Market Strategy

Realigning Portfolios Around Fundamentally Strong Stocks

10-Mar-2026

REP-300

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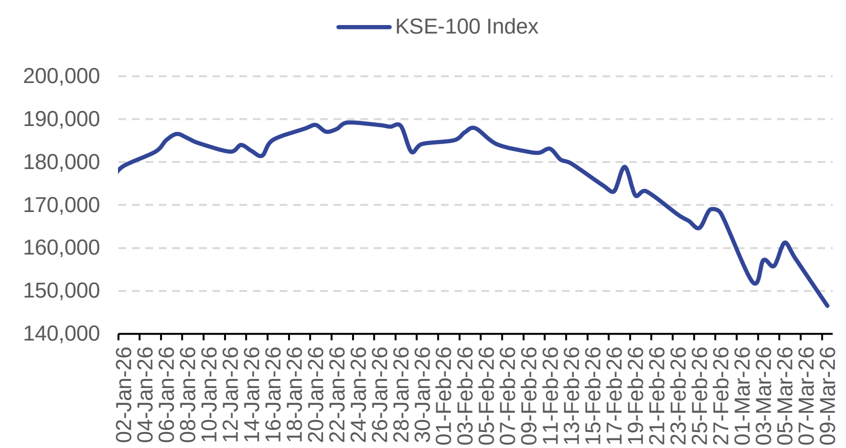
Market Strategy
Constructive equity outlook despite risks

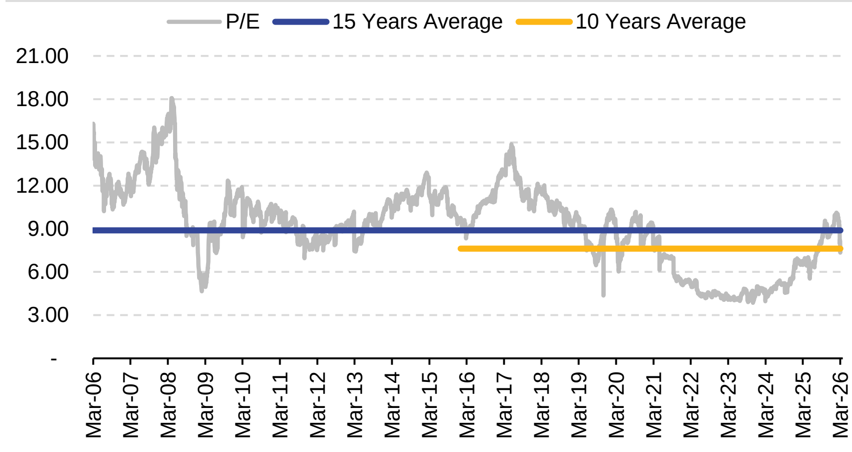
- Escalating tensions in the Middle East have unsettled global commodity and financial markets, particularly amid concerns surrounding the potential closure of the Strait of Hormuz, a critical artery for global oil and LNG trade. The disruption risk has driven volatility in energy prices and heightened uncertainty across global equity markets.
- Global equity markets showed mixed performance amid ongoing geopolitical tensions, with major indices recording modest gains, ranging from ~0.2% to ~1.2%, including the S&P 500 (+0.50%), Dow Jones (+0.4%), Nasdaq (+0.2%), and FTSE 100 (+1.2%). Regional markets showed mixed performance. Qatar's QE Index declined ~2.8%, reflecting weaker sentiment in financial stocks. UAE markets experienced heightened volatility, with trading temporarily suspended before reopening to declines of ~2.8%. Saudi Arabia's Tadawul All-Share Index also declined ~0.5%, as investors booked profits despite higher oil prices.
- Pakistan's KSE-100 Index also also experienced volatility, trading near 146,480 as of 9th March, recovering after recent selling pressure. The index has declined around 16.9% in CY26 so far as of Mar 9th.
- Despite the recent volatility, our base case on Pakistan equities remains cautiously optimistic. The current correction has created attractive entry points in fundamentally strong companies with robust earnings visibility, strong balance sheets and healthy dividend payouts. In our view, core portfolio holdings should include OGDC, PPL, PSO, FFC, HUBC, LUCK, NBP and ATRL.
- From a valuation perspective, the KSE-100 is trading at forward FY26 and FY27 P/E multiples of 7.3x and 6.6x, compared to the historical 10-year average of around 8x. This implies an attractive discount of roughly 18% for FY27, reinforcing the case for selective accumulation at current levels.

Exhibit: KSE-100 Index Performance CY26TD



Source (s): PSX, AHL Research

Exhibit: KSE-100 Historic P/E



Source (s): Bloomberg, AHL Research

Top picks

NBP, OGDC, PPL, FFC, LUCK, HUBC, PSO, ATRL

National Bank of Pakistan (NBP)

Our investment thesis on National Bank of Pakistan is anchored on four key pillars: (i) improved profitability, (ii) robust capital adequacy supporting sustainable dividend growth, (iii) strategic balance sheet expansion driving earnings while maintaining asset quality, and (iv) attractive valuations.

