ARIF HABIB LIMITED

PAKISTAN STRATEGY 2026

THE EQUITY EDGE CONTINUES

REP – 300

27-Dec-2025

AHL Research

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EUROMONEY

Best Broker: '25
Best Bank for Research:'25
Best Investment Bank for M&A: '25
Best for Research: '24
Best for Diversity & Inclusion: '24
Best Investment Bank: '23

FinanceAsia

Best Broker:'25
Best Equity Capital Market House:'25

CFA Society Pakistan

Best Corporate Finance House: '25, '23-'13
Best Brokerage House: '23 – '21
Best Brokerage House (Runner-up): '25–'24
Best Economic Research House: '23–'21
Best Economic Research House (Runner-up): '25–'24

Asset Asian Awards Triple A

Best Gender Equality Bond: '24
Best Equity Advisor: '21

ASIAMONEY

Best Securities House: '23
Best Investment Bank: '23

PSX Pakistan Stock Exchange Limited

Top 25 Companies ('17-'19)

INTERNATIONAL FINANCE

Best Brokerage House: 2023

Central Depository Company

Excellence Award Leading Brokerage House for RDA '21

KSE100 OUTLOOK

The Equity Edge Continues

KSE 100 Index Target | **208,000 Points**

Valuation Basis

Target Price (50%): 213,681

Justified PE (50%): 201,425

Current Index

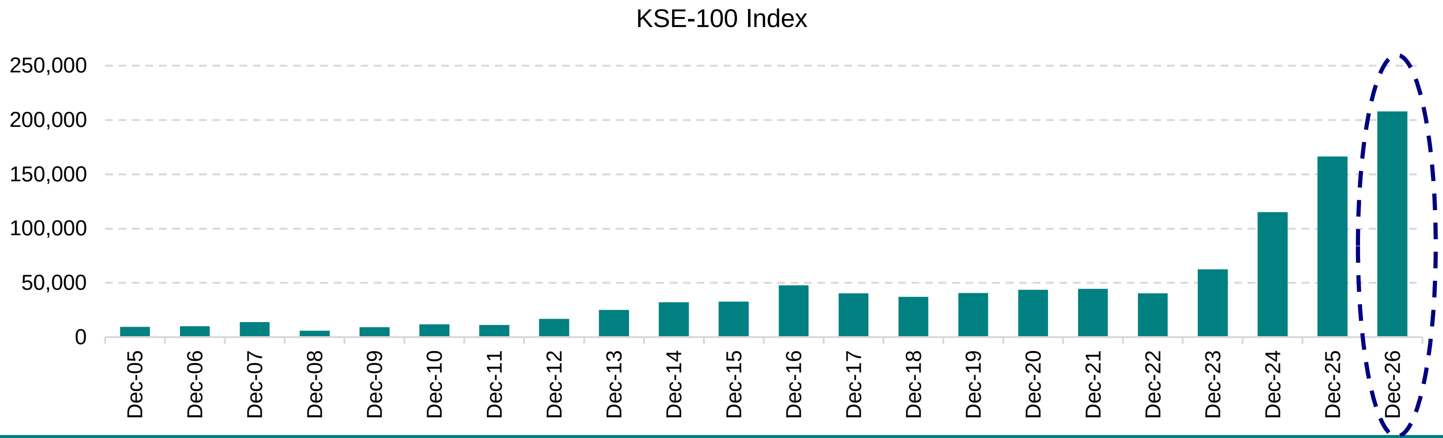
23-Dec-2025

171,074

Return

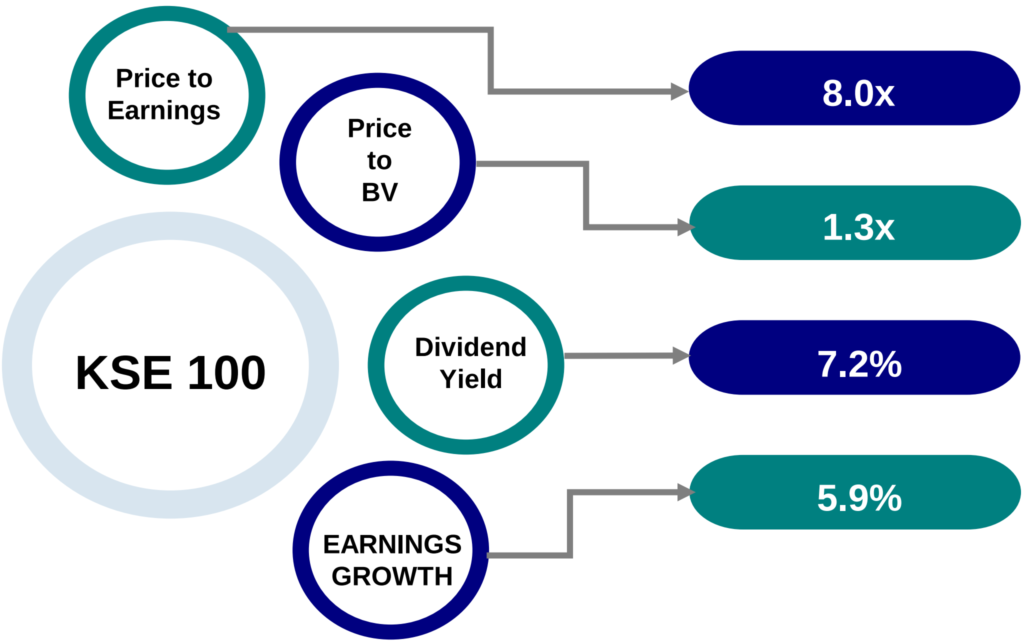
21.6%

Exhibit: Historical And Projected Performance Of KSE-100 Index



Source: PSX, AHL Research

Exhibit: Valuation Matrix for 2026



Source (s): PSX, Company Financials, AHL Research (Closing as of 23rd December 2025)

INSIGHTS FROM THE CEO's DESK

Strength That Sustains

As we look toward 2026, Pakistan's equity market is entering a phase defined by stability, depth, and sustainable growth. Following exceptional returns of 49% year to date in CY25, an extraordinary 84% in CY24, and a strong 55% in CY23, the market is now transitioning toward a more measured trajectory.

We expect the KSE-100 Index to reach 208,000 points by Dec'26, reflecting a 21.6% upside from current levels. While the pace of gains will naturally moderate relative to the steep rallies of recent years, the foundation for durable and disciplined growth has strengthened. The KSE-100 currently trades at a forward P/E (CY26e) of 8.0x. Our index outlook is based on a CY27f P/E of 8.3x and projected earnings growth of 5.9% for 2026 (11.4% for 2027).

Key drivers of performance in 2026 include:

1. Sustained domestic liquidity in equities
2. Strengthening FX reserves and a contained current account deficit
3. Successful completion of the PIA privatization, alongside accelerating progress on the privatization and restructuring of power distribution companies (DISCOs).
4. Continued efforts to resolve circular debt in both power and gas sectors
5. Supportive global commodity prices

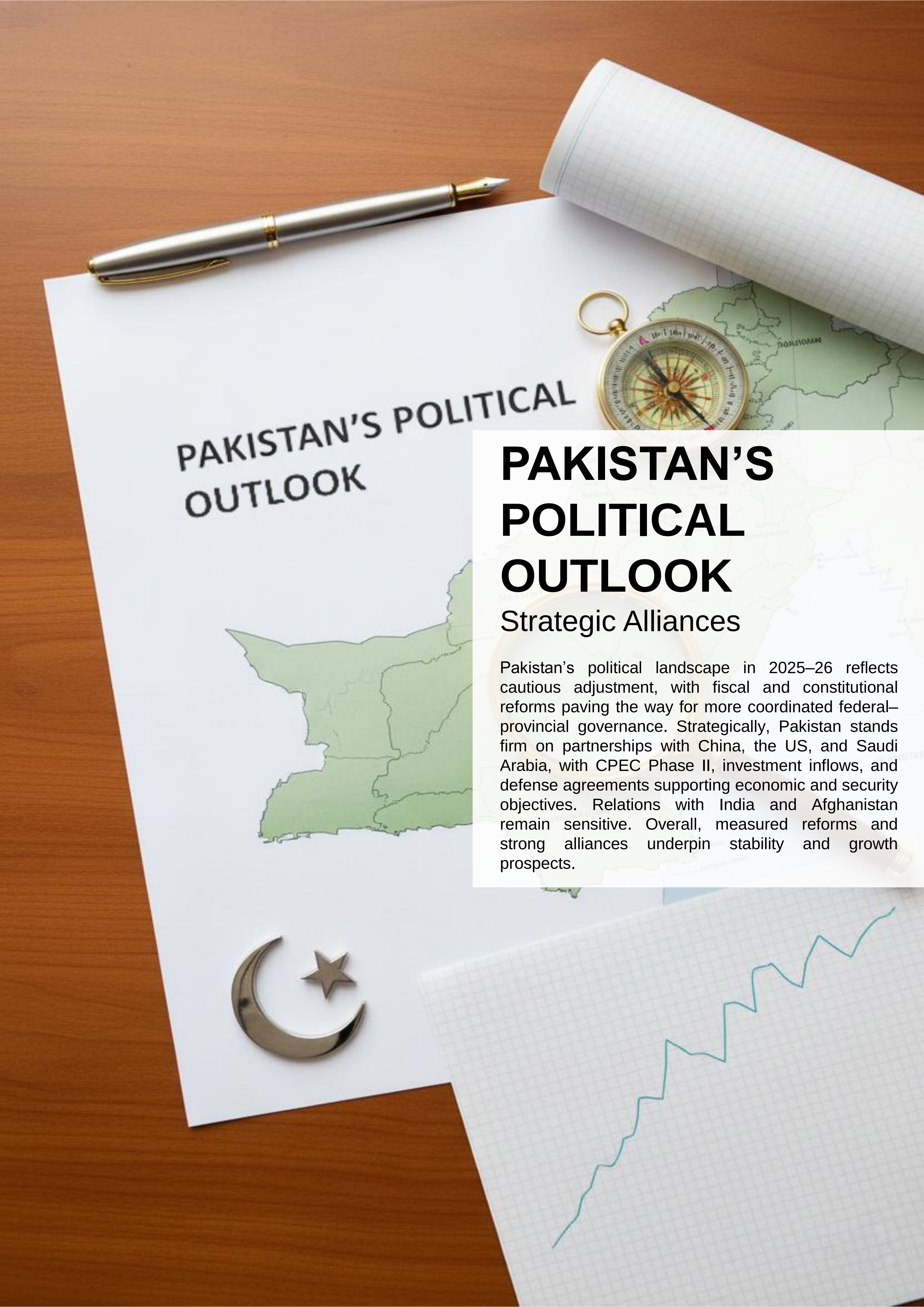
Domestic liquidity remains the backbone of equity performance. With local investor participation expected to stay strong, consistent inflows will continue to anchor the market, deepening capital formation and reinforcing market resilience.

Inflation has moderated meaningfully, with average CPI estimated at 6.9% in FY26 and 8.0% in FY27. Accordingly, the policy rate is expected to remain broadly stable, averaging 10.5% in FY26 and easing modestly to 10.0% in FY27.

Corporate earnings growth is projected at a modest 5.9%; however, equities remain the most compelling asset class, offering meaningful relative value. Market valuations remain compelling, with the KSE-100's forward P/E estimated at 8.0x, inline with its long term average, while trading at a hefty 52% discount to regional peers. Current valuations are also around ~22% below 2010 levels, when the market traded at a P/E of 10.3x amid relatively stronger macro conditions. Meanwhile, the market-cap-to-GDP ratio stands at 16.0%, ~2.8% below its 20-year average (18.8%), underscoring the latent value within the market.

A key catalyst for broader and deeper market participation in 2026 will be fresh capital formation. We expect 10–12 IPOs across Oil & Gas Marketing, Insurance, REITs, Technology, Auto Parts, Manufacturing, and Energy, collectively raising PKR 20-25bn. These new listings should enhance market depth, improve sectoral diversification, and attract greater investor participation.

The coming year signals a shift — from rapid upward momentum to sustained strength — where gains are built on stability, disciplined flows, and strategic capital formation. With improving macro fundamentals, policy continuity, and a robust IPO pipeline, Pakistan's equity market is well-positioned for durable growth, greater depth, and resilient long-term performance.



PAKISTAN’S POLITICAL OUTLOOK

Strategic Alliances

Pakistan’s political landscape in 2025–26 reflects cautious adjustment, with fiscal and constitutional reforms paving the way for more coordinated federal–provincial governance. Strategically, Pakistan stands firm on partnerships with China, the US, and Saudi Arabia, with CPEC Phase II, investment inflows, and defense agreements supporting economic and security objectives. Relations with India and Afghanistan remain sensitive. Overall, measured reforms and strong alliances underpin stability and growth prospects.

PAKISTAN'S POLITICAL OUTLOOK

Charting A Resilient Path Into 2026

Pakistan's political environment in 2025 reflects a blend of institutional change, regional pressures, and evolving domestic policy debates. Although challenges have surfaced at intervals, the overall trajectory suggests cautious adjustments. As the country moves into 2026, Pakistan stands at a point of fiscal and constitutional rebalancing. Recent developments in governance structures and revenue frameworks have opened space for more coordinated federal–provincial interaction. While obstacles persist, the environment appears conducive to measured reforms and clearer policy signals, supporting prospects for stability in the year ahead.

Constitutional Crossroads: The 27th and 28th Amendments in Focus

Pakistan's domestic governance structure is undergoing a period of recalibration through a series of constitutional amendments aimed at restructuring judicial and administrative processes. The 27th Constitutional Amendment, enacted on November 13, 2025, introduced substantial legal adjustments, including revised provisions under Article 248.

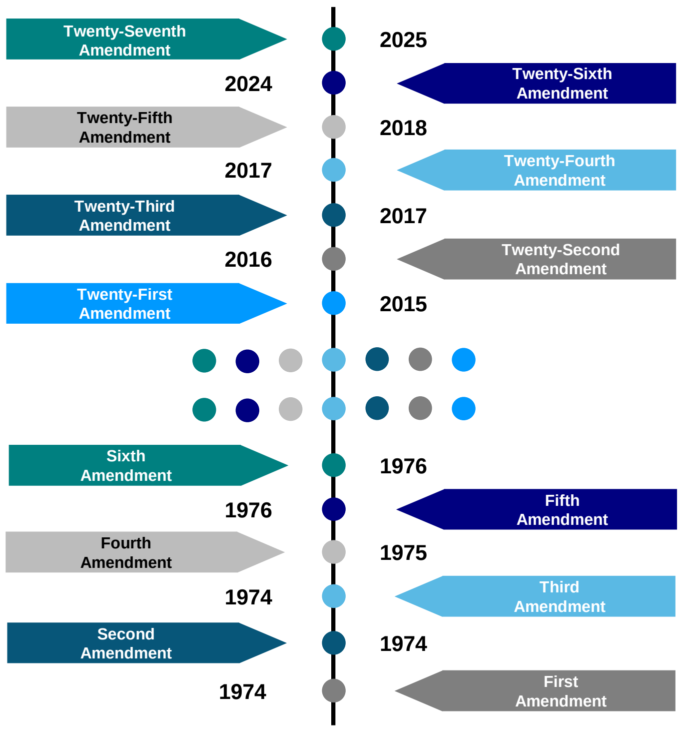
Looking toward 2026, the proposed 28th Amendment has emerged as a complementary initiative. Introduced in the Senate on November 10, 2025, it focuses on strengthening local governance, integrating health-sector responsibilities, and refining the National Finance Commission (NFC) framework. A central aspect of this proposal is the intent to embed key NFC principles directly into the Constitution, thereby reinforcing long-term stability in fiscal decision-making and ensuring a more predictable system of federal–provincial resource allocation.

Moreover, the 28th amendment reportedly also considers reforms that could formalize new administrative units, reinforce the transfer of authority and resources to lower tiers of government, and provide constitutional protection for the devolution process as envisioned in earlier policy frameworks.

Some of the Key Geopolitical Events during 2025

Apr-25	▪ Trump announces "Liberation Day" tariff policy: 10% base + country-specific duties; Pakistan faces total 29% tariff.
May-25	▪ India–Pakistan conflict lasts four days; ceasefire reached via diplomacy. ▪ IMF approves USD 1bn (EFF) + USD 1.4bn (RSF) disbursements for Pakistan.
Aug-25	▪ US–Pakistan talks result in reduced tariff rate of 19% on Pakistani exports under a new trade agreement.
Sept-25	▪ Pakistan & Saudi Arabia sign Strategic Mutual Defence Agreement (SMDA).
Oct-25	▪ Pakistan & IMF reach SLA on 2nd EFF review and 1st RSF review. ▪ Pakistan–Afghanistan clashes; ceasefire achieved via later.
Nov-25	▪ Parliament passes constitutional reform altering distribution of powers among key institutions.
Dec-25	▪ Pakistan's first Chief of Defence Forces (CDF) appointed. ▪ IMF Board completes 2nd EFF & 1st RSF reviews. ▪ Pakistan–Afghanistan peace talks resume.

Amendments in the Constitution of Pakistan



Source (s): National Assembly Website, Media, AHL Research

This figure shows selected years only; 27 amendments were made across different years.

PAKISTAN'S POLITICAL OUTLOOK

From Borders To Beyond

Pillars Of Partnership: China, USA, And Saudi Arabia

Pakistan's foreign policy in 2026 leans on robust strategic foreign alliances. **China** remains the cornerstone. The China-Pakistan Economic Corridor (CPEC) Phase II, prioritizes industrial parks and green energy, with USD 5bn in new commitments for special economic zones, as per media sources. This corridor could contribute 2% to GDP growth by 2027, per official projections, enhancing connectivity to Central Asia. Beyond infrastructure, Pakistan is also seeking to deepen financial integration with China by tapping the Chinese capital market through its first-ever Panda bond, with an initial target of raising USD 200-250mn.

Relations with the **United States**, invigorated under the second Trump administration, mark a pragmatic reset. The US role in facilitating a ceasefire between Pakistan and India, along with its decision to maintain reciprocal tariffs lower than peers, set the tone for renewed engagement. This momentum was strengthened through multiple high-level diplomatic and strategic visits, reflecting a more pragmatic and steady phase in ties. The US has also shown growing interest in Pakistan's energy and mineral sectors, including exploratory discussions on investment in Reko Diq and related infrastructure, alongside broader cooperation in energy diversification and supply-chain development. Going forward, Pakistan should work to sustain this trajectory by strengthening relationship, ensuring policy consistency, and presenting well-structured project pipelines, enabling the country to translate diplomatic goodwill into lasting economic and strategic gains.

Saudi Arabia's partnership with Pakistan gained significant momentum in 2025, highlighted by the Sep'25 Strategic Mutual Defense Agreement that formalized joint military exercises and intelligence cooperation. This deepening strategic alignment was further reinforced by Riyadh's USD 25bn investment commitment across energy, mining, and allied sectors, positioning the Kingdom as both a critical economic partner and a potential stabilizing force for Pakistan's external financing needs. Any progress on these high-impact projects, whether in energy infrastructure, mineral development, or industrial expansion, will be integral for both the countries.

Expected Pakistan's Foreign Policy 2026

Source (s): Media, AHL Research

PAKISTAN'S POLITICAL OUTLOOK

From Borders To Beyond

India–Pakistan: Cautious Neighbors, Limited Commerce

As 2026 approaches, India and Pakistan remain important to each other's strategic calculus, even as political engagement stays selective. The near-escalation of May'25 underscored how quickly tensions can rise, reinforcing a preference on both sides for risk management over confrontation. Since then, diplomatic communication has remained measured, with limited room for breakthroughs on sensitive issues such as Kashmir or the Indus Waters Treaty in the near term.

From an economic perspective, formal bilateral trade remains constrained, reflecting policy choices rather than market fundamentals. In FY25, Pakistan's trade via direct channels with India remained minimal but at the same time, indirect trade via third countries continues, indicating that underlying commercial demand persists despite political barriers.

Looking ahead, expectations are for only marginal growth in direct trade, but regional initiatives offer alternative engagement channels. Pakistan's efforts to deepen cooperation with China and Bangladesh, including plans to expand trilateral trade toward USD 10bn by 2027, (as per media sources), signal a strategy of regional diversification rather than isolation.

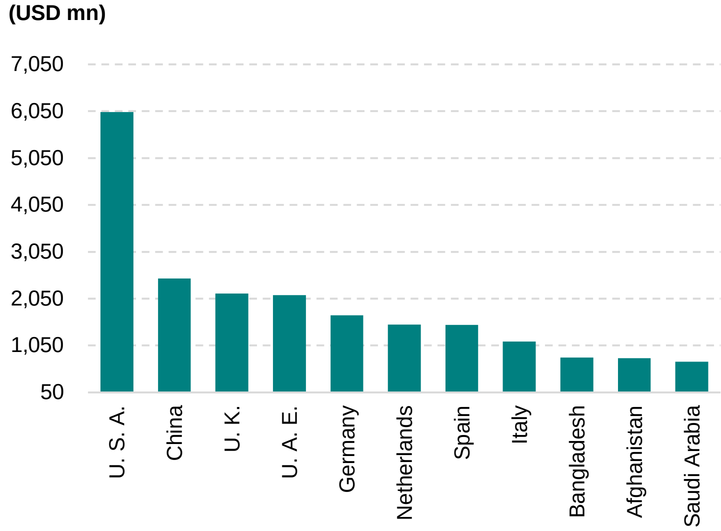
Afghanistan - Pakistan: Managing Interdependence Amid Transition

Economically, Pakistan maintained a strong export position, sending ~USD 700mn in goods to Afghanistan in FY25, while Afghan exports to Pakistan remained comparatively small. Beyond merchandise trade, Pakistan has historically benefited from logistics and transit revenues under the Afghanistan–Pakistan Transit Trade Agreement (APTTA), reinforcing its role as a gateway to global markets for Afghan commerce.

Recent border closures and the temporary suspension of Afghan transit trade in late 2025 have prompted short-term adjustments, with Afghan authorities exploring alternative routes through Iran and Central Asia. At the same time, previous diplomatic engagements — including ministerial-level dialogues — provide a framework for gradual de-escalation and technical coordination.

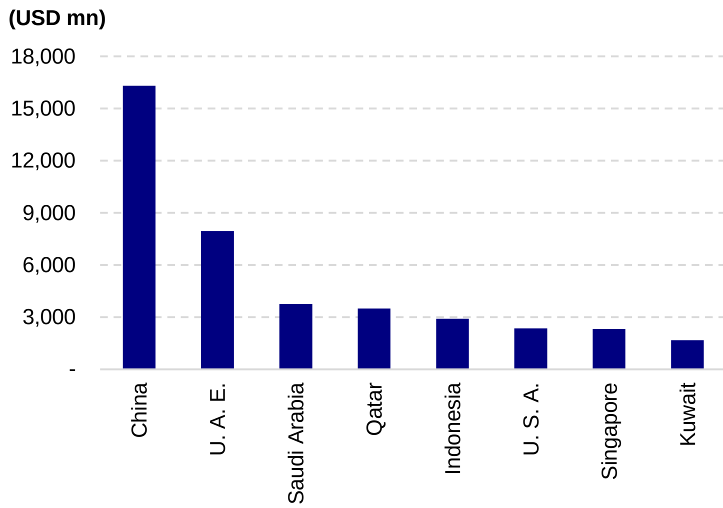
Looking forward, pragmatism is likely to prevail. A reopening of transit channels would support Afghanistan's economic needs while advancing Pakistan's longer-term ambition to serve as a regional trade and transit hub linking South and Central Asia.

Exhibit: Pakistan's Exports to Other Countries (FY25)



Source: SBP, AHL Research

Exhibit: Pakistan's Imports from Other Countries (FY25)



Source: SBP, AHL Research

ECONOMY

Growth amid Reforms

Pakistan's economy is on a growth path in FY26, with GDP projected to grow 3.7% amid stronger industrial and services activity. Inflation is expected to average at 6.9%, supported by stable food prices and controlled core inflation, while the rupee will see a gradual, manageable depreciation. The fiscal outlook shows moderate improvement, with a deficit around 4% of GDP, a positive primary balance, and revenue growth driven by tax reforms and non-tax receipts. External stability is bolstered by contained current-account pressures, and SBP reserves projected to reach USD 16.8bn.

PAKISTAN'S ECONOMIC OUTLOOK

Accelerated Growth Momentum

Pakistan's economy is gaining growth momentum, shaking off the shadows of floods, inflation woes, and global uncertainties. With GDP growth pegged at a modest 3.7% for FY26e, up from 3.0% in FY25, the country is charting a path toward resilience and expansion. This is not merely a rebound; it reflects steady growth supported by a stronger industrial sector and a services sector performing well. Looking ahead to FY27f, the momentum builds with GDP accelerating to 4.4% YoY, in our view.

Agriculture: Gradual Revival amid Lingering Flood Impact

Agriculture, the backbone of Pakistan's economy, is set to expand by 2.3% in FY26e, slightly below earlier projections. Crop production, in particular, is showing signs of recovery with an anticipated 1.4% growth, bouncing back from a contraction of 1.0% in FY25. Livestock growth is expected to moderate slightly to 2.8% in FY26e but regain strength in FY27f at 3.5%. Forestry and fishing are projected to maintain modest growth rates of around 2.5–2.9% and 1.5–1.8% respectively. The slower pace reflects residual flood damage and persistent pressure on rural infrastructure and yields. A more robust agricultural recovery, with overall growth of 3.2%, is forecast for FY27f.

Industrial Sector: Manufacturing And Construction Lead The Charge

The industrial sector is poised for stronger performance, with projected growth of 4.1% in FY26e and 4.9% in FY27f. Large-scale manufacturing (LSM) is expected to grow 4.0% YoY in FY26e, buoyed by renewed activity in cement, automobiles, and pharmaceuticals. The automobile industry is anticipated to see a healthy uptick, driven by the launch of new models, easing interest rates, and a revival in consumer demand. Cement production is also set to accelerate, fueled by both public and private infrastructure projects and ongoing reconstruction in flood-hit areas. Construction remains a bright spot within the industrial sector, projected to surge 7.0% in FY26e and an impressive 10.0% in FY27f. Manufacturing growth in FY26e is estimated at 4.8%, slightly moderating to 3.0% in FY27f.

Services Sector: Trade And ICT Driving Momentum

Services are set to maintain a steady pace, growing 4.2% in FY26e and 4.7% in FY27f. Wholesale and retail trade emerges as a key driver, with a projected jump of 5.8% in FY26e and an even stronger 6.7% in FY27f, underpinned by higher import flows and a gradual pickup in domestic demand.

Information and communication technology (ICT) continues to expand at a robust pace, with growth expected at 5.5% in FY26e and 6.0% in FY27f. Transportation and storage services are projected to grow steadily at 2–3%, while accommodation and food services are likely to see 4-5% expansion, reflecting recovering tourism and domestic spending. Other service segments, including financial services, real estate, education, and healthcare, are expected to stabilize at around 3% growth, contributing to an overall steady service sector performance.

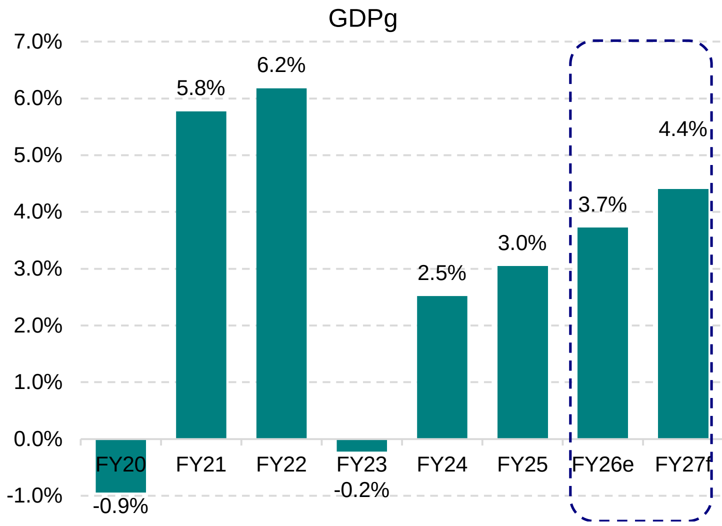
A Direction Worth Staying Committed to…

Recent news suggests that the government might be thinking of shifting to a more durable and realistic growth model, one that we, too, believe is the long-term solution to sustainable GDP expansion. The Finance Minister's recent remarks (as reported in media) reinforced this direction, acknowledging that Pakistan cannot depend on short-lived booms, external inflows, or imported momentum to fuel growth. Instead, the focus must shift toward an inclusive, private-sector-driven and export-led framework built on domestic strength. Rightly said, sustainable growth begins at home, and Pakistan must boost domestic investment and rebuild manufacturing capacity, before expecting foreign investors to step in. This recognition that FDI follows domestic confidence, not precedes it, is crucial for long-term resilience.

PAKISTAN'S ECONOMIC OUTLOOK

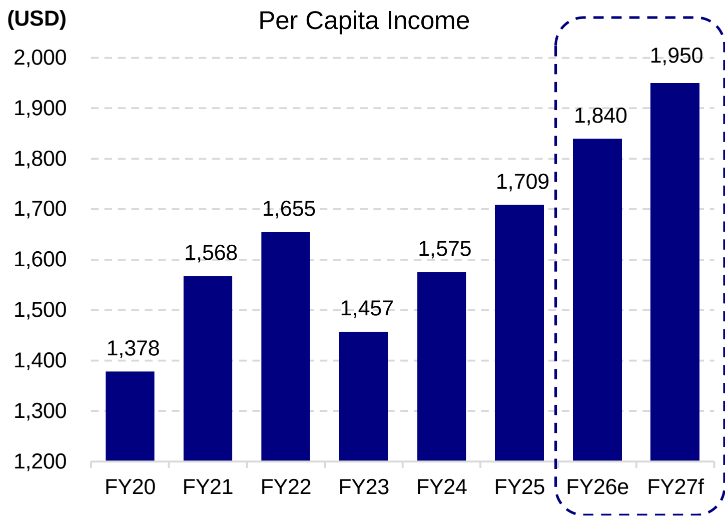
Accelerated Growth Momentum

Exhibit: Economic Growth set to Reach 3.7% in FY26



Source: PBS, MoF, AHL Research

Exhibit: Per Capital Income Expected to Clock in at USD 1,840 in FY26



Source: MoF, PBS, AHL Research

Exhibit: Industrial Sector Breakdown

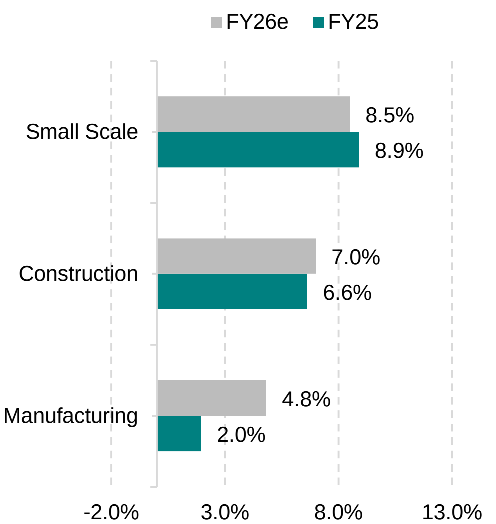


Exhibit: Agriculture Sector Breakdown

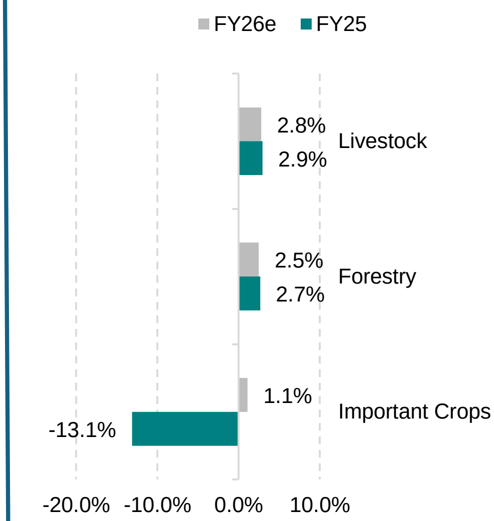
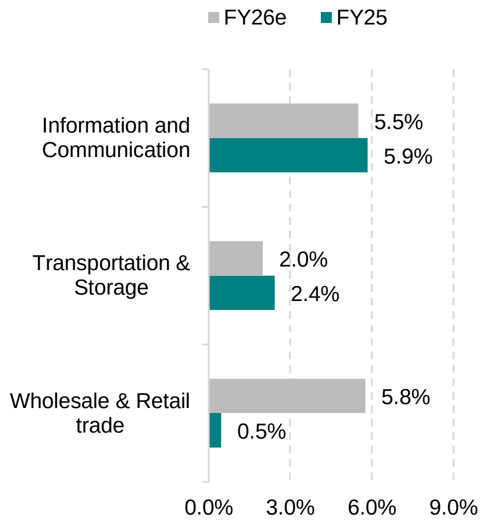


Exhibit: Service Sector Breakdown



Source: PBS, AHL Research

PAKISTAN'S ECONOMIC OUTLOOK

Accelerated Growth Momentum

Exhibit: Gross Domestic Product of Pakistan

Items	FY24a	FY25a	FY26e	FY27f
Commodity Producing Sector	**3.0%**	**3.1%**	**3.1%**	**4.0%**
Agriculture Sector	**6.4%**	**1.5%**	**2.3%**	**3.2%**
1. Crops	10.9%	-1.0%	1.4%	2.8%
2. Livestock	4.4%	2.9%	2.8%	3.5%
3. Forestry	-0.9%	2.7%	2.5%	2.9%
4. Fishing	0.8%	1.4%	1.5%	1.8%
Industrial Sector	**-1.2%**	**5.3%**	**4.1%**	**4.9%**
1. Mining & Quarrying	-3.3%	-2.4%	-2.0%	-2.0%
2. Manufacturing	3.0%	2.0%	4.8%	3.0%
3. Electricity Generation & Distribution & Gas Distribution	-19.1%	28.5%	2.0%	3.0%
4. Construction	-1.0%	6.6%	7.0%	10.0%
Service Sector	**2.3%**	**3.0%**	**4.2%**	**4.7%**
1. Wholesale & Retail trade	3.3%	0.5%	5.8%	6.8%
2. Transportation & Storage	1.6%	2.4%	2.0%	3.0%
3. Accommodation and Food Services Activities	4.1%	4.1%	4.5%	4.5%
4. Information and Communication	4.3%	5.9%	5.5%	6.0%
5. Financial and Insurance Activities	-12.7%	3.9%	4.2%	3.0%
6. Real Estate Activities (OD)	3.7%	3.8%	3.8%	4.3%
7. Public Administration and Social Security	-7.0%	9.9%	4.5%	4.0%
8. Education	10.1%	4.1%	3.0%	3.5%
9. Human Health and Social Work Activities	3.3%	3.6%	3.3%	3.5%
10. Other Private Services	3.6%	3.5%	3.7%	3.8%
GDP Growth	**2.6%**	**3.0%**	**3.72%**	**4.41%**

Source (s): MoF, AHL Research

PAKISTAN'S ECONOMIC OUTLOOK

Containing The Current Account Deficit

CAD Projected at 0.3% Of GDP in FY26e

After last year's current-account surplus, FY26e is unfolding much as anticipated: the balance has begun to slip back into deficit as domestic demand strengthens and imports rise in step. Even so, the emerging gap is being cushioned by steady remittance inflows and a modest uptick in exports, both of which are helping to soften the pressure and keep the external account on a more stable, manageable path. We forecast a contained deficit of 0.3% of GDP in FY26e, followed by a similar outcome of around –0.6% of GDP in FY27f.

Remittances: The Unwavering Anchor Keeping The Ship Afloat

Remittances remain the standout performer, providing consistent support to the external account. In the first five months of FY26e, inflows reached USD 16.1bn, a solid 9.3% YoY increase from USD 14.8bn in 5MFY25. The momentum is underpinned by several factors: strong manpower exports in recent years, with more than 1 million workers deployed abroad in FY25; a narrowing gap between formal and informal exchange rates, which has redirected flows toward official channels; and targeted government incentives such as an improved digital onboarding. The regional profile remains broad-based, with GCC economies projected to contribute USD 22bn in FY26e, complemented by robust inflows from the UK (USD 6.2bn) and the US (USD 3.7bn). Looking ahead, remittances are expected to reach USD 40.1bn in FY26e (+4.8% YoY), rising further to USD 41.7bn in FY27f (+3.9% YoY), continuing to play a key stabilizing role by supporting the rupee, easing import financing needs, and cushioning the economy against external shocks.

Exports: Weaving Threads Of Recovery

Pakistan's export performance in 5MFY26 presents a mixed picture. Overall goods exports declined by 3.2% YoY, but textiles showed resilience with a 4.1% increase, continuing to anchor overall export performance. In contrast, food exports contracted sharply by 35% YoY, largely due to supply-side challenges amid flooding. Other manufactured goods also saw a decline of 4.8% YoY.

Beyond goods, the momentum was notably stronger in services: services exports surged 19% YoY in 5MFY26, with each recent month marking record-high IT export receipts, reinforcing the sector's expanding role in Pakistan's external earnings. Looking ahead, we expect the recovery to broaden. The total goods exports are anticipated to rise to USD 32.3bn in FY26e, led by steady textiles (USD 18.1bn), and food exports at (USD 4.4bn), and continued strength in "Others" categories. By FY27f, exports are projected to reach USD 33.2bn, supported by improving global conditions, rising IT services, and targeted reforms in energy that should help unlock additional export capacity.

Export Surcharge Waiver

To support exporters and reduce the cost of doing business, the government has waived the Export Development Surcharge (EDS) recently. This move aims to ease cash flows for exporters, particularly in textiles, leather, and agriculture, improving their competitiveness and enabling them to reinvest in production and growth.

Rising Imports Signal An Economy Recharging

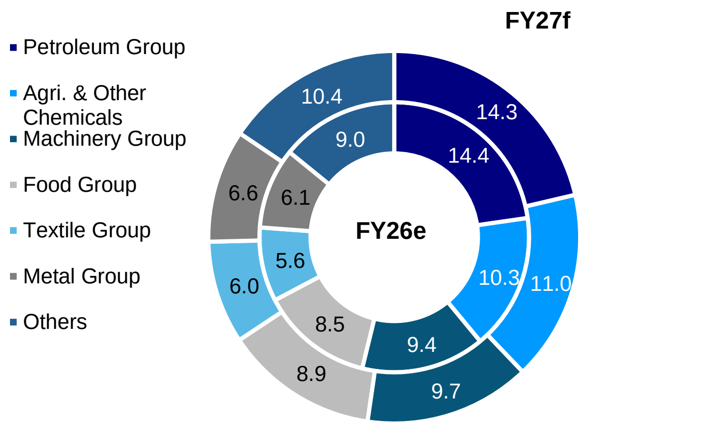
Pakistan's imports in 5MFY26 rose broadly, driven by strong domestic demand and industrial activity. Food imports surged 21.7% YoY, Machinery and Metal imports grew 13.6% and 12.2%, while Transport imports more than doubled (+106.4%), reflecting heightened vehicle and equipment demand. Petroleum imports fell slightly (-2.0%), and Agriculture & Other Chemicals rose modestly (+5.5%). The surge in Transport imports, however, may weigh on the trade balance.

The momentum is underpinned by stronger domestic activity following 3% GDP growth in FY25 and tariff reductions under the National Tariff Policy 2025–30. We expect imports to rise in a measured manner to USD 75.9bn in FY26e from USD 70.1bn in FY25, and further to USD 80.6bn in FY27f. As global prices stabilize and domestic production, particularly agriculture strengthens, these inflows should increasingly support export expansion and help guide the trade deficit toward a more sustainable trajectory from the FY26e estimate of USD 34.1bn.

