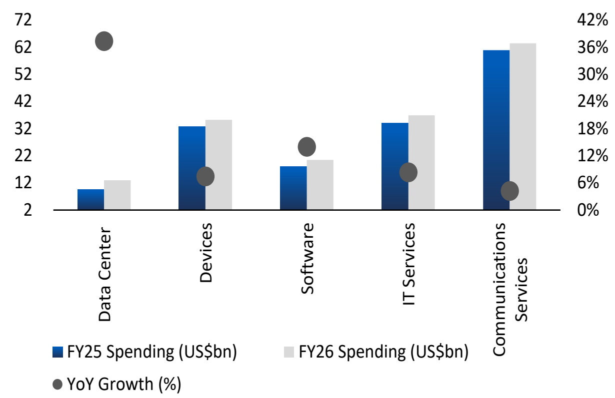
Consolidation paves the way for margin improvement



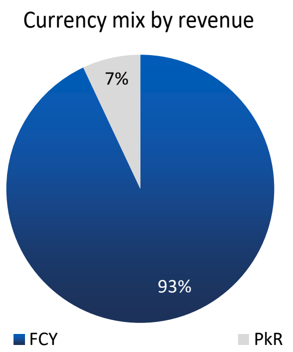
MENA region to emerge as key engine for revenue growth (US$mn)



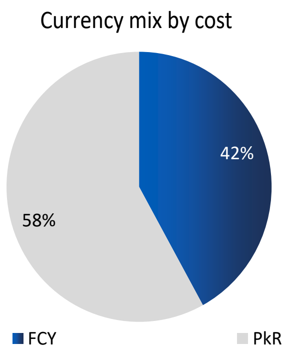
...given surge in IT spending in the region



Revenue base to remain predominantly FCY-denominated



...while cost to remain PkR denominated



Source: SBP, Gartner, PSX & AKD Research

SYS - Annual Financial Data Bank

(Valuation Multiples)	CY23	CY24	CY25E	CY26E	CY27E	CY28E
EPS	5.9	5.1	7.7	11.2	14.8	19.7
DPS	1.2	1.2	1.8	2.5	3.3	6.0
Bv	22.0	26.3	32.2	40.9	52.5	66.2
PE	14.9	17.2	21.7	14.9	11.2	8.4
Dividend Yield	1.4%	1.4%	1.0%	1.5%	1.9%	3.6%
P/Bv (x)	4.0	3.3	5.2	4.1	3.2	2.5
Earnings Growth	31.1%	-14.1%	51.3%	46.0%	32.6%	32.8%
ROE	26.9%	19.3%	23.8%	27.4%	28.3%	29.8%
Gross Margin	25.6%	23.8%	27.0%	28.2%	28.9%	29.2%
Net Margin	16.3%	11.1%	14.2%	16.2%	17.1%	17.5%

Income Statement	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Sales	53,435	67,473	79,502	101,484	127,856	165,916
Gross Profit	13,657	16,036	21,497	28,595	36,940	48,486
EBITDA	9,591	9,727	13,468	19,046	24,834	32,943
Profit Before Tax	9,280	8,291	12,589	18,308	24,281	32,243
Net Profit	8,689	7,460	11,289	16,477	21,853	29,019

Balance Sheet	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Current Assets	33,515	41,360	50,612	68,814	89,805	114,673
Long Term Assets	17,150	16,091	16,429	17,555	18,837	21,448
Total Assets	50,666	57,451	67,041	86,369	108,642	136,122
Current Liabilities	15,369	16,417	17,263	23,763	28,936	36,199
Non-Current Liabilities	2,966	2,303	2,335	2,368	2,403	2,438
Total Liabilities	18,335	18,720	19,598	26,132	31,338	38,637
Total Equity	32,332	38,731	47,443	60,238	77,303	97,485

Cash Flow	CY23	CY24	CY25E	CY26E	CY27E	CY28E
CF from Operations	3,339	2,968	7,433	16,643	17,513	22,654
CF from Investing	-1,955	-1,860	-2,591	-3,713	-4,321	-6,576
CF from Financing	784	-1,270	-2,264	-3,340	-4,418	-8,612
Net Change in Cash	2,168	-162	2,578	9,590	8,774	7,466
Cash & Cash Equivalents	7,983	7,821	10,390	19,980	28,754	36,220

Source: PSX & AKD Research

Pakistan State Oil Company Ltd

Liquidity normalization and earnings recovery in play

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
457.6	469.5	214,816.9	4.1	1,915.0

PSO stands well-positioned to capitalize on improving sector fundamentals led by i) easing working capital and finance costs due to enhanced RLNG receivable recoveries, ii) RLNG cargo diversions to reduce working capital costs, iii) CPI-linked margin hikes to support profitability in core operations, iv) recovery in economic activity to lead growth in sales. Notably, PSO's expansive retail footprint (3,600+outlets) continues to underpin market dominance, however, alignment of consumer gas tariffs with revenue requirements is expected to lift RLNG collection rates close to 100%, which we view as central to valuation unlocking. Our base case assumes near-full collections over FY26–27, followed by a gradual reduction in legacy circular debt receivables from SNGPL, through refinancing or restructuring, similar to recent power-sector circular debt clearance that have taken shape.

Retail size to assert market leadership: With a more visible recovery in economic activity during FY26, we expect PSO's OMC sales penetration to remain resilient, anchored by its extensive retail footprint. PSO's market share closed FY24 at 43%, near-to long-term average of 44%, even amidst heightened domestic competition from emerging OMCs. PSO's structural advantages of 3,649 retail outlets representing ~37% of national coverage, positions the company in-times of macroeconomic volatility, particularly as smaller players remain challenged by margin pressure and balance-sheet constraints. Furthermore, PSO has entered the EV segment through subsidiary PSO Renewables, alongside HUBCO Green, with plans to roll out nationwide EV charging network. The company has already commenced charger installations at key locations, capturing an early-mover advantage

Gas circular debt normalization to unlock liquidity: Gas circular debt reforms are now translating into measurable upside for PSO, particularly via improved RLNG cash flows, with estimated collection reaching 102% in FY25 as Sui company tariffs now reflect RLNG diversion costs to domestic consumers, which has effectively arrested receivable buildup. Additionally, the recent deferment of 24 RLNG cargoes with Qatargas is expected to further optimize PSO's working capital cycle by easing receivables pressure and lowering financing costs.

Margin reset strengthens core profitability: Recent OMC margin increase of PkR1.22/liter over the existing Rs7.87/liter marks an uplift for PSO's core earnings, particularly as retail fuels remain largely cash-based. As OMC margins are indirectly indexed to core inflation, currently standing at multi-year highs of ~3.5% of MS/HSD prices, directly translate to improved gross profitability and reduced reliance on costly short-term financing, especially during periods of volatile product pricing. Looking ahead, we conservatively assume 8.0% accretion annually, which results in projected GP margins averaging at 3.5% between FY26-30 (compared to 3.1% in FY25).

Earnings revision: We have revised our earning estimates for PSO by +9% for FY26 and +2% for FY27, due to i) upward revision in regulated OMC margins, and ii) easing working capital strain. iii) reduction in finance costs and, iv) sustained retail volumes.

Target price change: We roll forward our target price for PSO to PkR900/sh for Dec'26 (vs. previous TP of PkR760/sh for Jun'26), incorporating improved receivable turnover assumptions and reduction in finance costs.

Investment perspective: We maintain a 'Buy' stance on PSO with Dec'26 TP of PkR900/sh, backed by i) improved receivable discipline on RLNG flows, ii) inflation-indexed margin regime stabilizing cash flows, iii) dominant retail market presence sustaining volume base, and iv) long-term upside through PRL upgrade,

Key Risks: Downside risks include i) a renewed buildup of gas-based circular debt, ii) rollback from CPI-linked OMC margin indexation, iii) price shocks leading to inventory losses, iv) execution delays at the PRL upgradation project, and v) intensifying volumetric competition from smaller OMCs, pressuring market share.

AKD Stance

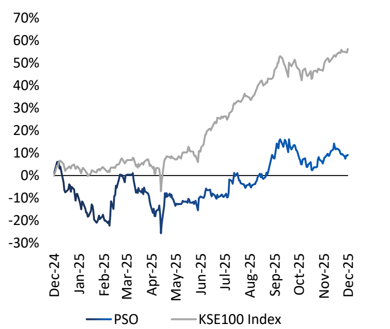
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
900.0	457.6
T. UPSIDE/DOWNSIDE	DIV. YIELD
100.0%	3.3%

PSO: Price Performance

	1M	6M	CYTD
Absolute (%)	2.5	20.4	3.8
Rel. Index (%)	-3.1	-20.8	-46.3
Absolute (PkR)	11.3	77.6	16.9

KATS Code	PSO
Bloomberg Code	PSO.PA
Price PkR	457.6
Market Cap (PkRmn)	214,816.9
Market Cap (US$mn)	766.7
Shares (mn)	469.5
Free Float Shares(mn)	234.7
1Yr High (PkR)	486.6
1Yr Low (PkR)	311.6
3M AvgDT Value (PkR'000)	1,915,032
3M Avg DT Value (US$'000)	6,834.5
1Yr Avg DT Value (PkRmn)	1,846.2
1Yr Avg DT Value (US$mn)	6.589

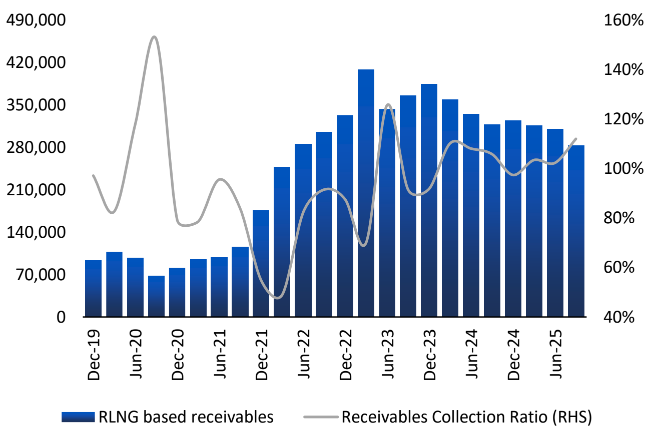
PSO vs. KSE-100 Index



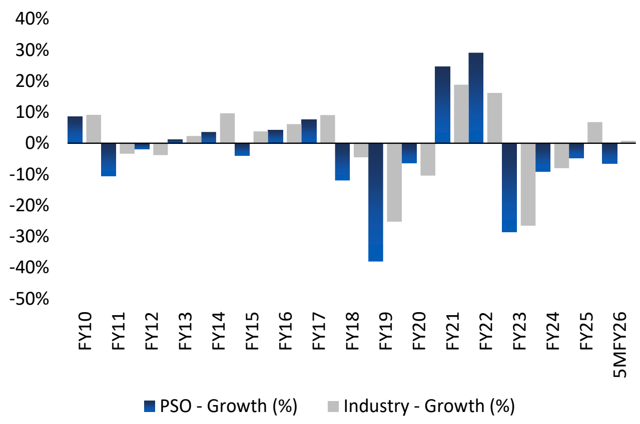
Source: PSX & AKD Research

Improving cash flows to increase payout

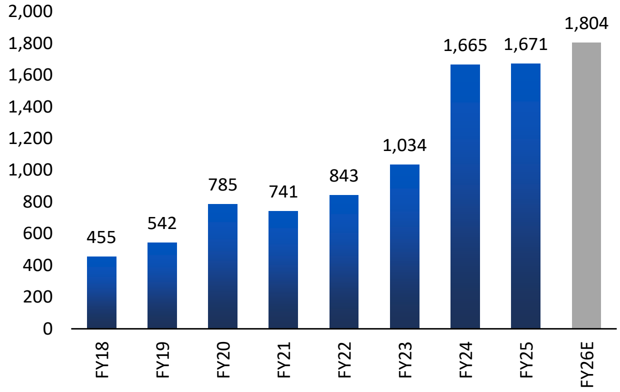
Receivables collection ratios have improved markedly (PkRmn)



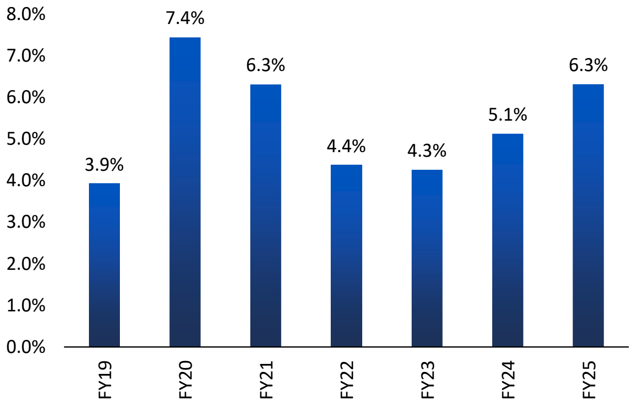
PSO vs. Industry's volumetric growth (YoY%)



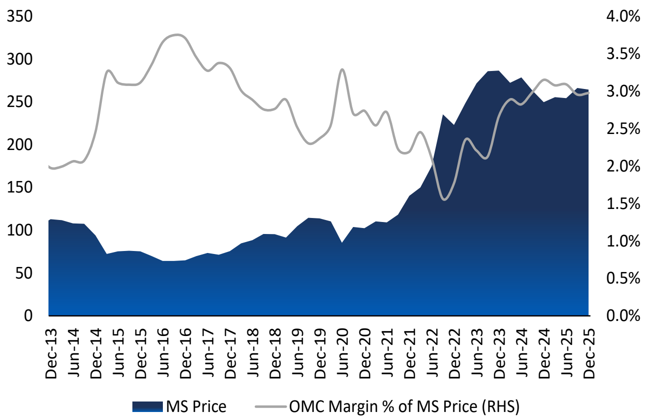
State-owned giant leads in the sales/outlet race