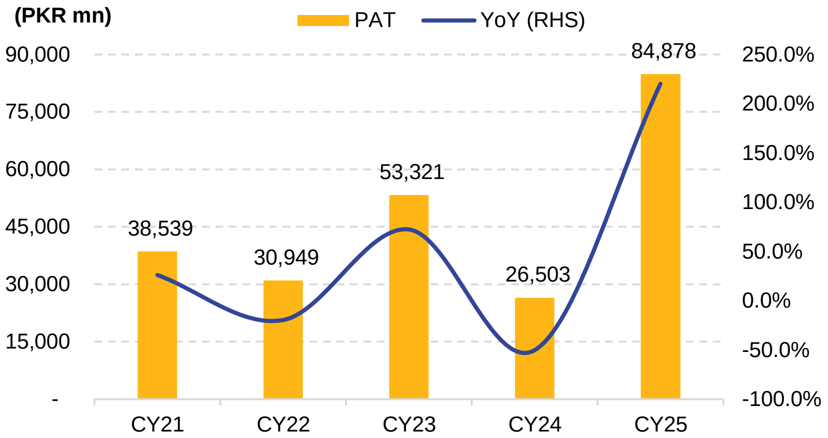
- **Profitability to sustain in a low rate environment:** NBP delivered a landmark performance in CY25, posting its highest-ever profitability of PKR 85bn (EPS: PKR 39.9, +227% YoY) alongside a record dividend of PKR 35/share. Looking ahead, the bank is expected to generate earnings of PKR 71.4bn (EPS: PKR 35.2) with a dividend of PKR 30, continuing to offer the highest yield within our banking coverage universe. Profitability is anticipated to be supported by strong investment income and unrealized gains, even in a low interest rate environment.
- **Strong capital buffers provide room for high dividend payouts:** The bank's capital position remains exceptionally strong, with a Tier 1 ratio of 19.65% and CAR of 26.21%, comfortably above regulatory minima of 9% and 13%, respectively. This provides ample room for high dividend payouts while supporting future balance sheet growth and credit expansion.
- **Poised for balance sheet growth:** From a balance sheet perspective, deposits stand at PKR 4.4trn (3rd largest among listed banks), investments are at PKR 4.9trn (+6.7% YoY), and the infection ratio of 13.8% is backed by a coverage ratio of 124%, reflecting strong provisioning. Exposure to Middle Eastern operations is minimal (1.1% of total assets), mitigating potential geopolitical risks.
- **Outlook and recommendation:** We maintain a BUY recommendation, with a Dec'26 Target Price of PKR 273. The stock trades at a P/B of 0.9x versus an average 1.1x across our banking universe, while offering a 13.3% dividend yield for CY26e, the highest in our coverage.

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statement			
Net Mark-up Income	247,620	256,520	269,111
Non Mark-up Income	69,633	40,494	43,823
Total Income	317,253	297,014	312,935
Provisioning	9,196	21,671	23,210
OPEX	129,274	123,316	124,164
Post Tax Profit	84,878	71,453	77,813
Balance Sheet			
Advances	1,337,739	1,422,060	1,511,696
Deposits	4,427,668	4,706,755	5,003,434
Investments	4,924,847	5,224,909	5,543,886
Borrowings	1,689,657	2,081,768	2,212,988
Total Equity	537,926	545,071	552,852

Source: Company Financials, AHL Research

Exhibit: Profitability and growth trend



Source (s): Company financials, AHL Research

Fauji Fertilizer Company Limited (FFC)

Our investment thesis on FFC is anchored on: (i) urea offtakes improvement outlook, (ii) strong balance sheet & equity returns, (iii) sole DAP producer drives synergies, and (iv) neutral impact from rising oil prices.

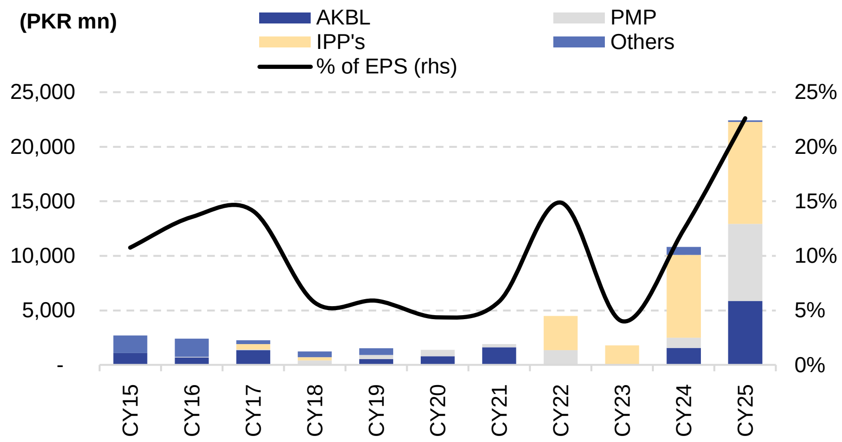
- **Urea Offtakes to improve on Improving Farm Economics:** For 2MCY26, cumulative urea sales dropped 41% YoY to 468k tons, while FFC's offtake fell 9% YoY to 319k tons, aided by lower discounting and a stable demand base. The current inventory buildup is viewed as temporary per our view, with offtakes expected to recover as the Kharif sowing season begins.
- **Strong Balance Sheet with Rising Returns from Equity Investments:** As of Dec'25, FFC held a cash balance of PKR 190bn, even after accounting for debt, PEF capex, and the planned PKR 67bn investment in PIA, with up to PKR 11bn additional support available via guarantees, letters of credit, or other securities during the two-year investment period. The company remains well-positioned for further investments. Over time, FFC's investments have contributed ~23% of earnings in CY25, driven mainly by dividends from wind power plants, PMP, and AKBL, while FPCL did not pay a dividend, contrary to expectations. Dividend income will add ~PKR 6.2/share after tax in CY26.
- **Sole DAP Producer Unlocks Synergies and Margin Upside:** FFC is the sole domestic DAP producer. In CY25, DAP–phosphoric acid margins averaged USD 155/ton (+27.3% YoY) and USD 95.08/ton in CYTD. We conservatively forecast USD 80/ton margins going forward, with any upside boosting FFC's earnings.
- **Neutral impact of rise in oil prices:** Mari gas trades at a ~64% discount to SNGP/SSGC, allowing FFC to align urea prices with EFERT and maintain higher margins. Oil price impact is expected to be neutral and gradual, with PP12 (~PKR 65/bag) increases passed on slowly. However, govt. may reduce gas supply to FFC's Port Qasim (PQ) plant via SSGC. Historically, urea output was curtailed to sustain DAP production, but the captive power plant now reduces fuel gas reliance. Gas from Ghazij/Shawal fields has been approved for PQ, with SNGPL and SSGC arranging swaps, though full development will take time.
- **Recommendation:** We reiterate our Buy call with a SOTP Dec'26 target of PKR 643/share. The stock also offers attractive dividend yields of 9.1% and 9.5%, respectively during CY26 and CY27.