PAKISTAN'S ECONOMIC OUTLOOK

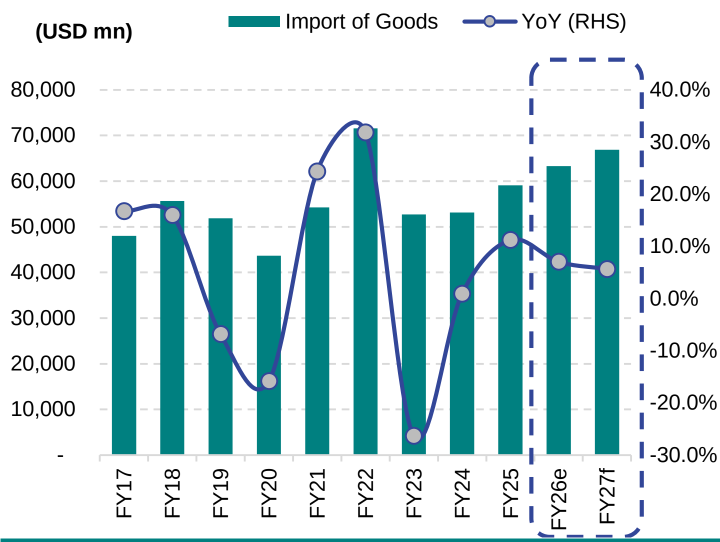
Containing The Current Account Deficit

Exhibit: Breakdown Of Imports (USD bn)



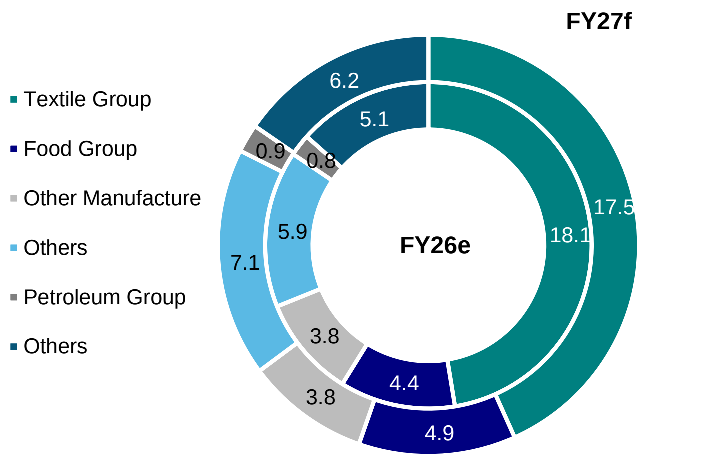
Source: SBP, AHL Research

Exhibit: Goods Imports to settle at USD 63bn in FY26e



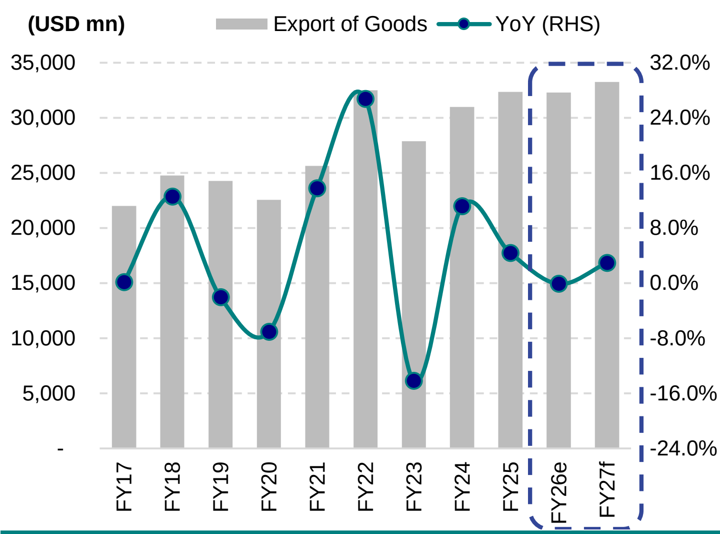
Source: SBP, AHL Research

Exhibit: Breakdown Of Exports (USD bn)



Source: SBP, AHL Research

Exhibit: Goods Exports to Remain Stable at USD 32.3bn in FY26e



Source: SBP, AHL Research

PAKISTAN'S ECONOMIC OUTLOOK

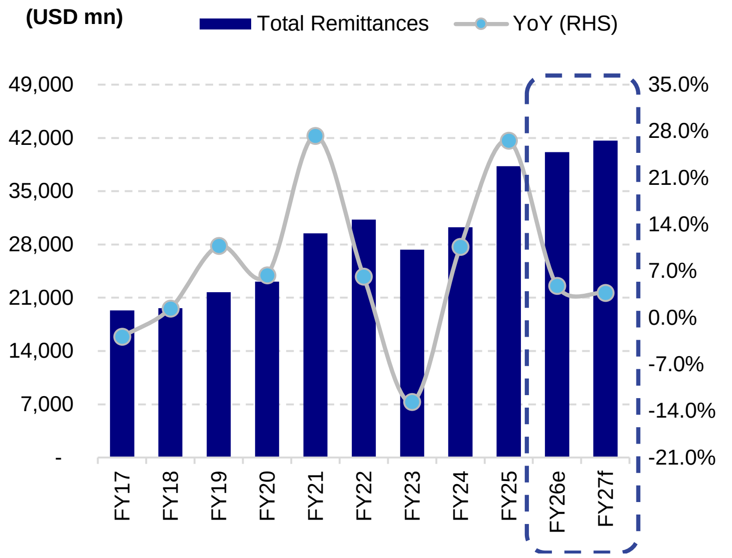
Containing The Current Account Deficit

Exhibit: Country Wise Remittances

USD mn	FY24	FY25	FY26e	FY27f
Saudi Arabia	7,424	9,345	9,775	10,197
UAE	5,535	7,829	8,397	8,762
Other GCC Countries	3,180	3,712	3,848	4,016
UK	4,522	5,905	6,181	6,444
USA	3,531	3,720	3,687	3,846
EU Countries	3,531	4,543	4,983	5,203
Australia	644	831	968	1,011
Canada	505	660	736	768
Total Remittances	**30,251**	**38,299**	**40,145**	**41,723**

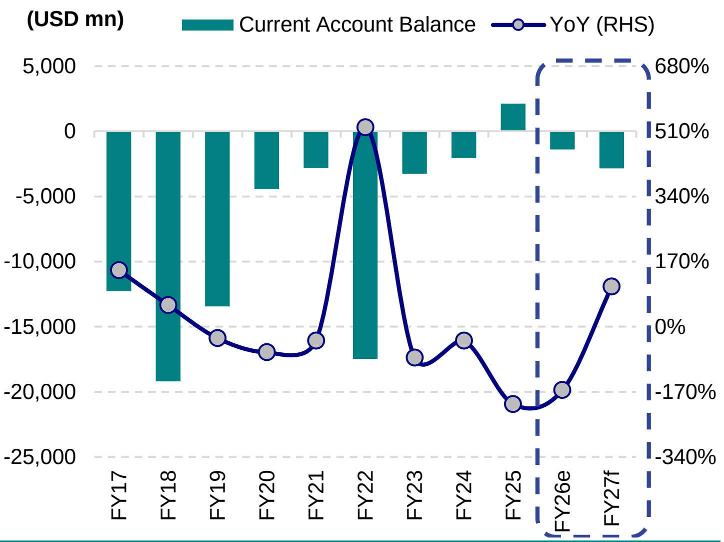
Source (s): SBP, AHL Research

Exhibit: Remittances to Surpass USD 40bn Mark.



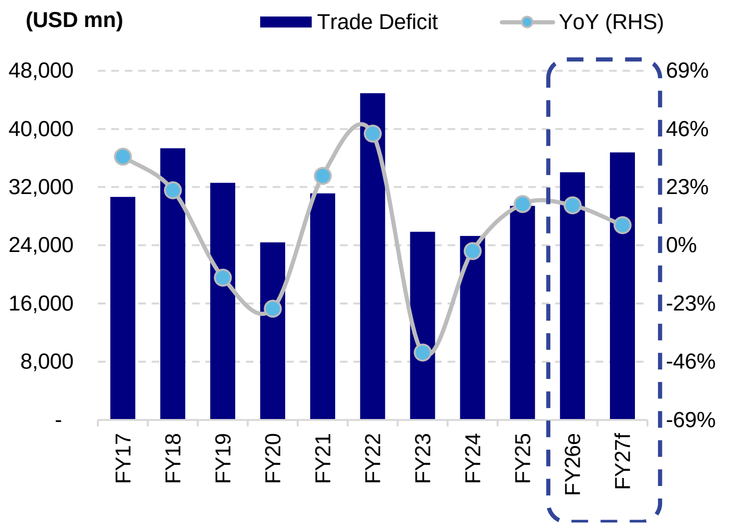
Source: SBP, AHL Research

Exhibit: Current Account to Remain contained In FY26 and FY27Balance



Source: SBP, AHL Research

Exhibit: Historical and Projected Trend Of Trade Balance



Source: SBP, AHL Research

ARIF HABIB LIMITED

PAKISTAN'S ECONOMIC OUTLOOK

Containing The Current Account Deficit

Exhibit: Current Account Balance

USD mn	FY24	FY25	FY26e	FY27f
Current Account Balance	**(2,072)**	**2,113**	**(1,388)**	**(2,836)**
% of GDP	**-0.6%**	**0.5%**	**-0.3%**	**-0.6%**
Exports of Goods	30,980	32,302	32,295	33,238
Imports of Goods	53,157	59,088	63,264	66,840
Balance on Trade in Goods	(22,177)	(26,786)	(30,969)	(33,602)
Exports of Services	7,691	8,383	9,570	10,550
Imports of Services	10,801	11,005	12,657	13,724
Balance on Trade in Services	(3,110)	(2,622)	(3,087)	(3,174)
Balance on Trade in Goods and Services	(25,287)	(29,408)	(34,055)	(36,775)
Balance on Primary Income	(8,986)	(8,902)	(9,499)	(9,540)
Balance on Secondary Income	32,201	40,423	42,166	43,479
Workers' Remittances	30,251	38,300	40,145	41,655

Source (s): SBP, AHL Research

PAKISTAN'S ECONOMIC OUTLOOK

PKR Stability and Reserve Flows Anchor External Resilience

PKR Is Expected To Undergo Gradual Adjustment

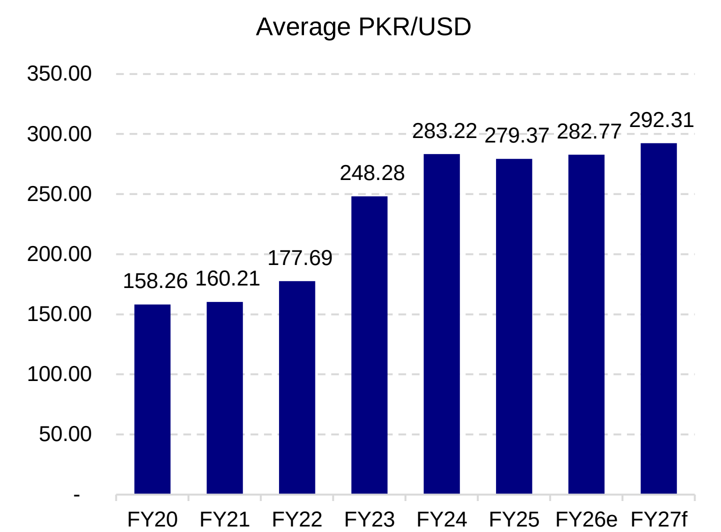
PKR remained broadly stable against the greenback during CY25, posting only a marginal 0.59% depreciation. This stability was underpinned by a powerful trio: resilient remittances, disciplined monetary management, and a meaningful buildup in foreign exchange reserves. This stability, reinforced by improved external accounts and a renewed IMF program, helped anchor expectations and limit market-driven volatility.

Looking ahead, however, the currency is set to enter a more measured phase of adjustment. As economic activity strengthens, import demand is expected to rise, widening the current account deficit and gently pressuring the PKR. As a result, the rupee is projected to soften to PKR 282.8 (avg.) in FY26e and further to PKR 292.3 in FY27f, reflecting an annual depreciation of around 3.3%, a level considered manageable given Pakistan's ongoing stabilization trajectory. This gradual, "healthy" devaluation is expected to support external competitiveness without triggering disorderly market conditions.

SBP Reserves Are Projected To Rise Steadily Through FY26e

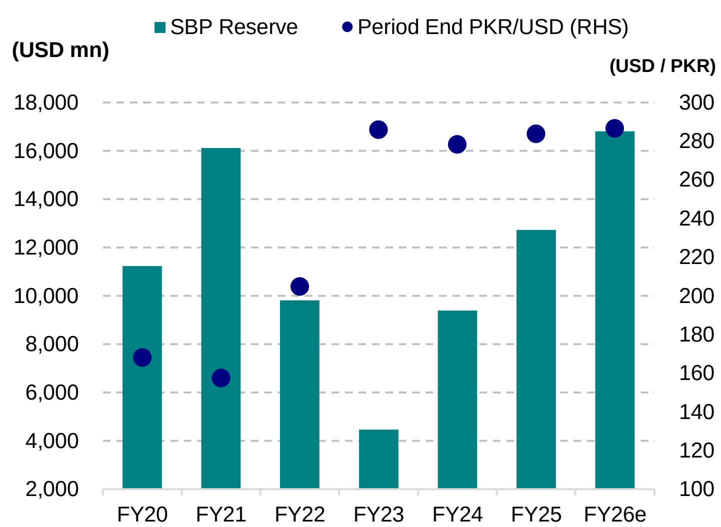
On the reserves front, Pakistan's external outlook for FY26e is underpinned by a broad mix of financing sources. IMF disbursements under the EFF and RSF are expected to provide around USD 2.6bn, complemented by USD 4–5bn from multilateral partners. Foreign direct investment is projected at USD 2–3bn, depending on the progress of ongoing project pipelines. Additional market-based financing, through a potential Eurobond or Sukuk issuance, could contribute USD 1–1.2bn, while bilateral and commercial inflows may add another USD 4–4.5bn, subject to market conditions and bilateral commitments. A significant buffer will come from anticipated rollovers of deposits and loans from Saudi Arabia, the UAE, and China, covering commercial facilities, trade finance lines, and sovereign deposits. Moreover, as per SBP, on external debt servicing, Pakistan continues to meet all obligations on time. Total external debt servicing for the year stands at USD 25.8bn, comprising USD 21.4bn in principal and USD 4.0bn in interest. Of this, USD 4.4bn has already been repaid, rollovers of around USD 5.3bn have been secured, and of the remaining USD 15.3bn, approximately USD 9.3bn is expected to be rolled over. SBP's updated projections indicate reserves reaching USD 17bn by Jun'26.

Exhibit: PKR to Remain Stable Against the USD



Source: SBP, AHL Research

Exhibit: Historical Trend Of SBP Reserves And PKR Parity



Source: SBP, AHL Research

PAKISTAN'S ECONOMIC OUTLOOK

Renewed Access To Global Markets

Pakistan Eyes International Markets In 2026

Pakistan is preparing a structured return to international capital markets in 2026 as part of its strategy to strengthen external liquidity and diversify funding sources beyond traditional multilateral and bilateral lenders. We believe the government can consider a range of financing options, including the issuance of Panda Bonds of around USD 200–250mn, potentially supported by credit enhancement through guarantees from multilateral institutions to draw Chinese investors. It may also explore tapping global fixed-income markets via US-dollar Eurobonds under the existing Global Medium-Term Note prog., or evaluate the feasibility of Islamic Sukuk, depending on prevailing market conditions and investor demand. A key driver for this issuance strategy is the USD 1.3bn principal repayment due in Apr'26 on an existing five-year international bond. Govt. might want to refinance most or all of this maturity through a new Eurobond issuance, with the final size to be determined closer to the date based on prevailing market conditions, we view.

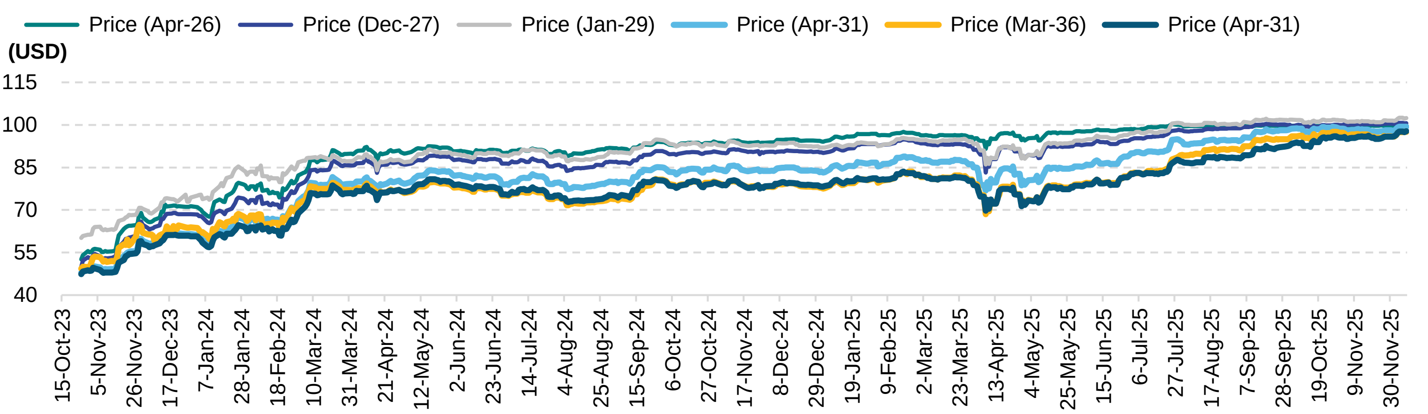
Additionally, investor sentiment has improved markedly, with Pakistan's five-year Credit Default Swap (CDS) spread tightening to around 400 bps levels last seen in 2021, reflecting lower perceived default risk and growing confidence in the country's macroeconomic stabilization efforts under the current IMF programme. While global interest-rate volatility and geopolitical risks remain, the lower CDS and positive discussions with rating agencies and investors suggest Pakistan is likely to secure more favourable pricing than in previous years. Taken together, the planned Panda, Eurobond, or potential Sukuk issuances represent a pragmatic, multi-currency approach to external financing in 2026.

Pakistan's Improved Credit Ratings And Path To International Capital Markets

Pakistan's recent credit-rating upgrades represent a significant milestone in its macroeconomic turnaround. In Apr'25, Fitch raised Pakistan's long-term foreign-currency rating from CCC+ to B-, citing progress in fiscal consolidation, improved external stability, and strong commitment to structural reforms under the IMF program. In Jul'25, S&P Global followed suit, upgrading Pakistan's sovereign rating from CCC+ to B- with a stable outlook, highlighting renewed confidence in the country's finances, rising foreign-exchange reserves, and government efforts to enhance revenue. Most recently, Moody's upgraded Pakistan's long-term debt rating to Caa1, noting stronger external liquidity and a more credible fiscal outlook. Moody's emphasized that Pakistan has honored its external debt obligations, bolstered FX reserves to slightly above USD 14bn, and successfully completed a key IMF review, milestones that reinforce market confidence.

Looking ahead, with expectations of improving macroeconomic conditions such as low inflation, stronger SBP reserves, stable currency parity, contained fiscal deficits, and other positive economic indicators, further credit-rating upgrades appear plausible, which would facilitate Pakistan's renewed access to international capital markets.

Exhibit: Historical Trend Of Price Of Pakistan International Bonds And Sukuks



Source: Bloomberg, AHL Research

PAKISTAN'S ECONOMIC OUTLOOK

Credit Rating Upgraded

Exhibit: Pakistan - Credit Rating (Fitch)

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

Source: Bloomberg, AHL Research

Exhibit: Pakistan - Credit Rating (Moody's)

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

Source: Bloomberg, AHL Research

Exhibit: Pakistan - Credit Rating (S&P)

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

Source: Bloomberg, AHL Research

PAKISTAN'S ECONOMIC OUTLOOK

Inflation Toward The Target Range

Year of calm before the climb

Headline CPI averaged just 4.49% during FY25, an extraordinary cooldown from the previous year's 23.4%. This remarkable disinflation was largely driven by tight monetary policy, reduced subsidies, disciplined fiscal management under the IMF programme, and a notable drop in imported inflation as global commodity prices softened. While this provided essential breathing room to households and policymakers, it also sets up a low base that will naturally fade in the months ahead.

Inflation normalizes but stays in control

For FY26e, headline inflation is projected to average 6.9%, which sits comfortably inside the State Bank of Pakistan's medium-term target range of 5–7%. The expected increase is therefore less a sign of overheating and more a reflection of normalization. Monthly inflation is estimated to average 0.84% during the year, with the end-period reading potentially crossing into double digits, slightly above 10%, as seasonal price adjustments (e.g. Ramadan factor) roll in. This does not suggest a loss of control; rather, it highlights how strikingly low FY25 inflation was and how quickly base effects can dissipate.

Food prices: From flood fear to sudden stability

One of the most encouraging developments has been the behavior of food inflation. Initially, after the floods several months ago, concerns mounted that food prices would spiral upward. For a short period, those fears appeared justified; food inflation spiked to 5.5% MoM in Sep'25 and 2.7% in Oct'25. But the impact proved significantly milder and shorter-lived than expected. Nov'25 even recorded a decline of 0.2% MoM in the food index, signaling a return to stability. For the remainder of FY26e, food inflation is expected to average only 0.4% per month, even after accounting for typical seasonal swings such as Ramadan. This provides a crucial buffer against broader price pressures, especially in a country where food carries heavy weight in the consumption basket.

Core inflation holds firm

Core inflation has also remained steady. NFNE core inflation is projected to average around 7.44% in FY26e, with a similar trend expected in FY27f. This indicates that despite the rebound in headline CPI, fundamental inflationary pressures remain contained. As economic activity gradually strengthens, demand-side pressures may rise slightly, but they are unlikely to push prices far beyond the projected path.

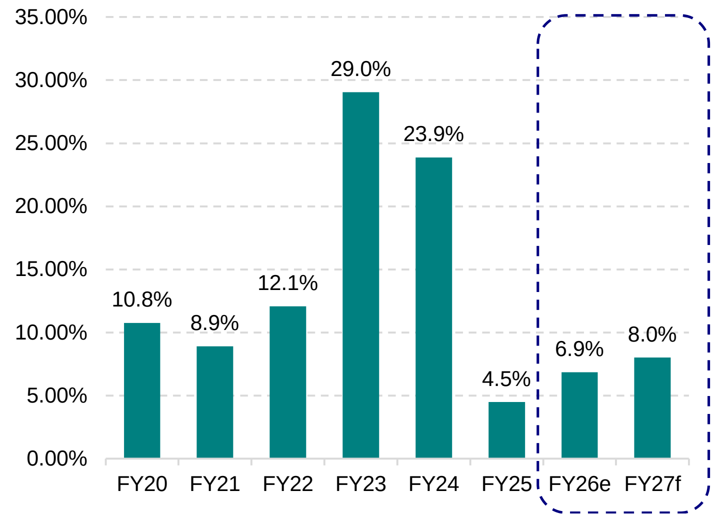
FY27f: A gentle drift upward

Looking ahead to FY27f, inflation is expected to edge up further to around 8.0%. This mild upward drift reflects the continued normalization of economic conditions rather than any significant deterioration. Monthly inflation during FY27f is expected to average roughly 0.7%. Nevertheless, the outlook is not without risks. Any meaningful depreciation of the rupee, any inflationary budgetary measures, renewed global commodity price volatility, more frequent adjustments in gas tariffs, or disruptions in food supply chains could tilt inflation higher. For now, however, the absence of a major energy price shock and the possibility of persistently low international oil prices, remains supportive of the inflation outlook.

PAKISTAN'S ECONOMIC OUTLOOK

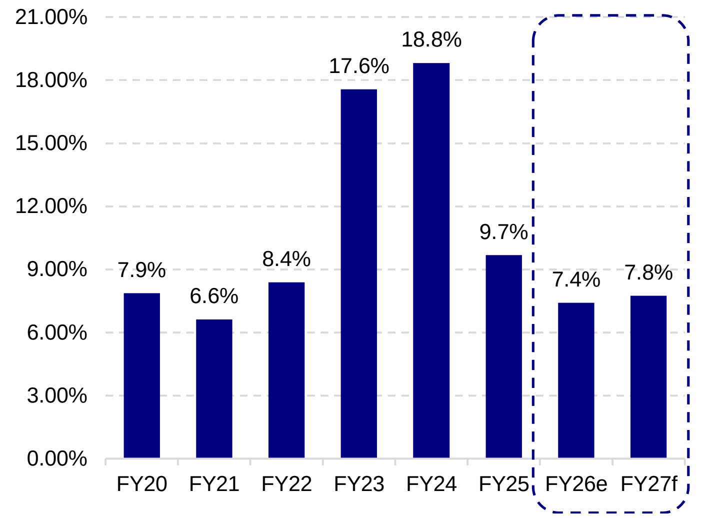
Inflation Toward The Target Range

Exhibit: Average National CPI



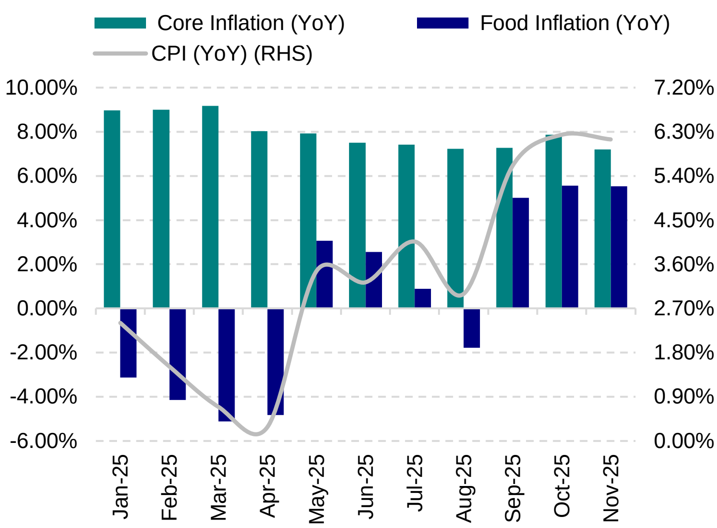
Source: PBS, AHL Research

Exhibit: Average Core Inflation



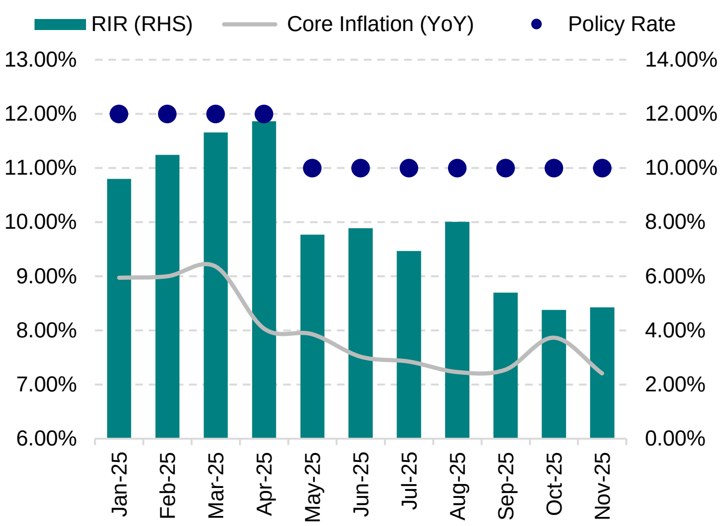
Source: PBS, AHL Research

Exhibit: Trend Of NCPI, Core And Food Inflation



Source: PBS, AHL Research

Exhibit: Real Interest Rates In Pakistan



Source: PBS, SBP, AHL Research

PAKISTAN'S ECONOMIC OUTLOOK

A Stable But Cautiously Optimistic Interest Rate Outlook

SBP Extends the Easing Script

With its Dec'25 Monetary Policy Statement, the State Bank of Pakistan (SBP) delivered an additional 50bps cut, bringing the policy rate down to 10.5% and closing CY25 on a dovish yet measured note. This move extends what has now become a historic easing cycle, totaling 1,000bps of cumulative cuts from the peak of 20.5%.The rationale remains firmly anchored in macro fundamentals. Inflation has moderated sharply, real interest rates remain sufficiently positive, and the economy continues to require policy support for a broader-based recovery. For now, rates appear to have entered a stabilization phase, though the easing bias remains intact, leaving room for further action 'should' inflation dynamics and external conditions continue to cooperate.

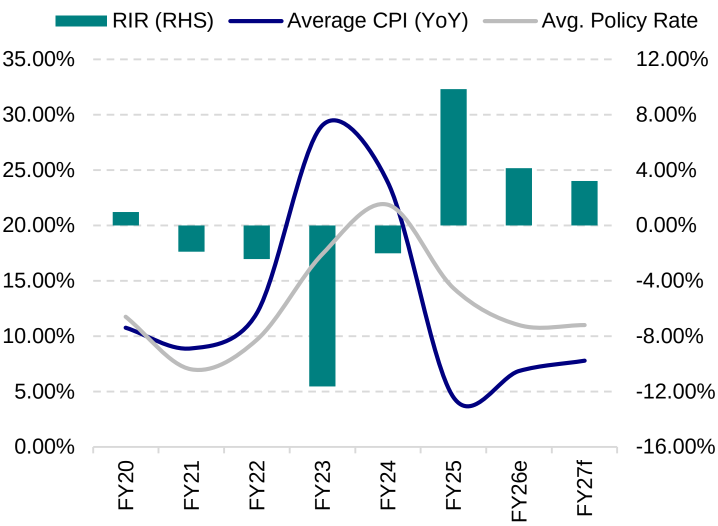
From Easing Momentum to Tactical Pause

Looking ahead, the space for uninterrupted easing has narrowed. With inflation expected to gradually firm up toward the latter part of FY26e (avg 1HFY26: ~5.14% vs. 2HFY26: ~8.56%), potentially brushing against double-digit levels, the SBP is likely to pause over the next few policy meetings, allowing the cumulative impact of past cuts to transmit through the economy.

..but, a Conditional Rate Cut Still On The Table!

Despite the pause narrative, the policy path remains conditional rather than closed. Should inflation continue to surprise on the downside, driven mainly by softer food and energy prices, while the current account remains manageable and broader macroeconomic indicators keep improving, the SBP could still have room to deliver an additional 50-100bps rate cut, most likely in 1QFY27. Such a move would remain data-dependent and contingent on a benign macro backdrop. In this environment, further monetary easing would act as a demand catalyst, reinforcing the ongoing recovery in consumption, investment, and private-sector credit off-take.

Exhibit: Historical Trend Of Real Interest Rates In Pakistan



Source: PBS, SBP, AHL Research

SBP cut the policy rate by 50bps to 10.5% in Dec'25, extending a historic 1,000bps easing cycle as inflation cools and growth support remains necessary. While further near-term cuts may pause as inflation firms in FY26, a conditional 50–100bps cut in 1QFY27 remains possible if macros continue to improve.

PAKISTAN'S ECONOMIC OUTLOOK

Pakistan And IMF: Path Through Reforms

Pakistan's engagement with the International Monetary Fund has entered a new, more structured phase, one centered on stability, gradual reform, and long-term resilience. In a recent development, the IMF Executive Board completed the second review of the Extended Fund Facility (EFF) and the first review under the Resilience and Sustainability Facility (RSF). This approval unlocked about USD 1bn under the EFF and USD 200mn under the RSF, bringing total disbursements under the two programmes to ~USD 3.3bn. The decision reflects the Fund's confidence in Pakistan's policy direction and acknowledges the authorities' strong implementation efforts, even in the wake of this year's devastating floods.

Pakistan's IMF-backed Reform Agenda

While the latest IMF country report is awaited for updated details, the mid-2025 documentation already outlines a clear and forward-looking roadmap. Pakistan has made meaningful progress under the EFF and RSF programmes, and the recent disbursement reflects confidence in the country's direction. The coming period will require steady implementation, but the emphasis is on continuity rather than abrupt changes.

Fiscal discipline: Pakistan's reform agenda under the IMF programmes continues to centre on fiscal discipline, monetary stability, social protection, structural reform, and climate resilience. On the fiscal front, the country is expected to maintain a primary surplus of 2.4% of GDP in FY26, supported by stronger revenue mobilization and a broader tax base. The challenge is to balance consolidation with essential development needs and flood-related pressures, ensuring that priority social and infrastructure spending remains protected.

Monetary policy is expected to remain data-driven and stability-oriented, with the State Bank of Pakistan keeping inflation within the 5–7% target range. The IMF has also encouraged Pakistan to deepen and modernize the foreign exchange market to reduce volatility and strengthen external buffers.

Social protection remains a central requirement, with the IMF emphasizing the expansion of BISP and increased investments in health and education. These measures aim to support vulnerable households and build long-term human capital.

At the **structural level**, Pakistan is being encouraged to undertake gradual but meaningful reforms to enhance productivity and competition. This includes improving public service delivery, reforming state-owned enterprises, and rationalizing commodity and trade policies, all aimed at creating a more efficient, competitive economic environment.

Energy sector reforms also remain critical. The authorities are expected to move toward cost-recovery tariffs, reduce inefficiencies, and progress toward a competitive electricity market while addressing circular debt. These steps are designed to make the sector financially sustainable and ensure reliable energy for consumers and businesses.

Finally, under the **RSF**, Pakistan is advancing climate and disaster resilience measures, including improving water management, strengthening disaster risk financing, and promoting cleaner mobility. These efforts aim to build long-term resilience and align economic reforms with national climate goals.

PAKISTAN'S ECONOMIC OUTLOOK

Pakistan and IMF: Path Through Reforms

Exhibit: Pakistan: Quantitative Performance Criteria and Indicative Targets

		FY2024/25				FY2025/26				
		end-Jun'25				end-Sep'25	end-Dec'25		end-Mar'25	end-Dec'25
		Prog. (PC) CR 25/109	Proposed Prog.	Actual	Status	Prog. (IT) CR 25/109	Prog. (PC) CR 25/109	Proposed (PC)	IT Proposed	PC Proposed
I. Quantitative Performance Criteria										
Floor on net international reserves of the SBP	USD mn	(7,450)	(7,359)	(6,834)	Met	(7,000)	(6,500)	(6,500)	(5,600)	(4,800)
Ceiling on net domestic assets of the SBP	Stock, PKR bn	15,024	14,999	14,873	Met	14,971	15,146	15,146	15,560	15,798
Ceiling on SBP's stock of net foreign currency swaps/forward position	Negative, USD mn	(2,500)	…	(2,496)	Met	(2,250)	(2,000)	(2,000)	(1,750)	(1,500)
Ceiling on the general government primary budget deficit	Cumulative excl. grants PKRbn	(2,397)	(2,545)	(2,719)	Met	(460)	(2,095)	(3,194)	(3,418)	(3,156)
Ceiling on the amount of government guarantees	Stock, PKR bn	5,600	…	4,388	Met	5,700	5,800	5,800	5,800	5,800
Cumulative floor on targeted cash transfers spending (BISP)	PKR bn	599	…	598	Not Met	103	262	321	512	694
Cumulative floor on the number of new tax returns	PKR 000	850	…	986	Met	450	900	500	750	1,000
II. Continuous Performance Criteria										
Zero new flow of SBP's credit to general government		-	…	-	Met	-	-	-	-	-
Zero ceiling on accumulation of external public payment arrears by the general government		-	…	-	Met	-	-	-	-	-
III. Indicative Targets										
Floor on the weighted average time-to-maturity of the local currency domestic debt securities stock (years)	Years	3	…	4	Met	3	3	3	4	4
Cumulative floor on general government budgetary health and education spending	PKR bn	2,863	…	2,837	Not Met	600	1,200	1,200	2,170	3,470
Ceiling on the aggregate provincial primary budget deficit	Cumulative PKR bn	(1,217)	…	(1,017)	Not met	(432)	(851)	(752)	(1,217)	(1,464)
Floor on net tax revenues collected by the FBR	Cumulative PKR bn	12,332	…	11,743	Not met	3,023	6,695	6,490	9,917	13,979
Floor on the consolidated net tax revenues collected by provincial revenue authorities	Cumulative PKR bn	918	…	979	Met	246	504	488	785	1,190
Floor on net tax revenues collected by the FBR from retailers under the Tajir Dost scheme	Cumulative PKR bn	…	…	…	…	…	…	…	…	…
Floor on income tax revenues collected by the FBR from retailers	Cumulative PKR bn	531	…	588	Met	133	295	366	517	707
Ceiling on net accumulation of tax refund arrears	Cumulative PKR bn	(24)	…	(7)	Not met	34	43	45	42	51
Ceiling on power sector payment arrears	Cumulative flow PKR bn	337	…	44	Met	200	300	300	400	400

Source (s): IMF, AHL Research

PAKISTAN'S ECONOMIC OUTLOOK

Pakistan and IMF: Path Through Reforms

Exhibit: Pakistan: Selected Economic Indicators

	Unit	FY24	FY25e	FY26p
GDPg	%	2.60	3.00	3.20
CPI	%, Average	23.40	4.50	6.30
CPI	%, Period end	12.60	3.20	8.90
Revenue and grants	% of GDP	12.70	15.90	16.30
Expenditure	% of GDP	19.50	21.20	20.20
Fiscal Balance	% of GDP	(6.90)	(5.40)	(4.00)
Primary Balance	% of GDP	0.90	1.30	1.60
External General Government Debt	% of GDP	22.80	22.50	22.50
Domestic General Government Debt	% of GDP	45.40	48.10	47.10
Broad Money	% Change	16.0	13.7	14.6
6-Month T.Bills	%	21.5	-	-
Current Account Balance	% of GDP	(0.6)	0.5	(0.6)
Foreign Direct Investment	% of GDP	0.6	0.6	0.5
Total External Debt	% of GDP	31.8	30.5	30.9

Source (s): IMF, AHL Research

PAKISTAN'S ECONOMIC OUTLOOK

Steady Fiscal Progress

Pakistan's Economy Is Showing Signs Of Fiscal Recalibration

Pakistan's fiscal position is projected to improve moderately over FY26–FY27. Revenue is expected to grow steadily, while the government aims to keep expenditure within limits. We expect the overall fiscal deficit to remain 4% of GDP in FY26e, with the primary balance staying positive at around 2.4% of GDP, indicating that non-interest spending can be fully covered by government revenues.

Revenue Generation: Momentum Gaining

Revenue generation is expected to pick up over FY26 and FY27. The government targets PKR 19.3trn in total receipts for FY26, with FBR collections contributing PKR 14.1trn. Our FY26 estimate of PKR 18.4trn is slightly lower, reflecting conservative assumptions on overall collection, but it remains achievable.

Non-tax revenues, mainly driven by petroleum levies (PKR 1.4trn) and SBP profits (PKR 2.5trn in FY26e), are projected to remain steady at roughly PKR 5trn, providing a solid foundation for total receipts. Ongoing reforms, such as digitization of tax collection and expanding the tax net (to name a few), improve the likelihood of achieving revenue targets. That said, tax net broadening still requires additional effort to fully materialize.

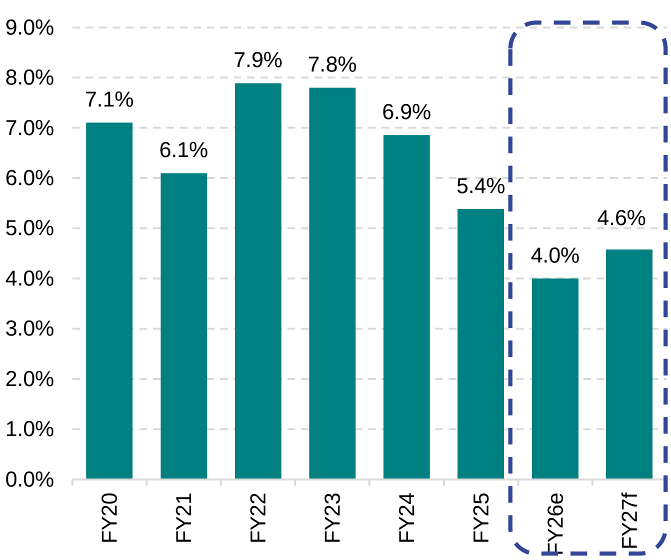
Expenditure Patterns

Total spending in FY26 is budgeted at PKR 17.6trn, with current expenditure taking the largest share. Our FY26e forecast of PKR 17trn assumes slightly tighter spending controls. Interest payments remain the largest component of current expenditure, but early FY26 data indicate a reduction in total government debt by over PKR 0.9trn, reflecting improved fiscal management and lower reliance on fresh borrowing. Development spending is projected at just over PKR 1trn, supporting key infrastructure and growth-related projects without creating additional fiscal pressure. Actual disbursement levels, however, will only become clear by the end of the fiscal year.