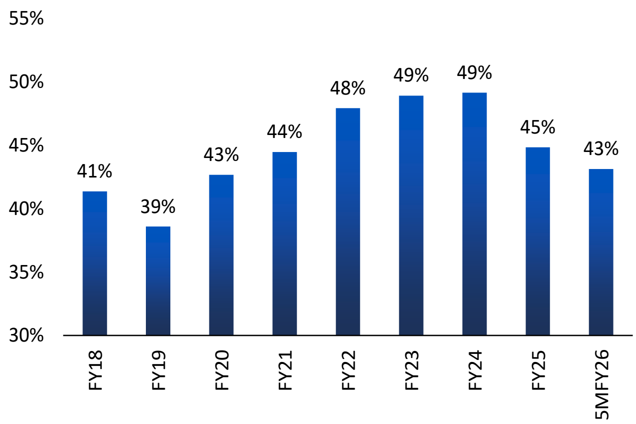
Procurement from PRL over the years



OMC margin % of fuel prices has grown steadily (PkR/liter)



Market share has dropped amidst influx of new entrants



Source: OCAC, OGRA & AKD Research

PSO - Annual Financial Data Bank

(Valuation Multiples)	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS	12.1	33.8	44.5	65.0	80.4	97.1
DPS	7.5	10.0	10.0	15.0	20.0	32.5
Bv	461	493	533	598	658	733
PE	11.7	4.6	10.3	7.0	5.7	4.7
Dividend Yield	5.3%	2.2%	2.2%	3.3%	4.4%	7.1%
P/Bv (x)	0.3	0.3	0.9	0.8	0.7	0.6
Earnings Growth	-93%	180%	32%	46%	24%	21%
ROE	3%	7%	8%	11%	12%	13%
Gross Margin	2.2%	2.7%	3.1%	3.3%	3.3%	3.5%
Net Margin	0.2%	0.4%	0.7%	1.0%	1.1%	1.2%

Income Statement	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	3,605,464	3,806,811	3,384,192	3,291,757	3,659,364	4,023,928
Gross Profit	74,847	97,291	96,710	102,946	115,377	130,411
EBITDA	26,384	43,784	54,682	66,851	79,696	93,924
Profit Before Tax	24,366	41,417	52,793	66,060	78,838	92,995
Net Profit	5,662	15,863	20,911	30,494	37,839	45,700

Balance Sheet	FY23	FY24	FY25	FY26E	FY27E	FY28E
Current Assets	923,349	906,322	890,649	813,784	803,096	789,208
Long Term Assets	60,047	68,126	81,430	87,225	92,562	98,266
Total Assets	983,396	974,448	972,079	901,008	895,658	887,474
Current Liabilities	748,345	725,139	745,047	593,747	556,541	512,118
Non-Current Liabilities	18,491	18,001	23,740	26,578	27,637	28,739
Total Liabilities	766,836	743,139	768,787	620,325	584,178	540,857
Total Equity	216,560	231,309	250,291	280,683	311,480	346,617

Cash Flow	FY23	FY24	FY25E	FY26E	FY27E	FY28E
CF from Operations	-243,444	11,538	148,345	-17,084	39,593	54,584
CF from Investing	-4,087	-10,625	-13,446	-5,267	-5,120	-5,511
CF from Financing	262,566	-19,141	-44,628	-58,972	-32,350	-43,375
Net Change in Cash	15,035	-18,229	90,271	-81,323	2,123	5,698
Cash & Cash Equivalents	28,954	10,725	53,997	19,674	21,797	27,495

Source: PSX & AKD Research

Fauji Cement Company Ltd.

Premium prices to command higher margins

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
56.3	2,452.8	137,972.7	8.4	469.6

FCCL enjoys the strongest retention pricing in the grey cement segment, underpinned by solid brand equity. The company is also well placed to benefit from the ongoing monetary easing cycle, being the most leveraged player within our AKD Cement universe. We reiterate our 'BUY' stance on the stock, with a Dec'26 target price of PKR 88.1/share, implying total return of 60%.

Superior pricing command: FCCL stands to gain from double expansion in recent years, taking capacity to 10.6mn TPA. We expect company's domestic market share to stabilize at 12.8% across FY26/FY27/FY28, improving from 12.1% in FY24 and 11.0% in FY23. FCCL continues to secure the strongest retention pricing in the grey cement category, supported by solid brand strength and a higher proportion of corporate clientele. Additionally, the DGK plant offers upside through potential sea export amid sustained favorable export pricing and proximity, though we have not factored this into our base case assumptions.

Poised to gain from monetary easing: FCCL is well positioned to benefit from the ongoing monetary easing cycle, following the 1,150bps reduction in interest rates from Jun'24. With benchmark rates expected to move into single digits by end-CY26, the company's relatively higher leverage (D/E: 0.4x), highest within the AKD Cement Universe, places it in a strong position to capitalize on falling finance cost. We anticipate finance cost for FY26 to decline by 25%YoY to PkR4.3bn.

Rising renewable share to drive margin expansion: We project margins to lift to 38.4% by FY28 given an optimized fuel mix, resurgence in retention prices, initiatives in renewable energy and company's investment in PP-bag line. Company has enhanced it's reliance on local coal, currently making up to 59% of fuel mix, offering an avg. cost advantage of ~25% over imported coal. Moreover, company sources ~7% of its energy from alternative fuels, with plans to increase this share to 10-15% in the near term. Along with, FCCL is beneficiary of the declining grid cost, (down 5.7%YoY) amid it's higher reliance on grids (FY26: above 40%). Additionally, company's recent investment of PkR1.5bn in the development of an additional 15MW solar captive plant is expected to raise in-house power generation to 58% of total power requirements.

Earnings revision: We have revised our earning estimates slightly down by 0.2%/2.0% for FY26/FY27, respectively, due to lower retention prices while increase in local coal prices amid Afghan border closure.

Target Price change: We have rolled over the stock's target price to Dec'26 at PkR88.1/sh compared to our previous target price of PkR76.8 for Jun'26, besides incorporating higher forecasted demand.

Valuation sensitivity to conversion price: In our base case, we have assumed the conversion of PkR7.6bn loan from parent into ordinary shares at a par value of PkR10. However, if the conversion takes place at PkR30, our TP would be PkR103.2, whereas, conversion at the prevailing market price would result in a target price of PkR107.9.

Investment Perspective: We maintain our 'BUY' stance on FCCL, with Dec'26 target price of PKR 88.1/sh, offering an upside potential of 57%. Our positive outlook is supported by i) higher retention prices, ii) strengthening gross margins (FY26 GM: 33.8%) driven by an optimized energy mix, and iii) easing finance cost amid a declining policy rate environment, given the company's relatively high leverage (D/E: 0.4x).

Risks: i) Any upward revision in the agreed royalty amount could lead to higher production cost, ii) increase in coal prices given geopolitical uncertainty, and iii) lower than expected demand recovery.

AKD Stance

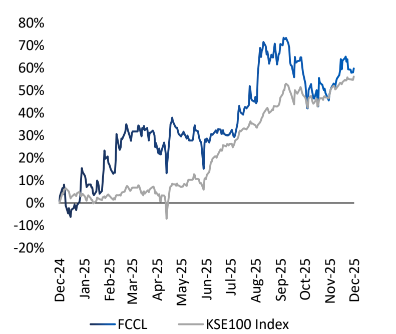
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
88	**56.3**
T. UPSIDE/DOWNSIDE	DIV. YIELD
60.1%	**3.6%**

FCCL: Price Performance

	1M	6M	CYTD
Absolute (%)	7.7	25.6	53.8
Rel. Index (%)	2.1	-15.6	3.7
Absolute (PkR)	4.0	11.5	19.7

KATS Code	**FCCL**
Bloomberg Code	**FCCL.PA**
Price PkR	**56.3**
Market Cap (PkRmn)	137,972.7
Market Cap (US$mn)	492.4
Shares (mn)	2,452.8
Free Float Shares(mn)	858.5
1Yr High (PkR)	61.1
1Yr Low (PkR)	33.0
3M Avg DT Value (PkR'000)	469,611
3M Avg DT Value (US$'000)	1,676.0
1Yr Avg DT Value (PkRmn)	576.3
1Yr Avg DT Value (US$mn)	2.057

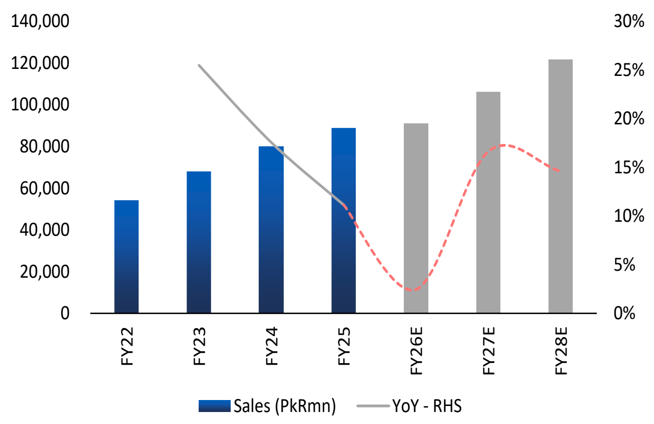
FCCL vs. KSE-100 Index



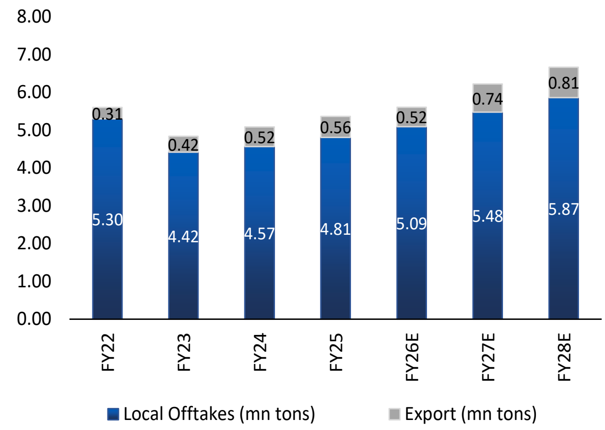
Source: PSX & AKD Research

Double expansion to boost market share

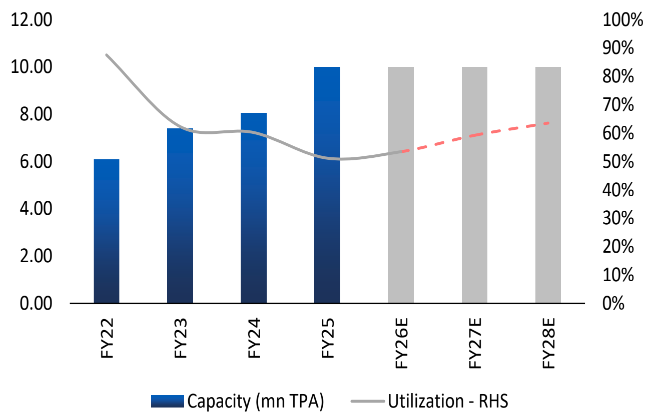
Revenue to witness robust growth



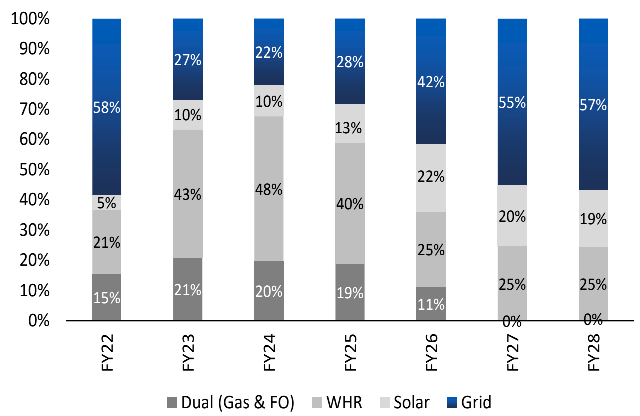
...led by higher domestic offtakes



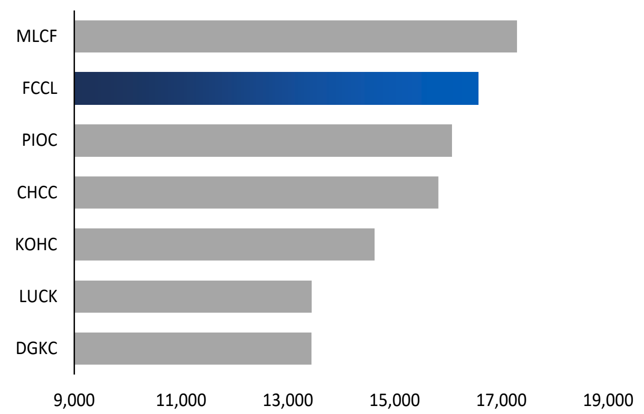
...resulting in utilization improvement



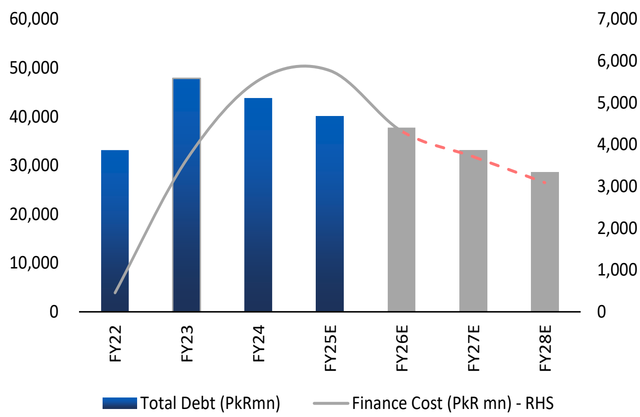
...with increasing reliance on renewables