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statement			
Net sales	432,410	461,935	482,908
Gross profit	130,611	144,387	152,706
Operating profit	98,272	111,669	117,489
Finance cost	6,518	6,947	5,720
Profit after tax	73,564	82,621	86,170
Balance Sheet			
Shareholder's equity	135,584	161,326	184,180
Total liabilities	301,902	321,658	316,658
Current assets	275,652	317,821	317,821
Non-current assets	161,833	165,163	169,107
Total assets	437,485	482,984	500,551

Source: Company Financials, AHL Research

Exhibit: Support from FFC's Investments Strengthen



Source (s): Company financials, AHL Research

FFC Well Positioned Amid Gas Supply Uncertainty

Exhibit: Sensitivity analysis of gas curtailment to FFC

FFC (Sona DAP)					
Capacity (monthly)	54,167	54,167	54,167	54,167	54,167
Utilization	100%	90.00%	80.00%	70.00%	60.00%
Production (Tons)	54,167	48,750	43,334	37,917	32,500
Margin (PKR/bag)	2,200	2,200	2,200	2,200	2,200
Gross Profit (PKR mn)	2,383	2,145	1,907	1,668	1,430
10% Utilization lesser Impact		**238**	**238**	**238**	**238**
Cumulative impact (PKR mn)		238	477	715	953
Cumulative impact (PKR/share)		0.17	0.33	0.5	0.66
Cumulative impact (PKR/share) - after tax		**0.1**	**0.2**	**0.3**	**0.4**
FFC (Granular Urea)					
Capacity (monthly)	45,925	45,925	45,925	45,925	45,925
Utilization	100%	90.00%	80.00%	70.00%	60.00%
Production (Tons)	45,925	41,333	36,740	32,148	27,555
Margin (PKR/bag)	700	700	700	700	700
Gross Profit (PKR mn)	643	579	514	450	386
10% Utilization lesser Impact		**64**	**64**	**64**	**64**
Cumulative impact (PKR mn)		64	129	193	257
Cumulative impact (PKR/share)		0.04	0.09	0.13	0.18
Cumulative impact (PKR/share) - after tax		**0.03**	**0.05**	**0.08**	**0.11**
Source (s): NFDC, AHL Research					

Oil & Gas Development Company Limited (OGDC)

Our investment thesis on OGDC is anchored on : (i) Enhanced collections and liquidity, (ii) OGDC surges on easing gas curtailments, (iii) Baragzai X-01 discovery strengthens earnings outlook, and (iv) attractive valuations at current levels.

- **Stronger collections and improved liquidity:** OGDC's collections rose to over 100% in FY25 and clocking in at 130% in 2QFY26, with further improvement expected as circular debt reforms advance under the IMF program. Clearing OGDC's PKR 583bn circular debt exposure (PKR 136/share) remains a key catalyst for unlocking liquidity.
- **OGDC Leads Gains as Gas Curtailment Eases:** Among our coverage, OGDC is the most sensitive to every USD 5/bbl rise in Arab Light prices. Eased curtailments by SNGPL including fields like Bettani, Nashpa, TAL block, Dhok Hussain, and Togh could restore production toward peak levels, adding ~5,000 BPD from Bettani, Nashpa, and TAL alone. Around 300–350 MMCFD of gas may also come online from these and other fields, benefiting OGDC, POL, PPL, and MARI.
- **Higher Gas Power Demand Supports OGDC:** Higher power demand from gas-fired power plants amid RLNG disruptions is also supportive for E&P companies supplying gas to the power sector, particularly OGDC and PPL. Increased utilization at power plants could be supported by gas supply from Uch, Qadirpur, and Kandhkot fields.
- **Major Oil & Gas Discovery at Baragzai X-01, Boosting EPS Outlook:** OGDC (65% working interest, operator) announced a major oil and gas discovery at Baragzai X-01 in the Nashpa Block, with flows of 13,470 bopd of oil and 36.46 mmcfd of gas. The discovery is estimated to add PKR 6.91/share to OGDC's EPS, marking a positive development.
- **Strategic investment portfolio:** (OGDC) holds a 25% stake in Abu Dhabi's Offshore Block 5 via PIOL, with Bu-Dana, Al-Manhal, and Al-Bateen set for first production in 2H2028, supporting earnings upside. Through PMPL, OGDC also has a 25% indirect stake in Reko Diq, potentially generating USD 150–200mn from dividends from FY32.
- **Recommendation:** OGDC is trading at forward FY26/FY27 P/E of 8.3x/7.6x and P/B of 0.8x/0.7x, indicating attractive valuations relative to historical averages. The stock offers a dividend yield of 5.5%/6.0%, and our target price of PKR 347 implies a 27% upside from the LDCP.

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statement			
Net sales	401,178	416,949	495,568
Gross profit	231,608	212,664	243,872
Operating profit	205,326	182,450	214,679
Finance cost	5,806	2,785	5,930
Profit after tax	169,904	141,038	154,919
Balance Sheet			
Shareholder's equity	1,348,238	1,421,049	1,505,473
Total liabilities	306,368	356,858	385,125
Current assets	1,123,384	1,231,327	1,274,850
Non-current assets	531,222	546,580	615,748
Total assets	1,654,606	1,777,907	1,890,598

Source: Company Financials, AHL Research

Exhibit: E&P Universe Earning's Sensitivity to Arab Light Prices

	75	85	95	105	115
FY27 Base Case EPS					
OGDC	36.03	36.03	36.03	36.03	36.03
PPL	32.16	32.16	32.16	32.16	32.16
MARI	66.27	66.27	66.27	66.27	66.27
POL	70.71	70.71	70.71	70.71	70.71
FY27 EPS (Sensitivity)					
OGDC	37.89	40.50	43.12	45.74	48.22
PPL	33.08	34.35	35.63	36.90	38.11
MARI	68.25	70.88	76.70	82.53	88.16
POL	74.92	80.86	86.76	92.73	98.63

Source: AHL Research

Pakistan Petroleum Limited (PPL)

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Our investment thesis on PPL is anchored on : (i) Strong cash position and circular debt outlook, (ii) stronger gas power demand drives PPL, (iii) Baragzai X-01 discovery strengthens earnings outlook, and (iv) valuations remain attractive at current levels.

