



REP - 040

Pakistan Investment Outlook 2026

All positives yet to be priced-in.

Dec'26 Index Target: 206,000 points.

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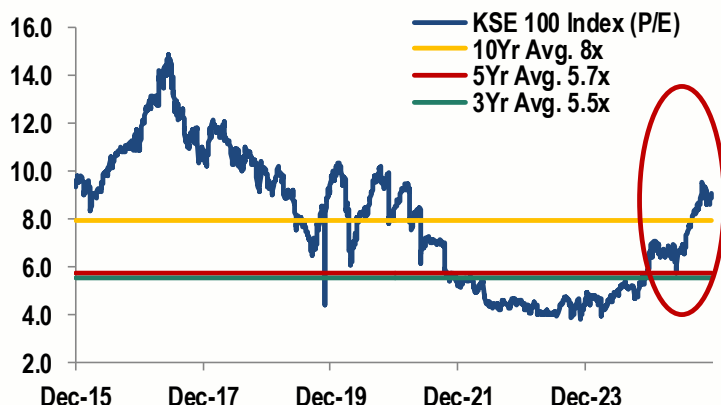
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Index Target: 206,000 by Dec'26 – a total return of 30%

- › The Bull run continues into its third consecutive year with the KSE-100 index yielding an index return of ~45% CYTD (touching its highest ever level of 169,989 in the beginning of Oct'25) and is currently trading at a level of 166,678 points – making PSX one of the best performing markets in world.
- › The rally can be attributed to multiple factors which include: i) a sharp reduction in political and economic uncertainty (leading to a substantial decrease in Pakistan's default risk) on the back of continuing reforms under the IMF programs over the last three years; ii) easing monetary conditions supporting influx of liquidity in the equity market; iii) gradually improving fundamentals across various sectors unlocking valuations; iv) a relatively stable Rupee; and v) strong & growing participation from the locals, absorbing over ~USD 360Mn in foreign selling CY23 onwards to date.
- › Consequently, the KSE 100-index has re-rated significantly from a forward P/E of ~6x a year ago, and is currently trading above its 10Yr Avg. P/E of 8x, approaching its all time mean of ~9x soon. Even in terms of the Market Cap to GDP ratio, the index is trading close to its 10Yr Avg.

KSE 100 Index is trading above its 10Yr Avg. P/E



Source: Bloomberg, PSX and TSL Research

Market Cap to GDP: Index close to its 10Yr Mean



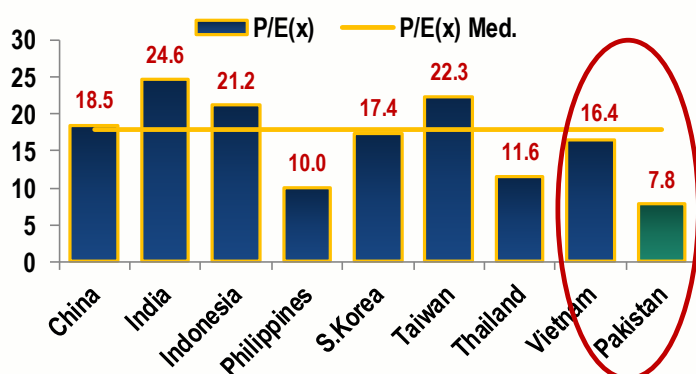
Source: PBS, PSX and TSL Research

- › Nevertheless, we firmly believe that the current valuations offer further room for upside; specially in the context of the ongoing macroeconomic recovery and reforms and positive news flows like the resolution of circular debt and the approval of the 2nd IMF EFF tranche (early December); and gradually improving fundamentals (specially for the cyclical sectors) and a positive liquidity outlook supported by easing monetary conditions and transfers from other asset classes, going forward.
- › At the same time, the PSX also continues to trade at significant discount to its regional peers and the multiples witnessed during a similar macroeconomic cycle between FY12-FY15 i.e. Avg. Real GDP Growth of 3.6%; Average Inflation of 7.9%; Average Policy Rate of 10.2%; Avg. CAD of 1.2% of GDP.
- › Accordingly, we expect the KSE-100 index to reach **206,000 points by the end of Dec'26**, translating into a **24% return** from the current levels using a blend of equally weighted: i) Target Price Mapping Approach (which accounts for the fundamental factors); and ii) Estimated earnings growth of 8% for CY26 (25% excluding Banks & E&Ps). The KSE-100 index is currently trading at a forward P/E of just under 8x, offering a dividend yield of 6%. This translates into a total return of 30% for CY26.

Executive Summary...Continued

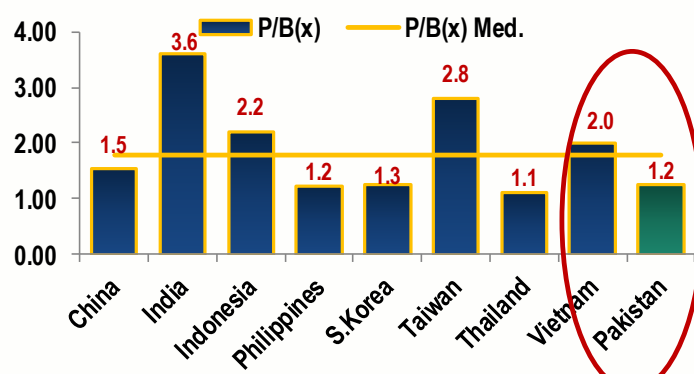
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P/E Ratio: Pakistan still trades at a 57% discount to the region



Source: CEIC, Bloomberg & TSL Research; based on latest available data

P/B Ratio: Pakistan still trades at a 30% discount to the region



Source: CEIC, Bloomberg & TSL Research; based on latest available data

Dec'26 Index Target Computation

Approach	Index Target	Weightage	Weighted Avg. Target
Target Price	226,507	50%	113,253
Earnings Growth	185,494	50%	92,747
Target Index			206,000
Index Level (November 28, 2025)			166,678
Index Return			24%
Expected Dividend Yield (%)			6%
Total Return (%)			30%
TSL Universe Summary			x/%
Forward P/E (x)			7.8x
Forward P/B (x)			1.2x
Forward Dividend Yield (%)			6%

Source: PSX and TSL Research

Outlook for Major Sectors under TSL Coverage

Sector	Weight (%)	Outlook
Commercial Banks	29%	Market-weight
Fertilizer	14%	Market-weight
E&Ps	11%	Market-weight
Cement	10%	Over-weight
Power	5%	Market-weight
Autos	3%	Market-weight
OMCs	3%	Market-weight
Pharmaceuticals	3%	Over-weight
Textile Composite	1%	Market-weight
Chemical	1%	Under-weight
Engineering	1%	Over-weight
Refinery	1%	Market-weight

Source: TSL Research

Sector-wise Earnings Growth for CY26

Sector	Weight (%)	YoY (%)
Commercial Banks	29%	2%
Fertilizer	14%	14%
E&Ps	11%	-9%
Cement	10%	15%
Power	5%	23%
Autos	3%	14%
OMCs	3%	31%
Pharmaceuticals	3%	1.0x
Textile Composite	1%	-3%
Engineering	1%	1.2x
Refinery	1%	1.9x

Source: TSL Research

*Based on TSL Universe Companies

Top Picks: A mix of value and growth with improving or high earnings quality

› MEBL, BOP, MCB, HBL, FFC, OGDC, PPL, LUCK, MLCF, FCCL, INDU, PSO, AGP, SEARL, ILP, MUGHAL, ISL, CENERGY and PAEL.

Alpha Picks: PIBTL, BBFL, TOMCL, INIL, GCIL, CPHL and PTC.

Key triggers and themes for the next year

- › **Border tensions and geo-politics:** Expect the situation to remain fluid on both the borders next year with potential escalations on the Western front. Trade flows also likely to suffer as a result of border closures and Afghanistan opting to use alternate trade routes. Disruption in food imports from Afghanistan poses an upside risk to domestic food inflation. Cross-border terrorism may also continue.
- › Elsewhere, Pakistan's role specially in the Middle-East (i.e. Gaza) is likely to expand with Pakistan contributing armed personnel to the Gaza peace force. Relations with the friendly countries including the Trump administration also likely to remain warm – boding well for FDI prospects.
- › **Macroeconomic reforms and continuation of the IMF Program:** The IMF Executive Board is expected to approve the 2nd EFF review early Dec'25, leading to the disbursement of the next EFF tranche. Going forward, we expect the Government to continue to undertake the requisite reforms to meet the IMF set structural benchmarks including growing the Tax-to-GDP ratio and fiscal reforms like curtailment & settlement of circular debt, amendments to the NFC Award to create more fiscal space for the Center, further devolution of expenditure to the Provinces, Privatization etc. Additionally, governance based reforms in light of the recent Governance & Corruption Diagnostic Assessment Report cannot be ruled out as well. We expect the market to welcome the reform agenda.

Key Economic Indicators according to the Latest IMF Staff Report

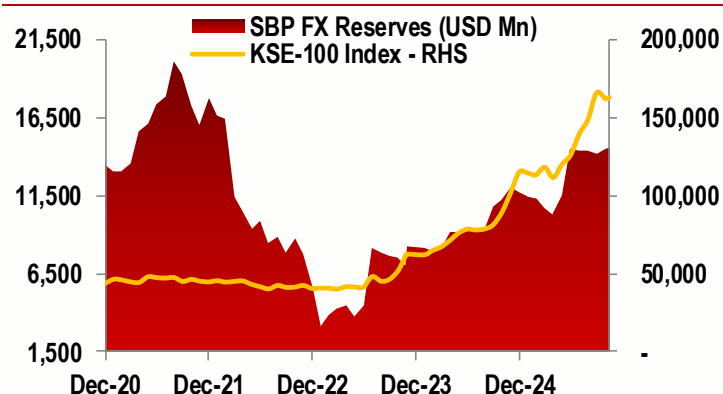
Particulars	FY23A	FY24E	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Real GDP Growth (%)	-0.2%	2.5%	2.6%	3.6%	4.1%	4.5%	4.5%	4.5%
Headline Inflation (Avg. %)	29.2%	23.4%	5.1%	7.7%	6.5%	6.5%	6.5%	6.5%
Primary Balance (% of GDP)*	-0.9%	0.9%	2.1%	1.6%	2.0%	2.0%	2.0%	2.0%
Fiscal Balance (% of GDP)*	-7.7%	-6.8%	-5.7%	-5.1%	-3.9%	-3.4%	-3.2%	-2.9%
Current Account Balance (%)	-1.0%	-0.5%	-0.1%	-0.4%	-0.5%	-0.8%	-0.9%	-1.0%
Gross Official Reserves (USD Bn)	4.5	9.4	13.9	17.7	23.0	24.4	27.1	30.6
Import Cover (Months)	0.8	1.6	2.3	2.8	3.4	3.4	3.5	3.7
Net Public Debt as a % of GDP	78.2%	70.1%	73.6%	71.9%	70.0%	67.0%	63.9%	61.0%
External Debt as a % of GDP	34.9%	32.0%	30.3%	30.8%	29.9%	28.5%	27.3%	26.2%

Source: IMF Staff Report, May'25; *excluding grants

- › **Stable external outlook:** External sector will continue to strengthen on the back of growing FX reserves, leading to a comfortable import cover of ~3 months; adding stability to the Rupee (we anticipate minimal devaluation in FY26). SBP's FX reserves expected to touch USD 17.8Bn mark by Jun'26. Also, despite the surge in imports and the trade deficit FYTD, we expect CAD to remain in check ranging ~1% of the GDP, supported by robust remittances. Moreover, Pakistan's sovereign credit ratings are also expected to improve further, potentially opening access to global capital markets.
- › **Uptick in growth supported by easing monetary conditions:** We expect GDP growth to clock-in at 3.4% for FY26 and 4.4% for FY27, respectively on the back of growth in aggregate demand emanating from contained inflation and lower interest rates. Concentration of growth is expected to be broad-based i.e. Agriculture, Industrial and Services. Headline inflation to remain within the SBP's target range of 5%-7% for FY26. Policy rate also likely to remain unchanged at the 11% mark.

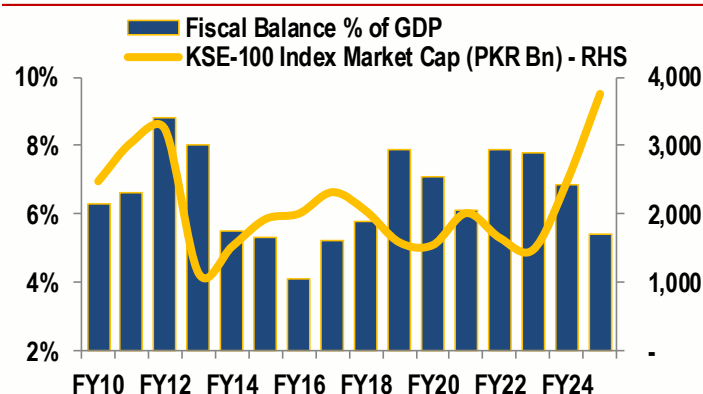
- Positive demand outlook for cyclicals:** Lower inflation and interest rates coupled with the uptick in per capita income are likely to drive demand growth for cyclical sectors in particular like cement and steel (as construction activity gathers momentum) along with automobiles and consumer goods – lending support to earnings and driving valuations, going forward. Other sectors like pharmaceuticals are also well-positioned to benefit from the uptick in spending and stable margins. Hence, we expect TSL Universe earnings (excluding Banks and E&Ps) to grow 25% next year.

SBP FX Reserves up 3.7x since Jan'23, stabilizing external sector



Source: SBP, PSX and TSL Research

KSE-100 Index Performance compared to the Fiscal Balance



Source: PSX, SBP, Ministry of Finance and TSL Research

- Oil & Gas Exploration & Production sector to remain in limelight:** Multiple developments like: i) settlement of circular debt receivables and higher collections from the Sui companies; ii) timely resolution of forced curtailment issues; iii) progress on projects like Reko Diq; iv) domestic exploration and production enhancement efforts including offshore exploration; and v) diversification into ventures like mining, data centers etc. are likely to keep the E&P sector in limelight next year despite the drag on earnings due to lower oil prices, pressure on flows and minimal PKR devaluation.
- Lower borrowing costs to support leverage:** Combined leverage is up ~1.5x CYTD from ~PKR 60Bn as of Dec'24 close to ~PKR 147Bn as of the last day close. Wherein, the total of MTS and MFS alone has risen from PKR 25Bn as of Dec'24 close to PKR 78Bn as of the last day close – up over 2.1x CYTD. Whereas, settlements have averaged ~61% during the year. We attribute such high leverage as a key driver of the index supported by the drastic reduction in borrowing costs as the SBP has cut its benchmark policy rate to 11% from the peak of 22%. Going forward, lower borrowing costs are expected to keep the leverage levels elevated, offsetting the risk of any major (panic-induced) sell-off.

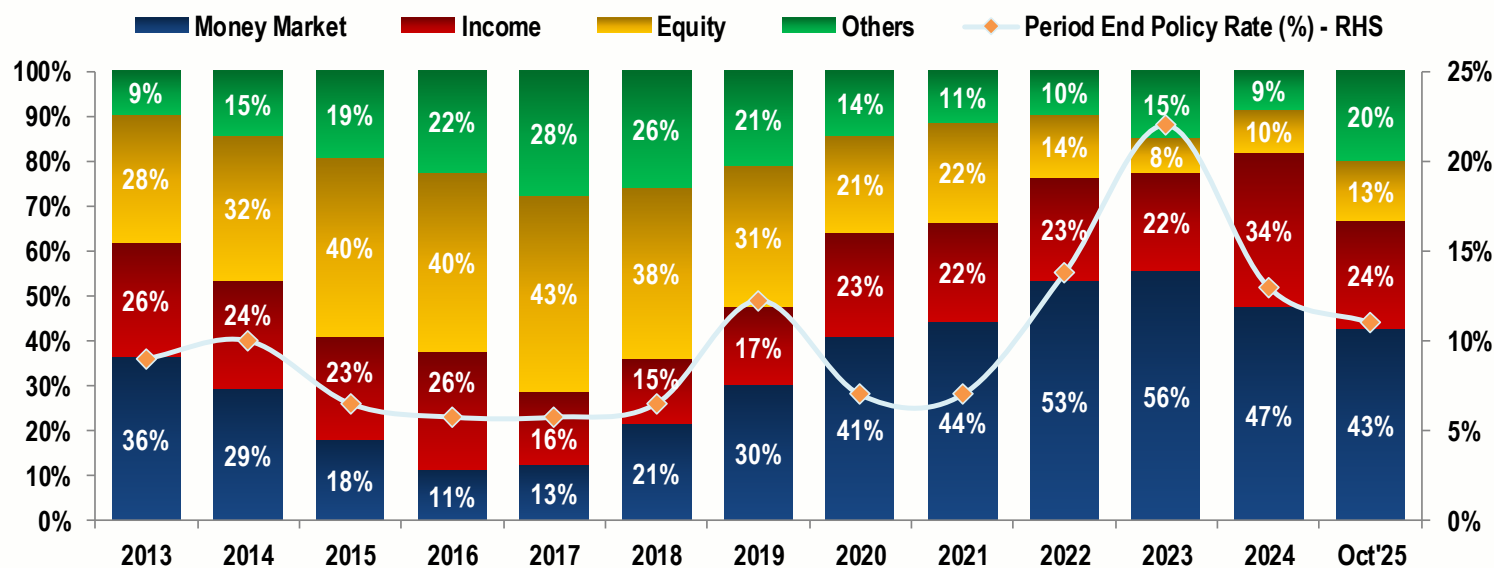
Market leverage is up sharply, supported by lower borrowing costs

Leverage Position (PKR Bn)	29-Mar-24	28-Jun-24	30-Sep-24	31-Dec-24	27-Mar-25	30-Jun-25	30-Sep-25	27-Nov-25
MTS	7.7	7.5	7.1	13.5	14.3	11.6	22.8	23.6
MFS	5.5	5.7	7.0	11.6	11.0	11.5	16.9	54.6
Future Open Interest	26.4	27.3	20.5	34.8	51.9	31.5	50.7	69.0
Total	39.6	40.5	34.6	60.0	77.2	54.7	90.5	147.2
All Share Value Traded (PKR Bn)	9.9	11.9	14.1	36.8	27.5	29.7	44.1	44.4
Settlement Ratio - Volume	61%	62%	63%	55%	61%	63%	58%	62%
Settlement Ratio - Value	63%	60%	65%	55%	65%	65%	64%	56%
KSE-100 Index Closing	67,005	78,445	81,114	115,127	117,807	125,627	165,494	165,373
Period End Policy Rate (%)	22%	21%	18%	13%	12%	11%	11%	11%

Source: NCCPL, PSX and TSL Research; as of November 27, 2025

- **Shift in asset allocation to unlock more liquidity:** Mutual Funds' allocation to equities has almost doubled during the year, up from 8% of AUMs as of Dec'24 to ~13% of the AUMs as of Oct'25, according to the data released by MUFAP. Historically, during periods of low interest rates (2015-2018), Equity based AUMs have accounted for ~40% of the industry AUMs. Hence, the allocation is expected to increase further. For context, Mutual Funds have been net buyers of USD 242.1Mn worth of shares during the year. While, Insurance and Banks have been net sellers in the market amounting to USD 73.4Mn and USD 154.5Mn, respectively to date.

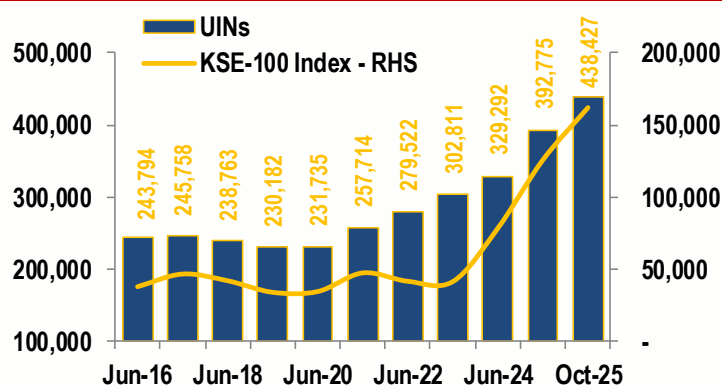
As of Oct'25, Mutual Fund AUMs stand at over PKR 4.2Trn, with ~13% allocation to Equities



Source: MUFAP and TSL Research

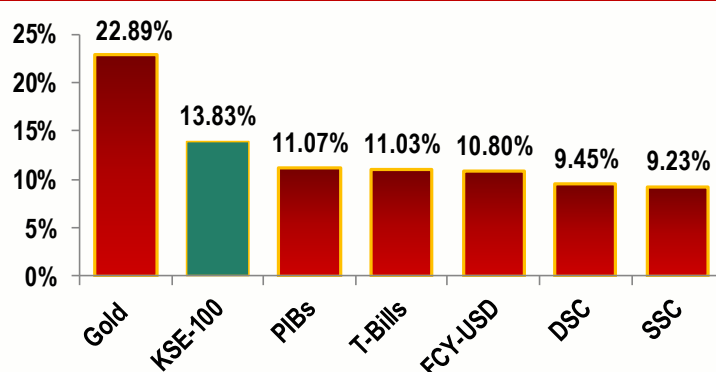
- **Performance of other asset classes remains mixed:** Yields on fixed income investments including TDRs have fallen in line with the reduction in the benchmark policy rate by the SBP CYTD. However, given the rally at the PSX, the Earnings Yield differential with the 1-Yr T-Bill is almost negligible at the current levels – making fixed income investments specially in the money market sticky as they offer similar yields as well as carry lower risk than equities.
- Meanwhile, the real-estate sector has been under pressure due to increased documentation and taxation (revision in FBR property values etc.) and most importantly the surge in the cost of construction materials exacerbated by the lack of developed mortgage markets and high interest rates. However, the situation is likely to improve with the Government offering incentives like tax credit on mortgages, markup subsidy on low cost housing etc., accompanied by lower interest rates.
- Accordingly, a glance through the Zameen Property Prices Index shows a modest increase in average property prices in most parts of the country over the last twelve months. Moreover, Gold and Silver have also offered massive returns to investors during the ongoing year.
- Elsewhere, penetration of the equity market has been on the rise as well. This is reflected in the substantial growth in registered investors (UINs). To note, as of Oct'25 active UINs stand at 438,427, up 57% since Jun'22. Nevertheless, the proportion of registered investors to the eligible population remains perhaps the lowest in the region, offering immense room for growth if the equity market continues to offer sustainable returns, going forward.

No. of Registered Investors (UINs)



Source: PSX, NCCPL and TSL Research

Historical Asset Class Returns in Pakistan - FY 2016 - 2025*



Source: PSX and TSL Research; *Compounded Annualized Returns (Estimated)

Key risks to our investment thesis

- Geo-political and security risks:** Any escalations with either India or Afghanistan are likely to weigh in on investor sentiment. Simultaneously, surge in outside sponsored terrorist attacks in Balochistan and KP, including Islamabad could dent sentiment for FDI and pose risks to the progress of mega-projects like CPEC Phase-II and Reko Diq. Internal political situation also remains fragile.
- Lackluster recovery in aggregate demand:** We anticipate real GDP growth to clock-in at 3.4% for FY26. Although well within the SBP's expected real GDP growth of 3.25%-4.25% in FY26 and slightly higher than the IMF forecast of 3.25%, the growth assumption remains critical for the outperformance of the cyclical sectors in particular as well as driving the overall index levels.
- Fiscal challenges:** Fulfilling the ambitious fiscal targets committed to the IMF has been a challenge for the incumbent Government. However, the performance has been satisfactory so far courtesy the surrendering of hefty SBP profits and collections from non-tax revenue streams like petroleum levy. In addition, contingency measures are also expected to be in place to meet any shortfalls.
- Regardless, fiscal space for the Federal Government to fund massive growth initiatives is expected to be limited unless amendments are made to the current NFC award. Accordingly, a National Finance Commission has been [constituted](#) to finalize a revised mechanism for sharing the Federal Divisible Pool of resources between the Centre and the Provinces.
- Lack or lower foreign direct investment:** Net foreign direct investment clocked-in at USD 2.5Bn during FY25, up 6%YoY. While, it was up 44% during FY24. Nevertheless, in absolute terms net FDI remains very low when compared to other emerging economies like Egypt, Vietnam, Colombia etc. One of the reasons for lower FDI is higher taxes, something [acknowledged](#) by the SIFC as well.
- Climate change:** Losses from the monsoon floods during the current year have been estimated at ~PKR 822Bn; with high chances of more such events in future. For context, Pakistan is ranked one of the most vulnerable countries to climate change and climate induced social and economic losses. Hence, addressing the same quickly remains critical for sustainable economic growth. A positive step in this direction is the securing of the Resilience & Sustainability Facility (RSF) from the IMF. However, much more remains to be done.

Recommendation Summary

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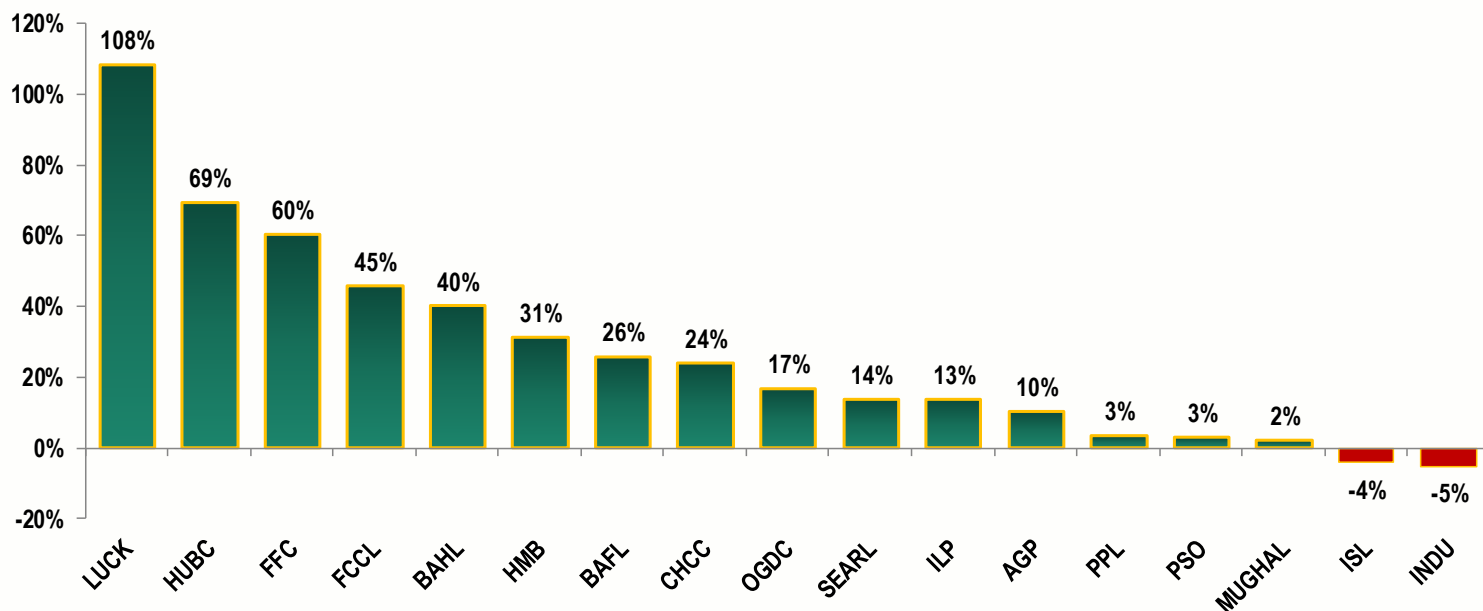
Top Picks for CY26

Ticker	Company	Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
MEBL*	Meezan Bank Limited	623	445	40%	6%	46%
BOP*	The Bank of Punjab	46	34	35%	8%	43%
MCB*	MCB Bank Limited	468	360	30%	10%	40%
HBL*	Habib Bank Limited	400	309	29%	7%	36%
FFC	Fauji Fertilizer Company Limited	670	586	14%	8%	22%
OGDC	Oil & Gas Development Company Limited	392	265	48%	5%	53%
PPL	Pakistan Petroleum Limited	300	211	43%	4%	47%
LUCK*	Lucky Cement Limited	619	458	35%	1%	36%
FCCL	Fauji Cement Company Limited	89	53	68%	4%	72%
MLCF*	Maple Leaf Cement Factory Limited	156	105	49%	0%	49%
PSO	Pakistan State Oil Company Limited	727	453	60%	3%	63%
INDU	Indus Motor Company Limited	2,700	2,020	34%	10%	44%
AGP*	AGP Limited	250	187	34%	4%	38%
SEARL*	The Searle Company Limited	150	103	46%	0%	46%
ILP	Interloop Limited	100	78	28%	1%	29%
MUGHAL	Mughal Iron & Steel Industries Limited	123	82	50%	4%	54%
ISL	International Steels Limited	138	92	50%	4%	54%
CENERGY	Cnergyico PK Limited	12	8	50%	0%	50%
PAEL	Pak Elektron Limited	80	53	51%	5%	56%

Source: PSX and TSL Research

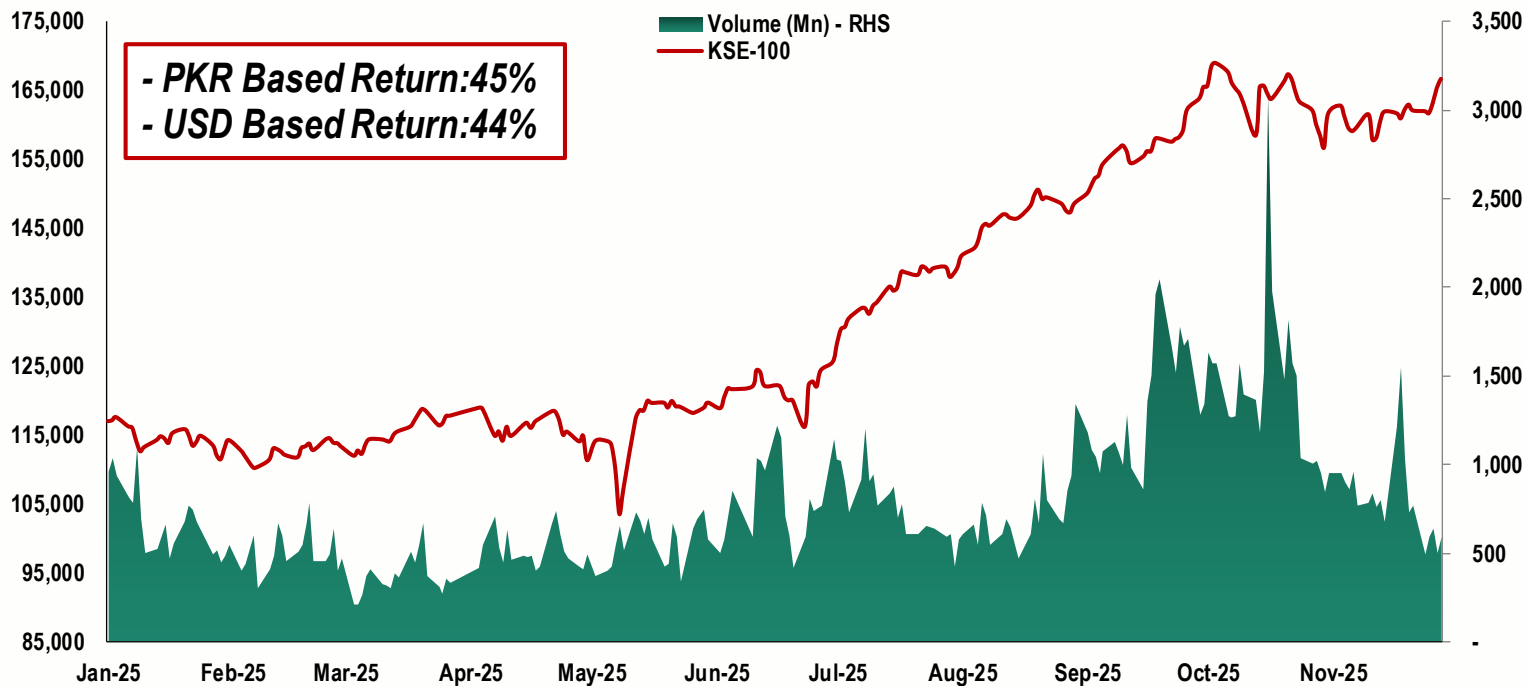
*Consolidated basis.