Higher retention price amid strong brand equity



FCCL to remain key beneficiary of declining policy rate



Source: APCMA, PSX and AKD Research

FCCL - Annual Financial Data Bank

(Valuation Multiples)	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS	3.0	3.4	5.4	6.0	7.7	9.6
DPS	0.0	1.0	1.3	2.0	2.5	3.0
Bv	26.6	29.9	34.4	37.1	42.3	48.9
PE	4.1	5.0	10.4	9.3	7.3	5.9
Dividend Yield	0.0%	1.8%	2.2%	3.6%	4.4%	5.3%
P/Bv (x)	0.5	0.6	1.6	1.5	1.3	1.1
Earnings Growth	4.6%	10.5%	62.1%	10.9%	27.9%	24.3%
ROE	11.4%	11.2%	15.8%	16.2%	18.2%	19.6%
Gross Margin	30.0%	32.1%	35.5%	33.8%	36.6%	38.4%
Net Margin	10.9%	10.3%	15.0%	16.2%	18.1%	19.6%

Income Statement	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	68,069	80,026	88,956	91,135	104,666	119,955
Gross Profit	20,418	25,680	31,571	30,830	38,316	46,004
EBITDA	19,912	24,667	32,004	32,977	39,192	46,210
Profit Before Tax	12,900	15,355	21,526	23,840	30,600	38,143
Net Profit	7,440	8,223	13,326	14,779	18,895	23,496

Balance Sheet	FY23	FY24	FY25	FY26E	FY27E	FY28E
Current Assets	23,134	25,784	40,473	47,257	55,107	65,455
Long Term Assets	115,694	121,852	120,373	121,371	123,555	125,782
Total Assets	138,828	147,636	160,845	168,628	178,663	191,237
Current Liabilities	28,487	26,865	30,637	31,990	33,807	34,790
Non-Current Liabilities	45,166	47,372	45,935	45,558	41,012	36,466
Total Liabilities	73,653	74,237	76,573	77,548	74,820	71,256
Total Equity	65,176	73,399	84,272	91,080	103,843	119,981

Cash Flow	FY23	FY24	FY25	FY26E	FY27E	FY28E
CF from Operations	16,031	22,285	24,313	21,961	23,183	25,162
CF from Investing	(29,667)	(8,158)	(11,259)	(13,819)	(7,067)	(7,206)
CF from Financing	10,898	(8,480)	(12,739)	(10,285)	(10,702)	(11,905)
Net Change in Cash	(2,738)	5,647	315	(2,143)	5,414	6,051
Cash & Cash Equivalents	(3,650)	1,997	2,311	168	5,582	11,633

Source: PSX & AKD Research

Indus Motor Company Ltd.

Volumetric growth to sustain profitability growth

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
1,990.3	78.6	156,439.2	0.02	46.2

INDU's continues to benefit from strong volumetric growth, diversified product portfolio, extensive dealership network, higher localization, strong brand equity, high presence in rural areas, and superior cash-conversion cycle. Moreover, higher localization would shield against currency devaluation and provide edge over new entrants. We reiterate our 'BUY' stance on INDU, with Dec'26 target price of PkR3,966/sh, with FY26 dividend yield of 10.0%.

Supremacy beyond industry growth: We expect continued volume expansion, primarily driven by i) increasing farmer incomes (with rural areas contributing 50% of total sales), ii) strong brand equity, iii) the company's wide dealership footprint, the largest nationwide, and iv) support from a strong parent balance sheet, which can be utilized in the absence of customer advances. This outlook is supported by the company's recent operating performance, as INDU delivered a 68%YoY increase in volumes during 5MFY26, outperforming the industry's 48%YoY growth in Passenger cars and LCVs, despite the entry of several new competitors. In this context, we estimate volume growth of 19% and 17% in FY27 and FY28, respectively. Consequently, we project revenue to register a CAGR of 18% through FY29.

Leadership in hybrid strengthens positioning: INDU is well positioned to benefit from the forthcoming NEV policy, under which a greater number of hybrid model launches are anticipated from the company. Toyota holds a strong global leadership position in hybrid and plug-in hybrid technology, with its flagship models, 'Corolla' and 'Hilux', already offered in hybrid variants across international markets. Leveraging this global product portfolio, INDU can introduce new Hybrid variants locally with limited financial strain, supported by its robust balance sheet. The company's net cash position of PkR99.4bn (PkR1,264/sh) further strengthens its competitive standing, enabling it to pursue growth opportunities while providing a buffer against potential sectoral disruptions.

Strong liquidity and efficient cash cycle underpin resilience: Company has superior working capital management, characterized by a historically negative cash conversion cycle, funded by extended supplier credit terms and higher consumer advance owing to its brand strength. However, we conservatively project consumer advances to moderate to 42 days by FY30, compared to 5-yr avg. of 77 days, due to increasing competition.

Margins to normalize given heightened competition: We project the company's gross margins to gradually ease to 12.1% by FY28 from 14.5% in FY25, mainly reflecting heightened competition from new entrants, lower import duties, and the opening of commercial imports. In addition, we anticipate that the pace and extent of car price increases would slow relative to previous years, supported by tariff rationalization and stability in the domestic currency.

Earnings revision: We revise our earnings estimates, up by 3.0%/0.5% for FY26/27, respectively, primarily driven by higher-than-anticipated volume recovery and decline in CRC/HRC prices.

Target price change: We have rolled over the stock's target price to PkR3,966/sh to Dec'26, compared to our previous target price of PkR3,681/sh for Jun'26.

Investment Perspective: INDU currently trades at a FY26 P/E of 6.0x compared to sector avg of 7.5x, while also offering highest dividend yield of 9.7% in the sector. We reiterate our 'BUY' stance with Dec'26 target price of PkR3,966/sh, a potential upside of 99% with FY26 dividend yield of 10.0%.

Risks: i) Rising competition from new entrants, ii) abrupt changes in import regulations of used cars, iii) surge in international steel prices, iv) currency depreciation, and v) lag in introducing new variants.

AKD Stance

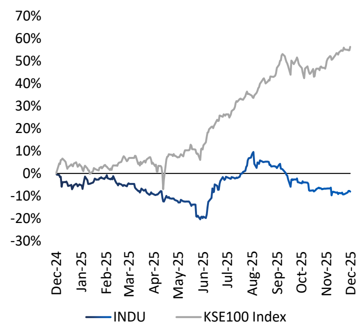
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
3,966	**1,990.3**
T. UPSIDE/DOWNSIDE	DIV. YIELD
109.3%	**10.0%**

INDU: Price Performance

	1M	6M	CYTD
Absolute (%)	-1.4	14.7	-6.5
Rel. Index (%)	-7.1	-26.5	-56.7
Absolute (PkR)	-28.7	255.1	-139.3

KATS Code	**INDU**
Bloomberg Code	**INDU.PA**
Price PkR	**1990.3**
Market Cap (PkRmn)	156,439.2
Market Cap (US$mn)	558.3
Shares (mn)	78.6
Free Float Shares(mn)	14.0
1Yr High (PkR)	2372.4
1Yr Low (PkR)	1724.3
3M AvgDT Value (PkR'000)	46,214
3M Avg DT Value (US$'000)	164.9
1Yr Avg DT Value (PkRmn)	33.0
1Yr Avg DT Value (US$mn)	0.118

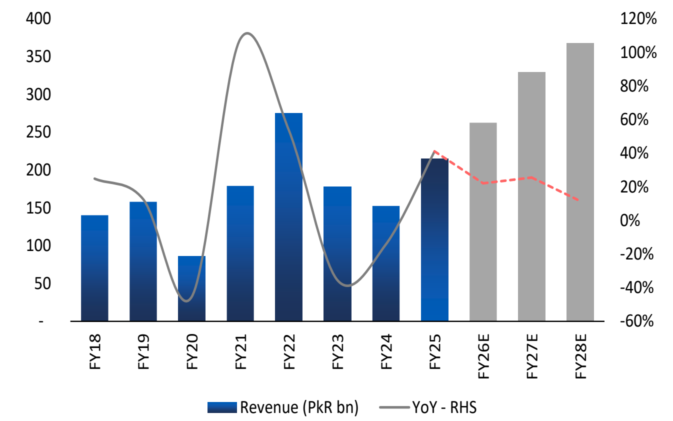
INDU vs. KSE-100 Index



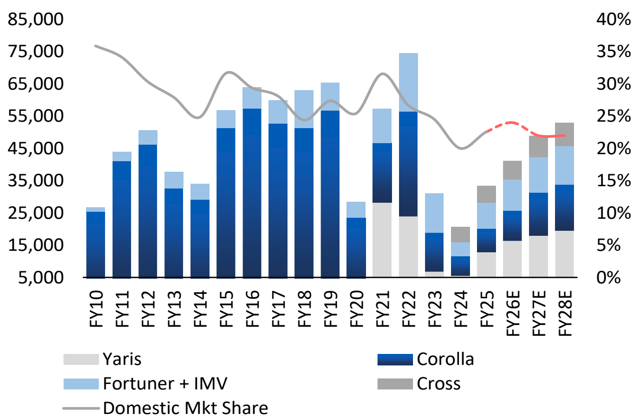
Source: PSX & AKD Research

Sales to recover supported by volumetric growth

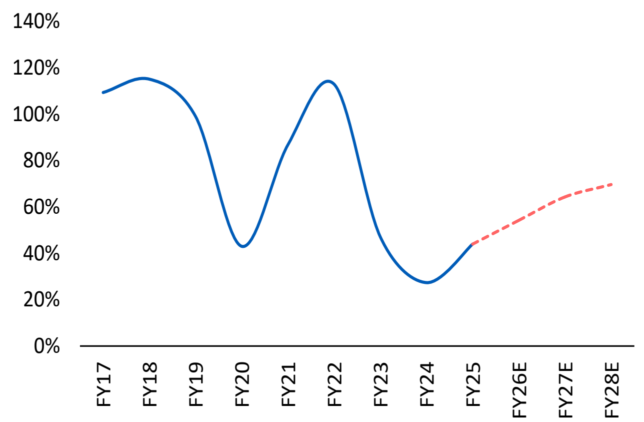
Revenue to witness continuous incline



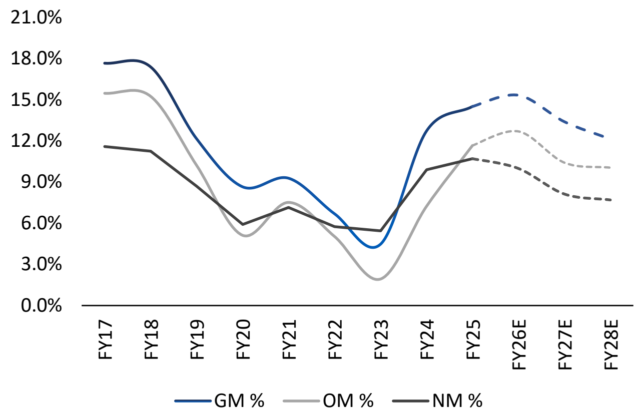
...with growth in volumes across product range



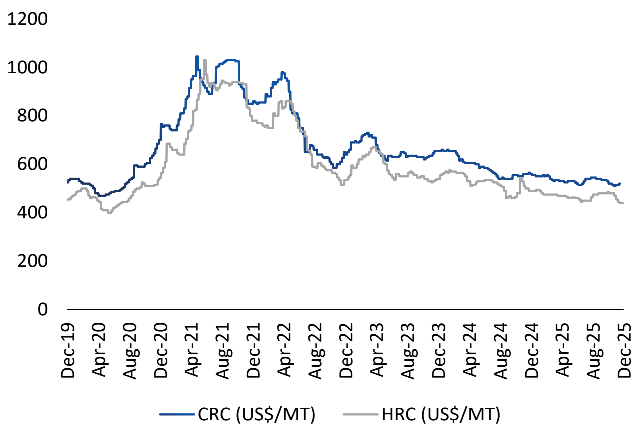
Capacity utilization to increase with volume recovery



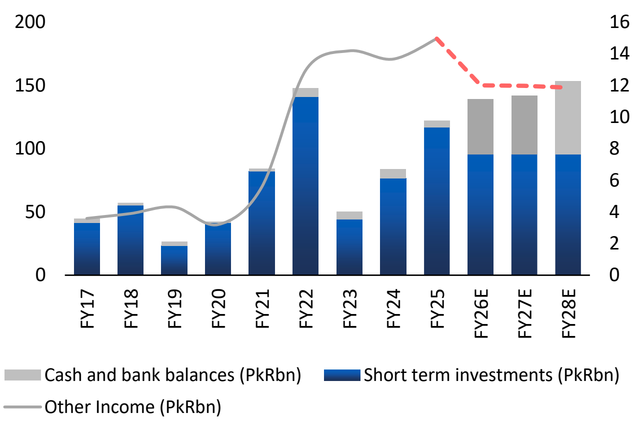
...while margins normalize gradually



Correction in CRC/HRC prices to support margins



Strong balance sheet to provide a buffer



Source: PAMA, PSX & AKD Research

INDU - Annual Financial Data Bank

(Valuation Multiples)	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS	123.0	191.8	292.7	333.6	340.8	359.9
DPS	71.8	114.7	176.0	200.0	205.0	215.0
Bv	764.2	855.3	979.0	1,174.6	1,313.5	1,467.4
PE	7.8	6.6	6.8	6.0	5.8	5.5
Dividend Yield	3.6%	5.8%	8.8%	9.7%	10.1%	10.8%
P/Bv (x)	1.3	1.5	2.0	1.7	1.5	1.4
Earnings Growth	-38.8%	56.0%	52.7%	14.0%	2.2%	5.6%
ROE	16.1%	22.4%	29.9%	28.4%	25.9%	24.5%
Gross Margin	4.5%	12.7%	14.5%	15.3%	13.4%	12.1%
Net Margin	5.4%	9.9%	10.7%	10.0%	8.1%	7.7%

Income Statement	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	177,711	152,481	215,137	262,613	329,712	367,625
Gross Profit	7,931	19,382	31,195	40,236	44,137	44,556
EBITDA	6,978	16,857	31,258	38,206	39,411	42,222
Profit Before Tax	16,797	23,327	37,670	42,544	43,346	45,771
Net Profit	9,664	15,072	23,010	26,221	26,791	28,285

Balance Sheet	FY23	FY24	FY25	FY26E	FY27E	FY28E
Current Assets	98,180	119,420	161,238	182,003	198,917	217,217
Long Term Assets	24,584	26,400	23,536	28,682	34,973	36,991
Total Assets	122,764	145,820	184,774	210,686	233,890	254,209
Current Liabilities	62,141	78,380	107,641	118,219	130,550	138,815
Non-Current Liabilities	554	213	181	140	100	60
Total Liabilities	62,694	78,593	107,822	118,359	130,650	138,875
Total Equity	60,070	67,226	76,953	92,327	103,240	115,334

Cash Flow	FY23	FY24	FY25	FY26E	FY27E	FY28E
CF from Operations	-89,403	49,281	55,103	38,032	30,006	34,838
CF from Investing	92,491	-40,046	-43,630	11,193	-11,390	-7,319
CF from Financing	-3,619	-8,257	-13,316	-10,888	-15,917	-16,232
Net Change in Cash	-531	978	-1,843	38,337	2,698	11,288
Cash & Cash Equivalents	6,263	7,240	5,398	43,735	46,433	57,721

Source: PSX & AKD Research

Interloop Ltd.

