

Refinery

Attock Refinery Limited

Strong balance sheet and upgradation to unlock value

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Strong balance sheet and upgradation to unlock value

We initiate coverage on Attock Refinery Limited (ATRL) with a “BUY” rating and a Jun’26 target price of PKR 1,136/share, offering an upside of 69% from current levels. We forecast a robust 4-year forward earnings CAGR of 36%, underpinned by operational efficiencies, improved margins, and structural tailwinds. Currently the stock is trading at an attractive FY26/FY27 PE of 3.9x/2.4x.

Our investment case is anchored in the refinery’s strategic location in the northern region, which gives it a logistical edge, and a strong balance sheet that positions it well to absorb the capital expenditure required for upgradation. That said, our base case assumes that ATRL will soon sign the Refinery Policy, paving the way for its long-awaited upgradation. This is expected to significantly improve its product slate, reducing losses from Furnace Oil (FO) while enhancing Motor Spirit (MS) output by 25%. Additionally, the refinery stands to benefit from deemed customs duty protections, which further support the economic viability of the upgrade.

Balance sheet strength anchors refinery upgrade

ATRL stands out with one of the strongest balance sheets in the refinery sector, boasting cash and cash equivalents of PKR 77bn (PKR 721/share), a book value of PKR 1,345/share, and a debt-free status as of Mar’25. This financial strength places the company in a solid position to promptly act on the Refinery Policy once signed, with ample internal liquidity and additional backing from the escrow account to fund the upgradation. Moreover, its procurement of local crude allows for extended payables, around two months versus one month for peers, further supporting cash flow stability and financial flexibility.

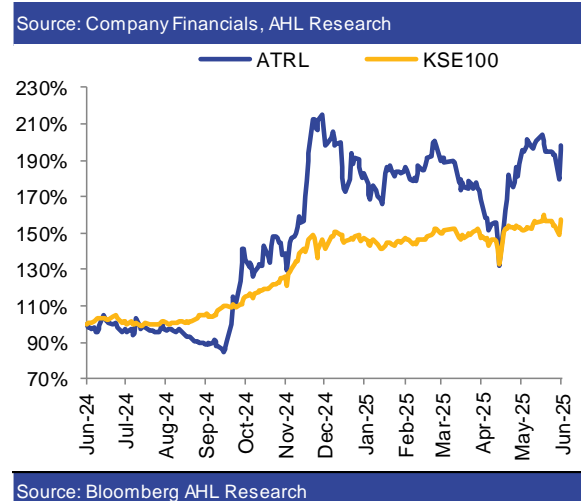
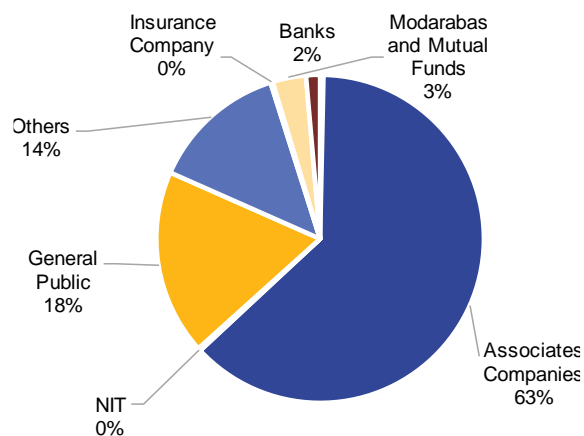
Refinery upgradation to unlock valuations

We expect ATRL to sign the refinery upgradation policy soon, a view reinforced by its recent agreement with STP Studi Technologie Progetti S.p.A, Italy, for Front-End Engineering Design (FEED) and Project Management Consultancy (PMC) services. This marks a concrete step toward the upgradation project, which aims to shift ATRL’s production slate toward higher-value Euro-V fuels while significantly reducing furnace oil output. Post-upgrade, ATRL, currently subject to penalties for producing low RON and high-sulphur HSD, is expected to achieve efficiency gains. The refinery will produce higher RON fuels, enhancing fuel quality and performance, while motor spirit (MS) output is projected to increase by 25%. To note, the elimination of quality-related penalties is expected to result in annual savings of around PKR 5bn, we view.

ATRL set to benefit from full duty retention

Currently, a 10% deemed duty is applied on both HSD and MS, but refineries don’t get to keep the full amount. For HSD, they effectively retain only 7.5%, while the remaining 2.5% is deducted. For MS, the entire 10% is paid to the government. Under the new policy, however, refineries will be allowed to keep the full 10% deemed duty on both products for the next six years. For ATRL, this change is expected to generate around PKR 130bn in cumulative cash flows over the next six years, which will be parked in an escrow account, providing a significant funding source for its refinery upgradation.