Deficit And Primary Balance: Stability In Focus

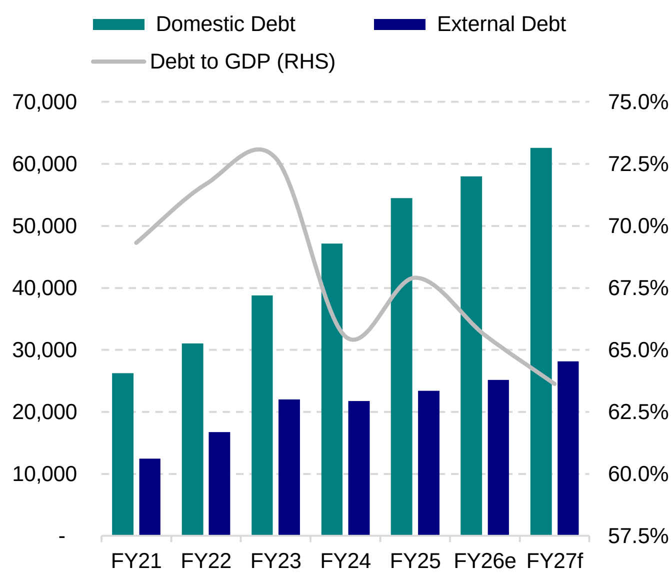
The FY26 budget targets an overall deficit of 3.9% of GDP, while our FY26 estimate is slightly higher at 4.0%, with FY27f projected at 4.6%. Importantly, the primary balance is expected to remain positive at roughly 2.4% of GDP, indicating that non-interest expenditure can be fully covered by government revenues. Maintaining this surplus is critical for debt sustainability and to meet the IMF's fiscal targets.

Exhibit: Overall Budget Deficit (% Of GDP)



Source: MoF, AHL Research

Exhibit: Total Government Debt (% Of GDP)

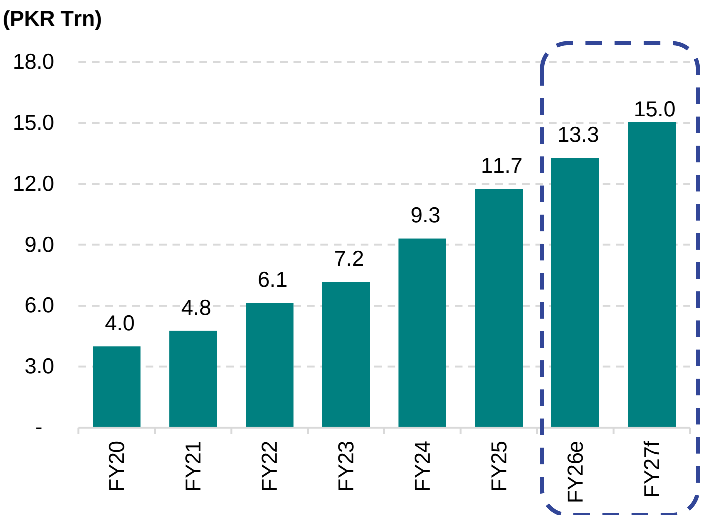


Source: MoF, AHL Research

PAKISTAN'S ECONOMIC OUTLOOK

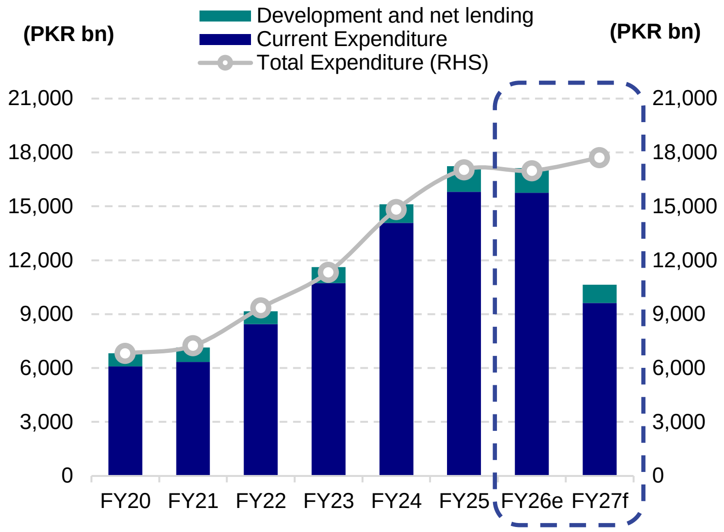
Steady Fiscal Progress

Exhibit: Revenue Collection



Source: MoF, FBR, AHL Research

Exhibit: Expenditure Breakdown



Source: MoF, AHL Research

Exhibit: Pakistan Fiscal Operations

PKR Bn	FY24	FY25	FY26b	FY26e	FY27f
Gross Revenue Receipts	**12,361**	**16,801**	**19,278**	**18,441**	**19,965**
FBR Revenue	9,311	11,744	14,131	13,271	15,049
Non-tax Revenue	3,050	5,056	5,147	5,170	4,916
Less: Provincial Share	**5,264**	**6,854**	**8,206**	**7,697**	**8,729**
Net Revenue Receipts	**7,098**	**9,947**	**11,072**	**10,744**	**11,236**
Total Expenditure	**14,823**	**17,036**	**17,573**	**16,980**	**19,130**
Current Expenditure	14,073	15,815	16,286	15,755	17,700
Mark-up Payments	8,160	8,887	8,207	8,063	9,624
Defence	1,859	2,194	2,550	2,501	2,626
Grants	1,395	1,633	1,928	1,812	1,903
Subsidies	1,067	1,298	1,186	1,350	1,417
Pension	808	911	1,055	1,048	1,100
Running Of Civil Govt And Others	784	892	971	981	1,030
Federal PSDP	732	1,049	1,000	950	1,007
Federal Budget Balance	**(7,725)**	**(7,089)**	**(6,500)**	**(6,237)**	**(7,894)**
Provincial Surplus	518	921	1,464	1,170	1,369
Overall Budget Balance	**(7,207)**	**(6,168)**	**(5,036)**	**(5,066)**	**(6,525)**
Primary Balance	**953**	**2,719**	**3,170**	**2,997**	**3,099**

Source (S): MoF, AHL Research

PAKISTAN'S ECONOMIC OUTLOOK

At a Glance

Exhibit: Key Economic Indicators

		FY23	FY24	FY25	FY26e	FY27f
Real						
GDP Growth		-0.2%	2.6%	3.0%	3.7%	4.4%
Nominal GDP	$ bn	337.2	371.7	411.0	442.4	478.3
CPI and Policy Rate						
CPI (YoY average)		29.0%	23.9%	4.5%	6.9%	8.0%
Policy Rate (Period end)		22.0%	20.5%	11.0%	10.5%	10.0%
External Sector						
Exports (Goods)	$ bn	27.9	31.0	32.3	32.3	33.2
Imports (Goods)	$ bn	52.7	53.2	59.1	63.3	66.8
Trade Deficit (Goods)	$ bn	24.8	22.2	26.8	31.0	33.6
Remittances	$ bn	27.3	30.3	38.3	40.1	41.7
SBP FX Reserves (Period End)	$ bn	4.4	9.4	12.7	16.8	20.1
Exchange Rate (Period end)	USD/PKR	286.0	278.3	283.8	286.6	298.1
PKR App / (Dep) (Period end)	(%)	(28.4)	2.7	(1.9)	(1.0)	(3.8)
Government Debt						
Domestic	PKR bn	38,810	47,160	54,471	58,018	62,585
External	$ bn	76.9	78.1	82.5	87.8	94.4
Fiscal Sector						
Total Revenue	PKR bn	8,880	12,361	16,801	18,441	19,965
FBR Taxes	PKR bn	7,169	9,311	11,744	13,271	15,049
Non-tax Revenue	PKR bn	1,711	3,050	5,056	5,170	4,916
Total Expenditure	PKR bn	11,332	14,823	17,036	16,980	19,130
Current Expenditure	PKR bn	10,732	14,073	15,815	15,755	17,700
Budget Deficit	PKR bn	6,521	7,207	6,168	5,066	6,525
% of GDP						
Current Account Deficit	(%)	1.0%	0.6%	0.5%	0.3%	0.6%
Fiscal Deficit	(%)	7.8%	6.9%	5.4%	4.0%	4.6%
Government External Debt	(%)	22.8%	21.0%	20.1%	19.9%	19.7%
Government Domestic Debt	(%)	46.4%	44.9%	47.5%	45.8%	43.9%

Source (s): MoF, PBS, SBP, AHL Research

RESTRUCTURING AND REFORMS

A Pivotal Year for Privatization

IMF-backed energy reforms, tariff rationalization, cost-reflective gas pricing, and RLNG management are stabilizing Pakistan's energy sector and easing fiscal pressure. Coupled with privatization of key SOEs like PIA and FWBL these measures improve efficiency, attract investment, and foster competition. Together, they are driving private-sector-led growth and strengthening Pakistan's economic resilience.

RESTRUCTURING AND REFORMS

Privatization Finally Takes Flight in Pakistan

First major Privatization in almost 20 years

A Pakistani consortium led by Arif Habib Corporation acquired a 75% stake in PIA with a winning bid of PKR 135bn (~USD 482mn), meeting a key IMF milestone and paving the way for much-needed capital injection to support the airline's turnaround and operational revival. Crucially, the deal is structured to prioritize sustainability rather than short-term fiscal relief: 92.5% of the proceeds (around PKR 125bn) will be reinvested directly into PIA for fleet expansion, modernization, and operational upgrades, with 7.5% flowing to the government treasury.

Not just a transaction—it's a catalyst for broader economic revitalization

The PIA privatization transaction is more than a sale; it is a catalyst for broader economic revitalization. PIA has accumulated over PKR 700bn in losses, with persistent annual deficits weighing heavily on public finances. Privatization is likely to bring an end to recurring bailouts, freeing up billions in fiscal resources while placing the airline on a commercially viable footing.

With private management, professional expertise, and technology upgrades, PIA is positioned to capitalize on recent tailwinds, international flight bans lifted during 2024-25. Planned fleet expansion, from 18 aircraft to potentially higher, along with route optimization and service improvements could enhance competitiveness, lower costs, and restore regional relevance.

Beyond aviation, the spillover benefits are meaningful. A revived PIA can support tourism inflows, and ancillary industries across logistics and services. The transparent execution of Pakistan's first major privatization in nearly 20 years, led by domestic investors, also sends a powerful signal of reform credibility, laying the groundwork for future SOE divestments and eventual foreign capital participation.

PIA Privatization 2025

A Historic Reform Deal

Key Ideal Summary

75% Equity Stake Sold

Arif Habib Consortium

PKR 135 Billion (~$482 Million)

92.5% proceeds to be reinvested

Remaining 7.5% (PKR 10bn) to be handed over to GoP

Part of IMF-Linked Structural Reform

Fleet expansion to 38 aircrafts in 1st phase

One of the largest privatization deals reported in 20 years

RESTRUCTURING AND REFORMS

Momentum Builds in Pakistan's Ambitious SOE Privatization Drive

As Pakistan witnesses the historic privatization of Pakistan International Airlines (PIA), the country's broader state-owned enterprise (SOE) reform agenda is likely to gain unprecedented momentum. Approved by the Cabinet Committee on Privatization (CCoP) in Aug'24 and ratified by the federal cabinet, the ambitious five-year roadmap targets 24 SOEs across three carefully sequenced phases, signaling a decisive break from decades of reform inertia.

Phase I: Flagship Reforms Take Center Stage

Phase I focuses on high-impact entities, including PIA, First Women Bank Limited (FWBL), House Building Finance Company (HBFC), and key power distribution companies (DISCOs) such as IESCO, GEPCO, and FESCO, assets seen as both commercially viable and reform-ready.

A major early win came with FWBL's privatization in record time. In Oct'25, Pakistan divested its 82.64% stake in FWBL to UAE-based International Holding Company (IHC) for USD 14.6mn under a government-to-government framework. The reform momentum was further reinforced with the successful privatization of PIA, witnessed just recently and discussed in detail earlier in this report, marking another milestone in the country's accelerated SOE reform journey.

Momentum is now building across the remaining Phase I assets. Preparations for IESCO, GEPCO, and FESCO are advancing swiftly, with financial advisors onboard and Expressions of Interest expected in early 2026, as per media reports. As relatively efficient DISCOs, these entities are being positioned to attract strong investor appetite and set the tone for deeper power sector reforms.

Privatization Milestones Align Pakistan's Reform Path with IMF Structural Agenda

These landmark privatizations are not just standalone wins, they form a key part of the structural reform agenda agreed with the IMF, which emphasizes SOE reform, governance improvements, and private-sector participation as critical anchors of macroeconomic stability. With these milestones achieved, Pakistan can now expect the IMF to maintain a supportive yet phased oversight, balancing structural benchmarks with program continuity, while allowing some flexibility as reform momentum builds.

Exhibit: Top 15 Loss Making SOEs FY24

Loss Making Entities	Loss for FY24 (PKR mn)
National Highway Authority	295.583
Quetta Electric Supply Company Limited	120.452
Peshawar Electric Supply Company Limited	88.723
Pakistan International Airlines Corporation	73.594
Pakistan Railways	51.375
Sukkur Electric Power Company Limited	37.096
Lahore Electric Supply Company Limited	34.595
Pakistan Steel Mills Corporation (Private) Limited	31.195
Hyderabad Electric Supply Company Limited	22.192
GENCO-II: Central Power Generation Company Limited , Thermal Power Station, Guddo	17.644
Islamabad Electric Supply Company Limited	15.8
Pakistan Post Office	13.429
Tribal Electric Supply Company Limited	9.506
Gujranwala Electric Power Company Limited	8.583
GENCO-III: Northern Power Generation Company Limited, Thermal Power Station, Muzaffargarh	7.877
All Other losses	23.721
Total	**851.366**

Source: MOF, AHL Research

Exhibit: Privatization Programe 2024-2029

Phase	Key Entities	Timeline	Status (as of Dec 2025)
I	PIA, FWBL, HBFC, IESCO, GEPCO, FESCO	Within 1 year	PIA & FWBL completed; DISCOs in advanced preparation
II	SLIC, PakRe, LESCO, MEPCO, etc.	1-3 years	Preparatory steps initiated
III	Postal Life Insurance	3-5 years	Planning stage

Source: MOF, AHL Research

RESTRUCTURING AND REFORMS

Resolving Circular Debt

Progress In FY25: Reducing Circular Debt

After months of speculation, the long-anticipated circular debt resolution agreement was finally signed, paving the way for a PKR 1.225trn banking facility at KIBOR minus 0.9%. This refinancing is expected to reduce costs by 1.5–5%, as it replaces higher-cost obligations such as IPPs' penal income (3M KIBOR + 200–450bps) and PHPL's interest charges (KIBOR + 2%).

How The Circular Debt Will Be Financed

Annual payments will be financed through Debt Service Surcharge (DSS) revenues, currently set at PKR 3.23/KWh under the PHPL surcharge, with excess collections allocated to cover the loan's principal over six years.

Through the FY26 budget, the government legislated the removal of the 10% DSS cap, mitigating risks from potential rate spikes. These targets are set to gradually decline to zero by FY31.

The remaining ~PKR 436bn of circular debt is expected to be financed through the power sector subsidy of ~PKR 1trn.

Clarity Awaited On CPEC IPP's LPS Waiver

While a breakthrough has been achieved in resolution of the power circular debt, clarity is still awaited on the LPS waiver for CPEC IPPs. As per media reports, disbursements will follow a one-month assessment, after which the government will have three months to draw and fully utilize funds. However, it can be sooner than expected.

PSO Is Expected To Be The Primary Beneficiary

PSO is expected to be the key beneficiary, as payments from CPPA-G to RLNG power plants (NPPMCL, QATPL, and Nandipur) will flow through SNGP and ultimately to PSO, though with some delay. The government also plans to settle outstanding dues of coal power plants, which is expected to benefit HUBC, LUCK, ENGRO, FFC and THALL in the listed space.

With Power CD Adressed, Eyes Are On Gas CD

With power-sector circular debt largely resolved, focus is shifting to gas circular debt, a potential re-rating catalyst for PSO, OGDC, and PPL. As per the IMF, principal gas CD declined by PKR 86bn, but rising LPS lifted total gas CD by PKR 227bn to PKR 3,183bn. We estimate PKR 1.1trn as LPS, with the balance being principal targeted for government repayment.

Several proposals have been floated, including the imposition of a PKR 5/liter Petroleum Levy and channeling incremental dividends from SOEs (E&P companies).

According to news reports, the Petroleum Division has proposed settling PKR 680bn over five years by utilising dividends from oil and gas exploration companies. The largest contribution is expected from OGDC, estimated at PKR 250bn, followed by PPL~PKR 230bn, and GHPL at nearly PKR200 bn. For OGDC, this translates into an incremental dividend of PKR 11.6/share annually, and PKR 16.9/share each year for PPL.

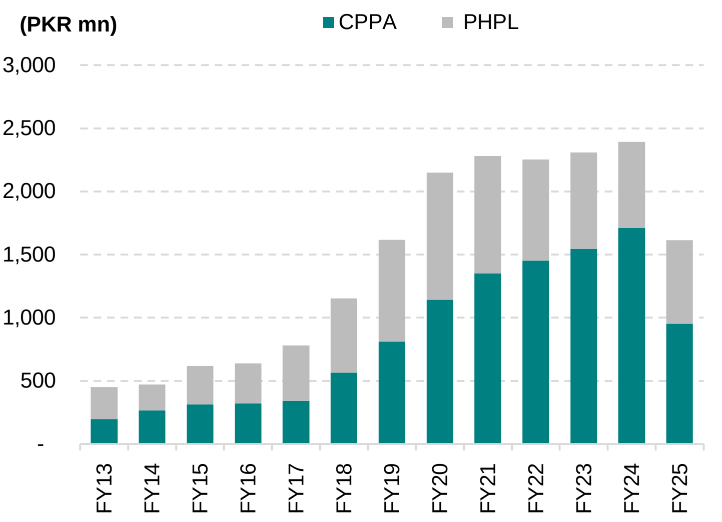
The second major component is an increase in the petroleum levy, expected to raise PKR 540bn from FY27–32. Our estimates suggest the government could generate additional PKR 581bn during the same period for the Gas CD resolution. Additionally, PKR 415bn savings from LNG diversion and PKR 75bn from recoveries have been proposed, enabling full payment of the Gas CD stock.

We estimate PSO's receivables from SNGPL under the gas circular debt at around PKR 254bn (PKR 541/share). Resolving the long-standing gas circular debt, including PPL's PKR 595bn exposure (PKR 219/share) and OGDC's PKR 613bn exposure, is critical to restoring liquidity and enabling E&P companies to ramp up investment and sustain production growth.

RESTRUCTURING AND REFORMS

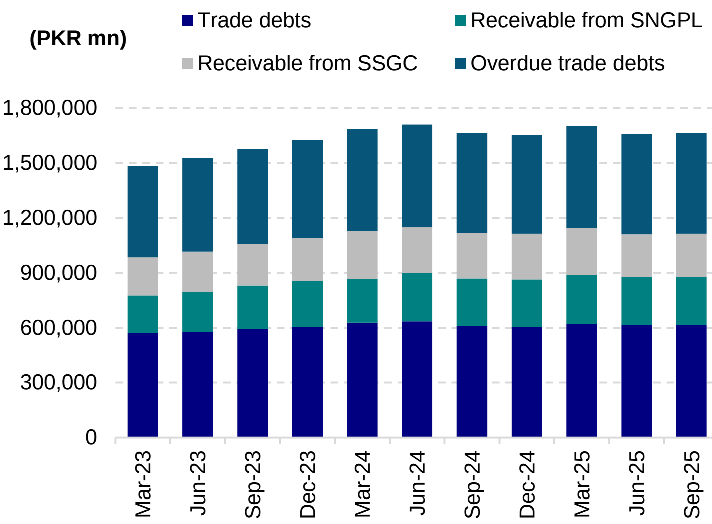
From Inefficiencies To Structural Reform

Exhibit: Historical Power Circular Debt Stock



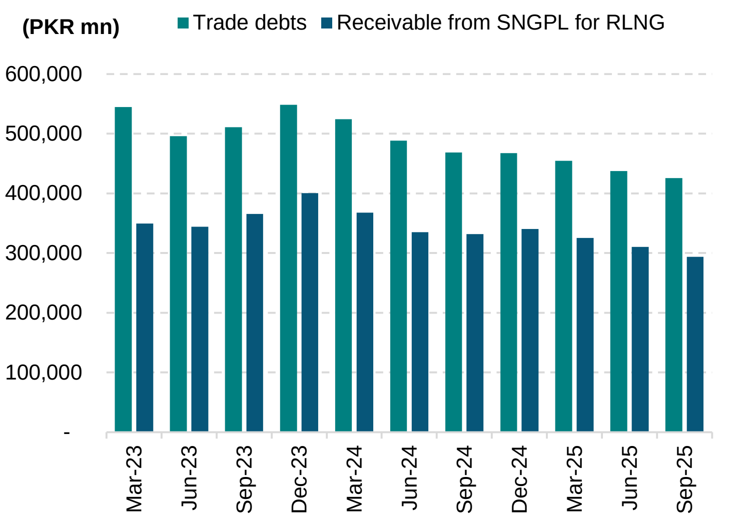
Source: MoE&P, AHL Research

Exhibit: OGDC Receivables



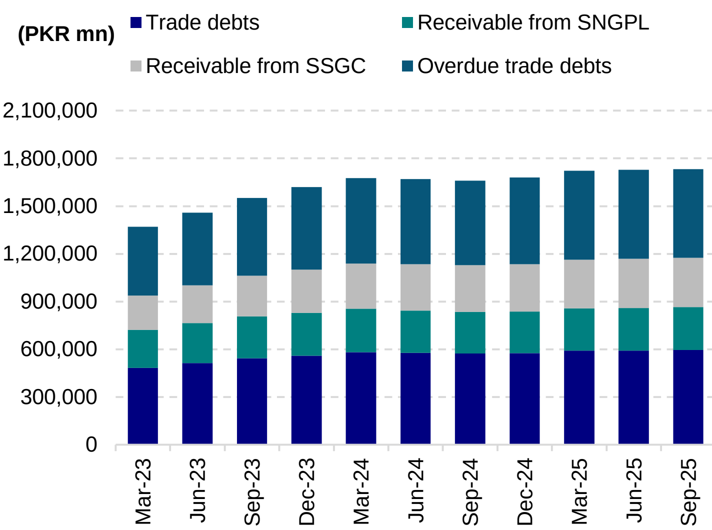
Source: Company Financials and AHL Research

Exhibit: PSO Receivables From LNG



Source: Company Financials and AHL Research

Exhibit: PPL Receivables



Source: Company Financials and AHL Research

RESTRUCTURING AND REFORMS

Gas Sector Recalibration Underway

Pakistan's gas circular debt stands near PKR 2.6trn, the result of years of misaligned pricing, subsidized consumption, and delayed structural corrections. However, the direction has begun to shift meaningfully as the government—guided by IMF-aligned reforms—moves toward cost-reflective tariffs and improved recovery mechanisms across the value chain.

RLNG Diversion And the Revenue Gap

One of the biggest contributors to the buildup of gas CD was the handling of RLNG diverted to households during FY22–FY24. While RLNG landed at ~PKR 2,609/3,333/3,490 per mmbtu during those years, domestic consumers continued to be charged subsidized indigenous-gas rates, creating a widening revenue gap. This was compounded by a timing mismatch in cash flows: although the government must pay for each RLNG cargo within 10 days of unloading, gas distribution companies follow a much slower cycle—one month for billing, 10 days for recovery, and another 5–10 days for reconciliation. The resulting 50–60 day lag meant that nearly six cargoes were typically offloaded before receivables were monetized, straining liquidity and placing significant pressure on PSO's balance sheet.

These pressures were further amplified by the government's reliance on OGDC and PPL's balance sheets to plug circular-debt gaps, limiting their ability to reinvest in exploration and sustain production. As pricing reforms began narrowing the gap between wellhead and consumer prices, liquidity improved and the financial strain on upstream companies started to ease, restoring their capacity to invest in reserve addition and production maintenance.

Cost-reflective Pricing: A Major Turning Point

A major turning point arrived in Nov'23, when OGRA approved the first-ever pass-through of RLNG diversion costs to domestic consumers. The regulator raised the weighted average gas price by 84%, from PKR 856/mmbtu to PKR 1,571/mmbtu, followed by a further upward revision in Feb'24. These adjustments, in line with IMF-advised benchmarks, marked a decisive shift toward cost-reflective pricing. Their impact has been tangible: collection rates for gas sales now exceed 100% for E&P companies, reversing years of chronic under-recoveries.

Toward A More Sustainable Gas Sector

The outlook is now being shaped by changing demand dynamics. With power demand subdued and the levy on captive power plants prompting industries to revert to the national grid, a larger share of Pakistan's take-or-pay RLNG volumes is expected to flow toward households. SNGPL's FY26 tariff petition reflects this trend, incorporating 92,594mmbtu of projected RLNG diversion, significantly higher on a YoY basis. As these developments continue to unfold, consistent tariff discipline and adherence to the current reform trajectory remain essential. The latest adjustments, closely aligned with IMF-supported structural benchmarks, demonstrate that long-standing weaknesses can be addressed when pricing, allocation, and recoveries move in step with economic fundamentals. While the gas sector is not yet free of strain, its path is now clearer, more disciplined, and increasingly sustainable.

RESTRUCTURING AND REFORMS

RLNG Business In Pakistan

Long-term RLNG Contracts Shaping Pakistan's Supply

Pakistan's RLNG supply is anchored in long term contracts that have reshaped its energy sector. The framework began in Feb-2016 with a 500mmcfd Qatar Gas deal at a 13.37% Brent slope, followed by a lower cost 400mmcfd contract in Feb-2021 at a 10.20% slope, reducing average import costs. A 15 year ENI agreement (Apr-2017) added incremental supply. With the lower slope Qatar volumes operational, PSO now manages nearly all RLNG imports, shifting away from the earlier PSO- PLL split. These supplies were aligned with RLNG-based power generation, supporting four plants totaling 4,896MW under take or pay arrangements, keeping utilization high; Historically, the power sector has absorbed ~46% of RLNG (based on 50% efficiency), excluding captive power use, as per NEPRA data.

Captive Shift To Grid

General industry accounts for ~20% of Pakistan's RLNG demand (~189 mmcfd). To shift captive power users to the national grid, the government introduced a grid levy in Mar-2025 of PKR 791/mmbtu effective March 7, 2025., later reduced to PKR 238/mmbtu from Jul-2025, with proceeds used to lower effective power tariffs. While this has sharply reduced captive RLNG demand, rigid take or pay contracts have created surplus gas, worsened by limited pipeline capacity. As a result, industrial electricity sales have risen, with 281 of 583 captive users already transitioning to the grid, as per NEPRA.

This surplus is set to expand further as fertilizer producers increasingly shift from RLNG to Mari's indigenous gas, a transition that, by our estimates, could add an additional ~50mmcfd to the existing glut.

Qatar LNG Cargo Diversions

Amid weak power and industrial demand, Pakistan's LNG contracts are being recalibrated, with Qatar agreeing to divert 24 cargoes in 2026. Any price shortfall versus contract rates will be borne by Pakistan and passed through to end-users, with the federal government preparing policy guidelines for OGRA to ensure a smooth and transparent implementation.

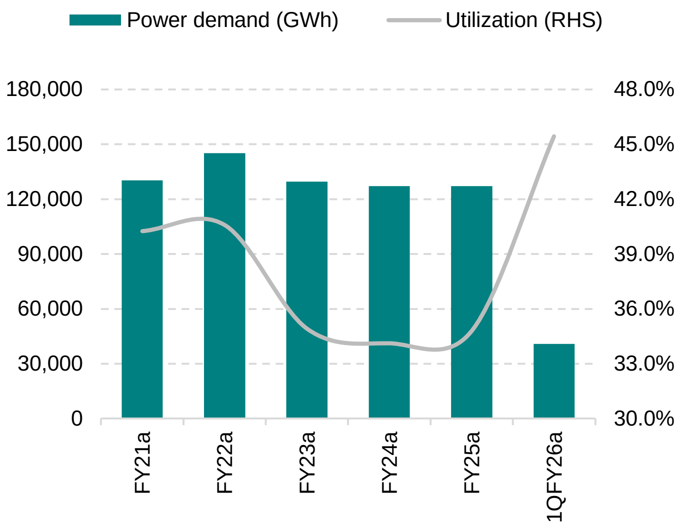
With demand patterns shifting, particularly due to reduced captive consumption and subdued power-sector offtake, cargo deferments are likely to remain limited to around 200mmcfd.

These trends have further shaped the government's domestic supply strategy. In a significant step, the federal government has approved the provision of RLNG based connections to all household consumers, targeting 100,000 new connections in FY26 (which includes 30,000 connections already allowed).

Correspondingly, SNGP has allocated PKR 6.6bn in its current petition to fund the required infrastructure.

This shift also carries material external-sector implications. Pakistan imports roughly USD 3.5–4.0bn worth of RLNG each year; deferring even three cargoes per month could yield over USD1bn in annual import savings, easing pressure on the current account.

Exhibit: Pakistan Power Demand

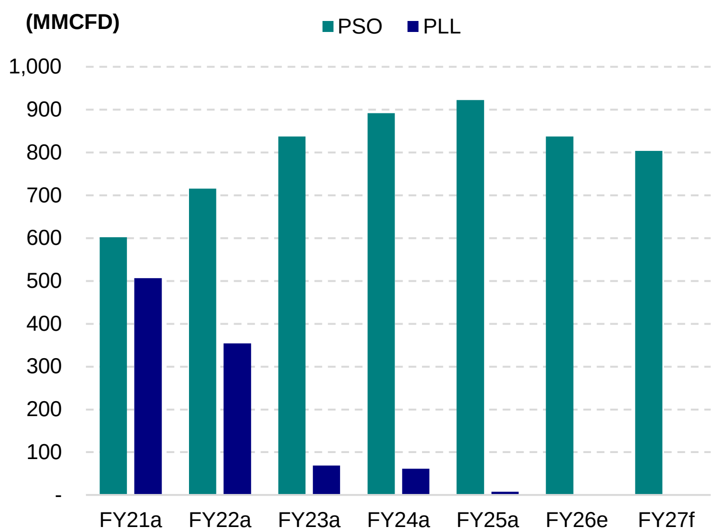


Source: NEPRA, AHL Research

RESTRUCTURING AND REFORMS

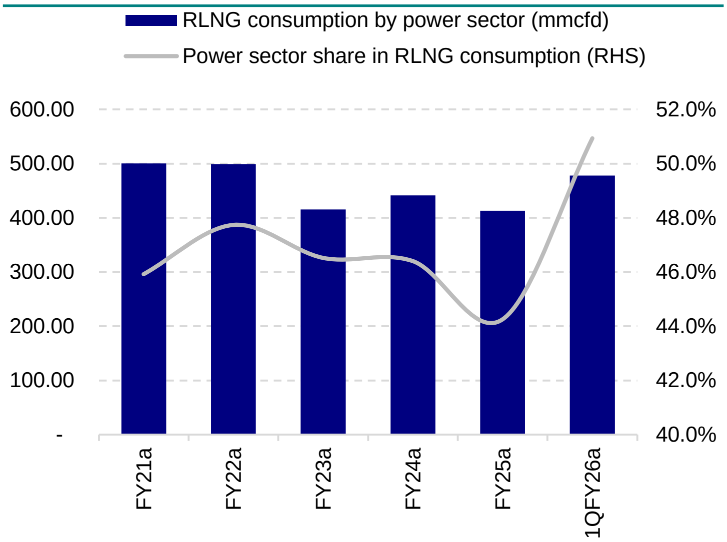
RLNG Business In Pakistan

Exhibit: PSO And PLL RLNG Mix



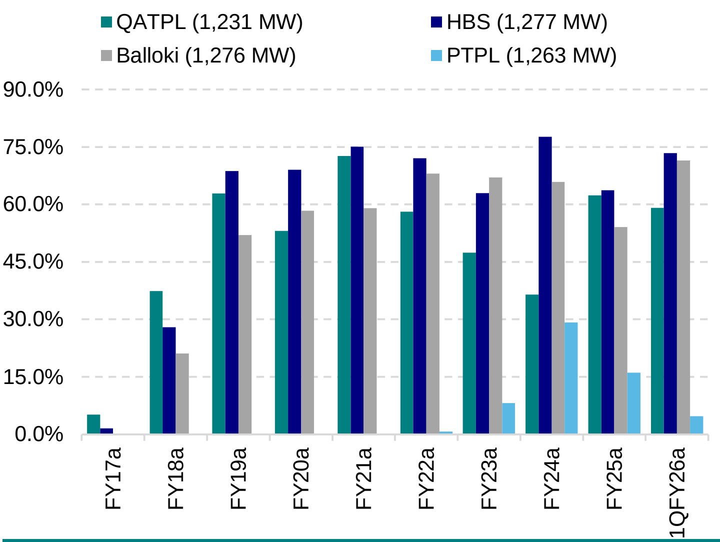
Source: OGRA, AHL Research

Exhibit: Power Sector RLNG Usage



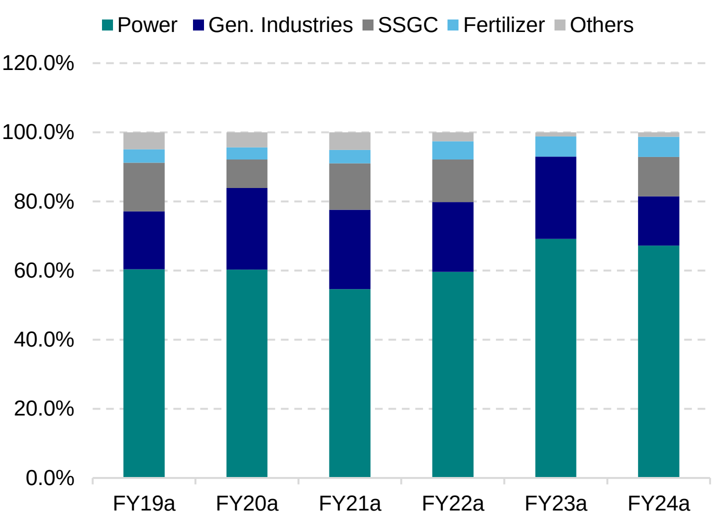
Source: NEPRA, OGRA, AHL Research

Exhibit: Big 4 Power Plants Utilization



Source: NEPRA, AHL Research

Exhibit: RLNG Usage By Sector



Source: Energy Year Book, AHL Research

Capital Market

Thrills And Gains

The KSE-100 remains compelling for 2026, trading below historical valuations with strong returns expected, 21.6% versus other asset classes, supported by stable macro fundamentals and strengthening external buffers. Domestic liquidity will be the key driver, while improving ratings and currency stability may draw USD 100–150mn in foreign inflows. Earnings growth of 5.9% and broad sectoral strength, along with a revival in IPOs and rising M&A activity, reinforce a balanced and constructive market outlook.

MARKET OUTLOOK

1 KSE-100 Remains Attractive

The KSE-100 remains attractive for 2026, trading at a forward P/E of 8.0x, inline with its historic average, with a forward P/B of 1.3 and a dividend yield of 7.2%. Profitability is solid, with a projected ROE of 17.6%. The market is trading at a significant discount to GDP, with a market cap-to-GDP ratio of 16.0%, well below the 20-year average of 18.8%, indicating potential upside if the market reverts to historical average.

2 Equities - Preferred Asset Class

In 2026, equities remain the top choice, with the KSE-100 projected to grow by 21.60%, significantly outperforming Gold (5.15%), Silver (7.89%), and T-Bills (10.05%). The KSE-100's strong 5-year CAGR of 31.31% further reinforces its growth potential, while alternatives like Bank Deposits (10.81%), USD/PKR (12.45%), and PIBs (12.77%) offer lower returns, making equities the preferred asset class for growth in 2026.

3 Supportive Macro Environment

Macroeconomic stability, including an 10.5% policy rate, 6.9% inflation, and a 0.3% current account deficit, is positive for the KSE-100. Historically, such stability has led to valuation expansions, as seen in FY14, FY15, and FY17. With strengthening external balances, including USD 16.8bn in FX reserves and USD 40bn in remittances, this stable macro backdrop supports continued growth in the KSE-100.

4 Local Liquidity Drives index with Potential for Foreign Inflows

In 2026, domestic liquidity will continue drive the KSE-100, with mutual funds equity exposure and domestic institutions holding a strong market share. While foreign inflows have been cautious, improvements in credit ratings, currency stability, and attractive valuations suggest a potential resurgence, with expectations of USD 100-150mn in foreign inflows.

5 Balanced Growth Across Sectors

The 2026 earnings season is expected to show steady growth, with the KSE-100 projected to grow by 5.9%. Banks may see a decline (-2.3%), while E&Ps are set for a modest drop (-6.4%). Key sectors like Fertilizers (+9.3%), Cement (+20.7%), Autos (+20.2%), and Textiles (+50.9%) are positioned for growth, with Technology leading (+214.3%) due to mergers and IT export growth. Overall, the market's growth will be more diversified, offering a balanced outlook for investors.

6 Boom In M&A And IPO Activity

The IPO and M&A outlook for 2026 is poised for recovery, with a more active IPO market driven by high-growth sectors and a strong pipeline of 10-12 offerings expected to raise over PKR 20-25bn. M&A activity is set to increase due to strategic business transformations and sector consolidation, with sectors like energy, tech, and renewables seeing more activity.

PAKISTAN CAPITAL MARKET

Bull Market Continues Into Year 4

In 2025, the KSE-100 delivered its third consecutive year of double-digit gains, with CY23 posting 54.5%, CY24 recording 84.3%, and CY25TD adding another 48.6%. This strong performance was underpinned by robust corporate earnings, ample domestic liquidity, a central bank maintaining a pro-growth stance, and a revival in M&A and IPO activity, trends expected to continue shaping the market in 2026. Should this compelling investment environment also attract foreign investors, it would be a significant boost for the market. While returns may moderate in CY26, the equity uptrend remains intact.

Our Dec'26 target for the KSE-100 Index is 208,000 points, implying an upside of 21.6% from the closing level on 23-Dec-2025. Our index target is based on target price mapping and justified P/E.

Supportive Macro Environment: Low inflation, stable interest rates, improving FX reserves, a manageable current account deficit, and a steady currency are collectively creating a favorable macro backdrop.

Buoyant Domestic Liquidity: Strong domestic liquidity, fueled by fresh fund inflows and fixed-income conversions, is expected to continue supporting market activity.

Preferred Asset Class: The low interest-rate regime, subdued real estate demand, and measures against dollarization position equities as the preferred asset class over low-yielding fixed-income instruments.

Attractive Valuations: The KSE-100 trades at a forward P/E of 8.0x (inline with its long term historic average), a forward P/B of 1.3 (10% below its historic 1.5x), and at a 31% discount to regional markets, highlighting compelling entry points for investors.

Earnings Growth: Corporate earnings are expected to grow 5.9% in 2026, led by Cement (+20.7%), Fertilizer (+9.3%), Technology (+214.3%), Textiles (+50.9%), OMCs (+33.4%), and Automobiles (+20.2%), providing continued support to the equity market.

Boom In M&A And IPO Activity: M&A and IPO activity is surging, with AHL planning 10–12 offerings in CY26 across sectors including FMCG, Pharmaceuticals, Oil & Gas, Automotive, IT, Real Estate, and Financial Services, projected to raise over PKR 20 - 25bn, signalling a robust capital-market pipeline.