Scaling up with diversification and margin recovery

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
77.4	1,401.7	108,506.3	0.6	47.0

Interloop Ltd. (ILP) is well positioned for sustained growth, supported by its competitive and diversified product portfolio, ongoing capacity expansions, declining interest rates, and easing working capital requirements. Company's expansion across hosiery, denim, and apparel segments, alongside a rising share of renewable energy in its power mix, is expected to keep growth and margins superior to sector peers.

Sales growth to outpace sector on expansions and market diversification: We expect ILP's sales to grow at a 5-year CAGR of 10% (7% in US$ terms), driven by i) commissioning of Hosiery Plant-6 and continued expansion in denim segment, ii) operational optimization of apparel business, and iii) expansion into new export markets. Over the last five years, ILP delivered a sales CAGR of 33% (16% in US$ terms), significantly outperforming the broader textile sector. Recent capacity additions have already borne fruit, with denim and apparel segment sales growing at annualized rates of 28% and 77%, respectively, over the past two years. We expect the impact of U.S. tariffs on ILP to remain relatively contained, given the company's specialized product segments.

Utilization-led margin expansion across key segments: We anticipate ILP's gross margins to improve to 25%/27% in FY26/FY27, from 20% in FY25, supported by i) declining ramp-up losses in hosiery, denim, and apparel segments, and ii) easing input cost. We project hosiery sales to increase by 11%/30% in FY26/FY27, respectively, following the commissioning of Plant-6 in 1QFY26. Moreover, denim sales are expected to grow at a 5-year CAGR of 16%, supported by addition of seven new production lines. In addition, denim segment gross margins are projected to improve to 15%/18% in FY26/FY27, from 7% in FY25, as utilization improves and losses narrow. Furthermore, apparel segment is expected to remain loss-making in near term; however, margins are projected to improve from -12% in FY26 to +8% in FY27, with the segment expected to turn profitable by FY28 as utilization approaches full capacity.

Lower input cost to support margins recovery: We expect decline in cotton prices and energy cost to further support margin recovery and ease working capital requirements. Local cotton prices are projected to decline by ~10%YoY, while international cotton prices are expected to fall by ~5%YoY in FY26. Additionally, ILP's power cost is expected to ease amid lower RLNG prices, declining grid tariffs, and increasing reliance on renewable sources, particularly solar and biomass.

Easing financial burden on lower rates: We anticipate ILP's finance cost to decline, supported by lower interest rates and reduced working capital requirements due to softer cotton prices. As a result, finance cost-to-EBITDA is expected to decline to 29%/21% in FY26/FY27, from 38% in FY25.

Earnings revision: We revise our FY26 earnings estimate downward by 31%, primarily reflecting pricing pressures following U.S. tariff implementation and continued ramp-up losses in apparel segment. Meanwhile, we maintain our FY27 earnings forecast unchanged at PkR13.3/sh.

Target price change: We have rolled forward over target price to PkR121.6/sh for Dec'26 compared to our previous target price of PkR111.0/sh for Jun'26, reflecting improved medium-term growth visibility and easing macro headwinds.

Investment Perspective: We maintain a 'BUY' stance on the scrip, with a Dec'26 target price of PkR121.6/sh, offering potential upside of 57% and FY26 DY of 3.9%. Our bullish stance is driven by i) expansion-led volume growth across key segments, ii) margin recovery supported by higher utilization and easing input cost, and iii) declining finance cost amid lower interest rates and improved working capital efficiency.

Risks: i) Slowdown in exports, ii) changes in trade tariffs, iii) volatility/supply disruptions in cotton market, and iv) slower ramp-up in utilization across new capacities.

AKD Stance

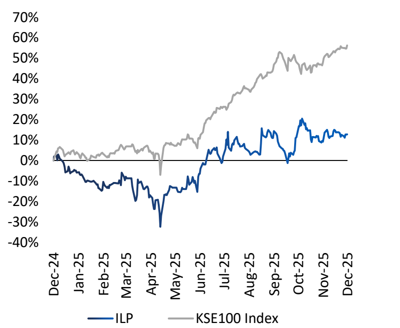
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
122	**77.4**
T. UPSIDE/DOWNSIDE	DIV. YIELD
60.9%	**3.9%**

ILP: Price Performance

	1M	6M	CYTD
Absolute (%)	3.3	20.6	12.6
Rel. Index (%)	-2.3	-20.6	-37.5
Absolute (PkR)	2.5	13.2	8.7

KATS Code	**ILP**
Bloomberg Code	**ILP.PA**
Price PkR	**77.4**
Market Cap (PkRmn)	108,506.3
Market Cap (US$mn)	387.2
Shares (mn)	1,401.7
Free Float Shares(mn)	280.3
1Yr High (PkR)	82.7
1Yr Low (PkR)	46.4
3M AvgDT Value (PkR'000)	47,027
3M Avg DT Value (US$'000)	167.8
1Yr Avg DT Value (PkRmn)	60.7
1Yr Avg DT Value (US$mn)	0.217

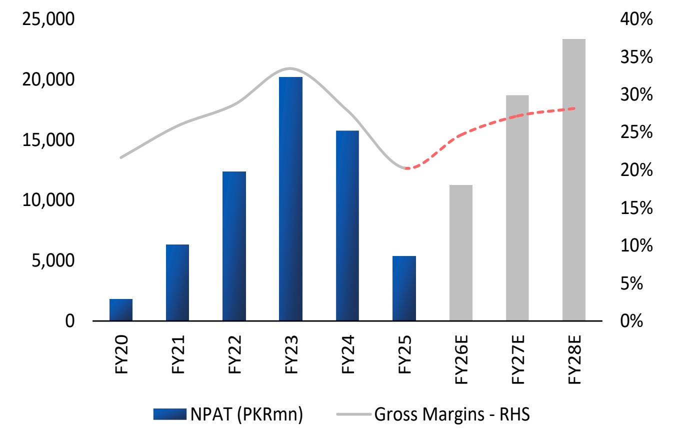
ILP vs. KSE-100 Index



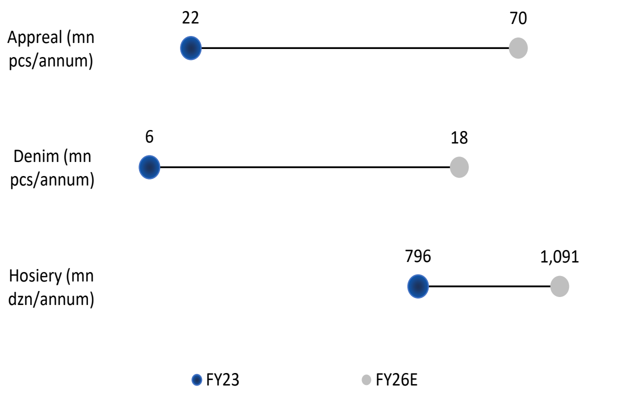
Source: PSX & AKD Research

INTERLOOP Expansion to boost exports and margins

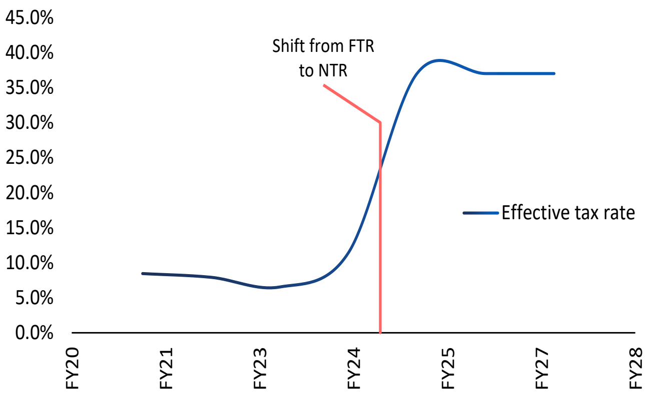
Earnings to improve on margins recovery



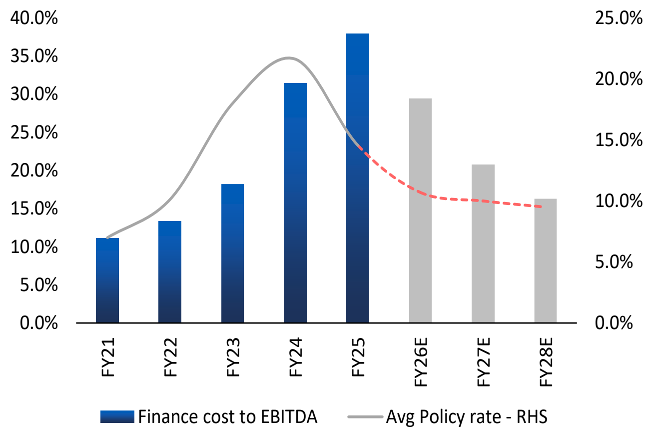
...as expansions to boost growth



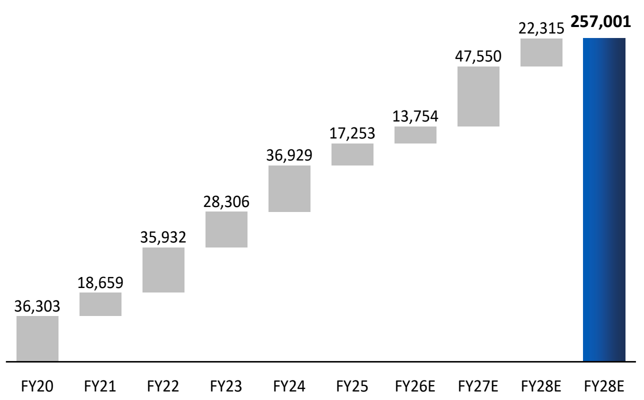
Though taxation to remain higher given shift to NTR



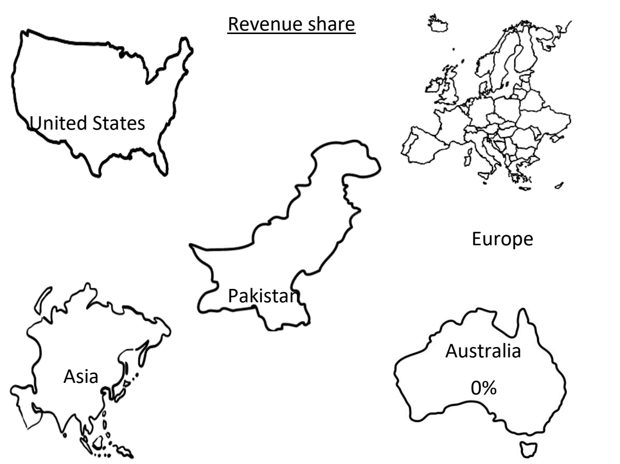
..meanwhile easing interest rates to support profitability



Revenue to increase at dollarized CAGR of 10% (PkRmn)



With exports largely covering the developed economies



Source: SBP, PSX & AKD Research

ILP - Annual Financial Data Bank

(Valuation Multiples)	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS	14.4	11.3	3.8	8.0	13.3	16.7
DPS	5.0	4.5	1.0	3.0	4.5	6.0
Bv	31.3	38.2	39.4	44.4	53.3	63.9
PE	2.5	5.5	20.2	9.7	5.8	4.6
Dividend Yield	13.7%	7.3%	1.3%	3.9%	5.8%	7.7%
P/Bv (x)	1.2	1.6	2.0	1.7	1.5	1.2
Earnings Growth	63.2%	-21.8%	-65.9%	109.0%	66.5%	24.8%
ROE	46.0%	29.5%	9.7%	18.1%	25.1%	26.1%
Gross Margin	33.4%	27.9%	20.3%	24.6%	27.2%	28.2%
Net Margin	25.4%	14.0%	3.9%	8.0%	10.9%	12.6%

Income Statement	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	119,200	156,129	173,382	187,136	234,686	257,001
Gross Profit	39,872	43,544	35,171	46,127	63,747	72,348
EBITDA	30,325	32,253	25,158	35,428	48,308	54,132
Profit Before Tax	21,584	17,807	8,787	17,838	29,694	37,061
Net Profit	20,172	15,772	5,377	11,238	18,707	23,348

Balance Sheet	FY23	FY24	FY25	FY26E	FY27E	FY28E
Current Assets	65,970	81,071	92,117	98,304	113,416	122,020
Long Term Assets	59,275	70,603	84,610	93,921	93,548	93,488
Total Assets	125,245	151,674	176,727	192,225	206,965	215,508
Current Liabilities	58,033	70,970	78,419	88,314	92,011	86,905
Non-Current Liabilities	23,405	27,172	43,084	41,655	40,296	39,006
Total Liabilities	81,438	98,142	121,504	129,969	132,308	125,912
Total Equity	43,806	53,532	55,223	62,256	74,657	89,596

Cash Flow	FY23	FY24	FY25	FY26E	FY27E	FY28E
CF from Operations	23,982	8,208	(1,014)	19,482	16,149	28,971
CF from Investing	(24,351)	(12,728)	(17,332)	(16,475)	(8,220)	(8,189)
CF from Financing	1,796	3,346	18,332	223	(7,784)	(16,394)
Net Change in Cash	1,427	(1,174)	(13)	3,230	145	4,388
Cash & Cash Equivalents	1,545	370	358	3,588	3,733	8,121

Source: PSX & AKD Research

Alpha Stocks

Back to table of contents

D.G. Khan Cement Company Limited (DGKC)

Set for leap with product diversification

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
248.0	438.1	108,653.5	3.36	815.5

DGKC stands to benefit from the ongoing monetary easing cycle, with our expectation for policy rates to fall into single digits by Dec'26. Moreover, profitability is expected to incline on improving demand growth and margins amid ease in coal prices. We have a 'BUY' stance with Dec'26 target price of PkR389/sh, offering 59% total return.