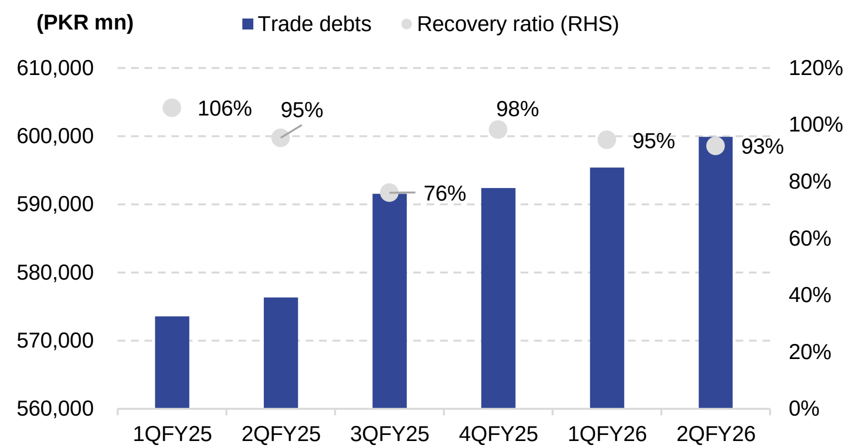
- **Strong cash position and circular debt outlook:** PPL holds a strong cash balance of PKR 89bn (PKR 33/share), with collections clocking at 93% in 2QFY26. Resolving its PKR 599bn circular debt exposure (PKR 220/share) remains key to unlocking liquidity.
- **Production outlook:** Overall production fell ~11% YoY due to gas curtailments, lower GENCO-II offtake, and field decline, partly offset by 35 MMCFD from targeted initiatives. Eased curtailments at Bettani, Dhok Hussain, Togh, Nashpa, and TAL block could add ~5,000 BPD and 300–350 MMCFD of gas, benefiting OGDC, PPL, POL, and MARI.
- **Rising Gas Power Demand Boosts PPL:** Rising demand from gas-fired power plants amid RLNG disruptions supports E&P companies supplying gas to the sector, particularly PPL and OGDC. Higher power plant utilization is expected to be backed by gas from the Uch, Qadirpur, and Kandhkot fields.
- **Baragzai X-01 Discovery, Boosting EPS Outlook:** PPL, holding a 30% stake, reported a major oil and gas discovery at Baragzai X-01 in the Nashpa Block, producing 13,470 bopd of oil and 36.46 MMCFD of gas. This discovery is projected to add PKR 5.04/share to PPL's EPS, marking a notable positive development.
- **Strategic investment portfolio:** PPL holds a 25% stake in Abu Dhabi's Offshore Block 5 through PIOL, with production expected from 2H2028, and via PMPL has an indirect 25% stake in Reko Diq, potentially yielding USD 150–200mn. The company also invested in the Baryte-Lead-Zinc (BLZ) project in Baluchistan, with an NPV of PKR 53,400mn (PKR 20/share).
- **Recommendation:** PPL is trading at forward FY26/FY27 P/E of 6.7x/6.3x and P/B of 0.7x/0.6x, indicating attractive valuations. The stock offers a dividend yield of 3.5%/3.6%, with a target price of PKR 261/share, implying a 26% upside from the last closing price.

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statement			
Net sales	242,516	238,321	247,219
Gross profit	151,798	147,757	159,702
Operating profit	136,115	123,760	149,694
Finance cost	2,416	571	1,163
Profit after tax	92,027	82,671	87,511
Balance Sheet			
Shareholder's equity	705,835	766,310	834,568
Total liabilities	221,311	227,747	227,754
Current assets	696,506	740,194	794,138
Non-current assets	230,640	253,863	268,184
Total assets	927,146	994,057	1,062,322

Source: Company Financials, AHL Research

Exhibit: PPL Recovery Ratio



Source (s): Company financials, AHL Research

Market Strategy

Improving Supply Dynamics to Boost E&P Sector

Exhibit: Gas production from major fields

Mmcfd	FY23 (a)	FY24	FY25	FY26TD (b)	Chg. (a-b)
Mari	742	824	796	806	(64)
Sui	296	274	234	208	88
Uch	382	349	358	340	42
Qadirpur	168	142	109	90	78
Kandhkot	159	103	93	106	53
NASHPA	88	96	74	85	3
TAL Block	253	243	186	178	74
KPD Block	95	88	80	79	17
Total - big fields	**2,182**	**2,119**	**1,931**	**1,892**	**291**
Total	**3,259**	**3,116**	**2,885**	**2,799**	**460**

Exhibit: Oil production from major fields

BOPD	FY23 (a)	FY24	FY25	FY26TD (b)	Chg. (a-b)
Nashpa	10,834	10,798	9,344	9,820	1,014
TAL Block	14,644	14,534	11,428	12,566	2,079
Adhi	6,382	5,682	5,499	5,016	1,366
KPD Block	8,213	8,626	9,033	9,686	(1,473)
Dhok Sultan	1,570	1,276	1,103	1,228	342
Bettani	34	922	819	307	(273)
Shewa	-	-	-	402	(402)
Razgir	-	-	-	185	(185)
Rajian	507	402	317	748	(242)
Sono	129	140	109	1,486	(1,356)
Total - big fields	**42,313**	**42,380**	**37,652**	**41,442**	**871**
Total	**69,514**	**70,521**	**62,408**	**63,291**	**6,223**

Source (s): PPIS, AHL Research

Lucky Cement Company Limited (LUCK)

Our investment thesis on LUCK is anchored on : (i) Strong earnings growth trajectory, (ii) domestic cement operations, (iii) international growth and segment performance, and (iv) strong growth prospects in autos and electronics