ATRL			
Recommendation	BUY		
Target Price	1,136.3		
Last Closing	671.6		
Upside	69.20%		
Shares (mn)	106.6		
Free float (%)	40.0		
Market Cap. (PKR mn)	71,600.3		
Market Cap. (USD mn)	251.7		
Price Performance			
	3M	6M	12M
Return (%)	5.1	3.4	108.4
Avg. Volume (000)	974	842	1,343
ADTV (mn) - PKR	627.0	540.1	700.0
ADTV (000) - USD	2,135	1,920	2,507
High Price - PKR	699.6	699.6	734.7
Low Price - PKR	451.1	451.1	289.3
Source: PSX, AHL Research			
Shareholding Pattern			



Location advantage to drive post-deregulation gains

ATRL currently caters to around 15% of the country's total petroleum product demand. Under the current regulated pricing regime, ATRL and other refineries operate at the same price levels, regardless of their transportation costs. However, with deregulation on the horizon, this is set to change. Post-deregulation, ATRL is expected to benefit significantly from its strategic location in the northern region, close to major demand hubs. Unlike before, it won't need to share the Inland Freight Equalization Margin (IFEM) with other players, as pricing will be in its own hands. This means the transportation cost savings will now stay with ATRL, resulting in an incremental annualized earnings boost of PKR 62.8/share, further reinforcing its competitive advantage.

As per industry sources, all imported HSD is transported via WOP at PKR 2.63/liter, while locally produced HSD is moved through bowlers at PKR 10.86/liter. For MS, 50% of imports use WOP (PKR 2.70/liter) and the rest, along with all local production, are transported via bowlers.

Exhibit: Valuation Snapshot

		FY24a	FY25e	FY26f	FY27f	FY28f
EPS	PKR	236.8	109.9	174.0	284.9	297.7
DPS	PKR	15.0	15.0	15.0	20.0	20.0
BVPS	PKR	1,252	1,347	1,506	1,771	2,049
P/E	PKR	1.5	6.1	3.9	2.4	2.3
DY	PKR	4.3	2.2	2.2	3.0	3.0
P/B	PKR	0.3	0.5	0.4	0.4	0.3

Source (s): Company Financials, AHL Research

Valuation

We have valued ATRL using DCF-based valuation whereby our Jun'26 target price is set at PKR 1,136/share, which translates into a total return of 69% from the last closing of PKR 672/share. Our valuation parameters include a 5-yr adjusted beta of 1.63, a risk-free rate of 11.8%, and a risk premium of 6.0%, which gives a cost of equity of 21.5%. Currently, the stock is trading at FY26 and FY27 P/E of 3.9x and 2.4x, respectively. Hence, we recommend a **'BUY'** stance on the scrip.

Exhibit: Valuation Parameters

Growth Rate	5.0%
Risk Free Rate	11.8%
Beta	1.63
Equity Risk Premium	6.0%
CAPM	21.5%

Source (s): AHL Research

Exhibit: Valuation Summary (Free Cash Flow to the Firm)

PKR mn	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30
Profit after tax	18,547	30,375	31,735	40,282	42,029
Depreciation	744	1,019	1,295	1,573	4,480
Other Income (1-tax rate)	-4,253	-6,121	-7,378	-722	-3,167
Finance Cost (1-tax rate)	24	0	0	0	0
Capital Expenditure	-12,828	-12,828	-12,850	-144,257	-1,212
Change in Working Capital	-4,246	-1,985	2,377	-5,291	-2,802
Free Cash Flow to Firm	-2,012	10,460	15,179	-108,415	39,327
Discounted Factor	1.00	0.82	0.68	0.56	0.46
Discounted Cash Flows	-2,012	8,608	10,274	-60,387	18,025

PV of Future Cash Flows 4,356

PV of Terminal Value 39,740

Surplus Cash 77,055

Equity Value 121,152

Per Share Value (PKR) 1,136

Source (s): Company Financials, AHL Research

Financial strength enables swift policy execution

Attock Refinery Limited (ATRL) is well-positioned to promptly proceed with its upgradation project under the Refinery Upgradation Policy 2023, leveraging its exceptionally strong financial standing. As of Mar'25, the company holds PKR 77bn in cash and equivalents (PKR 721/share) and boasts a solid book value of PKR 1,345/share, indicating ample internal resources to finance the capital-intensive project. ATRL's debt-free balance sheet enhances its financial flexibility, reducing reliance on external funding, although strategic leverage may be employed to optimize capital structure. Additionally, ATRL benefits from an extended payables cycle of approximately two months versus one month for peer refineries, providing further support to its working capital and liquidity.

