Friday, June 27, 2025

Pakistan Market Recap

Fiscal Year 2025

Another stellar year as stabilization takes precedence

* Prices as of June 26, 2025

Euromoney Market Leaders Investment Banking (Notable) - 2022

Best Equity Market Consultants Pakistan 2022

Most Innovative Corporate Finance Advisory Firm - Pakistan 2022
Fastest Growing Asset Manager - Pakistan 2022

Best Brokerage House 2017
Best Brokerage House 2016 (Runner-up)
Best Analyst & Trader 2013 (Runner-up)

Sector Coverage of Bank, Insurance, Power, Macroeconomics, Small Caps, Materials
Runner Up

A new high in FY25: The KSE100 index witnessed another stellar year in Fiscal Year 2025, **gaining 56% and closing at 122k points**. We believe the ongoing rally has yet to fully reflect the improving macroeconomic fundamentals, and expect to see newer highs in 2025. With ample domestic liquidity, greater macroeconomic clarity over the medium term, and Pakistan's rising geopolitical relevance, we expect equities to remain the preferred asset class in CY25.

Economy anchored by the IMF program: Pakistan **entered a three-year, USD 7.0 billion** EFF program, building on the macroeconomic stability achieved under the SBA. The new IMF program aims to address the country's persistently low tax-to-GDP ratio by targeting inefficiencies in the agriculture, retail, and real estate sectors. It also mandates tighter control over external and fiscal imbalances, **laying the groundwork for sustainable long-term growth**. The impact of these structural reforms is already becoming evident as the Pak Rupee and external balances have stabilized, inflation has eased, and fiscal indicators remain under control. We believe the IMF will continue to serve as a vital anchor for maintaining a stable and consistent policy framework.

Market flush with liquidity: Fiscal Year 2025 was marked by increased investor participation on the domestic and international front. Notably, the Average Daily Traded Value (ADTV) **surged past the USD 100mn mark**. Gross foreign participation surged by **nearly 60% to over USD 5.0bn.** Moreover, stock turnover, increased by nearly 40% to 600 million shares. Declining treasury yields are expected to **accelerate the shift from fixed income to equities**, likely driving higher investor participation in FY26.

Economic activity showed signs of recovery: After an unprecedented reduction in the policy rate, Pakistan's economy showed early signs of economic recovery, particularly in the fourth quarter of the fiscal year. Notably, despite being in the red for three quarters, **cumulative industrial growth clocked at 4.8% for FY25**. Within the sectors, Petroleum sales recovered by 7% YoY, Automobile sales surged by nearly 40% and the construction industry grew by 7% YoY.

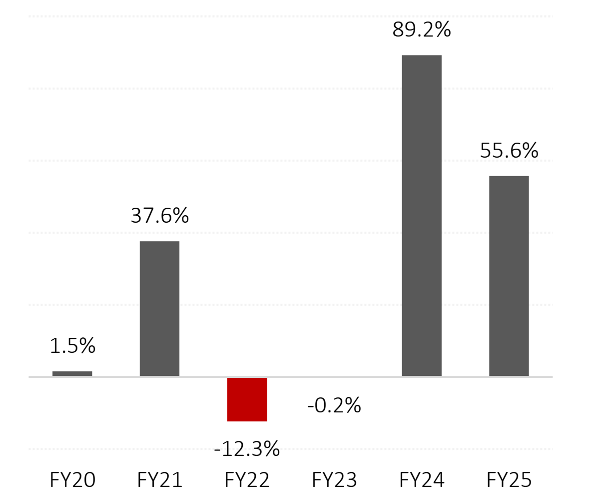
KSE100 Index Trend (FY25)

Source: PSX, BMA Research

Table of Content

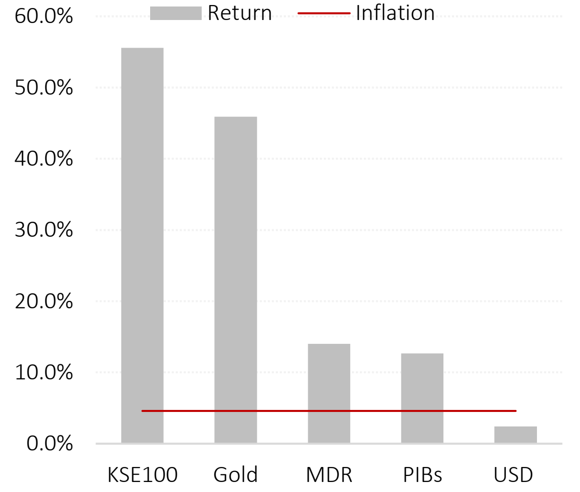
Pakistan Equity Markets Outperformed

KSE100 Index Return by Year



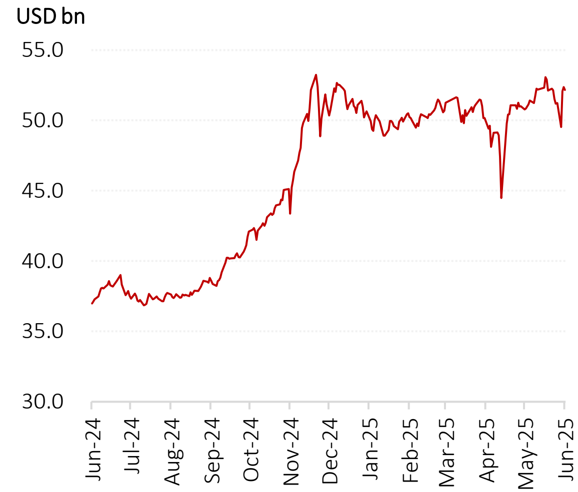
Source: PSX, BMA Research

Return Comparison (FY25)



Source: Bloomberg, PSX, BMA Research

PSX Market Capitalization



Source: PSX, BMA Research

*The KSE-100 Index delivered a stellar performance for the second-consecutive year, touching record-high levels by **recording a return of 55.6%** during FY25. These strong gains were underpinned by structural reforms focused on sustainable economic growth.*

*The KSE100 index outperformed most other asset classes, including gold, which reached record-high levels because of rising global economic volatility. The index's real return hovered above 50% and when adjusted for US dollar parity, the index's return **registered at 53.2%.***

*The PSX's market capitalization increased by **41% (in USD terms) to USD 52.2bn during FY25.** The index, however, remains 48% below peak levels of USD 100bn witnessed in FY17.*

Dissecting the Rally - Banks led the charge

Since the start of the fiscal year, the index **has rallied by 43,600 points,** benefiting from a stable macroeconomic backdrop.