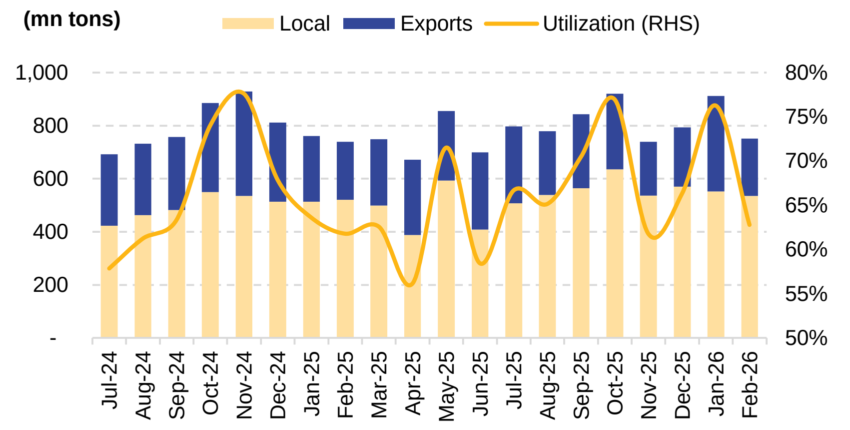
- **Positive earnings growth trajectory:** Earnings are projected to grow by 22% in FY26, reaching PKR 64.6/share. This growth is expected to be driven by volume expansion in the domestic cement business, a higher contribution from the international cement segment, and improved profitability in the automobile and mobile phone segments.
- **Domestic cement operations:** Domestic cement demand is expected to grow 12% YoY in FY26, with LUCK well positioned through its Pezu (10.8Mn tons, 15.7% market share) and Karachi (4.9Mn tons, 27% market share) plants. The company has expanded renewable energy—green power now >55% of its mix (solar 42.7MW North, 31.3MW South, 28.8MW wind, 56MW WHR, battery storage)—and uses a diversified coal strategy, helping manage kiln costs and support margins.
- **Overseas expansion and strong JV performance:** LUCK is expanding its Iraq cement plant by 1.6Mn tons, taking total capacity to 2.91Mn tons, supported by strong construction demand. With clinker capacity added at Samawah, all overseas plants (Basra, Samawah, DR Congo) are now fully integrated, driving gross margins to 45–50% in FY26-27 from 30–40% previously. Plants operate at 90%+ utilization with prices above USD 100/ton, contributing PKR 239/share (39%) to LUCK's SOTP value.
- **Segment Performance:** LCI has a mixed performance across its business segments. In Pharma, deregulated drug prices lifted gross margins to 38%, supported long-term by the Pfizer acquisition. Soda Ash production fell 15% YoY to 462k tons due to weak demand, but a new multi-fuel boiler should improve efficiency. PSF declined 10% to 99k tons, pressured by slow economic activity, cheap imports, and high energy costs.
- **Robust Growth Outlook for Autos and Electronics:** The auto segment is supported by lower interest rates and a stable rupee, with Net Sales projected to grow at a 13% CAGR over five years, while the electronics segment, operating at 61% utilization, is expected to achieve a 10% CAGR over the same period.
- **Recommendation:** LUCK is trading at attractive forward FY26/FY27 P/E of 5.3x/4.6x with a dividend yield of 1.4%/1.6%. We maintain a Buy with a Dec'26 target of PKR 620/share.

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statement			
Net sales	449,630	469,323	533,397
Gross profit	122,738	136,722	150,341
Operating profit	97,924	110,088	120,860
Finance cost	25,498	22,768	22,044
Profit after tax	106,090	126,484	145,160
Balance Sheet			
Shareholder's equity	729,361	837,339	960,801
Total liabilities	341,320	341,003	353,241
Current assets	320,554	431,490	544,507
Non-current assets	408,808	405,849	416,294
Total assets	729,362	837,339	960,801

Source: Company Financials, AHL Research

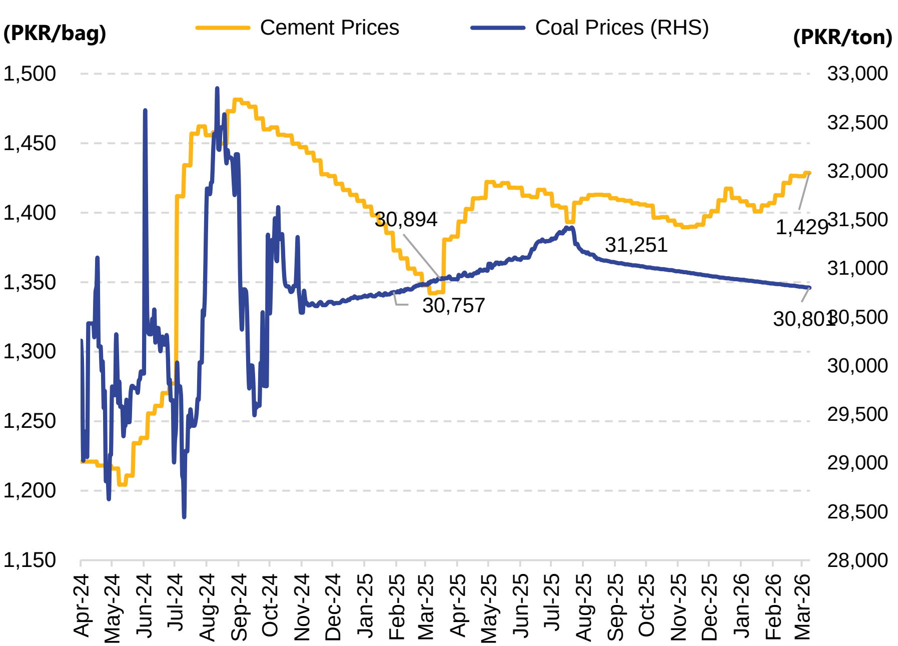
Exhibit: Dispatches and utilization levels



Source (s): Company financials, AHL Research

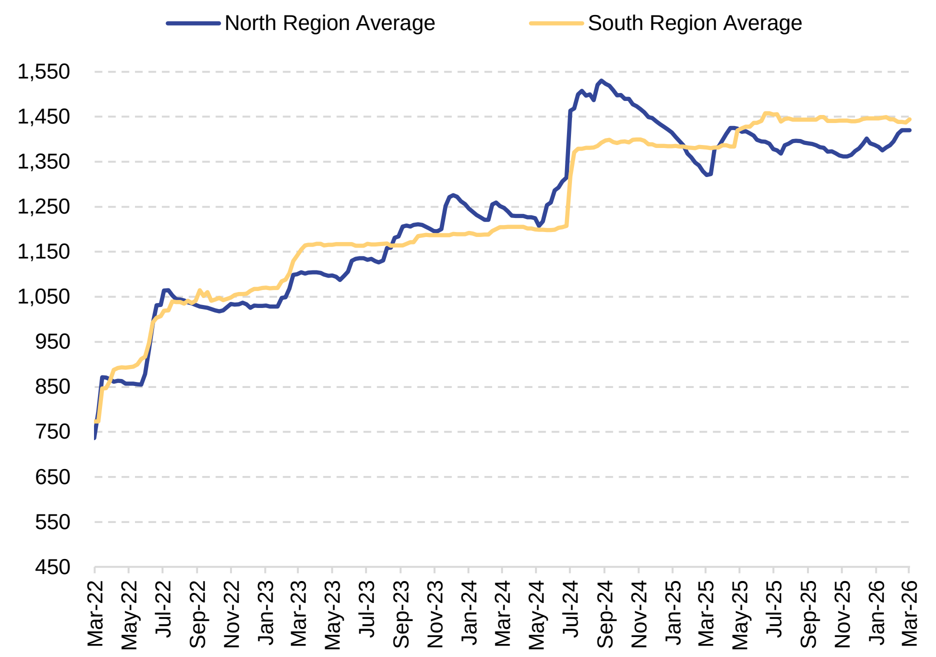
Market Strategy
Cement and Coal Price Trends