Funding of upgradation

- Cash & STI: PKR 77bn
- Deemed duty benefit: PKR 130bn
- Upgradation estimated cost: PKR 180bn

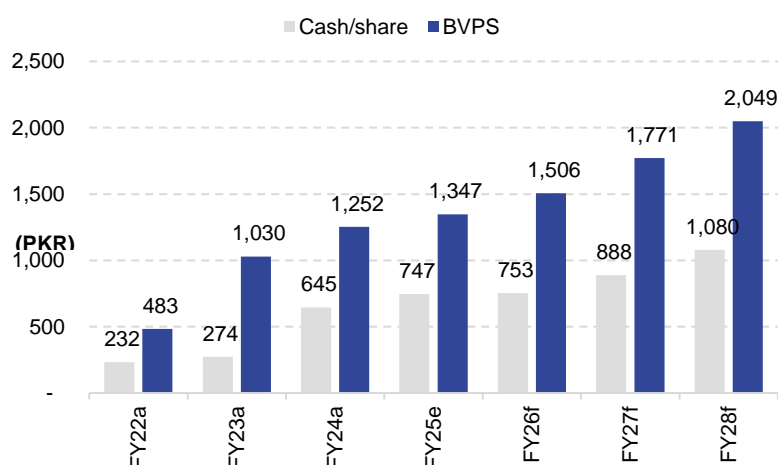
Policy incentives to unlock margin expansion

Upon signing the Upgrade Agreement, ATRL stands to gain significantly from the fiscal incentives embedded in the upgradation policy. The policy provides tariff protections of 10% on MS and 2.5% on HSD for six years, along with reduced custom duties on imported MS and diesel, enhancing product margins. Waivers on customs duty for crude oil and capital equipment will also help cut down capital and operating costs. Importantly, OGRA's temporary waiver on Euro-V compliance allows the refinery to continue fuel sales uninterrupted during the transition, ensuring stable revenues. These incentives are expected to materially boost profitability and position ATRL as a more competitive and efficient player in the refining space.

Strong growth outlook with ample buffer

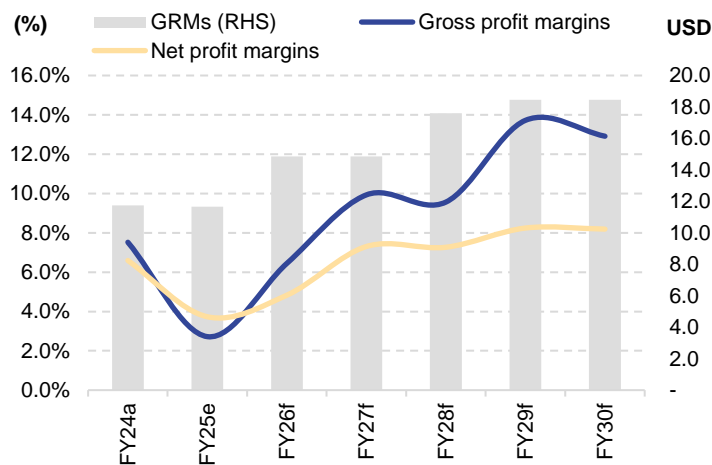
ATRL's solid asset base and sustainable earnings trajectory provide a strong foundation to absorb upgradation-related costs without compromising financial stability. Projections indicate that total equity will rise to PKR 218bn by FY28, while current assets will continue to comfortably exceed current liabilities, preserving a strong liquidity buffer. Net earnings are expected to reach PKR 31.7bn by FY28, reflecting consistent profitability that can fuel future expansion and support dividend payouts. This financial resilience, coupled with strategic policy support, ensures ATRL remains well-positioned to deliver long-term value for shareholders while aligning with national energy goals.

Exhibit: Cash/share and BVPS



Source: AHL Research

Exhibit: Improving margins



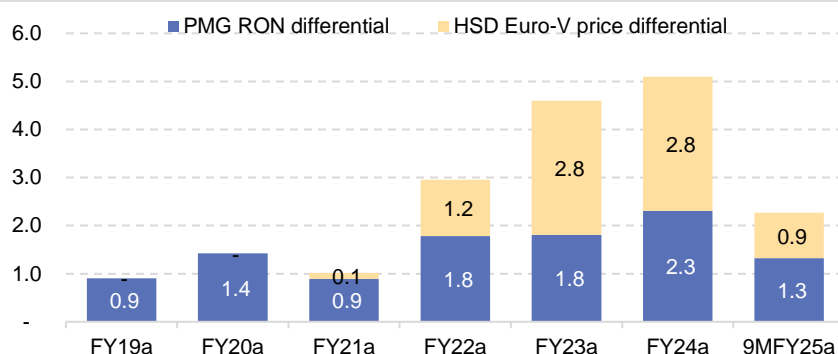
Source: AHL Research

Refinery upgradation to unlock valuations

Refinery upgradation is crucial in Pakistan to reduce dependence on imported refined fuels, improve fuel quality to meet international environmental standards (such as Euro-V), and maximize the yield of high-value products like diesel and petrol while minimizing low-demand byproducts like furnace oil. Upgraded refineries enhance energy security, lower the import bill, and attract investment by aligning with global specifications, ultimately supporting industrial growth and a cleaner environment.

It is anticipated that ATRL to sign the upgradation policy soon and will increase the production of Euro-V-compliant fuels and reduce the production of furnace oil. The annual savings of PKR 5bn per annum is also expected post refinery upgrade due to elimination of penalties for low RON quality and high Sulphur content in HSD along with chemicals/additives savings. After the upgradation, the company expect MS production to increase by 25%.