The banking industry led the charge: Pakistan's banking sector, once again, emerged as the index's top performer with a **contribution of 14,052pts**. While interest rates fell and exerted pressure on the industry's NIMs, the sector garnered investor interest because of growing balance sheets and robust dividend yields.

The fertilizer industry followed: Despite weakening agriculture economics, the second-best-performing sector emerged as the fertilizer industry with a contribution of **9,209 points**. Like banks, the fertilizer industry garnered investors' attention because of the healthy cash yields it offered.

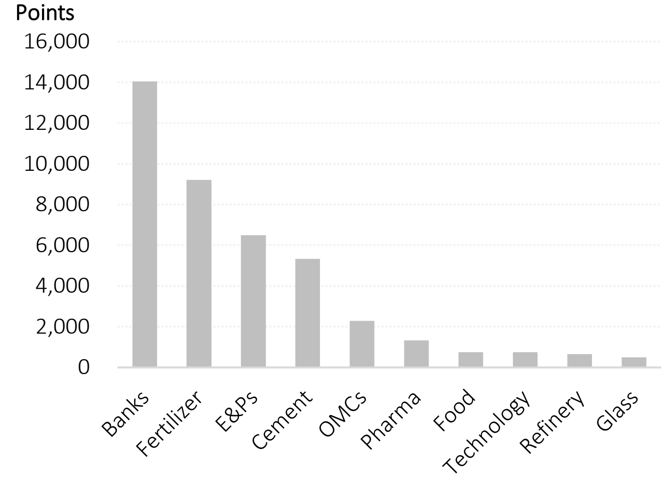
E&Ps benefited from improving cash flows: The oil & gas production companies also outperformed with a **contribution of 6,487 points.** The second benefited from improving cash flows after the sharp rise in domestic gas prices. Moreover, talks made rounds on the potential clearance of outstanding circular debt, creating expectations of large one-off cash payouts.

Cement sector rallied on improving fundamentals: The cement industry **contributed 5,336 points** during the year, benefiting from improving fundamentals, including lower interest rates, falling coal prices, and increasing primary margins.

FFC led the rally: Fauji Fertilizers (FFC) was the top-performing stock in FY25, with a **contribution of 5,897 points**. The stock benefited from its robust yield and merger with its subsidiary, FFBL.

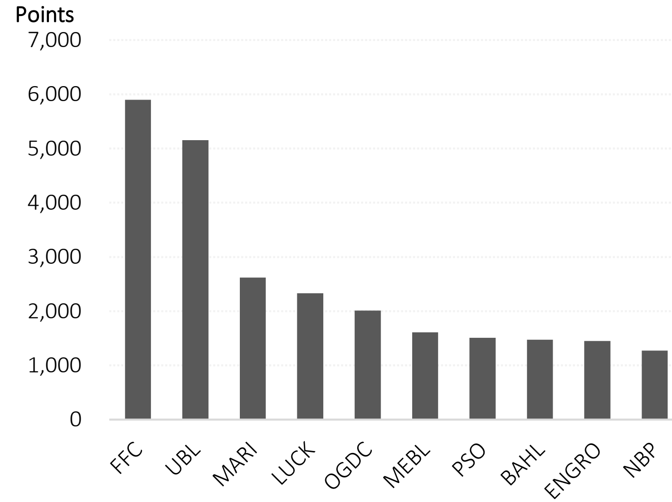
UBL also outperformed: UBL also outperformed the market with a **contribution of 5,151 points.** The stock's performance benefited from rising NIMs as the bank capitalized on falling interest rates by leveraging its balance sheet with treasury securities. Moreover, the stock has seen sponsor activity, reinforcing investor confidence in the stock's outlook.

Best-performing Sectors



Source: PSX, BMA Research

Best-performing Stocks



Source: PSX, BMA Research

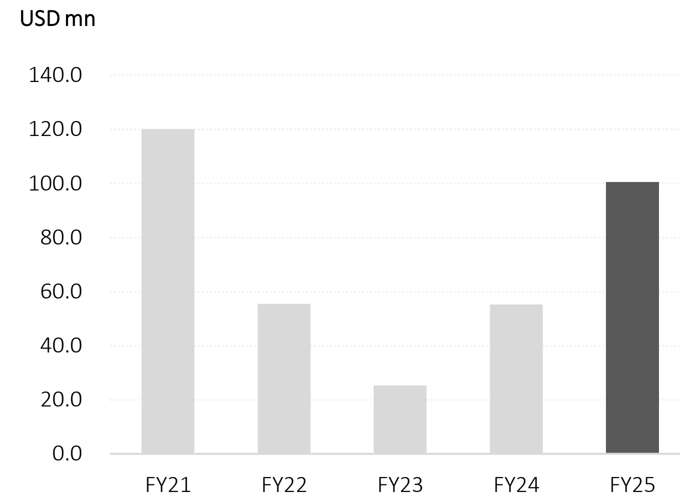
Investor activity increases

ADTV crosses the USD 100mn mark: The average daily traded value crossed the **USD 100mn mark** during FY25, compared to around USD 55mn during FY24. Increased investor participation stemmed from lower treasury yields, compelling many to switch over to equities for higher returns. Moreover, a stable macroeconomic backdrop generated anticipation for a potential market re-rating. Despite a sharp recovery, the ADTV remained below FY21 levels of USD 120mn.

Market volumes saw a significant uptick: The market volumes for the PSX market saw a considerable rise, increasing to an **average daily turnover of around 630mn shares** in FY25 compared to 461mn shares in FY24.