CY25 TD Return (Market Cap. Based) for Last Year's Recommendations



Source: Company Financials, PSX & TSL Research.

KSE 100 Index Performance CY25 TD



Source: PSX & TSL Research

Q1: Index Return: 2.3%

- Staff-level Agreement reached with the IMF on 1st EFF Review.
- KSE-100 Index hit another all time high of 118,735.
- WB approves 10Yr USD 40Bn Pakistan Partnership Framework.
- UAE rolls over USD 2Bn in deposits with the SBP for one year.
- OGRA hikes gas tariff for CPPs to PKR 3,500/MMBTU.
- Profit/dividend repatriation jumps 90%YoY in 7MFY25.
- Govt. unveils 'Uraan Pakistan', a 5-year economic plan.
- SBP decreases the policy rate by 100bps to 12.00%.
- Pakistan signs USD 1.2Bn Saudi oil facility on deferred payment.
- Pakistan's Public debt-to-GDP ratio reaches 67.2% as of Jun'24.
- Bangladesh and Pakistan resume direct trade after 50 years.
- China rolls over a USD 2Bn loan to Pakistan for another year.
- IMF revises FBR's FY25 tax collection target to PKR 12.4Trn.

Q3: Index Return: 31.7%

- Donald Trump announces trade deal with Pakistan.
- Monsoon floods cause destruction across parts of Pakistan.
- Pakistan & KSA signs 'Strategic Mutual Defence Agreement'.
- Moody's upgrades Pakistan's rating to Caa1 with stable outlook.
- S&P upgrades Pakistan's credit rating to 'B-', after 2.5 years.
- FY25 CA posts a surplus of USD 2.1Bn; first surplus in 14 years.
- Pakistan's real GDP posted a growth of 2.68% during FY25.
- FY25 NCPI clocked-in at 4.6%YoY.
- 50% hike in fixed gas charges notified by OGRA from July 01.
- SBP FX reserves jump USD 5Bn; reach USD 14.5Bn for FY25.
- Fiscal Deficit drops to 5.4% in FY25 from 6.8% in FY24.
- Pakistan's private business confidence hit a near four-year high.
- KSE 100-Index touches all-time high of 166,556 points.

Q2: Index Return: 6.6%

- The US imposes a 29% tariff on Pakistani imports.
- Pakistan gives befitting response to Indian aggression.
- India suspends Indus Water Treaty.
- Fitch upgrades Pakistan's forex IDR to 'B-' with stable outlook.
- Pakistan records monthly remittances of USD 4.1Bn in Mar'25.
- Government increases petroleum levy to ~PKR 70 per litre.
- SBP has cuts the policy rate by 100bps to 11.00%.
- PM announces relief in power tariffs for households & industry.
- Government presents budget worth PKR 17.6Trn.
- S&P projects Pakistan's budget deficit at 5.1% of the GDP.
- PM okays five-year tariff reform plan to spur exports.
- Pakistan signs USD 1Bn 5-year multi-tranche facility with ADB.
- Federal Cabinet approves PKR 1.3Trn circular debt loan.

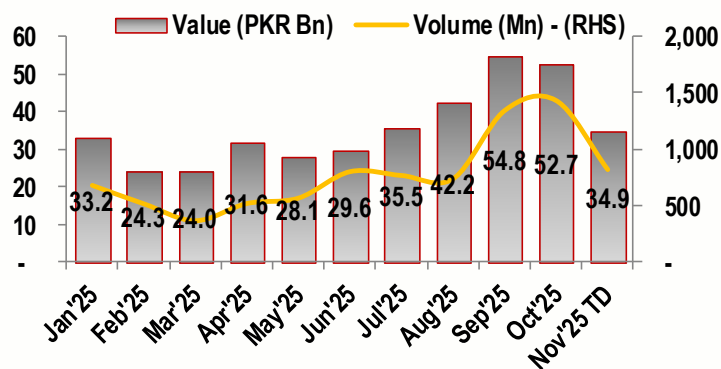
Q4: Index Return: 0.7% (TD)

- KSE 100-Index touched all-time high of 169,989.
- SLA signed with the IMF on 2nd EFF review.
- Pakistan sees 'sharpest drop' in default risk, Bloomberg reports.
- Growth outlook improves as the impact of the floods subsides.
- SBP keeps the benchmark policy rate unchanged at 11%.
- Losses from the 2025 floods estimated to stand at PKR 822Bn.
- Ceasefire reached with the Taliban regime in Afghanistan.
- NCPI in Sep'25 rises to 5.6%YoY amid higher food inflation.
- Pakistan suspends all Afghan transit transportation nationwide.
- PM announces incremental power tariff of PKR 22.98/Kwh.
- President signs the 27th Constitutional Amendment Bill into law.
- 4MFY26 FBR tax collection shortfall reaches at PKR 274Bn.
- Headline inflation in Oct'25 rises to 6.2%YoY.

Reviewing CY25...Continued

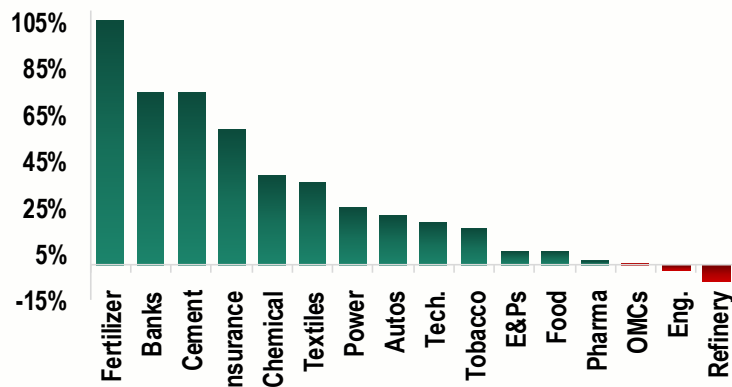
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Average Monthly Value & Volume Traded CY25 TD



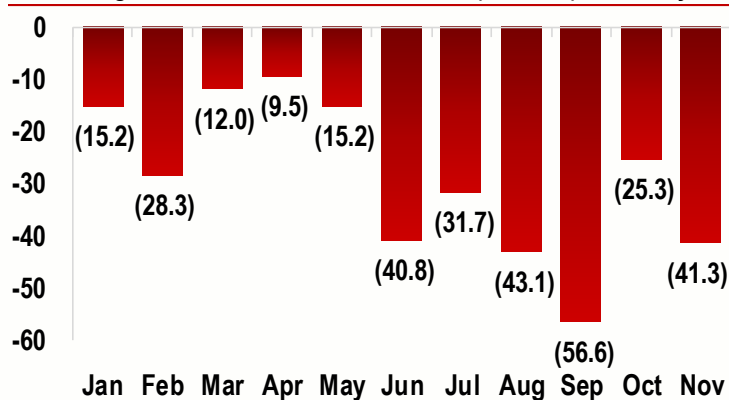
Source: PSX and TSL Research

CY25 TD Sector-wise return



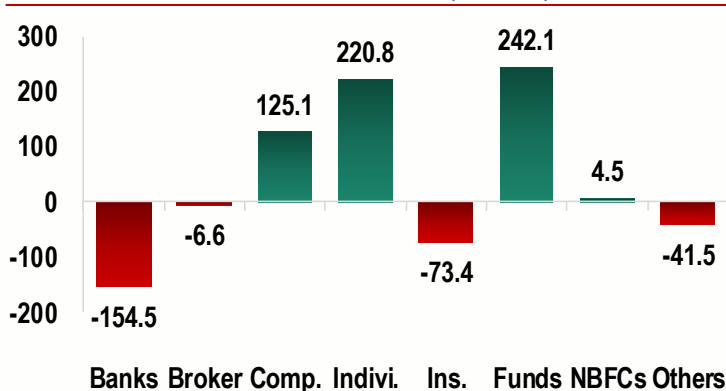
Source: PSX & TSL Research

Net Foreign Portfolio Investment CY25 TD (USD Mn) - Monthly



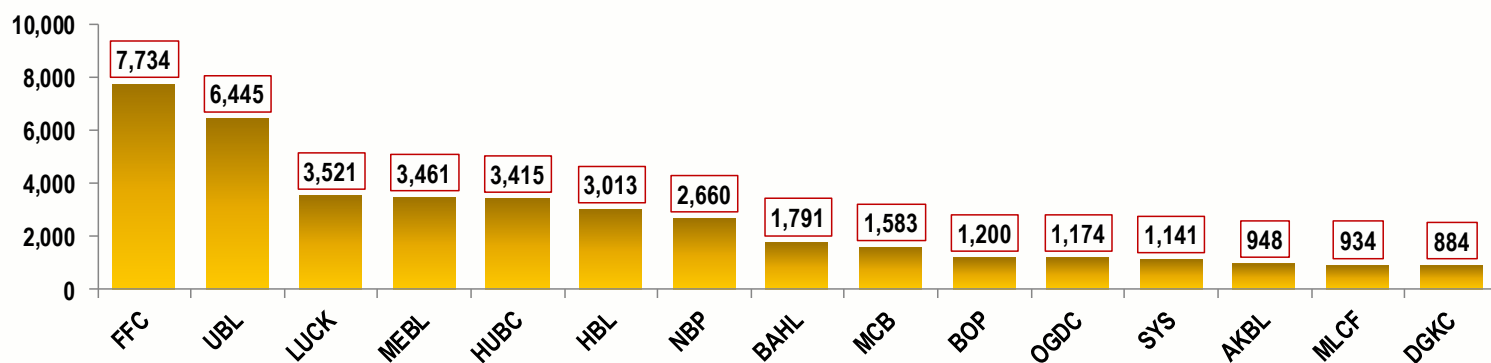
Source: NCCPL and TSL Research

Net Local Portfolio Investment CY25 TD (USD Mn) - Investor-wise



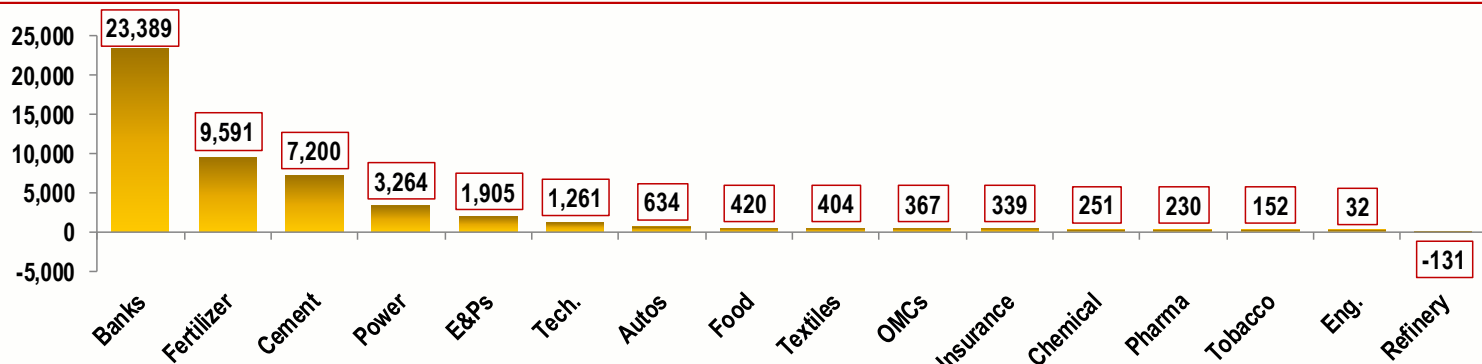
Source: NCCPL and TSL Research

CYTD Company-wise Points Contribution to the KSE-100 Index (Top-15)



Source: Company Accounts & TSL Research

CYTD Points Contribution to the KSE-100 Index by Major Listed Sectors

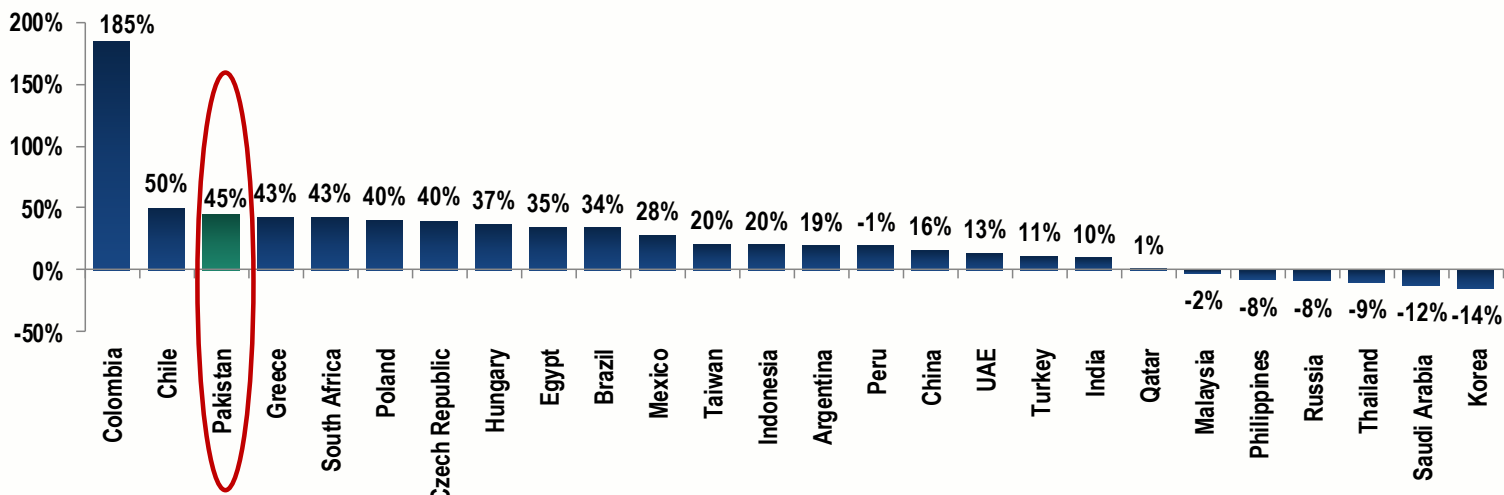


Source: Company Accounts & TSL Research

Reviewing CY25...Continued

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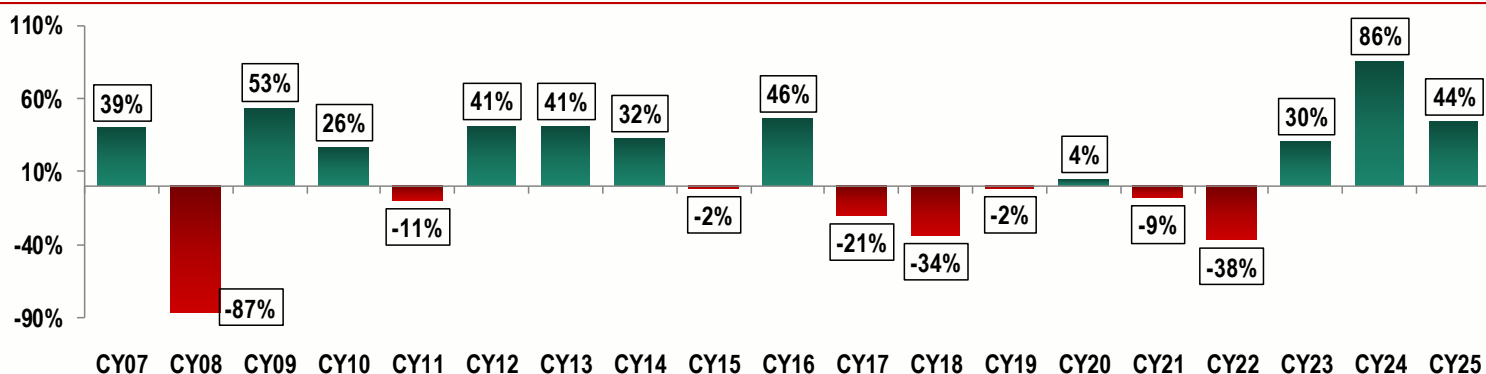
Emerging Market CY25 Market Return Comparison



Source: Investing.com & TSL Research

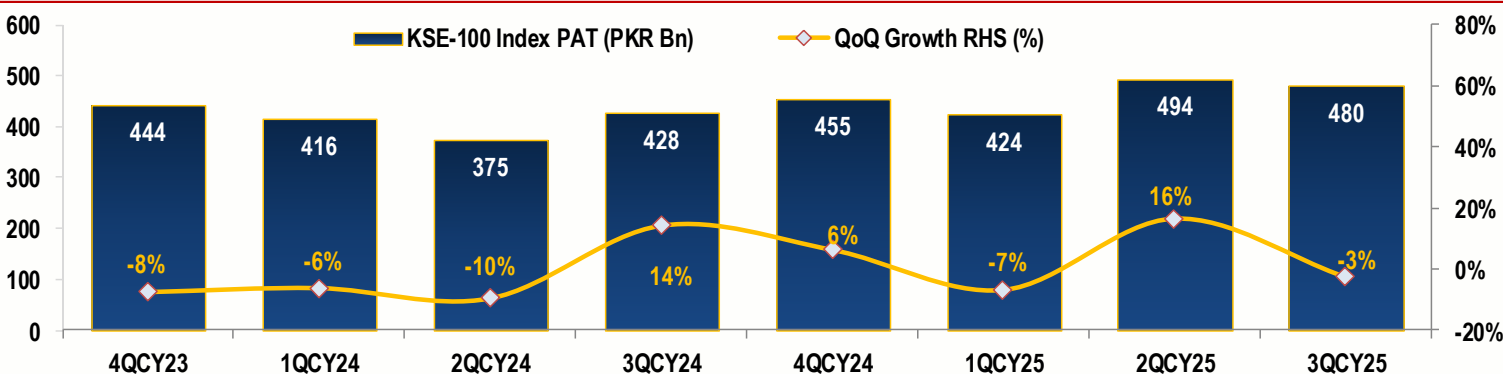
As of November 28, 2025 close

KSE-100 Index USD-based Return



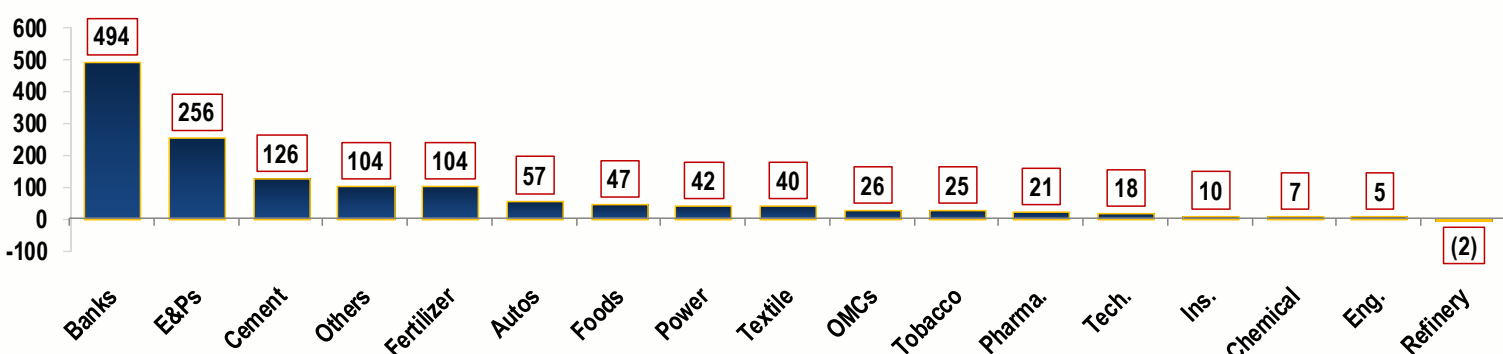
Source: PSX, SBP and TSL Research

KSE-100 Index Quarterly Profits (PKR Bn)



Source: Company Accounts & TSL Research.

KSE-100 Index Sector-wise PAT (PKR Bn) - 9M CY25



Source: Company Accounts & TSL Research.

KSE-100 Index Historic Monthly Returns

Pakistan Investment Outlook 2026

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2001	-3.7%	-2.6%	-6.9%	3.2%	0.8%	-0.8%	-10.1%	2.4%	-9.9%	24.1%	-3.6%	-6.1%
2002	27.3%	9.0%	5.8%	1.7%	-12.4%	6.4%	1.0%	10.5%	2.2%	12.9%	0.3%	18.2%
2003	-5.8%	-5.7%	13.2%	6.9%	6.8%	9.8%	15.6%	13.4%	-9.7%	-6.1%	12.7%	4.9%
2004	8.3%	0.0%	5.5%	6.3%	1.2%	-4.0%	0.2%	1.1%	-2.4%	2.2%	4.4%	11.7%
2005	8.5%	22.4%	-5.9%	-8.6%	-3.5%	8.6%	-3.6%	8.6%	5.5%	0.3%	9.4%	5.9%
2006	10.1%	8.9%	0.3%	-1.3%	-13.6%	1.9%	5.1%	-4.1%	4.5%	7.8%	-6.3%	-5.4%
2007	12.3%	-0.8%	0.8%	9.7%	4.8%	6.3%	-0.2%	-11.1%	9.3%	7.2%	-2.2%	0.6%
2008	-0.4%	6.5%	1.3%	0.0%	-19.8%	1.3%	-13.9%	-13.0%	-0.3%	0.0%	0.0%	-36.2%
2009	-8.3%	6.5%	19.8%	5.0%	1.0%	-1.6%	7.8%	12.4%	7.8%	-2.0%	-1.6%	4.1%
2010	2.4%	0.5%	5.4%	2.5%	-10.6%	4.2%	8.2%	-6.7%	2.0%	5.8%	6.0%	7.0%
2011	2.8%	-8.7%	4.6%	2.1%	0.5%	3.1%	-2.4%	-8.4%	5.4%	0.9%	-2.8%	-1.6%
2012	4.6%	8.4%	6.9%	1.7%	-1.5%	0.1%	5.6%	5.6%	0.3%	3.0%	4.2%	2.0%
2013	2.0%	5.4%	-0.7%	5.2%	15.0%	-3.7%	11.0%	-4.9%	-1.5%	4.3%	6.7%	3.9%
2014	6.0%	-3.7%	5.3%	6.5%	2.9%	-0.3%	0.0%	-3.6%	4.1%	2.2%	2.7%	3.0%
2015	7.2%	-2.4%	-10.1%	11.6%	-2.0%	4.1%	3.9%	-2.8%	-7.0%	6.1%	-5.9%	1.7%
2016	-4.6%	0.2%	5.6%	4.8%	3.9%	4.8%	4.6%	0.7%	1.8%	-1.6%	6.8%	12.2%
2017	2.0%	-0.5%	-0.8%	2.4%	2.6%	-8.0%	-1.2%	-10.4%	2.9%	-6.6%	1.0%	1.2%
2018	8.8%	-1.8%	5.4%	-0.2%	-5.8%	-2.2%	1.9%	-2.3%	-1.8%	1.6%	-2.8%	-8.5%
2019	10.1%	-4.3%	-1.0%	-4.8%	-3.5%	-4.5%	-5.8%	-7.1%	8.1%	6.6%	14.9%	3.7%
2020	2.2%	-8.8%	-23.0%	16.7%	-0.5%	1.4%	15.8%	3.1%	-1.3%	-3.6%	5.0%	6.5%
2021	6.0%	-1.1%	-2.8%	-0.7%	8.2%	-1.1%	-0.6%	0.8%	-5.3%	2.9%	-2.4%	-1.1%
2022	1.7%	-2.0%	1.1%	-0.2%	-3.9%	-3.6%	-3.3%	5.5%	-2.9%	0.3%	2.6%	-4.6%
2023	0.6%	-0.4%	-1.3%	3.9%	-0.6%	6.2%	9.4%	-6.3%	3.6%	11.4%	16.6%	3.2%
2024	-0.8%	4.2%	3.8%	6.1%	6.7%	3.4%	-0.7%	0.8%	3.3%	9.7%	13.9%	13.6%
2025 TD	-0.8%	-0.9%	4.0%	-5.5%	7.5%	5.0%	11.0%	6.6%	11.4%	-2.3%	3.1%	-

Source: PSX & TSL Research.



Global Political & Economic outlook

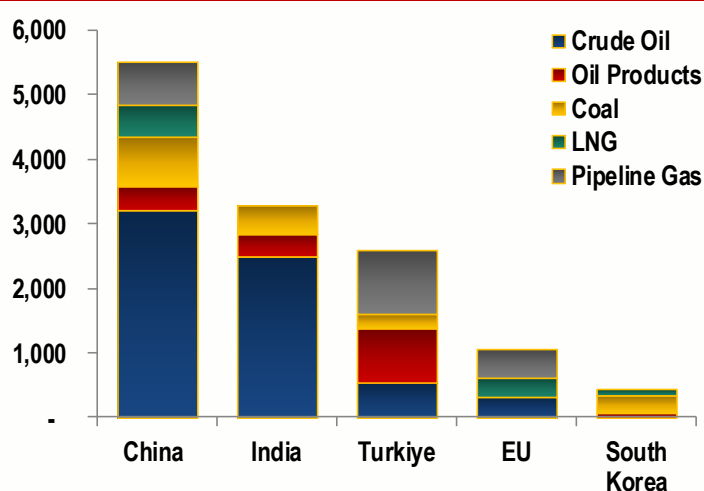
- ‖ *Conflict in Ukraine may resolve next year*
- ‖ *Gaza ceasefire to stabilize the Middle-East*
- ‖ *Tariffs to impact global trade and undermine growth*
- ‖ *Navigating between the East and the West*
- ‖ *Commodity prices expected to decline slightly*
- ‖ *Monetary policy stance shifting towards easing*

⚔️ Russia-Ukraine conflict likely to resolve next year; Neutral for Pakistan

- › A potential peace deal could be on cards. Wherein, Ukraine would concede the territories occupied by Russia in return for security guarantees from the US and Europe. To note ~1/5th of Ukraine remains under Russian occupation. Also, Ukraine would commit not to join NATO in future.
- › Nevertheless, Russia is prepared to fight on if necessary and occupy more territory as sanctions have done little harm to its economy, in particular its energy sales to Europe, China and India remain uninterrupted (although the volumes have reduced to a large extent recently).
- › Conversely, China continues to offer unwavering support to the Russian cause. While, the US and Europe want to keep their distance from becoming directly involved in any escalations with Russia.



Top-5 Buyers of Russian Fossil Fuels (EUR Mn)



Source: Centre for Research on Energy & Clean Air; (for the month of Sep'25)

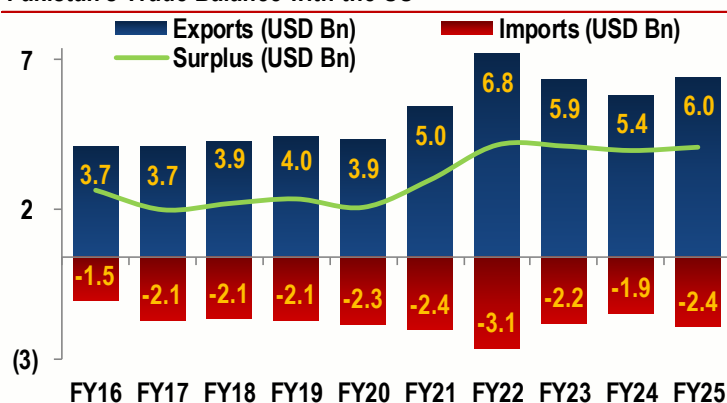
⚔️ Gaza ceasefire on to stabilize the Middle-East; Positive for Pakistan

- › The US President Donald Trump sponsored Gaza Peace Plan, brought an end to the war in Gaza, triggering a ceasefire, release of hostages/prisoners on both sides, and the withdrawal of the Israeli occupation forces and Hamas; in return for the area to be governed by a body of global leaders. Additionally, a global peace-keeping force is likely to be deployed which may include Pakistan as well.
- › Initial implementation of the peace plan has been mixed, with Israel committing multiple violations and restricting the flow of aid. However, global leaders and the US want to uphold the plan as a resounding success. Regardless, the peace plan is likely to ensure a prolonged period of stability across the Middle-East, specially the GCC – boding well for the global energy prices, and at a geo-political and macroeconomic level for Pakistan too. Even paving the way for more Muslim countries becoming signatories to the Abraham Accords in the near future.
- › Elsewhere, the conflict also led to the signing of a Strategic Mutual Defense Agreement between Pakistan and the Kingdom of Saudi Arabia (KSA), ensuring joint collaboration at multiple levels (apart from defense) including economic cooperation in the form of FDI from KSA into Pakistan. A similar agreement with other countries of the GCC like Qatar cannot be ruled out in future.

⚡ Tariffs to impact global trade, undermine growth; Neutral for Pakistan

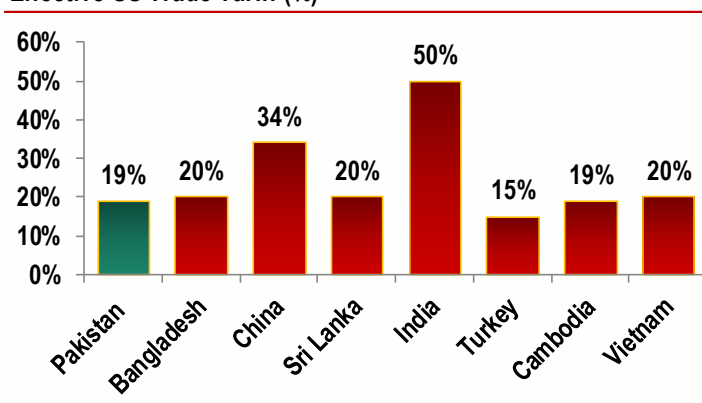
- › The International Monetary Fund (IMF) anticipates the new wave of global tariffs to affect global trade flows, making them inefficient in the long-run, potentially undermining growth and leading to higher consumer prices. Accordingly, accounting for the tariffs and other factors, global growth is projected to slow from 3.3% in 2024 to 3.2% in 2025 and to 3.1% in 2026, respectively.
- › Markets remain susceptible to the US-China tariff uncertainties. Wherein, the US has recently made a trade deal with China in exchange for reducing the average tariffs to ~48%. These cover different industrial and medical imports from China. China has committed to purchase soyabeans from the US.
- › Nevertheless, Pakistan has already successfully negotiated a trade deal with the US, capping the US reciprocal tariffs for Pakistan to 19% (down from the 29% imposed earlier). A key pillar of the US-Pakistan trade deal is the joint cooperation to explore and develop Pakistan's minerals. In return Pakistan has rolled-back all tariff lines on US goods to zero and agreed to increase imports from the US. The US is Pakistan's largest export destination and the trade deal offers Pakistan relatively lower tariffs compared to peers; thereby boding well for the growth of exports especially for the textile sector.