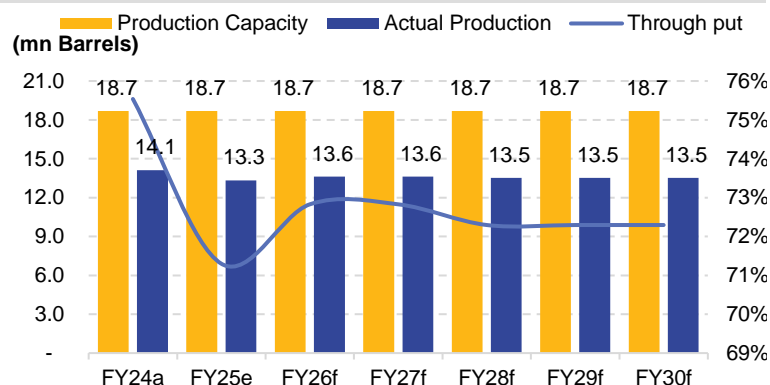
Exhibit: Annual penalties paid by ATRL in last five years (PKR bn)



Source (s): Company Financials, AHL Research

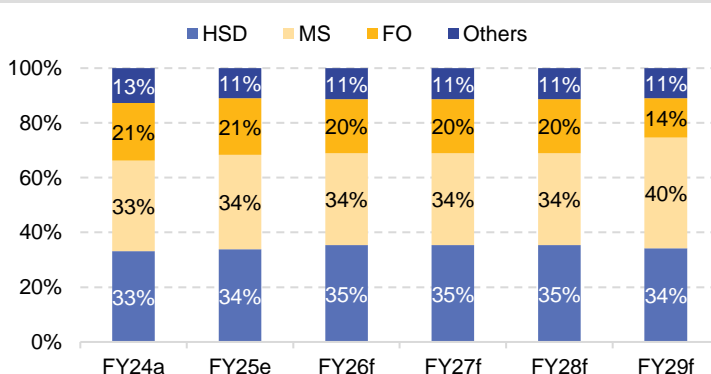
During FY25, the company produced 12.6mn barrels (~1.5mn tons), achieving a throughput of 67.4%. HSD and MS accounted for 33.9% and 34.5% of the production mix, respectively, while FO represented 20.6% of total production. Moreover, In FY26, Crude supply from UEP's Naimat field is expected to boost ARL's throughput in FY26, helping bridge the gap caused by falling northern field output. This will support higher production of HSD, leading to HSD production share of 35% in FY26. Following the planned upgradation, set to commence in FY29, MS production is projected to increase by 25%, raising its share in the production mix from the current 34% to 40%.

Exhibit: ATRL through put – Trend and forecast



Source (s): Company Financials, AHL Research

Exhibit: MS share is expected to reach to 40% by FY28



Source (s): Company Financials, AHL Research

Key takeaways from Policy Refinery 2023

Regulation and general licensing conditions

1. **License Requirement:** A license from OGRA is mandatory for both construction and operation of oil refineries under the 2016 Rules.
2. **Restriction on Hydro-skimming:** Only new deep conversion refineries are allowed; no new hydro-skimming refineries permitted.
3. **Product Sales & Exports:** Refineries must sell products meeting minimum Euro 5 standards. Surplus or non-demanded spec products can be exported, subject to OGRA/MEPD notification or approval.

Fiscal regime

1. **Eligibility Window:** New deep conversion refinery projects achieving financial close within 5 years of policy notification will qualify for fiscal incentives.
2. **Incentives $\geq 300,000$ bpd Refineries:**
 - a) 25-year 7.5% customs duty on locally produced gasoline and diesel.
 - b) 20-year income tax holiday under Income Tax Ordinance 2001.
3. **Incentives $< 300,000$ bpd Refineries:**
 - a) 10-year 7.5% customs duty on gasoline and diesel.
 - b) 10-year income tax holiday.
4. **Duty-Free Imports:** Equipment and materials for refinery projects exempted from all import duties and taxes, with no need for EDB certification.
5. **Legal Protection of Incentives:** Fiscal benefits will be contractually protected and may be reinforced through:
 - a) Declaration as a Special Economic Zone.
 - b) Qualification under Foreign Investment Promotion & Protection Act, 2022.
6. **Application Process:** Investors must apply under the chosen framework; the Government will facilitate the process.
7. **Statutory Amendments:** Any necessary legal amendments for fiscal benefits will be arranged in coordination with relevant authorities.

Approval & validity

1. **Streamlined Approvals:** OGRA and Petroleum Division will coordinate all approvals to simplify investment processes.
2. **Policy Supersession:** This policy overrides earlier refining policies, unless existing government contracts state otherwise.
3. **Regulatory Alignment:** Laws and regulations will be updated by relevant authorities to align with this policy.

Strategic location to unlock significant IFEM savings

Attock Refinery Limited (ATRL) holds a unique geographical advantage within Pakistan's refining landscape, being situated in the northern region of the country, which is a key demand hub for petroleum products. This positioning is expected to become increasingly valuable in the context of the anticipated deregulation of the oil marketing and refining sectors. With deregulation on the horizon, refineries located closer to consumption centers are expected to retain more of the price differential that currently compensates for inland transportation costs under the Inland Freight Equalization Margin (IFEM) framework.