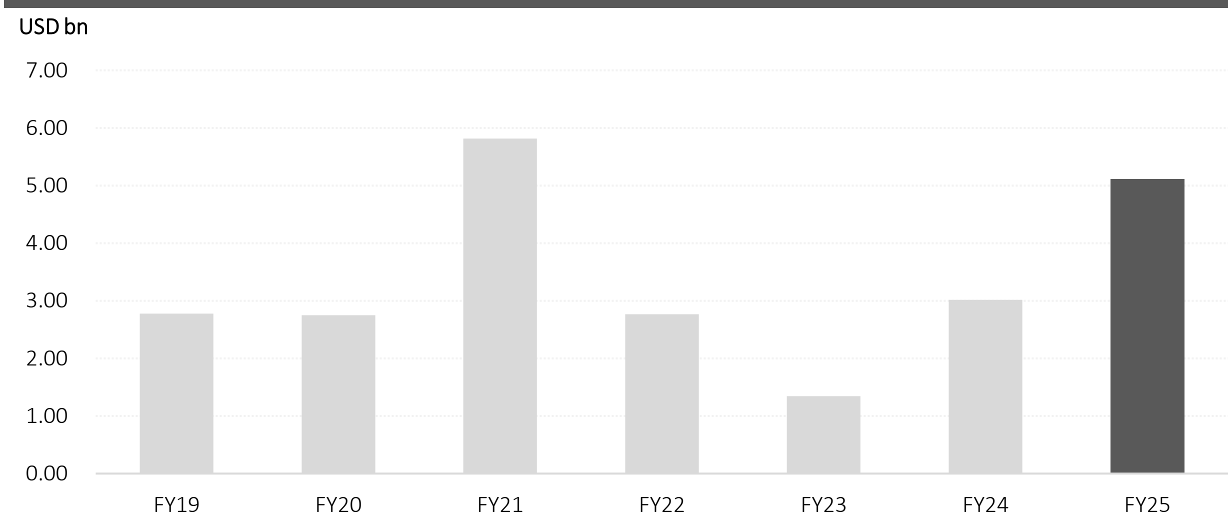
Market volumes saw a significant uptick: Gross foreign activity also picked pace as foreign investors recorded a traded value of USD 5.1bn during the fiscal year, compared to USD 3.0bn in FY24. Despite the increase, this figure remains fellow FY21's gross figure of USD 5.8bn.

ADTV by Year (PSX)



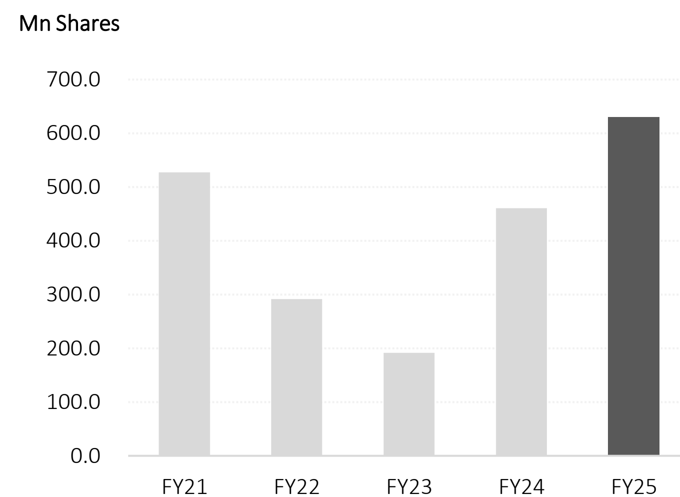
Source: PSX, BMA Research

Gross foreign participation (PSX)



Source: NCCPL, BMA Research

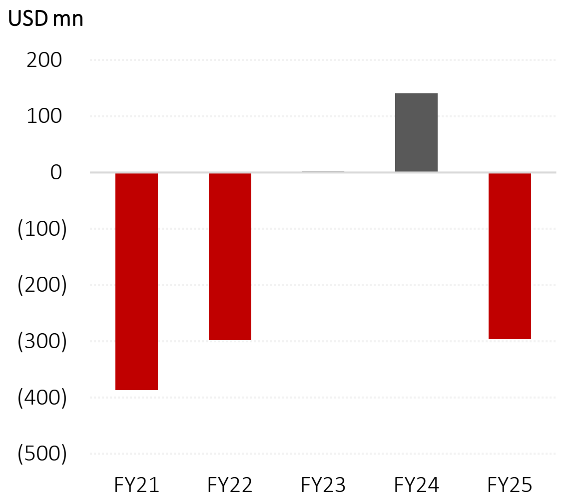
Average daily volumes by year (PSX)



Source: PSX, BMA Research

Foreign investors turned net sellers

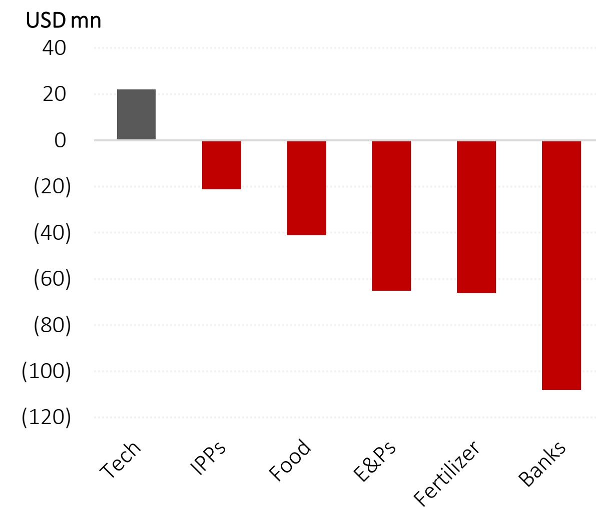
Net FIPI flows



Source: NCCPl, BMA Research

*Foreign investors turned net sellers during FY25, **offloading USD 296mn** worth of equities. This sell-off is in sharp contrast to net purchases of USD 141mn in FY24. We think the sell-off was likely triggered by realizing profits after the index's rally and likely anticipation of currency weakness to avoid exchange losses.*

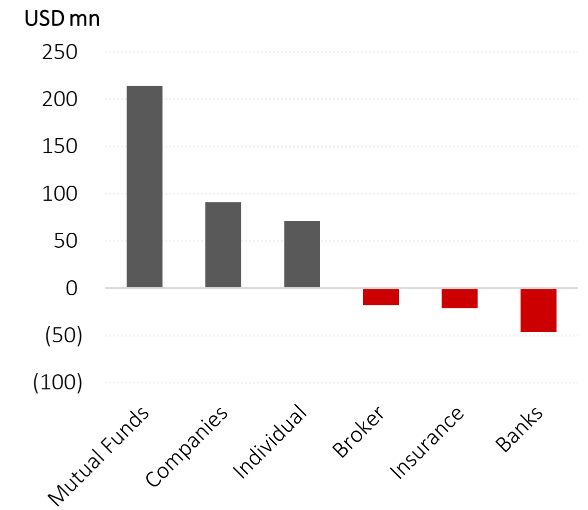
Sector-wise Flows



Source: NCCPL, BMA Research

*Foreign investors offloaded index heavyweights Banks (USD 108mn), Fertilizer (USD 66mn) and E&Ps (USD 65mn). The investors, however, were **net buyers in technology stocks (USD 22mn).***

Local Investor Flows (ex-BNB)