Interest burden to ease with lower policy rate: In declining interest-rate environment, DGKC's earnings profile is expected to improve materially due to a sharp reduction in finance cost, with our expectation for interest rates to reach single digits by Dec'26. Notably, DGKC is the second most leveraged player in AKD Cement Universe, with D/E of 0.15x. Consequently, we expect company's finance cost to EBITDA to decline to 6% in FY26, from 19% in FY25, driven by easing benchmark rates and gradual deleveraging.

Demand recovery to drive utilization uplift: We expect DGKC's sales volumes to increase by 4%YoY, supported by a recovery in domestic construction activity and a 6% YoY increase in exports. We project local cement offtakes to rise by 9%YoY, underpinned by i) easing financing rate, ii) lower construction costs, and iii) higher public development spending. While exports are expected to increase gradually on declining coal prices and lower utilization levels.

Margins to remain supported on lower energy cost and higher prices: We anticipate DGKC's gross margins to remain healthy at 24.1%/26.2% in FY26/FY27, compared to 15.9%/25.7% in FY24/FY25, respectively. The said margin improvement is primarily driven by a decline in coal prices to US$90/80 per ton in FY26/FY27, respectively. In addition, a greater tilt toward the U.S. export market, where prices remain relatively stronger, along with increased reliance on in-house power generation, is expected to further support margins and enhance fixed-cost absorption.

Value from strategic investments: DGKC holds sizeable investments in group companies, notably MCB, with a post-conglomerate-discount portfolio value of PkR125/sh. These investments are expected to continue generating strong dividend income, contributing ~15% of PBT in FY26/FY27.

Investment Perspective: We maintain a 'BUY' stance on DGKC with a Dec'26 SoTP target price of PkR389/share, offering potential upside of 57%. Our positive view is anchored by, i) declining finance cost amid easing interest rates, ii) improving export prices amid increase in global demand, and iii) incline in utilization to enhance fixed cost absorption.

Risks: i) Price disruptions, ii) decline in export prices may compress margins, ii) Afghan border tensions, and iii) increase in coal prices given geopolitical uncertainty to pressure margins.

AKD Stance

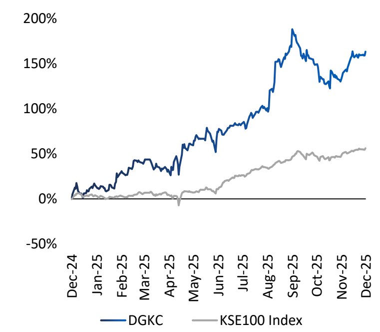
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
389	**248**
T. UPSIDE/DOWNSIDE	DIV. YIELD
58.8%	**1.8%**

DGKC: Price Performance

	1M	6M	CYTD
Absolute (%)	13.1	51.1	136.4
Rel. Index (%)	7.5	9.9	86.2
Absolute (PkR)	28.8	83.9	143.1

KATS Code	DGKC
Bloomberg Code	DGKC.PA
Price PkR	248
Market Cap (PkRmn)	108,653.5
Market Cap (US$mn)	387.8
Shares (mn)	438.1
Free Float Shares (mn)	219.1
1Yr High (PkR)	271.4
1Yr Low (PkR)	94.1
3M Avg DT Value (PkR'000)	815,450.6
3M Avg DT Value (US$'000)	2,910.2
1Yr Avg DT Value (PkRmn)	907.2
1Yr Avg DT Value (US$mn)	3.2

DGKC VS. KSE100 Index



Source: PSX & AKD Research

DGKC - Valuations & Multiples

(Year End Dec'31)	FY24	FY25	FY26E	FY27E	FY28E
EPS/(LPS) -PkR	1.2	19.8	23.6	29.2	35.0
DPS (PkR)	0.0	2.0	4.5	8.5	10.5
Dividend Yield	0.0%	0.8%	1.8%	3.4%	4.2%
P/E (x)	53.9	12.5	10.5	8.5	7.1
Bv/sh	173.1	216.1	255.6	276.2	300.8
P/Bv (x)	0.4	1.1	1.0	0.9	0.8
ROE	0.7%	9.2%	9.2%	10.6%	11.6%
ROA	0.4%	5.9%	6.6%	7.8%	8.9%
Gross Margins	15.9%	25.7%	24.1%	26.2%	27.5%
Net Margins	0.8%	12.1%	13.4%	15.7%	17.3%

Source: PSX & AKD Research

AKD Securities Limited

Nishat Mills Limited (NML)

Discounted portfolio with growth opportunities

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
178.6	351.6	62,806.3	2.46	420.5

NML continues to trade at significant discount to its portfolio value, while its standalone textile profitability is also expected to recover on the back of i) improving export volumes, ii) easing cotton and energy prices, and iii) declining finance cost amid monetary easing.

Core textile business to recover on lower input and finance cost: NML's standalone operations are expected to improve, supported by lower raw material and energy cost, alongside easing finance rate. We project gross margins to expand to 12.4% in FY27, from 11.2% in FY25–FY26, driven primarily by a decline in cotton and power cost. Notably, local cotton prices are expected to decline by ~10%YoY in FY26, while international cotton prices are projected to fall by ~5% during the period. In addition, international coal prices are expected to ease to US$90/ton in FY26 and US$85/ton in FY27, providing further relief to power cost. Moreover, lower cotton prices are also expected to reduce working capital requirements, leading to decline in finance cost.

Conglomerate discount remains excessive: NML holds significant stakes in several group companies, including MCB, DGKC, NPL, NCPL, LPL, and PKGP. The current portfolio value stands at PkR299/sh (or PkR398/sh pre-conglomerate discount), while stock is currently trading at ~40% discount to portfolio value. Moreover, stable dividend inflows from these investments are expected to account for 40–50% of total earnings during FY26–28E, enhancing earnings.

Investment portfolio to drive earnings upside: MCB (8% stake) is expected to continue delivering strong profitability, supported by its industry-leading CASA ratio, superior operating efficiency, and a well-positioned PIB-heavy investment book, enabling earnings alpha over funding costs. DGKC (31% stake) is expected to witness a sharp earning recovery, driven by higher retention prices, recovery in local and export offtakes, and easing coal prices. DGKC's gross margins are projected to improve to 24.1%/26.2% in FY26/FY27, from 15.9%/25.7% in FY24/FY25, respectively.

Furthermore, NPL and NCL (51% and 24% stakes, respectively) have entered Auto segment with the launch of 'Jaecoo' and 'Omoda' brands. Initial market response has been encouraging, and we expect these brands to capture reasonable share of SUV segment.

Investment Perspective: We have a 'BUY' stance on NML due to i) recovery in standalone textile earnings, ii) declining finance cost amid easing interest rates, iii) significant discount to portfolio value, and iv) improving growth prospects across its investment portfolio. Our Dec'26 SoTP target price on stock is PkR318/sh, offering potential upside of 78%.

Risks: i) Disruption in cotton market, ii) decline in exports, iii) slowdown in economy, and iv) reversal in the interest rate cycle.

NML- Valuations & Multiples

(Year End Jun'30)	FY24	FY25	FY26E	FY27E	FY28E
EPS (PkR)	18.1	17.1	15.9	28.0	33.1
DPS (PkR)	3.0	2.0	2.0	3.5	4.0
P/E (x)	3.8	10.4	11.2	6.4	5.4
Bv/sh	326.5	411.3	454.7	479.3	508.4
P/Bv (x)	0.2	0.4	0.4	0.4	0.4
ROE	5.5%	4.2%	3.5%	5.9%	6.5%
ROA	2.9%	2.3%	2.1%	3.7%	4.4%
Gross Margins	10.8%	11.2%	11.2%	12.4%	12.7%
Net Margins	4.0%	3.4%	3.0%	5.0%	5.7%

Source: PSX & AKD Research

AKD Stance

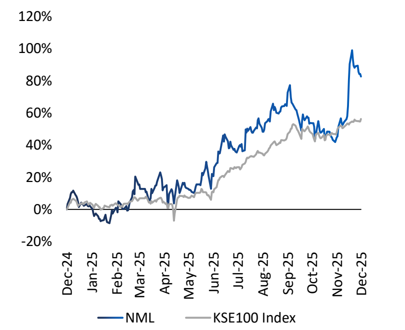
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
318.0	**178.6**
T. UPSIDE/DOWNSIDE	DIV. YIELD
79.1%	**1.1%**

NML: Price Performance

	1M	6M	CYTD
Absolute (%)	26.2	51.3	66.7
Rel. Index (%)	20.5	10.1	16.6
Absolute (PkR)	37.0	60.6	71.5

KATS Code	NML
Bloomberg Code	NML.PA
Price PkR	178.63
Market Cap (PkRmn)	62,806.3
Market Cap (US$mn)	224.1
Shares (mn)	351.6
Free Float Shares (mn)	158.2
1Yr High (PkR)	194.6
1Yr Low (PkR)	89.3
3M Avg DT Value (PkR'000)	420,510.5
3M Avg DT Value (US$'000)	1,500.7
1Yr Avg DT Value (PkRmn)	227.5
1Yr Avg DT Value (US$mn)	0.8

NML VS. KSE100 Index



Source: PSX & AKD Research

Pak Elektron Limited (PAEL)

Positioned to capitalize on structural reforms

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
54.6	923.6	50,403.6	17.15	950.8

PAEL's outlook across its Appliances and Power segments remains promising, underpinned by an improving macro backdrop and sector-specific tailwinds. With GDP Growth for FY26E projected at 4.0%YoY and inflation expectations remaining contained, appliance demand is expected to stay resilient. In parallel, accelerating reforms in the power sector, such as the privatization of DISCOs and transmission companies, along with rising transformer demand from the US market, are likely to provide a strong boost to the company's power division sales. Against this backdrop, the Appliances division sales remained robust during 9MCY25, with revenues reaching PkR43.8bn, up 37.5%YoY from PkR31.8bn in the SPLY. Notably, company presently commands a 90% market share in power transformers, 17% in distribution transformers, 25% in MV & LV switchgears, and 18% in energy meters

Scaling up through global brand partnerships: PAEL's Appliances division commands a meaningful presence across major white goods categories, holding a 19% share in refrigerators and freezers and a dominant 25% position in water dispensers, complemented by growing footprints in air conditioners (9%) and washing machines (4%). Beyond its existing scale, the company is actively strengthening its competitive moat through strategic alliances with global OEMs, including recently concluded partnerships with Electrolux and Panasonic. PAEL's long-standing role as a manufacturing partner for Panasonic's air conditioners has now expanded into the localized production of Smart TVs, marking a significant step up the value chain and reinforcing the division's ability to capture incremental volumes, enhance brand credibility, and drive sustained growth across a broader appliance portfolio.

Structural reforms to unlock upside in Power division: PAEL's Power division is well positioned to emerge as a key growth driver as Pakistan's power sector undergoes a deep structural reset under IMF-backed reforms. In 9MCY25, the segment contributed 31% to total sales, underscoring its growing relevance, with momentum expected to accelerate as the government ramps up efforts to modernize the transmission and distribution network. Initiatives targeting the reduction of system losses, elimination of pilferage, and improvement in billing recoveries are likely to drive sustained demand for PAEL's core offerings, including power transformers and energy meters.

US orders to fuel export upside: Exports have emerged as a powerful growth lever for the company, recording a 2.6xYoY increase in 9MCY25 to PkR4.8bn from PkR1.8bn in the SPLY, reflecting the success of management's deliberate pivot toward the US market. This momentum is underpinned by the recent win of a sizeable US$44mn export contract, comprising US$41mn of Distribution Transformers and US$3mn of Power Transformers, positioning the company well against its CY25 export target of US$50mn. Importantly, management indicated that the newly introduced reciprocal tariff by the US has already been fully passed through to customers, effectively insulating margins from any adverse impact and reinforcing the sustainability of the export-driven growth trajectory.