IFEM is a key mechanism in Pakistan's regulated petroleum pricing structure, designed to equalize transportation costs of petroleum products across the country. Currently, oil marketing companies (OMCs) incur varying transportation costs depending on the distance from the refinery to the point of sale. Refineries located far from demand centers benefit from IFEM as they are compensated for higher distribution costs. However, with deregulation approaching, ATRL's proximity to the northern demand centers will allow it to directly supply major consumption zones with minimal transportation overhead, effectively capturing a significant portion of the existing IFEM margin as profit.

According to industry sources, 100% of imported HSD is transported via the White Oil Pipeline (WOP), whereas locally produced HSD is moved using bowsters. The average transportation cost through WOP is PKR 2.63/liter, compared to PKR 10.86/liter via bowsters.

For MS, around 50% of the imported volume is transported through WOP, while the remaining 50% is moved via bowsters. All locally produced MS is transported using bowsters. The average transportation cost through WOP is PKR 2.70/liter, compared to PKR 10.86/liter via bowsters.

ATRL is strategically located near these demand clusters, the refinery is well-positioned to save substantially on these transportation costs. This cost advantage will no longer need to be passed on to the consumer via IFEM under a deregulated regime, allowing the refinery to retain this differential as incremental margin.

The estimated financial impact of these savings is significant. According to our projections, ATRL could realize an incremental annualized earnings impact of ~PKR 62.8/share solely from IFEM-related efficiencies. This substantial uplift would further enhance ATRL's competitiveness relative to southern refineries, whose margins would likely compress post-deregulation due to higher distribution costs. In a competitive market, this structural advantage positions ATRL not only to protect its profitability but also to aggressively price its products in the regional market.

Moreover, the IFEM benefit aligns well with ATRL's broader upgradation and expansion plans. The combination of improved product slate post-refinery upgrade, higher margins supported by policy incentives, and structural cost savings from IFEM positions ATRL as a cost leader and a value creator in a transitioning industry. The strategic location, therefore, is not just a logistical advantage, it is a long-term profitability lever that will enable ATRL to outperform peers in a deregulated, competitive fuel market.

Exhibit: Expected impact of deregulation on ATRL

Sales		
HSD	K Tons	525.2
MS	-----	533.6
Total	-----	1,058.8
HSD	Mn Liters	617.6
MS	-----	725.2
Total	-----	1,342.8
IFEM		
HSD	PKR/Ltrs	8.5
MS	-----	7.9
Impact		
HSD	PKR mn	5,234
MS	-----	5,734
Total (before tax)	-----	10,968
Total (after tax)	-----	6,691
Total (after tax)	PKR/share	62.75
Source (s): AHL Research		

Figure:Geographical presense of ATRL's business



Source (s): Company Financials, AHL Research

Pakistan Refinery Sector

- Refinery sector is the backbone of industrial development and products being used in transportation, industrial use, power generation and other energy products. All refineries in Pakistan are based on Hydro skimming technology, except for PARCO which has a mild conversion refinery.
- Presently, in Pakistan there are five oil refining companies, namely, Cnergyico Pk Ltd (CENERGY), Pak-Arab Refinery Ltd (PARCO), National Refinery Ltd (NRL), Attock Refinery Ltd (ATRL), and Pakistan Refinery Ltd (PRL).
- Currently the country's total refinery capacity was recorded at ~21.7m tons/annum (~443K bpd), but the actual utilization was 10.7mn tons/annum (Utilization: 49%). Whereas, the total demand in Pakistan was 21mn tons per annum, due to this Pakistan had to import of 7.8mn tons in FY25.

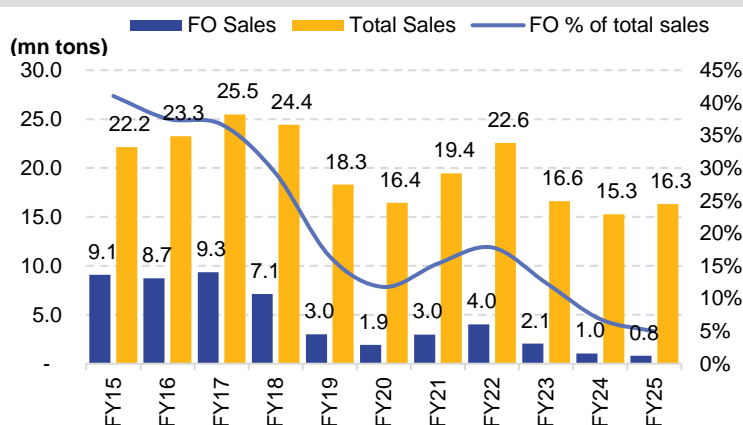
Exhibit: Refinery Capacity of Pakistan

Refinery	Location	mn tons		Throughput
		Capacity	Production	
Cnergyico Pk Ltd.	Hub, Balochistan	7,643	1,117	15%
Pak-Arab Refinery Ltd.	Multan, Punjab	5,879	4,903	83%
National Refinery Ltd.	Korangi, Karachi, Sindh	3,136	1,467	47%
Attock Refinery Ltd.	Rawalpindi, Punjab	2,616	1,739	66%
Pakistan Refinery Ltd.	Korangi Creek, Karachi, Sindh	2,450	1,447	59%
Total		21,724	10,673	49%