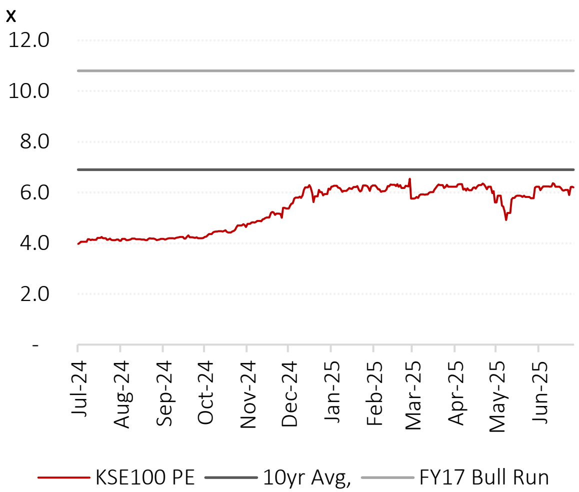


Source: NCCPL, BMA Research

*Not counting the BNB market, mutual funds were the largest buyers in FY25, **building positions worth USD 214mn.** Likely conversions from fixed income securities to equities after the unprecedent fall in the policy rate triggered the purchases. Banks were the largest sellers, offloading position worth USD 46mn during the year.*

Still room for growth as valuations remain attractive

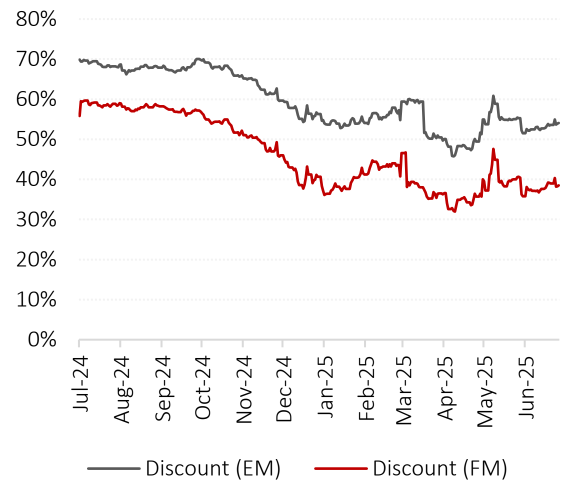
PE Multiple (KSE100)



Source: Bloomberg, BMA Research

*While the **KSE100 index's PE multiple has improved to 6.1x** from around 4.0x at the start of the year, we think the index still has upside potential. The index multiple stands at a 12% discount to its 10-year historical average and a 44% discount to market multiples seen during FY17's bull run.*

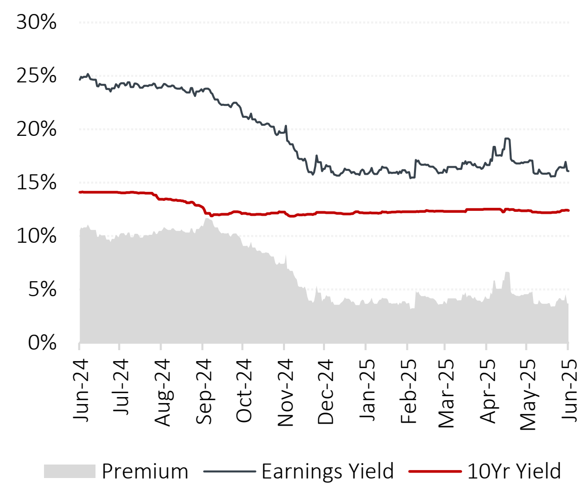
Discount to regional Indices



Source: Bloomberg, PSX, BMA Research

*Despite the index's rally, the KSE100 index trades at significant discount to regional multiples. The index is trading at a **38% discount to the MSCI FM** index and a **54% discount to the MSCI EM index.** At its peak, the index traded at a 10% premium to the MSCI FM Index.*

Earnings Yield vs. 10 –year yield



Source: Bloomberg, SBP,, BMA Research

*After the index's rally, the KSE100 index's earning yield premium over the **10-year yield has shrunk from around 10% at the start of the year to 4%.** Historically, this figure has traded around 2%, implying room for upside.*

Major Developments in Fiscal Year 2025

Event	Impact
Pakistan and IMF enter a **USD 7.0bn, 37-month** EFF	Pakistan entered the **IMF's USD 7.0bn extended fund facility (EFF)** at the start of the fiscal year, building upon the structural reforms introduced during the previous USD 3.0bn Stand-by Arrangement (SBA). The EFF focused on sustainable growth through fiscal reforms, including focus on expanding the country's low tax-to-GDP ratio.
Tariff wars instigated by the Trump Administration	The Trump Administration instigated a tariff war with its trading partners to improve the USA's trade balance. Under initial estimates, Pakistan was liable for a 29% reciprocal tariff on its exports to the US markets. In FY25, the US will be Pakistan's largest export market with **receipts of USD 6.0bn (~18% of total exports).** While tariff imposition was temporarily deferred, Pakistan
Monetary easing in full force	Pakistan's central bank accelerated the monetary easing cycle, cumulatively **reducing the policy rate by 950bps to 11.0%.** The easing cycle was driven by a sharp decline in inflation. In FY25, CPI inflation will likely average under 5.0%, considerable below FY24's average of 23.9%. Moreover, the current account (CA) balance will **likely record a surplus of around USD 2.0bn in FY25**, against a deficit of around USD 2.1bn.
Geopolitics took center stage	Geopolitics took center stage in FY25, led by Israel-Palestine conflict. Moreover, Pakistan's relation with India worsened after a terror attack in Kashmir, leading to cross-border conflicts between the two countries. Most recently, the **Israel-Iran conflict escalated**, culminating in the US's involvement. This escalation resulted in a **sharp rise in global oil prices**, creating concerns about potential implications on Pakistan's import bill. The two recent conflicts ended in a ceasefire, with the PSX rebounding quickly after its initial volatile spell.
Circular debt payment of **PkR 1.275tn approved**	With IMF's blessings, the federal government approved restructuring the power sector's circular debt with an injection of PkR 1.275tn. The government borrowed the amount from commercial banks below the prevalent lending rate.