Pakistan's Trade Balance with the US



Source: SBP and TSL Research

Effective US Trade Tariff (%)



Source: White House, ReedSmith and TSL Research

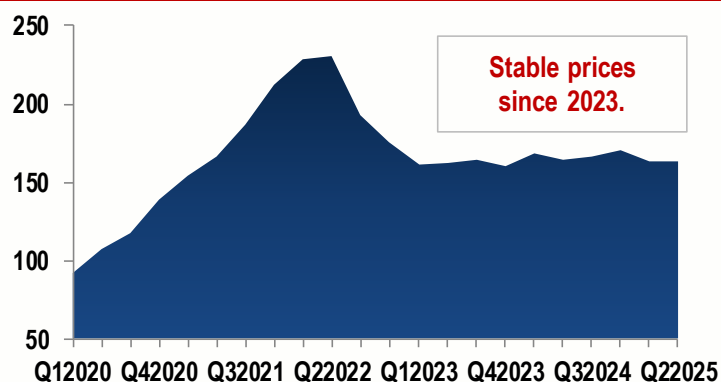
⚡ Navigating between the East and the West; Positive for Pakistan

- › Pakistan's position in the geo-political landscape has improved significantly following its formidable success against the aggressor India in May'25. In particular, Pakistan's relations with the US have become warmer than ever. To note the country's leadership has met with the US President Donald Trump and his administration on multiple occasions in the recent months—with the US taking a keen interest (potential investment) in Pakistan's mineral reserves.
- › Further, Pakistan has also been recognized globally as a powerful Muslim country—reflected by the SMDA with the KSA and Pakistan being a part of the group of Muslim countries endorsing the Gaza Peace Deal. Overall, strategic relations with the US and its allies have reached new heights.
- › All the same, balancing the expectations of both the West and the East (China) would be a challenge for the incumbent Government and the Establishment. Specially in the context of CPEC Phase-II, development & commissioning of Reko Diq, India's fallout with the US, and a rapidly evolving global order. For now Pakistan is well positioned to reap the benefits of strong relations with both the blocs.

Commodity prices expected to remain bearish; Positive for Pakistan

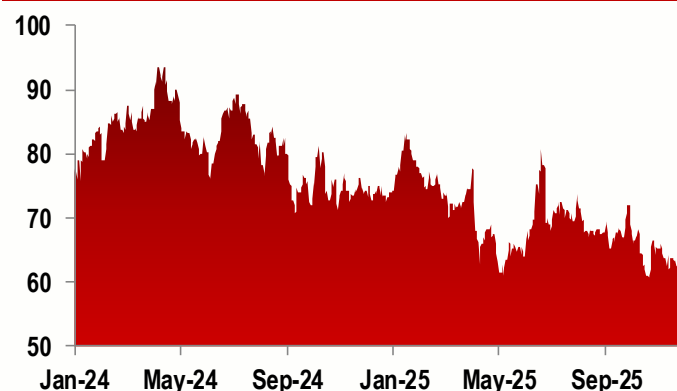
- Crude Oil:** According to the International Energy Agency (IEA), the world oil market could face a [surplus](#) of as much as 4Mn bpd (4% of global demand), as the OPEC+ and other producers increase output and demand remains sluggish. Additionally, global oil inventory [levels](#) are also on the rise. Accordingly, Brent is [forecast](#) to average ~USD 62/bbl. in 2026. However, our base case assumption for Brent in 2026 is ~USD 65/bbl. anticipating higher demand from China and mixed OPEC flows.
- Other Energy Prices:** International Coal prices are likely to [dip](#) another 5% from the current levels on an average in 2026 as per the World Bank, mainly due to slightly lower demand and increasing global supply. Moreover, Natural Gas prices are expected to average under USD 4/MMBTU next year.
- Other Commodities:** Wheat prices are expected to decline slightly next year on account of abundant [supply](#) driven by strong harvests despite uptick in import demand. Also, Cotton prices are likely to average ~USD 55-60/lbs. amid improved global supplies. Conversely, palm oil prices are expected to increase 15% YoY, [surpassing](#) the RM 5,000/ton mark in 2026 amid a tight supply situation, mainly.

Global Price Index for Commodities



Source: FRED and TSL Research, Base Year: 2016

Brent USD/Bbl.



Source: Bloomberg and TSL Research

Monetary policy stance shifting towards easing; Positive for Pakistan

- The State Bank of Pakistan (SBP) has already reduced its benchmark policy rate by 1,100bps since Apr'24 to date, in response to a sharp decline in headline inflation, demand moderation and improved external outlook. Wherein, interest rates in Pakistan are quite close to bottoming-out.
- However, globally the shift in monetary policy from aggressive tightening to a more nuanced stance leaning towards growth continues. The trajectory of easing is likely to be dependent upon factors like domestic inflation and need for external stability mainly – resulting in divergent paths also.
- To note, the US Federal Reserve cut the Federal Funds Rate by 25bps in Oct'25 to 3.75%-4.00%. Rate cuts are expected to take place in Dec'25 as well. However, the European Central Bank is likely to hold the interest rates unchanged towards the end of CY25, and reducing the same by 25bps into CY26 – based on a data-driven meeting-by-meeting approach. Additionally, the Bank of England may also cut interest rates in CY26. Conversely, the Bank of Japan is expected to raise interest rates further after a prolonged period of almost negative interest rates.
- Global monetary easing should bode well for the Rupee, going forward.



Domestic Political Outlook

- ⌘ *United coalition critical for political stability*
 - ⌘ *Security situation remains fragile*
 - ⌘ *Season of constitutional amendments*

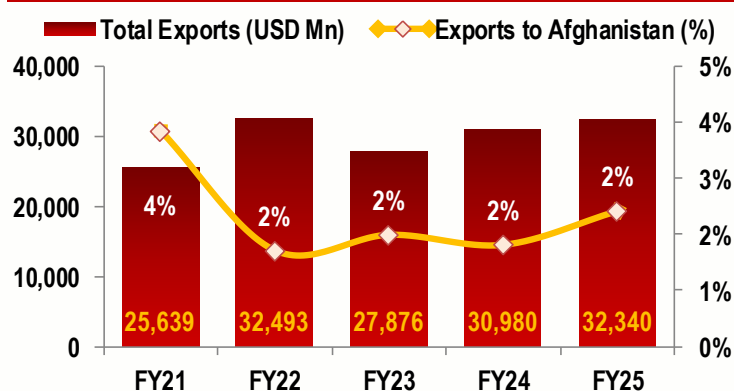
United coalition critical for long-term political stability

- Resolution of rifts among the ruling coalition parties i.e. PML(N) and PPP would be key for long-term political stability and strengthening of democracy in the country.
- Nevertheless, PML(N) has emerged as the largest party in the National Assembly (NA) with ~132 seats out of 336, following the results of the latest By-elections. However, support from the coalition partners remains imperative in order to achieve a 2/3rd majority.

Security situation remains extremely fragile amid Afghanistan tensions

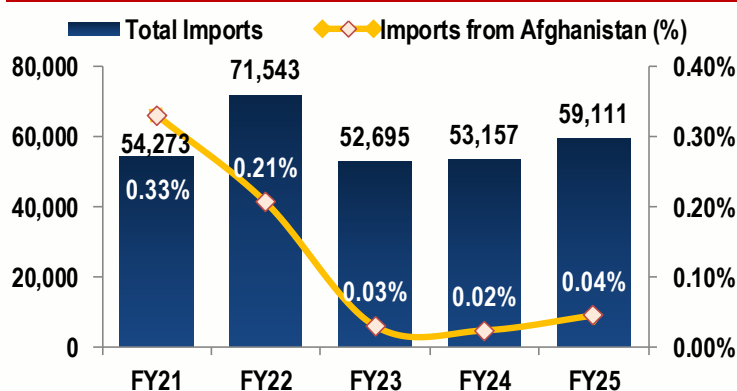
- CY25 has seen a sharp increase in cross-border terrorist attacks sponsored by hostile regimes on both sides of the border, targeting the armed forces and innocent civilians. In response, Pakistan's armed forces have carried out several intelligence based operations within Pakistan as well as in Afghanistan; souring relations with the Afghan Taliban regime – leading to the closure of Pak-Afghan border and all trade activity with Afghanistan. In fact, Afghanistan is seeking alternate trade routes on a permanent basis, leading to increased cooperation with India. To note, bilateral trade between Pakistan and Afghanistan stood at ~USD 1Bn, with Pakistan's exports to Afghanistan in FY25 totaling ~USD 778Mn. Hence, the border closure is likely to impact Pakistan's exports, going forward. Items likely to get affected include Sugar, Cement, Other Food Items and Aluminum products.

Total Goods Exports of Pakistan and % share of Afghanistan



Source: SBP & TSL Research

Total Goods Imports of Pakistan and % share of Afghanistan



Source: SBP & TSL Research

27th Constitutional Amendment brings in sweeping changes

- The 27th Constitutional Amendment was passed and signed into law on November 13, 2025. For context, the amendment package included dozens of changes that touch upon key areas like Judiciary, Military leadership / command structure, and Federal-Provincial relations. The amendment also established a new body called the Federal Constitutional Court of Pakistan (FCC), which took over constitutional-matters jurisdiction that earlier belonged to the Supreme Court of Pakistan (SC). In addition, the amendment also proposed sweeping changes to the command of the armed forces, affecting the hierarchy of control of the military's leadership.
- Moreover, the 28th Constitutional Amendment is also on cards as referred to by some politicians which may address issues such as local Government laws, the NFC Award, health and demographic issues, including the matter of creation of new provinces. We await further clarity on this.



Pakistan Economy Outlook

- ⌘ *Uptick in growth as monetary conditions ease*
- ⌘ *External sector expected to remain rock solid*
- ⌘ *IMF support remains crucial to ensure stability*
- ⌘ *Reforms to address fiscal challenges on cards*

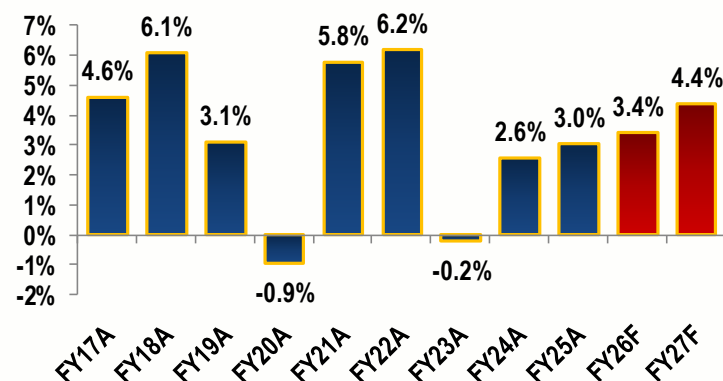
⚡ Stabilization journey continues with the economy at a firm footing

- › Economic uncertainty has been on a decline in Pakistan since Jun'23, following back-to-back IMF programs leading to a period of monetary tightening and fiscal consolidation. The first, a 9-month Stand-by Arrangement (SBA) of USD 3Bn [approved](#) in Jul'23, followed by the [approval](#) of a 37-month Extended Fund Facility (EFF) of ~USD 7Bn in Sep'24 – ongoing currently.
- › Additionally, the IMF programs have been the bedrock of stability for the external sector; driving Pakistan's first current account surplus in fourteen years in FY25. And a 2.3x growth in the SBP's foreign exchange reserves from USD 4.4Bn as of Jun'23 to USD 14.6Bn at the moment. Accordingly, Pakistan has also [registered](#) one of the sharpest drops in its sovereign default risk since Jun'24.
- › On the monetary front, headline inflation is down from the 29% posted in FY23 to ~4.7% FY26TD. Accordingly, the SBP's policy rate has fallen 1,100bps from its peak of 22% to 11% currently. While, Fiscal deficit continues to decline, with Pakistan recording a primary surplus both in FY24 and FY25.
- › **Global credit rating agencies have also upgraded Pakistan's sovereign ratings and outlook:**
 - **Moody's Ratings:** Upgraded from 'Caa2' to 'Caa1'. Outlook upgraded from 'Positive' to 'Stable'.
 - **S&P Global Ratings:** Upgraded from 'CCC+' to 'B-', with a 'Stable' outlook.
 - **Fitch Global Ratings:** Upgraded Pakistan to 'B-/Stable' from 'CCC+'.
- › The rating and outlook upgrades reflect improved external liquidity and stability, growing confidence in the ongoing fiscal reforms, lower inflation and easing debt burden.

Indicators	Period	FY23A	FY24A	FY25A	FY26E	FY27F	Remarks
Real GDP Growth	YoY %	-0.2%	2.6%	3.0%	3.4%	4.4%	Recovery in Agriculture sector (post-floods) and the Industrial sector (on the back of surge in aggregate demand) to drive growth, going forward. Services to showcase moderate growth as well.
NCPI (% YoY)	FY Avg.	29.0%	23.9%	4.6%	6.7%	7.2%	Food inflation likely to remain elevated. Further, uptick in administered energy prices, sticky core inflation, and the base-effect are expected to keep NCPI near the upper bound of the SBP's target range of 5-7%.
Policy Rate (% YoY)	FY Avg.	17.5%	21.9%	14.3%	11.0%	10.5%	We expect the SBP's benchmark policy rate to remain unchanged at 11% for the rest of FY26. Followed by a 100bps reduction in FY27 on account of improving inflation outlook and positive real-interest rates.
Policy Rate (% YoY)	FY End	22.0%	20.5%	11.0%	11.0%	10.0%	
PKR/USD	FY Avg.	248.0	282.9	279.3	283.5	286.7	Devaluation to remain in check on the back of stable external outlook, supported by sustained growth in the SBP's FX reserves. SBP's FX reserves to reach USD 17.8Bn by Jun'26 (SBP).
PKR/USD	FY End	286.1	278.3	283.7	283.3	290.2	
Trade Deficit	USD (Bn)	(25.9)	(25.3)	(29.4)	(36.1)	(37.8)	Surge in imports (Food, Machinery & Transport mainly) is likely to drive a higher trade deficit as economic growth picks-up. While, growth in goods exports is likely to remain subdued for FY26 due to the impact of the floods (food exports), pressure on textile exports as well as the impact of drop in exports to Afghanistan. To note, exports to Afghanistan stood at USD 778Mn in FY25 - likely to suffer due to the border closure. However, we expect the situation to improve FY27 onwards. Overall, CAD to remain within a manageable range coupled with growing FX reserves and import cover, going forward ensuring external stability.
Trade Deficit	% of GDP	-8%	-7%	-7%	-8%	-8%	
Remittances	USD (Bn)	27.3	30.3	38.3	40.9	43.6	However, we expect the situation to improve FY27 onwards. Overall, CAD to remain within a manageable range coupled with growing FX reserves and import cover, going forward ensuring external stability.
Current Account	USD (Bn)	(3.3)	(2.1)	1.9	(4.9)	(6.0)	
Current Account	% of GDP	-1.0%	-0.6%	0.5%	-1.1%	-1.2%	Focus on achieving Tax-to-GDP growth targets to keep direct taxation high. Additionally, non-tax revenue i.e. Petroleum Levy and SBP profits to ensure Pakistan meets the target for Primary Surplus. Amendments to the NFC Award may create more fiscal space for the Federal Govt.
FX Reserves (FY End)	USD (Bn)	9.2	14.0	19.3	24.4	27.1	
Fiscal Deficit	PKR (Bn)	(6,521)	(7,207)	(6,168)	(6,441)	(6,361)	Focus on achieving Tax-to-GDP growth targets to keep direct taxation high. Additionally, non-tax revenue i.e. Petroleum Levy and SBP profits to ensure Pakistan meets the target for Primary Surplus. Amendments to the NFC Award may create more fiscal space for the Federal Govt.
Primary Balance	% of GDP	-1.0%	0.9%	2.4%	1.6%	1.4%	
Fiscal Deficit	% of GDP	-7.8%	-6.9%	-5.4%	-5.1%	-4.5%	

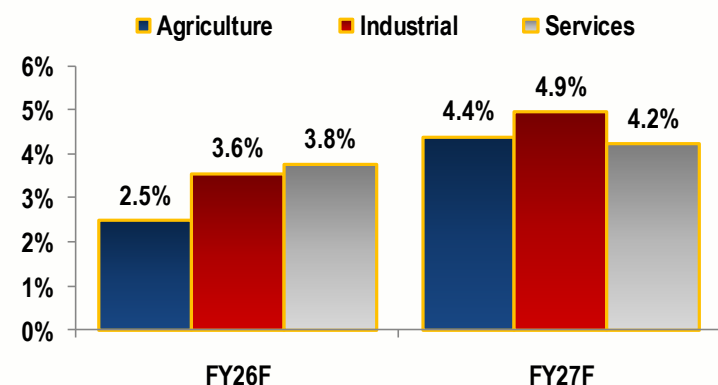
Source: International Monetary Fund, Ministry of Finance, State Bank of Pakistan, Pakistan Bureau of Statistics and TSL Research

Pakistan GDP Growth FY17 - FY27F



Source: MoF, PBS and TSL Research

GDP growth to clock-in at 3.4% for FY26

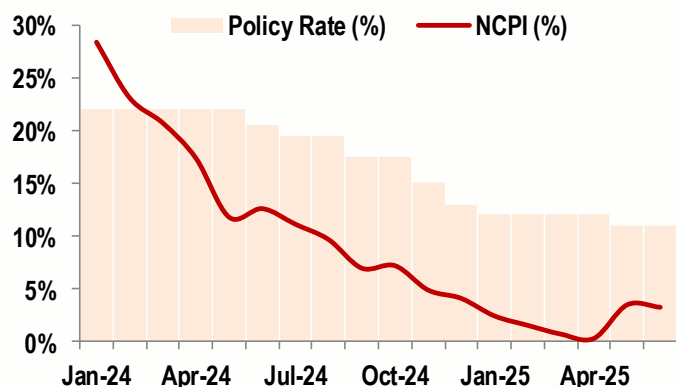


Source: MoF, PBS and TSL Research

‡ Growth to gather momentum gradually amid recovery in demand

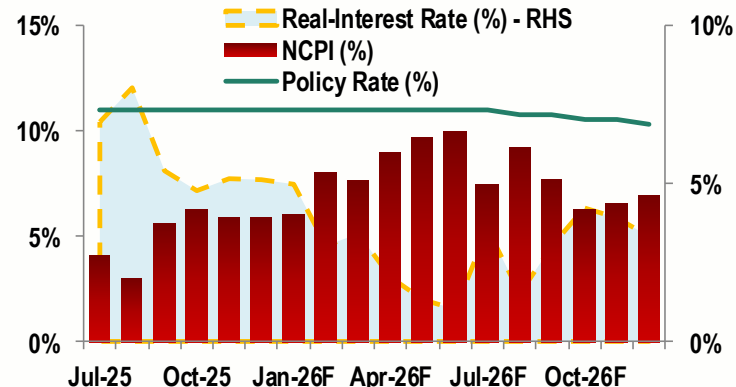
- › GDP growth to clock-in at 3.4% in FY26 and 4.4% in FY27 amid broad-based recovery in demand due to falling inflation, lower interest rates and uptick in per capita incomes.
- › Agriculture sector to perform on the back of lower than anticipated flood losses, a lower base and the impact of incentive schemes. Industrial sector is expected to recover on account of LSM growth driven by higher demand (specially for cyclical sectors), and growth in construction activity. Services to grow due to uptick in retail & wholesale trade and other services as purchasing power improves.

Inflation down sharply leading to 1,100bps cut in the Policy Rate



Source: SBP, PBS and TSL Research

FY26 NCPI to average ~6.7%YoY; Avg. Policy Rate at 11%



Source: SBP, PBS and TSL Research

‡ NCPI to average ~6.7% for FY26; Policy Rate likely to remain at 11%.

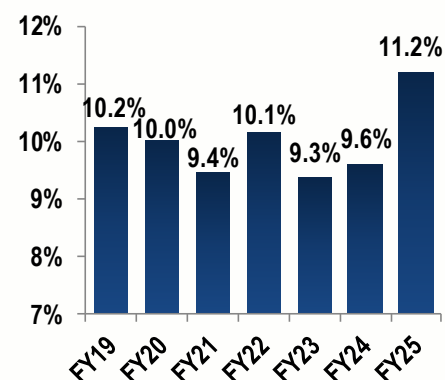
- › Headline inflation fell sharply in FY25, averaging ~4.6%YoY driven by continuing demand moderation, a higher base, bearish commodity prices and a stable Rupee. Accordingly, the SBP has commenced the easing cycle leading to a 1,100bps decline in the policy rate to 11% to date.
- › However, we expect NCPI to average ~6.7%YoY for FY26 due to the uptick in food prices (owing to supply shocks) and the base-effect mainly; edging up to 7.2%YoY for FY27. Our base case incorporates elements of core inflation remaining sticky, as well as the muted impact of global commodity prices (bearish outlook) which would keep fuel and utility prices in check, going forward.
- › Accordingly, we expect the policy rate to remain unchanged at 11% during FY26 (based on the forward real-interest rates outlook), followed by a 100bps cut in FY27.

Pakistan Fiscal Operations (PKR Mn)

Particulars	FY24A	FY25A
Tax	10,085,201	12,722,909
Federal	9,311,007	11,744,288
Provincial	774,194	978,621
Non-Tax	3,183,836	5,274,576
Federal	2,960,718	4,960,985
Provincial	223,118	313,591
Total Revenue	13,269,037	17,997,485
Total Expenditure	20,475,945	24,165,501
Current Expenditure	18,570,942	21,528,585
Mark-up	8,159,826	8,887,417
Defence	1,858,805	2,193,883
Other	8,552,311	10,447,285
Develop. Exp & Net Lending	2,078,484	2,965,755
Statistical Discrepancy	(173,481)	(328,839)
Budget Balance	(7,206,908)	(6,168,016)
Primary Balance	952,918	2,719,401
Financing	7,206,908	6,168,015
External (net)	320,713	618,839
Domestic (net)	6,886,195	5,549,176
Non-Bank	(312,801)	982,185
Bank	7,197,658	4,566,991
Privatization	1,338	-
% of GDP		
Budget Balance	-6.8%	-5.4%
Primary Balance	0.9%	2.4%

Source: Ministry of Finance

FY25 Tax to GDP ratio (%) stood at 11%



Source: MoF, PBS and TSL Research

Fiscal challenges to prevail amid ambitious targets

The IMF had set a tax collection target of PKR 14.1Trn for FY26, which was subsequently reduced to account for the impact of the catastrophic monsoon floods. However, the Federal Board of Revenue (FBR) has collected ~PKR 3.8Trn during 4MFY26, reflecting a shortfall of PKR 272Bn as against the target of PKR 4.1Trn.

Elsewhere, the Government's fiscal commitments are expected to increase in light of the post-flood reconstruction and rehabilitation activities. To recall, flood related damages have been estimated to amount to ~PKR 822Bn (~USD 2.9Bn) as per official estimates.

Meanwhile, the Federal PSDP for FY26 has been budgeted at PKR 1Trn. Although, historically it can be observed that the actual disbursements tend to fall significantly short of the target – the situation this year might worsen, compromising on growth eventually.

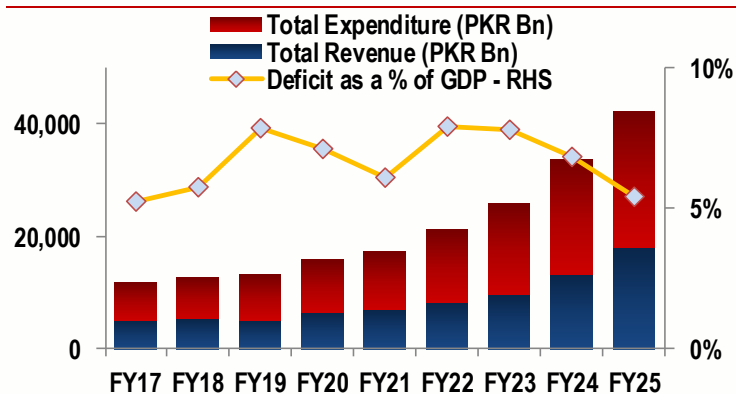
Moreover, multiple contingency measures may also be implemented in 2HFY26 if needed in order to cover the short-fall in tax collection. These may include an increase in the general GST rate from 18% to 19% or the imposition of additional GST or FED on certain items. Alternatively, the Government would also have the option to impose sales tax on petroleum products, increase the petroleum levy or ultimately cut development spending – undermining growth.

Nevertheless, despite the revenue shortfall, the Government managed to achieve an overall Fiscal Surplus of 1.6% during 1QFY26 as well as a Primary Surplus of 2.7% of GDP, courtesy ~PKR 2.4Trn in surplus profit from the SBP mainly. Further, ~PKR 372Bn was also collected from the petroleum levy. However, it seems less likely that a similar performance could be achieved for the remainder of FY26.

Hence, we expect net revenue collection to clock-in at over PKR 20.8Trn during FY26, with tax collection arriving at just under PKR 14Trn, supported by PKR 6.8Trn in non-tax collections. Resultantly, we expect Fiscal Deficit to clock-in at 5.1% of GDP. We also expect the Government to meet the IMF prescribed Primary Surplus target of 1.6% of GDP for the third consecutive year.

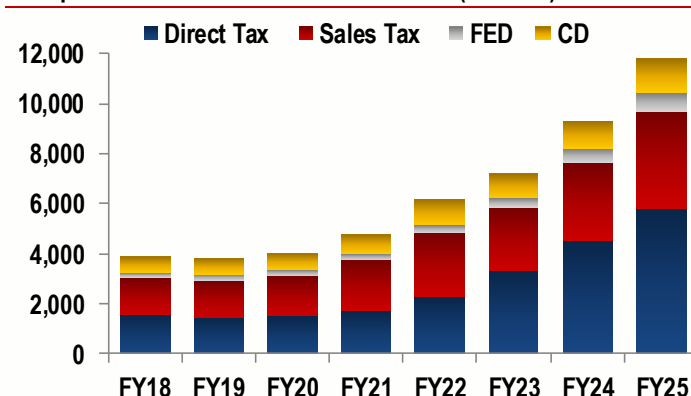
Moreover, we anticipate continuous improvement in the Tax-to-GDP ratio of Pakistan (11.2% in FY25), enroute to achieving the IMF set target of 13% in the medium-term.

Pakistan Fiscal Position - FY17 to FY25



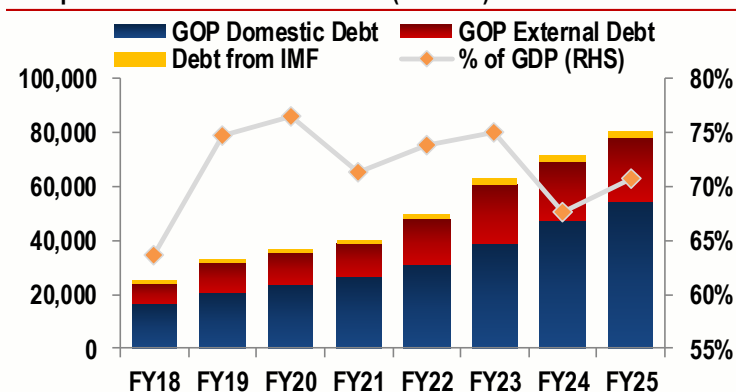
Source: Ministry of Finance and TSL Research

Composition of FBR Revenue Collection (PKR Bn)



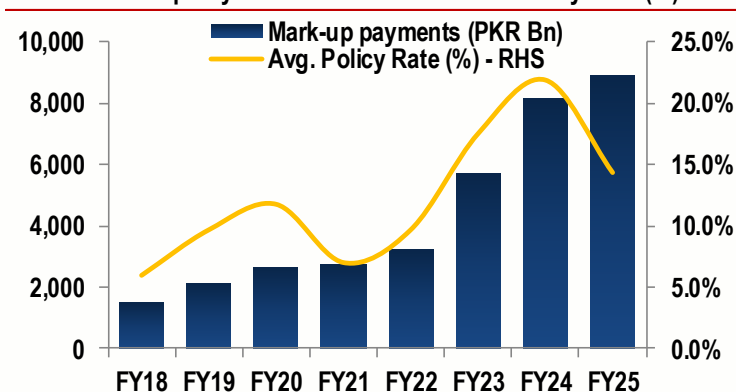
Source: Ministry of Finance and TSL Research

Composition of Gross Public Debt (PKR Bn)



Source: State Bank of Pakistan and TSL Research

Annual Mark-up Payments increased with the Policy Rate (%)



Source: State Bank of Pakistan and TSL Research

Lower interest rates to reduce the burden of mark-up payments

- Mark-up payments during FY25 amounted to PKR 8.9Trn i.e. 49% of the total revenue receipts and ~1.2x of the remaining Federal share of revenue after accounting for distributions to the Provinces (57.5% share of Divisible Pool of Federal taxes) under the current NFC Award. With the policy rate now down 1,100bps to date from its peak, we anticipate the benefit of the same to translate into lower mark-up payments for the Federal Government, going forward. Thereby, significantly reducing the burden on the already stretched Federal share of revenues.

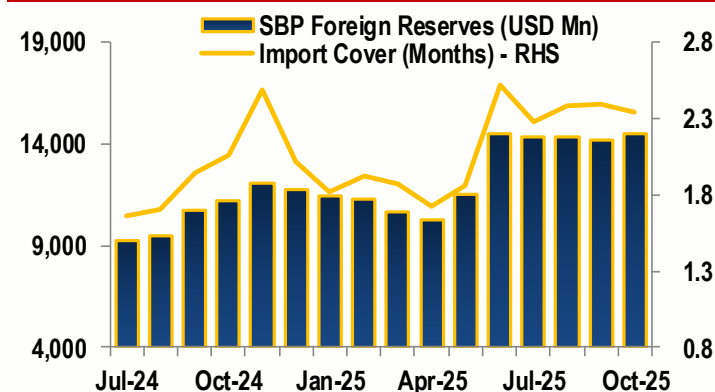
Revision to the NFC Award on cards; Privatization to pick-up pace too

- The inaugural meeting of the 11th National Finance Commission (NFC) has been called, which has been constituted to finalize a revised mechanism for the sharing of divisible resources between the Federal & the Provincial Governments. The IMF has called for a more equitable distribution of resources. Consequently, a more equitable distribution formula is expected to address the current fiscal imbalance and create more fiscal space for the Federal Government—contributing substantially towards reducing the Government's budgetary borrowing requirements—adding to fiscal stability.
- Additionally, we expect the privatization process of SOEs to speed-up as well, as it remains a key policy focus for the IMF. Any progress on this front would bode well for public finances, overall. The current active privatization list of SOEs includes Pakistan International Airlines (PIA), Roosevelt Hotel in New York and HBFC along with several GENCOs and DISCOs and so on.