***PAEL* - Valuations & Multiples**

(Year End Dec'31)	CY21	CY22	CY23	CY24	9MCY25
EPS (PkR)	1.7	1.1	1.4	2.6	3.3
DPS (PkR)	-	-	-	-	-
P/E (x)	11.2	12.4	8.5	15.9	12.4
Bv/sh	37.9	42.2	44.8	47.4	52.7
P/Bv(x)	0.5	0.3	0.3	0.9	1.0
ROE	4.4%	2.6%	3.2%	5.4%	8.4%
ROA	2.6%	1.5%	2.0%	3.3%	5.1%
D/E	0.5	0.6	0.4	0.4	0.4
Gross Margins	21.1%	19.7%	28.7%	26.6%	27.2%
Net Margins	3.6%	2.0%	3.4%	4.5%	6.5%

*9MCY25 profitability ratios are annualized

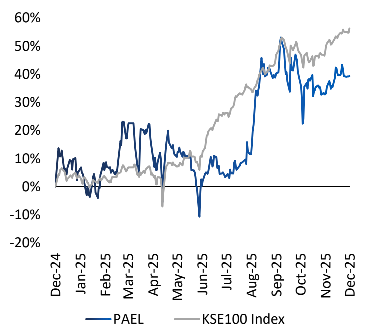
Source: PSX & AKD Research

PAEL: Price Performance

	1M	6M	CYTD
Absolute (%)	4.9	38.9	24.4
Rel. Index (%)	-0.8	-2.3	-25.7
Absolute (PkR)	2.5	15.3	10.7

KATS Code	PAEL
Bloomberg Code	PAEL.PA
Price PkR	54.57
Market Cap (PkRmn)	50,403.6
Market Cap (US$mn)	179.9
Shares (mn)	923.6
Free Float Shares (mn)	508.0
1Yr High (PkR)	59.9
1Yr Low (PkR)	35.0
3M Avg DT Value (PkR'000)	950,772.8
3M Avg DT Value (US$'000)	3,393.2
1Yr Avg DT Value (PkRmn)	643.1
1Yr Avg DT Value (US$mn)	2.3

PAEL VS. KSE100 Index



Source: PSX & AKD Research

AKD Securities Limited

Pakistan Stock Exchange Limited (PSX)

Harnessing Macro momentum for market growth

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
47.6	801.5	38,142.3	2.4	102.6

Improving macroeconomic conditions, including easing inflation and lower financing rates, strengthened investor confidence during FY25 and translated into a marked improvement in market activity at PSX. As a result, average daily traded value surged by 84%YoY, while average daily volumes increased by 35% YoY, driving trading fee income up to PkR715mn. The sharp rise in fee-based revenues and surge in profitability of National Clearing Company of Pakistan Limited (NCCPL), an associate, ultimately lifted PSX's overall earnings, with net profit reaching PkR1.5bn (EPS: PkR1.9), reflecting a 48%YoY increase.

Economic stability to unlock market potential: Pakistan's economy has continued its gradual stabilization, underpinned by sustained fiscal consolidation and a disciplined monetary policy framework implemented as part of the IMF-supported program. A sharp easing in interest rates (↓1,150bps since Jul'24) has encouraged a rotation of capital away from fixed-income instruments toward equities, particularly as returns in construction and real estate remain subdued. These dynamics, combined with improving currency stability during 1HFY26, have reinforced investor optimism. Consequently, the benchmark index has advanced to an all-time high, reflecting stronger market participation, with the number of active UINs rising to 422,937 as of Sep'25 (+12.3k MoM). The improved risk-adjusted appeal of equities is expected to sustain higher trading activity, supporting growth in average traded volumes and translating into stronger operational revenues for the company.

Unlocking market depth: Pakistan's equity market remains structurally underpenetrated, as reflected by one of the lowest market capitalization-to-GDP ratios globally. Despite having over 500 companies currently listed, the pipeline for new listings remains strong, with up to 16 IPOs expected in FY26, highlighting meaningful headroom for expansion. Increased listing activity is expected to drive broader investor participation and accelerate customer onboarding. Given PSX's scalable business model, which enables the exchange to add new participants without incurring incremental costs, growth in UINs is likely to translate directly into higher revenues, thereby supporting margin expansion and overall profitability.

Strategic initiatives to boost liquidity: PSX has undertaken a series of market-enhancing initiatives aimed at modernizing market infrastructure and improving efficiency. Key measures include the planned transition to a T+1 settlement cycle by Feb'26, alongside reforms to deepen liquidity and accessibility in fixed-income and equity markets through broader institutional participation, faster settlement mechanisms, and improved trading frameworks. The Exchange has also expanded its product suite with the introduction of cash-settled futures and enhanced contract features, while streamlining corporate action processes to minimize market disruption. Collectively, these initiatives are designed to accelerate access to funds, reduce operational and systemic risks, and strengthen overall market liquidity.

***PSX* - Valuations & Multiples**

(Year End Jun'30)	FY22	FY23	FY24	FY25	1QFY26
EPS/(LPS) -PkR	0.5	0.3	1.3	1.9	0.8
DPS (PkR)	0.0	0.0	1.0	1.7	0.0
Dividend Yield	0.0%	0.0%	10.3%	3.6%	0.0%
P/E (x)	31.9	32.1	7.5	24.6	14.4
Bv/sh	12.7	13.0	14.3	15.1	15.9
P/Bv (x)	1.2	0.7	0.7	3.1	3.0
ROE	3.9%	2.1%	9.0%	12.6%	20.7%
ROA	3.2%	1.7%	7.2%	10.1%	16.1%
Gross Margins	1.9%	-7.5%	5.3%	16.3%	28.0%
Net Margins	27.4%	15.0%	48.5%	61.8%	89.8%

*1QFY26 profitability ratios are annualized

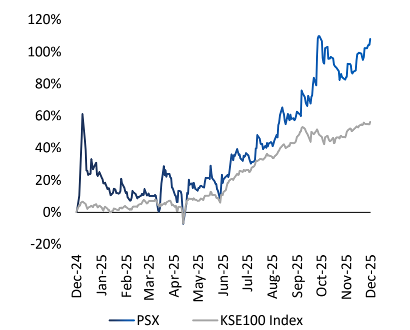
Source: PSX & AKD Research

PSX: Price Performance

	1M	6M	CYTD
Absolute (%)	13.0	75.9	71.5
Rel. Index (%)	7.4	34.6	21.4
Absolute (PkR)	5.5	20.5	19.8

KATS Code	**PSX**
Bloomberg Code	**PSX.PA**
Price PkR	**47.6**
Market Cap (PkRmn)	38,142.3
Market Cap (US$mn)	136.1
Shares (mn)	801.5
Free Float Shares (mn)	480.9
1Yr High (PkR)	48.0
1Yr Low (PkR)	21.2
3M Avg DT Value (PkR'000)	102,613.1
3M Avg DT Value (US$'000)	366.2
1Yr Avg DT Value (PkRmn)	94.8
1Yr Avg DT Value (US$mn)	0.3

PSX VS. KSE100 Index



Source: PSX & AKD Research

International Steels Limited (ISL)

Promising days ahead

AKD Securities Limited

Price (PkR)	Shares (mn)1	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
105.6	435.0	45,918.6	0.4	37.0

ISL stands to benefit from a recovery in domestic steel demand given only ~26% utilization in FY25. Key end-user sectors have begun recovering i.e. two-wheeler sales jumped by 33%YoY during 5MFY26. Demand recovery for the company is underpinned by a confluence factors including easing inflation and lower policy rate, which is expected to drive growth in cyclical consumer segments i.e. autos, white goods and furniture/fittings. Company, with its diversified portfolio and market reach, remains well positioned to benefit from this, as utilizations rates climb off depressed FY25 levels.

Policy tailwinds to add towards upside: Recent policy changes will redirect demand to local mills, led by the National Tariff Commission imposing 40.5% anti-dumping duty on Chinese Galvalume (a HDGC substitute), expecting to unlock formal demand for ISL. Meanwhile, sales-tax enforcement in the erstwhile FATA/PATA regions has been tightened a 10% sales tax (previously 0%) is now levied on flat steel from Jul'25. However, Federal Budget'26 narrowed ISL's positive duty differential by ~2%, with CD/RD/ACD on CRC reduced to 10%/14%/0% (from 11%/17.5%/2%), alongside cuts in RD/ACD on HRC (primary input) to 2.5%/0% (from 5%/2%), effectively lowering the landed cost of CRC domestically.

Gross margins to recover: We anticipate ISL's gross margins to average ~13.5% between FY26-30, led by lower HRC prices, stable exchange rate and energy cost savings. Notably, company commissioned a 6.4MW solar captive during FY25, expecting to generate 12mn kwh (20% of requirement). Furthermore, with grid tariffs expected to remain stable in the near term amid higher natural gas tariffs for captive generation, a gradual shift toward grid-based power should provide a cushion, incrementally supporting gross profitability.

Export diversification also under play: Company is also leveraging global markets to offset domestic cyclicality, with FY25 exports accounting for ~16% of revenues. The company has secured key certifications (e.g. CE, SASO, REACH) enabling it to serve regions like Europe, Malaysia and the Middle East, with long-term goal to raise exports to 25% of revenue.

Reko Diq Project tender to benefit: ISL's investment in Chinoy Engineering & Construction (CECL) positions the company to benefit from involvement in Reko Diq Copper-Gold mining project, related to the design and construction of an accommodation camp in Balochistan. The company made has an equity investment of PkR48.5mn, representing a 17% stake, and also provided corporate guarantee of PkR1,500mn to Habib Bank to support CECL in fulfilling its Reko Diq contract. During FY25, ISL recognized its share of profit from CECL of PkR44.9mn under the equity method.

ISL **- Valuations & Multiples**

(Year End Jun'30)	FY24	FY25	FY26E	FY27E	FY28E
EPS (PkR)	8.4	3.6	7.6	12.1	13.9
DPS (PkR)	2.5	4.5	7.0	8.5	9.5
Gross Margin	12.4%	8.6%	11.2%	13.6%	13.3%
Net Margin	5.3%	2.5%	4.9%	6.4%	6.7%
P/E	7.6	29.4	13.9	8.7	7.6
Bv/sh	53.3	57.7	62.8	70.4	77.3
P/Bv	1.2	1.8	1.7	1.5	1.4
ROE	15.8%	6.2%	12.1%	17.1%	17.9%
ROA	8.2%	3.1%	5.8%	9.3%	9.7%

Source: PSX & AKD Research

AKD Stance

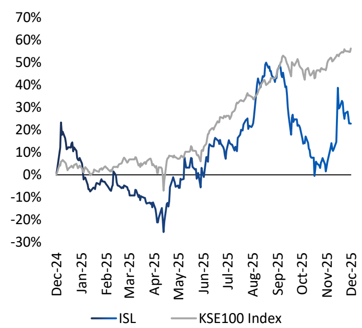
	BUY
TARGET PRICE (PkR)	SHARE PRICE (PkR)
151	**105.6**
T. UPSIDE/DOWNSIDE	DIV. YIELD
47.3%	**4.3%**

ISL: Price Performance

	1M	6M	CYTD
Absolute (%)	18.8	22.9	9.5
Rel. Index (%)	13.1	-18.3	-40.6
Absolute (PkR)	16.7	19.7	9.2

KATS Code	**ISL**
Bloomberg Code	**ISL.PA**
Price PkR	**105.6**
Market Cap (PkRmn)	45,918.6
Market Cap (US$mn)	163.9
Shares (mn)	435.0
Free Float Shares (mn)	152.3
1Yr High (PkR)	128.9
1Yr Low (PkR)	64.1
3M Avg DT Value (PkR'000)	36,987.2
3M Avg DT Value (US$'000)	132.0
1Yr Avg DT Value (PkRmn)	56.2
1Yr Avg DT Value (US$mn)	0.2

ISL VS. KSE100 Index



Source: PSX & AKD Research

Haleon Pakistan Limited (HALEON)

Expansions to unlock future potential

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
827.2	117.1	96,832.2	0.05	42.7

AKD Securities Limited

HALEON, a leading global and local player in the self-care and OTC pharmaceutical segment, boasts a strong portfolio featuring products from GSK and Pfizer, solidifying its market presence. It is a market leader across multiple categories, including pain relief, oral care, and nutritional supplements. The company is expanding its in-house production, which is expected to support margins, while recent deregulation is enhancing its non-essential product offerings. With increasing export opportunities, HALEON is well-positioned for growth both domestically and internationally, showing its huge potential.

Market leadership across core categories: HALEON holds a leadership position across multiple categories, with three brands contributing ~80% of total company's revenue. 'Panadol', 'CAC-1000', and 'Sensodyne' currently lead their respective markets. 'Panadol' crossed PkR15bn mark in revenue in CY24, holding a 31% share in the overall pain relief category and 63% in the Analgesics segment. 'CAC-1000' emerged as the 6th largest brand in Pakistan pharmaceutical industry, achieving PkR6.9bn sales in CY24. 'Sensodyne' posted 15%YoY growth, while also expanding into the kids category for oral health. With continued expansion across all three categories, HALEON is expected to further strengthen market share in existing segments, while also introducing new variants and medicines, including 'Centrum', which has already received a positive market response.

In-House production to support margin expansion: 'Panadol', the company's largest revenue contributor, is currently ~36% outsourced. The company is undertaking capacity expansion at its Jamshoro plant, which is expected to be commissioned in 2HCY26. Post-expansion, outsourcing is expected to decline to just ~4% of the product portfolio. Furthermore, 'Centrum' tablets are currently imported from Italy; however, the company is in discussions with regulators to allow nutraceutical manufacturing within pharmaceutical facilities, which would enable local in-house production. These initiatives are expected to reduce input costs and support higher margin capture going forward.

Deregulation enables portfolio optimization: Following a major policy shift with the deregulation of prices for non-essential drugs, the company is strategically increasing its focus on non-essential products. Currently, HALEON's portfolio comprises 45% essential and 55% non-essential drugs. With a higher non-essential mix and pricing flexibility, we expect HALEON to accelerate revenue growth, offset currency depreciation risks, and deliver structurally higher margins compared to the pre-deregulation period.

Export potential: HALEON's ongoing capacity expansion allows it to further explore export opportunities. Currently, it exports to Vietnam, Philippines and East West Africa region, and have also started shipments to Kenya. Management plans to expand to French west Africa region, positioning the company to broaden its international footprint and expand its global consumer base.