Exhibit: Trend of Cement and Coal Prices (Richard Bay)



Source (s): Bloomberg, AHL Research

Exhibit: Historical Trend of Cement Prices (PKR/bag)



Source (s): PBS, AHL Research

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The Hub Power Company Limited (HUBC)

Our investment thesis on HUBC is anchored on: (i) Strong and stable payouts from CPEC IPP's and LEL, (ii) growth prospects in BYD, and (iii) several other initiatives.

- **CPEC IPP's – Drive HUBC's Attractive Dividend Outlook:** Since operations began, CPHGC and TNPTL have paid PKR 61bn (PKR 46.9/share) to HPHL, which distributed PKR 15.1bn (PKR 11.7/share) to HUBC, with the remainder used for CPEC debt repayment and the BYD venture. TEL and TNPTL follow semiannual distributions, with TEL contributing PKR 17.0bn in total dividends, translating to PKR 5.9/share for HUBC, while Thal Nova disbursed PKR 4.9bn in Dec'25. Strong payouts from CPEC IPPs remain the driver, with DPS expected at PKR 17.0 for FY26/27, offering a 9% attractive yield.
- **BYD:** A total capex of USD 150mn (PKR 42bn), with HUBC holding 50% under a 60:40 debt-equity structure, and total investment reaching PKR 6.6bn by Dec'25. Market traction is strong, with 2,000+ Atto 3 units delivered, 500+ BYD Shark 6 bookings, and launches of Atto 2 (PKR 7.29mn) and Sealion 7 (PKR 15.49mn). Financial close for the 25,000-unit p.a. CKD plant in Gharo was achieved in Jan'26, with construction underway for COD in 2HCY26; dividends expectation: PKR 5/share in FY27 and PKR 6/share in FY28.
- **Other Prospects**
- LEL: Tariff renegotiation is unlikely due to foreign ownership, but LEL will continue healthy payouts to HUBC, contributing PKR 4.19/shr in FY26 and PKR 3.75/shr in FY27 (pre-tax).
- EV Charging Stations (EVCS): HUBC Green has expanded to 16 DC fast chargers nationwide, with motorway and premium outlet expansions underway. Chargers are 50:50 joint ventures with OMCs, targeting long-distance travel; utilization is expected to grow over time.
- HUBC Base Plant: Plans for two units shelved due to competition from other GENCOs, which reduced scrap prices and demand; remaining units are being considered for coal conversion to supply KE. HUBC is also evaluating an oil terminal, aluminum smelter, and other brownfield industrial opportunities at the Hub site.
- Ark Metals (Pvt.) Ltd.: Promising copper, gold, lithium, and antimony reserves identified. Exploration is ongoing, though mining projects have long gestation periods.
- **Recommendation:** We have a outperform rating on HUBC with an SOTP base valuation of PKR 230/share.

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statement			
Net sales	83,351	71,362	77,982
Gross profit	39,824	29,470	29,575
Operating profit	37,863	27,565	28,268
Finance cost	15,231	8,607	7,327
Profit after tax	51,775	51,823	55,808
Balance Sheet			
Shareholder's equity	219,708	234,014	261,785
Total liabilities	170,800	152,324	132,867
Current assets	92,310	116,523	104,920
Non-current assets	322,412	299,807	327,655
Total assets	414,722	416,330	432,575

Source: Company Financials, AHL Research

Exhibit: Contribution from BYD

Consol. (PKR mn)	Mar'25	Jun'25	Sep'25	Dec'25
Opening balance	-	1,760	2,063	5,177
Investment during the period	-	-	3,000	3,600
Fair value of net assets retained	1,538	524	-	-
Share of profit/loss	**222**	**(221)**	**114**	**54**
Dividends paid	-	-	-	-
Closing balance	**1,760**	**2,063**	**5,177**	**8,831**

Source(s): Company Financials , AHL Research *HPHL owns 50% of MMCPL

Market Strategy
HUBC - Dividend Income From CPEC IPP's

ARIF HABIB LIMITED

Exhibit: HUBC - Dividend Income From CPEC IPP's

Consol. (PKR mn)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Total
CPHGC/TNPTL to HPHL	9,212	-	10,526	-	-	-	-	26,701	14,393	60,831
CPHGC/TNPTL to HPHL (PKR/sh)	7.10	-	8.11	-	-	-	-	20.58	11.10	46.90
HPHL to HUBC	-	-	3,510	-	-	-	-	8,101	3,500	15,111
HPHL to HUBC (PKR/sh)	-	-	2.71	-	-	-	-	6.25	2.70	11.65
Accumulated in HPHL	**9,212**	**-**	**7,016**	**-**	**-**	**-**	**-**	**18,600**	**10,893**	**45,721**
Accumulated in HPHL (PKR/sh)	7.10	-	5.41	-	-	-	-	14.34	8.40	35.25
HUBC DPS	4.00	2.50	8.50	-	5.00	-	10.00	5.00	5.00	40.00

Source (s): Company Financials, AHL Research

Pakistan State Oil Company Limited (PSO)

Our investment thesis on PSO is anchored on : (i) anticipated inventory gains, (ii) strong liquidity position, (iii) expected inflows from Power CD resolution, and (iv) attractive valuations at current levels.