External outlook to remain positive going forward

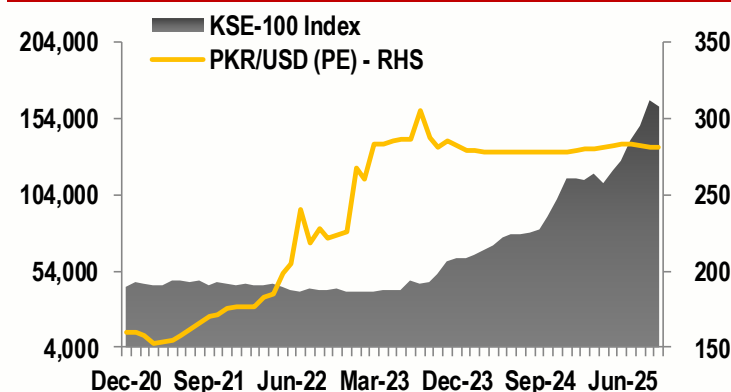
- › Pakistan's external sector has witnessed remarkable improvement under the IMF umbrella – forming the bedrock for sustainable economic growth. Wherein, as of the latest data available, the SBP's foreign exchange reserves are up 3.7x to date since Jan'23 close – translating into an import cover of 2.3 months. While, Pakistan's total FX reserves have increased 1.4x over the same period, clocking-in at USD 19.7Bn currently. Moreover, Pakistan also posted its first CA surplus in 14 years during FY25; supported by record growth in remittances. Accordingly, devaluation stood at just 2% for the year.
- › In addition, Pakistan also witnessed upward revision in its sovereign credit ratings by the leading credit rating agencies of the world, citing improved macroeconomic outlook and stability. Profit/Dividend repatriation stood at ~USD 2.2Bn for FY25. The SBP also purchased ~USD 7.7Bn during FY25 from the inter-bank FX market, reflective of stable USD flows and liquidity. Finally, the SBP also continued to reduce its forward FX positions during the year, which stand ~USD 2Bn currently.
- › **Upgrades to Pakistan's sovereign credit ratings and outlook:**
 - **Moody's Ratings:** Upgraded from 'Caa2' to 'Caa1'. Outlook upgraded from 'Positive' to 'Stable'.
 - **S&P Global Ratings:** Upgraded from 'CCC+' to 'B-', with a 'Stable' outlook.
 - **Fitch Global Ratings:** Upgraded Pakistan to 'B-' / Stable from 'CCC+'.

Import cover is currently hovering ~2.3 months



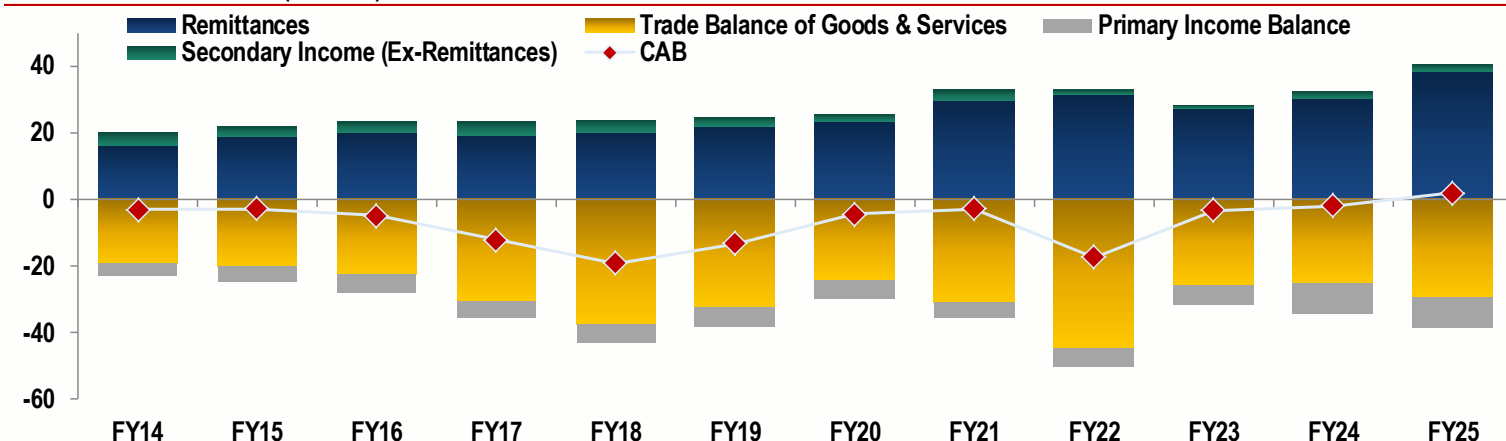
Source: State Bank of Pakistan, PBS and TSL Research

Rupee continues to hold its ground amid external stability



Source: State Bank of Pakistan, PBS and TSL Research

Current Account Balance (USD Bn)



Source: SBP and TSL Research

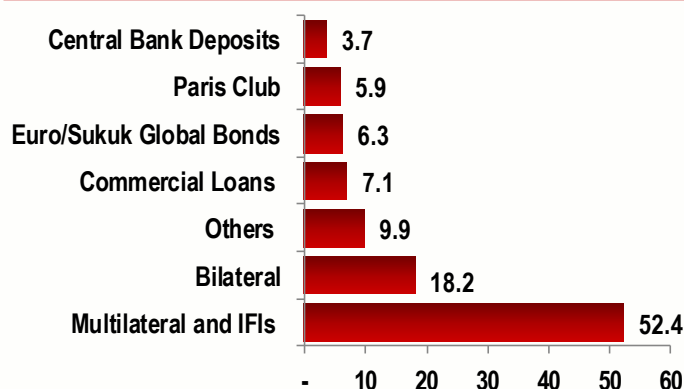
‡ Gross external financing requirements to be met comfortably

- › The IMF Executive Board is scheduled to meet on December 08, 2025, wherein it is expected to approve Pakistan's 2nd EFF review. Resultantly, leading to the immediate disbursement of USD 1Bn (2nd EFF tranche) along with USD 200Mn under the RSF (climate finance facility). Additionally, the SBP projects its foreign exchange reserves to touch USD 15.5Bn by Dec'25 and USD 17.8Bn by Jun'26. Further, it also anticipates Pakistan's import cover to reach 3 months soon – a global benchmark.
- › Nevertheless, Pakistan's external debt obligations for FY26 amount to USD 25.9Bn, which include USD 4.1Bn in interest payments. According to the SBP Governor (in the most recent post monetary policy announcement briefing) ~USD 3.1Bn has been repaid, along with some roll-overs. Remaining obligations are also expected to be settled on time. To recall, Pakistan also completed its USD 500Mn Eurobond payment on September 30, 2025 – without any meaningful impact on the FX reserves.
- › Further, the level of external debt has remained more or less unchanged over the last three years, despite the build-up in the FX reserves. Accordingly, the SBP has also substantially reduced its forward short-positions to ~USD 2Bn only. The SBP has also guided that it will continue to intervene in the inter-bank FX market if there is surplus liquidity. Finally, despite accounting for the increase in the trade deficit, we anticipate the Current Account Deficit to arrive ~1.1% of the GDP – well manageable given the level of SBP's reserves. Consequently, we anticipate no significant risks to the Rupee.
- › For context, in May'25, the IMF estimated Pakistan's gross external financing requirements at USD 115.7Bn. With Pakistan expected to secure approval for the 2nd EFF review from the IMF Executive Board early Dec'25, one may conclude that the EFF remains fully funded.

‡ Pakistan may tap global capital markets next year

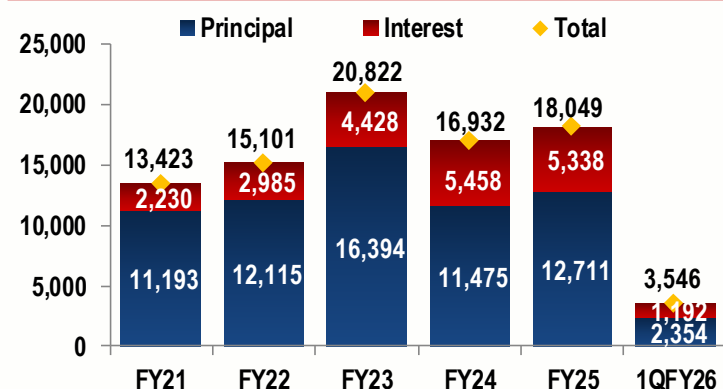
- › After almost five years, Pakistan is [expected](#) to re-enter the Eurobond market next year, specially in the context of its improving sovereign credit ratings, reflective of the incoming stability. The idea is to diversify the financing mix of the Country, with support from the IMF.
- › Moreover, the Government also has [plans](#) to issue its first-ever Yuan denominated Panda bonds to the tune of USD 250Mn by the end of CY25. The tenure of these bonds is likely to be 5 years.

Public External Debt Composition (USD Bn) as of Sep'25



Source: State Bank of Pakistan and TSL Research

External Debt Servicing (USD Mn)

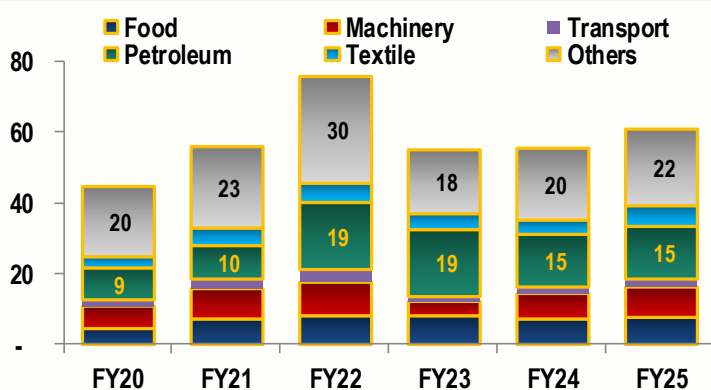


Source: State Bank of Pakistan and TSL Research

⚡ FY26 CAD to arrive at 1.1% of GDP; Stable outlook for the Rupee also

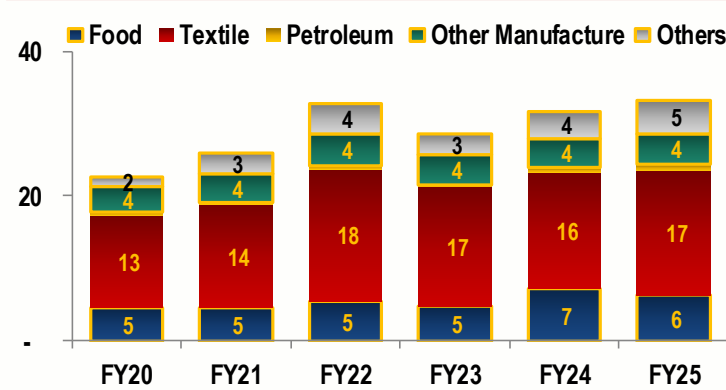
- Current Account is expected to turn into a deficit in FY26 on the back of surge in imports due to the uptick in economic activity and aggregate demand; clocking-in at ~1.1% of the GDP or USD 4.9Bn – well within a manageable range. To note 4MFY26 CAD stands at USD 733Mn, up ~3x over the corresponding period last year. Wherein, trade deficit has soared 19%YoY to arrive at over USD 10Bn; driven by 10%YoY growth in imports as compared to only 2%YoY growth in exports. However, remittances were up 9%YoY over the SPLY during the period, touching down at ~USD 13Bn.
- We expect goods imports grow 11% in FY26, driven by higher machinery, transport and petroleum imports mainly. Whereas, goods exports are expected to remain flat largely due to the drop in rice exports, as well as the drop in exports to Afghanistan. Overall, trade deficit to clock-in at ~USD 32.6Bn, up 22%YoY. Services deficit to widen to USD 3.5Bn also, up 32% over the SPLY. Workers' remittances are expected to arrive at ~USD 40.9Bn – easing the pressure on the current account.
- Consequently, we foresee no significant pressure on the balance of payments next year. Coupled with rising FX reserves, our base case estimates USD to average ~PKR 283.5/USD for FY26, with our period-end forecast of PKR 283.3/USD. For FY27, we anticipate USD to trade at PKR 290.2/USD by the year-end. Over the long-run we expect average devaluation of ~2.4% p.a. Moreover, the Rupee also seems to be fairly priced considering the Real-Effective Exchange Rate (REER) index also.
- Finally, a stable Rupee would bode well for FDI and portfolio investments, going forward.

Goods Imports (USD Bn)



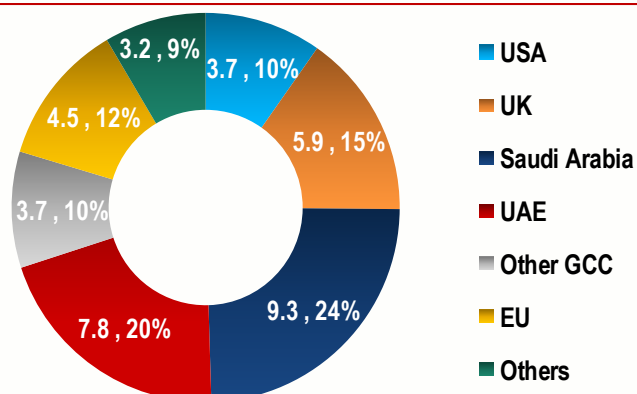
Source: State Bank of Pakistan and TSL Research

Goods Exports (USD Bn)



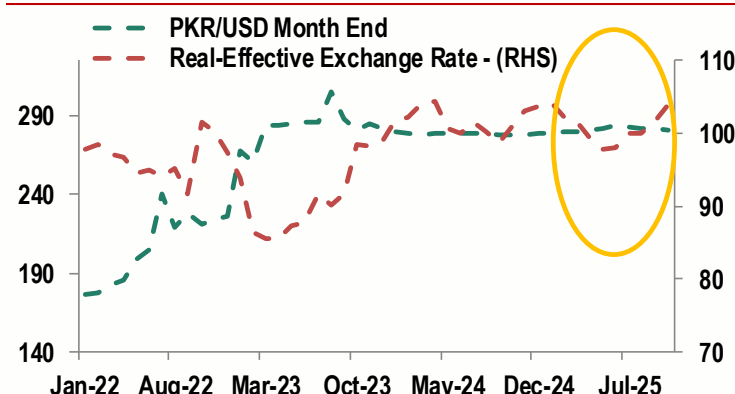
Source: State Bank of Pakistan and TSL Research

Composition of FY25 Workers' Remittances (USD Bn)



Source: State Bank of Pakistan and TSL Research

Real-Effective Exchange Rate for the Rupee

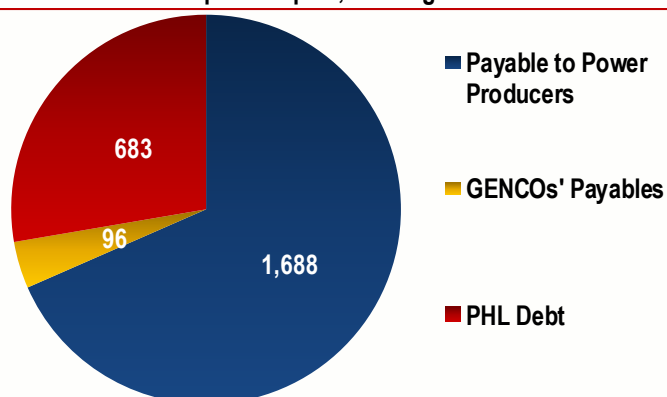


Source: State Bank of Pakistan and TSL Research

⚡ Sweeping reforms across the energy sector to bode well in the long-term

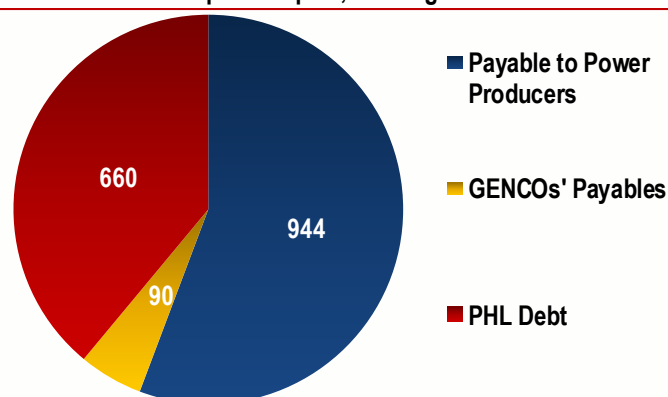
- During the year, the Government renegotiated Power Purchase Agreements (PPAs) with both thermal and bagasse-based plants; in some cases terminating the PPA early. Accordingly, [savings](#) from the revised/terminated contracts of ~29 Independent Power Producers (IPPs) and Government Power Plants (GPPs) are expected to be ~PKR 3.5Trn over the remaining tenure ranging from 3-20 years.
- Major revisions to the PPAs pertain to the reduction of fixed capacity charges, PKR based ROE and other changes which vary with the type and class of the IPP. As the burden of capacity payments drops, there is potential for significant reduction in the flow circular debt and more sustainable power sector finances, going forward. Consequently, as of the Sep'25 Circular Debt report, the power sector circular debt is down PKR 774Bn or 31% over the corresponding period last year.
- In addition, settlement of another PKR 1.3Trn in power sector circular debt is on cards. Wherein, the Government will borrow the funds from the commercial banks and utilize the same to refinance ~PKR 700Bn in PHL's existing debt at lower rates; and use the remaining proceeds to settle the payables of IPPs, including RLNG, Nuclear, Coal as well as GENCOs (CPEC power plants not included). Industry sources suggest that the disbursement of funds is likely to take place early Dec'25.
- Elsewhere, gas sector circular debt has [risen](#) to PKR 2.6Trn, inclusive of late payment surcharge. However, industry sources have indicated that the Government is working with the stakeholders to settle the same on similar grounds as in the case of the power sector. We await further clarity on this.
- Regardless, supply of gas in the transmission system is at a surplus due to drop in demand specially from the industrial sector (shifting to cheaper sources, impact of captive levy etc.), straining the production of domestic E&P companies (through forced curtailments) due to the influx of imported RLNG. Accordingly, negotiations with Qatar have finalized wherein Qatar will [divert](#) 24 LNG cargoes next year under a net proceeds differential formula. Wherein, Pakistan will bear the loss if Qatar sells LNG cargoes in the open market below the contract price. This differential will be passed on to LNG consumers. On a net basis we believe the move could pave the way for lower gas prices, going forward as the share of imported LNG declines in the mix. Simultaneously, the issue of forced curtailments on the E&P companies should also resolve, restoring volumes and supporting earnings.

Circular Debt Break-up Jul-Sep'24; totaling ~PKR 2.5Trn



Source: Power Division and TSL Research; CD Report Sep'25

Circular Debt Break-up Jul-Sep'25; totaling ~PKR 1.7Trn



Source: Power Division and TSL Research; CD Report Sep'25

Key Macroeconomic Indicators

Pakistan Investment Outlook 2026

Gross Domestic Product		FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25A	FY26F	FY27F
Real Growth	YoY %	6.1%	3.1%	-0.9%	5.8%	6.2%	-0.2%	2.6%	3.0%	3.4%	4.4%
Nominal Value	USD (Bn)	357	322	301	349	376	337	372	407	442	488
Monetary Indicators		FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25A	FY26F	FY27F
NCPI (% YoY)	FY Avg.	3.9%	7.3%	10.7%	8.9%	12.1%	29.0%	23.9%	4.6%	6.7%	7.2%
Policy Rate (% YoY)	FY Avg.	6.0%	9.7%	11.8%	7.0%	9.7%	17.5%	21.9%	14.3%	11.0%	10.5%
Policy Rate (% YoY)	FY End	6.5%	12.3%	7.0%	7.0%	13.8%	22.0%	20.5%	11.0%	11.0%	10.0%
PKR/USD	FY Avg.	109.8	136.1	158.0	160.0	177.5	248.0	282.9	279.3	283.5	286.7
PKR/USD	FY End	121.3	162.0	167.7	157.3	204.6	286.1	278.3	283.7	283.3	290.2
External Indicators		FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25A	FY26F	FY27F
Goods Imports	USD (Bn)	55.7	51.9	43.6	54.3	71.5	52.7	53.2	59.1	65.4	69.8
Goods Exports	USD (Bn)	24.8	24.3	22.5	25.6	32.5	27.9	31.0	32.3	32.8	35.4
Trade Deficit	USD (Bn)	(30.9)	(27.6)	(21.1)	(28.6)	(39.1)	(24.8)	(22.2)	(26.8)	(32.6)	(34.4)
Services Deficit	USD (Bn)	(6.4)	(5.0)	(3.3)	(2.5)	(5.8)	(1.0)	(3.1)	(2.6)	(3.5)	(3.4)
Remittances	USD (Bn)	19.9	21.7	23.1	29.4	31.3	27.3	30.3	38.3	40.9	43.6
Current Account	USD (Bn)	(19.2)	(13.4)	(4.4)	(2.8)	(17.5)	(3.3)	(2.1)	1.9	(4.9)	(6.0)
Foreign Reserves (FY End)	USD (Bn)	16.4	14.5	18.9	24.4	15.4	9.2	14.0	19.3	24.4	27.1
Fiscal Indicators		FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25A	FY26F	FY27F
Total Revenue	PKR (Bn)	5,228	4,901	6,272	6,903	8,035	9,634	13,269	17,997	20,809	24,397
Total Expenditure	PKR (Bn)	7,488	8,346	9,648	10,307	13,295	16,155	20,476	24,166	27,250	30,759
Fiscal Deficit	PKR (Bn)	(2,260)	(3,445)	(3,376)	(3,403)	(5,260)	(6,521)	(7,207)	(6,168)	(6,441)	(6,361)
Deficits % of GDP Summary		FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25A	FY26F	FY27F
Fiscal Deficit	%	5.8%	7.9%	7.1%	6.1%	7.9%	7.8%	6.9%	5.4%	5.1%	4.5%
Current Account Deficit	%	5.4%	4.2%	1.5%	0.8%	4.7%	1.0%	0.6%	-0.5%	1.1%	1.2%
Trade Deficit	%	10.5%	10.1%	8.1%	8.9%	12.0%	7.7%	6.8%	7.2%	8.2%	7.8%

Source: International Monetary Fund, Ministry of Finance, State Bank of Pakistan, Pakistan Bureau of Statistics and TSL Research



REP - 040

Outlook for major sectors

‡ Commercial Banks – Index Weight: 29%; 'Market-weight'



Key Triggers

- › TSL Banking Universe earnings are expected to remain flat next year (up 2% only) amid moderating margins on the back of continuing re-pricing of the asset side. However, volumetric growth driven by deposits focusing current accounts is likely to support NIMs. Non-markup income to normalize as well on the back of downtick in capital gains and income from foreign exchange activity.
- › In addition, we expect industry Deposits to grow ~15% next year, carrying-on the momentum from CY25. Gross advances are likely to grow 13% on account of surge in private sector credit demand and a lower base. While, Net Investments growth is expected to decelerate due to a high base and a slightly lower borrowing appetite of the Federal Government, reducing focus on OMOs.
- › Asset quality is expected to remain robust, complemented by high coverage levels. Finally, strong capital adequacy levels to bode well for growth and sustain payouts for the sector.

Top-Picks

- › MEBL, BOP, MCB and HBL. Our preference for these stocks emanates from factors like i) leadership in terms of market share; ii) robust and improving earnings quality; iii) surge in CA ratio; and iv) the ability to sustain dividends, going forward. While, we prefer BOP on account of improving earnings quality and cost advantage as well as its attractive valuation.

‡ Fertilizer – Index Weight: 14%; 'Market-weight'



Key Triggers

- › Fertilizer off-take growth remained negative during 10MCY25 with Urea and DAP sales falling 8% YoY to 4,555K tons and 18%YoY to 1,015K tons, respectively. The decline can be attributed to poor farm economics, driven by lower crop prices as well as the monsoon floods. Further, lower off-take has resulted in a significant buildup of both Urea and DAP inventories to 1,401K tons and 361K tons as of Oct'25. Hence, producers are offering significant discounts in order to reduce the excess stock.
- › Nevertheless, farm economics showed some improvement in 3QCY25 after uptick in major crop prices. Notably, wheat prices jumped from ~PKR 2,700/maund in 2QCY25 to ~PKR 3,500-3,800/maund. Further, Sindh also announced a PKR 55Bn subsidy package for the farmers growing wheat. Punjab is already supporting farmers via the Kissan Card, Tractor Scheme and other incentives.
- › Resultantly, we expect recovery in sales during CY26, supported by the ongoing Government subsidies including interest-free loans along with the increase in crop yields i.e. improving farmers' income and accelerating agronomic activities. Moreover, producers have also reached out to the Government to pave the way for exports in case the domestic demand does not pick-up in CY26. Accordingly, we expect Urea and DAP sales to increase by 8%YoY and 5%YoY, respectively in CY26.

Top-Picks: FFC due to its market leader position.

⚡ Oil & Gas Exploration (E&Ps) – Index Weight: 11%; 'Market-weight'



Key Triggers

- › Earnings are likely to suffer next year owing to: i) Lower production primarily due to continuing forced curtailments (likely meaningful resolution 2HFY26 onwards); ii) Lower realized prices (we expect Arab Light to average ~USD 67/bbl. in FY26 coupled with minimal PKR devaluation); and iii) Increase in operating expenses due to surge in exploration activity, royalties etc.
- › Nevertheless, negotiations with Qatar are underway and likely to conclude soon, which would enable deferment of LNG purchases, reducing pressure on the system and leading to lower curtailments—boding well for the entire sector. Moreover, incremental production from the completion of various production/capacity enhancement projects and discoveries would also supplement flows.
- › Additionally, efforts to settle circular debt (both power and gas) would continue to support sector cash flows, boosting payout capacity. To note, collections have now touched ~100% mark, with disbursement on cards related to the settlement of PKR 1.3Trn in power sector circular debt. While work on plans pertaining to the settlement of gas circular debt are also likely to be progressing. Finally, positive developments on account of Reko Diq, Abu Dhabi Block-V, Offshore Exploration and diversification projects like mining and data centers etc. are expected to drive share prices too.

Top-Picks

- › OGDC and PPL as both the companies are well-positioned to benefit significantly from the sector triggers discussed above specially settlement of circular debt, offering attractive upside potential.

⚡ Cement – Index Weight: 10%; 'Over-weight'



Key Triggers

- › We expect industry dispatches to grow 7%YoY in FY26, supported by the favorable budgetary measures i.e. Housing and Mark-up subsidies along with the surge in private sector construction demand and start of flood rehabilitation activities (post-winters)—mainly benefiting the players in the North. Further, lower interest rates and inflation along with stable macroeconomic outlook to bode well for demand. To note, sales were up 15%YoY in 4MFY26; wherein domestic and exports grew 18%YoY and 6%YoY, respectively. Exports might suffer due to closure of trade with Afghanistan.
- › With demand near a multi-year low and excess capacity, the sector is likely to target growth without incurring expansions or any major CAPEX. Accordingly, we expect utilization to average ~65% over the next 5 years (59% in FY26). Further, valuations remain attractive i.e. Universe EV/Ton is at a 52% discount to the replacement cost. Moreover, due to recent border closure with Afghanistan, North players have started to procure imported coal via sea route due to lower international coal prices and limited availability of local coal. Further, a significant shift towards alternative fuels i.e. Pet coke & Biomass, and investments in renewables are likely to improve margins along with profitability (lower finance costs) for the cement players, overall.
- › **Top-Picks:** LUCK, MLCF and FCCL.

⚡ Power Generation – Index Weight: 5%; 'Market-weight'



Key Triggers

- › Pakistan's electricity generation stood at 127,158GWh in FY25, up ~1%YoY only. Wherein, demand remained weak as high tariffs continued to weigh on industrial and household consumption. Generation mix comprised of Hydel (31%), Coal (19%), Nuclear (18%), RLNG (18%), Gas (9%), and Others (5%), with higher Coal and Nuclear generation partially offsetting reliance on costly imported fuels. The average cost of generation was PKR 8.6/KWh, slightly lower than PKR 8.9/KWh in FY24. Higher cost of generation can be attributed to dependence on imported fuels i.e. RLNG, Coal etc.
- › Nevertheless, the sector underwent a radical transformation with the Government revising PPAs for the IPPs, substantially reducing capacity payments and adjusting ROEs; and settling overdues, enabling a reduction of PKR 7-8/unit in tariff for residential and industrial consumers. Negotiations are also undergoing with Chinese IPPs. In addition, settlement of PKR 1.3Trn in power sector circular debt is also on cards, which includes re-financing of ~PKR 700Bn of PHL debt at lower rates. Resultantly, as of Sep'25, power sector circular debt is down 31%YoY over the SPLY to PKR 1.7Trn. Finally, progress towards transitioning to a competitive trading market is also underway.

Top-Picks: None. However, we do prefer HUBC for its well-diversified and sustainable earnings base but it is trading close to its fair value at the current price levels.

⚡ Oil Marketing Companies – Index Weight: 3%; 'Market-weight'



Key Triggers

- › During 4MFY26, a 4%YoY growth in total industry volumes driven by an 11%YoY surge in High-Speed Diesel (HSD), 4%YoY rise in Motor Spirit (MS) and 1.3xYoY growth in HOBC volumes sets the foundation for an optimistic outlook for the sector. This growth is supported by the performance of the automobile sector wherein passenger car, LCV, and jeep sales were up by 46%YoY in 4MFY26; driving demand for MS. While, tractor sales also showcased an impressive 2.7xMoM jump in Oct'25 along with increase in sales of trucks and buses – boding well for HSD demand in future.
- › Industrial and agricultural activity is also expected to pick-up (as the GDP grows) supporting demand for HSD and other petroleum products, going forward. Inland and air transportation is also expected to grow next year. Consequently, we expect industry volumes to grow 7% in FY26. Meanwhile, demand for FO is likely to remain subdued due to lower off-take from the power sector.
- › Other triggers include continuing efforts to curb smuggling as well as imposition of SIDC by Sindh on OMC import consignments. While, potential revision in OMC margins (long due) may drive sector valuations higher. Finally, settlement of circular debt receivables i.e. specially in case of PSO will help improve cash flows, providing the liquidity to sustain dividend payouts, going forward.

Top-Picks

- › PSO: Due to its market leader position and being a major beneficiary of circular debt settlement.

⌘ **Automobile Assemblers – Index Weight: 3%; ‘Market-weight’**



Key Triggers

- › Pakistan’s auto sector witnessed a strong rebound in FY25, with the passenger car and jeep sales surging 42%YoY amid easing inflation, lower interest rates, and renewed auto financing. The upward trend continued into 4MFY26 with volumes up 32%YoY. However, tractor sales remained weak, declining ~ 36% in FY25 and 15% in 1QFY26 due to the floods and subdued farm economics. We anticipate automobile sales to remain upbeat, going forward; along with recovery in tractor sales on the back of Punjab Government’s Green Tractor Scheme and concessional loan programs.
- › With the Auto policy (AIDEP 2021–26) nearing expiry in FY26, the absence of a successor framework and easing import duties on used and CBU cars raise concerns for local assemblers. Moreover, the auto industry landscape is witnessing a gradual shift toward electrification under the New Electric Vehicle (NEV) policy. Several entrants, including BYD, JAECO, and Changan have introduced electric and hybrid SUVs, signaling growing consumer interest – posing competition to the local players.
- › We believe policy clarity on AIDEP renewal, import rules, and NEV incentives will be critical in shaping the industry’s cost competitiveness and investment outlook for the future.