HALEON- Valuations & Multiples

(Year End Jun'30)	CY21	CY22	CY23	CY24	9MCY25
EPS/(LPS)	18.2	2.8	8.5	39.1	39.2
DPS (PkR)	-	-	-	20.0	15.0
Gross Margins	27.7%	17.4%	20.4%	34.5%	38.4%
Net Margins	8.8%	1.2%	3.2%	12.3%	14.2%
PE	13.7	81.7	17.5	10.1	15.8
Bv/sh	57.4	60.2	68.5	102.4	116.6
P/Bv	4.4	3.8	2.2	3.9	7.1
ROE	31.8%	4.6%	12.4%	38.2%	44.8%
ROA	15.4%	2.2%	5.5%	21.0%	24.3%

*9MCY25 profitability ratios are annualized

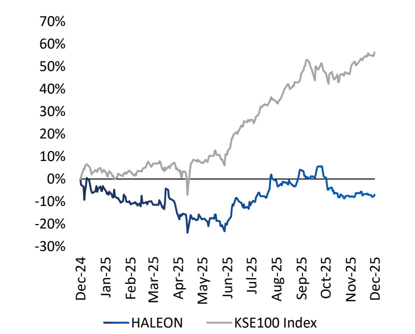
Source: PSX & AKD Research

HALEON: Price Performance

	1M	6M	CYTD
Absolute (%)	0.8	16.6	2.4
Rel. Index (%)	-4.9	-24.7	-47.7
Absolute (PkR)	6.6	117.6	19.6

KATS Code	HALEON
Bloomberg Code	HALEON.PA
Price PkR	827.2
Market Cap (PkRmn)	96,832.2
Market Cap (US$mn)	345.6
Shares (mn)	117.1
Free Float Shares (mn)	15.7
1Yr High (PkR)	940.5
1Yr Low (PkR)	677.9
3M Avg DT Value (PkR'000)	42,746.2
3M Avg DT Value (US$'000)	152.6
1Yr Avg DT Value (PkRmn)	66.0
1Yr Avg DT Value (US$mn)	0.2

HALEON VS. KSE100 Index



Source: PSX & AKD Research

Ghani Chemical Industries Limited (GCIL)

Diversification of products & markets to boost prospects

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
33.7	570.5	19,195.7	3.6	124.6

GCIL is expected to continue growth momentum driven by i) sustained energy cost efficiencies, ii) tax benefits from SEZ operations, and iii) incremental earnings from LNG, LPG, and international expansion. Notably, GCIL is currently trading at a TTM P/E of 8.6x and a P/B of 2.0x, a significant discount compared to its competitor 'PAKOXY', which trades at P/E of 15.3x and P/B of 2.5x.

Resilient revenue growth with industry-leading margins: GCIL has maintained consistent topline growth, posting a 5-year revenue CAGR of 18% over FY21–25, despite challenging macroeconomic environment, supported by its long-term, contract-based revenue model. Additionally, company's avg. gross margin of 39% over the period stands well above its peer PAKOXY's avg. of 21%, driven by operational efficiencies and an optimized product mix. More recently, gross margins expanded further to 49% in 1QFY26, from 46% in FY25, driven by lower cost and commencement of a new ASU line.

New ASU plant to enhance cost efficiency and tax shield: GCIL commissioned Pakistan's largest Air Separation Unit (ASU) with a capacity of 275 TPD in Apr'25. The said plant is estimated to be ~25% more power-efficient and benefits from tax exemption, given its location in Hattar Special Economic Zone. Consequently, GCIL's gross margin increased to 49% in 1QFY26, while its effective tax rate declined to 12%. However, we expect gross margins to normalize to sub-45% levels over the medium term as contracts renew, though still higher than peers. Additionally, GCIL is expected to benefit from the recently announced incremental electricity package, particularly as power cost account for ~60% of COGS. Company is relocating one of its ASU plants to Oman, with commissioning expected by 2HFY27. The said project is expected to augment earnings and support healthy margins, underpinned by lower electricity cost in the region. Notably, peer ASU operators in the region typically operate at gross margins above 30%.

LNG project to bolster profitability: Company has entered into JV with Mari Energies to establish an LNG project by capturing and processing cold-vent/exhaust gases from the Sachal Gas Processing Complex (SGPC). The project is designed to produce 80k TPA of LNG and 55k TPA of industrial and food-grade CO_2, with Phase-I commissioning targeted for Oct'26. Based on our calculations, the project (GCIL stake: 49%) is expected to contribute ~PkR0.7/sh in FY27 and PkR1.3/sh in FY28 to GCIL's consolidated earnings.

Entry into LPG sector to diversify operation: GCIL is also expanding into LPG segment through its wholly owned subsidiary, Ghani Gases. Company is establishing a 450-ton LPG storage and filling facility, for which OGRA license has already been obtained. With company targeting monthly sales of 500–1,000 tons, the project is expected to contribute ~PkR0.14/sh in FY27 and PkR0.23/sh in FY28.

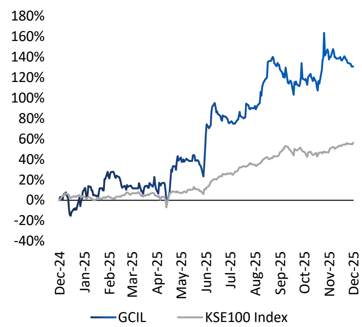
Risks: i) Rise in electricity tariffs, ii) slower-than-expected economic recovery impacting volume growth, and iii) delay in execution of LNG and LPG projects.

GCIL: Price Performance

	1M	6M	CYTD
Absolute (%)	-2.9	40.4	119.6
Rel. Index (%)	-8.6	-0.8	69.5
Absolute (PkR)	-1.0	9.7	18.3

KATS Code	GCIL
Bloomberg Code	GCIL.PA
Price PkR	33.7
Market Cap (PkRmn)	19,195.7
Market Cap (US$mn)	68.5
Shares (mn)	570.5
Free Float Shares (mn)	228.2
1Yr High (PkR)	38.5
1Yr Low (PkR)	12.4
3M Avg DT Value (PkR'000)	124,585.5
3M Avg DT Value (US$'000)	444.6
1Yr Avg DT Value (PkRmn)	103.7
1Yr Avg DT Value (US$mn)	0.4

GCIL VS. KSE100 Index



Source: PSX & AKD Research

GCIL - Valuations & Multiples

(Year End Jun'30)	FY22	FY23	FY24	FY25	1QFY26
EPS (PkR)	1.5	0.9	1.4	3.5	0.9
DPS (PkR)	-	-	-	-	-
P/E (x)	n.m	11.4	6.6	3.9	9.1
Bv/sh	13.3	15.5	17.3	16.1	17.1
P/Bv (x)	n.m	0.7	0.5	0.8	2.0
ROE	11.4%	5.8%	8.0%	21.9%	21.6%
ROA	7.6%	3.9%	4.6%	12.4%	12.5%
Gross Margins	41.5%	33.7%	29.7%	45.9%	49.4%
Net Margins	20.7%	11.7%	14.4%	27.1%	28.6%

*1QFY26 profitability ratios are annualized

Source: PSX & AKD Research

Wafi Energy Pakistan Limited (WAFI)

Growth levers firmly in place

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
229.7	214.0	49,165.7	0.13	26.5

WAFI is well-positioned to capitalize on the ongoing recovery in domestic economic activity, supported by inflation-linked margin revision, a rapidly expanding retail network, and a ownership transition that enhances operational efficiency. The recent margin recalibration provides structural earnings support, while continued outlet expansion is driving market share gains and superior volume growth versus industry peers. In parallel, the transfer of ownership to Wafi Energy is expected to improve cost discipline, and strengthen volumetric growth, setting the stage for sustained earnings growth and an improved competitive position within Pakistan's OMC sector.

Recalibrating margins for long-term resilience: Given the predominantly cash-based nature of the POL segment, maintaining sustainable margins is essential to cushion the company against inventory price volatility and support long-term viability. In this context, following ECC directives issued in Dec'25 to align margins with average annual inflation, revised OMC margins were approved, increasing by PkR1.22/ltr from the current level of PkR7.87/ltr. The revision, structured across two CPI-linked scenarios, is to be implemented in two phases, with the first increase effective immediately and the remaining adjustment contingent upon the completion of digitalization initiatives by OMCs.

Network strength driving superior volume growth: With a more pronounced recovery in country's economic activity forward FY26, we expect WAFI's OMC sales penetration is likely to remain resilient, supported by its extensive and expanding retail footprint. The company's market share increased to 8.3% in 5MFY26 from 7.1% in 5MFY25, reflecting steady gains in offtake volumes. During the period, WAFI recorded a robust 17%YoY growth in sales volumes, significantly outperforming the industry's modest 1%YoY increase, despite intensified competition following the entry of new players. This performance has been underpinned by continued network expansion, with over 28 service stations added year-to-date as of Sep'25, taking the total outlet count to 676.

Ownership transition unlocks operational upside: The acquisition by Wafi Energy Ltd from Shell plc is expected to unlock greater emphasis on operational efficiency, supporting a turnaround in WAFI's growth outlook. Historically, WAFI's (previously SHEL) operating performance was weighed down by relatively high fixed overheads compared to peers; however, with these inefficiencies likely to be addressed under the new ownership, along with the continuation of working capital support to enable extended supplier payment terms, the company is well-positioned to strengthen its standing and pursue accelerated growth within Pakistan's OMC sector. Overall, we anticipate domestic OMC volumes to grow by 5%YoY in FY26E.

***WAFI* - Valuations & Multiples**

(Year End Dec'31)	CY21	CY22	CY23	CY24	9MCY25
EPS/(LPS) -PkR	20.9	-0.3	27.3	15.4	14.2
DPS (PkR)	0.0	3.0	5.0	0.0	3.0
Dividend Yield	0.0%	2.5%	4.2%	0.0%	1.3%
P/E (x)	7.1	-359.9	4.3	13.8	12.2
Bv/sh	71.6	68.2	92.2	107.7	116.8
P/Bv (x)	2.1	1.9	1.3	2.0	2.0
ROE	29.2%	-0.5%	29.6%	14.3%	12.1%
ROA	5.3%	-0.1%	5.5%	2.9%	3.4%
Gross Margins	9.5%	8.1%	7.1%	5.5%	6.4%
Net Margins	1.8%	0.0%	1.4%	0.8%	0.9%

*9MCY25 profitability ratios are annualized

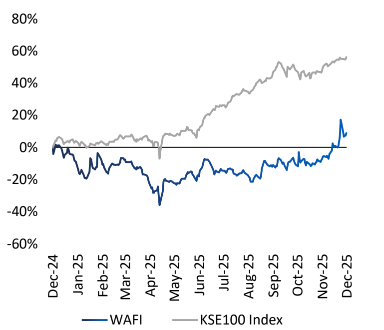
Source: PSX & AKD Research

WAFI: Price Performance

	1M	6M	CYTD
Absolute (%)	17.3	32.8	8.1
Rel. Index (%)	11.7	-8.4	-42.0
Absolute (PkR)	33.9	56.8	17.2

KATS Code	**WAFI**
Bloomberg Code	**WAFI.PA**
Price PkR	**229.72**
Market Cap (PkRmn)	49,165.7
Market Cap (US$mn)	175.5
Shares (mn)	214.0
Free Float Shares (mn)	32.1
1 Yr High (PkR)	247.3
1 Yr Low (PkR)	135.2
3M Avg DT Value (PkR'000)	26,466.9
3M AvgDT Value (US$'000)	94.5
1 Yr Avg DT Value (PkRmn)	19.4
1 Yr Avg DT Value (US$mn)	0.1

WAFI VS. KSE100 Index



Source: PSX & AKD Research

Image Pakistan Limited (IMAGE)

Growth to remain the valuation driver

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
25.8	230.4	5,938.9	2.18	56.6

Company achieved a NPAT of PkR759mn in FY25, a 90%YoY increase due to improved gross margins, supported by strong revenue growth and cost optimization. IMAGE's consistent expansion across physical stores and digital channels, growing international exposure, and declining finance and energy costs underpin sustained earnings visibility going forward.

Surging growth and profitability: Image Pakistan Limited (IMAGE) is involved in manufacturing and sale of embroidered fabric and ready-to-wear garments. Company has a prominent retail business with presence in both in-store and online operations. Their continuous efforts to enhance their physical and digital footprint have led to significant revenue growth and increased profitability. To note, company's topline has grown with a CAGR of 36% from FY21-FY25 to PkR4.6bn led by increased network of stores, while profit after tax increased with a CAGR of 46% to PkR760mn with gross margin averaging at impressive ~42% during the same 5-year period. Furthermore, management expects revenue to grow by 20%YoY in FY26, with gross margin similar to current levels, supporting continued earnings momentum.

Expanding local and global footprint: Company has a keen focus on growth across both local and international markets. On the local front, IMAGE plans to expand its retail presence across major cities. Currently, the company operates 14 outlets nationwide, with five additional stores (four new openings and one expansion) scheduled to be added by 3QFY26. Planned locations include Zamzama (expansion), Bukhari Commercial, F-6 Markaz Islamabad, and Giga Mall Rawalpindi. On the international front, company has three registered subsidiaries in USA, UK and UAE for online sale through Amazon FBA, and is further exploring expansion in these regions. IMAGE also has an added advantage that US tariffs are expected to have no impact, as their export parcels qualify under the US$800 deminimis exemption threshold. Going forward, we expect online channels to remain a key growth driver, particularly through Amazon-led sales. Notably, online sales accounted for 21% of total revenue in FY25, highlighting the company's strong digital presence. Moreover, IMAGE is developing its own perfume brand, expected to be launched by FY26, with management optimistic about the segment's long-term potential.

Low cost to boost margins: IMAGE has historically relied on debt financing, which has resulted in high finance costs throughout the years. However, following recent interest rate cuts, IMAGE is likely to see a decrease in its finance costs, ensuring higher profits. Additionally, the company has installed an in-house solar power system, which has already started to lower energy expenses while reducing its environmental footprint, further supporting margin expansion.