What to Expect in Fiscal Year 2026

Event	Impact
Circular debt clearance will remain a priority	We think **circular debt control** will remain a priority of Pakistan under the IMF program. While the PkR 1.275tn transaction will clear a portion of the power sector's circular debt, we think the gas sector's circular debt will be kept in check through timely price revisions. Moreover, we also anticipate a higher frequence of tariff revisions for the power and gas sector to ensure minimal build-up of receivables.
Increasing geo-strategic importance of Pakistan	Given the recent spell of geopolitical volatility, particularly in The Middle Eastern and South Asian region, we think **Pakistan's importance on the geostrategic landscape has increased**. We think Pakistan will be used by Global Powers to ensure regional stability, likely benefitting from improve bilateral relations.
Asset shifting towards equities may accelerate	We think FY26 will be marked by significant asset shifting towards equities. The taxation benefits of investing in equities, coupled with the falling fixed-income yields, may make **equities the go to investment** for investors during the fiscal year.
The privatization process may expedite	The federal government may kickstart the privatization process with the sale of Pakistan International Airlines (PIA). The goal would be to liquidate all loss-making SOEs through internal restructuring. Notably, **over 50 government-owned entities** have been earmarked for sale in four years. The process will remove the fiscal burden on the government and generate a revenue stream.
The **agriculture sector** may become a priority	We believe the revitalization of Pakistan's agriculture sector will become a priority given the tough circumstances the sector is going through. We can **anticipate agriculture support schemes**, particularly from provincial governments, to support farmer productivity.

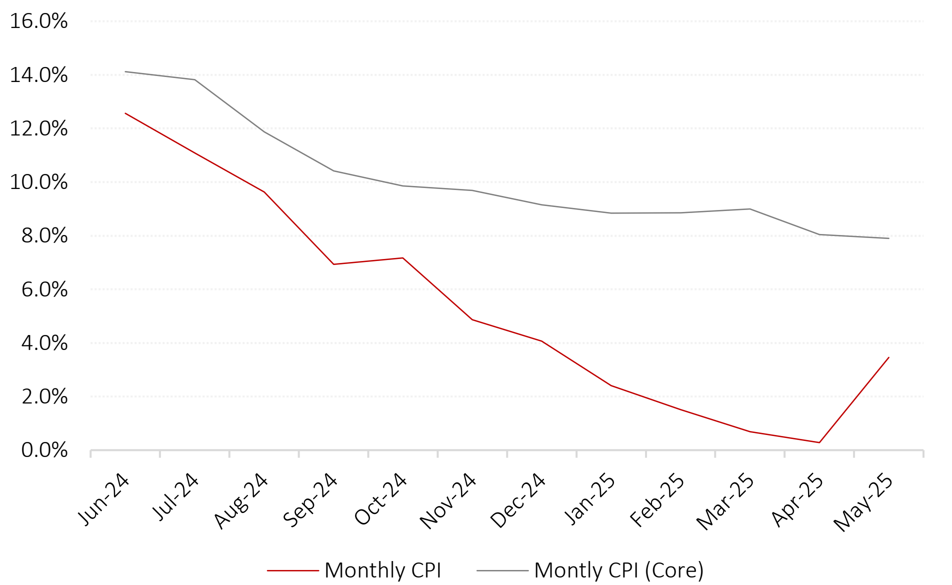
CPI Inflation reaches record-low levels

CPI Inflation touched record-low levels in FY25: Pakistan's CPI inflation saw record-low levels in FY25, particularly April 2025's figures, which registered at 0.4%. Moreover, average inflation for FY25 is likely to register at 4.7% compared to 23.9% in FY24. Improvements stemmed from previous year's high base, a stable Pak Rupee, improve commodity supply, particularly the from the Agriculture sector.

Core inflation relatively stickier albeit slowing: Core inflation levels have shown stickiness, hovering around 8.0% during recent months. This figure, however, has shown marked improvement from around 14% a year prior.

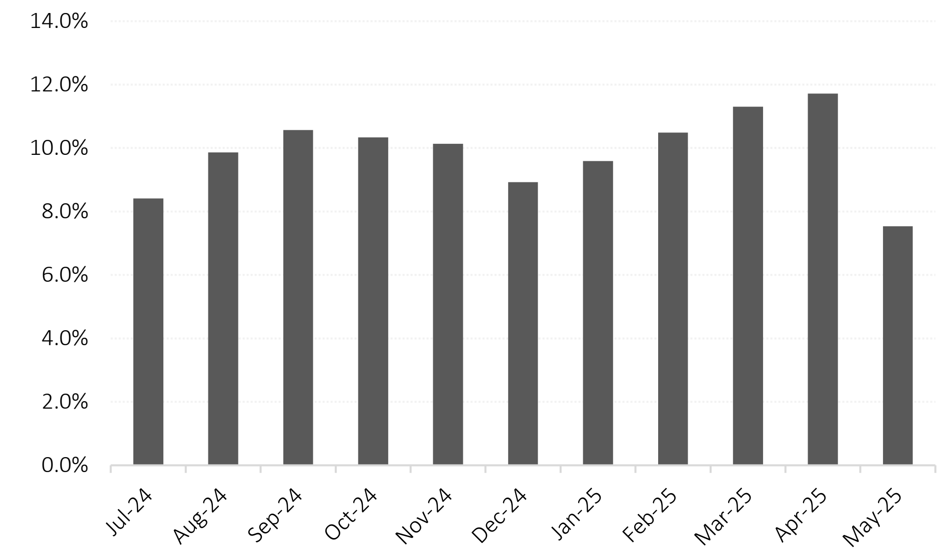
Real rates highly positive: Despite the record cut in the policy rate (down 950bps during the year), real interest rates continue to remain highly positive because of the disinflationary trend. May 2025's recovery in inflation reduced the real interest rates to around 8% compared to 12% a month prior. The central bank justified high real rates to a volatile geopolitical landscape, potential inflationary developments, including the recent currency weakness, and budgetary measures to push import volumes.

Inflation Trend (FY25)



Source: PBS, BMA Research

Real Rates Trend (FY25)