Top-Picks

- › INDU due to its strong brand value.

⌘ **Pharmaceuticals – Index Weight: 3%; ‘Over-weight’**



Key Triggers

- › Pakistan’s pharmaceutical sector remains large and fast growing, supported by an ageing population, rising chronic diseases and expansions into bio-similars. Wherein, in FY25 exports rose 34%YoY, marking a two-decade high, driven by deregulation of non-essential drugs, price adjustments and sound policies. However, exports fell 15%YoY to USD 121Mn during 4MFY26. In contrast, domestic sales were strong, with our coverage companies reporting strong margins of ~55-60%.
- › To note, deregulation of non-essential drug prices has had a substantially positive impact on the sector’s profitability, allowing companies to adjust prices in line with rising costs and avoid medicine shortages. Resultantly, margins have sustained at higher levels. Among the key players, SEARL with an 80% non-essential portfolio is particularly well positioned to benefit from deregulation and sustain margin growth, going forward. While, AGP’s balanced mix provides stability across its product line.
- › Profitability is also likely to sustain amid lower API prices and removal of the 1% import duty on APIs. Further, stable exchange rates and lower interest rates would also bode well for overall profitability as the sector is highly leveraged. Looking ahead, the sector’s outlook remains positive, supported by pricing flexibility, deregulation, decline in API prices, and robust demand (local and for exports).

Top-Picks

- › SEARL and AGP: Both remain well-positioned to benefit from the triggers and have robust margins.

‡ Textile Composite – Index Weight: 1%; 'Market-weight'



Key Triggers

- Textile exports were up 7%YoY in FY25, contributing more than half of Pakistan's export earnings. Similar performance was witnessed during 4MFY26, with exports clocking-in at USD 6.4Bn, up 4% over the SPLY; driven by robust growth in raw cotton (up 1.0xYoY), knitwear (8%YoY), bed wear (7%YoY), tents & canvas (32%YoY) and ready made garments (5%YoY), respectively.
- Nevertheless, the sector continues to face significant pressure from high energy tariffs – including the captive gas levy of PKR 690mmbtu, along with elevated taxation, rising production costs, cotton shortages, phasing-out of gas supply to captive power plants and increased EFS & LTFF rates. Challenges also remain in relation to procurement of cotton and other raw materials like yarn.
- Going forward, imposition of 18% sales tax on imported cotton and yarn, along with stable local cotton prices, is expected to shift demand toward domestic suppliers. With global demand recovering despite tough competition, Pakistan's textile exports are expected to grow steadily, including the benefit of lower US tariffs compared to peers. Further, the upcoming Textile Policy 2025–30 will further support the sector through cheaper energy, easier financing and export incentives, helping firms lower costs and expand globally. Restoration of FTR on exports may also boost sector profitability.

Top-Picks

- ILP – Robust growth outlook on the back of expansions and increase in its global outreach.

‡ Refinery – Index Weight: 1%; 'Market-weight'



Key Triggers

- Refinery sector was an underperformer during FY25 due to: i) lower refinery margins (inventory losses as well); ii) lower domestic demand for POL products; iii) smuggling of refined products from Iran; iv) surplus production of FO; v) exemptions of sales tax on refined products; and vi) lower domestic crude oil production due to scheduled turnarounds at some major oilfields & curtailments.
- Nevertheless, the Government including the SIFC is actively engaged with the industry to address the issue of sales tax anomaly as well as the timely execution of the upgrade projects under the Brownfield Refinery Policy. Wherein, some of the losses have been reimbursed through the IFEM collections. Plus, refineries are also seeking reversal of the levies on FO and the carbon levy. Further, the IMF has also refused the Government's proposal to make POL products zero-rated.
- Meanwhile, refinery sales went up ~7%YoY in 4MFY26 (inline with our growth target for FY26) due to better demand and reduced smuggling. However, pressure remains due to FO – which is being exported at a significant loss to the refineries. Going forward, we expect a gradual recovery in the sector – supported by the ongoing efforts of the Government to curb smuggling and imports of refined products along with providing relief to the refineries in terms of IFEM reimbursements.
- Top-Picks:** CENERGY.

⚡ Engineering – Index Weight: 1%; 'Over-weight'



Key Triggers

- › We expect the Engineering sector to showcase improvement during FY26 on the back of volumetric growth and uptick in margins, along with a lower burden of finance costs. For context, the Government has announced PKR 1Trn in Federal PSDP; focusing on completing the ongoing development projects. In addition, the Government has also announced a PKR 10Bn subsidy (Housing and Mark-up subsidies each of PKR 5Bn), aiming to revive the construction sector i.e. steel sector (long-steel mainly) is expected to benefit substantially from the same.
- › Elsewhere, the Government has made changes to the duty structure like reduction of 1% duty and 2% additional customs duty on steel scrap and halved custom duty of billet from 11% to 5%. Resultantly, benefiting both ungraded and documented players, improving margins for the listed sector. Further, phasing-out of tax exemptions for FATA/PATA will also help documented players to improve their margins and volumes, going forward – curbing malpractices by the undocumented players operating from the respective regions. Lastly, ADD on Galvalume Steel of 40.47% - an alternate raw material to Galvanized steel, is expected to benefit flat steel players, overall.
- › Finally, the recently announced 'Incremental Electricity Package' by the PM for 3 years, providing relief on incremental power consumption (PKR 22.98/kWh), could significantly benefit long-steel producers as volumes increase as they are highly dependent on the National grid for energy; helping them reduce their overall power cost substantially and improve margins.

Top-Picks: MUGHAL and ISL.



⚡ Cable & Electrical Goods – Index Weight: 1%; 'Market-weight'

Key Triggers

- › Demand for white goods in the country is on the rise due to easing monetary conditions (lower inflation and interest rates), as purchasing power and per capita incomes grow. Accordingly, the Electrical Equipment segment within the LSMI (i.e. household and power appliances) grew by 4%YoY compared to a 23%YoY decline in the SPLY during 1QFY26. Uptick in local demand was also reflected in the performance of producers like PAEL, depicting higher sales and improving margins.
- › Although seasonal in nature, we anticipate demand for home appliances to grow on the back of population growth, growth in real-estate as well as replacement market sales. To note, a number of players are increasing their presence and market share by introducing top-tier international brands into the domestic market.
- › Elsewhere, demand for Power Appliances (electric meters, transformers etc.) is also expected to grow on account of higher spending by DISCOs in order to modernize their transmission lines. Potential for exports is also high i.e. PAEL's transformer exports to the US.

Top-Picks: PAEL.



REP - 040

Top-Picks

*MEBL, BOP, MCB, HBL, FFC, OGDC, PPL,
LUCK, FCCL, MLCF, INDU, PSO, SEARL, AGP,
ILP, MUGHAL, ISL, CENERGY and PAEL.*

Commercial Banks

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
623	445	40%	6%	46%

Investment Thesis

- › We anticipate the growth momentum to continue next year on the back of MEBL's strong brand as the leading Islamic bank of Pakistan, and superior ROE in industry. In particular, we highlight the 33% CAGR for deposits since the Bank's inception.
- › As of Sep'25, MEBL has a CA ratio of 49% and the management remains focused on mobilizing low cost deposits, anticipating the CA ratio to cross the 50% mark next year offsetting the impact of lower asset yields on the net spread of the Bank.
- › Elsewhere, the Bank's share in the home remittance business has doubled to 6.5% (Sep'25) and it remains committed to growing its market share further, including growing its presence in trade finance. MEBL is also working on enhancing its cards business, along with offering the latest suite of digital banking services.
- › Moreover, MEBL has one of the strongest asset quality profiles in industry, given its low infection ratio of 2.6% and coverage of 146% as of Sep'25. Share of financing to grow as credit demand grows.
- › MEBL is currently trading at forward P/B of 2.4—on the higher side mainly due to its extra-ordinary sustainable ROE, guaranteeing long-term returns to investors, with stable asset quality & CAR.

Key Risks to Investment

- › i) Unexpected pressure on margins; ii) Failure to mobilize low cost deposits; iii) Unexpected asset quality deterioration; iv) Hike in the cost-to-income; and v) Reduction in dividends.

Consolidated	PKR				
Key Metrics	CY22A	CY23A	CY24A	CY25E	CY26F
EPS	25.1	47.7	57.3	49.6	52.0
DPS	8.5	20.0	28.0	28.0	28.0
NIM (%)	6.2%	9.3%	9.7%	6.7%	6.3%
CAR (%)	18.6%	22.5%	20.6%	25.2%	25.0%
ROE (%)	43%	56%	47%	33%	30%
ROA (%)	2%	3%	3%	2%	2%
Dividend Yield (%)	9%	12%	6%	6%	6%
P/E (x)	4.0	3.4	7.8	9.0	8.6
P/B (x)	1.5	1.5	3.2	2.7	2.4

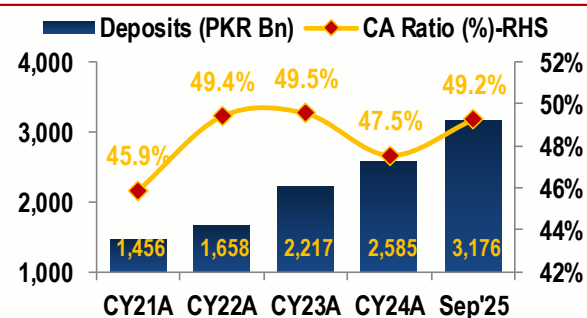
Source: Company Accounts & TSL Research

MEBL PA

Stock Price	445
Outstanding Shares (Mn)	1,801
Market Cap (PKR Bn)	801
Free Float (%)	25%
3M Avg. Daily Value (PKR Mn)	483
3M Avg. Daily Volume ('000)	1,137
3M High	490
3M Low	388
Valuation Method	Justified P/B(x)

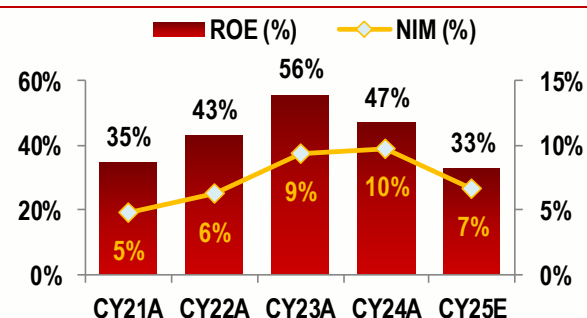
Source: PSX & TSL Research

33% CAGR for Deposits since inception



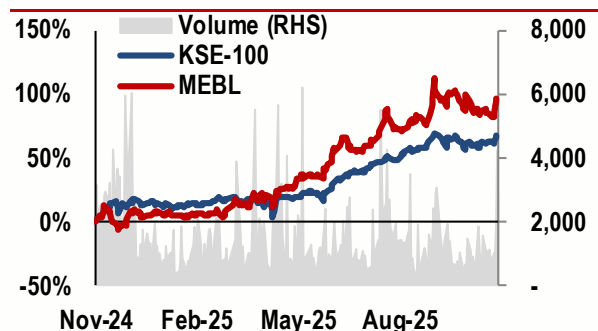
Source: Company Accounts & TSL Research

Robust ROE and NIMs



Source: Company Accounts & TSL Research

12 Month Relative Performance of MEBL



Commercial Banks

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
46	34	35%	8%	43%

Investment Thesis

- 9MCY25 earnings were up 37% over the SPLY reflecting a remarkable turnaround across all fronts; wherein, BOP has secured a leading position in Agri. and SME lending in the country (backed by robust asset quality), working closely with the Government of Punjab on multiple schemes like the Kissan Card, flood related distributions etc. — a key driver for earnings, going forward.
- Additionally, the Bank has completely revamped its deposits and retail banking franchise focusing on digitization; growing its market share, with the amount of current accounts having doubled over the last three years. The Bank also remains a major beneficiary of the revised MDR regime, whereby Government deposits have been exempted from the application of the minimum savings rate.
- Elsewhere, a substantial portion of the Bank's high cost term deposits amounting to PKR 495Bn (66% of TDR portfolio) have also re-priced from ~18% to under 10% recently; which is expected to sustain margins next year, along with the growth in CA deposits.
- BOP is currently trading at a forward P/B of 0.9x, offering a mix of growth and value with consistently improving earnings quality, as well as growing dividend payout capacity.

Key Risks to Investment

- i) Unexpected margin-compression; ii) Unexpected deterioration in asset quality; iii) Slowdown in branch expansions and growth of the retail franchise; and iv) Delays in rolling-out digital initiatives.

Consolidated	PKR				
Key Metrics	CY22A	CY23A	CY24A	CY25E	CY26F
EPS	3.3	3.4	4.0	5.0	6.1
DPS	0.0	1.0	1.8	2.5	2.8
NIM (%)	2.6%	2.6%	2.2%	3.6%	3.5%
CAR (%)	13.0%	18.3%	17.9%	17.8%	18.6%
ROE (%)	18%	15%	15%	16%	18%
ROA (%)	1%	1%	1%	1%	1%
Dividend Yield (%)	0%	15%	17%	7%	8%
P/E (x)	1.4	1.9	2.7	6.8	5.6
P/B (x)	0.2	0.3	0.4	1.1	0.9

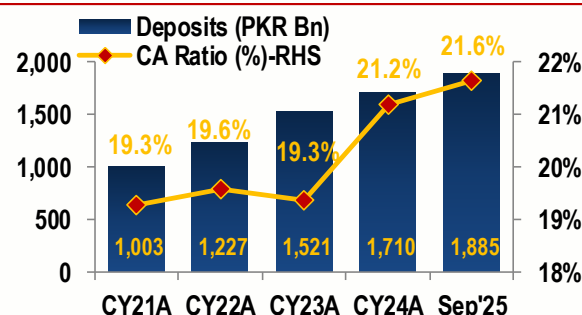
Source: Company Accounts & TSL Research

BOP PA

Stock Price	34
Outstanding Shares (Mn)	3,272
Market Cap (PKR Bn)	111
Free Float (%)	42%
3M Avg. Daily Value (PKR Mn)	2,188
3M Avg. Daily Volume ('000)	75,242
3M High	42
3M Low	14
Valuation Method	Justified P/B(x)

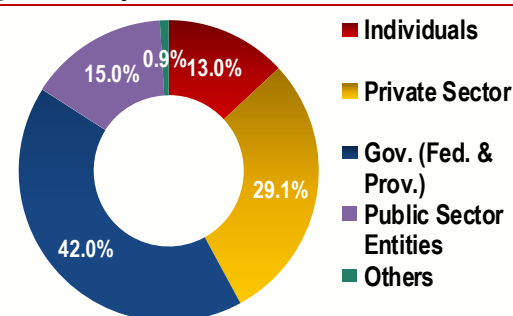
Source: PSX & TSL Research

CA ratio continues to improve as CA deposits grow



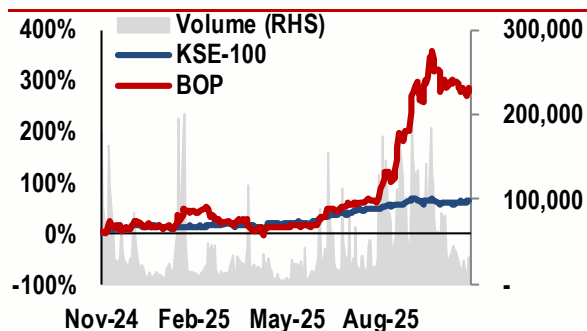
Source: Company Accounts & TSL Research

Deposit Mix by Customers as of Dec'24



Source: Company Accounts & TSL Research

12 Month Relative Performance of BOP



Source: PSX and TSL Research

Commercial Banks

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
468	360	30%	10%	40%

Investment Thesis

- Despite pressure on industry NIMs, the Bank continues to have one of the highest NIMs among our coverage banks—driven by aggressive focus on mobilization of low cost deposits. Wherein, MCB's CA ratio as of Sep'25 has surged to 53% and is expected to touch 56% next year as the management continues to implement multiple strategies including direct sales (substantial hiring on cards as per management guidance to support CA mobilization).
- In addition, MCB continues to have one of the strongest asset quality profiles among peers; with a modest recovery pipeline. The Bank also has aggressive growth plans for its Islamic subsidiary (MCB Islamic Bank) which has one of the largest Islamic branch networks in the country. The Bank also remains a key player in trade finance and the home remittance segments.
- Investment portfolio i.e. 85% PIBs (72% Floaters & 28% Fixed), with overall yield of 12.6%; and a yield of 12.3% on Fixed PIBs with a duration of 2.9 years, would enable the Bank to sustain margins.
- MCB is currently trading at a forward P/B of 1.3x given its high sustainable ROE as well as stable dividend payout capacity—offers an attractive mix of capital gains and dividend yield.

Key Risks to Investment

- i) Reduction in NIMs; ii) Lower growth in CA than expected; iii) Asset quality shocks; iv) Slower rollout of digital services compared to peers; and v) Increase in the cost-to-income ratio.

Consolidated	PKR				
Key Metrics	CY22A	CY23A	CY24A	CY25E	CY26F
EPS	29.0	54.9	53.4	49.9	52.1
DPS	20.0	30.0	36.0	36.0	36.0
NIM (%)	5.1%	8.0%	7.2%	5.8%	5.7%
CAR (%)	18.0%	19.8%	18.7%	19.1%	20.1%
ROE (%)	19%	30%	24%	20%	20%
ROA (%)	2%	3%	2%	2%	2%
Dividend Yield (%)	17%	17%	13%	10%	10%
P/E (x)	4.0	3.1	5.3	7.2	6.9
P/B (x)	0.7	0.8	1.2	1.4	1.3

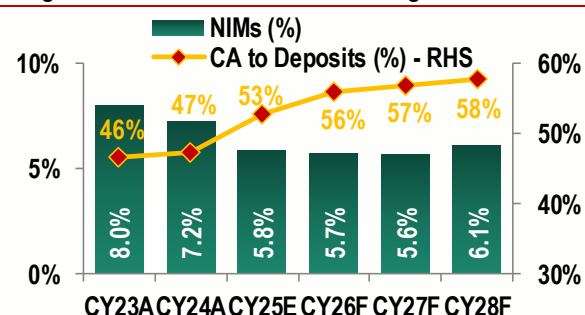
Source: Company Accounts & TSL Research

MCB PA

Stock Price	360
Outstanding Shares (Mn)	1,185
Market Cap (PKR Bn)	426
Free Float (%)	35%
3M Avg. Daily Value (PKR Mn)	197
3M Avg. Daily Volume ('000)	545
3M High	400
3M Low	318
Valuation Method	Justified P/B(x)

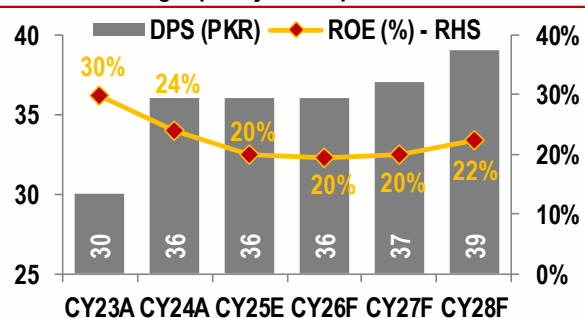
Source: PSX & TSL Research

Surge in CA continues to drive strong NIMs



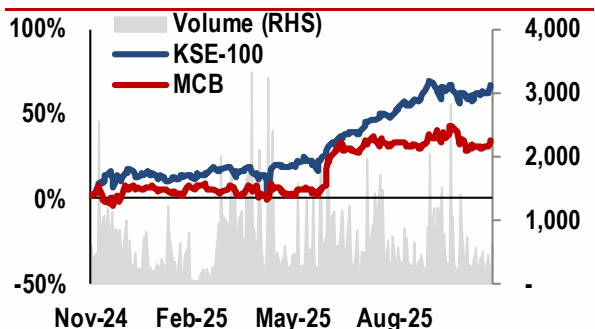
Source: Company Accounts & TSL Research

Robust earnings quality to keep ROE elevated



Source: Company Accounts & TSL Research

12 Month Relative Performance of MCB



Source: PSX and TSL Research

Commercial Banks

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
400	309	29%	7%	36%

Investment Thesis

- HBL is the largest commercial bank of Pakistan and therefore, remains well-positioned to benefit from the ongoing macroeconomic recovery in Pakistan. In particular, benefiting from the largest advances and deposits franchise; as private sector credit demand grows and focus turns towards core banking operations.
- Accordingly, we anticipate volumes to drive growth in NII with build-up in current accounts supporting margins i.e. CA ratio to touch 45% in the near-term. The Bank has also been a major beneficiary of the revised MDR regime due to its large portfolio.
- Focus on digital and Islamic conversion represent key pillars of the Bank's long-term strategy; including upgradation of its core banking system. IT related investments have been on the rise also.
- Moreover, earnings quality of the Bank has improved substantially over the last two years, leading to a higher CAR and uptick in dividends—a trend we expect to continue, supported by robust asset quality and a very well-diversified mix of total income.
- HBL is currently trading at a forward P/B of 0.9x, one of the cheapest among our coverage banks—offering value to long-term investors as it remains yet to capitalize fully on its potential unlike peers.

Key Risks to Investment

- i) Unexpected change in interest rates; ii) Higher than expected attrition in NIMs; iii) Failure to capitalize on its largest commercial bank position; and iv) Unexpected increase in asset quality risks.

Consolidated	PKR				
Key Metrics	CY22A	CY23A	CY24A	CY25E	CY26F
EPS	23.2	39.3	39.9	47.8	49.7
DPS	6.8	9.8	16.3	19.0	21.0
NIM (%)	4.4%	5.6%	5.1%	5.0%	4.7%
CAR (%)	14.8%	16.0%	17.7%	17.1%	17.6%
ROE (%)	12%	18%	15%	16%	15%
ROA (%)	1%	1%	1%	1%	1%
Dividend Yield (%)	11%	9%	9%	6%	7%
P/E (x)	2.7	2.8	4.4	6.5	6.2
P/B (x)	0.4	0.4	0.6	1.0	0.9

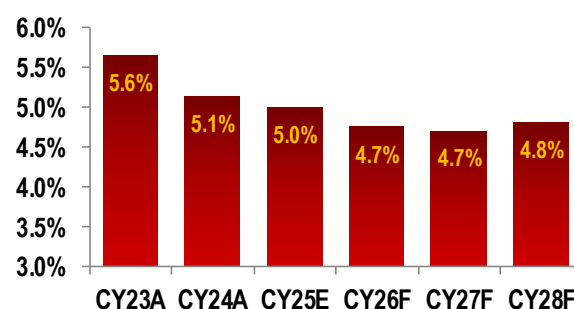
Source: Company Accounts & TSL Research

HBL PA

Stock Price	309
Outstanding Shares (Mn)	1,467
Market Cap (PKR Bn)	453
Free Float (%)	40%
3M Avg. Daily Value (PKR Mn)	588
3M Avg. Daily Volume ('000)	2,060
3M High	325
3M Low	247
Valuation Method	Justified P/B(x)

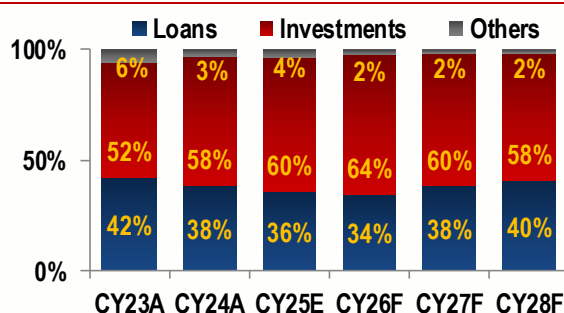
Source: PSX & TSL Research

Net Interest Margins (%) to sustain going forward



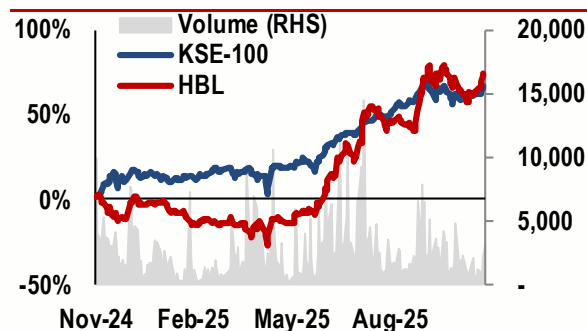
Source: Company Accounts & TSL Research

Diversified Mix of Interest Income



Source: Company Financials and TSL Research

12 Month Relative Performance of HBL



Source: PSX and TSL Research

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
670	586	14%	8%	22%

Investment Thesis

- FFC is currently experiencing robust performance as earnings are up 14%YoY to PKR 58Bn during 9MCY25 on the back of high-margin Urea volumes, amalgamation with FFBL, surge in other income, lower cost gas advantage and strong presence in the Country through its integrated channels and distribution network. FFC enjoys the highest gross margins in industry as well.
- Our positive outlook for FFC is supported by the synergies due to the merger with FFBL (the Company will take advantage of higher international DAP prices – up 21% during 9MCY25), low-cost gas advantage, diversified holdings i.e. power segment and major shareholding in AGL, a strong balance sheet (opportunity to expand portfolio through diversification into other sectors) and market leadership through its superior market share.
- FFC also holds 30% share in Thar Energy Limited (TEL); a 330MW power plant under the CPEC umbrella, which recently announced COD and is now eligible to make dividend payments from surplus profits, going forward. Finally, FFC's high quality earnings and liquidity position would enable it to sustain dividends in future.

Key Risks to Investment

- i) Increase in gas prices; ii) Weak agronomic conditions; iii) Higher inventories may lead to exports at significant discounts; iv) Drop in major crop prices which may reduce farm economics and crop yields; and v) Delay or slow progress on the PEF project.

Standalone	PKR				
Key Metrics	CY22A	CY23A	CY24A	CY25E	CY26F
EPS	15.8	23.3	45.5	56.5	63.8
DPS	12.1	15.5	36.5	39.5	47.9
Gross Margin (%)	37%	40%	34%	34%	37%
Net Margin (%)	18%	19%	17%	20%	20%
ROE (%)	41%	53%	67%	59%	59%
ROA (%)	9%	13%	20%	19%	20%
Dividend Yield (%)	12%	14%	10%	7%	8%
P/E (x)	6.3	4.9	8.1	10.4	9.2
P/B (x)	2.5	2.3	4.0	5.9	5.0

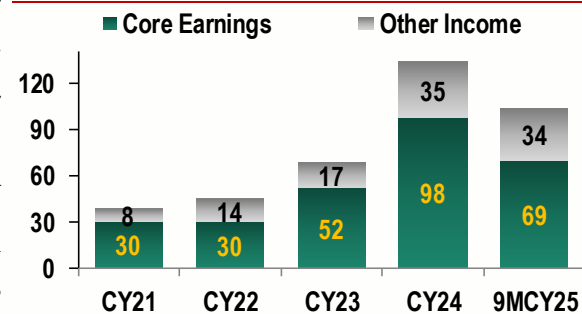
Source: Company Accounts & TSL Research

FFC PA

Stock Price	586
Outstanding Shares (Mn)	1,423
Market Cap (PKR Bn)	834
Free Float	60%
3M Avg. Daily Value (PKR Mn)	1,313
3M Avg. Daily Volume ('000)	2,761
3M High	599
3M Low	425
Valuation Method	DCF

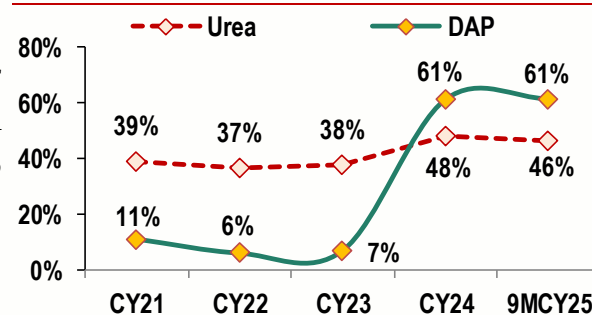
Source: PSX & TSL Research

Earnings Mix - PKR Bn



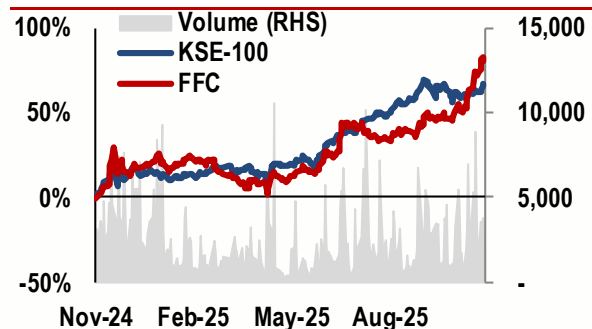
Source: Company Accounts & TSL Research

Market Share (%) increased after acquiring FFBL



Source: Company Accounts & TSL Research

12 Month Relative Performance of FFC



Source: PSX and TSL Research

Oil & Gas Exploration

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
392	265	48%	5%	53%

Investment Thesis

- OGDC is the largest E&P company of Pakistan with aggressive exploration plans, expected to spend ~USD 100Mn on existing projects; USD 50Mn on Reko Diq; and PKR 50-60Bn in BAU CAPEX next year. To note, exploratory efforts yielded five discoveries in FY25. Further, it is a partner in Abu Dhabi Block-5 and Reko Diq.
- We anticipate OGDC's production levels to improve substantially going forward due to: i) decrease in forced curtailments (2HFY26 onwards mainly); and ii) completion of projects like Jhal Magsi (Aug'25), Dhakni Compression (Jan'26), KPD-TAY Compression (Apr'26), and Uch Compression (Jun'26), respectively.
- Enhanced flows from the Wali Block, and contributions from Spinwam and Bitrism-East would also bode well for volumes. In addition, OGDC would also benefit from commencement of production in Abu Dhabi Block-V and Reko Diq around FY29. However, our estimates do not incorporate the same as yet.
- Cash flow position continues to improve on account of settlement of circular debt dues – wherein OGDC is a major beneficiary. Collections have also improved sharply. To note, as of Sep'25 receivables from Sui co. stand at ~PKR 501Bn (PKR 116.5/sh.).
- OGDC is currently trading at a forward P/E of 7.3x.

Key Risks to Investment

- i) Oil price fluctuation; ii) PKR/USD parity; iii) Delay in circular debt resolution; and iv) Poor exploration outcome.