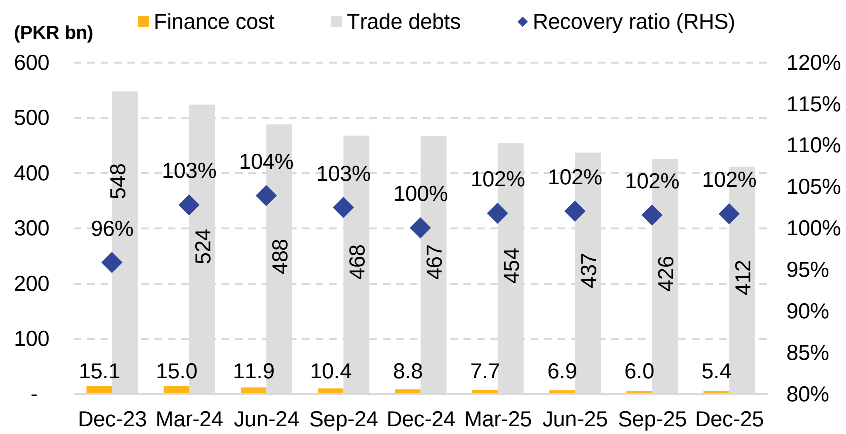
- **Inventory gains to rise amid increase in oil prices:** Amid higher global oil prices and widening product spreads, the government increased MS and HSD prices by PKR 55/ltr ahead of the fortnightly revision. With ex-refinery prices rising by PKR 78.24/ltr for MS and PKR 36.29/ltr for HSD, we estimate inventory gains of PKR 26.74/share. In case of further increase in crude prices, our sensitivity analysis across USD 90–105/bbl suggests that ex-refinery HSD prices could rise by PKR 2.64–55.39/ltr and MS prices by PKR 9.53–62.28/ltr. At USD 95/bbl, the estimated additional inventory gain for Pakistan State Oil (PSO) is around PKR 7.4/share.
- **RLNG Cargo diversions:** Despite potential cargo diversions, PSO has 69 RLNG cargoes scheduled for the remainder of CY26, averaging 700 mmcfd. While the full-year impact remains uncertain, any shortfall in RLNG volumes would reduce RLNG gross profit. The LNG segment, already loss-making with reported losses of ~PKR 8.4bn in FY25, could incur higher losses due to significant working capital requirements and turnover tax. In the longer term, reduced reliance on the RLNG segment is positive for PSO, given its loss-making nature.
- **Strengthening PSO’s liquidity position:** Government energy reforms, which included diverted RLNG costs in gas pricing, have eased PSO’s liquidity pressures. Trade debts fell from PKR 400bn in Dec’23 to PKR 288bn in Dec’25, enabling PSO to cut short-term borrowings from PKR 467bn to PKR 325bn. Supported by lower debt and interest rates, finance costs declined to PKR 11.4bn in 1HFY26 (vs. PKR 25.3bn in 1HFY24) and are expected to fall further.
- **Major beneficiary of Power CD resolution:** PSO is expected to benefit from Power CD resolution, with payments from CPPA-G to RLNG power plants expected to flow through SNGP before reaching PSO, albeit with some delay. We estimate the impact at around PKR 65/share.
- **Valuation And Growth Metrics:** We have a “BUY” call on PSO with Dec’26 TP of PKR 618/share. Based on our assumptions, we project earnings of PKR 57.83/share for FY26e and PKR 79.89/share for FY27f. Strong earnings growth is expected to support healthy dividends of PKR 17.35/share in FY26e and PKR 23.97/share in FY27f. With this, the stock is trading at FY26 and FY27 P/E multiples of 6.2 and 4.5x.

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statement			
Net sales	3,149,389	3,017,530	3,012,162
Gross profit	96,710	91,942	103,812
Operating profit	68,201	62,021	54,608
Finance cost	33,718	19,562	13,287
Profit after tax	20,911	27,148	37,506
Balance Sheet			
Shareholder's equity	250,291	272,147	301,509
Total liabilities	768,787	577,150	534,446
Current assets	937,648	761,698	741,936
Non-current assets	81,430	87,600	94,019
Total assets	1,019,078	849,297	835,955

Source: Company Financials, AHL Research

Exhibit: PSO's receivables decline by PKR 14bn in 2QFY26



Source (s): Company financials, AHL Research

Market Strategy
Inventory gains to soar amid higher oil prices

Exhibit: Inventory Gain Sensitivity

PKR bn	Case-1	Case-2	Case-3	Case-4
Crude Oil (USD/bbl)	**90**	**95**	**100**	**105**
EPS (PKR) Impact				
HSD*	**2.64**	**11.43**	**20.22**	**29.01**
PSO	0.57	2.48	4.39	6.30
APL	0.45	1.95	3.45	4.95
WAFI (SHEL)	0.17	0.75	1.34	1.92
HASCOL	0.02	0.10	0.19	0.27
Petrol*	**9.53**	**18.32**	**27.12**	**35.91**
PSO	2.56	4.92	7.28	9.65
APL	2.11	4.05	5.99	7.93
WAFI (SHEL)	1.30	2.50	3.70	4.90
HASCOL	0.15	0.30	0.44	0.58
Total				
PSO	3.13	7.40	11.68	15.95
APL	2.56	6.00	9.44	12.89
WAFI (SHEL)	1.48	3.26	5.04	6.82
HASCOL	0.18	0.40	0.62	0.85

Source (s): OCAC, AHL Research, * Ex-refinery change

Exhibit: Sensitivity of Ex Refinery Prices

Arab light (USD/barrel)	MS (Spreads) (USD/barrel)	HSD (Spread) (USD/barrel)	Ex refinery prices(HSD) – PKR/ltr	Ex refinery prices(MS) – PKR/ltr	Change HSD	Change MS
90	10.7	43.8	260.4	200.5	2.6	9.5
95	10.7	43.8	269.2	209.3	11.4	18.3
100	10.7	43.8	278.0	218.1	20.2	27.1
105	10.7	43.8	286.8	226.8	29.0	35.9

Source: OGRA, AHL Research

Attock Refinery Limited (ATRL)

Our investment thesis on ATRL is anchored on : (i) Higher crack spreads and likely higher utilization driving positive sentiment for ATRL, (ii) potential one offs aiding the company, (iii) Strong balance sheet, and (iv) trading at low valuation multiples.