Source: PBS, BMA Research

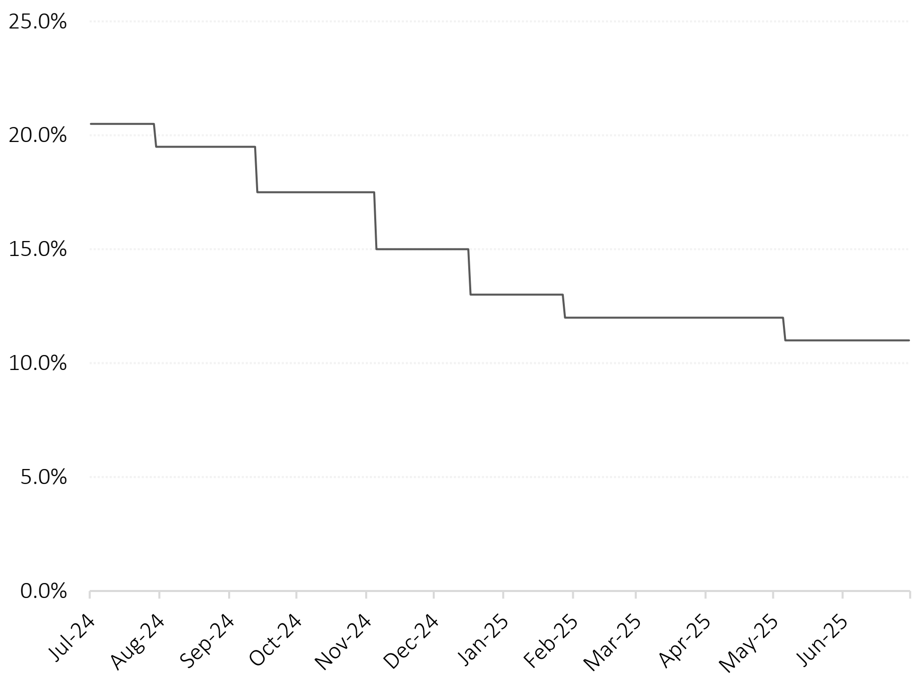
Record decline in interest rates

Policy rate reduced by 950bps: Given controlled external accounts and a record fall in CPI inflation, the central bank reduced the policy rate by 950bps to 11.0%. Notably, in the recent policy meeting, the SBP withheld further cuts because of the volatile geopolitical climate. We think after the recent cease fires, a potential cut will likely be back on the table in FY26.

Yield curve no longer inverted: The yield curve in no longer inverted with longer-tenor yields around 100bps higher than short-term yields. Short-term yields have settled after the recent ceasefire and are hovering around the policy rate (11%).

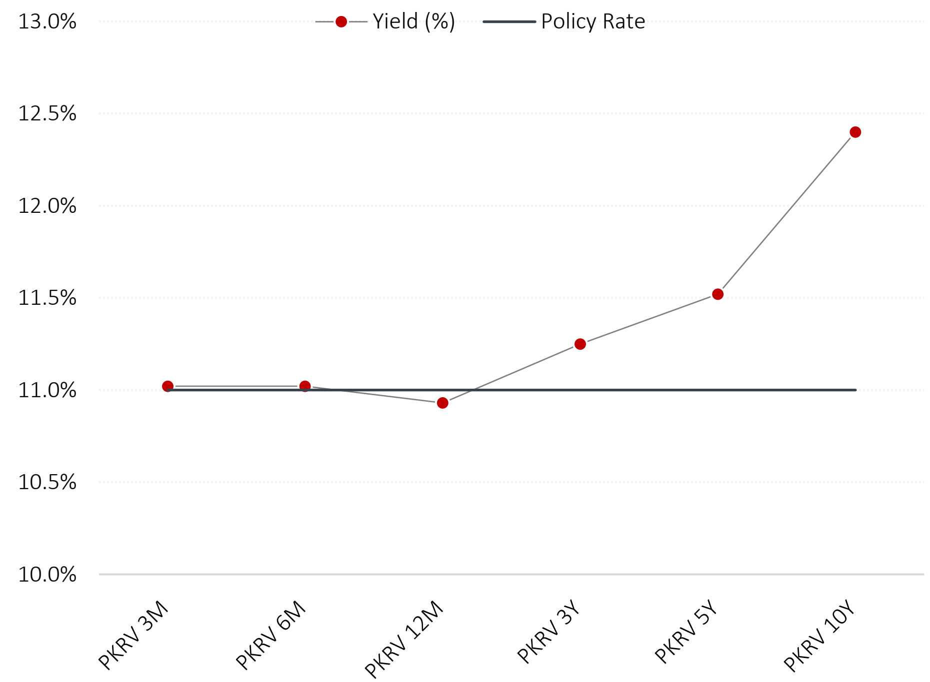
Lending rates fall in tandem: Local lending rates have followed suit and as the 6-month KIBOR has declined from 20% at the start of the fiscal year to current level of around 11%, presently.

Policy Rate Trend (FY25)



Source: SBP, BMA Research

Yield Curve (June 2025)



Source: SBP, BMA Research

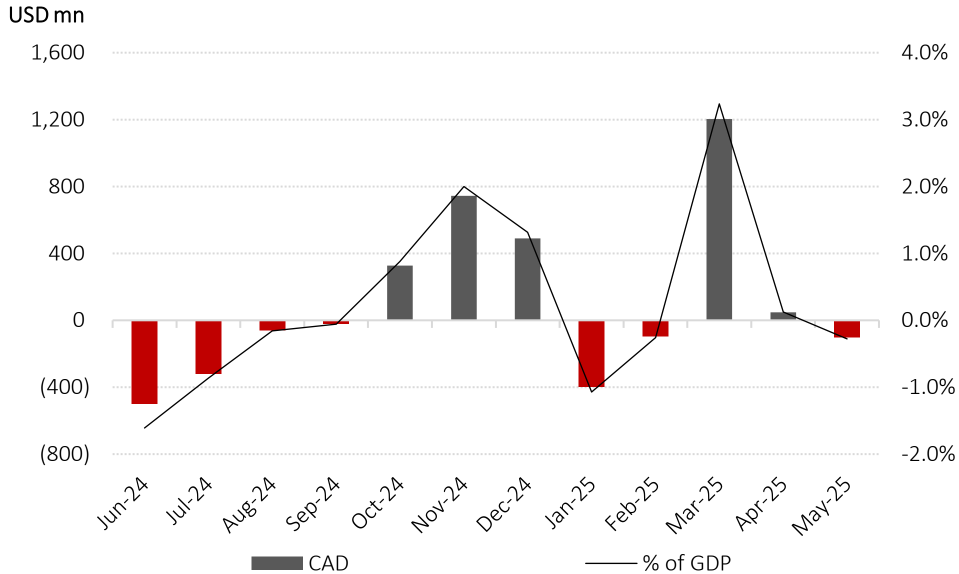
First CA Surplus likely since FY11

A current account surplus of around USD 1.5bn in FY25: Pakistan's economy is likely to record its first current account surplus since FY11, posting a positive balance of around USD 1.5bn in FY25. Despite rising economic activity during 11MFY25, which saw imports rise by 11% YoY (USD 54.0bn), the trade deficit rise by 23% (USD 24.5bn) and the services deficit increase by 17% (USD 2.8bn), the CA balance improved because of a 29% YoY increase in worker's remittances (USD 35.0bn).