Exhibit: KSE-100 CY26 Expected Index Target And Sensitivity

KSE-100 Index Target	Dec'26	208,000
Current Index	23-Dec-2025	171,074
Expected Return		**21.6%**
Target Price Based	**Justified PE Based**	**Target**
30%	70%	205,102
40%	60%	206,328
50%	**50%**	**208,000**
60%	40%	208,779
70%	30%	210,004

Source: PSX, AHL Research

PAKISTAN CAPITAL MARKET

Pakistan Market Still Attractive On Different Metrics

Are Stocks Too Expensive? Not Quite Yet

Valuations in the KSE-100 are undeniably elevated, but context matters. Profit growth has been strong, with companies recording 10.3% earnings growth over four consecutive quarters, demonstrating resilience despite recent market volatility. Naturally, the question arises: are stretched valuations a long-term hurdle? The reality is that replicating the stellar returns of the past decade would require either unprecedented earnings growth or historically high multiples. Yet, over a medium-term horizon, elevated valuations are not necessarily a barrier—particularly if macro stability, liquidity, and earnings momentum persist. In fact, our analysis suggests that the KSE-100 is well-positioned to not only sustain rather improve these levels in the near term.

Looking Ahead: KSE-100's 2026 Outlook

The key question for investors is whether the KSE-100, after a strong rerating, still offers value going forward. By comparing the 2026 forward outlook with both the index's long-term historical averages and regional peers, the answer appears clear: the market remains attractive. While regional markets trade at a P/E of 17.3, the KSE-100's 2026f P/E stands at 8.0, not only well below the region but also below its own long-term average of 8.5. This earnings discount signals that, despite recent gains, expectations remain conservative relative to history and peers.

Value Beyond Earnings: P/BV And Dividends

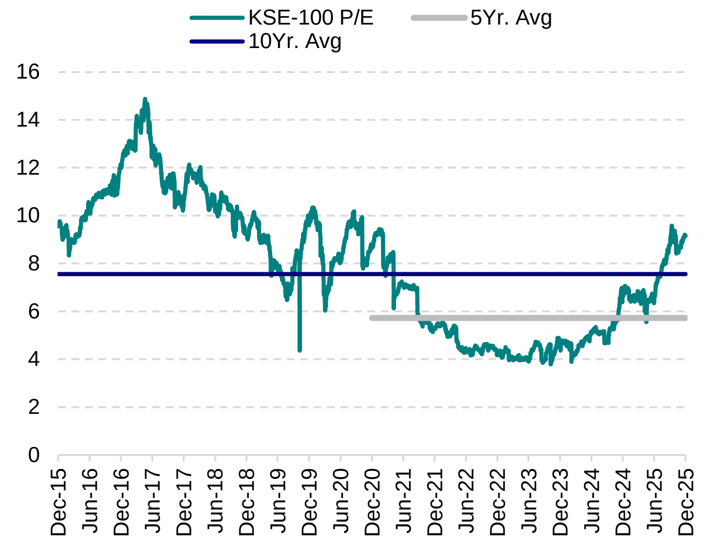
The forward Price-to-Book (P/B) tells a similar story. Regional markets average 2.0, while the KSE-100 historically hovered around 1.5. Yet the 2026f P/B drops to 1.3, suggesting the index remains inexpensive in book-value terms, especially with expected balance-sheet strengthening and sectoral earnings recovery. Dividend yields further enhance the story: while the regional average sits at 2.4%, Pakistan's 2026f yield of 7.2% points to a return of healthier payouts, significantly improving the total-return potential for investors.

Profitability Backs The Valuation Case

Profitability metrics reinforce the argument for forward attractiveness. The region's ROE of 11.6% lags the KSE-100's historical 17.4%, while projected 2026f ROE of 17.6% signals a strong recovery. A market that combines superior profitability with lower relative valuations is typically well-positioned for rerating, highlighting the KSE-100's potential for both capital appreciation and dividend income.

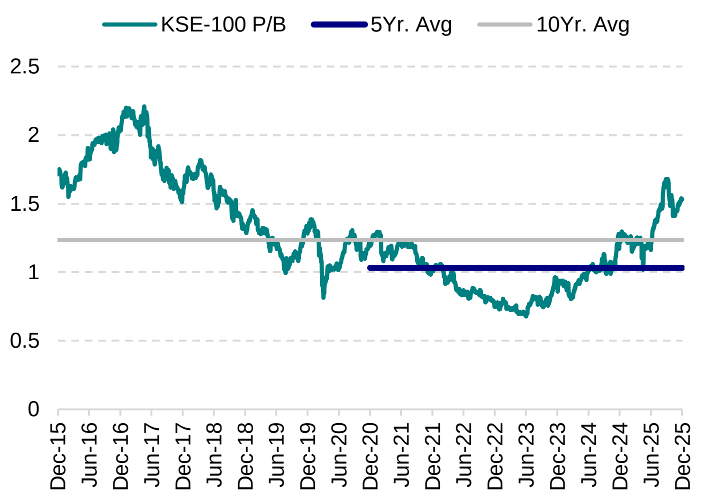
The KSE-100 remains attractive for 2026, trading at a forward P/E of 8.0 versus the regional 16.7 and its own historical 8.5, with a forward P/B of 1.3 and dividend yield of 7.2% versus regional 2.4%. Profitability is strong, with a projected ROE of 17.6% versus the region's 11.6%, supporting potential rerating and total returns.

Exhibit: KSE-100 Historic P/E



Source: Bloomberg, AHL Research

Exhibit: KSE-100 Historic P/B



Source: Bloomberg, AHL Research

PAKISTAN CAPITAL MARKET

Value Discount, Performance Premium

Market Cap-to-GDP Below Historical Averages

Pakistan's equity market continues to trade at a meaningful discount relative to the size of the economy. The market cap-to-GDP ratio currently stands at 16.0%, well below the 20-year average of 18.8%, pointing to a clear case for mean reversion. The ratio rising to the historical average of 18.8% would result in a ~23% upside in the KSE-100, translating into an expansion in overall market capitalization to ~PKR 24trn.Valuations remain supportive. Valuations remain supportive, with the market trading at a P/E multiple of 8.0x, leaving room for further re-rating.

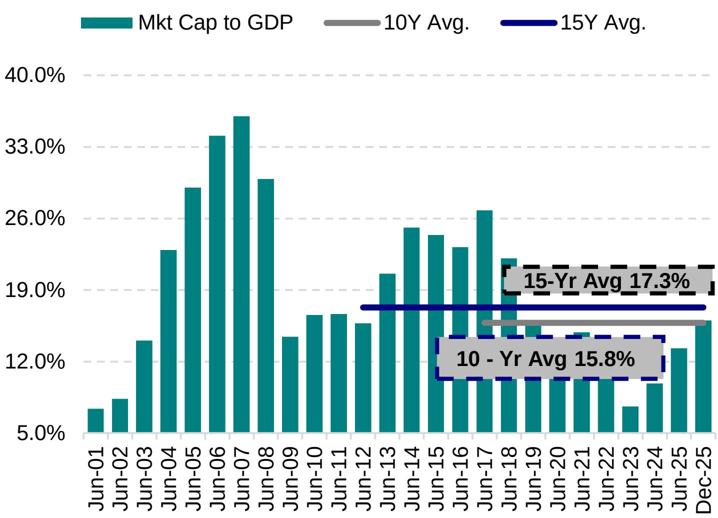
Looking ahead, a robust IPO pipeline in 2026, combined with improving macro stability and attractive valuations, strengthens the case for market deepening and a gradual move toward 10 and 15 year historical market cap-to-GDP averages.

MSCI Frontier Market: Pakistan's Structural Outperformance

Since Pakistan's inclusion in the MSCI Frontier Markets Index in Nov'21, the KSE-100 has delivered a cumulative return of 138%, significantly outperforming the FM index return of 14.5% over the same period. This sharp divergence highlights the strength of leading Pakistani corporates relative to peer frontier markets.

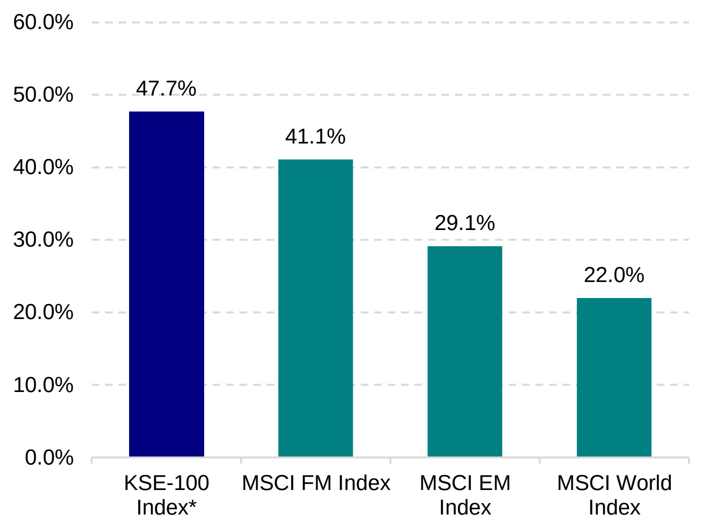
The sustained outperformance suggests that top-tier Pakistani companies are delivering superior returns even on a risk-adjusted basis, outperforming markets with similar risk and development profiles. Despite persistent macro and policy challenges, Pakistan's equity market has demonstrated its ability to generate alpha within the broader frontier market universe.

Exhibit: Market Cap To GDP



Source: PSX, MOF, AHL Research

Exhibit: KSE-100 Outperformed All MSCI Indices (CYTD)



Source: PSX, MOF, AHL Research, *USD Based Return

The KSE-100, despite elevated current valuations, remains attractive on a forward basis: its 2026f P/E and P/B trade well below both historical averages and regional peers, while profitability and dividend yields are set to improve meaningfully. With supportive macro conditions, strong earnings momentum, and a low market cap-to-GDP ratio offering sizeable rerating potential, the index is well-positioned for continued upside.

PAKISTAN CAPITAL MARKET

Our Key Asset-class Views For 2026

	KSE100	Gold	Silver	T-Bills
CY26f	21.59%	5.15%^	7.89%^	10.05%
CY25TD	48.60%	69.31%	140.78%	10.48%
5Y CAGR	31.31%	18.52%	14.16%	14.38%
10Y CAGR	17.93%	15.38%	13.92%	11.50%
15Y CAGR	19.35%	7.89%	3.42%	10.81%
20Y CAGR	15.51%	11.35%	9.19%	11.03%

	Bank Deposits	USD/PKR	PIBs*
CY26f	8.75%	4.00%	11.10%
CY25TD	9.24%	0.60%	11.53%
5Y Average	10.81%	12.45%	10.35%
10Y Average	8.49%	10.72%	10.27%
15Y Average	8.10%	8.29%	10.66%
20Y Average	7.73%	8.02%	11.21%

Over the past years, the KSE-100's 5,10,15 and 20 yr return CAGR has outperformed Gold, Silver, T-bills, bank deposits, USD parity, and PIBs. Looking ahead, we project the KSE-100 to deliver a return of 21.59% in CY26.

Source (s): PSX, Bloomberg, WEO, SBP, AHL Research, *10 year PIB, ^World Bank Projections

PAKISTAN CAPITAL MARKET

Stability Supports Market Gains

Pakistan's macroeconomic revival is gaining momentum, setting the stage for a sustained growth cycle in the equity market. Improvements across inflation, external balances, and growth signal a clear move toward stability and rising investor confidence, positioning PSX for an expansion phase similar to past recoveries.

An analysis of the past decade reveals that the KSE-100 Index has historically experienced valuation multiple expansion during years of macroeconomic stabilization, notably in FY14, FY15, and FY17, with P/E ratios of 11.7, 11.7, and 11.6 respectively. Each of these cycles coincided with periods of policy normalization at 10%, 7%, and 5.8%, controlled inflation at 8.6%, 4.6%, and 4.2%, and strengthening external accounts, which collectively fueled market optimism. The similarities between those historical episodes and the evolving macroeconomic landscape of FY26 suggest that another expansion cycle may be unfolding.

For FY26e, a synchronized improvement across major macroeconomic variables underpins this optimistic outlook. The policy rate is expected to stay steady at 10.5% in FY26, supporting business activity. Inflation is projected to moderate further to 6.9%, restoring real purchasing power. The external sector continues to strengthen as the current account deficit, measured as a percentage of GDP will turn in to deficit of 0.3%, and a steady build-up of foreign exchange reserves of up to USD 16.8bn. Fiscal consolidation is expected to continue, strengthening sovereign credibility, while real GDP growth of 3.7%, slightly lower than peak re-priced years, remains near historical averages, providing a solid foundation for corporate earnings expansion.

This alignment of policy easing, and external balance improvement sets the stage for an environment conducive to equity market expansion and valuation expansion. The expected reduction in the cost of capital, coupled with improving liquidity and earnings visibility, supports renewed participation from both domestic and foreign investors. Moreover, Pakistan's equity valuations remain deeply discounted relative to regional peers, offering compelling upside potential as confidence returns. Key cyclical sectors such as cement stand to benefit disproportionately from this macro recovery, reinforcing the case for equities as a preferred asset class.

As economic fundamentals converge with proactive policymaking, CY26 emerges as a potential inflection point for Pakistan's financial markets. The expected monetary easing, improved fiscal discipline, and strengthening external metrics collectively signal a structural turnaround. In this context, the KSE-100 is entering a sustainability phase driven by expanding earnings, falling yields, and improving investor sentiment. For investors attuned to these macro shifts, CY26 represents a rare window of opportunity to position ahead of Pakistan's next growth cycle, a year that could unlock substantial value and reaffirm the resilience of the country's capital markets.

Exhibit: Macros vs KSE-100 Multiple

	Average P/E	Real GDP Growth	CPI (YoY average)	Policy Rate (Period end)	PKR Appreciation / (Depreciation)	Remittances	Current Account Deficit	Trade Deficit
Unit	(x)	(%)	(%)	(%)	(%)	$ bn	(% of GDP)	(% of GDP)
2018	9.6	6.1	4.7	6.5	(13.7)	19.9	6.3	8.7
2019	7.8	3.1	6.8	12.3	(24.1)	21.7	4.9	8.6
2020	6.4	(0.9)	10.8	7.0	(4.8)	23.1	1.5	7.0
2021	6.0	5.8	8.9	7.0	6.7	29.5	0.8	8.2
2022	4.3	6.2	12.2	13.8	(23.1)	31.3	4.7	10.4
2023	3.5	(0.2)	29.0	22.0	(28.4)	27.3	1.0	7.3
2024	5.5	2.5	23.4	20.5	2.7	30.3	0.5	5.9
2025	7.6	3.0	4.5	11.0	(2.0)	38.3	0.5	9.4
2026e	**8.0**	**3.7**	**6.9**	**10.5**	**(1.2)**	**40.1**	**(0.3)**	**(7.5)**

Source (s): MoF, PBS, SBP,PSX, AHL Research

PAKISTAN CAPITAL MARKET

Domestic Liquidity Powers KSE-100 Rally

As global uncertainties linger and foreign inflows remain cautious, one factor stands tall as the true driving force behind the KSE-100's resilience: domestic liquidity. Far from just a support mechanism, domestic investors, especially mutual funds, banks, and insurance companies, are rapidly becoming the market's backbone. Their growing capital, rising equity allocations, and favorable market conditions are set to propel the KSE-100 toward new highs in 2026.

Mutual Funds Rewrite The Liquidity Playbook

Mutual funds, in particular, are rewriting the liquidity playbook. Since the same period last year, the industry's assets under management (AUM) have surged from PKR 2.99trn to PKR 4.2trn, while their equity exposure nearly doubled from 8.4% to 14.8%. This shift means mutual funds now yield significantly more firepower to buy equities. Our estimates suggest that if mutual funds and insurance companies each shift just 1% more from fixed income into equities, the market could see fresh inflows of PKR 36.1 bn and PKR 11.2 bn, respectively—a massive boost that will sustain market momentum.

Ownership breakdown

Looking beyond mutual funds, the overall domestic ownership picture is striking. Mutual funds hold an 11.0% stake in the KSE-All Share Index, comfortably ahead of banks at 6.5% and State Life Insurance at 3.7%. Combined with the broader insurance sector and banking institutions, domestic institutions control a substantial slice of the market.

2025 Momentum: Setting The Stage For 2026

In 2025, mutual funds recorded their highest inflows in eight years, supported by low interest rates, attractive valuations, and improving macro conditions, which encouraged investors to rotate from fixed income into equities. Another catalyst was the 11 stock splits executed this year, which significantly boosted market activity. This momentum is expected to continue into 2026. In short, domestic liquidity isn't just supporting the market, it's driving it forward.

Exhibit: KSEAll Ownership

PKR bn		AUM / Investment	Equity Exposure	% of total AUMs/ Investments	KSEAll Ownership
Mutual Funds	Nov-25	4,235	628	14.8%	11.0%
Banks^	Sep-25	34,893	373	1.1%	6.5%
State Life Insurance (SLIC)^	Sep-24	1,325	210	15.8%	3.7%
Insurance (ex. SLIC)	May-25	420	70	16.6%	1.2%
Foreign	Jul-25	na	135	na	2.4%
Other*		na	4,286	na	75.2%
Total		**40,874**	**5701****		

Source (s): MUFAP, FMR, Company Financials, AHL Research,

*Others include; Individuals, Companies, NBFCs, Other Organizations, and Brokers., **KSEALL Free Float Market Cap,

Domestic liquidity, particularly from mutual funds and banks with still room to increase equity exposure, combined with low interest rates, attractive valuations, and stock market initiatives, is expected to sustain the KSE-100's momentum in 2026.

PAKISTAN CAPITAL MARKET

Is KSE-100 Turning Heads Globally?

Foreigners may have offloaded USD 358.6mn in CY25 so far, but the story is far from over. With major global index shifts, upgraded credit ratings, stabilizing macro indicators, and valuations that still have further upsides, Pakistan's equity market is quietly stepping into the spotlight once again.

Vietnam's Upgrade: Pakistan's Golden Ticket

The trigger began abroad: FTSE Russell's upgrade of Vietnam to Emerging Market status in Oct'25 removed a country that previously dominated the Frontier Index with a hefty 36% weight. With Vietnam now reclassified, remaining frontier markets, including Pakistan, are primed to absorb higher weights and greater passive fund flows. Moreover, MSCI too in its recent review, while adding only three Pakistani companies to the Frontier Index and 11 more to the Small Cap universe, has nonetheless increased Pakistan's overall weight in the index to ~6.7%, in our view.

Credit Ratings Turn Green: Investors Take Note

Pakistan's credit story has shifted decisively. All major rating agencies, Fitch, S&P, and Moody's upgraded the country to 'B-' and 'Caa1' (stable), reflecting stronger external buffers, a narrower fiscal deficit, and consistent implementation of IMF-led reforms. This has sharply reduced Pakistan's CDS risk, signaling to global investors that the sovereign is on more stable footing than in recent years.

PKR Stability & Liquidity: A Rare Winning Combo

Supporting this renewed confidence is a remarkably steady PKR, which has held firm for nearly 18 months. While moderate depreciation is expected ahead, the smooth FX trajectory thus far reduces one of the biggest deterrents to foreign participation. Liquidity has also picked up noticeably, making Pakistan more accessible than many other frontier markets.

Valuations Still A Bargain: The Opportunity Awaits

Even after strong returns, where the PSX outperformed many global peers in USD terms, the KSE-100 still trades at a forward P/E of 8.0x, well below the MSCI Frontier Market average of 12.3x. This disconnect between performance and valuation creates a powerful setup for investors seeking both growth and value.

Macro Tailwinds: From Stabilization To Growth

Pakistan's earnings outlook remains strong, dividend yields are expected to normalize, and macro indicators ranging from inflation to interest rates are moving in the right direction. IMF-backed reforms are rebuilding structural credibility, while improving reserves and fiscal discipline further strengthen the investment case.

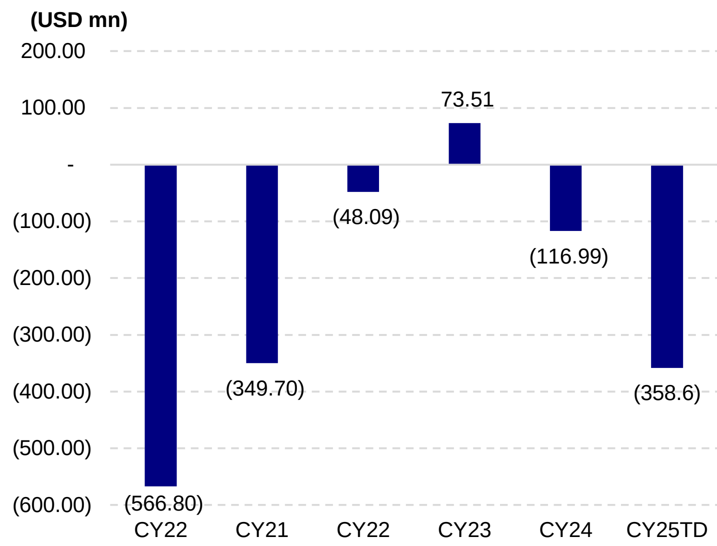
A Hopeful Wait For The Foreign Inflow Comeback

Despite rising index weights, improved credit ratings, currency stability, better liquidity, attractive valuations, and an economy shifting toward recovery, foreign inflows have yet to fully return. All the building blocks are in place, and the groundwork is laid. The last net inflow occurred in CY23 at USD 73.5mn, however, with the current improved conditions, the market could reasonably expect at least USD 100–150mn in foreign inflows. The environment is favorable, and while timing remains uncertain, the KSE-100 is well positioned to capture the next wave of foreign capital.

PAKISTAN CAPITAL MARKET

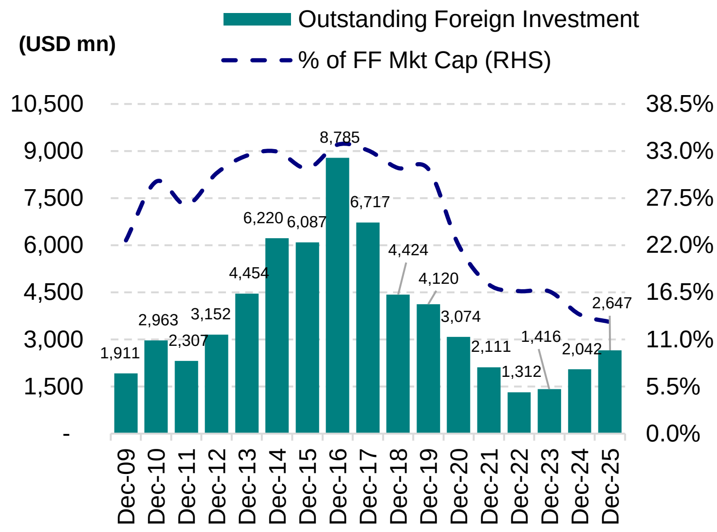
Is KSE-100 Turning Heads Globally?

Exhibit: Net FIPI



Source: NCCPL, AHL Research

Exhibit: Outstanding Foreign Investment



Source: SCRA, PSX, AHL Research

Exhibit: Foreigners Portfolio Investment*

Company	Shares (mn)	PKR mn	USD mn
HBL	51.68	16,563	59.11
MEBL	30.13	13,280	47.39
NBP	53.22	12,690	45.29
LUCK	21.16	10,774	38.45
SYS	65.25	10,738	38.32
PIOC	24.61	9,586	34.21
PPL	35.88	7,791	27.81
AIRLINK	40.94	6,846	24.43
MLCF	50.88	5,999	21.41
BAFL	54.93	5,823	20.78
OGDC	18.47	4,892	17.46
DGKC	17.34	4,247	15.16
UBL	7.4	3,041	10.85
PAEL	50	2,725	9.72
ILP	35.36	2,698	9.63
MCB	6.94	2,562	9.14
FFC	4.08	2,366	8.45
HUBC	9.04	1,989	7.1
AGP	6.68	1,269	4.53
Others		8,758.97	31.26
Total Portfolio Investment		**134,637**	**480.5**

Source (s): Company Financials, AHL Research, *@market price

PAKISTAN CAPITAL MARKET

Can Earnings Remain This Robust?

The 2026 earnings season is expected to reflect steady growth across selective sectors, with a more balanced contribution from multiple sectors. The KSE-100 is projected to register a moderate 5.9% earnings growth, as traditional heavyweights make way for wider participation across the market.

Banks are likely to see a slight moderation (-2.3%) as repricing offsets balance-sheet expansion, while E&Ps adjust to global trends with a decline of 6.4%. Fertilizers are set for improvement (+9.3%), supported by recovering urea demand, and cement (+20.7%) is expected to benefit from stable construction activity and more efficient energy use. Autos (+20.2%) and textiles (+50.9%) are positioned for stronger momentum, reflecting new models and export demand.

Technology leads the broader market (+214.3%), boosted by the PTC–Telenor merger and expanding IT exports, while OMCs (+33.4%) benefit from higher volumes and improved margins. Chemicals and power contribute modestly, supporting overall earnings stability.

Putting together, in 2026, the market's growth story is defined by broader participation rather than heavy reliance on a few sectors, offering a balanced and measured outlook for investors.

Corporate earnings are expected to grow 5.9% in 2026, led by Cement (+20.7%), Fertilizer (+9.3%), Technology (+214.3%), Textiles (+50.9%), OMCs (+33.4%), and Automobiles (+20.2%), providing continued support to the equity market.

Exhibit: Corporate Sector KSE100 Earnings Growth: Trend & Forecast

(%)	2021a	2022a	2023a	2024a	2025e	5-Y Avg.	2026f	2027f
Banks	13.5	15.5	82.3	33.1	23.6	33.6	-2.3	6.1
Fertilizer	17.7	-18.4	66.0	16.2	3.3	17.0	9.3	9.7
E&P	-4.6	30.5	68.5	26.0	-20.1	20.1	-6.4	12.0
Cement	nm	21.3	26.5	37.9	39.2	nm	20.7	17.6
Power	22.4	-16.2	-34.8	0.7	-32.7	-12.1	-1.9	5.1
Technology	412.5	nm	54.9	86.8	nm	56.2	214.3	28.7
OMCs	nm	120.6	-73.9	nm	-4.8	-99.6	33.4	14.5
Autos	160.3	22.0	-27.9	12.7	54.8	44.4	20.2	11.4
Textiles	135.0	88.6	17.5	51.3	-38.5	50.8	50.9	22.0
Chemicals	65.7	53.9	35.1	28.6	1.5	37.0	2.1	19.8
KSE100	**47.5**	**15.9**	**34.7**	**21.0**	**10.3**	**25.9**	**5.9**	**11.4**

Source (s): Company Financials, AHL Research

PAKISTAN CAPITAL MARKET

IPOs Return to Center Stage

The year 2025 marked an important inflection point, with IPOs re-emerging as a viable and attractive route for capital raising. Improving macro stability, supportive equity valuations, and renewed investor participation helped re-establish confidence, laying the groundwork for a healthier and more sustainable issuance environment. This revival reflects not just a rebound in volumes, but a return of discipline and quality to the market.

2025 in Review: Steady Momentum Across Boards

IPO activity during 2025 demonstrated breadth across sectors and listing platforms. On the Main Board, some listings included Zarea Ltd., Barkat Frisian Agro Ltd., Image REIT, Pak Qatar Family Takaful, and Blue-Ex Limited, while the GEM Board saw successful offerings from Nets International Communication Limited and The Pakistan Credit Rating Agency Ltd. Collectively, these IPOs raised approximately PKR 4.1bn, signaling growing issuer confidence and improving market depth. Alongside IPOs, companies such as LSE Ventures Limited, Liven Pharma Limited, and 786 Investments Limited, tapped the market through right issues, raising an additional PKR 440mn, further underlining the market's ability to support diverse equity-raising needs.

Gradual Recovery with Strength

The progression of IPO activity over recent years highlights a clear recovery trajectory. Following a slowdown during 2022–24, driven by global and domestic uncertainties, 2025 marked a visible uptick in both the number of listings and funds raised. While volumes remained measured, sectoral diversity, and orderly execution pointed to a structurally stronger market. This gradual normalization suggests that the IPO cycle is evolving sustainably, rather than overheating, which is a positive signal for long-term capital formation.

2026 Outlook: A Strong and Diverse Pipeline

Looking ahead, 2026 is shaping up to be a significantly more active year for equity capital markets. Market participants anticipate approximately 10–12 IPOs and/or SPOs, led by opportunities across Oil & Gas Marketing, Insurance, REITs, Technology, Auto Parts, Manufacturing, and Energy. With projected fundraising of PKR 20–25bn, the upcoming pipeline reflects pent-up demand, strategic expansions, and a broader investor appetite.

Exhibit: Equity Capital Raising (IPO) CY25

Company	Amount (PKR mn)
Main Board	
Zarea Ltd.	1,031
Barkat Frisian Agro Ltd.	1,233
Image REIT	921
Pak Qatar Family Takaful	700
Blue-Ex Limited	65
GEM Board	
Nets International Communication Limited	37
The Pakistan Credit Rating Agency Ltd	112
Total	**4,099**

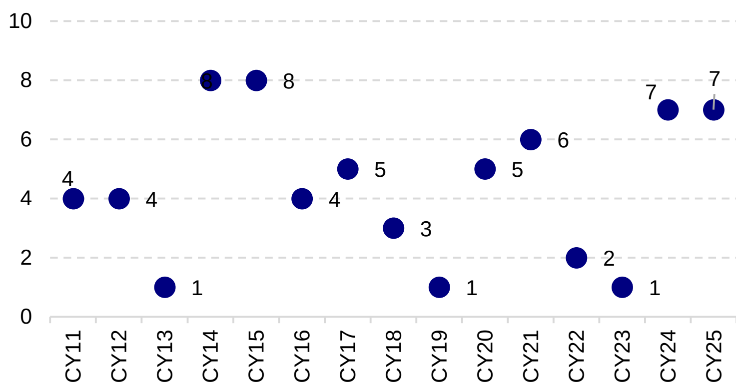
Source (s): PSX, AHL Research

Exhibit: Equity Capital Raising (Right Issue) in CY25

Company	Amount (PKR mn)
LSE Ventures Limited	200.0
Liven Pharma Limited	190.0
786 Investments Limited	50.0
Total	**440.00**

Source (s): PSX, AHL Research

Exhibit: Number of IPOs Over the Years



Source: PSX, AHL Research

PAKISTAN CAPITAL MARKET

Landmark M&A Transactions Reshape Key Sectors

M&A Activity Rebounds

Merger and acquisition activity in Pakistan rebounded decisively in CY25, reflecting renewed corporate confidence and a clearer strategic outlook. The year witnessed several high-impact transactions that underscored improving sentiment and the return of large-scale deal making. Notable acquisitions included (some of these yet to be completed): Engro's purchase of Deodar (Jazz) for PKR 158bn, Etisalat's acquisition of Telenor Pakistan for PKR 108bn, Maple Leaf Cement's acquisition of Pioneer Cement for PKR 76bn, and Nishat Group's acquisition of Rafhan Maize for PKR 68.5bn. In addition, an Arif Habib–led consortium's acquisition of a 75% stake in PIA for PKR 135bn—implying PKR 180bn for full ownership—marked a major milestone in privatization-led M&A. Collectively, these select transactions represent PKR 545bn (~ USD 1.95bn) in deal value, offering compelling evidence of strong investor conviction in Pakistan's long-term potential.

Global Entrants and Expansion by Existing Investors

The M&A recovery has been complemented by a steady influx of global entrants and expansions by existing multinational players. Recent periods have seen increased activity from global names such as, ARAMCO, Gunvor, Wafi Energy, Barrick Gold, and Cherry Automobiles. In several cases, international and regional investors have stepped in to acquire and scale local operations of global brands such as Shell, Microsoft, Procter & Gamble (P&G), Pfizer, Telenor (in progress), Careem, and Yamaha Motors, finding it as business opportunity, capital deployment, and operational expansion within Pakistan's market.

Emerging Opportunities

A particularly encouraging development has been the entry of a new consortium of five major groups into Pakistan's minerals and mining sector. This aligns with rising global demand for critical minerals and positions Pakistan to attract long-term capital into resource development. Meanwhile, technology and fintech are expected to see further consolidation, while renewables and downstream energy are emerging as key M&A themes as the country advances its energy transition and infrastructure modernization.

PAKISTAN CAPITAL MARKET

Recent M&As at a Glance

Recent Key Deals and Reforms in Pakistan

PIA Privatization: 75% stake sold to Arif Habib Consortium

PKR 135 Billion

Largest Privatization in the history of Pakistan

Nishat Group acquires **Rafhan Maize**

TBA

Maple Leaf Cement acquires Significant control of **Pioneer**

PKR 76 Billion

AsiaPak Investment Ltd acquires **Lotte Chemical Corporation**

PKR 18 Billion

International Holding Company acquires **First Women's Bank Ltd.**

PKR 4 Billion

CCL Holding acquires **Mitchell's Fruit Farms Ltd.**

PKR 2 Billion

Engro Corp acquires **Deodar** (wholly owned subsidiary of **Jazz)**

PKR 158 Billion

Wafi Energy Holding Ltd. acquires **Shell Pakistan**

PKR 23 Billion

TBA: To be announced

PAKISTAN CAPITAL MARKET

Key M&A deals

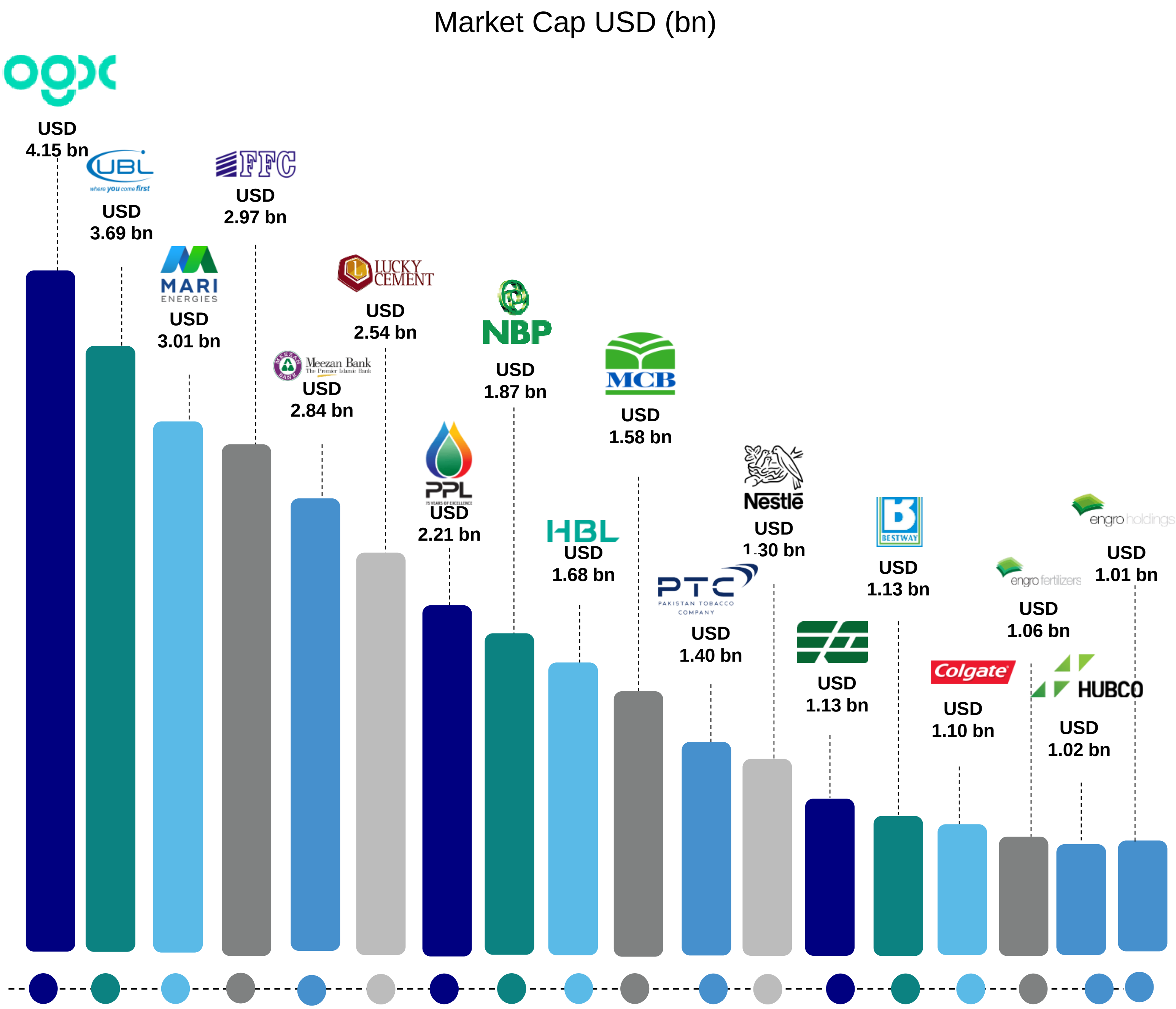
Exhibit: Recent Major M&As

Target Company	Seller	Origin of Seller	Acquirer	Origin of Acquirer	Interest	Status	Transaction size (PKR bn)
Deodar (Jazz)	Jazz	Pakistan	Engro Corporation Limited	Pakistan	100%	Closed	158
Pakistan International Airlines	Government of Pakistan	Pakistan	Arif Habib Consortium	Pakistan	75%	Ongoing	135
Rafhan Maize Products Company Ltd	Ingredion Ltd / Monnoo Group	USA / PAK	Nishat Hotels and Properties Ltd.	Pakistan	76%	Ongoing	n/a
Total PARCO Pakistan Ltd	Total Energies	France	Gunvor Group Ltd.	Switzerland	50%	Closed	n/a
Telenor Pakistan	Telenor Group	Norway	Etisalat / PTC	UAE / Pakistan	100%	Ongoing	108
Pioneer Cement	Shareholders	Pakistan	Maple Leaf Cement Factory	Pakistan	58%	Ongoing	76
Shell Pakistan	Shell Petroleum Company	UK	Wafi Energy Holding Ltd.	Saudi Arabia	78%	Closed	23
Gas and Oil Pakistan Ltd	Gas and Oil Pakistan Ltd	Pakistan	Saudi Aramco	Saudi Arabia	40%	Closed	22
Lotte Chemical Pakistan Ltd	Lotte Chemical Corporation	Korea	AsiaPak Investment Ltd	British Virgin Islands	75%	Closed	18
United National Bank Limited	United Bank Limited / National Bank of Pakistan	Pakistan	Bestway Group	United Kingdom	100%	Closed	17
Unity Foods Ltd.	Unity Foods	Pakistan	Wilmar Pakistan Holdings	Singapore /Pakistan	6%	Closed	8
First Women's Bank Ltd.	Government of Pakistan	Pakistan	International Holding Company	United Arab Emirates	83%	Closed	4
Mitchell's Fruit Farms Ltd.	Shareholders	Pakistan	CCL Holding	Pakistan	59%	Closed	2
ZIL Ltd.	ZIL Ltd.	Pakistan	New Future Consumer International	UAE	85%	Closed	2

Source(s): CCP, Media, AHL Research

PAKISTAN CAPITAL MARKET

Pakistan's Billion Dollar Club- Who's Leading The Market?



The PSX's USD 1bn+ market-cap club has expanded to 18 companies, underscoring the broad-based re-rating seen over the past two years from just three names in 2022. OGDC continues to dominate with a USD 4bn+ valuation, while UBL and MARI anchor the financials and energy space, respectively.

KEY RISKS

Risks To Our Base Case

While our outlook remains constructive, it is important to acknowledge that the risk environment is not limited to the factors listed below, but these represent the most material downside risks that could challenge the economic and market trajectory. These risks span macroeconomic execution, external vulnerabilities, policy uncertainty, and global geopolitical developments, all of which could influence investor sentiment and asset performance.