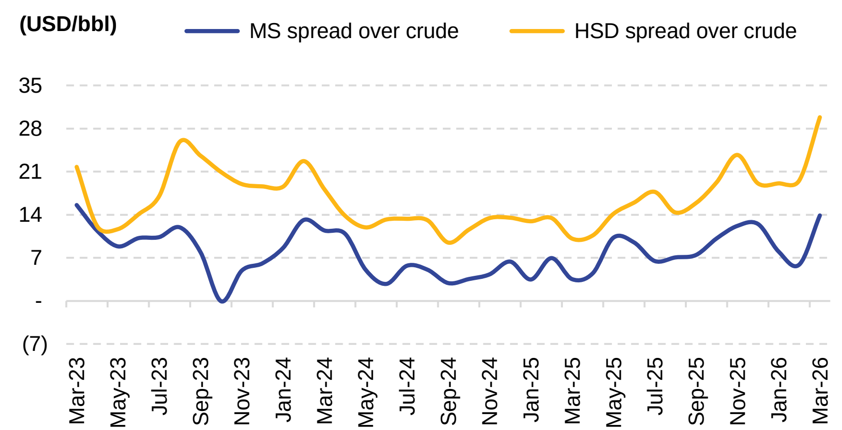
- **Positive Sentiment to Support ATRL Outlook:** With the recent rise in oil prices, refinery crack spreads, particularly for HSD have widened sharply. During the current fortnight, MS cracks have averaged USD 17.5/bbl, while HSD cracks have averaged USD 31.8/bbl, according to Bloomberg. For context, FYTD average cracks stand at USD 9.0/bbl for MS and USD 18.9/bbl for HSD, while CYTD averages are USD 8.2/bbl for MS and USD 20.8/bbl for HSD, indicating a notable uplift in recent weeks, especially for HSD. We have provided a sensitivity analysis for ATRL in the slide below.
- **Higher Utilization Ahead for ATRL:** In 8MFY26, ATRL's upliftment declined 7.0% YoY due to crude supply constraints amid surplus RLNG and the PKR 77/litre PDL, which dampened MS, HSD, and FO demand. However, upliftment is expected to recover as RLNG disruptions may increase oil-based generation, with ATRL's offtake projected to rebound 17.9% YoY to 1.72mn tons in FY27.
- **Potential One-Off Impacts:** Crude import disruptions remain a downside risk, but ATRL is better positioned due to higher reliance on local crude. If imports tighten, increased domestic refinery utilization could benefit ATRL, though the impact remains uncertain now.
- **Balance Sheet Strength a Key Positive Trigger:** ATRL holds PKR 92bn in cash (PKR 860/share), BVPS of PKR 1,390, and zero debt as of Dec'25, while reliance on local crude provides 36-day payables, supporting cash flow stability. ATRL is well positioned for a refinery upgrade, which could eliminate fuel quality penalties, save ~PKR 2.5bn annually, and raise MS output by ~25%. Under the new refinery policy, retaining the full 10% deemed duty on MS and HSD could generate ~PKR 121bn over seven years for ATRL in an escrow account to help fund the upgrade.
- **Discounted valuation supporting upside:** ATRL is trading at attractive valuations, with FY26E/FY27E P/Es of 7.3x and 4.5x, below its long term average of 6.67x and the sector's 7.91x with a target price of PKR 1,136 for Dec'26.

Key Financial Highlights

PKR mn	2025a	2026e	2027f
Income Statement			
Net sales	301,330	275,724	336,178
Gross profit	9,738	10,888	21,031
Operating profit	18,680	17,627	28,766
Finance cost	526	345	-
Profit after tax	11,972	11,340	18,322
Balance Sheet			
Shareholder's equity	143,668	153,675	170,930
Total liabilities	64,753	72,429	78,396
Current assets	131,869	138,147	150,013
Non-current assets	76,551	87,957	99,313
Total assets	208,420	226,104	249,327

Source: Company Financials, AHL Research

Exhibit: Refinery Crack Spreads



Source (s): Company financials, AHL Research

Market Strategy
Rising Spreads Impact on ATRL

Exhibit: Spreads Impact on ATRL

Impact of Higher Spreads on ATRL HSD				Mar 2nd Fortnight			
HSD Spread (USD/barrel)	**20**	**25**	**30**	**35**	**40**	**45**	**50**
HSD Spread (PKR/ltr)	36	45	54	63	72	80	89
HSD Spread (PKR/ton)	42,071	52,589	63,107	73,625	84,143	94,661	105,179
Sales (Mar 2nd FN) – tons	19,409	19,409	19,409	19,409	19,409	19,409	19,409
HSD Spread (PKR mn)	817	1,021	1,225	1,429	1,633	1,837	2,041
HSD Spread After tax (PKR mn)	498	623	747	872	996	1,121	1,245
HSD Spread After tax (PKR/sh)	**4.67**	**5.84**	**7.01**	**8.18**	**9.34**	**10.51**	**11.68**
Impact of Higher Spreads on ATRL MS				**Mar 2nd Fortnight**			
MS Spread (USD/barrel)	**2.5**	**5**	**7.5**	**10**	**12.5**	**15**	**17.5**
MS Spread (PKR/ltr)	4	9	13	18	22	27	31
MS Spread (PKR/ton)	6,077	12,155	18,232	24,309	30,386	36,464	42,541
Sales (Mar 2nd FN) – tons	17,486	17,486	17,486	17,486	17,486	17,486	17,486
MS Spread (PKR mn)	106	213	319	425	531	638	744
MS Spread After tax (PKR mn)	65	130	194	259	324	389	454
MS Spread After tax (PKR/sh)	**0.61**	**1.22**	**1.82**	**2.43**	**3.04**	**3.65**	**4.26**
Total impact				**Mar 2nd Fortnight**			
Total impact after tax	**538**	**702**	**866**	**1030**	**1194**	**1358**	**1522**
EPS (PKR)	**5.04**	**6.58**	**8.12**	**9.66**	**11.2**	**12.74**	**14.28**

Source (s): OCAC, AHL Research

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Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec 2026 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

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

Equity Valuation Methodology

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)

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

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

Disclosure required under Research Analyst Regulations, 2015:

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

Arif Habib Limited (AHL) has a shareholding in PPL,OGDC,UBL,FFC,FFCL and PAEL.