Trade balance increased by 23% YoY: Pakistan's trade balance saw an increase of 23% YoY, led by a 12% YoY increase in imports to USD 54bn during 11MFY25. Import growth stemmed from increasing economic activity after the record decline in the policy rate. Moreover, a stable Pak Rupee also supported import demand during the year.

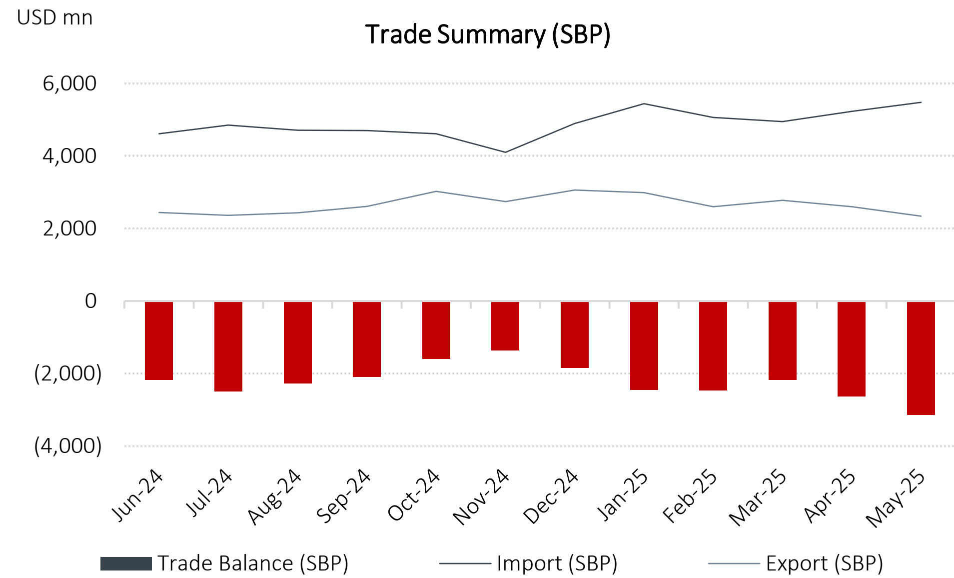
Worker's remittances surge by 29% YoY: Pakistan's workers remittance inflows surged by around 29% to USD 35bn during 11MFY25 and are slated to cross the USD 38bn mark by the end of the fiscal year.

CA Balance Trend (FY25)



Source: SBP, BMA Research

Trade Deficit Trend (FY25)



Source: SBP, BMA Research

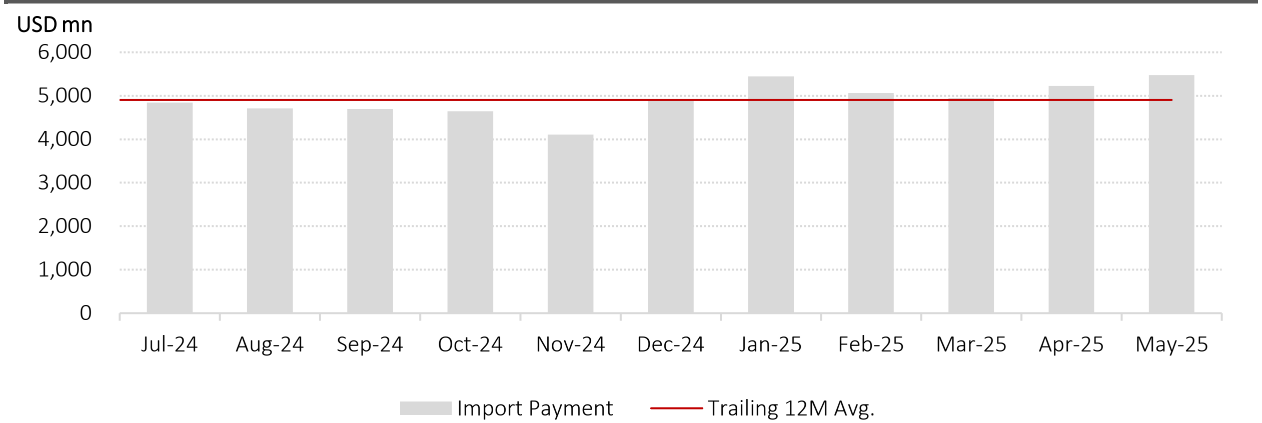
Energy purchases led Pakistan's import bill

As mentioned, Pakistan's import bill saw an increase of 11% YoY to USD 54bn during 11MFY25 and is likely to hover around USD 60bn by the end of FY25. Import growth stemmed from increased economic activity and a stable Pak Rupee.

China remains Pakistan's biggest import market: During FY25 to date, China was Pakistan's biggest import market with an import share of 28% (USD 14.9bn). Pakistan uses Chinese market for a large variety of goods, including chemicals, metal, electronics, and textile products. China was followed by the UAE, Saudi Arabia and Qatar with an import share of 14%, 6% and 6%, respectively. Pakistan used the GCC market for energy imports with Qatar being utilized for importing RLNG. The Indonesian marker (share: 5%) was primarily used for Palm Oil imports.

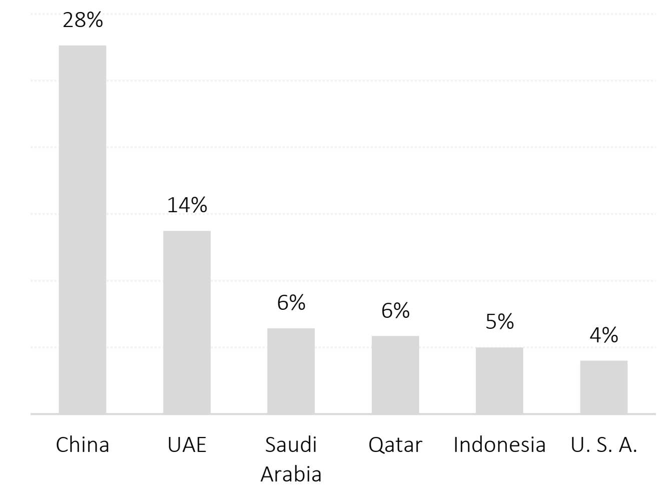
Energy Imports led Pakistan's import bill: Energy imports constituted 28% of Pakistan's import bill or USD 15bn during 11MFY25. These imports are likely to hover around USD 16.5bn by the end of FY25. Notably, the volumetric growth of crude oil registered at 14% with imports of 9.4mn MT of the commodity. Volumetric growth of refined fuel registered at 6% with imports of 9.74mn MT in 11MFY25. Lower oil prices, however, caused the energy import bill remain relatively stable.