Source (s): Pakistan Oil Report FY24, AHL Research

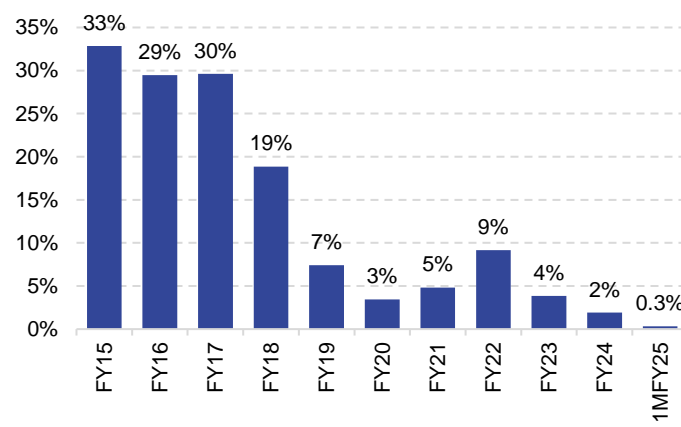
- The production slate of all existing local refineries constitutes of Naphtha, Motor Gasoline (MS), High Speed Diesel (HSD), Furnace Oil (FO), Kerosene, Jet fuel (JP-1 & JP-8), High-Octane Blending Component (HOBC), Liquefied Petroleum Gas (LPG) and Light Diesel Oil (LDO).
- With the change in country's energy mix over last 3-4 years, furnace oil demand is plummeting amid lower offtakes from power generation companies. Due to this refineries reduced their overall production, which resulted in lower utilization.

Figure: FO sales has declined to 0.8mn tons in FY25



Source (s): OCAC, AHL Research

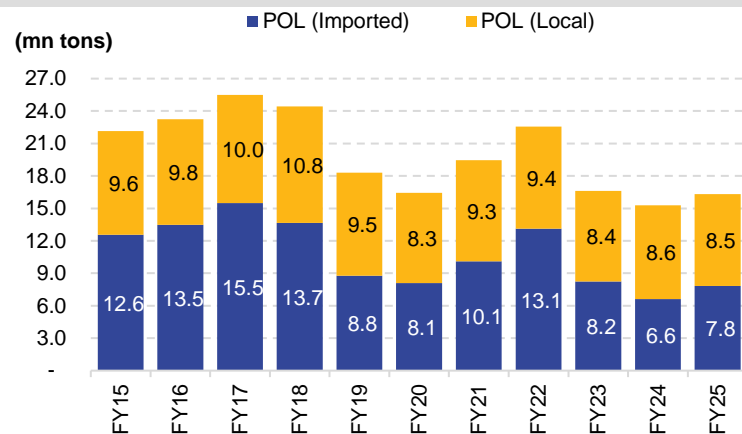
Figure: FO % in total generation has declined to 0.3% in 11MFY25



Source (s): NEPRA, AHL Research

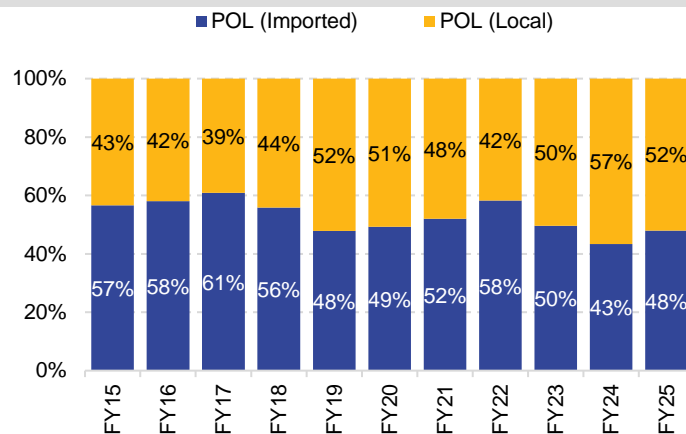
Focus Charts

Figure: Petroleum Products – Imported and Local (volume)



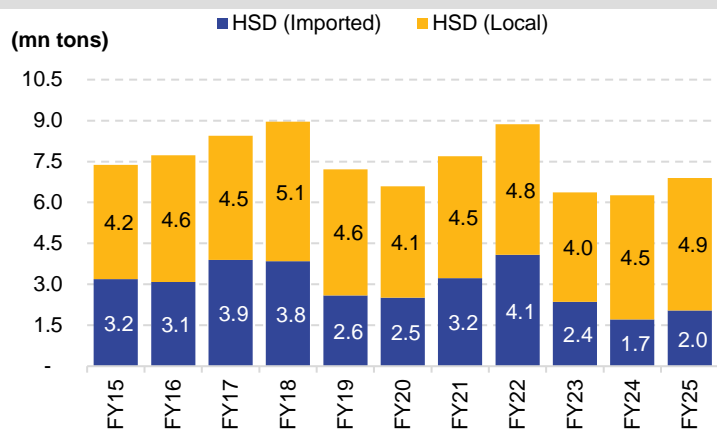
Source (s): OCAC, AHL Research

Figure: Petroleum Products – Imported and Local (In % terms)