IMF Program Slippage

Failure to meet IMF performance criteria could delay upcoming tranche disbursements, creating renewed uncertainty around external financing. Such delays may weaken investor confidence, elevate sovereign borrowing costs, and intensify pressure on the balance of payments, thereby constraining policy room.

PKR Depreciation and Inflationary Pressures

A rapid weakening of the PKR against the USD would increase the landed cost of imports and potentially reignite inflationary pressure. This may compress corporate margins, particularly for import-dependent industries such as autos, cements, energy marketing companies and could require further tightening in monetary conditions.

Upside Risks to Global Oil Prices

Any sharp increase in international oil prices, whether due to geopolitical tensions or supply disruptions, would raise Pakistan's import bill. This would not only exacerbate external account pressures but also feed directly into inflation and widen fiscal imbalances through higher energy subsidies or tariff delays.

Tax Policy Risks

Potential increases in corporate tax rates, capital gains tax on securities, or withholding taxes on income and debt instruments could weigh on profitability and reduce post-tax investor returns. A more aggressive revenue stance in future budgets may also dampen market sentiment and slow down investment flows.

Political and Regional Uncertainty

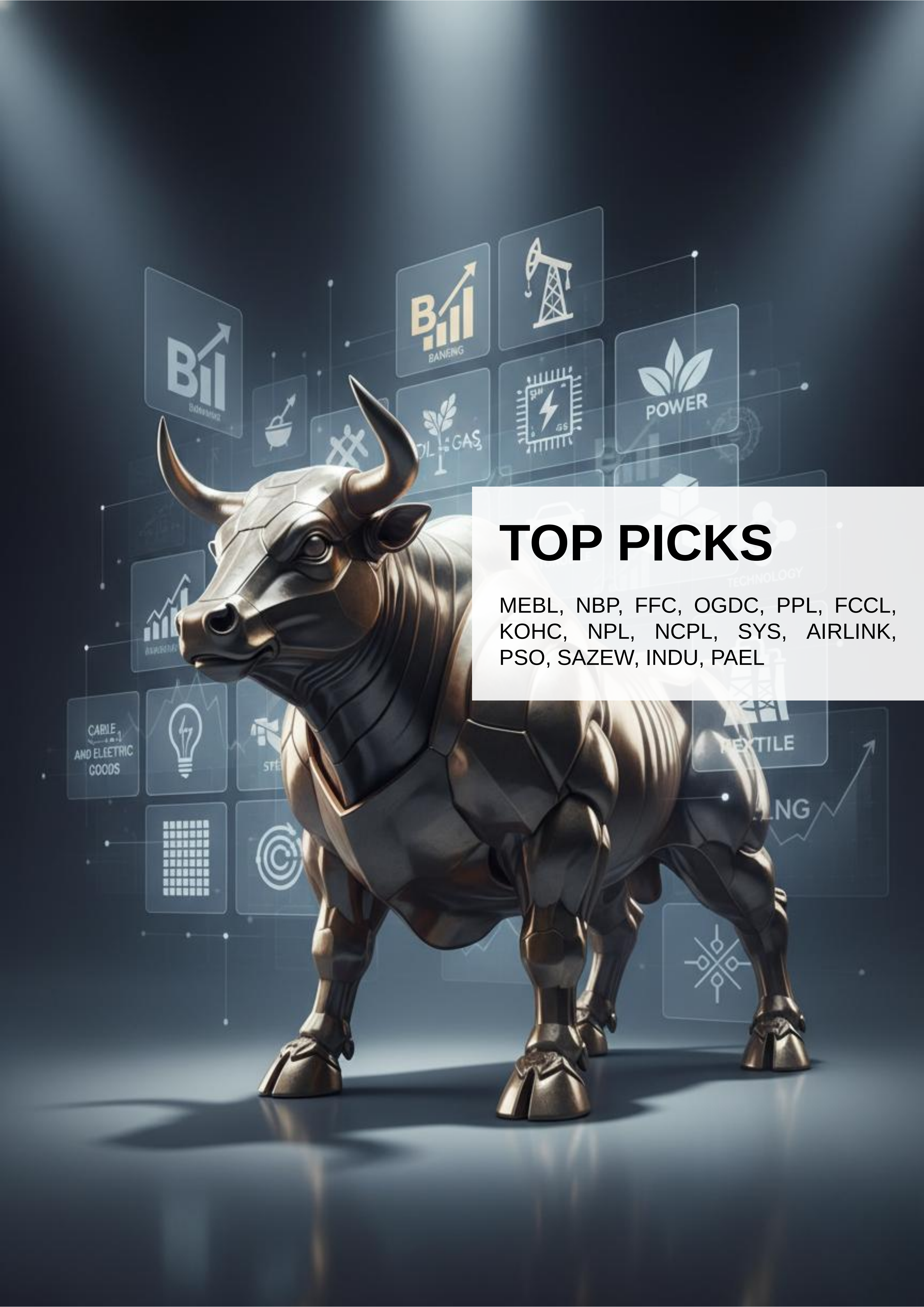
Political instability or renewed regional tensions with neighboring countries may undermine market confidence and trigger short-term volatility. Heightened uncertainty could delay investment decisions and affect sectors sensitive to geopolitical risks, such as banking, energy, and export manufacturing.

Trade Policy Actions

Any new tariffs or restrictive trade measures, especially under a potential Trump administration, could adversely affect Pakistan's export competitiveness. This may reduce foreign exchange earnings and weaken market optimism, particularly for textile and IT-related sectors heavily reliant on the US market.

Energy Sector Structural Weaknesses

Persistent circular debt in the gas and power sectors or slow progress on long-delayed reforms may affect liquidity and operational performance of energy-linked stocks. Delays in tariff adjustments, pending settlements, or growing receivables remain key downside risks for utilities and IPPs.



TOP PICKS

MEBL, NBP, FFC, OGDC, PPL, FCCL, KOHC, NPL, NCPL, SYS, AIRLINK, PSO, SAZEW, INDU, PAEL

PAKISTAN CAPITAL MARKET

Sector-wise top picks

Banks
MEBL | NBP
NIM compression may curb earnings, but volumetric growth and low-cost deposits should support profitability

Fertilizer
FFC
Offtake to normalize, stable margins and strong returns from investments

E&Ps
OGDC | PPL
Rising production from RLNG deferments, increased exploration, and stronger cash recoveries

Cement
FCCL | KOHC
Robust recovery of domestic dispatches and margins to remain strong due to lower coal prices

Power
NPL | NCPL
Strong Balance Sheet Underpins NexGen Auto and Rafhan Expansion

Technology
SYS | AIRLINK
A sustained focus on long-term growth is set to accelerate technology services exports

OGMC's
PSO
Liquidity to improve on power circular debt resolution, ~100% cash sales from SNGP, and anticipated volume growth

Auto
SAZEW I INDU
Volumes to remain in spotlight following new launches, economic stability and lower interest rates

Cable & Electrical Goods
PAEL
Strong growth fueled by high-margin U.S. transformer exports & a rapidly expanding appliance division

COMMERCIAL BANK

Volume And Low-cost Deposits To offset NIM Pressure

The banking sector maintained its growth momentum in 2025, driven by higher Net Interest Income (NII) and non-interest income, with gains on securities as a key contributor. Rising operating expenses, fueled by inflation and higher costs from commissions and marketing campaigns, posed challenges. Looking ahead, Net Interest Margins (NIMs) are expected to slightly decline in 2026 due to continued asset repricing, while deposit growth is projected to remain in the double digits, signaling a healthy, though moderating, expansion of the banking industry.

MEEZAN BANK LIMITED

Symbol	Target Price	Total Return
MEBL	PKR 531.2	27.3%

- CAR of ~19.6% in CY25, indicating strong capitalization and shock-absorption capacity.
- Infection ratio stands at 2.5%, among the lowest in the industry
- MEBL targets 20–25% YoY deposit growth, supported by branch expansion, strong service quality, and digital initiatives.
- Holds an industry-leading current account ratio of 49%, reflecting strong deposit mobilization and brand strength in Islamic banking.
- Trading at attractive CY25 and CY26 P/B of 2.7 and 2.4

Industry-leading CASA Supporting Margin Stability

Deposits grew by 23% YoY to PKR 3.18trn as of Sep'25, led by a 27% increase in current accounts. MEBL targets sustained deposit growth of 20–25% YoY going forward, supported by continued expansion of its branch network, superior service quality, and digital initiatives. With an industry-leading current account ratio of 49%, the bank continues to demonstrate exceptional deposit mobilization strength and strong brand equity in the Islamic segment. This high share of non-remunerative deposits enables MEBL to maintain a low cost of funds, projected at 4.5% in CY25, thereby preserving its competitive net spread advantage even as interest rates moderate.

Strong Provisioning And Coverage

The bank's conservative and risk-averse lending strategy remains a key pillar of its resilience. MEBL's infection ratio stands at just 2.5%, one of the lowest in the industry, while its coverage ratio stands at 146% in CY25. This reflects prudent provisioning and a well-secured financing portfolio.

Healthy CAR

With a healthy Capital Adequacy Ratio (CAR) of approximately 19.6% in CY25, MEBL remains well-capitalized to support balance sheet growth and absorb potential shocks. This robust capital position, combined with steady profitability, enables the bank to sustain its attractive dividend payout of PKR 28.0 per share, reflecting management's confidence in maintaining shareholder returns despite a potential moderation in earnings.

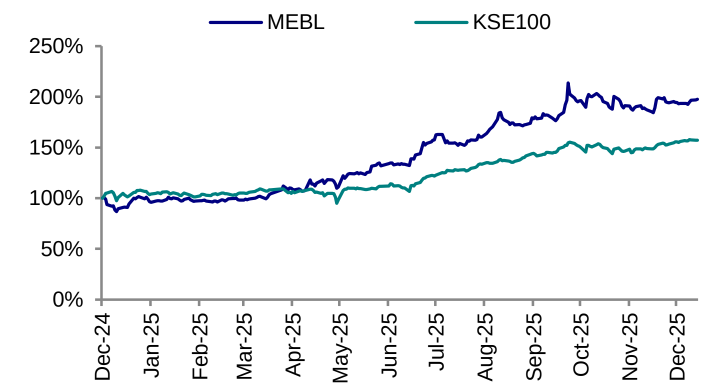
MDR Impact To Be Minimum

The minimum deposit rate has exerted pressure on net interest margins; however, faster growth in current accounts has partially offset this impact by increasing balance sheet volume. MEBL continues to comply with the regulatory requirement of a minimum payout of 75% of the weighted average yield across all pools. Looking ahead, the bank is projected to deliver earnings per share (EPS) of PKR 49.99 in CY25 and PKR 54.40 in CY26, reflecting its resilient performance and balanced approach to growth and profitability.

MEBL	Buy
Summary Data	
Target Price (Dec'25)	531.2
Last Closing	440.71
Upside (%)	27.3
Shares (mn)	1,801
Free float (%)	25
Market Cap. (PKR mn)	793,522
Market Cap. (USD mn)	2,832

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

MEEZAN BANK LIMITED

Market Cap	Free Float	Current Price
PKR 793.5 billion	25%	PKR 440.71

Key Ratios

		2025e	2026f	2027f
Earning per share	PKR	49.99	54.40	57.71
Dividend per share	PKR	28.00	30.00	32.00
Book value per share	PKR	162.94	187.44	210.76
Price to earning	x	8.82	8.10	7.64
Price to book	x	2.70	2.35	2.09
Dividend yield	%	6.35	6.81	7.26
ADR	%	53.42	60.48	59.35
IDR	%	71.46	72.47	73.42
NIMs	%	6.40	6.23	5.76
RoE	%	32.91	32.91	32.91

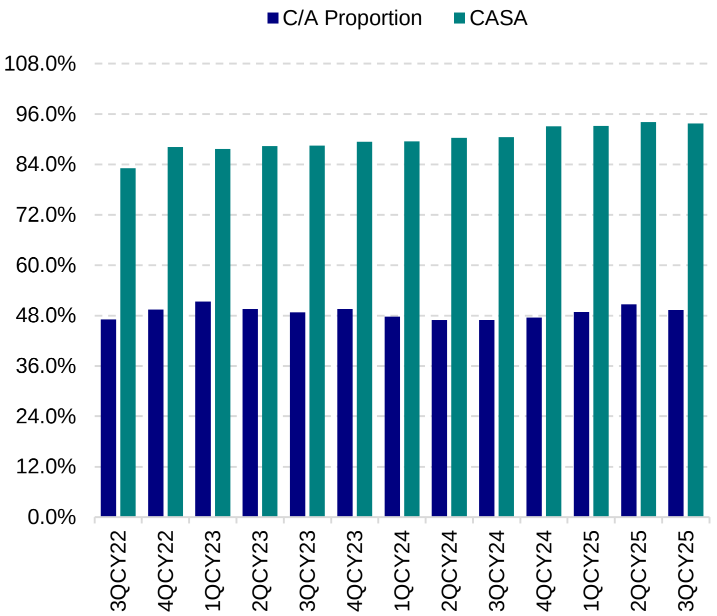
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025e	2026f	2027f
Income Statetment			
Net Profit Earned	254,151	270,539	288,768
Other Income	38,076	46,068	50,285
Total Income	292,227	316,606	339,053
Provisioning	3,244	235	5,940
OPEX	97,486	112,301	129,374
Post Tax Profit	90,003	97,953	103,907
Balance Sheet			
Islamic Financing	1,667,048	1,837,913	2,020,193
Deposits	3,120,374	3,038,973	3,403,650
Investments	2,229,902	2,202,217	2,499,122
Borrowings	42,212	41,111	46,045
Total Equity	293,381	337,492	379,481

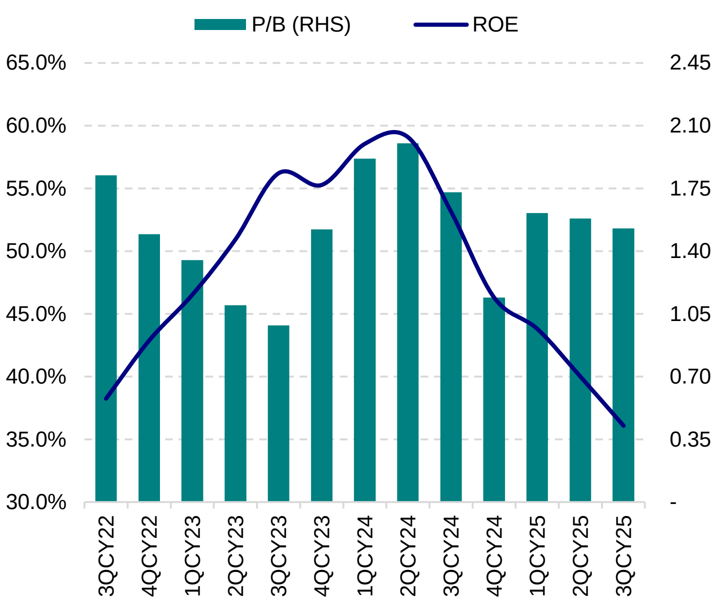
Source: Company Financials, AHL Research

Exhibit: Trend Of C/A Proportion And CASA



Source: Company Financials, AHL Research

Exhibit: Trend Of P/B and ROE



Source: Company Financials, AHL Research

NATIONAL BANK LIMITED

Symbol	Target Price	Total Return
NBP	PKR 273.5	24.8%

- The highest dividend yields in the sector, expected at 12.9% in CY25 and 11.5% in CY26., underpinned by the resolution of the long-standing pension fund case
- Third-largest deposit base in Pakistan at PKR 4.2trn, which underpins a strong balance sheet and enhances its capacity to support credit growth.
- Higher fixed interest yields portfolio support robust net interest income
- Trading at attractive CY25 and CY26 P/B of 1.05 and 1.02

Preferred Banking Pick With Strong Total Return Potential

NBP remains our top pick in the banking sector, offering compelling valuations at current levels. Its attractive price metrics, combined with robust earnings prospects, make it well-positioned to deliver strong total shareholder returns over the medium term.

High Dividend Yield And Stable Payouts

The bank offers one of the highest dividend yields in the sector, expected at 12.9% in CY25 and 11.5% in CY26. This is underpinned by the resolution of the long-standing pension fund case, which has enabled NBP to resume steady and sizable dividend payouts, providing consistent returns to investors. Bank has a strong CAR of 28.3%.

Solid Deposit Base And Balance Sheet Strength

NBP holds the third-largest deposit base in Pakistan at PKR 4.2trn, which underpins a strong balance sheet and enhances its capacity to support credit growth. This large deposit base also provides stable funding for the bank's lending and investment operations, ensuring resilience amid macroeconomic volatility.

Profitability Drivers

The bank's earnings are fueled by higher fixed interest yields support robust net interest income. This strong interest income, combined with operational efficiencies, positions NBP to maintain healthy profitability despite challenging macroeconomic conditions.

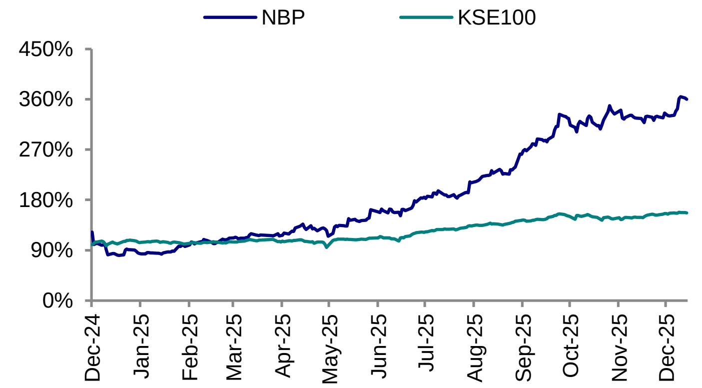
Attractive Valuation Metrics

CY26 EPS is projected at PKR 33.6 per share, translating into a low P/E of 7.1x, which is well below the sector average. The P/B ratio stands at 1.02x, making NBP one of the most attractively valued banks in the market relative to peers. These metrics indicate significant upside potential for both price appreciation and income generation.

NBP	Buy
Summary Data	
Target Price (Dec'25)	273.46
Last Closing	238.44
Upside (%)	14.69
Shares (mn)	2,128
Free float (%)	24
Market Cap. (PKR mn)	507,284
Market Cap. (USD mn)	1,810

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

NATIONAL BANK LIMITED

Market Cap	Free Float	Current Price
PKR 507.3 billion	24%	PKR 238.44

Key Ratios

		2025e	2026f	2027f
Earning per share	PKR	40.50	33.58	35.55
Dividend per share	PKR	26.00	24.00	26.00
Book value per share	PKR	227.84	234.78	242.83
Price to earning	x	5.89	7.10	6.71
Price to book	x	1.05	1.02	0.98
Dividend yield	%	10.90	10.07	10.90
ADR	%	31.41	29.51	27.67
IDR	%	123.60	118.14	117.84
NIMs	%	3.88	3.16	2.95
RoE	%	18.16	14.52	14.89

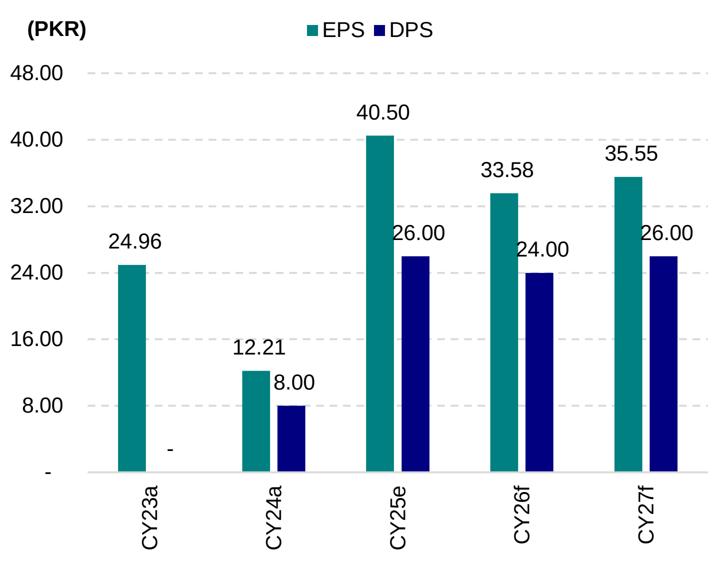
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025e	2026f	2027f
Income Statetment			
Net Mark-up Income	242,680	208,866	212,416
Non Mark-up Income	59,091	66,771	70,153
Total Income	301,771	275,637	282,569
Provisioning	7,094	9,599	10,926
OPEX	102,363	108,194	114,352
Post Tax Profit	86,157	71,445	75,629
Balance Sheet			
Advances	1,278,278	1,345,188	1,412,447
Deposits	4,070,053	4,558,459	5,105,474
Investments	5,030,387	5,385,487	6,016,086
Borrowings	2,040,450	2,285,304	2,559,541
Total Equity	484,730	499,505	516,616

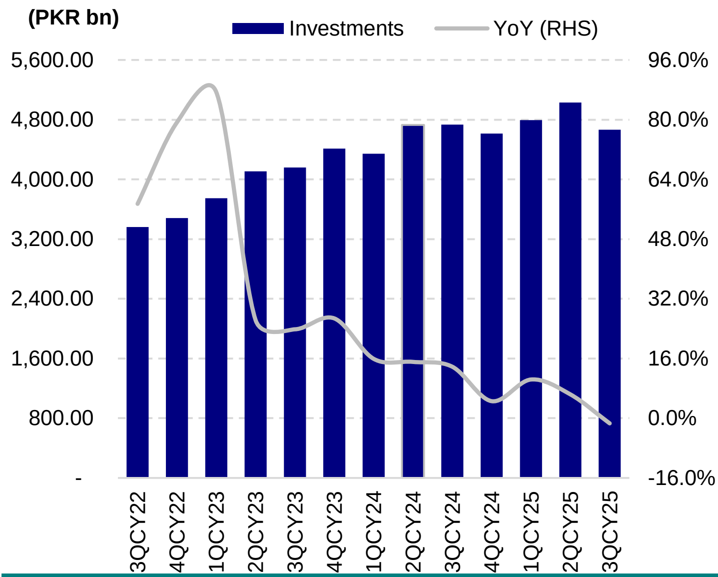
Source: Company Financials, AHL Research

Exhibit: EPS And DPS Moving Forward



Source: Company Financials, AHL Research

Exhibit: Quarterly Trend Of Investments



Source: Company Financials, AHL Research

Fertilizers

Offtake Weakness to Reverse on Improving Farm-economics

Fertilizer offtake remained weak in 11MCY25, with urea down 4% YoY and DAP down 16% YoY, driven by weak agronomics and lower farm incomes. This led to elevated urea inventories (expected to stay >1.0mn tons by end-CY25) and discounting by select players. However, post-flood normalization and a wheat MSP of PKR 3,500/40kg for 2025–26 should improve farm economics, supporting a demand recovery, with urea offtake normalizing to 6.6mn tons in CY26, as per our estimates.

FAUJI FERTILIZER COMPANY LIMITED

Symbol	Target Price	Total Return
FFC	PKR 712.6	30.6%

- Mari Gas Discount Underpins Strong Profitability.
- Urea Offtakes to Recover on Improving Farm Economics.
- Sole DAP Producer Unlocks Synergies and Margin Upside
- Strong Balance Sheet with Rising Returns from Equity Investments
- ECC approval ensures long-term gas supply for FFC's Port Qasim plant beyond Dec-2025.

Mari Gas Discount Underpins Strong Profitability

Mari gas prices remained at a ~64% discount to SNGP/SSGC gas prices during the year. Despite this, FFC kept urea prices broadly aligned with EFERT, resulting in higher margins. FFC's gas supply is secured under a GSA with Mari through 2029 under the Fertilizer Policy 2001. With no near-term convergence expected with EFERT's feed gas price, we have assumed a 4% increase in Mari network rates next year.

Urea Offtakes to Recover on Improving Farm Economics

During 11MCY25, FFC urea (prilled + granular) offtakes declined 9.7% YoY to 2.5mn tons, with full-year volumes expected at 2.72mn tons. Post-flood normalization and the government's wheat MSP of PKR 3,500 per 40kg for 2025–26 are likely to improve farm economics, supporting higher urea demand. We therefore assume volumes of 2.96mn tons in CY26, driving an 11% YoY increase in gross profit to PKR 152bn, further supporting FFC's outlook.

Outperform stance

We reiterate our outperform rating with a SOTP value of PKR 713/sh.

Sole DAP Producer Unlocks and Margin Upside

Post the FFC–FFBL merger, FFC is now the sole domestic DAP producer. CYTD DAP–phosphoric acid margins have averaged USD 158/ton (+29.7% YoY), well above historical levels; we conservatively assume USD 80/ton going forward, with upside risk to earnings. Additionally, the ECC has approved indigenous gas supply from Mari's Ghazij/Shawal reservoirs to FFC's Port Qasim plant, enabling a long-term firm gas arrangement beyond the December 2025 GSA expiry and ensuring uninterrupted urea and DAP production.

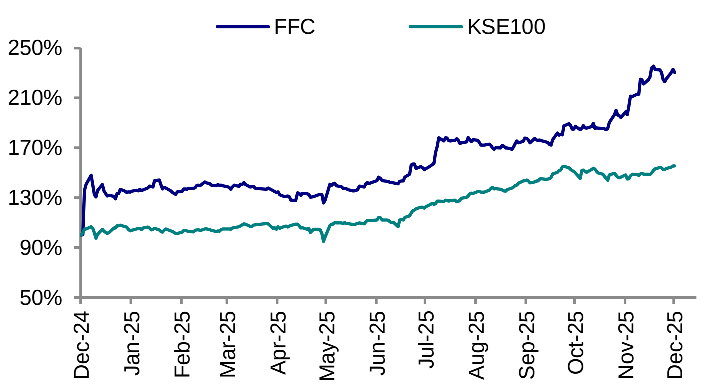
Strong BS with Rising Returns from investments

As of Sep'25, FFC held PKR 149bn in cash and remains well positioned for further investments even after debt and PEF capex. While inventories peaked at PKR 60bn in Sep'25, improving farm economics should normalize inventory levels. FFC's equity investments. particularly in power, PMP, and AKBL are generating meaningful returns, with CY25 dividends of PKR 9bn, PKR 7bn, and PKR 5.9bn, respectively. Dividend income is expected to remain a key earnings driver, contributing ~PKR 7.4/sh (post-tax) in CY26. Following TEL PCD announcement, annual payouts are likely to exceed ROE, supported by strong cash reserves, further supporting FFC's dividend income.

FFC	Buy
Summary Data	
Target Price (Dec'25)	712.61
Last Closing	580.18
Upside (%)	22.83
Shares (mn)	1,423
Free float (%)	60
Market Cap. (PKR mn)	825,659
Market Cap. (USD mn)	2,947

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

FAUJI FERTILIZER COMPANY LIMITED

Market Cap	Free Float	Current Price
PKR 825.7 billion	60%	PKR 580.18

Key Ratios

		2025e	2026f	2027f
Earning per share	PKR	56.39	59.95	63.38
Dividend per share	PKR	40.50	45.00	47.50
Book value per share	PKR	99.51	114.46	132.09
Price to earning	x	10.29	9.68	9.15
Price to book	x	5.83	5.07	4.39
Dividend yield	%	6.98	7.76	8.19

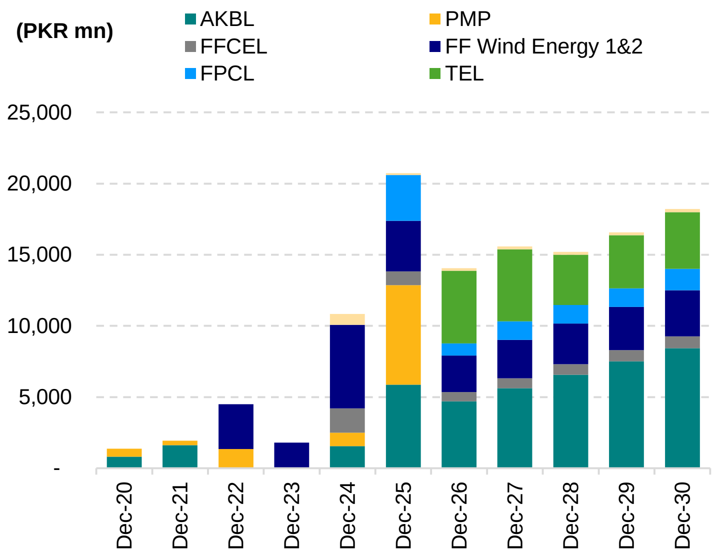
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025e	2026f	2027f
Income Statetment			
Net sales	417,283	477,262	499,102
Gross profit	137,539	152,241	160,685
Operating profit	104,282	115,303	121,168
Finance cost	(6,479)	(3,598)	(2,474)
Profit after tax	80,253	85,310	90,199
Balance Sheet			
Shareholder's equity	141,612	162,883	187,975
Total liabilities	290,145	281,166	281,529
Current assets	276,954	284,986	305,699
Non-current assets	154,804	159,063	163,806
Total assets	431,757	444,049	469,505

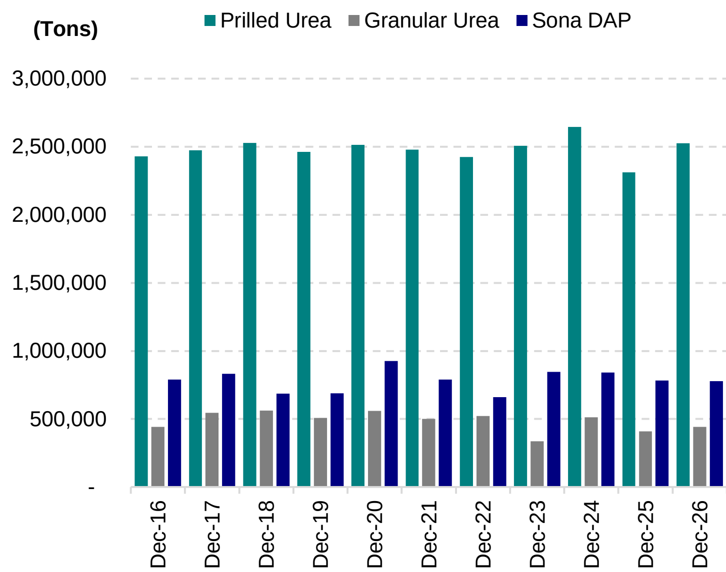
Source: Company Financials, AHL Research

Exhibit: Dividend Income From Investments



Source: Company Financials, AHL Research

Exhibit: FFC Offtakes



Source: NFDC, AHL Research

OIL AND GAS EXPLORATION COMPANIES

Liquidity Recovery, Rising Production And Discovery Potential

Gas production currently stands at ~2,800 mmcfd and is expected to increase by ~200 mmcfd, addressing 65–70% of supply constraints and enabling the deferral of 3–4 RLNG cargoes per month. An improved cash position is supporting higher exploration activity with potential for major discoveries, Reko Diq's financial close and progress on gas circular debt resolution, should further strengthen investor sentiment.

OIL & GAS DEVELOPMENT COMPANY

Symbol	Target Price	Total Return
OGDC	PKR 347.2	37.1%

- OGDC offers ~40% upside with low P/E multiples and a strong 6% dividend yield.
- Liquidity is improving with 110% collections and progress on resolving its PKR 613bn circular debt exposure.
- Production is poised to rebound as RLNG curtailments ease and key projects come online.
- Cash flows will strengthen through steady PHL inflows and Uch recoveries.
- Additional upside stems from PIOL's Abu Dhabi Block 5 and future Reko Diq dividends.

High Dividend Potential And Production Revival

OGDC recommendation is "BUY" with Dec'26 target price of PKR 347.2/share, offering an upside of 37% from current levels of PKR 264.8/share. The stock is trading at an FY26/FY27 P/E of 7.6 x/6.5x, lower than historical multiples and offers a FY26e dividend yield of 6.0%.

Better Collection Ratio And Liquidity

OGDC's collections surged to 110% in FY25 (vs. 75% last year), supported by PKR 236bn in cash recoveries, and the company expects this strength to continue as gas circular debt reform progresses under the IMF agenda amid softer oil prices and currency stability. Resolving the sector's long-standing circular debt, which includes OGDC's PKR 613bn exposure remains a key catalyst to unlock liquidity, accelerate investment, and drive sustained growth for E&P companies.

Upcoming Liquidity Drivers For Payouts

OGDC is receiving PKR 7.7bn per month from PHL, with five installments already completed totaling PKR 92bn and eight remaining worth PKR 54bn (PKR 12/share). OGDC has also received PKR 41.8bn (PKR 9.7/share) from Uch Power against outstanding receivables.

Other Incentives

PIOL, jointly owned by OGDCL, MEL, PPL, and GHPL with 25% equity each, operates Offshore Block 5 in Abu Dhabi. PIOL holds a 40% working interest in the block, where ADNOC has approved the development plan for Bu-Dana, Al-Manhal, and Al-Bateen, with first production expected in 2H2028. A positive outcome here could materially enhance earnings.

OGDC has invested in Reko Diq through PMPL, jointly owned by PPL, OGDCL, and GHPL, which together hold a 25% indirect stake in RDMC. With Barrick's study indicating a 22% USD IRR, and first production expected in FY29, OGDC expects the first dividend by FY32, potentially yielding USD 150–200mn for OGDC.

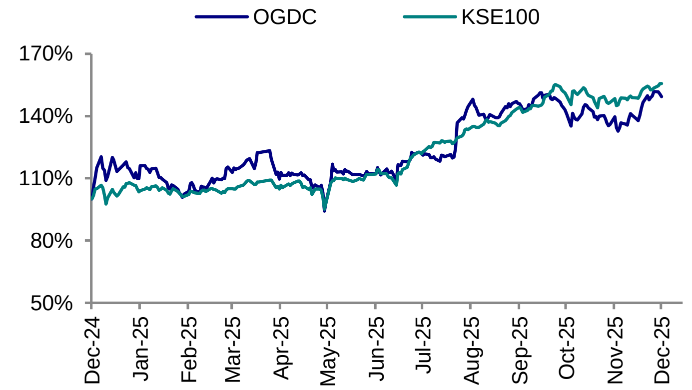
Production Revival Due To RLNG Deferment

OGDC's production has been hit by curtailments at Nashpa, Uch, and the Tal block, but with three RLNG cargoes now deferred, curtailment is expected to drop from ~310mmcfd to nearly 100mmcfd next year, supporting a strong earnings rebound. As of June 2025, OGDC remains the sector leader with 54 operated blocks, robust seismic activity, 15 wells spudded, and five new discoveries. Key development projects, Dhakni, KPD-TAY, Uch compression, and Jhal Magsi South, position the company for sustained production growth.

OGDC	Buy
Summary Data	
Target Price (Dec'26)	347.15
Last Closing	264.84
Upside (%)	31.08
Shares (mn)	4,301
Free float (%)	15
Market Cap. (PKR mn)	1,139,058
Market Cap. (USD mn)	4,065

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

OIL & GAS DEVELOPMENT COMPANY

Market Cap	Free Float	Current Price
PKR 1,139.1 billion	15%	PKR 264.84

Key Ratios

		2025a	2026e	2027f
Earning per share	PKR	39.50	34.79	40.74
Dividend per share	PKR	15.00	16.00	19.00
Book value per share	PKR	313.48	328.19	351.10
Price to earning	x	6.70	7.61	6.50
Price to book	x	0.84	0.81	0.75
Dividend yield	%	5.66	6.04	7.17

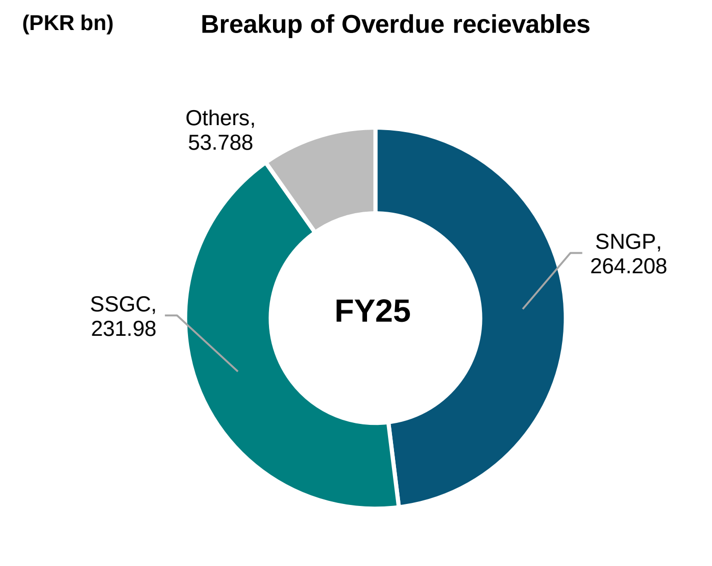
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statetment			
Net sales	401,178	382,325	448,416
Gross profit	231,608	215,653	268,328
Operating profit	205,326	193,473	241,275
Finance cost	5,806	5,139	5,836
Profit after tax	169,904	149,638	175,224
Balance Sheet			
Shareholder's equity	1,348,238	1,411,538	1,510,076
Total liabilities	306,368	303,540	328,313
Current assets	1,123,384	1,072,660	1,066,670
Non-current assets	539,458	642,417	771,720
Total assets	1,662,842	1,715,077	1,838,389

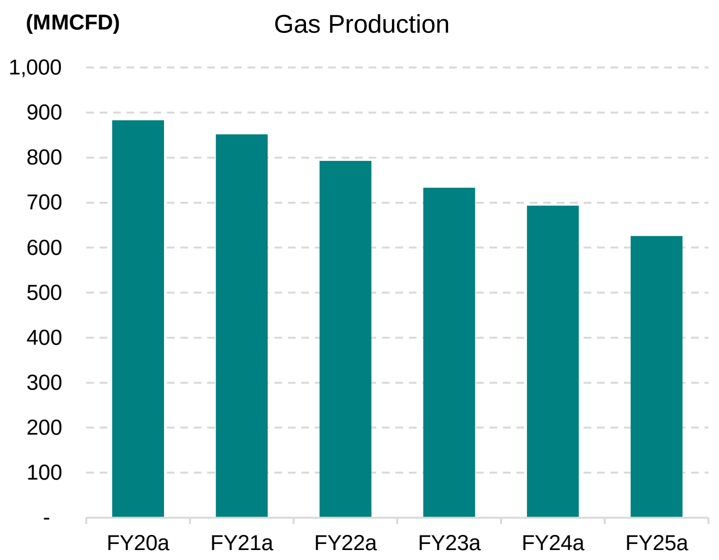
Source: Company Financials, AHL Research

Exhibit: Trade Debts And Build Up Rates



Source: Company Financials, AHL Research

Exhibit: Historical Trend Of Gas Production



Source: PPIS, AHL Research

PAKISTAN PETROLEUM LIMITED

Symbol	Target Price	Total Return
PPL	PKR 261.0	26.2%

- Collections rose to 91% in FY25, supported by a PKR 92bn cash balance.
- Targeted initiatives and LNG cargo deferrals are expected to lift production to 600–650 mmcfd.
- RRR of 129% and recent discoveries add incremental oil and gas, supporting future EPS growth.
- Stakes in PIOL (Abu Dhabi) and Reko Diq, plus joint offshore bidding, position PPL for long-term reserve expansion and material earnings
- Trades at attractive FY26/FY27 P/E of 6.3x/6.2x with a FY26e dividend yield of 6.0%, offering 26.2% upside to PKR 261.0/share.

Attractive Valuation

Pakistan Petroleum Limited (PPL) recommendation is “BUY” with Dec’26 target price of PKR 261.0/share, offering an upside of 26% from current levels of PKR 217/share. The stock is trading at an attractive FY26/FY27 P/E of 6.3x/6.2x and offers a FY26e dividend yield of 6.0%.

Better Collection Ratio And Liquidity

PPL holds a strong cash balance of PKR 92bn (PKR 34/share), providing flexibility for capex and higher payouts. Collections improved to 91% in FY25 (vs. 81% last year) . With gas CF reform on the IMF agenda, softer oil prices, and currency stability, PPL expects continued strong collections. Resolving the long-standing circular debt, of which PPL’s share is PKR 595bn (PKR 219/share), remains essential to restoring liquidity and substantial rerating for PPL.