Standalone					PKR
Key Metrics	FY23A	FY24A	FY25A	FY26E	FY27F
EPS	52.2	48.6	39.5	36.1	44.8
DPS	8.6	10.1	15.1	14.5	17.9
Gross Margin (%)	65%	61%	58%	57%	57%
Net Margin (%)	54%	45%	42%	41%	41%
ROE (%)	23%	18%	13%	11%	13%
ROA (%)	18%	14%	10%	9%	10%
Dividend Yield (%)	11%	7%	7%	5%	7%
P/E (x)	1.5	2.8	5.6	7.3	5.9
P/B (x)	0.3	0.5	0.7	0.8	0.7

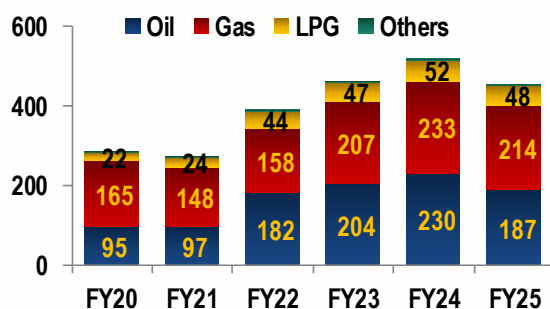
Source: Company Accounts & TSL Research

OGDC PA

Stock Price	265
Outstanding Shares (Mn)	4,301
Market Cap (PKR Bn)	1,141
Free Float (%)	15%
3M Avg. Daily Value (PKR Mn)	1,478
3M Avg. Daily Volume ('000)	5,527
3M High	290
3M Low	238
Valuation Method	DCF

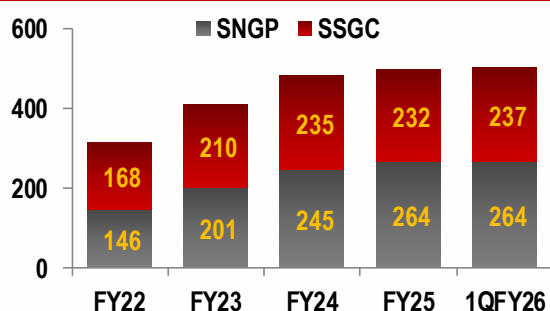
Source: PSX & TSL Research

Gross Sales - (PKR Bn)



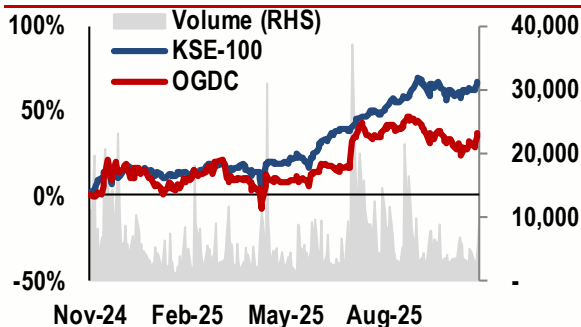
Source: Company Accounts & TSL Research

Receivables from Sui Companies - PKR Bn



Source: Company Accounts & TSL Research

12 Month Relative Performance of OGDC



Source: PSX and TSL Research

Oil & Gas Exploration

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
300	211	43%	4%	47%

Investment Thesis

- PPL remains a key beneficiary of circular debt settlement, specially pertaining to the gas sector. Nevertheless, collections from receivables have improved substantially i.e. 91% in FY25. Wherein, as of Sep'25 receivables from the Sui Co. stood at ~PKR 579Bn or PKR 213/sh. Settlement of these receivables is likely to drive its share price, going forward – increasing payout capacity also.
- Elsewhere, on account of the natural decline in major producing fields, the Company is undertaking aggressive exploration and other strategies to reduce the decline and enhance production levels from existing fields. Resultantly, PPL's reserve replacement ratio clocked-in at 129% for FY25. Production levels are also expected to improve as the issue of forced curtailments is settled. To note PPL's production suffered an 11% drop due to the same in FY25.
- Further, PPL also plans to drill 15 exploratory and development wells next year. It is also a partner in Reko Diq and the Abu Dhabi Block-V. It is also growing its presence in the mining sector (i.e. Barite, Lead & Zinc). PPL anticipates the mining segment to contribute significantly FY29 onwards. It is also working on enhancement projects in Gambat South, Dhok Sultan, Shah Bander and expansion of plant capacity in Pateji.

Key Risks to Investment

- i) Oil prices; ii) PKR/USD parity; iii) Delay in circular debt resolution; and iv) Poor exploration outcome.

Standalone	PKR				
Key Metrics	FY23A	FY24A	FY25A	FY26E	FY27F
EPS	36.0	42.0	33.8	29.5	32.3
DPS	2.5	6.0	7.5	8.8	9.7
Gross Margin (%)	67%	66%	63%	62%	63%
Net Margin (%)	34%	40%	38%	37%	37%
ROE (%)	20%	19%	14%	11%	11%
ROA (%)	14%	13%	10%	8%	8%
Dividend Yield (%)	4%	5%	4%	4%	5%
P/E (x)	1.6	2.8	5.0	7.1	6.5
P/B (x)	0.3	0.5	0.7	0.8	0.7

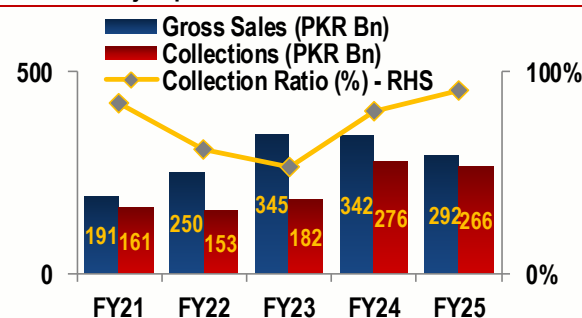
Source: Company Accounts & TSL Research

PPL PA

Stock Price	211
Outstanding Shares (Mn)	2,721
Market Cap (PKR Bn)	573
Free Float (%)	25%
3M Avg. Daily Value (PKR Mn)	1,785
3M Avg. Daily Volume ('000)	9,267
3M High	212
3M Low	176
Valuation Method	DCF

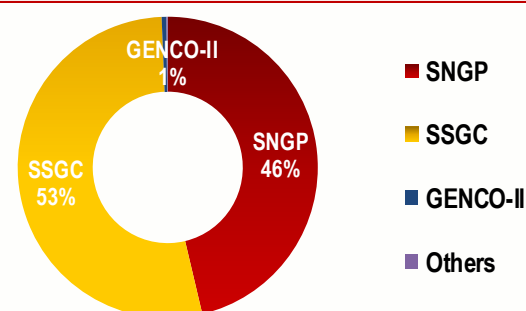
Source: PSX & TSL Research

Collections jumped to 91% in FY25



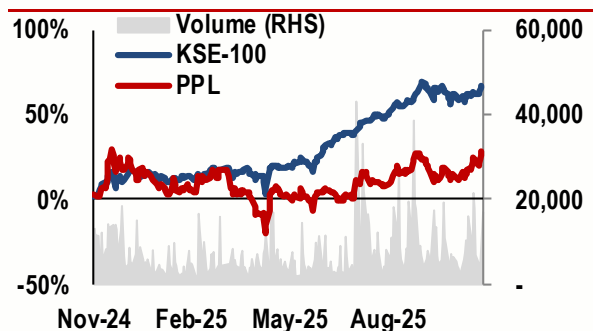
Source: Company Presentation, Financials & TSL Research

Break-up Trade Debts as of Sep'25



Source: Company Accounts & TSL Research

12 Month Relative Performance of PPL



Source: PSX and TSL Research

Lucky Cement Limited (LUCK) - 'BUY'

Pakistan Investment Outlook 2026



TAURUS
SECURITIES LIMITED
A Subsidiary of National Bank of Pakistan

Cement

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
619	458	35%	1%	36%

Investment Thesis

- LUCK is the largest cement manufacturing company in Pakistan with a total production capacity of 15.3Mn tons p.a. Its presence both in the North & South enables it to capture multiple advantages, and maintain market dominance. The Company has a strong business portfolio with a vast presence across several economic driven sectors. Its ventures include LCI, Lucky Electric, Lucky Motors along with cement operations in Iraq & Congo.
- Non-core businesses contribute ~49% to the consolidated revenues. Going forward, LCI and the auto business are expected to perform well on the back of improving macroeconomic conditions, amid falling interest rates and inflation—boding well for demand. Contribution from power segment is also expected to continue.
- Moreover, LUCK has recently ventured into the mining business through the joint venture with National Resources Limited (NRL) - LUCK has ~33% equity stake (the remaining is equally divided between FATIMA and Liberty Mills) which holds mining leases for copper, gold and zinc exploration. Finally, its strong cash and cash equivalents of PKR 180Bn would continue to support growth initiatives, going forward—driving value for long-term investors.

Key Risks to Investment

- i) Lower domestic demand for cement; ii) Higher US tariffs may limit cement exports to the US; iii) Drop in non-core earnings; iv) Surge in imported coal prices; and v) Drop in retention prices.

Consolidated	PKR				
Key Metrics	FY23A	FY24A	FY25A	FY26E	FY27F
EPS	27.2	44.1	52.5	60.2	66.9
DPS	3.6	3.0	4.0	6.0	6.7
Gross Margin (%)	24%	30%	27%	27%	27%
Net Margin (%)	13%	18%	19%	19%	19%
ROE (%)	19%	23%	22%	19%	17%
ROA (%)	8%	11%	12%	11%	12%
Dividend Yield (%)	3%	2%	1%	1%	1%
P/E (x)	3.8	4.1	6.8	7.6	6.8
P/B (x)	0.6	0.9	1.3	1.4	1.2

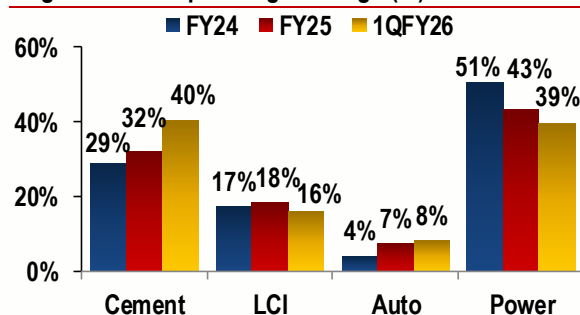
Source: Company Accounts & TSL Research

LUCK PA

Stock Price	458
Outstanding Shares (Mn)	1,465
Market Cap (PKR Bn)	671
Free Float	30%
3M Avg. Daily Vaule (PKR Mn)	732
3M Avg. Daily Volume ('000)	1,656
3M High	495
3M Low	355
Valuation Method	SOTP

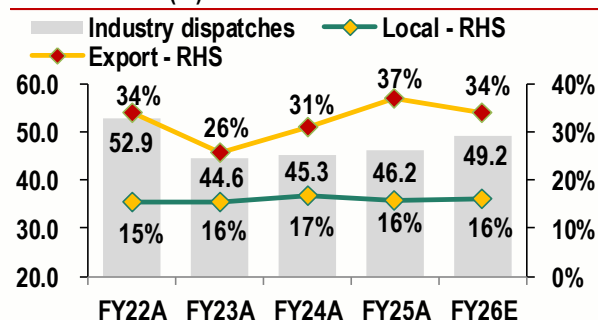
Source: PSX & TSL Research

Segment-wise operating earnings (%)



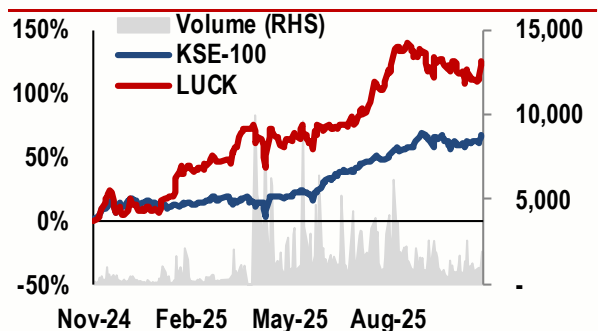
Source: Company Accounts & TSL Research

Market Share (%)



Source: Company Accounts & TSL Research

12 Month Relative Performance of LUCK



Source: PSX and TSL Research

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
89	53	68%	4%	72%

Investment Thesis

- Fauji Cement Company Limited is the 3rd largest cement producer (2nd largest in the North region) of Pakistan, with a total production capacity of 10.5Mn tons p.a. and a market share of 11%. Following its acquisition of Askari Cement in FY22, FCCL is now considering to acquire ~42% shareholding in Attock Cement Limited (ACPL) - jointly with KAPCO, totaling ~84% shareholding.
- In addition, FCCL has also made an investment of ~PKR 1Bn in a PP bags plant which will save up to ~PKR 266Mn, annually. It has also made significant investments in renewable energy during the last 5 years i.e. 67.5MW Solar and 48MW WHR plants – generating ~49% of the Company's total power requirements.
- FCCL also enjoys locational advantages with ~36% capacity access in KP (Royalty charge of ~PKR 25-26/bag), allowing it to off-set higher royalty charges in Punjab (~PKR 72-75/bag). This along with investment in the PP bag plant is likely to improve margins, going forward. Moreover, successful acquisition of ACPL will also enable it access to the South market – particularly leading to robust increase in exports via the sea route to countries like Sri Lanka.

Key Risks to Investment

- i) Slowdown in construction demand growth; ii) Border closure with Afghanistan to drastically drop exports – FCCL is the largest exporter to the region; iii) Unexpected increase in Royalty in KP; and iv) Drop in retention prices.

Standalone	PKR				
Key Metrics	FY23A	FY24A	FY25A	FY26E	FY27F
EPS	3.2	3.4	5.4	6.2	7.0
DPS	0.0	1.0	1.2	2.0	2.5
Gross Margin (%)	30%	32%	35%	35%	35%
Net Margin (%)	11%	10%	15%	16%	16%
ROE (%)	11%	11%	16%	16%	16%
ROA (%)	5%	6%	8%	9%	9%
Dividend Yield (%)	0%	4%	3%	4%	5%
P/E (x)	3.7	6.8	8.2	8.5	7.6
P/B (x)	0.4	0.8	1.3	1.4	1.2

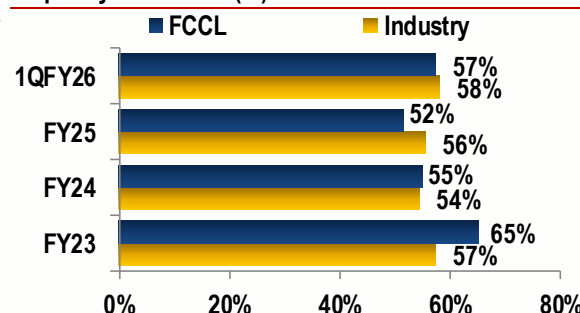
Source: Company Accounts & TSL Research

FCCL PA

Stock Price	53
Outstanding Shares (Mn)	2,453
Market Cap (PKR Bn)	131
Free Float	35%
3M Avg. Daily Value (PKR Mn)	600
3M Avg. Daily Volume ('000)	10,943
3M High	63
3M Low	46
Valuation Method	DCF

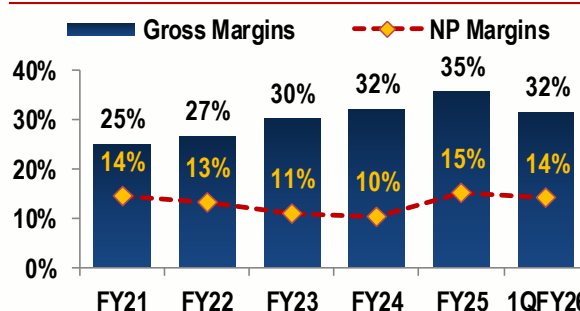
Source: PSX & TSL Research

Capacity Utilization (%)



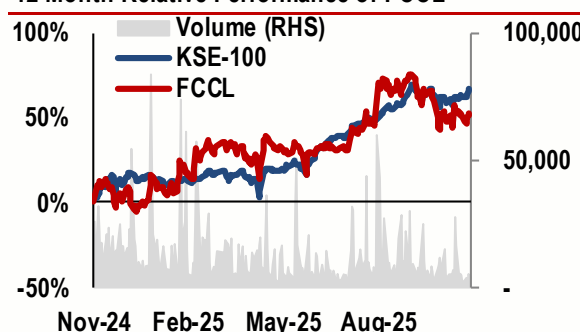
Source: Company Accounts & TSL Research

Gross & Net Profit Margins



Source: Company Accounts & TSL Research

12 Month Relative Performance of FCCL



Source: PSX and TSL Research

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
156	105	49%	0%	49%

Investment Thesis

- MLCF is the largest producer of white cement in Pakistan. The Company is gradually turning into a conglomerate, with recent investments in Healthcare and Fertilizer businesses i.e. Novacare Hospitals venture (wholly-owned subsidiary); one of the major shareholders in both Agritech (AGL) i.e. ~34% holding, and is also likely to acquire control of PIOC's operations after acquiring ~40% shares (in addition to 18.5% shares it currently holds). Further, the Company also enjoys tax benefit through its wholly owned subsidiary 'Maple Leaf Power Limited' (MLPL) which is likely to generate cost efficiencies, going forward.
- Moreover, MLCF has also made significant investments in cheaper energy sources as it is only using 5% from the National Grid. While, the remaining 95% comes from WHR, CFPP and Solar. Currently, the Company enjoys tax benefits by using its 40MW Coal-based fire power plant from MLPL (as discussed above). Further, MLCF has also restructured its fuel mix i.e. 60% from Pet Coke, 35% from Biomass and 5% from imported coal; making the Company the lowest cost producer in the cement industry.
- MLCF is currently trading at a forward P/E of 9.1x.

Key Risks to Investment

- i) Continuation of border closure with Afghanistan – pressure on exports; ii) Higher royalty charges; iii) Slowdown in construction demand growth; and iv) Price competition among North players.

Consolidated	PKR				
Key Metrics	FY23A	FY24A	FY25A	FY26E	FY27F
EPS	5.4	6.5	11.0	11.6	12.9
DPS	0.0	0.0	0.0	0.0	2.6
Gross Margin (%)	28%	34%	37%	36%	36%
Net Margin (%)	9%	10%	17%	16%	16%
ROE (%)	12%	12%	16%	20%	17%
ROA (%)	6%	7%	10%	10%	10%
Dividend Yield (%)	0%	0%	0%	0%	2%
P/E (x)	5.3	5.8	7.7	9.1	8.2
P/B (x)	0.6	0.7	1.2	1.8	1.4

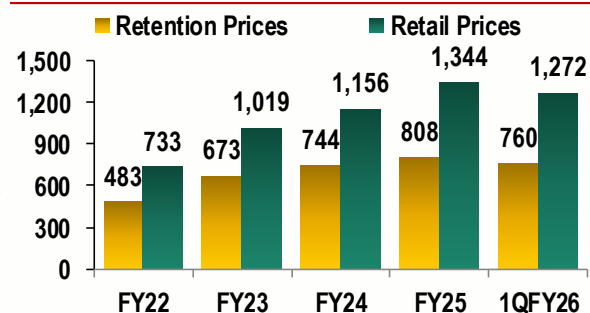
Source: Company Accounts & TSL Research

MLCF PA

Stock Price	105
Outstanding Shares (Mn)	1,048
Market Cap (PKR Bn)	110
Free Float	45%
3M Avg. Daily Value (PKR Mn)	699
3M Avg. Daily Volume ('000)	7,023
3M High	115
3M Low	81
Valuation Method	DCF

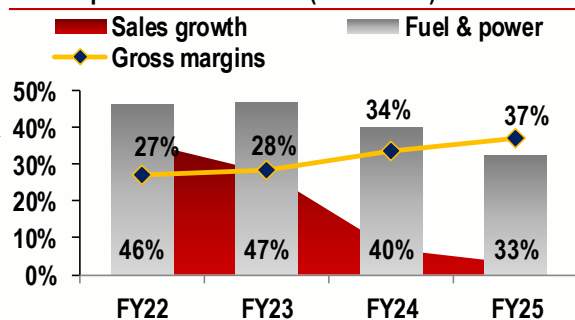
Source: PSX & TSL Research

Retention Prices - PKR per bag



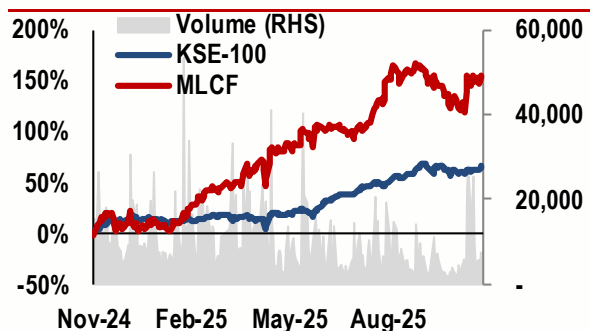
Source: Company Accounts & TSL Research

Fuel & power contribution (% of sales)



Source: Company Accounts & TSL Research

12 Month Relative Performance of MLCF



Source: PSX and TSL Research

Oil Marketing Companies

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
727	453	60%	3%	63%

Investment Thesis

- PSO has the Country's largest fuel storage capacity (1.24Mn MT) and distribution network (3,649 retail outlets, facilities at airports and seaports, significant presence in the JP, LNG, & LPG markets).
- It held the largest overall market share of 43% during 4MFY26. Wherein, MS sales fell 2%YoY while HSD and Other Fuels increased 2%YoY and 4%YoY, respectively. Segment-wise, PSO was also the market leader in MS and HSD with a 39% and a 42% share, respectively. It is poised for volumetric growth amid improving economic activity and expansion in lubricants and other segments.
- Moreover, PSO will also be a major beneficiary of the ~PKR 1.3Trn settlement of power sector's circular debt. Its outstanding receivables with SNGP currently amount to PKR 294Bn. Further, during FY25, PSO enjoyed a ~100% recovery rate with SNGP; which led to a reduction in its circular debt receivables by 20%YoY.
- Elsewhere, a long overdue increase in OMC margins and settlement of the remaining circular debt receivables would bode well for PSO's liquidity position and earnings (reduction in short-term debt & finance cost), going forward. Additionally, PSO is also developing a network of 128 EV chargers across 50 stations.

Key Risks to Investment

- i) Competition pressuring market share; ii) Delay in OMC margin revisions; iii) Exchange rate fluctuations; iv) Delay in settlement of circular debt receivables; and v) Unexpected increase in debt.

Standalone	PKR				
Key Metrics	FY23A	FY24A	FY25A	FY26E	FY27F
EPS	12.1	33.8	44.5	64.0	69.0
DPS	7.5	10.0	10.0	14.0	16.0
Gross Margin (%)	2%	3%	3%	4%	4%
Net Margin (%)	0.2%	0.4%	1%	1%	1%
ROE (%)	3%	7%	8%	11%	11%
ROA (%)	1%	2%	2%	3%	3%
Dividend Yield (%)	7%	6%	3%	3%	4%
P/E (x)	9.0	4.9	8.5	7.1	6.6
P/B (x)	0.2	0.3	0.7	0.8	0.7

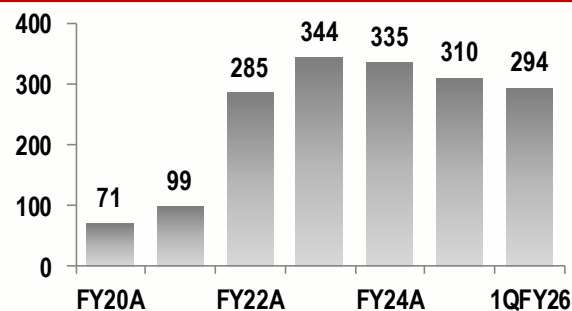
Source: Company Accounts & TSL Research

PSO PA

Stock Price	453
Outstanding Shares (Mn)	469
Market Cap (PKR Bn)	213
Free Float	50%
3M Avg. Daily Value (PKR Mn)	2,860
3M Avg. Daily Volume ('000)	6,479
3M High	495
3M Low	383
Valuation Method	DCF

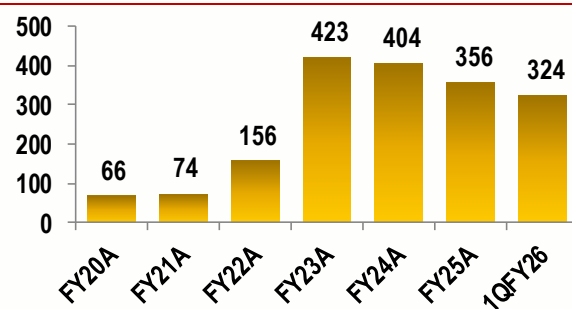
Source: PSX & TSL Research

PSO's Receivables from SNGPL (PKR Bn)



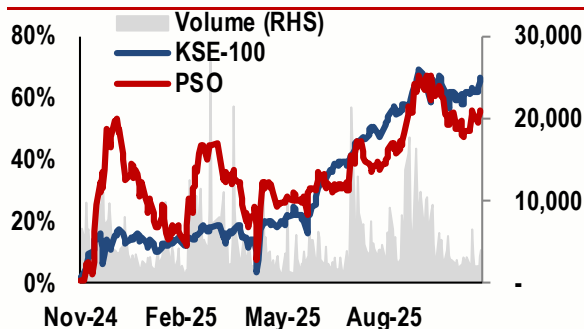
Source: Company Accounts & TSL Research

PSO's Short-term Borrowings (PKR Bn)



Source: Company Accounts & TSL Research

12 Month Relative Performance of PSO



Source: PSX and TSL Research



Automobile Assemblers

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
2,700	2,020	34%	10%	44%

Investment Thesis

- INDU retained its strong foothold in Pakistan's auto industry with a ~23% market share, led by popular models such as Corolla, Yaris, Fortuner, and Hilux. Wherein, FY25 reflected gradual recovery as easing inflation and lower interest rates revived consumer demand, while gross margins improved to 15% for the year on a better sales mix of high-margin vehicles.
- Furthermore, 4MFY26 sales have surged 66% over the SPLY, underscoring robust demand recovery following macroeconomic stabilization and stable vehicle prices. Wherein, Corolla, Yaris and Corolla Cross sales were up 71%. While, Fortuner & IMV sales increased 50%. INDU's strong brand equity and localized product range continue to support volumes despite rising EV competition. Management also plans to introduce new EV models once the domestic market shows sustainable viability and policy clarity.
- Additionally, INDU maintains a debt-free balance sheet and a short-term investment portfolio of ~PKR 96Bn, supporting strong liquidity and sustained dividend payouts. The Company's prudent financial management and cost-efficiency initiatives continue to enhance shareholder value. It also remains a consistent dividend payer, offering an attractive 10% yield for FY26 also.

Key Risks to Investment

- i) Easing of car imports reducing localization incentives; ii) Policy uncertainty ; iii) Interest rate changes ; and iv) Rupee volatility.

Standalone	PKR				
Key Metrics	FY23A	FY24A	FY25A	FY26E	FY27F
EPS	123.0	191.8	292.7	342.0	370.0
DPS	71.8	114.7	176.0	205.2	222.0
Gross Margin (%)	4%	13%	15%	16%	16%
Net Margin (%)	5%	10%	11%	11%	10%
ROE (%)	17%	24%	32%	33%	32%
ROA (%)	6%	11%	14%	14%	15%
Dividend Yield (%)	8%	7%	10%	10%	11%
P/E (x)	7.7	8.2	5.9	5.9	5.5
P/B (x)	1.2	1.8	1.8	1.8	1.7

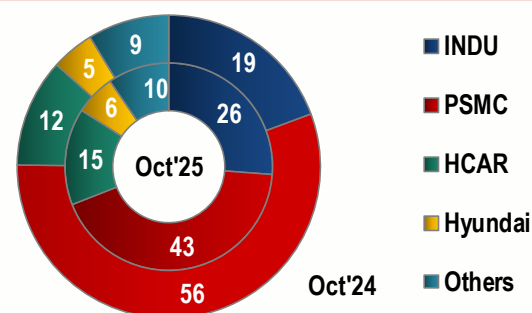
Source: Company Accounts & TSL Research

INDU

Stock Price	2,020
Outstanding Shares (Mn)	79
Market Cap (PKR Bn)	159
Free Float (%)	18%
3M Avg. Daily Value (PKR Mn)	34
3M Avg. Daily Volume ('000)	16
3M High	2,388
3M Low	1,985
Valuation Method	DCF

Source: PSX & TSL Research

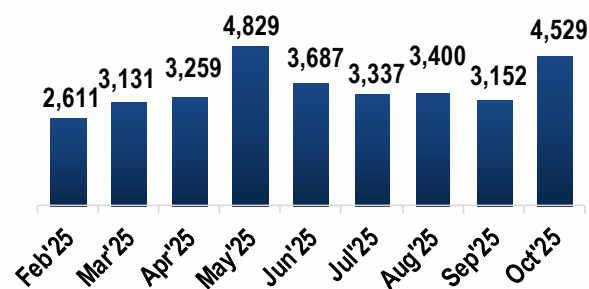
Passenger Vehicle Market Share (%)



Source: PAMA & TSL Research

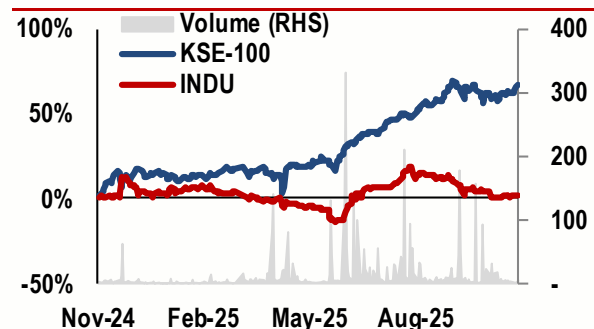
*include passenger cars, LCV and Jeeps

INDU - Sales Trend (units sold)



Source: PAMA & TSL Research

12 Month Relative Performance of INDU



Source: PSX and TSL Research

Pharmaceutical

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
250	187	34%	4%	38%

Investment Thesis

- AGP is capitalizing on capacity expansions, a balanced product mix, and rising healthcare demand to drive profitability. The Company enjoys strong margins of ~50% – third highest within the industry supported by its strong portfolio where 75-80% of revenue comes from leading brands such as Azomax, Rigix, Osnate-D, Norvasc and Ceclor, respectively. De-regulation has further boosted margins, which are expected to remain stable, going ahead.
- AGP aims to launch new products to widen its therapeutic coverage and further support margin expansion. Its chronic portfolio now stands at 70-80%, providing more stable and high margin revenue. Meanwhile, the nutraceutical segment grew 52% in CY24, emerging as a high potential growth driver.
- Further, AGP is targeting over PKR 3Bn in export growth in CY25 with 25-30% export growth within three years. Wherein, its exports to Afghanistan (~5% of sales) may suffer due to border closures. However, AGP is actively working to expand into new international markets – reducing potential risk and diversifying revenue base. With a balanced mix, ongoing product development, expanding capacities and a focus on chronic therapies, AGP is well positioned to sustain growth and enhance profitability ahead.

Key Risks to Investment

- i) Fluctuations in API prices; ii) Drop in exports; iii) Regulatory changes; iv) Supply chain issues; and v) Smuggling.