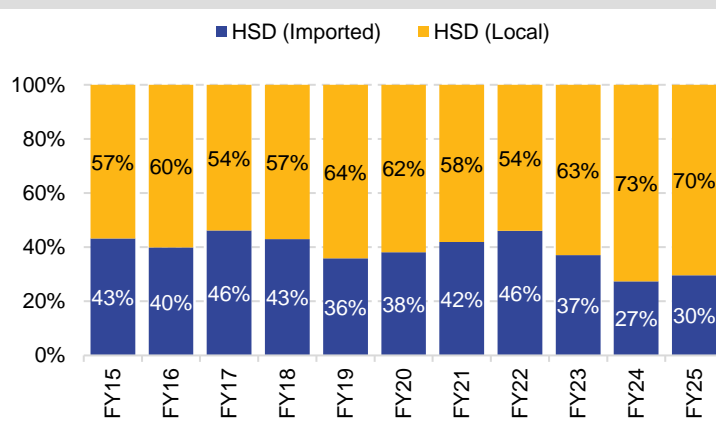
Source (s): OCAC, AHL Research

Figure: HSD – Imported and Local (volume)



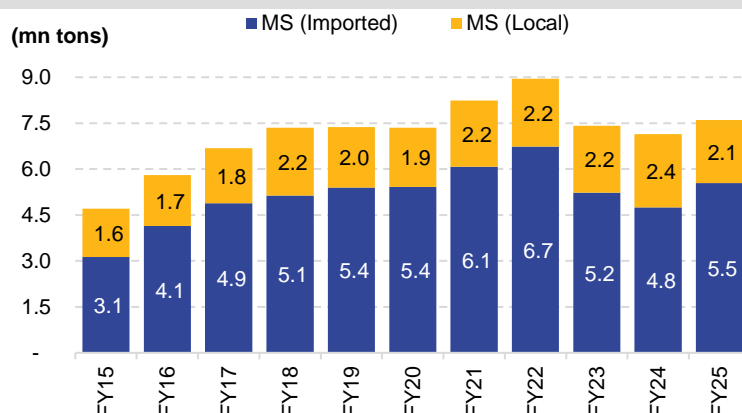
Source (s): OCAC, AHL Research

Figure: HSD – Imported and Local (In % terms)



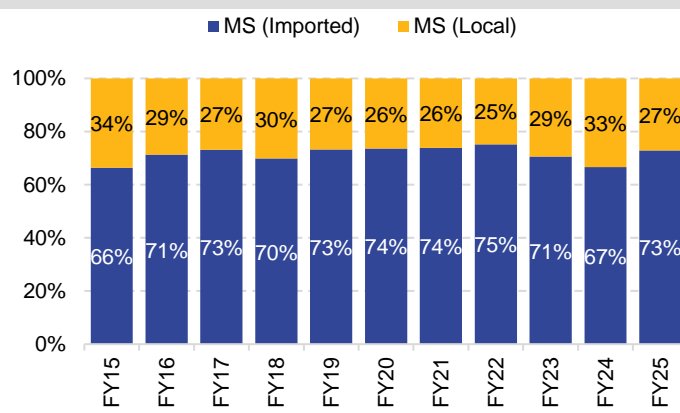
Source (s): OCAC, AHL Research

Figure: MS – Imported and Local (volume)



Source (s): OCAC, AHL Research

Figure: MS – Imported and Local (In % terms)



Source (s): OCAC, AHL Research

Key risks

- Operational constraints due to reduced throughput from domestic crude producers.
- Delays in signing the refinery upgradation policy continue to stall strategic investment plans.
- Disagreements with FBR over escrow fund taxation and input sales tax adjustments could strain margins.
- Heavy reliance on local crude makes ATRL vulnerable to supply chain interruptions from fields like Naimat or Adhi.
- Absence of binding offtake agreements post-upgradation may lead to underutilization and inventory build-up.
- Shifts in fuel specifications or pricing formulas (e.g. IFEM revisions) may compress refining spreads and profitability.