Exploration And Development

The Company drilled four development wells in partner-operated fields, including Tal, Miano, Ziarat, and Qadirpur, helping optimize output and slow natural decline. In FY25, PPL also drilled 11 exploration and appraisal wells, yielding eight discoveries. For FY26, management targets 15 wells, signaling continued momentum and supporting PPL’s growth outlook.

Production To See Improvement Going Forward

Overall production fell roughly 11% YoY, mainly due to gas curtailment on the SNGPL network amid LNG inflows, lower offtake from GENCO-II, and natural decline from mature fields. However, the Company added 35 mmcfd through targeted initiatives, and with LNG cargo deferrals ahead, PPL expects production to improve to 600–650 mmcfd, supporting a more positive outlook.

Other Incentives

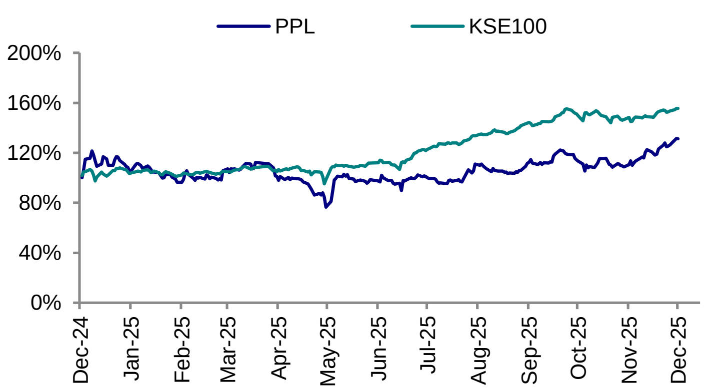
PIOL, jointly owned by OGDCL, MEL, PPL, and GHPL with 25% equity each, operates Offshore Block 5 in Abu Dhabi under a concession signed with ADNOC in August 2021. PIOL holds a 40% working interest in the block, where ADNOC has approved the development plan for Bu-Dana, Al-Manhal, and Al-Bateen, with first production expected in 2H2028. A positive outcome here could materially enhance earnings.

PPL has invested in Reko Diq through PMPL, the SOE vehicle jointly owned by PPL, OGDCL, and GHPL, which together hold a 25% indirect stake in RDMC. With Barrick’s study indicating a 22% USD IRR, early site works underway, and first production expected in FY29, management expects the first dividend by 2031–32, potentially yielding USD 150–200mn for PPL.

PPL	Buy
Summary Data	
Target Price (Dec’26)	260.98
Last Closing	217.17
Upside (%)	20.17
Shares (mn)	2,721
Free float (%)	25
Market Cap. (PKR mn)	590,913
Market Cap. (USD mn)	2,109

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

PAKISTAN PETROLEUM LIMITED

Market Cap	Free Float	Current Price
PKR 590.9 billion	25%	PKR 217.17

Key Ratios

		2025a	2026e	2027f
Earning per share	PKR	33.82	34.62	35.33
Dividend per share	PKR	7.50	13.00	15.00
Book value per share	PKR	259.41	281.02	301.36
Price to earning	x	6.42	6.27	6.15
Price to book	x	0.84	0.77	0.72
Dividend yield	%	3.45	5.99	6.91

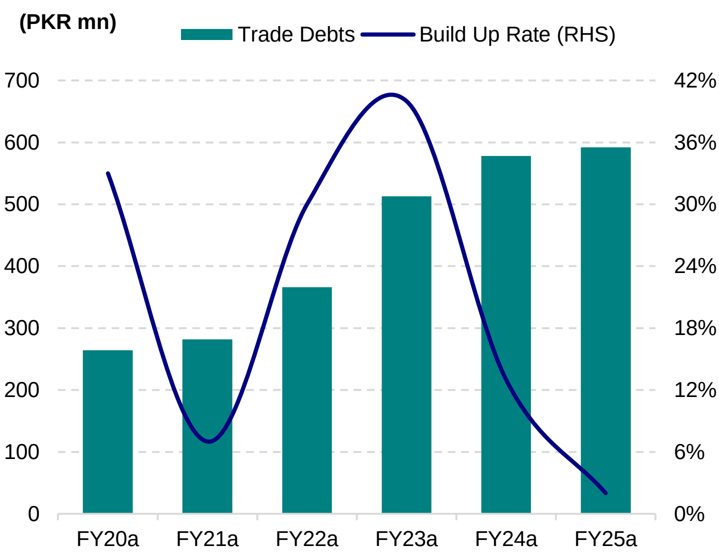
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statetment			
Net sales	242,516	242,691	257,924
Gross profit	151,798	138,274	153,456
Operating profit	136,115	123,540	140,538
Finance cost	2,416	1,930	1,996
Profit after tax	92,027	94,197	96,143
Balance Sheet			
Shareholder's equity	705,835	764,659	819,987
Total liabilities	221,311	252,325	261,217
Current assets	8,810	9,407	10,159
Non-current assets	230,640	486,064	798,471
Total assets	239,451	495,471	808,631

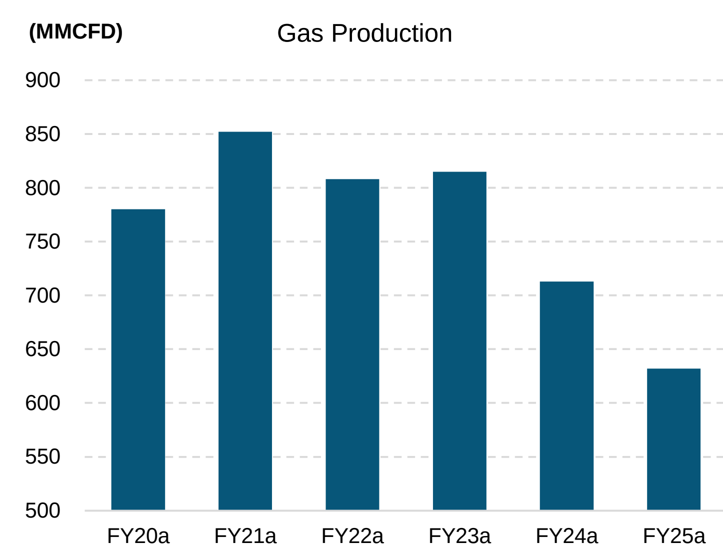
Source: Company Financials, AHL Research

Exhibit: Trade Debts And Build Up Rates



Source: Company Financials, AHL Research

Exhibit: Historical Trend Of Gas Production



Source: PPIS, AHL Research

CEMENT

Concrete Comeback

Cement domestic dispatches have displayed robust recovery in 5MFY26 of 12%. Accounting for the lower base, volumes are expected to recover by 7-10% in CY26 supported by higher public and private sector development and rehabilitation of flood affected areas. Margins will remain robust for the sector due to recovery in North cement prices, lower coal prices, and higher usage of renewable fuels and alternative power sources.

FAUJI CEMENT COMPANY

Symbol	Target Price	Total Return
FCCL	PKR 70.4	29.3%

- Strong cash position will allow FCCL to potentially acquire 42% stake in Attock Cement (ACPL)
- Increased share of 75% local coal and higher usage of alternative fuels
- 15MW captive solar capacity added leading to 59% in-house power generation
- PP bag plant acquisition leading to 10% lower packaging costs

Strong Cash Position Supports Inorganic Growth

FCCL holds a net cash position of PKR 19bn (PKR 1.34/share) as of Sep'25, enabling value-accretive acquisitions, including a planned 42.03% stake in Attock Cement Limited (ACPL). ACPL's earnings are projected to grow at a 5-year CAGR of 14.7%, supported by rising domestic dispatches, export momentum, and improving margins.

Commanding The Cost Curve

FCCL is set to benefit from its capacity expansion to 10.6mn TPA, despite operating at a modest 51% utilization in FY25. Its local market share has steadily improved from 11.0% in FY23 to 13.3% in FY25 and is expected to stabilize around 13% through FY28. The company commands the highest retention prices in the grey cement segment due to strong brand equity and corporate sales. Export potential exists from the D.G. Khan plant, though it is not included in the base case.

Margin Expansion Through Renewables And Fuel Optimization

FCCL is enhancing profitability through a diversified energy mix, reducing reliance on imported fuels. Local coal now accounts for 75% of the fuel basket (~25% cheaper than imports), while alternative fuel usage has risen to ~7%, with plans to reach 10–15% over the medium term, supporting structural cost savings. Grid electricity costs fell 9% YoY, and FCCL is expected to source ~40% of power from the grid in FY26e. The 15MW captive solar plant commissioned in FY25 has increased in-house generation to 59% (FY24: 48%), improving cost visibility and earnings resilience.

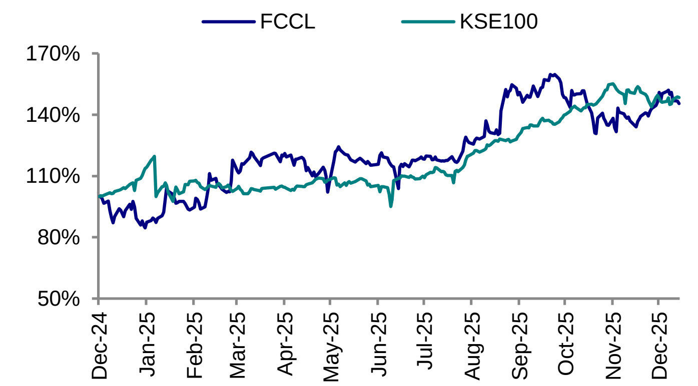
Polypropylene Bags Plant Acquisition

In FY25, FCCL acquired a polypropylene (PP) bag manufacturing plant in Hattar, KPK, with an annual capacity of 72mn bags, now largely meeting the company's in-house cement packaging requirements. The acquisition has already delivered tangible cost benefits, with packing material costs declining 10% YoY in FY25 to PKR 573/ton, supporting margin expansion.

FCCL	Buy
Summary Data	
Target Price (Dec'26)	70.41
Last Closing	55.60
Upside (%)	26.64
Shares (mn)	2,453
Free float (%)	35
Market Cap. (PKR mn)	136,378
Market Cap. (USD mn)	487

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

FAUJI CEMENT COMPANY

Market Cap	Free Float	Current Price
PKR 136.4 billion	35%	PKR 55.6

Key Ratios

		2025a	2026e	2027f
Earning per share	PKR	5.43	6.34	7.55
Dividend per share	PKR	1.25	1.50	2.00
Book value per share	PKR	34.36	39.11	44.77
Price to earning	x	10.23	8.77	7.36
Price to book	x	1.62	1.42	1.24
Dividend yield	%	2.25	2.70	3.60

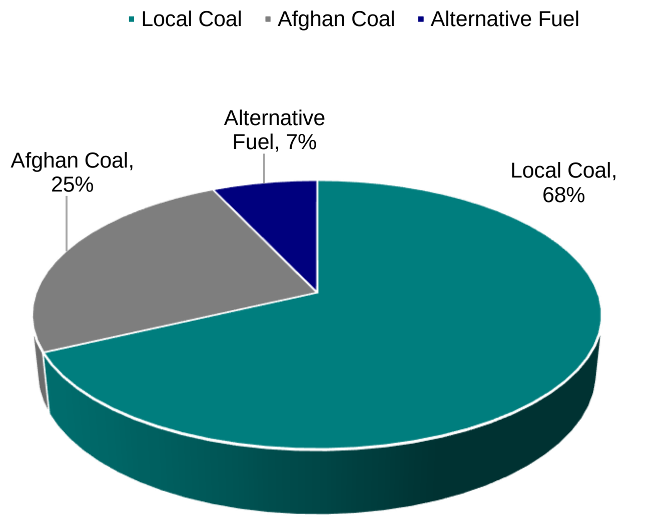
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statetment			
Net sales	88,956	94,837	107,170
Gross profit	31,571	33,326	38,398
Operating profit	26,948	28,441	33,021
Finance cost	4,703	2,573	2,122
Profit after tax	13,326	15,542	18,526
Balance Sheet			
Shareholder's equity	84,272	95,929	109,824
Total liabilities	76,573	73,997	70,270
Current assets	40,473	43,223	61,737
Non-current assets	120,373	121,001	120,708
Total assets	160,846	164,224	182,446

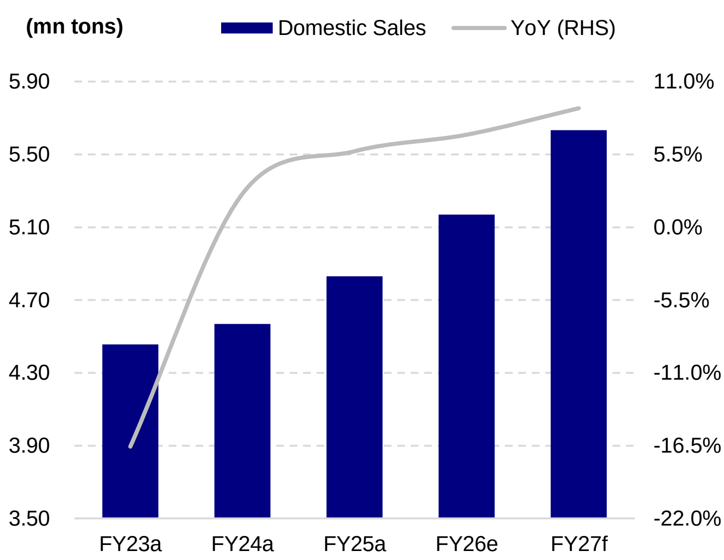
Source: Company Financials, AHL Research

Exhibit: Fuel Mix



Source: Company Financials, AHL Research

Exhibit: Domestic Sales Moving Forward



Source: Company financials, AHL Research

KOHAT CEMENT COMPANY LIMITED

Symbol	Target Price	Total Return
KOHC	PKR 154.6	28.1%

- Rs. 34.8bn cash & STIs strengthen balance sheet, enabling potential greenfield expansion at Khushab.
- 30MW coal captive plant to materially cut power costs and expand margins.
- Favorable plant location lowers dispatch time and inland freight costs.
- Higher local coal usage (30.7% in FY25 vs. 27% in FY24) supports cost efficiencies.

Operational Performance and Volume Trends

Kohat Cement (KOHC) reported 2.33mn tons of dispatches in FY25, down 10% YoY due to weak domestic demand, with capacity utilization falling to 46.4% (FY24: 52.2%). Performance recovered in 1QFY26, as dispatches rose 18.8% YoY to 703k tons, lifting utilization to 55.9%, while exports rebounded to 49k tons, reflecting stronger regional demand and improved cross-border trade.

Balance Sheet Strength and Capital Discipline

KOHC maintains a strong financial position, with PKR 34.8bn in cash and short-term investments, over 90% allocated to income-generating instruments such as TFCs and money market funds. The company also holds investment property valued at PKR 4.3bn (book value), with an estimated market value of PKR 9.7bn as of Jun'25, providing latent balance sheet upside. While the Khushab greenfield expansion has been deferred due to muted domestic demand, ample liquidity and low leverage give the company flexibility to resume expansion when market conditions improve.

Profitability Resilience Despite Volume Pressure

Despite lower volumes in FY25, KOHC delivered strong earnings, supported by operating leverage and disciplined cost management. Gross margins rose sharply to 39.2% (FY24: 29.1%), reflecting efficiency gains and improved cost structures. This demonstrates the resilience of KOHC's operating model and provides a solid earnings base as volumes normalize.

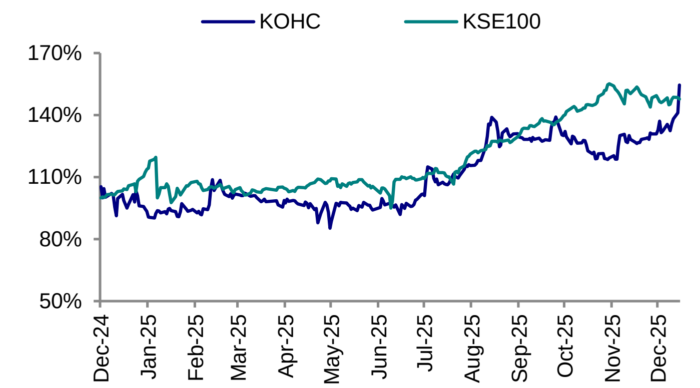
Energy Strategy and Medium-Term Margin Upside

KOHC's energy strategy remains a key pillar of its medium-term margin outlook. The company is progressing toward the commissioning of a ~30MW coal captive power plant, expected to achieve COD in 4QFY26, which is anticipated to significantly reduce power costs given coal's cost advantage over grid electricity. Combined with existing self-generation capacity of 33MW from WHR and 15MW from solar, reliance on grid power has already declined post-FY25. Following the commissioning of the coal captive plant, management expects a material shift toward self-generated power, supporting sustainable gross margins of ~42% over FY26–FY30 and improving earnings visibility.

KOHC	Buy
Summary Data	
Target Price (Dec'26)	154.62
Last Closing	122.31
Upside (%)	28.05
Shares (mn)	919
Free float (%)	25
Market Cap. (PKR mn)	112,440
Market Cap. (USD mn)	401

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

KOHAT CEMENT COMPANY LIMITED

Market Cap
PKR 112.4 billion

Free Float
25%

Current Price
PKR 122.3

Key Ratios

		2025a	2026e	2027f
Earning per share	PKR	12.59	11.28	14.22
Dividend per share	PKR	-	2.00	2.50
Book value per share	PKR	52.16	72.56	85.45
Price to earning	x	9.71	10.85	8.60
Price to book	x	2.34	1.69	1.43
Dividend yield	%	-	1.64	2.04

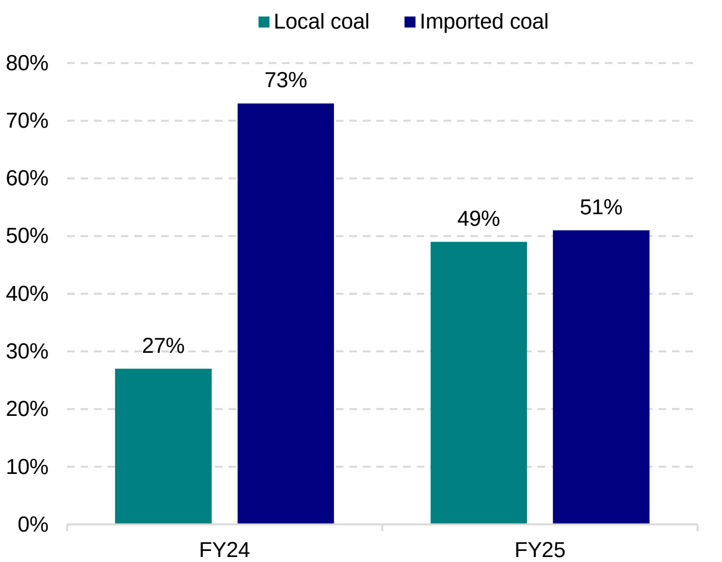
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statetment			
Net sales	37,536	39,738	45,187
Gross profit	14,722	14,512	18,973
Operating profit	13,800	13,534	17,935
Finance cost	(350)	(243)	(205)
Profit after tax	11,575	10,367	13,075
Balance Sheet			
Shareholder's equity	47,955	56,249	66,709
Total liabilities	18,839	19,943	20,771
Current assets	38,615	41,923	53,067
Non-current assets	28,180	34,270	34,414
Total assets	66,795	76,193	87,480

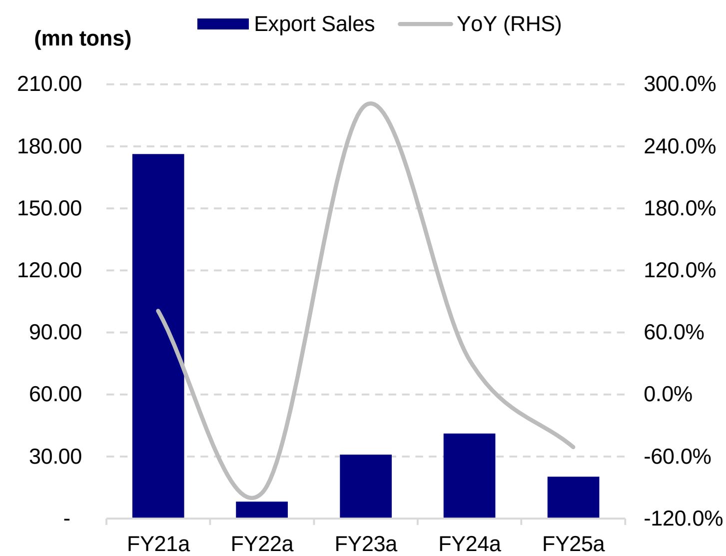
Source: Company Financials, AHL Research

Exhibit: Coal Mix

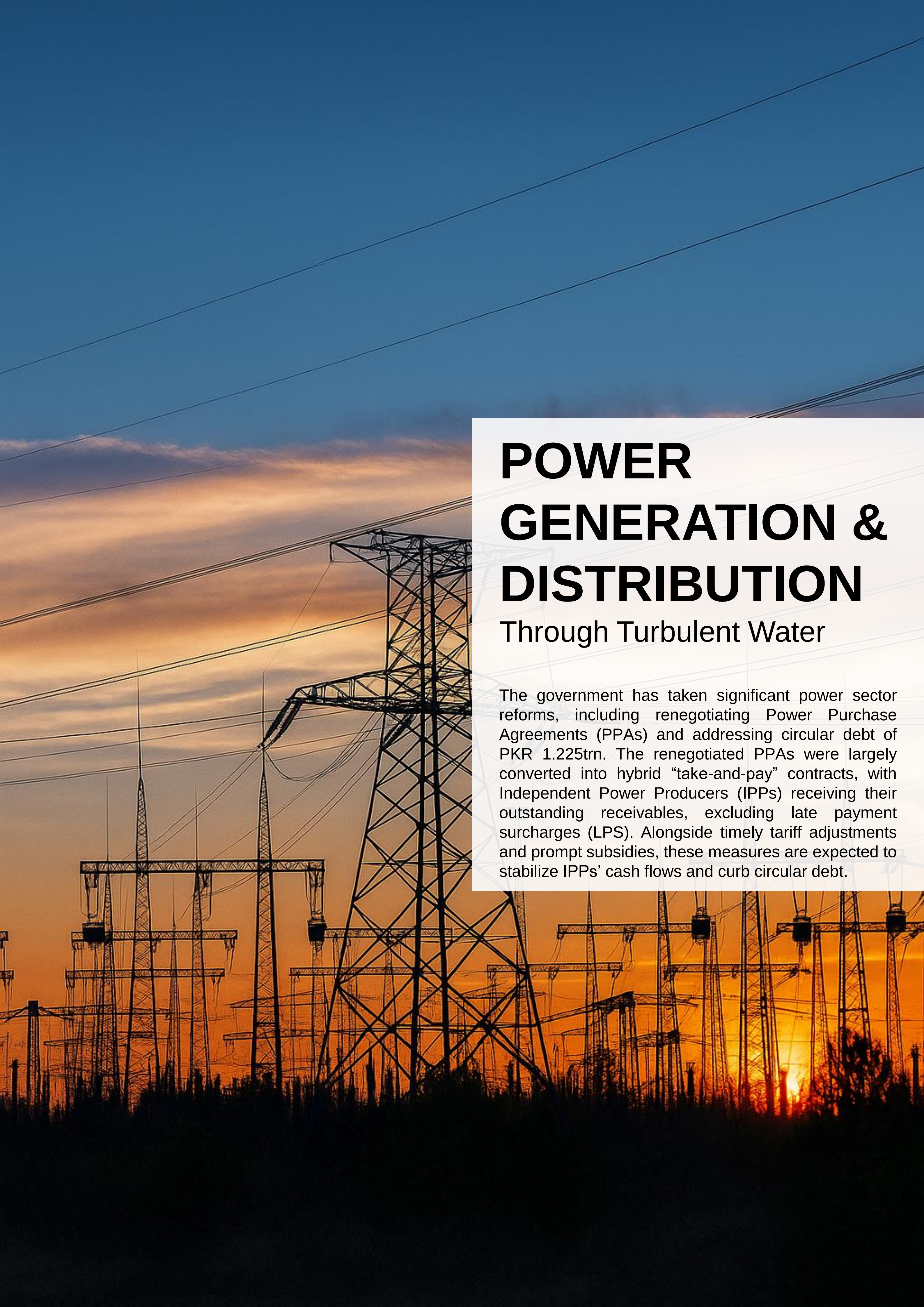


Source: Company Financials, AHL Research

Exhibit: Trend Of Export Sales



Source: Company financials, AHL Research



POWER GENERATION & DISTRIBUTION

Through Turbulent Water

The government has taken significant power sector reforms, including renegotiating Power Purchase Agreements (PPAs) and addressing circular debt of PKR 1.225trn. The renegotiated PPAs were largely converted into hybrid “take-and-pay” contracts, with Independent Power Producers (IPPs) receiving their outstanding receivables, excluding late payment surcharges (LPS). Alongside timely tariff adjustments and prompt subsidies, these measures are expected to stabilize IPPs’ cash flows and curb circular debt.

NISHAT POWER LIMITED

Symbol	Target Price	Total Return
NPL	PKR 90.1	33.5%

- Receivables recovery of PKR 9.6bn (PKR 27.2/sh) strengthens the balance sheet.
- Earnings support from power business at PKR 5.6/sh (FY26) and PKR 6.4/sh (FY27).
- Auto sector upside via 33% stake in NexGen Auto, with dividends expected from FY28.
- Strategic diversification through Rafhan acquisition, adding exposure to a stable, high-margin (~20%) business.

Transition into amended agreement

NPL was included in Phase III power sector reforms, with its agreement transitioning to a Hybrid Take-and-Pay tariff effective Nov 1, 2024. Under the revised terms, PKR 9.6bn (PKR 27.2/sh) in receivables was recovered as of Oct 31, 2024, with PKR 1.8bn LPS waived and excess profits to be shared with the government. The revised 65% take and pay / 35% take orpay ROE structure supports projected earnings of PKR 5.5/sh in FY26 and PKR 7.9/sh in FY27 (power business only).

Balance Sheet and Dividend Outlook

NPL has maintained a strong dividend track record (PKR 6.00/sh in FY25 and PKR 9.50/sh in FY24), supported by solid profitability and ample cash, however we expect dividend to reduce to PKR 4/share for FY26 and 27, given the companies ongoing investments.

Growth Prospects

NPL has approved a long-term equity investment of up to PKR 2bn and a one year PKR 500mn working capital loan to NexGen Auto.

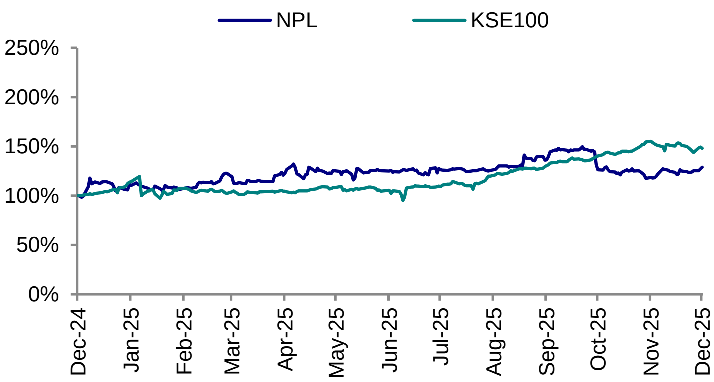
It holds a 33% stake in NexGen Auto, which is expected to generate its first dividend in FY28. Our analysis suggests an addition of PKR 32.6/share to NPL's valuation, assuming 5,000 units annually (80% Jaecoo J7 PHEV, 20% Omoda E5), 10% annual volume growth, and a 6.5% net margin. This implies an incremental earnings impact of PKR 2.7/sh in FY27 and PKR 3.2/sh in FY28.

Separately, under the Nishat Group's Rafhan acquisition, NPL will acquire a 14.14% stake as part of a 68.86% combined holding. At the current price, NPL would need to undertake capex of PKR 14.5bn with an estimated annual EPS impact of around PKR 3/share, broadly comparable to the returns it could generate from bank investments. However, Rafhan's business remains highly stable, delivering ~20% gross margins, supported by a strong cash position, high payouts, and growth potential, making the investment strategically positive for NPL.

NPL	Buy
Summary Data	
Target Price (Dec'26)	90.1
Last Closing	70.43
Upside (%)	33.5
Shares (mn)	354
Free float (%)	45
Market Cap. (PKR mn)	24,938
Market Cap. (USD mn)	89

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

ARIF HABIB LIMITED

NISHAT POWER LIMITED

Market Cap	Free Float	Current Price
PKR 24.9 billion	45%	PKR 70.43

Key Ratios

		2025a	2026e	2027f
Earning per share	PKR	(2.11)	5.51	7.92
Dividend per share	PKR	6.00	4.00	4.00
Book value per share	PKR	79.01	80.51	84.44
Price to earning	x	(33.39)	12.79	8.89
Price to book	x	0.89	0.87	0.83
Dividend yield	%	8.52	5.68	5.68

Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statetment			
Net sales	7,058	10,685	16,152
Gross profit	2,658	1,332	1,619
Operating profit	2,115	804	1,044
Finance cost	43	511	581
Profit after tax	(747)	1,950	2,806
Balance Sheet			
Shareholder's equity	27,975	28,509	28,708
Total liabilities	1,175	7,231	6,058
Current assets	21,522	26,848	8,646
Non-current assets	7,628	8,892	26,120
Total assets	29,150	35,740	34,766

Source: Company Financials, AHL Research

Exhibit: Balance sheet position for NPL

	Unit	Sep-25
Cash and short-term investments	PKR mn	21,471
Trade debts	PKR mn	1,380
Other receivables	PKR mn	2,511
Current Assets	**PKR mn**	**25,361**
Short-term debt	PKR mn	5,908
Other payables	PKR mn	353
Total current liabilities	**PKR mn**	**6,261**
Working capital	**PKR mn**	**19,100**
Property, plant and equipment	PKR mn	7,453
Long term investment	PKR mn	2,000
Other NCAs	PKR mn	6
Non current Assets	**PKR mn**	**9,459**
Book Value	**Per Share**	**81**
Book Value less PPE	**Per Share**	**60**
Last Day Closing Price	**Per Share**	**62**

Source(s): Company Financials, AHL Research

Exhibit: Rafhan Acquisition

PKR mn	NPL
Stake in Rafhan (%)	14.36%
Stake in Rafhan (MN shares)	1.33
Capex current market cap	16,024
At USD 250mn	13,293
At USD 300mn	15,952
At USD 350mn	18,611
At USD 400mn	21,269
Cash Position	21,471
Cash less capex	5,447

Source(s): Company Financials, AHL Research

NISHAT CHUNIAN POWER LIMITED

Symbol	Target Price	Total Return
NCPL	PKR 74.7	44.6%

- Receivables recovery of PKR 6.7bn (PKR 18.2/sh) strengthens liquidity despite LPS waiver and profit-sharing mechanism.
- Earnings visibility from power business at PKR 4.1/sh (FY26) and PKR 5.6/sh (FY27).
- Dividend resumption post shareholding change, supporting regular payouts.
- Auto sector upside via 33% stake in NexGen Auto, with first dividend expected in FY28.
- Strategic diversification through Rafhan acquisition, offering exposure to a stable, high-margin (~20%) business with long-term growth potential.

Transition into amended agreement

NCPL was also included in Phase III of power sector reforms, with its agreement shifting to a hybrid take and pay tariff from Nov 1, 2024, broadly mirroring NPL's structure. We forecast earnings of PKR 4.1/sh in FY26 and PKR 5.6/sh in FY27 (Power Business only).

Under the amended agreement, NCPL received outstanding receivables of PKR 6.7bn (PKR 18.2/share) as of October 31, 2024. LPS of PKR 2.3bn accrued up to

Balance Sheet and Dividend Outlook

Following the shareholding change and receivables recovery, NCPL resumed dividends, PKR 5/sh in Sep'24 and PKR 2/sh in Mar'25 and is now expected to maintain regular payouts.

Growth Prospects

NCPL has also approved a long-term equity investment of up to PKR 2bn and a one year PKR 500mn working capital loan to NexGen Auto.

NCPL holds a 33% stake in NexGen Auto, which is expected to generate its first dividend in FY28. Our analysis suggests an addition of PKR 31.5/share to NCPL's valuation, assuming 5,000 units annually (80% Jaecoo J7 PHEV, 20% Omoda E5), 10% annual volume growth, and a 6.5% net margin. This implies an incremental earnings impact of PKR 2.63/sh in FY27 and PKR 3.07/sh in FY28.

Moreover, Nishat Group has also approved the acquisition of Rafhan Maize Products Company Limited through Nishat Hotels and Properties Limited, as part of a broader transaction with affiliated entities to acquire up to 75.69% of Rafhan.

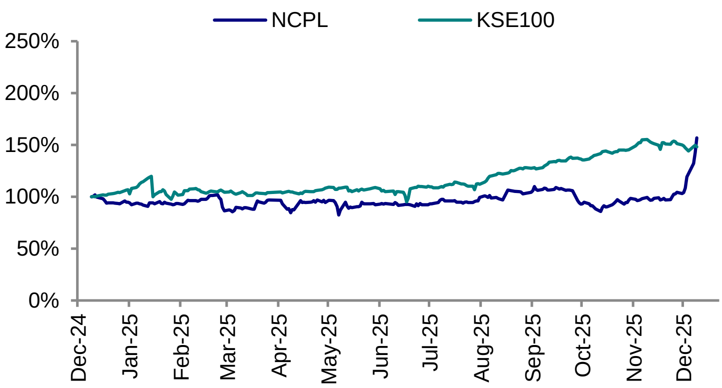
Within this framework, DGKC will acquire the largest stake of 32.71%, followed by NPL (14.14%), NCPL (7.65%), PKGP (6.69%), LPL (4.41%), and NML (3.31%), taking the combined holding to 68.86%.

At the current price, NCPL would need to undertake capex of PKR 7.7bn with an estimated annual EPS impact of around PKR 1.6/share, broadly comparable to the returns it could generate from bank investments. However, Rafhan's business remains highly stable, delivering ~20% gross margins, supported by a strong cash position, high payouts, and growth potential, making the investment strategically positive for NCPL.

NCPL	Buy
Summary Data	
Target Price (Dec'26)	74.7
Last Closing	53.06
Upside (%)	44.6
Shares (mn)	367
Free float (%)	55
Market Cap. (PKR mn)	19,491
Market Cap. (USD mn)	70

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

NISHAT CHUNIAN POWER LIMITED

Market Cap	Free Float	Current Price
PKR 19.5 billion	55%	PKR 53.06

Key Ratios

		2025a	2026e	2027f
Earning per share	PKR	(9.19)	4.09	5.61
Dividend per share	PKR	7.00	2.00	4.00
Book value per share	PKR	63.23	65.32	66.93
Price to earning	x	(5.77)	12.99	9.45
Price to book	x	0.84	0.81	0.79
Dividend yield	%	13.19	3.77	7.54

Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statetment			
Net sales	5,566	6,395	9,536
Gross profit	2,157	1,171	1,106
Operating profit	1,801	843	775
Finance cost	15	137	142
Profit after tax	(3,376)	1,501	2,062
Balance Sheet			
Shareholder's equity	23,227	23,993	23,953
Total liabilities	1,105	2,253	1,736
Current assets	15,745	16,466	7,189
Non-current assets	8,587	9,780	18,500
Total assets	24,332	26,246	25,689

Source: Company Financials, AHL Research

Exhibit: Balance sheet position for NCPL

	Unit	Sep-25
Cash and short-term investments	PKR mn	10,577
Trade debts	PKR mn	1,359
Other receivables	PKR mn	2,886
Current Assets	**PKR mn**	**14,823**
Short-term debt	PKR mn	998
Other payables	PKR mn	474
Total current liabilities	**PKR mn**	**1,472**
Working capital	**PKR mn**	**13,351**
Property, plant and equipment	PKR mn	8,428
Long term investment	PKR mn	2,000
Other NCAs	PKR mn	1
Non current Assets	**PKR mn**	**10,428**
Book Value	**Per Share**	**65**
Book Value less PPE	**Per Share**	**42**
Last Day Closing Price	**Per Share**	**49**

Source(s): Company Financials, AHL Research

Exhibit: Rafhan Acquisition

PKR mn	NCPL
Stake in Rafhan (%)	7.65%
Stake in Rafhan (MN shares)	0.71
Capex current market cap	8,537
At USD 250mn	7,082
At USD 300mn	8,498
At USD 350mn	9,914
At USD 400mn	11,331
Cash Position	10,910
Cash less capex	2,041

Source(s): Company Financials, AHL Research

TECHNOLOGY & COMMUNICATION

IT Exports On Track

In FY25, Pakistan's IT exports grew 18% YoY to USD 3.8bn, driven by stronger demand from North American and Middle Eastern markets. Momentum remained firm in 5MFY26, with exports rising to USD 1.8bn, up 19% YoY. We expect this trajectory to continue, projecting 20% growth in FY26.

Smartphone Segment: The segment reached 33.1mn units in FY25 (+45% YoY), with 95% of demand fulfilled through domestic production. However, industry volumes in 10MCY25 slipped 3% YoY to 26.8mn units, impacted by 18% sales tax. We expect a gradual recovery, with mobile volumes growing around 10% in CY26, supported by population growth and technological upgrades.

SYSTEMS LIMITED

Symbol	Target Price	Total Return
SYS	PKR 207.8	27.8%

- Strong growth across high-potential segments (BFSI, Retail & CPG, Telecom, Technology) and expansion into fast-growing geographies, driving a projected 5-year revenue CAGR of 25%.
- Margin recovery is expected from cost optimization, operational efficiency, and stable domestic inflation, with gross margins forecasted at 26–27% in CY25–CY26.
- The strategic acquisition of Confiz and partnership with British American Tobacco and its newly established subsidiary to drive value.
- Trading at CY26 and CY27 forward P/E multiple of 13.7 and 10.4.

Accelerating Across Segments And Geographies

We project SYS's revenue to grow at a 5-year CAGR of 25% (CY24–CY29E), fueled by strong momentum across high-growth segments such as BFSI, Retail & CPG, Telecom, and Technology, as well as continued expansion into fast-growing geographies. The company's bottom line is expected to increase at a 5-year CAGR of 37%, supported by healthy topline growth, margin improvement, disciplined reinvestment, and tax benefits under the Final Tax Regime (FTR).

Margin Recovery And Cost Optimization

Being a service-driven business, SYS's cost base is heavily weighted toward employees, accounting for 73% of cost of sales in CY24. With 82% of its workforce in Pakistan, the company stands to benefit from declining domestic inflation, projected to remain in single digits through CY26. Coupled with enhanced operational efficiency, this is expected to drive margin recovery and stabilize profitability after the hyperinflationary pressures of CY23–CY24. We forecast gross margins of 26–27% in CY25–CY26..

Strategic Acquisition To Drive Value

SYS maintains a strong financial position and a healthy cash balance of PKR 10.2bn, providing ample capacity to pursue inorganic growth opportunities. Recently, it acquired Confiz, boosting its presence in North America and Europe, expanding access to large enterprise and Fortune 100 clients, and enhancing capabilities in digital transformation, data, cloud, and managed services. Earlier, the company also announced the acquisition of British American Tobacco SAA Services (Private) Ltd., a shared services provider offering IT-enabled solutions across customer care, HR, finance, marketing, and supply chain. These acquisitions mark a strategic step toward expanding SYS's end-to-end managed service capabilities, particularly for multinational clients, and aligns with its long-term vision of deepening its BPO and managed services offerings.