Consolidated	PKR				
Key Metrics	CY22A	CY23A	CY24A	CY25E	CY26F
EPS	5.6	5.6	9.5	14.3	19.9
DPS	2.0	2.5	4.0	5.0	8.0
Gross Margin (%)	51%	54%	58%	61%	63%
Net Margin (%)	12%	10%	12%	15%	16%
ROE (%)	15%	15%	20%	25%	27%
ROA (%)	10%	7%	10%	14%	17%
Dividend Yield (%)	3%	3%	3%	3%	4%
P/E (x)	11.6	17.4	13.8	13.1	9.4
P/B (x)	1.6	2.2	2.5	3.0	2.5

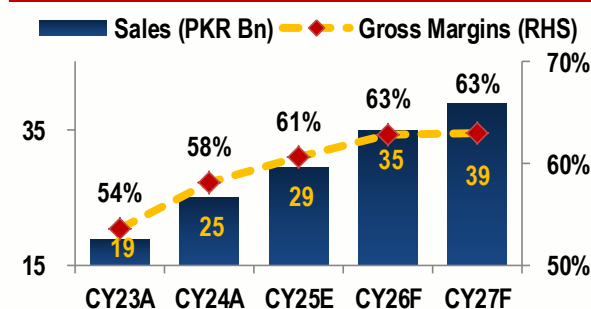
Source: Company Accounts & TSL Research

AGP PA

Stock Price	187
Outstanding Shares (Mn)	280
Market Cap (PKR Bn)	52
Free Float	30%
3M Avg. Daily Value (PKR Mn)	58
3M Avg. Daily Volume ('000)	301
3M High	209
3M Low	176
Valuation Method	DCF

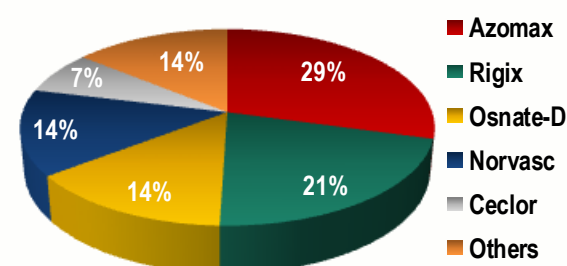
Source: PSX & TSL Research

Revenue vs Gross Margins Comparison



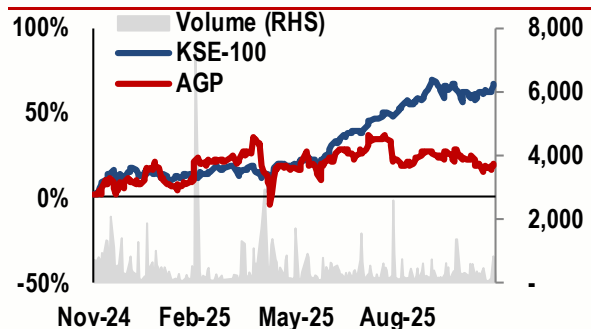
Source: Company Accounts & TSL Research

Contribution from Top Brands



Source: Company Briefing & TSL Research

12 Month Relative Performance of AGP



Source: PSX and TSL Research

Pharmaceutical

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
150	103	46%	0%	46%

Investment Thesis

- SEARL is entering a strong growth phase driven by portfolio expansion, improved financial health and rising demand. With 80% of its portfolio consisting of non-essential medicines, the deregulation has already boosted margins to 49% in FY25, which we expect to reach 55% by FY26. The portfolio mainly comprises of chronic drugs— where demand remains inelastic— providing stable revenue growth and supporting profitability, going forward.
- SEARL is strengthening its presence in biosimilar segment through key launches, including approval of Denosumab injections, provides a first-mover advantage in osteoporosis and oncology-related bone care, the launch of generic Semaglutide, targeting the country's large diabetes & obesity market and Adalimumab, Pakistan's first locally manufactured biosimilar for autoimmune conditions.
- It is the first Pakistani pharma firm registered in the UAE, & has recently launched Ostegem OD and M-Folate OD in Canada, entering the fast growing folate supplement market and paving the way for future product expansion. With lower finance costs and 200+ products & new launches in line, SEARL is well positioned for sustained growth and long-term value creation. It is targeting 40% growth in value by FY26 and PKR 3-4Bn in exports by FY30.

Key Risks to Investment

- i) Fluctuations in API prices; ii) Drop in exports; iii) Regulatory changes; iv) Supply chain issues; and v) Smuggling.

Consolidated	PKR				
Key Metrics	FY23A	FY24A	FY25A	FY26E	FY27F
EPS	0.8	(5.0)	(2.4)	6.7	8.3
DPS	0.0	0.0	0.0	0.0	1.0
Gross Margin (%)	44%	47%	49%	55%	55%
Net Margin (%)	2%	-8%	-5%	11%	12%
ROE (%)	1%	-7%	-4%	11%	12%
ROA (%)	1%	-4%	-3%	7%	8%
Dividend Yield (%)	0%	0%	0%	0%	1%
P/E (x)	49.1	NA	NA	15.5	12.4
P/B (x)	0.5	0.8	1.8	1.4	1.3

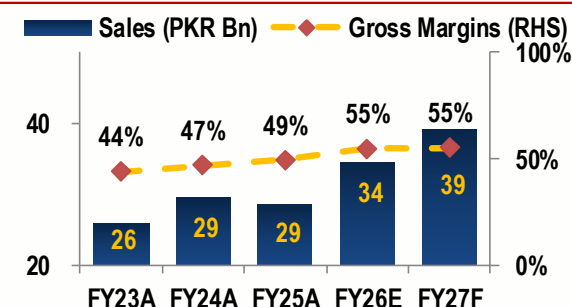
Source: Company Accounts & TSL Research

SEARL PA

Stock Price	103
Outstanding Shares (Mn)	588
Market Cap (PKR Bn)	61
Free Float	43%
3M Avg. Daily Value (PKR Mn)	775
3M Avg. Daily Volume ('000)	6,898
3M High	125
3M Low	98
Valuation Method	DCF

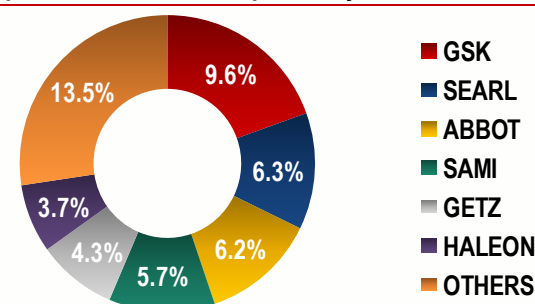
Source: PSX & TSL Research

Revenue vs Gross Margins Comparison



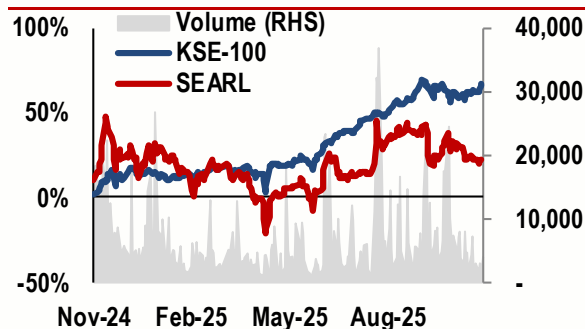
Source: Company Accounts & TSL Research

Top Pharmaceutical Companies by Volume



Source: Company Briefing & TSL Research

12 Month Relative Performance of SEARL



Source: PSX and TSL Research

Textile Composite

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
100	78	28%	1%	29%

Investment Thesis

- ILP is expanding its key growth drivers to meet rising global demand. Its 6th hosiery plant is now fully operational, increasing the annual production capacity to 90Mn dozens (1,080Mn pairs), with margins improving and expected to stabilize at 30% in FY26 following the global slowdown in the previous year.
- Apparel plant is fully operational and is expected to be completed by the end of FY26— doubling its production capacity to ~70Mn pieces along with Denim capacity expanding from 10Mn to 18Mn units by 1HFY26, to meet rising demand. Further, solar capacity to reach 25MW by FY26, boosting efficiency and profitability.
- We expect revenue to grow at a CAGR of 28%, going forward.
- In addition, ILP is also setting up a hosiery manufacturing hub in Egypt, with commissioning targeted for 1QFY27, to strengthen its export network. By leveraging Egypt's duty-free access to the US market, ILP can efficiently serve its key customers while avoiding the 19% tariffs imposed on imports from Pakistan. Further, ILP is expanding into the EU and the high-growth GCC & Japanese markets, which offer lower political and trade risks— positioning ILP for stronger profitability and sustainable growth, going forward.
- ILP is currently trading at a forward P/E of 14.2x.

Key Risks to Investment

- i) High energy costs; ii) PKR appreciation; iii) Global slowdown; iv) Supply chain disruption; and v) Higher taxes.

Standalone	PKR				
Key Metrics	FY23A	FY24A	FY25A	FY26E	FY27F
EPS	14.4	11.3	3.8	5.5	7.8
DPS	5.0	4.5	1.0	1.0	2.0
Gross Margin (%)	33%	28%	20%	21%	22%
Net Margin (%)	17%	10%	3%	4%	5%
ROE (%)	46%	29%	10%	13%	16%
ROA (%)	16%	10%	3%	4%	5%
Dividend Yield (%)	14%	6%	2%	1%	3%
P/E (x)	2.5	6.3	16.9	14.2	10.0
P/B (x)	1.1	1.9	1.6	1.8	1.6

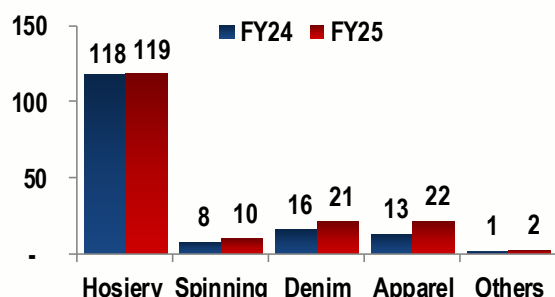
Source: Company Accounts & TSL Research

ILP PA

Stock Price	78
Outstanding Shares (Mn)	1,402
Market Cap (PKR Bn)	109
Free Float	20%
3M Avg. Daily Value (PKR Mn)	65
3M Avg. Daily Volume ('000)	844
3M High	88
3M Low	67
Valuation Method	DCF

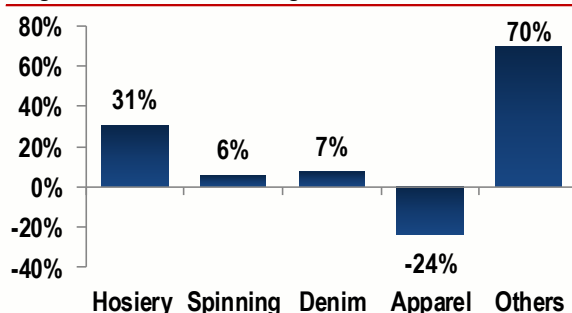
Source: PSX & TSL Research

Segment-wise Contribution to Revenue (PKR Bn)



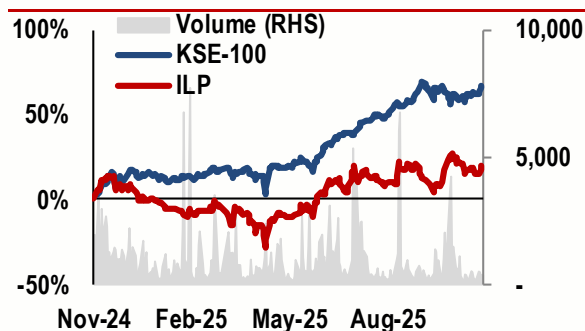
Source: Company Accounts & TSL Research

Segment-wise Gross Margins FY25



Source: Company Accounts & TSL Research

12 Month Relative Performance of ILP



Source: PSX and TSL Research

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
123	82	50%	4%	54%

Investment Thesis

- MUGHAL is the leading steel producer in Pakistan, with a diverse range of products in both ferrous and non-ferrous categories. The Company's strong presence in the non-ferrous segment yields higher margins and dollarized revenues. MUGHAL's management expects robust long-steel sector growth of ~10-12% during FY26 and FY27, supporting a surge in Girder sales due to its demand in the rural areas—total market size of 1.8-2.0Mn tons (documented players cover ~40% of the market).
- Moreover, Hydro test of coal captive plant of Mughal Energy Limited has been successfully achieved and operations are to commence by the end of 1HFY26—reducing overall energy cost of MUGHAL to ~PKR 20-22/unit. Further, BMR of the bar mill is also in progress (expected to come online by 2HFY26—CAPEX of PKR 2-3Bn) which will convert the bar mill into a multi-purpose mill; expected to reduce overall processing cost of raw material.
- The Company intends to focus fully on the Ferrous segment (subdued outlook for Non-ferrous during FY26) as these products offer ~100% value addition—costing ~USD 350-400/ton with a finished product price of ~USD 800/ton, supporting the overall improvement in its margins, going forward.

Key Risks to Investment

- i) Demand pressures; ii) High debt burden; iii) Slowdown in China; iv) Increase in import of finished goods; & v) Drop in margins.

Standalone	PKR				
Key Metrics	FY23A	FY24A	FY25A	FY26E	FY27F
EPS	10.4	6.0	2.6	10.6	16.3
DPS	3.2	0.0	0.0	3.0	5.0
Gross Margin (%)	14%	8%	9%	11%	12%
Net Margin (%)	5%	2%	1%	4%	6%
ROE (%)	15%	8%	3%	12%	17%
ROA (%)	6%	3%	1%	6%	9%
Dividend Yield (%)	7%	0%	0%	4%	6%
P/E (x)	4.7	15.6	28.0	7.7	5.0
P/B (x)	0.6	1.2	0.9	0.9	0.8

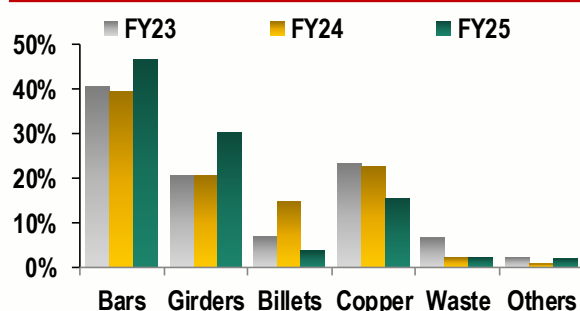
Source: Company Accounts & TSL Research

MUGHAL PA

Stock Price	82
Outstanding Shares (Mn)	336
Market Cap (PKR Bn)	27
Free Float	25%
3M Avg. Daily Value (PKR Mn)	226
3M Avg. Daily Volume ('000)	2,788
3M High	94
3M Low	63
Valuation Method	DCF

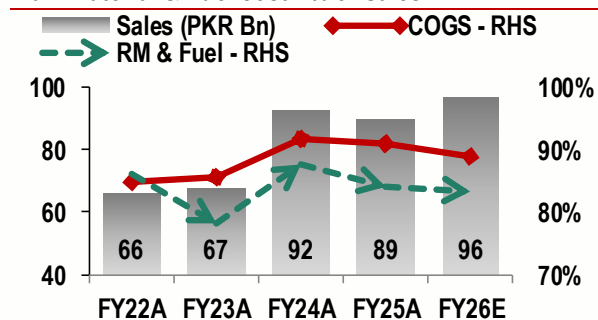
Source: PSX & TSL Research

Sales Mix (%)



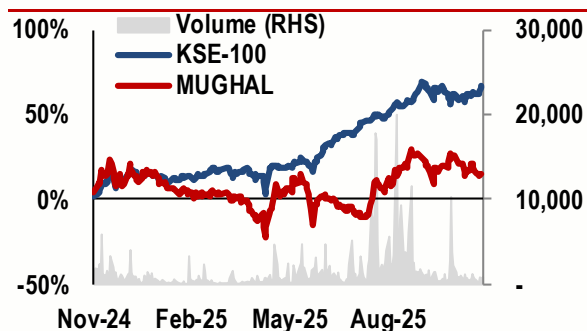
Source: Company Accounts & TSL Research

Raw Material & Fuel cost - % of Sales



Source: Company Accounts & TSL Research

12 Month Relative Performance of MUGHAL



Source: PSX and TSL Research

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
138	92	50%	4%	54%

Investment Thesis

- With regards to the favorable budgetary measures and the imposition of Anti-dumping duty (40.47%) on Galvalume steel (importers obtained stay order, allowed them to avoid paying these duties or submitting bank guarantees), the Company expects its market share to increase (23% in FY25) during FY26 on the back of lower influx of imports, lower duties on HRC (2.5% Vs. 10% on CRC) along with likely surge in demand from the construction sector (Galvanized steel as a major raw material—covers 60% share of overall flat steel products).
- Further, gradual withdrawal of sales tax exemptions in the FATA/PATA will also help reduce the overall imports (currently covering ~61% of the total domestic market for flat steel), supporting the documented players (ISL in this case) leading to an increase in volumetric sales along with improvement in the overall margins.
- On the export front, ISL has secured certifications and met compliance standards, enabling it to tap new markets i.e. Europe, Malaysia, Indonesia and Saudi Arabia. With higher US tariffs on China and India, the Company is well positioned to increase its exports as it has far superior products than the Chinese and Indian products.

Key Risks to Investment

- i) Lower HRC-CRC spreads ; ii) Higher input and energy costs; iii) Muted demand from construction, auto and appliances sectors; iv) Drop in exports; and v) Malpractices by undocumented players.

Standalone	PKR				
Key Metrics	FY23A	FY24A	FY25A	FY26E	FY27F
EPS	8.1	8.4	3.6	7.3	11.7
DPS	5.5	5.5	2.5	3.5	6.0
Gross Margin (%)	14%	12%	9%	11%	14%
Net Margin (%)	5%	5%	3%	4%	6%
ROE (%)	16%	16%	6%	12%	18%
ROA (%)	7%	8%	3%	6%	8%
Dividend Yield (%)	14%	7%	3%	4%	7%
P/E (x)	5.0	10.1	25.9	12.6	7.9
P/B (x)	0.8	1.6	1.6	1.5	1.3

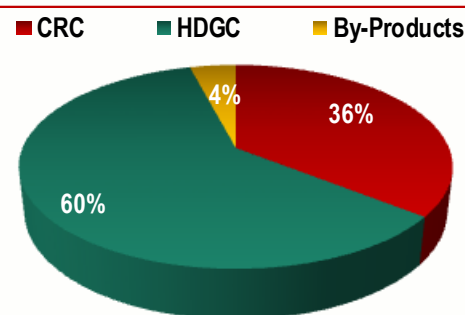
Source: Company Accounts & TSL Research

ISL PA

Stock Price	92
Outstanding Shares (Mn)	435
Market Cap (PKR Bn)	40
Free Float	35%
3M Avg. Daily Value (PKR Mn)	54
3M Avg. Daily Volume ('000)	498
3M High	135
3M Low	83
Valuation Method	DCF

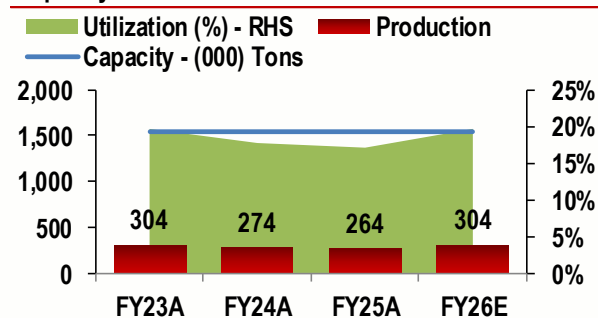
Source: PSX & TSL Research

Segment-wise sales mix % - FY25



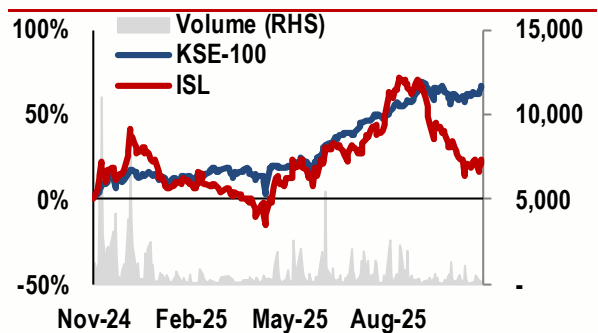
Source: Company Accounts & TSL Research

Capacity Utilization



Source: Company Accounts & TSL Research

12 Month Relative Performance of ISL



Source: PSX and TSL Research

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
12	8	50%	0%	50%

Investment Thesis

- For the first time in Pakistan, CENERGY is the only Company which imported WTI crude from the US—two cargoes of 130K tons shipped during Oct'25 and Nov'25, another cargo to arrive in Jan'26. This initiative aims to reduce the crude cost—minimize fuel oil production (WTI trades at ~USD 6.5/bbl. discount to Arab light) and off-set the higher freight cost from US through the use of single point mooring unit; likely to increase GRMs during FY26.
- Despite multiple challenges CENERGY's OMC business recorded a significant 34%YoY growth in sales in FY25. The management expects the same momentum to continue during FY26 as well. To note, CENERGY's OMC business has over 470 retail stations across Pakistan. Further, CENERGY also operates the largest Isomerization Unit in Pakistan, enabling it to convert Naptha into MS.
- In a recent development, the Company has filed a petition in the Sindh High Court for de-merger of its six businesses, aiming to facilitate investments and partnerships—converting them into subsidiaries of CENERGY. Further, a settlement of Petroleum Development Levy (PDL) has been approved by the ECC and is expected to be signed soon—SIFC is committed to facilitate this settlement.

Key Risks to Investment

- i) Lower GRMs; ii) Lower throughputs; iii) Increase in smuggling and imports of refined products; iv) Surplus FO production; v) Sales tax anomalies; and vi) Delay in upgradation project.

Standalone	PKR				
Key Metrics	FY23A	FY24A	FY25A	FY26E	FY27F
EPS	-2.3	0.2	-0.5	0.2	0.3
DPS	-	-	-	-	-
Gross Margin (%)	-5%	5%	2%	2%	3%
Net Margin (%)	-7%	0%	-1%	0%	1%
ROE (%)	-12%	1%	-1%	0%	1%
ROA (%)	-5%	0%	-1%	0%	0%
Dividend Yield (%)	-	-	-	-	-
P/E (x)	NA	21.4	NA	51.5	26.2
P/B (x)	0.1	0.1	0.2	0.2	0.2

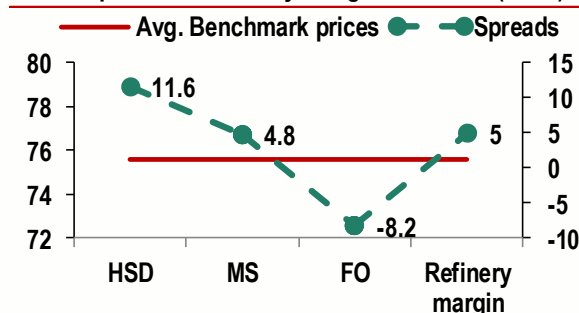
Source: Company Accounts & TSL Research

CENERGY PA

Stock Price	8
Outstanding Shares (Mn)	5,493
Market Cap (PKR Bn)	41
Free Float	25%
3M Avg. Daily Value (PKR Mn)	256
3M Avg. Daily Volume ('000)	33,165
3M High	9
3M Low	7
Valuation Method	DCF

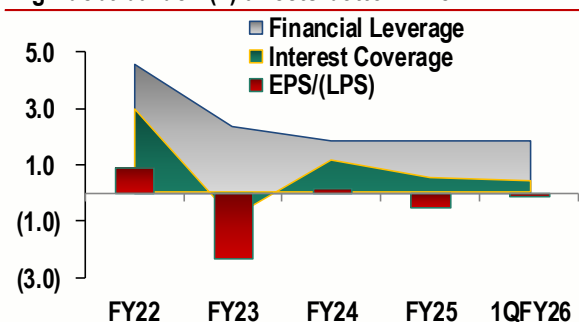
Source: PSX & TSL Research

Crack Spreads & Refinery Margin - USD/bbl (FY25)



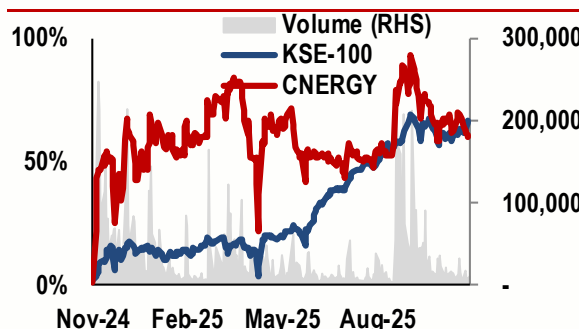
Source: Company Briefing/Accounts & TSL Research

High debt burden (x) affects bottom-line



Source: Company Accounts & TSL Research

12 Month Relative Performance of CENERGY



Source: PSX and TSL Research

Cable & Electrical Goods

Dec'26 Target Price	Closing Price	Upside (%)	Dividend Yield (%)	Total Return (%)
80	53	51%	5%	56%

Investment Thesis

- Pak Elektron Limited (PAEL) is a market leader in Pakistan's power and home appliance sectors. It holds a dominant 90% market share in Power Transformers, 21% in Distribution Transformers, 70% in Switchgears, and 25% in Energy Meters. The Home Appliances division also holds a significant share of 15% in Deep Freezers, 8% in Air Conditioners, and 19% in LED TVs, respectively.
- PAEL has demonstrated consistent and growing profit margins.
- Its Power Division is poised for volumetric growth driven by the recent commencement of transformer exports to the United States based utilities and companies, which offer a significant new growth avenue with gross margins up to 40%. This is complemented by strategic partnerships with global brands like Electrolux and Panasonic, which are expected to strengthen its Home Appliances portfolio and the domestic market presence.
- PAEL is expected to be a key beneficiary of the domestic economic recovery and potential Government-sponsored infrastructure projects, which are expected to boost demand for its power division products. PAEL has sufficient production capacity to fulfill new export contracts and capitalize on international partnerships also.

Key Risks to Investment

- i) Raw material costs and competition denting margins; ii) Slow recovery in utilization levels; iii) Loss of market share to competitors; iv) Tariffs affecting exports; and v) Surge in finance costs.

Standalone	PKR				
Key Metrics	CY22A	CY23A	CY24A	CY25E	CY26F
EPS	1.3	1.5	2.7	5.6	10.0
DPS	0.0	0.0	0.0	1.1	2.5
Gross Margin (%)	20%	29%	27%	26%	31%
Net Margin (%)	2%	3%	4%	8%	9%
ROE (%)	3%	3%	5%	11%	17%
ROA (%)	2%	2%	3%	6%	9%
Dividend Yield (%)	0%	0%	0%	2%	5%
P/E (x)	9.5	15.1	16.1	9.4	5.3
P/B (x)	0.2	0.5	0.9	1.0	0.9

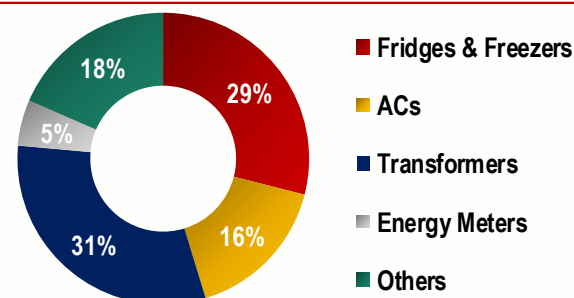
Source: Company Accounts & TSL Research

PAEL PA

Stock Price	53
Outstanding Shares (Mn)	924
Market Cap (PKR Bn)	49
Free Float	55%
3M Avg. Daily Value (PKR Mn)	1,115
3M Avg. Daily Volume ('000)	20,749
3M High	62
3M Low	41
Valuation Method	DCF

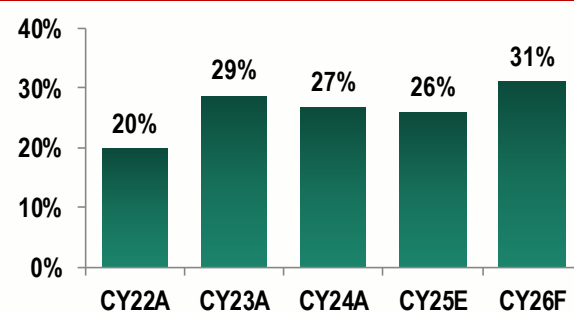
Source: PSX & TSL Research

CY26 Expected Product-wise Revenue Mix



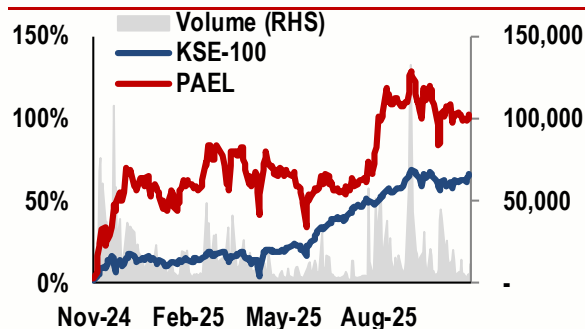
Source: Company Presentation & TSL Research

PAEL's Gross Margins (%)



Source: Company Accounts & TSL Research

12 Month Relative Performance of PAEL



Source: PSX and TSL Research



REP - 040

Alpha plays

PIBTL, BBFL, TOMCL, INIL, GCIL, CPHL and PTC.

About the Company and financial highlights

- Pakistan International Bulk Terminal Limited (PIBTL) operates the country's first and only specialized, mechanized terminal for handling dirty bulk cargo at Port Qasim. It is controlled by the Marine Group of Companies, one of Pakistan's largest and most diversified cargo handling operators. This terminal was developed with an investment of over USD 300Mn, financed primarily through FDI from the International Finance Corporation of the World Bank as well as OPEC. PIBTL has a capacity of handling 12Mn MT of coal and 4Mn MT of clinker/cement, respectively.
- During 1QFY26, PIBTL handled 1.9Mn MT of coal imports, up 58%YoY. It recorded a topline of PKR 3.9Bn (up 72%YoY) and a gross margin of 32% compared to 16% in the SPLY. PIBTL recorded a net profit of PKR 616Mn and an EPS of PKR 0.35/sh. compared to a net loss of PKR 297Mn and PKR 0.17/sh. in the SPLY.

Key triggers going forward

- PIBTL is also the Country's sole handler of seaborne coal after the Supreme Court's ban on coal handling at KPT. Locally found Lignite coal is not a substitute for imported Bituminous coal because of its chemical properties. Approximately 70% of all coal used by cement players on average is imported/PIBTL-handled coal. The correlations between Pakistan's import of coal, the consumption of coal by the cement sector and cement dispatches are 91%, 79%, and 79%, respectively. Cement and coal power plants dependent upon Bituminous coal constitute 80% of PIBTL's coal-handling.
- Moreover, in FY25 PIBTL successfully repaid 83% of its USD denominated debt and will have paid 78% of its local debt in FY26. This will unlock stability in PIBTL's earnings that have historically been hurt by exchange losses and high finance costs.
- During 4MFY26, North and South-based domestic cement dispatches increased by 18%YoY and 16%YoY, while exports were up by 14%YoY and 4%YoY, respectively over the SPLY.
- Going forward, rebound in cement demand and demand for seaborne coal due to the closure of the Afghan border are likely to bode well for PIBTL volumes. Further, PIBTL has also been selected as the initial export terminal for the Reko Diq project. To note, it has been cleared by the Government to handle Gold and Copper exports, to be initiated FY28 onwards.