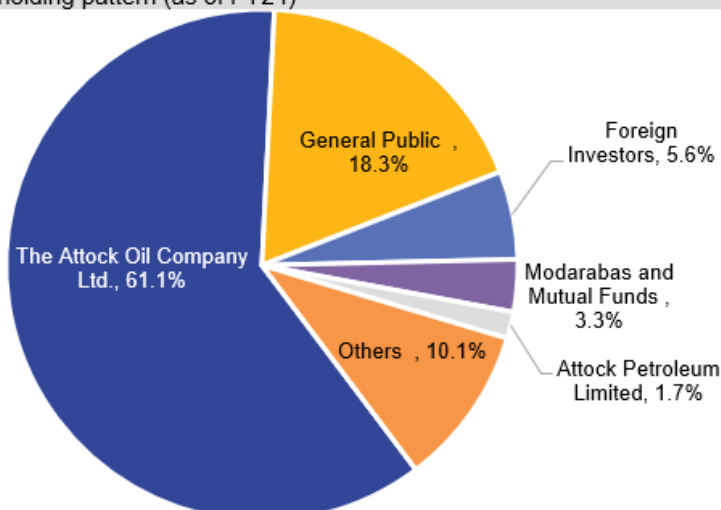
About the Company

Attock Refinery Limited (ATRL) incorporated on 8-Nov-1978 as a private limited company and was converted into a public company on 29-Jun-1979. The Company is principally engaged in the refining of crude oil. The installed capacity of the company is 18.69mn barrels/annum. The registered office and refinery complex of the Company is situated at Morgah, Rawalpindi. The Company is subsidiary of The Attock Oil Company Limited, England and its ultimate parent is Coral Holding Limited.

Shareholding Pattern

ATRL boasts a shareholder base of 5,892 individuals, collectively holding 106.6mn outstanding shares. The largest stake of 61.1% belongs to Directors, CEOs, their spouses, and minor children. The general public follows with an ownership stake of 18.3% of the shares. Foreign investors, Modarabas and Mutual funds hold smaller portions, with 5.6%, and 3.3% of ATRL shares respectively.

Figure: Shareholding pattern (as of FY24)



Source (s): Company Financials, AHL Research

Financial Highlights

Exhibit: Key financial highlights

PKR mn	FY24a	FY25e	FY26f	FY27f	FY28f		Unit	FY24a	FY25e	FY26f	FY27f	FY28f	
Income Statement						Per Share							
Net Sales	382,917	314,007	384,124	415,832	436,794		Earnings	PKR	236.8	109.9	174.0	284.9	297.7
Cost of sales	354,126	305,466	359,362	374,535	395,017		Dividend	PKR	15.0	15.0	15.0	20.0	20.0
Gross profit	28,790	8,540	24,761	41,296	41,778		Book Value	PKR	1,252	1,347	1,506	1,771	2,049
Admin exp	1,401	1,697	1,869	2,030	2,233		Valuation						
Other charges	2,940	1,149	740	803	883		P/E	x	1.5	6.1	3.9	2.4	2.3
Other income	15,024	12,264	6,972	10,034	12,095		DY	%	4.3	2.2	2.2	3.0	3.0
Finance costs	-0	511	40	0	0		P/B	x	0.3	0.5	0.4	0.4	0.3
Profit before tax	39,425	17,326	28,776	48,166	50,396		Payout Ratio	%	6.3	13.7	8.6	7.0	6.7
Tax Expense	15,069	6,757	11,223	18,785	19,655		RoE	%	20.8	8.5	12.2	17.4	15.6
Profit after tax	25,244	11,715	18,547	30,375	31,735	RoA	%	12.9	5.5	8.3	12.1	11.2	
Balance Sheet						D/E	x	0.0	0.0	0.0	0.0	0.0	
Paid-up Capital	1,066	1,066	1,066	1,066	1,066	Turnover & Activity							
Total Equity	133,500	143,616	160,563	188,805	218,408	Asset Turnover	x	2.0	1.5	1.7	1.7	1.5	
Current Liabilities	80,384	65,379	74,977	77,679	81,326	Current Ratio	x	1.7	2.0	2.0	2.2	2.3	
Non-Current Liabilities	204	204	204	204	204	Margins							
Current Assets	136,230	133,707	148,168	167,303	188,998	Gross Margins	%	7.5	2.7	6.4	9.9	9.6	
Non-Current Assets	77,859	75,492	87,576	99,385	110,941	EBITDA Margins	%	11.0	6.6	7.7	11.8	11.8	
Total Assets	214,088	209,198	235,744	266,688	299,938	Net Margins	%	6.6	3.7	4.8	7.3	7.3	

Source (s): Company Financials, AHL Research

Disclaimer

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Jun'26 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Rating	Description
BUY	Upside of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside of subject security(ies) is between 0% and +15% from last closing of market price(s)
SELL	Upside of subject security(ies) is less than 0% from last closing of market price(s)

* Upside for Power Generation Companies is upside plus dividend yield.

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- **Discounted Cash Flow (DCF)**
- **Dividend Discounted Model (DDM)**
- **Sum of the Parts (SoTP)**
- **Justified Price to Book (JPTB)**
- **Reserved Base Valuation (RBV)**

Risks

The following risks may potentially impact our valuations of subject security (ies);

- **Market risk**
- **Interest Rate Risk**
- **Exchange Rate (Currency) Risk**

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In order to avoid any conflict of interest, we hereby disclosed that;

Arif Habib Limited (AHL) has a shareholding in ATRL.