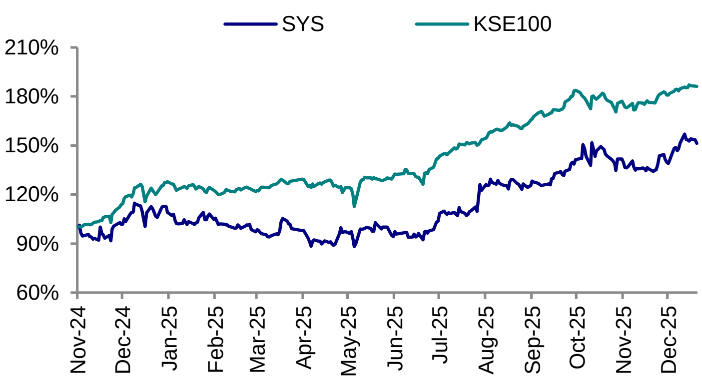
Valuation And Growth Metrics

Based on our assumptions and key themes, we project earnings of PKR 7.6 per share in CY25 and PKR 12.0 per share in CY26. . In addition to strong earnings growth, we also anticipate healthy dividend payouts, with estimated distributions of PKR 1.5/share for FY26 and PKR 2.5/share for FY27, reflecting the company's improving cash flows.

SYS	Buy
Summary Data	
Target Price (Dec'26)	207.75
Last Closing	164.56
Upside (%)	26.25
Shares (mn)	1,473
Free float (%)	60
Market Cap. (PKR mn)	242,377
Market Cap. (USD mn)	865

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

SYSTEMS LIMITED

Market Cap	Free Float	Current Price
PKR 242.4 billion	60%	PKR 164.56

Key Ratios

		2025e	2026f	2027f
Earning per share	PKR	7.55	12.01	15.84
Dividend per share	PKR	1.50	2.50	3.50
Book value per share	PKR	33.78	45.80	61.51
Price to earning	x	21.79	13.70	10.39
Price to book	x	4.87	3.59	2.68
Dividend yield	%	0.91	1.52	2.13

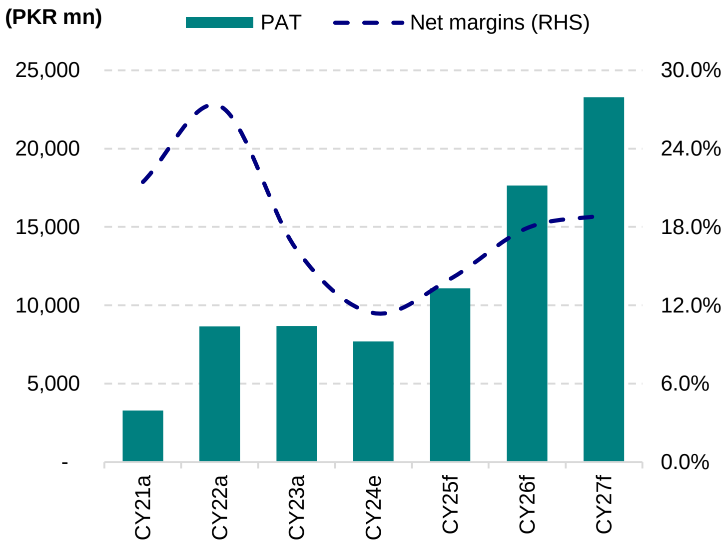
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025e	2026f	2027f
Income Statement			
Net sales	79,147	98,543	123,223
Gross profit	21,062	26,350	33,390
Operating profit	11,666	19,194	24,442
Finance cost	316	325	336
Profit after tax	11,095	17,647	23,275
Balance Sheet			
Shareholder's equity	61,437	79,084	102,359
Total liabilities	17,760	20,026	22,536
Current assets	41,964	83,218	108,668
Non-current assets	15,678	15,892	16,227
Total assets	57,642	99,110	124,895

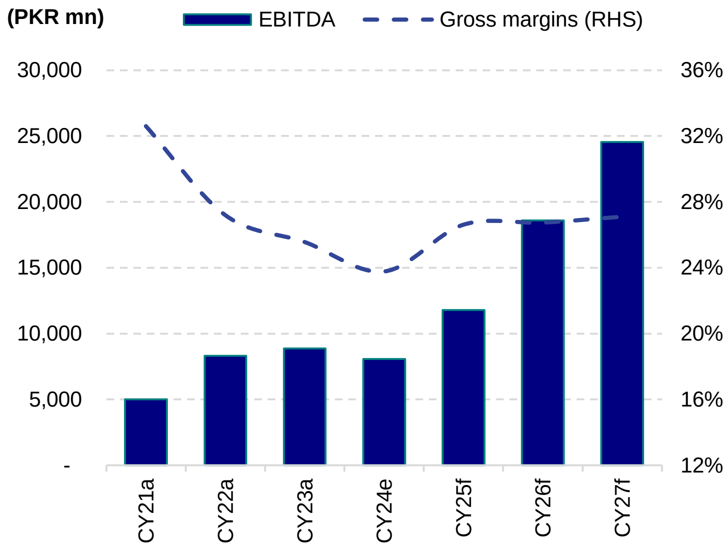
Source: Company Financials, AHL Research

Exhibit: PAT And Net Margins Moving Forward



Source: Company Financials, AHL Research

Exhibit: EBITDA And Gross Margins Moving Forward



Source: Company financials, AHL Research

AIR LINK COMMUNICATION LIMITED

Symbol	Target Price	Total Return
AIRLINK	PKR 268.8	66.4%

- With ~95% of Pakistan's demand now fulfilled domestically, we anticipate the company's assembly revenues to expand at a robust 15% CAGR through FY30.
- The company's move to the Lahore SEZ, which offers a 10-year tax holiday, is anticipated to reduce the effective tax burden and contribute EPS of ~PKR 2.69 in FY26 and PKR 6.27 in FY27.
- Product diversification through introduction of Xiaomi Smart TVs and Acer laptops is expected to further enhance value.
- Trading at FY26 and FY27 P/E multiple of 9.6 and 7.2.

Affordable Locally Assembled Smartphones

Pakistan's mobile phone industry is experiencing a pronounced shift toward localization, evidenced by domestic production reaching 30mn units in FY25 meeting 95% of the total demand. While imports reached just 1.73mn units. In this evolving landscape, Airlink, as a leading domestic assembler, is strategically positioned to capitalize on the sector's momentum, with its assembly segment projected to deliver a robust 15% revenue CAGR through FY30.

Strategic Expansion Aided a Tax Holiday

Airlink is ramping up production with a cutting-edge facility at the Sundar Green Special Economic Zone in Lahore, spanning 8 acres. The 1.4 million sq. ft. purpose-built complex qualifies for a 10-year tax holiday and a one-time GST exemption on machinery imports. The company plans to shift 50% of smartphone production to the new facility by Dec'25, gradually moving full production over the coming years, while also diversifying into laptops and home appliances. With an assumed effective tax rate of 26% in FY26 and 18% in FY27, this expansion is set to contribute roughly PKR 2.69/share and PKR 6.27/share to earnings.

Product Diversification: Smart TVs & Laptops

Airlink is expanding beyond smartphones into consumer electronics with Xiaomi Smart TVs and Acer laptops. Introduced in 3QFY25, Xiaomi TVs tap into the growing streaming trend, offering high-resolution displays, bezel-less designs, Google Assistant, and smart connectivity, at more affordable prices than Samsung and TCL. We expect 40k units to be sold in FY26. Airlink will also launch Acer E-10 laptops, addressing demand for affordable new devices in a market dominated by costly imports. Initial sales will come through CBU imports with 16–18% gross margins, followed by local assembly once SKD approvals are granted. We anticipate laptop sales to be ~45k units in FY26.

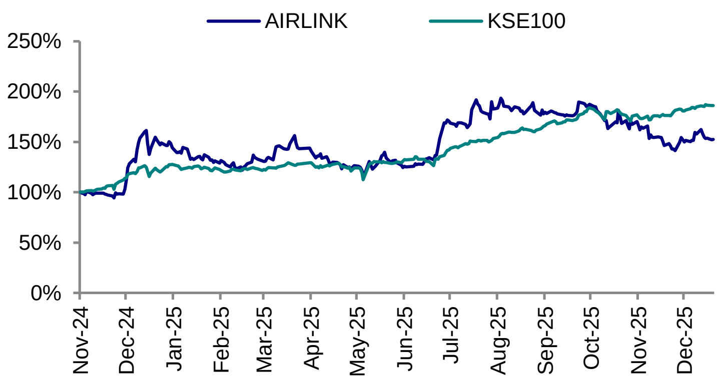
Valuation And Growth Metrics

We have valued Airlink at PKR 268.8/share using a DCF-based approach. Our valuation incorporates projected cash flows through FY36 to account for the 10-year tax holiday at Airlink's SEZ plant, which remains income tax–exempt until FY35. Based on our assumptions and key themes, we forecast earnings of PKR 18.57/share in FY26 and PKR 24.8/share in FY27. Alongside robust earnings growth, we also expect healthy dividend payouts of PKR 9.5/share for FY26 and PKR 12.5/share for FY27.

AIRLINK	Buy
Summary Data	
Target Price (Dec'26)	268.76
Last Closing	167.23
Upside (%)	60.71
Shares (mn)	395
Free float (%)	30
Market Cap. (PKR mn)	66,101
Market Cap. (USD mn)	236

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

AIR LINK COMMUNICATION LIMITED

Market Cap
PKR 66.1 billion

Free Float
30%

Current Price
PKR 167.23

Key Ratios

		2025a	2026e	2027f
Earning per share	PKR	12.01	18.57	24.50
Dividend per share	PKR	7.00	9.50	12.50
Book value per share	PKR	43.63	52.70	64.70
Price to earning	x	13.92	9.00	6.82
Price to book	x	3.83	3.17	2.58
Dividend yield	%	4.19	5.68	7.47

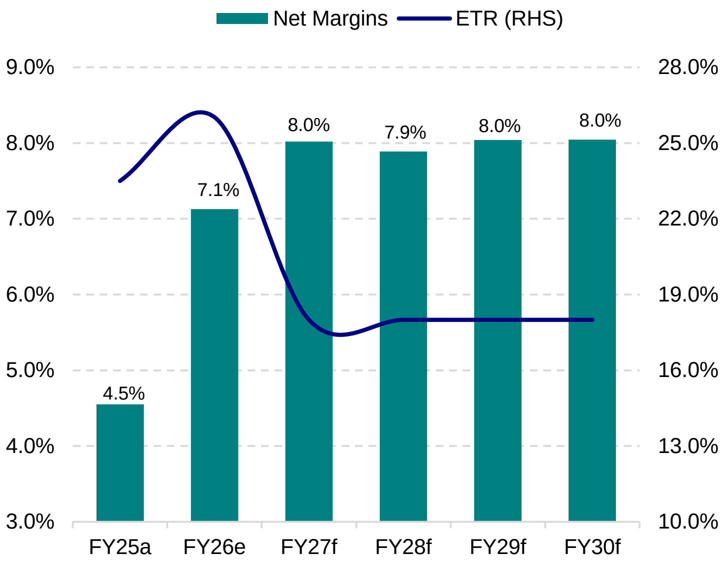
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statetment			
Net sales	104,379	103,003	120,757
Gross profit	11,015	14,292	16,773
Operating profit	9,544	12,668	14,868
Finance cost	3,944	3,170	3,487
Profit after tax	4,748	7,341	9,685
Balance Sheet			
Shareholder's equity	17,244	20,830	25,575
Total liabilities	46,673	44,248	42,356
Current assets	50,457	51,089	53,483
Non-current assets	13,460	13,990	14,448
Total assets	63,917	65,079	67,931

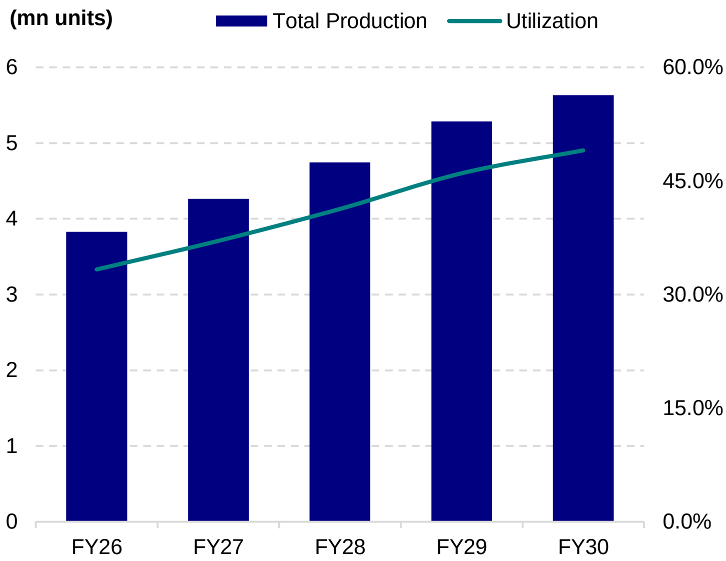
Source: Company Financials, AHL Research

Exhibit: Net Margins and Effective Taxation Moving Forward



Source: Company Financials, AHL Research

Exhibit: Production and Utilization Levels



Source: Company financials, AHL Research

OIL & GAS MARKETING COMPANIES

Fueling The Future

Oil Marketing Companies (OMCs) posted a 7% YoY increase in sales in FY25 to 16.3mn tons. In 5MFY26, volumes rose 1% YoY to 6.81mn tons, driven by MS (+2%) and HSD (+4%). Supported by currency stability, improving macro conditions, lower global oil prices, and reduced smuggling, MS and HSD volumes are expected to grow by 4% and 6%, respectively, in FY26. Furthermore, recently approved revision in OMC margins of PKR 1.22/ltr provides a positive catalyst for the sector.

PAKISTAN STATE OIL COMPANY LIMITED

Symbol	Target Price	Total Return
PSO	PKR 711.7	62.9%

- PSO's liquidity set to improve, with power sector circular debt adding an estimated PKR 100/share.
- Focus may shift to gas circular debt, a potential re-rating catalyst, as SNGP receivables exceed 100%.
- The long-overdue rise in OMC margins is expected to boost profitability.
- Trading at FY26/27 P/E of 6.0/4.9, below historical and sector averages, PSO offers strong upside

Strengthening PSO's liquidity position

The government's energy sector reforms, which incorporated diverted RLNG costs into gas pricing, have eased PSO's liquidity pressures. As a result, trade debts declined from PKR 400bn in Dec'23 to PKR 294bn in Sep'25. PSO utilized this liquidity to settle creditor obligations and reduce short-term borrowings to PKR 324bn from PKR 445bn over the same period. Supported by debt repayments and lower interest rates, finance costs fell to PKR 34bn in FY25 (vs. PKR 52bn in FY24) and are expected to decline further to PKR 20bn/15bn in FY26/27.

Major beneficiary of Power CD resolution

PSO is expected to be a key beneficiary, as payments from CPPA-G to RLNG power plants (NPPMCL, QATPL, and Nandipur) will channel through SNGP and ultimately reach PSO, albeit with some delay. We estimate an impact of roughly PKR 84/share, slightly lower than earlier expectations, as substantial recoveries from NPPMCL and QATPL have already taken place this FY24-FY25. We have incorporated circular debt effects from Mar'26, reflecting the anticipated lag in payments moving from power plants to SNGP and then to PSO.

Cash rich POL business

The ECC has approved a PKR 1.22/ltr increase in OMC margins. Half of this revision will be implemented in the next price review, with the rest applied once industry digitization is completed. The revision should lift PSO's annualized earnings by about PKR 12.3/share. In 5MFY26, volumes inched up 1% YoY to 6.81mn tons. We expect this momentum to continue in FY26, with MS demand projected to grow 4% and HSD demand 6%, providing further support to PSO.

Gas Circular Debt to follow?

The next area of concern is gas circular debt, which could serve as an important re-rating trigger. Proposed remedies include a PKR 5/ltr levy and higher SOE dividends, though implementation has been slow. PSO's receivables from SNGPL are estimated at around PKR 254bn (PKR 541/share), and our model continues to factor in some further buildup ahead.

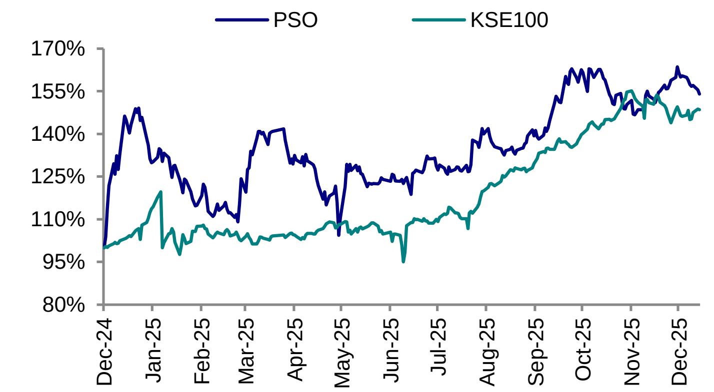
RLNG Cargoes deferment

Qatar will divert 24 LNG cargoes in 2026 under a net-proceeds differential mechanism. For PSO, deferments are expected to remain limited (~200 mmcfd), PSO's favorable contract terms, and long tenors on Big 4 RLNG power PPAs. New RLNG connections could further ease volume pressure.

PSO	Buy
Summary Data	
Target Price (Dec'26)	711.73
Last Closing	450.66
Upside (%)	57.93
Shares (mn)	469
Free float (%)	50
Market Cap. (PKR mn)	211,573
Market Cap. (USD mn)	755

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

PAKISTAN STATE OIL COMPANY LIMITED

Market Cap	Free Float	Current Price
PKR 211.6 billion	50%	PKR 450.7

Key Ratios

		2025a	2026e	2027f
Earning per share	PKR	44.54	74.58	92.42
Dividend per share	PKR	10.00	22.37	27.72
Book value per share	PKR	533.13	607.49	677.53
Price to earning	x	10.12	6.04	4.88
Price to book	x	0.85	0.74	0.67
Dividend yield	%	2.22	4.96	6.15

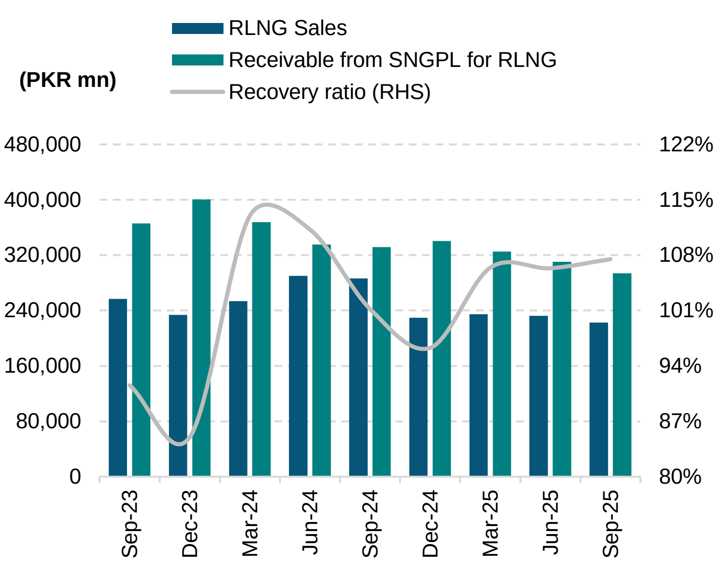
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statetment			
Net sales	3,149,389	3,180,626	3,256,067
Gross profit	96,710	104,101	112,830
Operating profit	68,201	75,279	69,203
Finance cost	33,718	19,087	14,145
Profit after tax	20,911	35,012	43,387
Balance Sheet			
Shareholder's equity	250,291	285,200	318,084
Total liabilities	768,787	585,083	571,539
Current assets	937,648	781,817	795,070
Non-current assets	81,430	88,467	94,553
Total assets	1,019,078	870,283	889,622

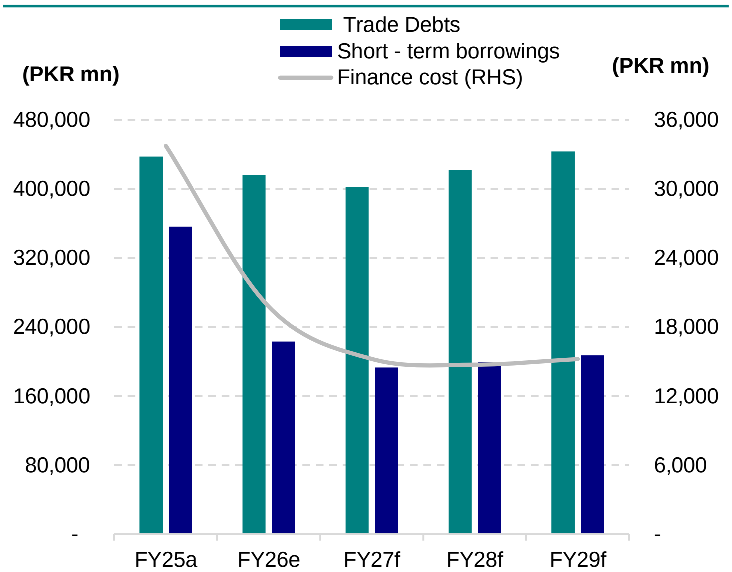
Source: Company Financials, AHL Research

Exhibit: PSO Receivables From SNGP



Source: Company Financials, AHL Research

Exhibit: Working Capital Position



Source: Company financials, AHL Research

AUTOMOBILE ASSEMBLER

Volumes To Remain In Spotlight

Automobile sales remained a key highlight in FY25, reaching 148,023 units, up 43% YoY. This positive momentum continued into 4MFY26, with industry volumes rising 46% YoY to 59.6k units. We project FY26 sales to grow by 25% to approximately 185k units, driven by a stable exchange rate and a more favorable interest rate environment, which should support auto financing and strengthen consumer demand. Additionally, the entry of new players and models, including EV and PHEV variants, along with expected incentives under the new auto policy, is likely to further fuel market expansion.

INDUS MOTOR COMPANY LIMITED

Symbol	Target Price	Total Return
INDU	PKR 2,270.6	25.2%

- INDUs volumes are projected to rise further, reaching 43.4k units in FY26.
- Maintains an exceptionally strong liquidity profile, holding PKR 99.5bn in cash and short-term investments (equivalent to PKR 1,267/share).
- The stock is currently trading at an FY26/FY27 P/E of 5.6x and 5.3x, respectively.

Robust Volumes

INDU's volumes remained on a strong upward trajectory in FY25, reaching 33.4k units, supported by an 85% YoY surge in Fortuner and Hilux sales (8.2k units) and a 55% YoY increase in Corolla, Yaris, and Corolla Cross volumes (25.2k units). Overall, total volumes rose 61% YoY, driven by improving consumer sentiment amid strong macros and strong customer loyalty towards Toyota brand. This momentum has continued into FY26, with 5MFY26 volumes rising 68% YoY to 18.3k units. We expect the momentum to continue with INDU's total volumes to grow by 33% to 44.4k units in FY26.

Global hybrid edge

INDU is strategically positioned to benefit from the forthcoming NEV policy, with expectations of additional hybrid model launches. Globally, Toyota has established a leading presence in hybrid and plug-in hybrid technology, with flagship models such as the Corolla and Hilux already offered in hybrid variants across international markets. This extensive global experience provides INDU with a strong foundation to introduce new hybrid models locally. Given the company's robust balance sheet, these launches can be pursued without significant financial strain, enabling INDU to strengthen its competitive edge.

Strong Cash Position

INDU maintains an exceptionally strong liquidity profile, holding PKR 99.5bn in cash and short-term investments (equivalent to PKR 1,267/share). This substantial cash reserve provides the company with robust financial flexibility, enabling sustained dividend payouts, new model introductions, and strategic capacity expansion. The depth of its liquidity positions INDU as a materially lower-risk investment relative to sector peers.

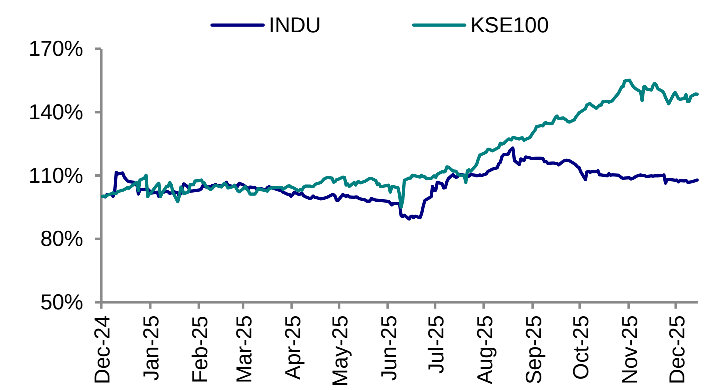
Valuation And Growth Metrics

We anticipate the company's bottom-line for FY26 and FY27 to stand at PKR 355.12/share and PKR 372.57/share, respectively. This valuation positions the company at a FY26 and FY27 P/E of 5.6x and 5.3x, signifying an undervalued P/E multiple. In addition to strong earnings growth, we also anticipate healthy dividend payouts, with estimated distributions of PKR 213.1/share for FY26 and PKR 223.5/share for FY27, reflecting the company's improving cash flows. We recommend a buy stance on INDU with a Dec'26 target price of PKR 2,270.57/share, implying an upside potential of 25.2%.

INDU	Buy
Summary Data	
Target Price (Dec'26)	2,270.57
Last Closing	1,983.11
Upside (%)	14.50
Shares (mn)	79
Free float (%)	18
Market Cap. (PKR mn)	155,872
Market Cap. (USD mn)	556

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

INDUS MOTOR COMPANY LIMITED

Market Cap	Free Float	Current Price
PKR 155.9 billion	18%	PKR 1,983.1

Key Ratios

		2025a	2026e	2027f
Earning per share	PKR	292.74	355.12	372.57
Dividend per share	PKR	176.00	213.07	223.54
Book value per share	PKR	979.04	1,121.16	1,269.73
Price to earning	x	6.77	5.58	5.32
Price to book	x	2.03	1.77	1.56
Dividend yield	%	8.87	10.74	11.27

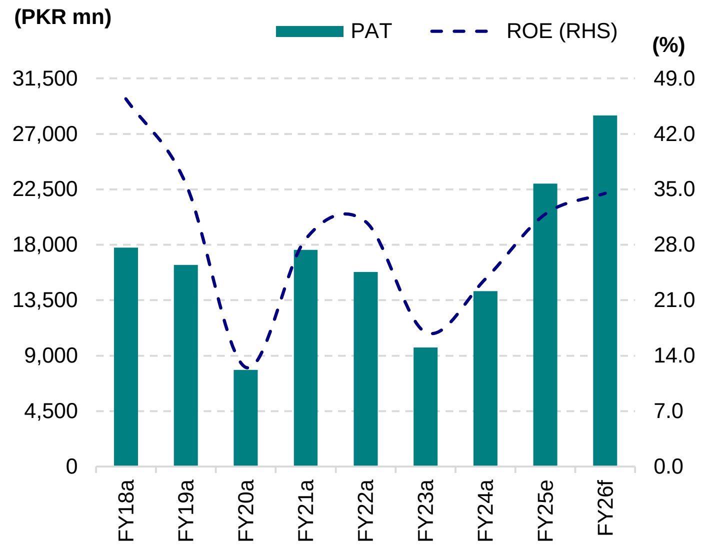
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statetment			
Net sales	215,137	268,204	298,559
Gross profit	31,195	44,323	46,520
Operating profit	25,331	37,581	39,015
Finance cost	264	184	141
Profit after tax	23,010	27,912	29,284
Balance Sheet			
Shareholder's equity	76,953	88,123	99,801
Total liabilities	107,822	98,713	102,988
Current assets	161,238	162,349	177,932
Non-current assets	23,536	24,487	24,857
Total assets	184,774	186,836	202,789

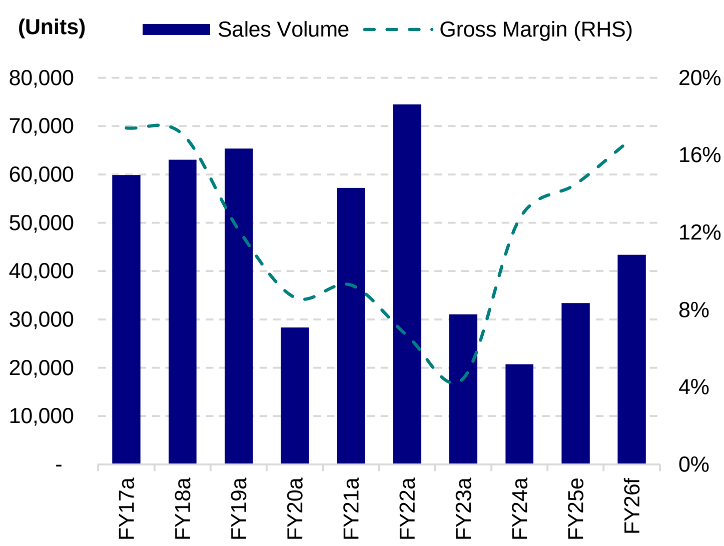
Source: Company Financials, AHL Research

Exhibit: PAT and ROE



Source: Company Financials, AHL Research

Exhibit: Sales Volume And Gross Margins



Source: Company financials, AHL Research

SAZGAR ENGINEERING WORKS LIMITED

Symbol	Target Price	Total Return
SAZEW	PKR 2,307.5	44.8%

- Haval volumes are projected to rise further, estimated at 15k units in FY26.
- New product rollout to drive earnings, with Canon Alpha contributing PKR 81.78/share to FY27 EPS. TANK-500 expected to add another PKR 21.03/share to FY27 EPS.
- Ongoing localization with ongoing CAPEX expected to support margins post-FY26.
- The stock is currently trading at an FY26/FY27 P/E of 5.4 and 4.8, respectively.

Outstanding Haval Sales

Sazgar's Haval segment has shown impressive traction, with volumes surging 102% YoY to 10.8k units in FY25. In light of this robust performance, we have revised our sales forecast upward for FY26–FY28 to 14.9k, 15.7k, and 16.2k units, respectively, implying a monthly average of 1,300 units over the forecast horizon. In another positive development, SAZEW also announced the commencement of Haval Plug-in Hybrid Electric Vehicle (PHEV) since Aug'25. We estimate the PHEV to record volumes of 2,300 units in FY26, translating into an average of 215 units /month.

Expected Launch Of Canon And Tank-500 In FY26

Sazgar Engineering Works (SAZEW), has announced the upcoming CKD roll-out of two new models: the TANK 500 and Canon ALPHA, with the first units expected to hit the market. Looking ahead to FY27, we estimate that if SAZEW successfully delivers 700 units of the TANK 500 (an average of 58 units per month) and 4,200 units of Canon ALPHA (350 units per month), the earnings contribution would be significant. Based on our projections, TANK 500 could add PKR 21.03/share, while Canon ALPHA may contribute PKR 81.78/share to EPS in FY27.

Localization Efforts To Bear Fruit

Sazgar has unveiled a CAPEX plan of PKR 11.5bn to set up a NEV manufacturing facility, marking a pivotal step toward localization from its current 0% level. While gross margins were initially projected to contract sharply post-FY26 following the expiry of incentives under the Auto Policy 2021–2026, the company's renewed localization drive is expected to meaningfully cushion this impact. Consequently, we now forecast gross margins to stabilize at around 17%-18% during FY27–29, reflecting enhanced cost efficiencies and a more resilient medium-term outlook.

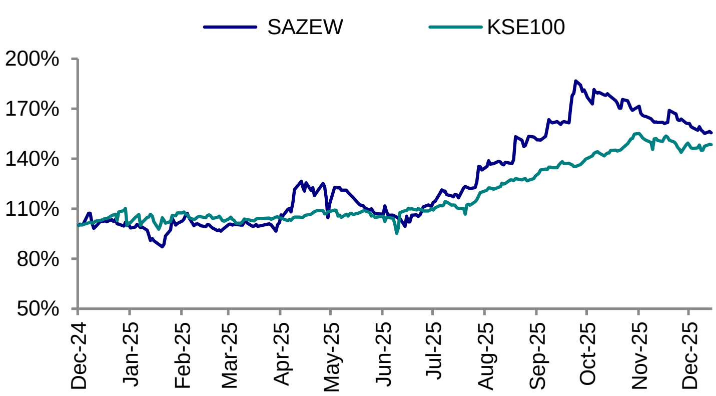
Valuation And Growth Metrics

With our revised assumptions and in line with the key themes outlined, we project earnings of FY26, FY27 and FY28 at PKR 306.09/share ,PKR 338.79/share and PKR 353.14/share, driven by expanding volumes, improved localization, and product diversification. In addition to strong earnings growth, we also anticipate healthy dividend payouts, with estimated distributions of PKR 62.5/share for FY26 and PKR 69.0/share for FY27, reflecting the company's improving cash flows.

SAZEW	Buy
Summary Data	
Target Price (Dec'26)	2,307.46
Last Closing	1,636.32
Upside (%)	41.02
Shares (mn)	60
Free float (%)	35
Market Cap. (PKR mn)	98,909
Market Cap. (USD mn)	353

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

SAZGAR ENGINEERING WORKS LIMITED

Market Cap
PKR 98.9 billion

Free Float
35%

Current Price
PKR 1,636.3

Key Ratios

		2025a	2026e	2027f
Earning per share	PKR	270.27	306.09	338.79
Dividend per share	PKR	52.00	62.50	69.00
Book value per share	PKR	392.21	635.81	905.60
Price to earning	x	6.05	5.35	4.83
Price to book	x	4.17	2.57	1.81
Dividend yield	%	3.18	3.82	4.22

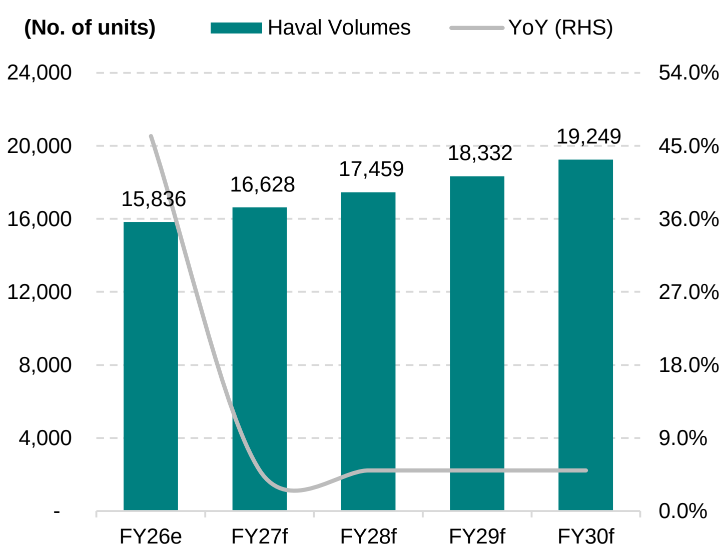
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statetment			
Net sales	108,695	149,894	239,778
Gross profit	31,642	35,657	42,680
Operating profit	27,607	29,913	34,476
Finance cost	230	310	275
Profit after tax	16,336	18,502	20,479
Balance Sheet			
Shareholder's equity	41,737	57,628	81,564
Total liabilities	18,029	19,196	26,824
Current assets	33,714	46,112	66,132
Non-current assets	8,023	11,516	15,431
Total assets	41,737	57,628	81,564

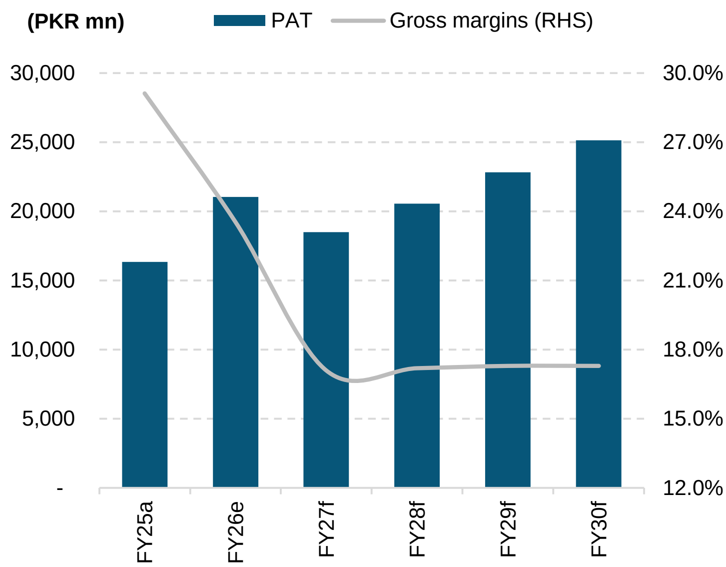
Source: Company Financials, AHL Research

Exhibit: Haval Volumes Moving Forward



Source: Company Financials, AHL Research

Exhibit: PAT And Gross Margins Moving Forward



Source: Company financials, AHL Research

Cable & Electrical Goods

Improving Affordability And Urban Growth

The home appliances sector witnessed a strong rebound in CY25TD, with the business showing a significant surge in sales as two listed companies recorded over 50% growth following improvements in key economic indicators, particularly rising consumer purchasing power. Looking ahead, the industry's outlook remains positive, supported by rising temperatures, accelerated urban migration, improving affordability, and steady population growth.

PAK ELEKTRON LIMITED

Symbol	Target Price	Total Return
PAEL	PKR 74.5	36.8%

- Strong revenue and profitability momentum across CY24–9MCY25.
- U.S. transformer exports transform the outlook, adding PKR 12–13bn revenue in 2025 and lifting margins by 4–5ppts.
- Appliance division surging, driven by rising consumer demand and new Electrolux & Panasonic partnerships.
- Earnings accelerating sharply, with EPS expected to more than double to PKR 8.73 by CY26.

Exports As a Growth Catalyst

PAEL has initiated exports of distribution transformers to the U.S., securing USD 44mn in orders for 2025, estimated to generate PKR 12–13bn in revenue, and positioning exports to contribute 35–36% of the power division's sales by CY26f. This growth is driven by U.S. tariffs on Chinese imports and supply issues in Mexico, with export margins about 15% higher than domestic sales, potentially lifting overall gross margins by 4–5% to 30.5% by CY30f.

Following a 37.3% YoY revenue increase to PKR 53.1 billion in CY24, exports are expected to further boost revenues by over 17% in CY25e and CY26f, with margins improving from 26% to 29% and net margins rising from 6% in CY24 to 9.8% in 1HCY25. Pakistan's favorable 19% tariff rate, faster delivery timelines, and globally compliant, cost-efficient products give PAEL a strong competitive advantage in capturing U.S. transformer demand.

Appliance Sales Surge On Soaring Demand

PAEL's appliance division is poised for robust growth, supported by Pakistan's improving GDP outlook, easing inflation, and stronger consumer purchasing power. Revenues in CY24 surged 80% to PKR 40bn, and 9MCY25 sales rose 38% YoY to PKR 43.8bn, reflecting strong momentum. The segment, covering refrigerators, air conditioners, washing machines, and LED TVs, is expected to grow 25% YoY in CY25, driven by rising demand for energy-efficient and climate-driven cooling appliances. Strategic partnerships with Electrolux (Feb'25) and Panasonic (Apr'25) will expand PAEL's product portfolio into premium and smart solutions, while operational efficiencies and deleveraging initiatives support profitability.

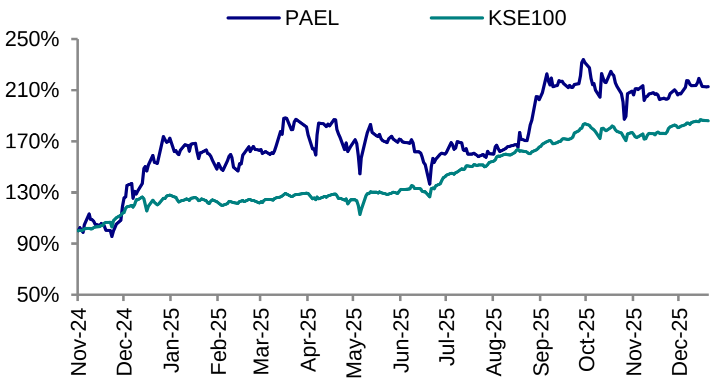
Valuation And Growth Metrics

We project EPS to rise to PKR 4.26 in CY25e and PKR 8.73 in CY26f, marking robust earnings growth of 56% and 112%, respectively. PAEL trades at a forward PE of 6.2x CY26f, a 46% discount to its 5-year historical average of 12.4x (barring period from Jan'21 to Mar'21). This undervaluation, combined with its export-driven turnaround and strong appliance demand, makes it a compelling opportunity.