***IMAGE* - Valuations & Multiples**

(Year End Jun'30)	FY22	FY23	FY24	FY25	1QFY26
EPS (PkR)	0.9	1.3	1.7	3.3	1.1
DPS (PkR)	0.0	1.5	0.0	2.0	0.0
Gross Margins	43.4%	38.6%	39.0%	46.2%	49.9%
Net Margins	12.1%	10.7%	10.0%	16.5%	23.9%
PE	7.8	4.4	5.1	5.7	6.1
Bv/sh	8.1	11.1	16.3	18.6	19.6
P/Bv	0.9	0.5	0.5	1.0	1.3
Dividend Yield	0.0%	27.3%	0.0%	10.6%	0.0%
ROE	11.2%	11.3%	10.6%	17.7%	21.4%
ROA	8.3%	8.1%	7.8%	10.7%	13.3%

*1QFY26 profitability ratios are annualized

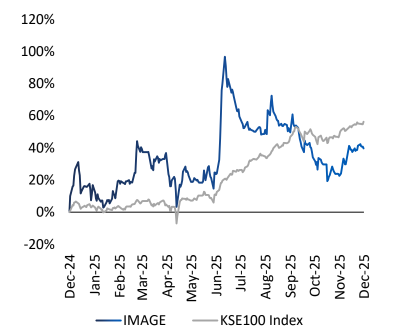
Source: PSX & AKD Research

IMAGE: Price Performance

	1M	6M	CYTD
Absolute (%)	13.9	12.9	19.9
Rel. Index (%)	8.3	-28.4	-30.3
Absolute (PkR)	3.2	2.9	4.3

KATS Code	IMAGE
Bloomberg Code	IMAGE.PA
Price PkR	25.8
Market Cap (PkRmn)	5,938.9
Market Cap (US$mn)	21.2
Shares (mn)	230.4
Free Float Shares (mn)	149.7
1Yr High (PkR)	36.3
1Yr Low (PkR)	18.5
3M Avg DT Value (PkR'000)	56,565.8
3M Avg DT Value (US$'000)	201.9
1Yr Avg DT Value (PkRmn)	91.1
1Yr Avg DT Value (US$mn)	0.3

IMAGE VS. KSE100 Index



Source: PSX & AKD Research

Barkat Frisian Agro Limited (BFAGRO)

Exports and expansion fuel upside

AKD Securities Limited

Price (PkR)	Shares (mn)	Market Cap (PkRmn)	3M Avg Turnover (mn)	3M Avg DT Value (PkRmn)
41.6	310.0	12,883.2	0.89	36.7

First-mover advantage to play key role: Barkat Frisian Agro Lmited (BFAGRO) holds a unique position as the first and only producer of pasteurized egg products in the country. Established as a joint venture between Buksh Group and Frisian Egg Group, the company benefits from strong technical expertise and well-established domestic/ international networks. Company's production facility in Karachi operates at 90% capacity utilization, processing 17k tons annually, and holds relevant ISO and SMETA certifications, facilitating credibility to meet local and export demand. Overall, the absence of direct competitors in the domestic market, combined with low local raw material prices, enables BFAGRO to command a pricing premium from both local and international customers.

Expansion plans to drive growth: BFAGRO is actively expanding its production capacity to capitalize on demand growth, both locally and internationally. Company's upcoming Faisalabad facility, which will add 12k tons of annual production capacity, is expected to be commissioned by Mar'26, and will alleviate pressure on its Karachi plant, ensuring sufficient supply for export expansion from the southern facility. This move will lower freight costs for serving the central and northern parts of the country, while the plant's location in a tax-free zone provides an added advantage.

Notably, management is planning backward integration by establishing in-house farming and feed operations, which will help to reduce exposure to price volatility, increasing internal sourcing to 50% from the current 0% and adding ~PkR3/egg to profits once operational. BFAGRO also plans to set up a 1200TPA egg powder processing facility at its Karachi plant, offering better shelf life and higher margins, and is expected to generate an additional ~US$8-9mn in annual revenue, anticipated to be operational by end-CY26.

Diversified high-profile customer base: BFAGRO has penetrated both local and international markets, supplying pasteurized egg products to renowned FMCG clients such as Unilever, EBM, and Ismail Industries locally, and Mondelez International and Sri Lankan Airlines globally. Notably, export sales currently constitute 20% of total revenues, with company already exporting to key Middle Eastern markets, and now has a wholly owned subsidiary in the UAE to further solidify its regional footprint. Management plans to increase export mix to 25-30% and further educate local customers on shifting to value-added egg products instead of shell eggs.

Exogenous risk factors remain a concern: While being the sole producer of pasteurized egg products provides relative pricing power, inability to fully pass on inflationary pressures to end-users could significantly impact margins, given the high customer concentration. Furthermore, cost related pressures remain imminent as well, with raw eggs constituting majority of production costs, subjecting it to seasonal fluctuations in domestic food prices. Furthermore, with company currently sourcing eggs locally, disruptions in poultry supply amid exogenous factors such as contaminations remain a concern.

***BFAGRO* - Valuations & Multiples**

(Year End Jun'30)	FY22	FY23	FY24	FY25	1QFY26
EPS (PkR)	0.4	0.5	1.2	2.4	0.5
DPS (PkR)	-	-	-	-	-
Gross Margins	11.3%	10.4%	11.5%	13.5%	12.5%
Net Margins	5.6%	3.4%	6.3%	10.2%	8.6%
PE	n.a	n.a	n.a	11.9	20.0
Bv/sh	0.8	1.3	3.4	10.0	10.5
P/Bv	n.a	n.a	n.a	2.8	4.0
ROE	55.2%	37.2%	36.4%	23.9%	19.8%
ROA	15.3%	10.9%	18.6%	19.3%	16.6%

*1QFY26 profitability ratios are annualized

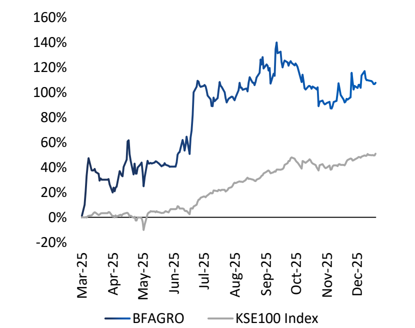
Source: PSX & AKD Research

BFAGRO: Price Performance

	1M	6M
Absolute (%)	7.8	14.2
Rel. Index (%)	2.1	-27.1
Absolute (PkR)	3.0	5.2

KATS Code	**BFAGRO**
Bloomberg Code	**BFAGRO.PA**
Price PkR	**41.6**
Market Cap (PkRmn)	12,883.2
Market Cap (US$mn)	46.0
Shares (mn)	310.0
Free Float Shares (mn)	77.5
1Yr High (PkR)	48.0
1Yr Low (PkR)	20.0
3M Avg DT Value (PkR'000)	36,725.0
3M Avg DT Value (US$'000)	131.1

BFAGRO VS. KSE100 Index



Source: PSX & AKD Research

Back to table of contents

Technical

From breakout to a new bullish regime

AKD Securities Limited

Index	Closing	1 Year change	52-Weeks High	52-Weeks-Low	Last Vol
KSE100	172,401	50%	172,401	103,527	346.40mn

Source: PSX & AKD Research

Strong Bullish continuation: The Index has entered a clear upward phase following a decisive breakout above the long-term declining trend line that had been intact from 2017 to 2023. This breakout has revived bullish momentum, with the Index breaking out of its previous consolidation zone and printing successive strong bullish candles, accompanied by higher highs and higher lows on higher-timeframe charts.

On a multi-year scale, the Index has posted consecutive bullish candles over the last three years, forming the rare Three White Soldiers pattern on the yearly chart. This formation reflects sustained buying strength and highlights a meaningful long-term shift in the market sentiment which is in the favor of bulls.

Since the breakout in July 2023, the Index has remained firmly in an uptrend, supported by large bullish candles and persistent upside follow-through. Momentum indicators reinforce this view, as the monthly RSI remains above the neutral level and continues to show scope for further improvement.

From July 2024 onward, the Index witnessed a sharp bull run of 41,181 points, followed by a corrective phase of 17,822 points. Since completing this pullback, the Index has resumed its upward trajectory and continues to challenge fresh record highs.

Based on the measured-move projection within the parallel equidistant channel, the Index appears to be heading toward **236,000** level. Improving volumes coupled with fresh highs reinforce the outlook for continued upside over the medium to long term. Any corrective move toward the 165,000–155,000 range may present an accumulation opportunity, while a sustained break below 150,000 could open the door to additional downside pressure.

Recommendation:

Based on the above observations, the Index may remain volatile in the near future however, overall performance is expected to stay constructive. Investors are advised to gradually build positions near identified support levels, and strictly implement stop-loss strategies to manage risk effectively.

KSE-100: Key highlight	
Date	26th Dec 2025
Open	171,220
High	172,583
Low	171,146
Current	172,401
MA(20)	169,396
MA(100)	160,421
MA(200)	141,659

Source: PSX & AKD Research

KSE-100 : Synopsis Monthly	
Resistance 3	198,470
Resistance 2	189,600
Resistance 1	180,700
Closed	**172,401**
Support 1	168,650
Support 2	162,800
Support 3	153,900

Source: PSX & AKD Research

Contacts

Name	Tel No	E-mail	Designation
Muhammad Farid Alam, FCA	+92 111 253 111 (695)	farid.alam@akdsl.com	Chief Executive Officer
		Research Team	
Muhammad Awais Ashraf, CFA	+92 111 253 111 (693)	awais.ashraf@akdsl.com	Director Research
Muhammad Ali	+92 111 253 111 (637)	ali.muhammad@akdsl.com	Senior Investment Analyst
Usama Rauf	+92 111 253 111 (634)	usama.rauf@akdsl.com	Investment Analyst
Usama Habib	+92 111 253 111 (646)	usama.habib@akdsl.com	Investment Analyst
Muhammad Jasim Sarwar	+92 111 253 111 (604)	Jasim.sarwar@akdsl.com	Investment Analyst
Kamal Ahmed	+92 111 253 111 (603)	kamal.ahmed@akdsl.com	Technical Analyst
Nasir Khan	+92 111 253 111 (639)	nasir.khan@akdsl.com	Research Production
Muhammad Noman Mughal	+92 111 253 111 (639)	noman.mughal@akdsl.com	Research Production
Tariq Mehmood	+92 111 253 111 (643)	tariq.mehmood@akdsl.com	Library Operations
		Sales Team	
Shoib Memon	+92 111 253 111 (644)	shoib.memon@akdsl.com	EVP – Equities & Business Development
Mohted Hassan Khan	+92 111 253 111 (696)	mohted.khan@akdsl.com	Equity Dealer Institutions/HNWI

FOLLOW US

Contacts

KARACHI

Corporate Office - Suite-602, Continental Trade Centre, Block 8 Clifton, Karachi - 75600, Pakistan. UAN:+92-21 111-253-111

Suite # 2/a, 2nd Floor JF Plaza, Plot # D-1/1, Block D, North Nazimabad, Karachi, Pakistan. TEL:021-36630646-51

Suite-529 5th Floor Stock Exchange Building, Stock Exchange Road, Karachi, Pakistan TEL:+92-21 32426651-2

AKD Commodities
Suite-207, Continental Trade Centre, Block 8 Clifton, Karachi - 75600, Pakistan. UAN:+92-21 111-253-111 Ext: 629

LAHORE

Suite # 512-513, 5th Floor PSX Regional Office, 19 Khayaban-e-Aiwan-e-Iqbal, Lahore - 54000, Pakistan. UAN:92-

64-A, 2nd Floor, Fountain Avenue Building, Main Boulevard, Main Gulberg, Lahore. UAN:+92 42 111 222 000

ISLAMABAD

Suite # 302-303, 3rd Floor Islamabad Stock Exchange Tower, Block J F 7/1 Blue Area. UAN:92-51 111-253-111

Office No.90-91, Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad, Pakistan UAN:+92 51 111 222 000

FAISALABAD

Suite # 3, 1st Floor Mezan Executive Tower, Liaquat Road, Faisalabad, Pakistan

SIALKOT

Ground Floor, City Tower, Shahab Pura Road, Sialkot
TEL:+92 52-3256035-37

ABBOTTABAD

Suite-1 & 2, 2nd Floor, Zaman Plaza, Main Mansehra Road, Abbottabad, Pakistan. TEL:92-992 414120-22

RAHIM YAR KHAN

Plot # 24, City Park Chowk, Model Town. Rahim Yar Khan.
TEL:+92 68-5873251-2-4

GUJRANWALA

81, Ground Floor, GDA Trust Plaza, Gujranwala
TEL:+92 55-3822501-04

MULTAN

Ground Floor, State Life Building, Abdali Road, Multan
TEL:+92 61 4780300-1

PESHAWAR

1st Floor, State Life Building, 34-The Mall, Peshawar Cantt, Peshawar TEL:+92 91-5276025-27

Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

Stock Ratings

Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances and other considerations. AKDS uses a three tier rating system: i) Buy, ii) Neutral and iii) Sell with total returns (capital upside + dividend yield) benchmarked against the expected one year forward floating (variable) risk free rate (10yr PIB) plus risk premium.

Valuation Methodology

To arrive at our period end target prices, AKDS uses different valuation techniques including:

•Discounted Cash Flow (DCF, DDM)

•Relative Valuation (P/E, P/B, P/S etc.)

•Equity & Asset return based methodologies (EVA, Residual Income etc.)

New Rating Definitions

BUY > 15% expected total return

NEUTRAL > 0% to < 15% expected total return

SELL < 0% expected total return

Analyst Certification of Independence

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

The research analysts, strategists or research associates principally having received compensation responsible for the preparation of this AKDS research report based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Disclosure of Interest Area

AKDS and the authoring analyst do not have any interest in any companies recommended in this research report irrespective of the fact that AKD Securities Limited may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Regional Disclosures (Outside Pakistan)

The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.

Furthermore, all copyrights, patents, intellectual and other property in the information contained in this report are held by AKDS. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing this information. You may print copies of the report or information contained within herein for your own private non-commercial use only, provided that you do not change any copyright, trade mark or other proprietary notices. All other copying, reproducing, transmitting, distributing or displaying of material in this report (by any means and in whole or in part) is prohibited.

For the United States

Compliance Notice.

This research report prepared by AKD Securities Limited is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker & Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker & Co, LLC in the US shall be borne by Decker & Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if AKD Securities Limited or Decker & Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker & Co, LLC and AKD Securities Limited are permitted to provide research material concerning investment to you under relevant applicable legislations and regulations.

AKD Securities Limited

AKD Securities Limited
602, Continental Trade Centre,
Clifton Block 8, Karachi, Pakistan
research@akdsl.com