PIBTL PA

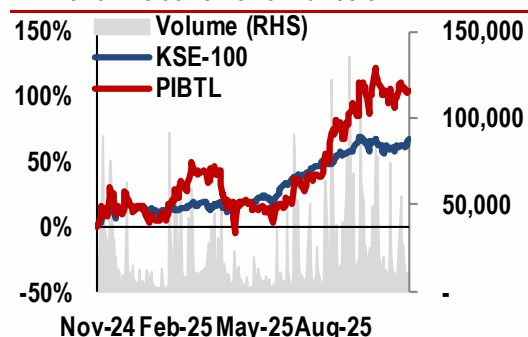
Stock Price	15
Outstanding Shares (Mn)	1,786
Market Cap. (PKR Bn)	27
Free-Float (%)	40%
3M Avg. Daily Value (PKR Mn)	429
3M Avg. Daily Volume ('000)	31,200
3M High	17
3M Low	10

Source: PSX & TSL Research

Key Metrics	FY24A	FY25A	1QFY26
EPS	0.9	(0.1)	0.4
DPS	-	-	-
GM (%)	33%	21%	32%
NM (%)	12%	-3%	16%
ROE (%)	9%	-2%	4%
ROA (%)	5%	-1%	2%
Div. Yield (%)	-	-	-
P/E (x)	7.0	NA	34.4
P/B (x)	0.6	1.0	1.5

Source: Company Accounts & TSL Research

12 Month Relative Performance of PIBTL



Source: PSX and TSL Research



About the Company and financial highlights

- TOMCL is one of the largest Halal meat processors and exporters in Pakistan. It holds the largest international market coverage. At present, it has five operational processing facilities in Karachi which include: a slaughterhouse, a fattening farm, offal processing facilities, a pet chews processing facility, and cooking and heat treatment facilities. TOMCL's product categories include fresh chilled meat, frozen meat, vacuum packed meat, M.A.P. vacuum packed chilled meat, heat treated/cooked meat, private labelling fresh/frozen meat and salted white offal, fresh and frozen red offal, and dehydrated/baked natural pet chews.
- During 1QFY26, TOMCL recorded a topline of PKR 3.4Bn (up 2% YoY) and a gross margin of 11% compared to 12% in the SPY. Moreover, net profit clocked-in at PKR 180Mn, resulting in an EPS of PKR 1.01/sh., up 6%YoY.

Key triggers going forward

- TOMCL continues to expand into different international markets while diversifying its product portfolio. It currently exports to 13 countries and the CIS region. It has also balanced its export and domestic sales portfolios.
- During FY25, TOMCL acquired an offals and sheep casing company in Karachi Export Processing Zone (KEPZ) in order to process edible offals and dehydrated pet-chews and export them to the Middle East, Europe, China, Central and East Asian countries. The Management expects the positive impact of the acquisition to reflect in the financial results of FY26 onwards. Operations at the plant commenced on October 1, 2025 and the Management aims to unlock export revenue streams through an under-exploited and growing segment of the halal meat supply-chain.
- Elsewhere, as of 1QFY26 TOMCL has entered into a USD 8.1Mn export contract with Gold Crest Trading FZE, UAE for the export of frozen boneless beef. Its revenue will be fully realized in FY26. TOMCL also secured export orders worth USD 7.5Mn for halal cooked/heat-treated frozen boneless beef from China for FY26.
- Further, TOMCL has also qualified for direct exports to the UAE based operations of Carrefour Majid Al-Futtaim Hyper Market LLC as well as Carrefour in Qatar (first shipment sent already).

TOMCL PA

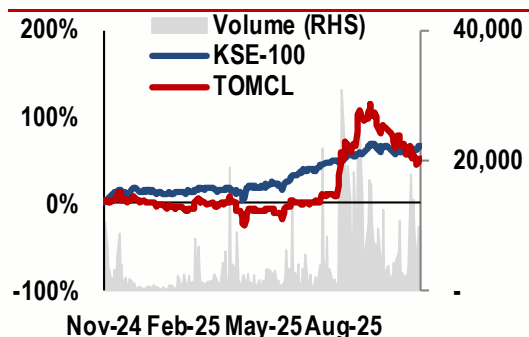
Stock Price	52
Outstanding Shares (Mn)	196
Market Cap. (PKR Bn)	10
Free-Float (%)	50%
3M Avg. Daily Value (PKR Mn)	537
3M Avg. Daily Volume ('000)	8,488
3M High	76
3M Low	34

Source: PSX & TSL Research

Key Metrics	FY24A	FY25A	1QFY26
EPS	3.4	2.8	1.0
DPS	-	-	-
GM (%)	13%	9%	11%
NM (%)	4%	3%	5%
ROE (%)	10%	7%	3%
ROA (%)	8%	6%	3%
Div. Yield (%)	-	-	-
P/E (x)	6.0	13.0	20.0
P/B (x)	1.7	0.9	2.2

Source: Company Accounts & TSL Research

12 Month Relative Performance of TOMCL



Source: PSX and TSL Research

About the Company and financial highlights

- Big Bird Foods Limited (BBFL) has been a player in Pakistan's poultry industry for over 40 years. The Group has six companies. Its principal activities are poultry farming, poultry processing, and supplying finished and semi-finished poultry products. It has an annual capacity of processing 38.4Mn birds.
- BBFL has its own feed mill which has a capacity of 50,000kg/hour. It also has farms, hatcheries and a distribution network all over Pakistan. The Company's directors are leaders in the fields of animal nutrition and veterinary medicine and members of the industry's professional associations, thus reflecting the Management's solid technical expertise – critical for long-term growth.
- During 1QFY26, BBFL recorded a topline of PKR 3.9Bn (up 74% YoY) and a gross margin of 21% as compared to 22% in the SPPLY. Wherein, BBFL recorded a net profit of PKR 332Mn (up 24%YoY) and an EPS of PKR 1.11/sh., respectively.

Key triggers going forward

- BBFL's idle capacity of 81% presents an expansion opportunity without any capital expenditure, requiring only working capital. BBFL is planning on increasing its capacity utilization to reach a sales target of PKR 50Bn (FY25: PKR 11Bn).
- During 2QFY25, BBFL completed a new production line in the ethnic food segment which is expected to drive revenue growth by more than PKR 500Mn.
- Additionally, BBFL is consistently negotiating with the leading retail businesses in Pakistan, and with the global food chains operating in Pakistan and abroad as well as the respective governing bodies in order to expand its export reach.
- We expect growth in sales as demand from its customer-base increases with lower inflation and increased consumer spending. ~ 40% of BBFL's clientele comprises of large corporates which are household names in Pakistan while the remainder are retail food outlets including several popular fast-food chains.
- Finally, BBFL is the only producer of air chilled poultry meat in Pakistan and is therefore recognized as the highest quality producer in the market. Air chilled meat is also globally recognized as being a high-end product, earning premium prices.

BBFL PA

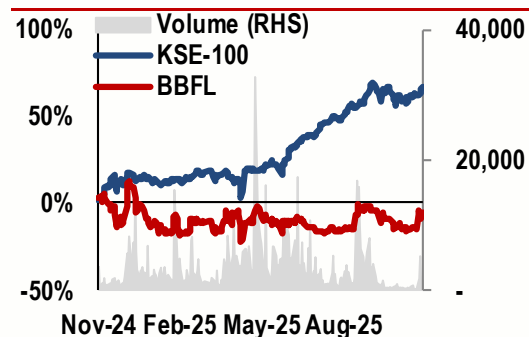
Stock Price	54
Outstanding Shares (Mn)	299
Market Cap. (PKR Bn)	16
Free-Float (%)	35%
3M Avg. Daily Value (PKR Mn)	133
3M Avg. Daily Volume ('000)	2,557
3M High	57
3M Low	46

Source: PSX & TSL Research

Key Metrics	FY24A	FY25A	1QFY26
EPS	2.8	3.9	1.1
DPS	-	-	-
GM (%)	22%	21%	21%
NM (%)	12%	10%	9%
ROE (%)	16%	15%	4%
ROA (%)	8%	9%	2%
Div. Yield (%)	-	-	-
P/E (x)	18.7	12.9	13.2
P/B (x)	2.9	1.9	2.0

Source: Company Accounts & TSL Research

12 Month Relative Performance of BBFL



Source: PSX and TSL Research

About the Company and financial highlights

- INIL is the premier manufacturer of Tubes and Pipes. It is a market leader in the Pipe industry of Pakistan, and is also considered one of the leading pipe exporters in the global market. The Company has a global footprint that includes exports to 60 countries.
- 1QFY26 EPS clocked-in at PKR 4.5/sh. with ~13% gross margin. Wherein net sales were up significantly by 38%YoY in 1QFY26 due to increase in the sales volume along with surge in construction demand during the period. Finance cost also declined drastically i.e. 38%YoY in 1QFY26 due to lower interest rates. Finally, 1QFY26 PAT arrived at PKR 597Mn as compared to PKR 454Mn during the SPLY, up 31%YoY mainly due to higher dividend income from the subsidiary (ISL) and better operating performance.

Key triggers going forward

- In FY25, INIL established IIL Trading Pvt. Ltd and INIL Europe Ltd as the new subsidiaries of the Company which act as a business development hub for overseas industrial brands in Pakistan i.e. specifically Europe and US markets. Globally, Sri Lanka has been the biggest market for INIL so far.
- Elsewhere, Chinoy Engineering (INIL's 34% shareholding) has begun activity for constructing accommodation camps in relation to the Reko Diq project. Wherein, INIL aims to provide corporate guarantees to help the Company secure financing and meet its contractual obligations for the Reko Diq project.
- Additionally, the favorable budgetary measures i.e. over PKR 4.2Trn in National PSDP and phase-out of sales tax exemptions in FATA/PATA; 10% sales tax in FY26 (gradually increasing to 18% by FY29) will increase demand for INIL's products. This benefit was already reflected in 1QFY26 results, as the Company posted double-digit growth in sales volumes across major product lines.
- INIL has also established a new Engineering Solutions business division in FY25, which will provide services for construction, renewable energy, and agriculture solutions. Further, INIL has also introduced value-added coated steel structural solutions tailored for the solar power industry, securing projects worth PKR 353Mn from leading industry players. This segment is poised for steady growth in the coming years.

INIL PA

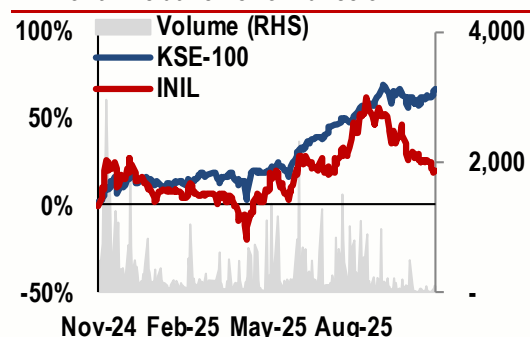
Stock Price	180
Outstanding Shares (Mn)	132
Market Cap. (PKR Bn)	24
Free-Float (%)	45%
3M Avg. Daily Value (PKR Mn)	47
3M Avg. Daily Volume ('000)	226
3M High	249
3M Low	176

Source: PSX & TSL Research

Key Metrics	FY24A	FY25A	1QFY26A
EPS	11.2	8.4	4.5
DPS	5.5	4.0	-
GM (%)	13%	13%	13%
NM (%)	5%	4%	8%
ROE (%)	8%	6%	3%
ROA (%)	5%	4%	2%
Div. Yield (%)	3%	2%	-
P/E (x)	17.5	21.1	19.1
P/B (x)	1.4	1.2	1.2

Source: Company Accounts & TSL Research

12 Month Relative Performance of INIL



Source: PSX and TSL Research

About the Company and financial highlights

- GCIL was incorporated in 2015 and became listed in 2017. It is a subsidiary of Ghani Global Holdings Limited (GGL) and is principally engaged in the sale of industrial & medical gases like oxygen, nitrogen and argon in both liquid & compressed forms. It also produces dissolved acetylene and gas mixtures. The Company has manufacturing plants in multiple cities i.e. Kasur (Punjab), Port Qasim (Karachi) and Hattar (KPK), respectively.
- In 1QFY26, GCIL reported net sales of PKR 1.8Bn—up 6%YoY, driven by strong growth in healthcare gases. The Company's gross profit margin stood at 49% in 1QFY26 reflecting enhanced operational efficiencies across its core manufacturing facilities.

Key triggers going forward

- GCIL completed the demerger of its Calcium Carbide Project into Ghani Chemworld Limited and commissioned its fifth and largest 275 TPD ASU plant at Hattar SEZ in Apr'25.
- As Pakistan's largest and most cost-efficient medical and industrial gases facility, the plant is expected to drive a significant boost in profitability, supported by its tax-exempt status and energy-efficient operations, going forward.
- In addition, GCIL is also expanding into the LPG sector with a 450 MT Storage & Filling Plant at Phool Nagar through its subsidiary Ghani Gases (Pvt.) Ltd. This is pending necessary approvals.
- Further, the Company has also signed an MoU for a GHG-reduction project in Sindh to capture and process cold-vent and flue gases, enabling production of food-grade liquid CO₂, with a formal agreement expected soon.
- Finally, in a recent announcement to the Bourse, GCIL's Board approved a JV with Mari Energies Limited to form a Project Company (GCIL 49%, MEL 51%) for capturing and processing cold-vent and exhaust gases from the Sachal Gas Processing Complex.
- The PKR 14Bn, supplier-credit-funded project will be Pakistan's first to produce 80,000 TPA LNG and 55,000 TPA industrial and food-grade CO₂, targeting ~PKR 17Bn in annual revenue. Commissioning is planned by end-next year, with GCIL's CEO appointed as the JV's first CEO also.

GCIL PA

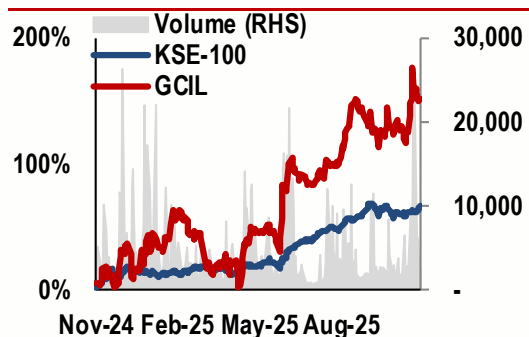
Stock Price	35
Outstanding Shares (Mn)	570
Market Cap. (PKR Bn)	20
Free-Float (%)	40%
3M Avg. Daily Value (PKR Mn)	131
3M Avg. Daily Volume ('000)	4,198
3M High	40
3M Low	24

Source: PSX & TSL Research

Key Metrics	FY24A	FY25A	1QFY26A
EPS	1.6	3.9	0.9
DPS	-	0.6	-
GM (%)	30%	46%	49%
NM (%)	14%	27%	29%
ROE (%)	8%	22%	5%
ROA (%)	5%	12%	3%
Div. Yield (%)	0%	2%	0%
P/E (x)	7.0	6.3	8.3
P/B (x)	0.6	1.4	2.1

Source: Company Accounts & TSL Research

12 Month Relative Performance of GCIL



Source: PSX and TSL Research

About the Company and financial highlights

- › Listed in 2021, CPHL is engaged in the manufacturing and sale of pharmaceuticals, medical chemicals and botanical products. It is the largest API manufacturer of Pakistan. CPHL is positioning itself for significant growth by expanding into the higher-margin formulation business, which will improve profitability and provide a competitive edge, going forward.
- › In 1QFY26 sales rose 5%YoY to PKR 3.4Bn driven by higher volumetric sales amid seasonal effect. Gross margins increased 2ppts mainly due to better efficiency and effective cost control. Finance costs surged 88%YoY amid expansion related working capital requirement leading to higher leverage. Hence, PAT remained flat at PKR 204Mn with an EPS of PKR 0.89/sh.

Key triggers going forward

- › CPHL is actively pursuing expansion and diversification to strengthen its market position and achieve its 2030 vision of becoming a leading pharmaceutical player. The Company's joint ventures with Hangzhou Newsea Technology and Murli Krishna Pharma Pvt. Ltd. are expected to enhance local API production, reduce import dependence, and meet rising domestic demand. The Murli Krishna partnership alone is expected to generate PKR 2.8Bn annually through import substitution and cost efficiencies.
- › Moreover, its wholly-owned subsidiary, Citi Veterinary Limited, has begun trading with 32 veterinary products, expecting PKR 1.5Bn in revenue for FY26 and is targeting sales of PKR 10Bn within three years. The subsidiary also plans to establish Pakistan's first dedicated veterinary API plant by FY27, expected to lift margins to 25% and further diversify CPHL's portfolio.
- › Further, expansion into the MENA region will enhance Citi Pharma's global presence and boost exports by tapping high-demand markets.
- › Additionally, it is establishing new formulation and biologics plants, forming Citi REIT Management Company to diversify into real estate, and initiating direct-to-consumer sales to enhance market reach, expand capacity, and ensure long-term sustainable growth. Lastly, the Company is boosting production capacity for penicillin also.

CPHL PA

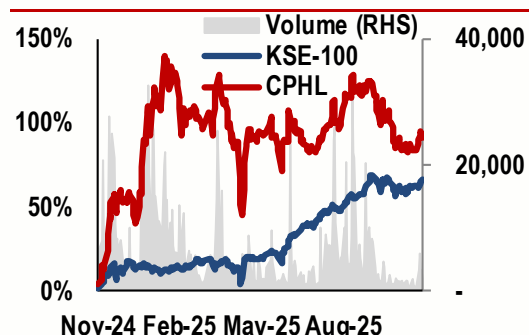
Stock Price	85
Outstanding Shares (Mn)	228
Market Cap. (PKR Bn)	19
Free-Float (%)	50%
3M Avg. Daily Value (PKR Mn)	467
3M Avg. Daily Volume ('000)	4,873
3M High	104
3M Low	81

Source: PSX & TSL Research

Key Metrics	FY24A	FY25A	1QFY26
EPS	3.6	3.9	0.9
DPS	2.5	3.5	0.0
GM (%)	13%	15%	15%
NM (%)	7%	7%	6%
ROE (%)	15%	8%	2%
ROA (%)	7%	6%	1%
Div. Yield (%)	9%	4%	0%
P/E (x)	7.8	21.5	20.9
P/B (x)	1.2	1.8	2.1

Source: Company Accounts & TSL Research

12 Month Relative Performance of CPHL



Source: PSX and TSL Research

About the Company and financial highlights

- PTC owns and operates telecommunication facilities and provides domestic and international telephone services and other communication facilities throughout Pakistan. The group comprises of Ufone, Ubank, DVCOM and Smart Sky Pvt Ltd. PTC solely holds 14% market share in the local telecom industry.
- 9MCY25 group revenue clocked-in at PKR 188Bn as compared to PKR 163Bn, up 15%YoY, attributable to exceptional growth of 56% in Flash Fiber (FTTH), offering no.1 FTTH service in Pakistan crossing 750K subscribers (up 30%YoY). Other products like business solutions, Ufone and Ubank, respectively were also key contributors. Gross margin was up significantly i.e. 10ppts driven by strong growth in flash fiber business. However, the Company booked a LAT of PKR 11Bn, showing improvement of 27%YoY primarily due to one-off adjustments, including recording of additional pension liability as ordered by the Honorable Supreme Court of Pakistan. Hence, LPS arrived at PKR 2.19/sh.

PTC PA

Stock Price	40
Outstanding Shares (Mn)	3,774
Market Cap. (PKR Bn)	149
Free-Float (%)	16%
3M Avg. Daily Value (PKR Mn)	989
3M Avg. Daily Volume ('000)	29,117
3M High	43
3M Low	22

Source: PSX & TSL Research

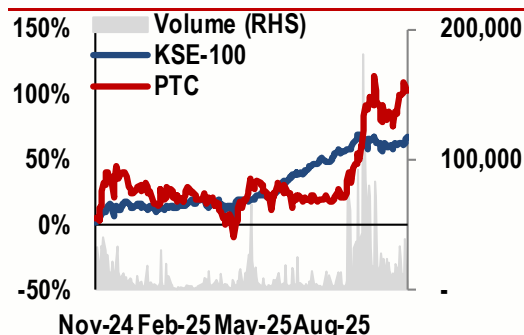
Key Metrics	CY23A	CY24A	9MCY25
EPS	(3.3)	(2.8)	(2.2)
DPS	0.0	0.0	0.0
GM (%)	23%	26%	33%
NM (%)	-9%	-7%	-6%
ROE (%)	-29%	-40%	-27%
ROA (%)	-3%	-2%	-2%
Div. Yield (%)	0%	0%	0%
P/E (x)	NA	NA	NA
P/B (x)	0.8	2.8	2.6

Source: Company Accounts & TSL Research

Key triggers going forward

- The Competition Commission of Pakistan's (CCP) approval of PTC's acquisition of Telenor Pakistan marks a major milestone in the telecom sector, reshaping the market from four to three major operators. Accordingly, with Telenor's 43Mn subscribers and a 22% market share combined with Ufone's 14%, PTC's overall market share will rise to ~36%, positioning it closer to the market leader Jazz (37%). To highlight, Telenor is the third largest cellular network in Pakistan. Therefore, this merger will strengthen PTC's dominance in the market offering synergies, operational efficiencies and greater influence in upstream markets like spectrum, infrastructure and IP bandwidth.
- Furthermore, the upcoming 5G auction, offers significant growth potential as PTC can leverage its expected larger customer base to monetize high speed data, IoT and enterprise solutions. It can also earn from wholesale bandwidth and infrastructure sharing, boosting revenue and market share.
- Ufone, recorded a 25%YoY growth in revenue with 14% increase in 4G subscription. While PTC's ongoing Flash Fiber expansion is expected to further enhance profitability, going forward.

12 Month Relative Performance of PTC



Source: PSX and TSL Research

TSL Universe Valuation Sheet

Pakistan Investment Outlook 2026

Taurus Securities Limited Universe Valuation

Sector Co.	LDCP	Target Price	Upside (%)	Rating	Year-End	EPS (PKR)			DPS (PKR)			P/E (x)			P/B (x)			Div. Yield (%)			ROE (%)		
						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Commercial Banks																							
ABL	181	205	13%	BUY	Dec	30.0	29.9	31.5	16.0	17.0	19.0	6.0	6.0	5.7	0.8	0.8	0.7	9%	9%	11%	14%	13%	13%
BAFL	105	126	21%	BUY	Dec	17.8	19.9	22.9	10.0	10.0	10.0	5.9	5.2	4.6	0.9	0.8	0.7	10%	10%	10%	15%	16%	16%
BAHL	184	224	22%	BUY	Dec	30.5	28.7	31.7	17.0	17.0	17.0	6.0	6.4	5.8	1.2	1.1	1.0	9%	9%	9%	21%	18%	18%
BOP	34	46	35%	BUY	Dec	5.0	6.1	7.4	2.5	2.8	3.3	6.8	5.6	4.6	1.1	0.9	0.8	7%	8%	10%	17%	18%	19%
FABL	85	110	30%	BUY	Dec	13.8	14.4	15.6	7.0	7.0	7.0	6.1	5.9	5.5	1.1	1.0	0.9	8%	8%	8%	18%	17%	17%
HBL	309	400	29%	BUY	Dec	47.8	49.7	53.4	19.0	21.0	23.0	6.5	6.2	5.8	1.0	0.9	0.8	6%	7%	7%	16%	15%	15%
HMB	114	136	20%	BUY	Dec	21.1	20.8	22.7	12.0	12.0	12.0	5.4	5.5	5.0	0.9	0.9	0.8	11%	11%	11%	18%	16%	16%
MCB	360	468	30%	BUY	Dec	49.9	52.1	55.9	36.0	36.0	37.0	7.2	6.9	6.4	1.4	1.3	1.2	10%	10%	10%	20%	20%	20%
MEBL	445	623	40%	BUY	Dec	49.6	52.0	53.3	28.0	28.0	28.0	9.0	8.6	8.4	2.7	2.4	2.1	6%	6%	6%	33%	30%	27%
UBL	379	453	20%	BUY	Dec	53.2	51.3	54.0	29.5	32.0	32.0	7.1	7.4	7.0	2.5	2.2	2.0	8%	8%	8%	38%	32%	30%
Oil and Gas Exploration						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
OGDC	265	392	48%	BUY	June	39.5	36.3	44.8	15.1	14.5	17.9	5.6	7.3	5.9	0.7	0.8	0.7	7%	5%	7%	13%	11%	13%
PPL	211	300	43%	BUY	June	33.8	29.5	32.3	7.5	8.8	9.7	5.0	7.1	6.5	0.7	0.8	0.7	4%	4%	5%	14%	11%	11%
MARI	704	832	18%	BUY	June	54.3	52.3	58.9	21.7	23.5	26.5	11.6	8.9	12.0	2.8	2.8	2.5	3%	3%	4%	26%	22%	22%
POL	619	695	12%	BUY	June	85.2	77.5	78.5	75.0	70.0	70.0	6.9	8.0	7.9	2.1	2.1	2.1	13%	11%	11%	30%	27%	27%
Fertilizer						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
EFERT*	220	291	32%	BUY	Dec	15.1	19.7	22.5	16.0	20.7	23.6	14.5	11.1	9.8	6.9	6.9	6.8	7%	9%	11%	71%	62%	70%
FFC	586	670	14%	BUY	Dec	56.5	63.8	66.9	39.5	47.9	50.8	10.4	9.2	8.8	5.9	5.0	4.4	7%	8%	9%	52%	59%	54%
Cement						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
MLCF*	105	156	48%	BUY	June	11.0	11.6	12.9	0.0	0.0	2.6	7.7	9.1	8.2	1.2	1.3	1.1	0%	3%	2%	17%	15%	14%
PIOC	360	354	-2%	HOLD	June	21.5	26.3	32.3	10.0	15.0	18.0	10.6	13.7	11.1	1.1	1.7	1.5	4%	9%	5%	11%	12%	14%
KOHC	102	138	36%	BUY	June	12.0	14.0	14.7	0.0	0.0	3.0	31.7	7.3	6.9	7.3	1.5	1.3	0%	2%	3%	26%	24%	20%
DGKC	226	301	33%	BUY	June	20.2	20.9	24.5	2.0	3.0	5.0	8.2	10.8	9.2	0.8	1.1	1.1	1%	2%	2%	10%	10%	12%
LUCK*	458	619	35%	BUY	June	52.5	60.2	66.9	4.0	6.0	6.7	6.8	7.6	6.8	1.3	1.4	1.2	1%	2%	1%	21%	21%	19%
FCCL	53	89	67%	BUY	June	5.4	6.2	7.0	1.2	2.0	2.5	8.2	8.5	7.6	1.3	1.4	1.2	3%	4%	5%	16%	17%	17%
CHCC	339	362	7%	HOLD	June	44.7	42.1	42.8	5.5	5.0	5.5	6.5	8.0	7.9	1.7	1.6	1.4	2%	4%	2%	30%	22%	19%
ACPL	280	413	48%	BUY	June	12.6	24.3	30.3	8.0	10.9	13.6	23.2	11.5	9.2	1.8	1.6	1.4	3%	2%	5%	8%	14%	16%
Power						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
HUBC*	221	225	2%	HOLD	June	35.6	37.1	40.8	15.0	18.0	20.0	3.9	6.0	5.4	0.7	1.0	0.9	11%	8%	9%	20%	18%	17%
Oil Marketing Companies						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
APL	549	615	12%	BUY	June	83.5	88.2	68.9	25.5	22.0	17.0	5.7	6.2	8.0	1.0	1.0	0.8	9%	4%	3%	18%	17%	11%
PSO	453	727	60%	BUY	June	44.5	64.0	69.0	10.0	14.0	16.0	8.5	7.1	6.6	0.7	0.8	0.7	7%	3%	4%	8%	11%	11%
Chemical						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
EPCL	29	30	4%	HOLD	Dec	-2.6	2.5	4.2	0.0	0.0	0.1	N/A	11.8	6.9	0.9	0.9	0.9	13%	0%	0%	-9%	8%	14%
Automobile						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
INDU	2020	2700	34%	BUY	June	292.7	342.0	370.0	176.0	205.2	222.0	5.9	5.9	5.5	1.8	1.8	1.7	10%	10%	11%	32%	33%	32%
HCAR	283	350	23%	BUY	Mar	19.0	26.2	28.8	8.0	10.5	9.7	14.5	10.8	9.8	1.7	1.6	1.5	3%	4%	3%	12%	15%	15%
MTL	508	598	18%	BUY	June	31.9	29.9	37.6	60.0	25.0	25.0	17.5	17.0	13.5	13.8	11.0	8.5	11%	5%	5%	67%	69%	71%
Pharmaceuticals						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
SEARL*	103	150	45%	BUY	June	-2.4	6.7	8.3	0.0	0.0	1.0	N/A	15.5	12.4	1.6	1.6	1.5	0%	0%	1%	1%	8%	13%
AGP*	187	250	34%	BUY	Dec	14.3	19.9	23.2	5.0	8.0	9.0	13.1	9.4	8.1	3.0	2.5	2.2	3%	4%	5%	25%	30%	29%
Textile						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
ILP	78	100	28%	BUY	June	3.8	5.5	7.8	1.0	1.0	2.0	17.7	14.2	10.0	1.7	1.8	1.6	1%	1%	3%	10%	13%	17%
GATM*	29	34	18%	BUY	June	6.0	4.5	8.4	0.0	0.0	1.0	4.6	6.4	3.4	0.4	0.4	0.4	0%	0%	3%	8%	6%	11%
NML	148	216	46%	BUY	June	17.1	13.7	20.4	2.0	2.0	3.0	7.4	10.8	7.2	0.3	0.3	0.3	2%	1%	2%	6%	3%	4%
Engineering						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
ASTL	23	34	47%	BUY	June	-12.8	-8.5	-1.9	0.0	0.0	0.0	N/A	N/A	N/A	0.7	0.6	0.7	0%	0%	0%	-31%	-23%	-5%
MUGHAL	82	123	50%	BUY	June	2.6	10.6	16.3	0.0	3.0	5.0	28.0	7.7	5.0	0.8	0.8	0.7	0%	4%	6%	3%	11%	15%
ISL	92	138	49%	BUY	June	3.6	7.3	11.7	2.5	3.5	6.0	25.9	12.6	7.9	1.6	1.5	1.3	3%	4%	7%	6%	12%	18%
AGHA	8	12	54%	BUY	June	-11.9	-3.4	0.1	0.0	0.0	0.0	N/A	N/A	105.5	0.2	0.3	0.2	0%	0%	0%	-29%	-10%	0%
Cable						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
PAEL	53	80	51%	BUY	Dec	5.6	10.0	12.9	1.1	2.5	3.2	9.4	5.3	4.1	1.0	0.9	0.8	2%	5%	6%	11%	18%	20%
Refinery						2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
ATRL	648	896	38%	BUY	Dec	103.9	59.2	111.3	10.0	5.0	10.0	6.5	10.9	5.8	0.5	0.4	0.4	4%	1%	1%	8%	4%	7%
CNERGY	8	12	50%	BUY	Dec	-0.5	0.1	0.3	0.0	0.0	0.0	N/A	55.0	28.0	0.2	0.2	0.2	0%	0%	0%	-1%	0%	1%
PRL	35	54	54%	BUY	Dec	-7.4	4.8	6.2	0.0	0.0	2.0	N/A	7.4	5.7	0.8	0.8	0.7	9%	0%	0%	-17%	11%	13%

* Target Prices for Dec'26

* EFERT, ENGRO, LUCK, MLCF, HUBC, SEARL, AGP, GATM and Banks are based on consolidated basis.

* Prices as of 28-Nov-2025

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To arrive at our period end target prices, TSL uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: <https://jamapunji.pk/>

Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/Bv	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield