Pakistan Federal Budget 2025-2026

Balancing Austerity with Targeted Relief

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Executive Summary – Balancing Austerity with Targeted Relief

Pakistan's Federal Budget for 2025-26 has focused on balancing austerity with targeted relief. Under the IMF's guidance, the government is targeting long-term sustainable growth through fiscal discipline and export promotion. Moreover, in line with IMF directives, the government will introduce a tariff rationalization plan to promote domestic productivity and efficiency.

Budget Outlay set at Pkr 17,573bn: **The budget outlay has been set at PkR 17,573bn**, roughly in line with FY25's revised outlay of PkR 17,249bn. The projected outlay has been reduced to **13.6% of GDP in FY26** compared to 15.0% of GDP in FY25, indicating increased focus on fiscal discipline under the IMF program.

Targeting revenues of PkR 19,278bn: The budget outlay will be financed by targeted revenues of PkR 19,278bn. The FBR will be responsible for collecting PkR 14,131 billion, and non-tax revenues will sum to PkR 5,147 billion. After provincial transfers, the federal government **will be left with net revenues of PkR 11,072bn.**

Federal PSDP reduced to PkR 1,000bn: Under the fiscal austerity plan, the federal PSDP will be set at **PkR 1,000bn, a reduction of 29%** from FY25's budgeted figure of PkR 1,400bn. We think the actual disbursement would largely hinge on FBR's ability to meet the targeted tax collection.

Targeted budget deficit reduced to 3.9% of GDP: Additional evidence of improved fiscal discipline is seen in the **reduction of the targeted fiscal deficit by 1.7 percentage points**, from an **estimated 5.6% of GDP in FY25** to 3.9% of GDP in FY26. Moreover, the primary balance is being targeted at 2.4% of GDP (PkR 3.17tn) compared to FY25's estimate of 2.2% of GDP (PkR 2.51tn).

Tariff rationalization a push for domestic productivity: Under the IMF directives, the government plans to introduce a tariff rationalization program aimed at pushing domestic productivity. The program will **reduce duty protection** for domestic industries to promote productivity and innovation. In Pakistan, heavily protected **sectors include the automobile, paper, and steel industries.**

Budget Overview

PKR bn	FY23	FY24	FY25E	FY26F
Total Revenues	**9,634**	**13,269**	**16,802**	**19,278**
Tax Revenues	7,819	10,085	11,900	14,131
Non-tax Revenues	1,815	3,184	4,902	5,147
Provincial Transfers	4,223	5,263	6,997	8,206
Net Federal Revenues	**4,656**	**7,098**	**9,805**	**11,072**
Total Expenditure	**16,155**	**20,649**	**17,249**	**17,573**
Budget Balance	(6,521)	(7,206)	(7,444)	(6,435)
Budget Deficit (% of GDP)	-7.7%	-6.8%	-5.6%	-3.9%
Primary Balance	(826)	953	2,510	3,170
Primary Balance (% of GDP)	-1.0%	0.9%	2.2%	2.4%
Tax Collection (% of GDP)	**9.2%**	**9.5%**	**10.4%**	**10.9%**

Source: Budget Documents, BMA Research

Executive Summary – Balancing Austerity with Targeted Relief

Documenting the growing e-commerce segment: The government plans to improve the documentation of the e-commerce sector by targeting transactions settled via online payments and Cash on Delivery (CoD). Moreover, the withholding tax will be increased to 2% (vs. 1% presently).

Some relief on offer: The exceedingly squeezed salaried segment was offered a modicum of relief as slabs up to PkR 3.2mn annual income were reduced. Moreover, the super tax liability was also revised down by 0.5pps for annual income levels below PkR 500mn.

Non-filers further targeted: Non-filers were further targeted in the budget through the **inclusion of section 114C** in the Finance Bill. As per the proposal, non-filers will not be able to register passenger vehicles above 800cc, purchase investment securities (above a limit), register or transfer immovable property (above a limit), open bank accounts, or withdraw cash (above a limit).

Market re-rating theme intact as budget solidified reforms: We feel the budget closely followed the IMF directives discussed during the recent EFF review. Moreover, rumors of a hike in CGT were quelled, likely supporting investor sentiments in the coming days. Certain sectors will likely benefit from budgetary proposals, particularly the Steel sector, which competed with low-cost dump from FATA/PATA. The auto sector, however, may feel the brunt amidst increased restrictions on non-filers, higher GST, and potential risks of reduced protection. We also like to reiterate our preference for the **Oil & Gas industry (top picks: OGDC, PPL)** on the improvement in cash collection and multiple upside triggers (Reko Diq transaction, circular debt clearance, etc.). We also like to highlight the **cement industry (top picks: MLCF, THCCL, CHCC)** as the government has hinted at continuous support for affordable housing.

Expenditure Overview

PKR bn	FY25E	FY26F	YoY (%)
Current Expenditure	**16,390**	**16,286**	**-1%**
Mark-up	8,945	8,207	-8%
Pension	1,014	1,055	4%
Defence	2,181	2,550	17%
Grants	1,761	1,928	9%
Subsidies	1,378	1,186	-14%
Civil Govt. Exp.	886	971	10%

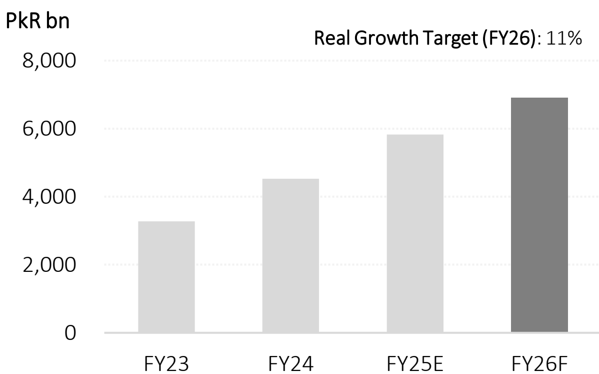
Source: Budget Documents, BMA Research

Revenue Measures – Targeting real growth of 11.8%

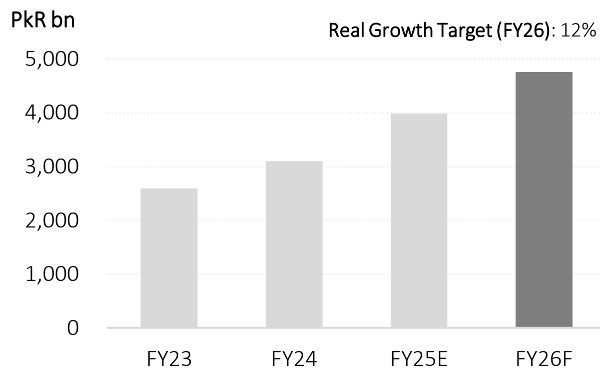
FBR's tax collection set at PkR 14.1tn: The federal budget has set FBR's annual tax **collection target at PkR 14.1tn or 10.9% of GDP**. The target implies a **real growth of 11.8% YoY.** The target will primarily be achieved through stricter enforcement of existing taxes, removal of exemptions, and increased economic activity.

Direct taxation nearly 50% of tax collection: Direct taxation will be responsible for almost 50% of the federal tax collection. The largest growth figure was projected in the customs duties segment on the anticipation of an increase in international trade activity.

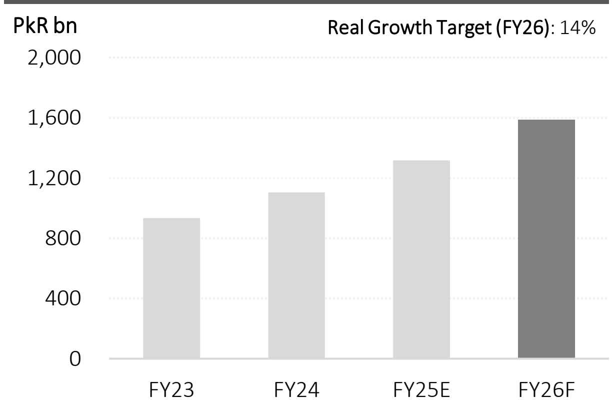
Direct Taxation



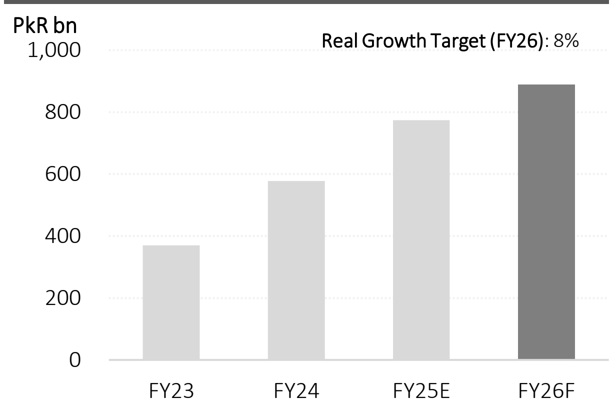
Sales Tax



Custom Duty

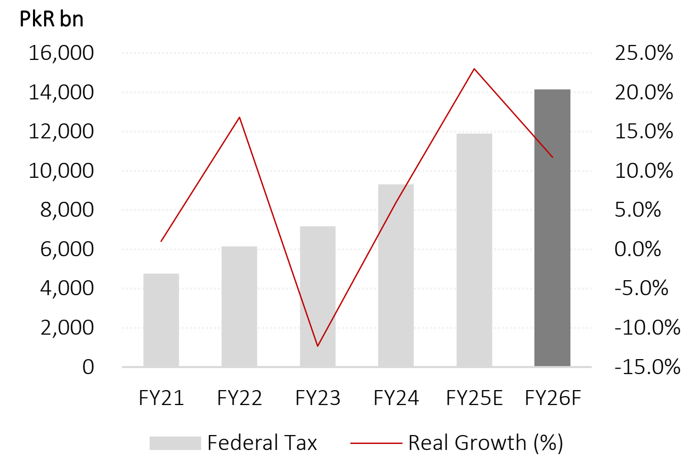


Federal Excise Duty (FED)



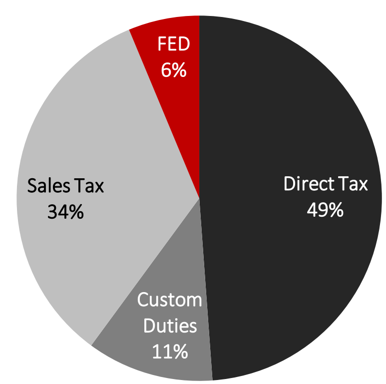
Source: Budget Documents, BMA Research

Real Revenue Growth



Source: Budget Documents, BMA Research

Taxation Break-up (FY26)



Source: Budget Documents, BMA Research

Proposed Revenue Measures

FATA/PATA exemptions to be phased out: The FATA/PATA exemptions will be withdrawn, and a lower sales tax levy will be applicable. The initial levy applicable during FY26 will be set at 10% and will be increased by 2% each year till it reaches 16% by June 2029. The misuse of FATA/PATA exemptions compelled the government to impose a levy, with the steel segment particularly benefiting as a higher levy would discourage dumping.

FATA/PATA Exemption Withdrawal Timeline	
Period	Levy
Jul25-Jun26	10%
Jul26-Jun27	12%
Jul27-Jun28	14%
Jul28-Jun29	16%

Source: Budget Documents, BMA Research

Exemptions of GST on the import of solar panels to be withdrawn: Imported solar panel modules will be subject to GST, benefiting domestic manufacturers and potentially slowing solar panel adoption. Accelerating solar panel adoption affected Pakistan's energy chain by reducing reliance on the national grid.

WHT on non-IT services to be increased: The budget proposes to increase the WHT on specific services to 6% from 4%. Moreover, non-specified services will be subject to a WHT of 15%. IT services, however, will be exempt from the increased levy.

Tax rate on profit on debt increased to 25%: The budget proposes increasing the taxation levy on interest income to 20%. This proposal could **incentivize equity investments because of a favorable taxation structure (15%).**

GST concessions proposed to be removed for automobiles: The budget proposes withdrawing the GST concessions on vehicles benefitting from the reduced rate. Presently, vehicles up to 850cc and hybrid vehicles benefit from a reduced tax rate. The removal of the concession may affect the pricing advantage these segments capitalize on.

Non-filers further targeted: Non-filers were further targeted in the budget through the **inclusion of section 114C** in the Finance Bill. As per the proposal, non-filers will not be able to register passenger vehicles above 800cc, purchase investment securities (above a limit), register or transfer immovable property (above a limit), open bank accounts, or withdraw cash (above a limit).

Proposed Revenue Measures

Documenting the growing e-commerce segment: The government plans to improve the documentation of the e-commerce sector by targeting transactions settled via online payments and Cash on Delivery (CoD). Moreover, the withholding tax will be increased to 2% (vs. 1% presently).

Tax rates on e-commerce transaction (via Digital Payments)	
Period	Levy
< Rs. 10k	1.00%
Between Rs. 10k and Rs. 20k	2.00%
> Rs. 20k	0.25%

Source: Budget Documents, BMA Research

Tax rates on e-commerce transactions (via COD)	
Period	Levy
Supply of Electronic Goods	0.25%
Supply of Clothing	2.00%
Other Supplies	1.00%

Source: Budget Documents, BMA Research

Carbon tax of PkR 2.5 per liter on MS, HSD, and FO: The budget proposed a carbon tax of PkR 2.5 per liter on the sale of MS, HSD, and FO. This figure will increase to PkR 5 per liter from FY27 onwards. Based on our estimates, the carbon levy could potentially fetch Rs. 50bn in FY26 and PkR 100bn in FY27.

Impact of the proposed carbon levy (FY26)			
	Sales (mn MT)	Levy (PkR/liter)	Collection (PkR bn)
MS	7.74	2.50	26
HSD	6.98	2.50	21
FO	0.70	2.50	2

Source: Budget Documents, BMA Research

Advanced tax on sale and transfer of immovable properties increased by 1pps: The advanced tax on properties is proposed to be increased by around 1pps. Advance tax on the purchase of property, however, has been reduced.

Advance tax on the sale and transfer of property		
Period	FY25	FY26
< Rs. 50mn	3.0%	4.5%
Between Rs. 50mn and Rs. 100mn	3.5%	5.0%
> Rs. 100mn	4.0%	5.5%

Source: Budget Documents, BMA Research

Advance tax on the purchase of property		
Period	FY25	FY26
< Rs. 50mn	3.0%	1.5%
Between Rs. 50mn and Rs. 100mn	3.5%	2.0%
> Rs. 100mn	4.0%	2.5%

Source: Budget Documents, BMA Research

Proposed Relief Measures

Income taxes reduced: The salaried class was offered tax relief as slabs up to PkR 3.2mn annual income were reduced. Moreover, the super tax liability was also revised down by 0.5pps for annual income levels below PkR 500mn.

Updated Income Tax Slabs

Taxable Income	Tax Rate	
	FY25	FY26
< Rs. 600k	0%	0%
Between Rs. 600k and Rs. 1.2mn	5%	1%
Between Rs. 1.2mn and Rs. 2.2mn	Rs. 30k + 15%	Rs. 6k + 11%
Between Rs.2.2mn and Rs. 3.2mn	Rs. 180k + 25%	Rs. 116k + 23%
Between Rs. 3.2mn and Rs. 4.1mn	Rs. 430k + 30%	Rs. 346k + 30%
> Rs. 4.1mn	Rs. 700k + 35%	Rs. 616k + 35%

Source: Budget Documents, BMA Research

Updated Super Tax Slabs

Taxable Income	Tax Rate	
	FY25	FY26
< Rs. 150mn	0.0%	0.0%
Between Rs. 150mn and Rs. 200mn	1.0%	1.0%
Between Rs. 200mn and Rs. 250mn	2.0%	1.5%
Between Rs.250mn and Rs. 300mn	3.0%	2.5%
Between Rs. 300mn and Rs. 350mn	4.0%	3.5%
Between Rs. 350mn and Rs. 400mn	6.0%	5.5%
Between Rs. 400mn and Rs. 500mn	8.0%	7.5%
> Rs. 500mn	10.0%	10.0%

Source: Budget Documents, BMA Research

Extension of the exemption on electricity supply to FATA/PATA to continue: The FATA/PATA exemptions on the supply of electricity will continue for one additional year.

Exemption on the sales tax on import or lease of aircraft by PIA: To ease the PIA's privatization process, the company will be exempt from paying sales tax on the import and lease of aircrafts. Notably, a big impediment to the PIA's privatization process was the sales tax levy.

Tax credit on interest on loan obtained for housing: To promote affordable housing, the budget proposed a tax credit on loans taken for housing up to 250 sq yards or a flat up to 2,000 sq feet.

Withdrawal of FED on allotment or transfer of residential/commercial property: The budget proposes to withdraw FED on the allotment and transfer of residential and commercial property.

Grant of exemption on local supply of bun & rusk: Bun and Rusk will be exempt from the sales tax levy compared to the existing 10% sales tax.

Current Expenditures a large chunk of the Budget Outlay

Current expenditures of **PkR 16.3tn will be responsible for around 95%** of the budget outlay in FY26.

Mark-up expenditure expected to fall by 8% YoY: The government anticipates an 8% YoY decline in mark-up expenditure to PkR 8,207bn during FY26, supported by falling interest rates. The 18% YoY increase in the central government debt may limit potential decline in the mark-up expense.

Defense expenditure to increase by 17% YoY: The government budgeted a 17% YoY increase in the defence expenditure to PkR 2,550bn during FY26. The increase was largely driven by the recent regional instability.

Subsidies expenditure to fall by 14% YoY: The government anticipates a 14% decline in subsidies expenditure to PkR 1,186bn during FY26. Notably, power sector subsidies are budgeted to fall by 13% YoY to PkR 1,036bn.

Current Expenditure Overview

PKR bn	FY25E	FY26F	YoY (%)
Current Expenditure	**16,390**	**16,286**	**-1%**
Mark-up	8,945	8,207	-8%
Domestic Mark-up	7,906	7,197	-9%
Foreign Mark-up	1,038	1,009	-1%
Pension	1,014	1,055	4%
Defence	2,181	2,550	17%
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Subsidies	1,378	1,186	-14%
Civil Govt. Exp.	886	971	10%

Source: Budget Documents, BMA Research

External Budgeted Assistance (FY26)

The government anticipates around USD 19.0bn in external assistance during FY26: The federal government has budgeted around USD 19bn in external economic assistance during FY26. Notably, the government has assumed the rollover of USD 9.0bn in KSA Time Deposits (USD 5.0bn) and China's SAFE Deposits (USD 4.0bn).

Bilateral support estimated around USD 1.3bn: The federal government has budgeted bilateral support of around USD 1.34bn during FY26, the bulk of which emanated from KSA's deferred oil facility (USD 1.0bn).

Multilateral support estimated around USD 5.1bn: The federal government estimates multilateral support of around USD 5.1bn in FY26. ADB is earmarked for around USD 2.0bn, IDA for USD 1.66bn, and IsDB for USD 884mn.

Targeting commercial banks for USD 3.1bn: The federal government is aiming to target USD 3.1bn as loans from commercial banks, likely focusing on GCC banks.

Targeting bond market for USD 400mn: The federal government is targeting the bond market for raising around USD 400mn.

External Assistance (FY26) – USD mn	
Bilateral	**1,343**
China	37
Denmark	61
France	63
Germany	26
Italy	3
Japan	9
Korea	53
Kuwait	21
Oman	5
Saudi Arabia	46
SFD	1,000
USA	18
Multilateral	**5,056**
ADB	1,924
AIIB	105
EIB	6
IBRD	420
IDA	1,664
IFAD	49
IsDB	884
OPEC Fund	4
UN	0
Others	**13,519**
Bonds	400
Commercial Banks	3,100
NPCs	609
KSA Time Deposit	5,000
SAFE Deposit (China)	4,000
IMF	410

Source: Budget Documents, BMA Research

Tariff Rationalization Proposed

The budget proposes a tariff rationalization plan to improve domestic efficiencies and productivity. The plan falls under the IMF's umbrella as the fund proposed reduce tariff protection for domestic industries in the recent EFF review. Under the National Tariff Policy 2025-2030, the following are being proposed:

1) Additional Custom Duties (ACD) will be reduced to 0% on custom slabs of 0%, 5%, and 10%. Moreover, ACD will be reduced by 1- 2pps for over 3,000 tariff lines.
2) The abolishment of ACD within 4 years.
3) Custom Duties will cap at 15%.
4) RD on 554 tariff lines will be abolished. The Maximum RD will be reduced from 90% to 50%.
5) The abolishment of Regulatory Duties (RD) within 5 years.
6) The fifth schedule of the Customs Act 1969 will end.
7) Existing slabs of 3%, 11%, and 16% will be abolished, and new slabs of 5%, 10%, and 15% will be introduced.
8) The 0% tariff slabs will be extended to 916 additional PCT codes (vs. 2,210 presently).

Protected industries will have to adapt: Several industries in Pakistan have benefited from protectionist policies, including the automobile industry, steel sector, and the paper industry. These industries will have to adapt to ensure competitiveness.

Sector-wise Impact – Cement

Stance
Positive
Top Picks
THCCL, MLCF, CHCC

Increased Development Spending to Support Cement Demand: The combined federal and provincial PSDP allocation has been set at PKR 4.2 trillion, representing 3.2% of GDP, significantly higher than the five-year average of 2.3%. While actual spending may end up being lower due to potential shortfalls in tax revenue, which could prompt cuts in development outlays, disbursements are still expected to surpass last year's levels, supported by improved fiscal space. Overall, the higher PSDP allocation and likely increased disbursements are expected to have a positive impact on cement demand in FY26.

Tax Credit on Interest for Low-Cost Housing: The government has introduced a proportionate tax credit on loans taken for the construction or purchase of houses up to 250 square yards and apartments up to 2,000 square feet. Additionally, it plans to develop a framework to promote mortgage financing for housing. These initiatives are expected to support and boost cement demand.

Allocation of PKR 5bn Housing Subsidy and PKR 5bn Mark-Up Subsidy: The government has earmarked a total of PKR 10 billion in subsidies for the housing sector, comprising PKR 5 billion for direct housing support and PKR 5 billion for mark-up subsidies. We believe this allocation will serve as a positive catalyst for sectors such as cement.

Reduction in Advance Tax on Sale/Transfer of Immovable Property: The withholding tax on immovable property transactions has been reduced to 1.5%, 2.0%, and 2.5%—down from 4.5%, 5.0%, and 5.5%—for properties valued up to PKR 50 million, between PKR 50–100 million, and above PKR 100 million, respectively. This measure is expected to stimulate real estate activity, which in turn would have a positive impact on the construction sector and boost cement demand.

Carbon Levy of PKR 2.5/Liter on Furnace Oil: The FY26 budget proposes a carbon levy of PKR 2.5 per liter on furnace oil, with a planned increase to PKR 5.0 per liter in FY27. This development is likely to negatively impact margins for companies such as LUCK, DGKC, KOHC, and FCCL.

Sector-wise Impact – Steel

Stance
Positive
Top Picks
MUGHAL, ISL

Phased Removal of Sales Tax Exemptions in FATA/PATA Region: As anticipated in our pre-budget report, the government has proposed a phased withdrawal of sales tax exemptions for the FATA/PATA region, with rates set at 10%, 12%, 14%, and 16% for FY26, FY27, FY28, and FY29, respectively. These exemptions were originally introduced in the FY18 budget for goods produced and consumed within the region. However, due to limited local demand, products—including steel—are often sold in the Northern market at lower prices, undercutting the documented steel sector.

The FATA/PATA region has an estimated production capacity of around 1 million tons and represents approximately 20% of the Northern region demand. The removal of these exemptions would be a significant positive for listed steel companies, particularly MUGHAL.

PSDP Allocation for Water and Power Projects: Under the PSDP, PKR 133 billion has been allocated for water-related projects, including PKR 32.7 billion for Diamer Bhasha Dam, PKR 35.7 billion for Mohmand Dam, and PKR 3.2 billion for the Karachi Bulk Water Supply Project (K-IV). Increased spending on dam construction is expected to boost demand for long steel, while investment in water infrastructure could be particularly beneficial for companies like Crescent Steel (CSAP). Notably, CSAP has previously partnered with the government on the Karachi Bulk Water Supply project.

Targeted Development Spending of PKR 3.9 Trillion to Support Steel Demand: The federal and provincial PSDP allocation has been set at PKR 4.2 trillion, equivalent to 3.2% of GDP—well above the five-year average of 2.3%. While actual spending may fall short due to potential revenue shortfalls leading to cuts in development expenditure, disbursements are still expected to exceed last year's levels, supported by greater fiscal space. Overall, the higher allocation and expected increase in disbursement should have a positive impact on steel demand in FY26.

Sector-wise Impact – Banks

Increase in Tax on Interest Income from 15% to 20% for Non-Filers: This measure is expected to help the government generate an additional PKR 70–110 billion in revenue. However, it could hurt banks, as higher taxation on interest income may discourage deposits, prompting a shift toward alternative asset classes such as National Savings and Mutual Funds.

Increase in Withholding Tax on Cash Withdrawals Above PKR 50,000 for Non-Filers: The rise in withholding tax from 0.6% to 0.8% on large cash withdrawals by non-filers is likely to increase currency in circulation. While this may reduce formal banking transactions, we do not anticipate a material impact on non-interest income for banks.

Stance
Neutral
Top Picks
FABL, HBL

Sector-wise Impact – OMCs

Imposition of Petroleum Development Levy (PDL) on Furnace Oil: As part of its commitment to the IMF, the government has introduced a PDL on furnace oil, though the specific rate has not yet been disclosed. This measure is expected to have a neutral impact on Oil Marketing Companies (OMCs).

Introduction of Carbon Tax: The government has also imposed a carbon tax of PKR 2.5 per liter on petrol, diesel, and furnace oil for FY26, which will increase to PKR 5 per liter in FY27. This levy is projected to generate approximately PKR 40 billion in revenue. Despite the additional cost, we do not anticipate any significant decline in fuel volumes that would materially affect OMCs' earnings.

Stance
Neutral
Top Picks
PSO

Stance
Neutral
Top Picks
SYS

Higher Taxation under the Online/E-Commerce and Digital Presence Proceeds Tax Act 2025: The government has introduced the Digital Presence Proceeds Tax Act, 2025, targeting entities with significant digital sales in Pakistan conducted through foreign-registered companies. Under this act, a 5% tax will be levied on the invoiced amount for goods and services. Additionally, the withholding tax rate on online and e-commerce transactions has increased from 1% to 2%, and an 18% GST has been imposed on goods purchased via local e-commerce vendors. While these measures are expected to boost government revenue, they are likely to have a neutral impact on listed IT companies.

Youth Skill Development and IT Export Target of USD 25 Billion: As part of the Prime Minister's youth skill development initiative, PKR 4.3 billion has been allocated to train 161,500 students, including 56,000 in IT-related fields. The government has set an ambitious IT export target of USD 25 billion within five years. This initiative is expected to benefit listed IT firms such as SYS, AVN, NETSOL, and SYM by enhancing the availability of skilled IT talent.

No Rebate or Subsidy on Cell Phone Exports: Contrary to widespread expectations, the government has not allocated any rebates or subsidies for cell phone exports. This decision is therefore neutral to slightly negative for the sector.

5% Tax on Services Including Social Media Advertising: The government has proposed a 5% tax on services—including social media advertising—provided by entities based outside Pakistan. Since local IT firms often pay foreign vendors on behalf of their clients, this measure could negatively impact local IT companies by increasing costs that may need to be passed on to clients. It might also encourage IT companies to retain more earnings in foreign subsidiaries to reduce tax liabilities.

Sector-wise Impact – Automobile

Stance
Neutral to Negative
Top Picks
INDU, HCAR

Imposition of EV Adoption Levy Ranging from 1-3%: To encourage climate-friendly electric vehicle (EV) adoption, the government has proposed an EV Adoption Levy ranging from 1% to 3% based on engine capacity: 1% for cars under 1300cc, 2% for cars between 1300cc and 1800cc, and 3% for cars above 1800cc. Additionally, buses and trucks will be subject to a 1% levy. We expect this measure to negatively impact auto manufacturers focused on internal combustion engine (ICE) vehicles. The government could potentially raise PKR 15–20 billion from this levy.

Restriction on Purchase of Autos Above 850cc: The government has proposed introducing Section 114C in the Finance Bill, which would restrict economic transactions for non-filers, including the purchase of securities above certain thresholds and the purchase of vehicles over 850cc. This is likely to negatively affect listed auto manufacturers by reducing sales volumes.

Increase and Normalization of GST on Autos Below 850cc: GST on automobiles below 850cc has been increased from 12.5% to the standard rate of 18%. This change is expected to negatively impact small car manufacturers like Pak Suzuki (an unlisted company), while its effect on listed companies such as INDU, HCAR, and SAZEW is likely to be neutral. Notably, this GST normalization does not apply to hybrid vehicles, as indicated by the omission of serial number 72 in the Finance Bill 2025, with hybrid vehicles continuing to be protected under serial number 73.

Sector-wise Impact – Consumer and Tobacco

FED Status Quo Maintained on Cigarettes: In the FY25 budget, the Federal Excise Duty (FED) for cigarettes priced up to PKR 12,500 per 1,000 cigarettes was set at PKR 5,500 per 1,000 cigarettes, compared to a minimum threshold of PKR 9,000 per 1,000 cigarettes in FY24. Additionally, a FED of PKR 44,000 per kilogram was imposed on the undocumented tobacco sector. These measures contributed to a slight increase in volumes for the documented sector in FY25. Although an increase in FED was anticipated for FY26, the decision to maintain the current rates, along with efforts to curb smuggling and illicit trade, is expected to benefit listed companies such as PAKT and KHYT.

Bun and Rusk Now Sales Tax Exempt: Currently, a reduced GST rate of 10% applies to buns and rusk. However, the government has proposed exempting these items from sales tax, recognizing that they are primarily consumed by lower-income segments. This change is expected to be positive for Bunny's Limited (BNL), a manufacturer of buns and rusks.

Stance
Neutral

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Old rating system

Valuation Methodology

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

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

BMA CAPITAL

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Centre, Paris Road, Sialkot, Adjacent to
Sialkot Chamber of Commerce.
Tel: (052) 4260091-94

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The United Mall, Plot No. 74
Abdali Road, Multan
Tel: (061) 457 6611-15
Fax: (061) 457 6615

Sargodha Branch:
Ground floor, Shan Plaza, Block No 16,
Main Khushab Road, Near Allied Bank
Limited, Sargodha.
Tel: (048) 3767 817-18

Faisalabad Branch:
Mezzanine Floor, State Life Building #2,
Plot No. 833 Liaquat Road, Faisalabad.
Tel: (041) 2612261-5.

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Trust Plaza GT road Gujranwala.
Tel: (055) 3848501-05

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Tel: (0543) 553850, 0543-543720,0543-
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The Mall Peshawar Cantt.
Tel: (091) 5274770-72

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