PAEL	Buy
Summary Data	
Target Price (Dec'26)	74.52
Last Closing	54.49
Upside (%)	36.76
Shares (mn)	924
Free float (%)	55
Market Cap. (PKR mn)	50,330
Market Cap. (USD mn)	180

Source: Company Financials, PSX, AHL Research

Exhibit: Relative Performance



Source: PSX, Bloomberg, AHL Research

PAK ELEKTRON LIMITED

Market Cap	Free Float	Current Price
PKR 50.3 billion	55%	PKR 54.5

Key Ratios

		2025e	2026f	2027f
Earning per share	PKR	4.26	8.73	10.04
Book value per share	PKR	51.89	60.62	70.66
Price to earning	x	12.79	6.24	5.43
Price to book	x	1.05	0.90	0.77

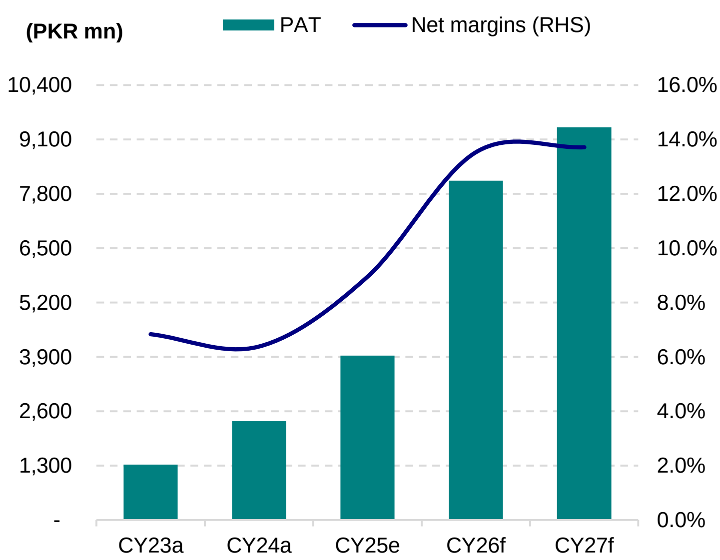
Source: Company Financials, PSX, AHL Research

Key Financial Highlights

PKR mn	2025e	2026f	2027f
Income Statetment			
Net sales	60,193	78,345	88,808
Gross profit	16,652	23,041	25,707
Operating profit	9,977	15,527	17,368
Finance cost	2,540	1,573	1,617
Profit after tax	3,934	8,066	9,273
Balance Sheet			
Shareholder's equity	47,926	55,992	65,264
Total liabilities	25,679	25,765	25,610
Current assets	42,511	49,832	58,150
Non-current assets	31,093	31,923	32,724
Total assets	73,604	81,756	90,874

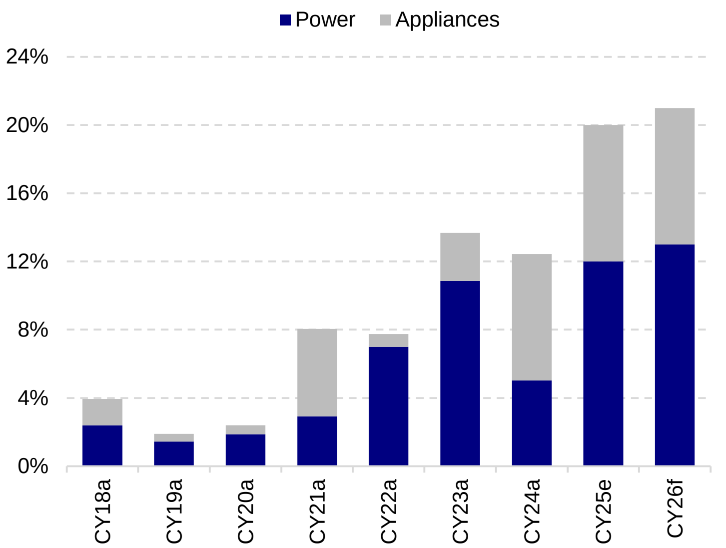
Source: Company Financials, AHL Research

Exhibit: PAT And Net Margins Moving Forward

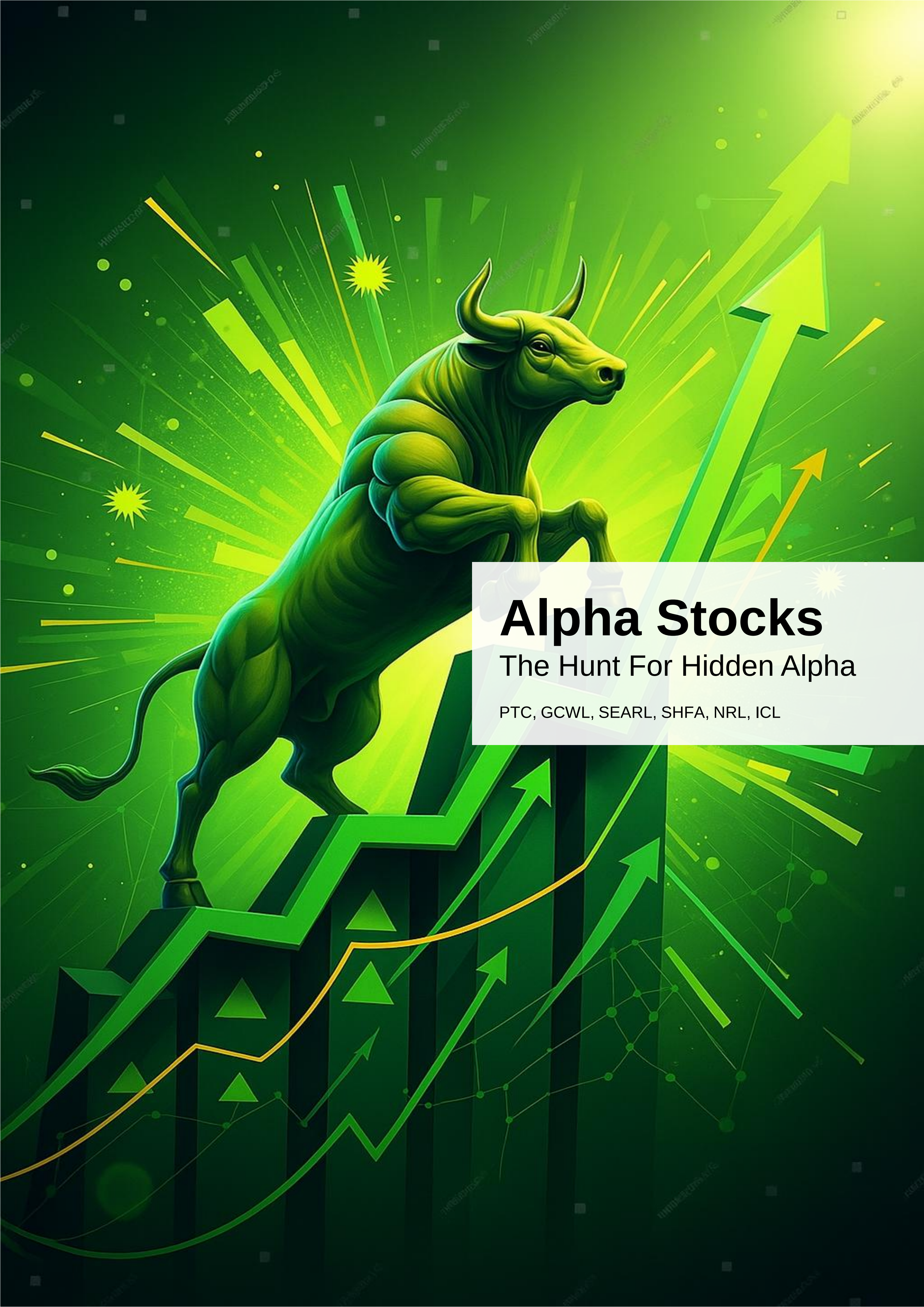


Source: Company Financials, AHL Research

Exhibit: Net Margin Division Wise



Source: Company financials, AHL Research



Alpha Stocks

The Hunt For Hidden Alpha

PTC, GCWL, SEARL, SHFA, NRL, ICL

PAKISTAN TELECOMMUNICATION CO. LTD (PTC)

Transformational Acquisition

PTC stands at the threshold of significant growth and value creation, entering a transformative phase for the company. PTC has entered into a share purchase agreement with Telenor Pakistan B.V. to acquire a 100% stake in Telenor Pakistan at an enterprise value of PKR 108bn on a cash-free, debt-free basis. To fund the transaction, the company has secured approval for a USD 400mn, seven-year debt facility from an IFC-led consortium. Based on Telenor Pakistan's EBITDA of PKR 48bn during the agreement, the acquisition implies an EV/EBITDA multiple of 2.25×, indicating an exceptionally attractive valuation.

Market Consolidation and Subscriber Scale

Telenor Pakistan currently serves 44mn subscribers with a 22% market share, while PTC's subsidiary Ufone has 26mn subscribers and a 14% share. Following the acquisition, the combined platform will serve nearly 70mn users, capturing around 36% of the market, bringing it almost on par with Jazz's leading 37% share. This consolidation will allow PTC to unlock operational synergies, broaden its customer base, and strengthen network reach, effectively positioning the group as a front-line industry leader.

Expansion of Network Infrastructure

In addition to the substantial increase in subscriber base, the acquisition will materially expand PTC's tower infrastructure. Currently, PTC and Ufone collectively operate around 14,500 telecom towers. With the integration of Telenor Pakistan's 7,500 towers, the company's total tower footprint will increase to approximately 22,000 towers.

Strategic Outlook

Overall, the transaction represents a strategically compelling move for PTC, combining market consolidation, operational efficiency, and a significant boost in network assets, all of which are expected to underpin the company's growth trajectory.

Pakistan Moves Closer to 5G Launch

Pakistan is moving closer to its first commercial 5G rollout following approval of a ~600 MHz spectrum auction, in addition to the existing 274 MHz. This should ease network congestion in a ~240mn-subscriber market. The auction is expected by end-January or early February, with rollout required within 4–6 months.

The additional spectrum will improve 4G service quality and support 5G deployment. For the merged PTCL–Telenor entity, greater spectrum depth and scale will enhance operating efficiency, strengthen market positioning, and support long-term revenue growth aligned with Digital Pakistan and Connect 2030 goals.

PTC

Last Closing	49.25
Shares (mn)	3,774.0
Market Cap. (PKR mn)	185,869.5
Market Cap. (USD mn)	663.3

Price Performance

	3M	6M	12M
Return	88.2%	108.3%	74.0%
Average Volume (000)	19,592.24	12,285.02	9,022.91
ADTV (mn) - PKR	1,185.68	697.26	432.84
ADTV (000) - USD	4,220.76	2,480.10	1,540.24
High Price - PKR	42.71	42.71	42.71
Low Price - PKR	22.72	21.56	17.43

Key Financials

		2023	2024	LTM
Earning Per Share	PKR	(4.40)	(3.79)	(2.71)
Price to Earning	x	nm	nm	nm
Price to Book	x	1.77	0.40	4.47
Dividend Yield	%	-	-	-
Return On Equity	%	(24.55)	(16.50)	(13.08)

Source (s): Company Financials, AHL Research

GHANI CHEMWORLD LTD. (GCWL)

About the Company

Ghani ChemWorld Limited was incorporated as a special purpose vehicle (SPV) to house the Ghani Group's calcium carbide manufacturing project. The company was formed following the demerger of the calcium carbide undertaking from Ghani Chemical Industries Limited, a restructuring approved by the Lahore High Court, to ensure operational focus, risk isolation, and financial transparency.

GCWL is part of the broader Ghani Group, which has an established presence in industrial manufacturing in Pakistan.

GCWL's core business is the manufacturing and sale of calcium carbide, an industrial chemical used primarily in the production of acetylene gas and as a key input in welding, metal fabrication, chemicals, pharmaceuticals, and construction-related applications.

The company has established a 25,000 TPA calcium carbide manufacturing facility located at the Hattar Special Economic Zone (Khyber Pakhtunkhwa). The project is designed to serve Pakistan's domestic market, which is currently heavily dependent on imported calcium carbide.

SEZ location confers income tax and import duty benefits

Hattar Special Economic Zone, where GCWL's plant is located, is a designated SEZ under Pakistan's SEZ Act, 2012, which provides material fiscal and operational cost advantages for manufacturing projects—particularly energy-intensive ones like calcium carbide.

GCWL benefits from its SEZ location through a 10-year income tax holiday, exemptions on imported plant and machinery, and superior industrial infrastructure. This will lower effective capex and materially enhancing early-phase project economics for an energy-intensive operation by 12% in CY26, 80% in CY27 (M&A year) and 15% per annum over CY28-CY30.

Import Substitution

GCWL will be the only operation of its kind in Pakistan, as no other large-scale producer of Calcium Carbide exists. As long as dumping from China is contained, the freight cost saved by locally producing the commodity will give GCWL a clear pricing advantage.

The calcium carbide plant has just entered the commercial production phase, as announced by the company at the end of Dec'25

THE SEARLE COMPANY LIMITED (SEARL)

Divestment supports the company's leverage position

The divestment of Searle Pakistan (Private) Limited (formerly OBS Pakistan) has significantly strengthened SEARL's financial flexibility. Following the Board's decision in July 2024 to sell its ~90.6% stake amounting PKR 10.5bn, the transaction was completed in January 2025 through a consortium led by IJARA Capital Partners Limited. Where in, nearly half of the consideration was received in 3QFY25, while, the remaining is expected to be realized over the next two years. Accordingly, the initial proceeds were primarily utilized to settle long-term borrowings, reducing total debt to PKR 7.5Bn as of Sep'25 from PKR 11BnYoY as of Jun'24. Consequently, finance costs declined by 62% YoY and 1QFY26.

Margin recovery benefits from deregulation

Deregulation of non-essential medicines, which account for approximately 80% of SEARL's portfolio, has supported margin expansion during 1QFY26 to 56%. The Company has expanded into high-growth therapeutic areas with regulatory approvals for Pakistan's first locally manufactured biosimilar. Supported by a pipeline of over 200 products and a strategic focus on expanding exports to the GCC and CIS markets, SEARL remains well positioned for sustained growth and value creation.

Entry into Biosimilars

In Sep'25, SEARL received regulatory approval from the Drug Regulatory Authority of Pakistan for Denosumab injections (60mg and 120mg), marking a meaningful addition to its biosimilars portfolio. Licensed from Mabwell Pharmaceuticals, the product targets osteoporosis and oncology indications. Management has indicated that preparations for commercial launch are underway, adding medium-term optionality from higher-value biotechnology products.

Entry into High-Growth Diabetes Segment

The Company has launched a generic tablet version of semaglutide, unlocking a significant growth opportunity in Pakistan's large diabetes market. Currently, Ozempic is the only available option, priced from PKR 25,000+ depending on dosage. And BFBIO's Semaglutide is used for type 2 diabetes and weight management, and with Pakistan having ~34.5mn diabetic adults (~26% of the population), SEARL's more affordable alternative positions it to capture meaningful market share, strengthen its presence in a high-demand therapeutic area

SEARL

Last Closing	110
Shares (mn)	588.2
Market Cap. (PKR mn)	64,704.0
Market Cap. (USD mn)	230.9

Price Performance

	3M	6M	12M
Return	8.3%	45.6%	16.6%
Average Volume (000)	7,409.89	8,233.68	6,858.62
ADTV (mn) - PKR	797.93	824.26	647.52
ADTV (000) - USD	2,841.12	2,925.71	2,303.38
High Price - PKR	116.35	116.35	116.35
Low Price - PKR	98.96	67.77	57.96

Key Financials

		2024	2025	LTM
Earning Per Share	PKR	(5.66)	0.74	1.68
Price to Earning	x	nm	103.4	65.6
Price to Book	x	1.54	0.97	2.08
Dividend Yield	%	-	-	-
Return On Equity	%	nm	1.46	3.22

Source (s): Company Financials, AHL Research

SHIFA INTERNATIONAL HOSPITALS LIMITED (SHFA)

Expansion Cycle Re-initiated

Shifa International Hospitals Limited has transitioned out of its consolidation phase and re-entered an expansion cycle, anchored by capacity additions and geographic diversification. Key projects include Shifa National Hospital Faisalabad (SNHF) and the integration of Shifa Medical Centre Islamabad (SMCI), aimed at strengthening the group's presence in major urban catchments. Management views the current phase as a measured expansion, with a focus on phased execution and capital discipline.

Faisalabad Hospital to Drive Medium-Term Growth

The SNHF facility is expected to commence operations by 4QFY26, with an estimated capital outlay of PKR 6.7bn in the first phase. According to management guidance, the hospital is projected to reach net margin break-even within three years, turn profitable in the fourth year, and stabilize at net margins of 7–8% over the longer term. Once initial capacity is absorbed, a second expansion phase is planned, extending the growth runway beyond the initial commissioning.

Earnings Momentum Supported by Operating Leverage

SHFA's earnings trajectory has strengthened alongside topline growth and cost efficiencies, with FY25 earnings rising sharply YoY and further improvement reported in 1QFY26. Management expects revenues to grow at roughly 2x the prevailing inflation rate over the medium term, supported by periodic price adjustments and improving utilisation across high-intensity departments. While overall bed occupancy stands near 65%, select specialties continue to operate at close to full utilisation, supporting margins.

Medical Tourism Strategy Recalibrated

The group has restructured its medical tourism approach, particularly for Middle Eastern markets, shifting away from fixed overseas offices toward a leaner referral-driven model. While Afghan patient inflows have declined to negligible levels, the transition has been absorbed without operational disruption. Management noted rising patient inflows from the UK and parts of Europe, providing incremental volume support without materially increasing fixed costs.

SHFA

Last Closing	504.6
Shares (mn)	63.2
Market Cap. (PKR mn)	31,898.0
Market Cap. (USD mn)	113.8

Price Performance

	3M	6M	12M
Return	-1.3%	10.6%	27.7%
Average Volume (000)	31.12	32.25	39.07
ADTV (mn) - PKR	16.22	17.22	18.47
ADTV (000) - USD	57.76	61.03	65.74
High Price - PKR	569.69	590.38	590.38
Low Price - PKR	490.69	434.91	356.67

Key Financials

		2024	2025	LTM
Earning Per Share	PKR	21.55	36.84	38.66
Price to Earning	x	nm	12.8	13.1
Price to Book	x	2.50	0.63	2.12
Dividend Yield	%	0.85	3.48	0.99
Return On Equity	%	nm	17.76	16.65

Source (s): Company Financials, AHL Research

NATIONAL REFINERY LIMITED (NRL)

Company Overview

NRL is Pakistan's third-largest refinery, with a capacity of 23.1mn bbl/year, and the only complex that includes a Lube Refinery producing multiple grades of Lube Base Oils, along with a BTX plant. It operates three refineries. Its product slate spans MS, HSD, Naphtha, LPG, jet fuels, Lube Base Oils, Bitumen, FO, waxes, and Rubber Process Oil. Most volumes are sold domestically, while Naphtha and selective Lube Oil, Bitumen, and FO volumes are exported.

Product Mix and Market Exposure

In 5MFY26, upliftment grew 22.2% YoY, driven by MS (+15.7%) and HSD (+50.9%), with HSD throughput rising from 58.1% to 66%. FO throughput its loss-making product, declined from 19% to 14%. Upliftment is expected to improve further as deferred LNG cargoes ease line-pack constraints and support smoother operations.

Operational Performance (4MFY26)

NRL's leasehold land in the Korangi Industrial Area was revalued in the Dec-24 quarter, resulting in a PKR 46bn surplus (PKR 577/share), well above the current LDCP of PKR 413/share, implying a ~40% upside. The valuation, conducted by AXA Surveyors Pakistan (Pvt.) Ltd. as of Jun'25, reflects current market value for petroleum/refinery use. The forced sale value was assessed at PKR 32.32bn. However, under Section 241 of the Companies Act, 2017, this revaluation surplus cannot be distributed to shareholders. As a result, NRL is trading at a low P/B of 0.64 as of Sep'25, indicating a significant valuation gap. While this book value is not distributable to shareholders, the shareholders' intention to exit creates substantial valuation upside potential, which could trigger a major rerating of the stock.

Strategic Edge in Lube Base Oils

NRL is the only refinery in Pakistan with a dedicated Lube Refinery, with Lube Base Oils contributing around 15% of revenue. As an unregulated product, Lube Base Oils allow the company to set its own margins. Lube sales rose 28% YoY in FY25, improving margins and helping offset financial pressures. Looking ahead, NRL is increasing Lube Base Oil production to regain market share and rebuild its competitive edge.

NRL

Last Closing	407.31
Shares (mn)	80.0
Market Cap. (PKR mn)	32,571.2
Market Cap. (USD mn)	116.2

Price Performance

	3M	6M	12M
Return	8.9%	64.5%	32.9%
Average Volume (000)	2,193.93	1,912.11	1,319.43
ADTV (mn) - PKR	888.82	688.36	440.15
ADTV (000) - USD	3,165.25	2,447.33	1,565.91
High Price - PKR	442.02	442.02	442.02
Low Price - PKR	312.68	214.33	167.33

Key Financials

		2024	2025	LTM
Earning Per Share	PKR	(197.46)	(185.91)	(82.60)
Price to Earning	x	nm	nm	nm
Price to Book	x	1.01	0.42	0.63
Dividend Yield	%	-	-	-
Return On Equity	%	(58.68)	(42.76)	(13.00)

Source (s): Company Financials, AHL Research

ITTEHAD CHEMICALS LIMTED (ICL)

About the Company

Ittehad Chemicals Limited (ICL) is one of Pakistan's oldest and largest industrial chemical manufacturers, with a heritage dating back to the early 1960s. The company's primary business is the manufacture and sale of caustic soda (sodium hydroxide)—in liquid, solid, and flake forms—and other chlor-alkali products.

Biomass Cogeneration Plant to be operational in FY26

Another major reason for optimism about ICL is their 37.2 MW Biomass-fueled cogeneration project that is expected to come online sometime in FY26. As power cost usually comprises 35-40% of ICL's cost of sales, a significant reduction in power cost would result in a meaningful expansion in operating margins. Even at a conservative PKR 15/unit cost, the Biomass Cogeneration plant would enable a significant discount off the PKR 35/share grid rate. Even a 50/50 split would result in an EPS improvement of PKR 15.6/share. With projected earnings of PKR 28.6/share and a conservative P/E multiple of 8x, the target price for ICL will be PKR 228/share, an upside of 46% from current levels

Capacity expansion

Volumetric expansion set to happen through 150 TPD addition of a Caustic Evaporation plant, and the addition of a 50 TPD Flaker unit. This is a ~25% jump in production capacity for caustic soda liquid, their primary product, as capacity grows from 150,000 tons/year to 189,000 tons/year. The Flaker unit expansion of ~13,000 tons/year will be in addition to the 10,000 ton/year capacity for caustic flakes that already exists, thereby more than doubling capacity to 23,000 tons/year.

Financial Overview

The annual gross profit margin was 18% in FY25, down from 20% in FY24. Gross margins were impacted by elevated input costs, mainly power costs and cost inflation of key inputs like salt. FY25 yielded an EPS of PKR 12.98/share in FY25, down slightly from PKR 13.86/share in FY24. However, this slight compression in margins is expected to be comfortably reversed as its main driver, power costs, will be strongly reduced by the introduction of the Biomass cogeneration plant.

ICL

Last Closing	156.26
Shares (mn)	100.0
Market Cap. (PKR mn)	15,626.0
Market Cap. (USD mn)	55.8

Price Performance

	3M	6M	12M
Return	53.1%	99.3%	123.5%
Average Volume (000)	375.20	235.64	145.11
ADTV (mn) - PKR	53.91	32.01	18.21
ADTV (000) - USD	192.02	113.92	64.84
High Price - PKR	159.04	159.04	159.04
Low Price - PKR	90.81	75.77	59.38

Key Financials

		2024	2025	LTM
Earning Per Share	PKR	13.86	12.98	13.83
Price to Earning	x	nm	5.9	11.3
Price to Book	x	0.83	0.43	1.48
Dividend Yield	%	4.55	9.14	2.56
Return On Equity	%	nm	13.30	13.29

Source (s): Company Financials, AHL Research

Exhibit: AHL Universe - Recommendation Summary

Code	Company	Price	TP	Total Return	Stance	EPS (PKR)			DPS (PKR)			P/E (x)		DY (%)		P/B (x)		RoE (%)		Indices
		23-Dec-25	Dec'26	(%)		2025	2026	2027	2025	2026	2027	2026	2027	2026	2027	2026	2027	2026	2027	
Exploration & Production																				
MARI	Mari Petroleum Ltd	703.9	740.7	8.1	Hold	54.3	50.9	60.2	21.70	20.00	24.00	13.8	11.7	2.8	3.4	2.7	2.4	21.0	21.9	KSE100, KSE30, KMI & MSCI
OGDC	Oil and Gas Dev Co.	264.8	347.2	37.1	Buy	39.5	34.8	40.7	15.00	16.00	19.00	7.6	6.5	6.0	7.2	0.8	0.8	10.8	12.0	KSE100, KSE30 & MSCI
POL	Pakistan Oilfields Ltd.	608.4	633.3	13.7	Buy	85.2	83.6	85.9	75.00	58.55	60.12	7.3	7.1	9.6	9.9	2.1	1.9	29.1	28.4	KSE100, KSE30 & MSCI
PPL	Pakistan Petroleum Ltd.	217.2	261.0	26.2	Buy	33.8	34.6	35.3	7.50	13.00	15.00	6.3	6.1	6.0	6.9	0.8	0.7	12.8	12.1	KSE100, KSE30, KMI & MSCI
Commercial Banks^																				
FABL	Faysal Bank Ltd.	90.0	104.8	25.4	Buy	13.8	14.4	16.2	7.50	8.00	9.00	6.2	5.5	8.9	10.0	1.1	1.0	18.0	19.3	KSE100, KMI & MSCI
MEBL	Meezan Bank Ltd.	440.7	531.2	27.3	Buy	50.0	54.4	57.7	28.00	30.00	32.00	8.1	7.6	6.8	7.3	2.4	2.1	31.1	29.0	KSE100, KSE30 , KMI & MSCI
AKBL	Askari Bank Ltd.	98.0	117.4	25.9	Buy	17.3	17.0	17.4	5.00	6.00	6.50	5.8	5.6	6.1	6.6	0.9	0.8	16.8	15.7	KSE100 & MSCI
BAFL	Bank Alfalah Ltd.	106.0	121.7	24.2	Buy	17.5	17.4	18.8	10.00	10.00	11.00	6.1	5.6	9.4	10.4	0.8	0.9	13.9	15.0	KSE100, KSE30 & MSCI
BOP	The Bank of Punjab	37.9	39.2	10.0	Hold	4.4	4.7	4.8	2.00	2.50	2.50	8.1	7.9	6.6	6.6	1.1	1.1	14.2	13.7	KSE100,KSE30 & MSCI
HBL	Habib Bank Ltd.	320.5	329.6	8.9	Hold	45.1	41.2	43.5	19.50	19.50	21.00	7.8	7.4	6.1	6.6	1.0	0.9	13.3	13.1	KSE100, KSE30 & MSCI
MCB	MCB Bank Ltd.	369.2	431.9	26.6	Buy	49.9	48.4	52.5	35.50	35.50	39.00	7.6	7.0	9.6	10.6	1.4	1.4	19.2	20.3	KSE100, KSE30 & MSCI
NBP	National Bank of Pakistan.	238.4	273.5	24.8	Buy	40.5	33.6	35.5	26.00	24.00	26.00	7.1	6.7	10.1	10.9	1.0	1.0	14.5	14.9	KSE100 KSE30 & MSCI
UBL	United Bank Ltd.	411.3	482.4	25.8	Buy	53.6	51.1	56.1	35.00	35.00	37.00	8.1	7.3	8.5	9.0	2.7	2.4	34.9	34.9	KSE100, KSE30 & MSCI
Fertilizer																				
EFERT	Engro Fertilizer^	219.6	220.7	10.5	Buy	16.4	21.9	25.8	16.40	21.90	25.80	10.0	8.5	10.0	11.7	6.1	5.5	65.8	68.1	KSE100, KSE30, KMI & MSCI
FFC	Fauji Fertilizer Co.	580.2	712.6	30.6	Buy	56.4	59.9	63.4	40.50	45.00	47.50	9.7	9.2	7.8	8.2	5.1	4.4	56.0	51.4	KSE100, KMI, KSE30 & MSCI
INV. BANKS / INV. COS. / SECURITIES COS.																				
ENGROH	Engro Holdings Limited^	227.5	262.5	15.4	Buy	38.9	26.2	30.8	-	-	21.56	8.7	7.4	-	9.5	0.5	0.5	6.8	6.8	KSE100, KSE30, KMI & MSCI
Cement																				
DGKC	D.G. Khan Cement Co.	244.9	289.6	19.9	Buy	19.8	25.9	30.4	2.00	4.00	4.50	9.5	8.0	1.6	1.8	1.0	0.9	11.4	12.1	KSE100, KSE30, KMI & MSCI
FCCL	Fauji Cement Co.	55.6	70.4	29.3	Buy	5.4	6.3	7.6	1.25	1.50	2.00	8.8	7.4	2.7	3.6	1.4	1.2	17.3	18.0	KSE100, KSE30, KMI & MSCI
KOHC	Kohat Cement Co.	122.3	154.6	28.05	Buy	12.6	11.3	14.2	-	2.00	2.50	10.8	8.6	1.6	2.0	1.7	1.4	18.1	18.0	KSE100 & KMI
MLCF	Maple Leaf Cement.^	117.9	148.8	26.2	Buy	11.0	12.1	15.3	-	-	-	9.7	7.7	-	-	1.5	1.2	16.4	17.5	KSE100, KSE30, KMI & MSCI
LUCK	Lucky Cement Ltd.^	509.2	543.0	7.5	Hold	52.5	68.1	78.4	4.00	4.50	5.00	7.5	6.5	0.9	1.0	1.5	1.2	22.6	20.8	KSE100, KSE30, KMI & MSCI
Oil & Gas Marketing																				
APL	Attock Petroleum Ltd.	540.7	701.8	34.5	Buy	83.5	85.3	91.4	25.50	25.50	36.50	6.3	5.9	4.7	6.8	0.9	0.8	15.8	15.0	KSE100 & KMI
PSO	Pakistan State Oil	450.7	711.7	62.9	Buy	44.5	74.6	92.4	10.00	22.37	27.72	6.0	4.9	5.0	6.2	0.7	0.7	13.1	14.4	KSE100, KSE30, KMI & MSCI
Automobile Assemblers^																				
HCAR	Honda Atlas Cars (Pak)	276.2	308.3	15.0	Buy	19.0	23.3	30.4	8.00	9.30	12.15	11.9	9.1	3.4	4.4	1.5	1.4	13.6	16.2	KSE100, KMI & MSCI
INDU	Indus Motor Co.	1,983.1	2,270.6	25.2	Buy	292.7	355.1	372.6	176.00	213.07	223.54	5.6	5.3	10.7	11.3	1.8	1.6	33.8	31.2	KSE100
MTL	Millat Tractors Ltd.	530.9	451.1	-12.6	Sell	31.9	25.7	32.6	60.00	13.00	16.00	20.6	16.3	2.4	3.0	14.6	9.9	86.3	72.3	KSE100, KMI & MSCI
SAZEW	Sazgar Engineering Works Ltd.	1,636.3	2,307.5	44.8	Buy	270.3	306.1	338.8	52.00	62.50	69.00	5.3	4.8	3.8	4.2	2.6	1.8	59.6	44.0	KSE100, KMI & MSCI
Power Generation & Distribution																				
HUBC	The Hub Power Company Ltd.^	220.1	214.4	4.5	Hold	35.6	34.6	36.1	15.00	15.50	19.00	6.4	6.1	7.0	8.6	1.1	1.0	19.1	17.8	KSE100, KSE30, KMI30 and MSCI
NPL	Nishat Power Limited.^	70.4	90.1	33.5	Buy	(2.1)	5.5	7.9	6.00	4.00	4.00	12.8	8.9	5.7	5.7	0.9	0.8	6.9	9.6	KSE ALL & MSCI
NCPL	Nishat Chunian Power Ltd.^	53.1	74.7	44.6	Buy	(9.2)	4.1	5.6	7.00	2.00	4.00	13.0	9.5	3.8	7.5	0.8	0.8	6.4	8.5	KSE ALL & MSCI
KAPCO	Kot Addu Power Company Ltd.	38.1	59.4	69.1	Buy	2.9	3.1	4.0	7.00	5.00	5.00	12.3	9.6	13.1	13.1	0.6	0.6	4.8	6.1	KSE ALL
Chemicals																				
LCI	Lucky Core Industries Ltd.	288.1	383.0	37.1	Buy	25.5	24.0	31.3	13.00	12.00	15.00	12.0	9.2	4.2	5.2	2.0	1.7	18.5	20.2	KSE100 & KMI
Technology & Communication																				
AIRLINK	Air Link Communication Ltd.^	167.2	268.8	66.4	Buy	12.0	18.6	24.5	7.00	9.50	12.50	9.0	6.8	5.7	7.5	3.2	2.6	38.6	41.7	KSE100 & KMI
SYS	Systems Ltd.^	164.6	207.8	27.8	Buy	7.6	12.0	15.8	1.50	2.50	3.50	13.7	10.4	1.5	2.1	3.6	2.7	30.1	29.5	KSE100, KSE30, KMI & MSCI
Engineering																				
MUGHAL	Mughal Iron & Steels Ind Ltd.	107.5	102.0	-3.3	Hold	2.5	7.5	10.7	-	1.86	2.67	14.4	10.1	1.7	2.5	11.7	10.8	8.4	11.1	KSEALL, KMI & MSCI
Cable & Electrical Goods																				
PAEL	Pak Elektron Limited	54.5	74.5	36.8	Buy	4.3	8.7	10.0	-	-	-	6.2	5.4	-	-	0.9	0.8	15.5	15.3	KSE100, KSE30, KMI & MSCI

Source (s): Bloomberg, AHL Research, *Upside is total return, ^ Consolidated

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LIST OF ABBREVIATIONS

List of Abbreviations

1H	First Half	FMCGs	Fast Moving Consumer Goods	NSS	National Saving Scheme
1Q	First Quarter	FO	Furnace Oil	NTDC	National Transmission & Despatch Company
9M	9 Months	FTSE	Financial Times Stock Exchange	NY	New York
ADB	Asian Development Bank	FX	Foreign Exchange Reserves	O&M	Operations & Maintenance
ADR	Advances Deposit Ratio	FYTD	Fiscal year to date	OMCs	Oil Marketing Companies
AHL	Arif Habib Limited	FY	Fiscal Year	OPEC	Oil Producing and Exporting Countries
APCMA	All Pakistan Cement Manufacturers Association	GBP	Great Britain Pound	OPEX	Operating Expense
ATA	Annual Turned Around	GDPg	GDP growth	p.a.	Per annum
Avg	Average	GDP	Gross Domestic Product	PARCO	Pak Arab Refinery
bn	Billion	GENCOs	Power Generation Companies	PAT	Profit After Tax
bbl	Barrel	GEPCO	Gujranwala Electric Power Company	PBS	Pakistan Bureau of Statistic
bcf	Billion Cubic Feet	GIDC	Gas Infrastructure Development Cess	PBV	Price to Book Value
BoE	Barrels of Oil Equivalent	GHPL	Government Holdings (Pvt) Ltd.	PE	Price Earning
BoP	Balance of Payment	Gov't	Government	PER	Price Earning Ratio
bpd	barrels per day	GSP	Generalised Scheme of Preferences	PESCO	Peshawar Electric Supply Company
bps	Basis Points	GST	General Sales Tax	PIAC	Pakistan International Airline Corporation
CAB	Current Account Balance	HSD	High Speed Diesel	PIB	Pakistan Investment Bonds
CAD	Current Account Deficit	IDR	Investment Deposit Ratio	PKR	Pakistan Rupee
CAGR	Compounded Annual Growth Rate	IFC	International Finance Corporation	POL	Petroleum Products Prices
CAR	Capital Adequacy Ratio	IMF	International Monetary Fund	PP	Petroleum Policy
CASA	Current Account Saving Account	IPPs	Independent Power Producers	PPA	Power Purchase Agreement
CEO	Chief Executive Officer	JPY	Japanese Yen	PPIS	Pakistan Petroleum Information Service
CM	Chief Minister	KO	Kerosene Oil	PR	Policy Rate
CNG	Compressed Natural Gas	KSA	Kingdom of Saudi Arabia	PSDP	Public Sector Development Program
COD	Commercial Operations Date	KSE	Karachi Stock Exchange	PSM	Pakistan Steel Mills
CPEC	China Pakistan Economic Corridor	LESCO	Lahore Electric Supply Company	PSX	Pakistan Stock Exchange
CPI	Consumer Price Index	LHS	Left hand side	QESCO	Quetta Electric Supply Company
CPP	Capacity Purchase Price	LNG	Liquified Natural Gas	QR	Quick Response
CPPA	Central Power Purchase Agency	LPS	Loss Per Share	RDs	Regulatory Duties
CYTD	Calendar year to date	LSM	Large Scale Manufacturing	REER	Real Effective Exchange Rate
CY	Calendar Year	LTFF	Long Term Financing Facility	RFO	Residue Fuel Oil
DAP	Di-ammonium Phosphate	mn	Million	RHS	Right hand side
DISCOS	Distribution Companies	mb/d	Million barrels per day	RIR	Real Interest Rate
DCF	Discounted Cash Flow	ME	March End	RLNG	Degasified Liquified Natural Gas
DPS	Dividend Per Share	MEPCO	Multan Electric Power Company	ROA	Return on Assets
DR	Discount rate	mmbtu	Metric Million British Thermal Unit	ROE	Return on Equity
DY	Dividend Yield	mmcfd	Million Cubic Feet Per Day	SBP	State Bank of Pakistan
E&P	Exploration & Production	MoU	Memorandum of understanding	SECMC	Sindh Engro Coal Mining Company
EBITDA	Earning Before Interest, Taxes & Amortization	MPC	Monetary Policy Committee	SME	Small Medium Enterprises
ECC	Economic Coordination Committee	MPS	Monetary Policy Statement	SOE	State-Owned Enterprises
EFF	Extended Fund Facility	MS	Motor Spirit	SoTP	Sum of the parts
EIA	Energy Information Administration	MSCI	Morgan Stanley Composite Index	SPLY	Same period last year
EM	Emerging Markets	MTM	Mark to Market	TD	To Date
EPCC	Engineering, procurement, construction & commissioning	MW	Mega Watts	T&D	Transmission & Distribution
EPP	Energy Purchase Price	NCCPL	National Clearing Company of Pakistan Limited	TPA	Tonnes Per Annum
EPS	Earrings Per Share	NEPRA	National Electric Power Regulatory Authority	UFG	Unaccounted for Gas
EU	European Union	NFA	Net Domestic Assets	US	United States
EV	Enterprise Value	NFC	National Finance Commission	UK	United Kingdom
Ex	Excluding	NII	Net Interest Income	USD	US Dollar
FBR	Federal Board of Revenue	NIM	Net Interest Margins	WAPDA	Water & Power Development Authority
FIPI	Foreign Investor Portfolio Investment	NIR	Net International Reserve	YTD	Year-to-date
FM	Frontier Markets	NPL	Non-Performing Loans	YoY	Year-on-Year

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Rating	Description
BUY	Upside* of subject security(ies) is more than +10% from last closing of market price(s)
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SELL	Upside* of subject security(ies) is less than -5% from last closing of market price(s)

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

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

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Arif Habib Limited (AHL) has a shareholding in MARI, HBL, NBP, AKBL, BOP, NML and PAEL.