Import Trend (FY25)



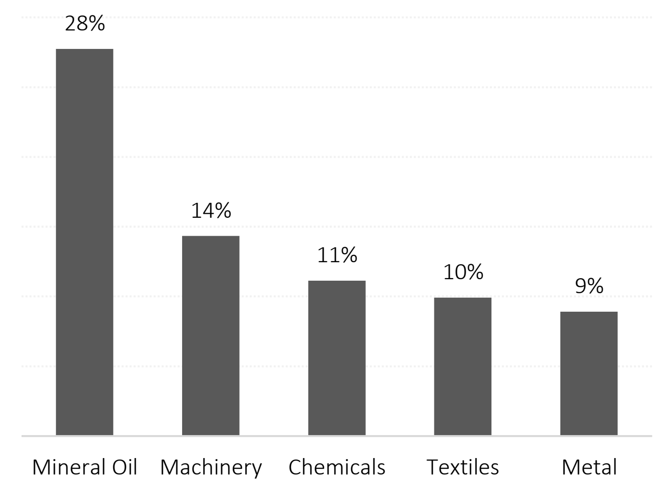
Source: SBP, BMA Research

Import Share by Country (FY25)



Source: SBP, BMA Research

Import Share by Category (FY25)



Source: SBP, BMA Research

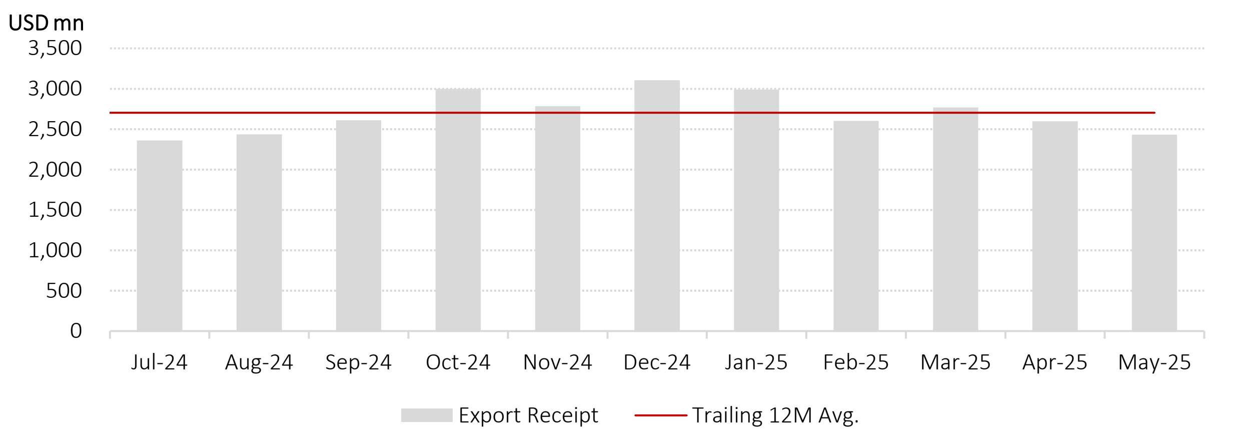
Textile receipts led Pakistan's exports

Pakistan's export receipts increased by 3% YoY to USD 29bn during 11MFY25 and is likely to hover around USD 31.5bn by the end of FY25. Exports stagnated because of a stronger Pak Rupee and the withdrawal of export-based incentives, including energy subsidies and preferential interest rates.

The US was Pakistan's biggest export market: During FY25 to date, the USA was Pakistan's biggest export market with an export share of 19% (USD 5.5bn). Pakistan primarily exports textile products to the American market. The US was followed by the China, UK and UAE with an import share of 8%, 7% and 7%, respectively.

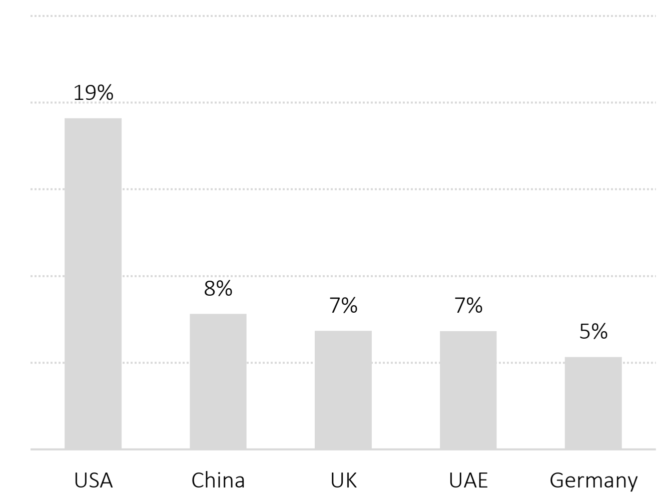
Textile receipts led Pakistan's exports: Textile products continued to dominate Pakistan's export receipts with a share of 55%. In 11MFY25, export receipts in the category summed to around 16bn and are expected to hover around USD 17.5bn in FY25. Food and Vegetable exports constituted around 20% of the country's export receipts. Notably, rice exports touched USD 3.2bn during the fiscal year. Moreover, oil exports have also increased with a share of 6%. Driven by low demand, Pakistan's refinery sector has been compelled to export excess furnace oil to manage its inventory levels.

Export Trend (FY25)



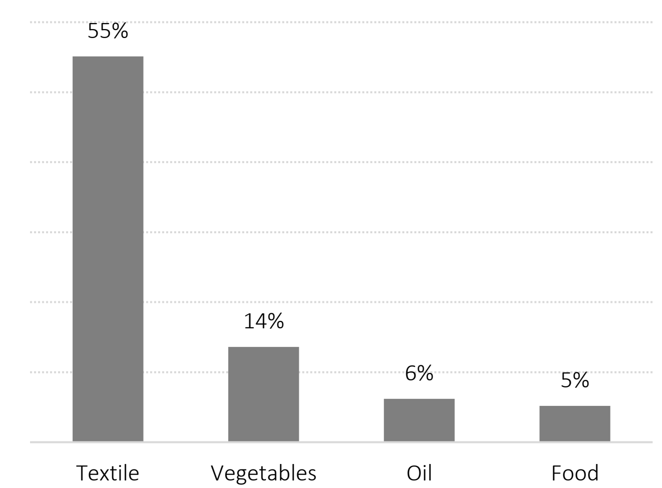
Source: SBP, BMA Research

Export Share by Country (FY25)



Source: SBP, BMA Research

Export Share by Category (FY25)



Source: SBP, BMA Research

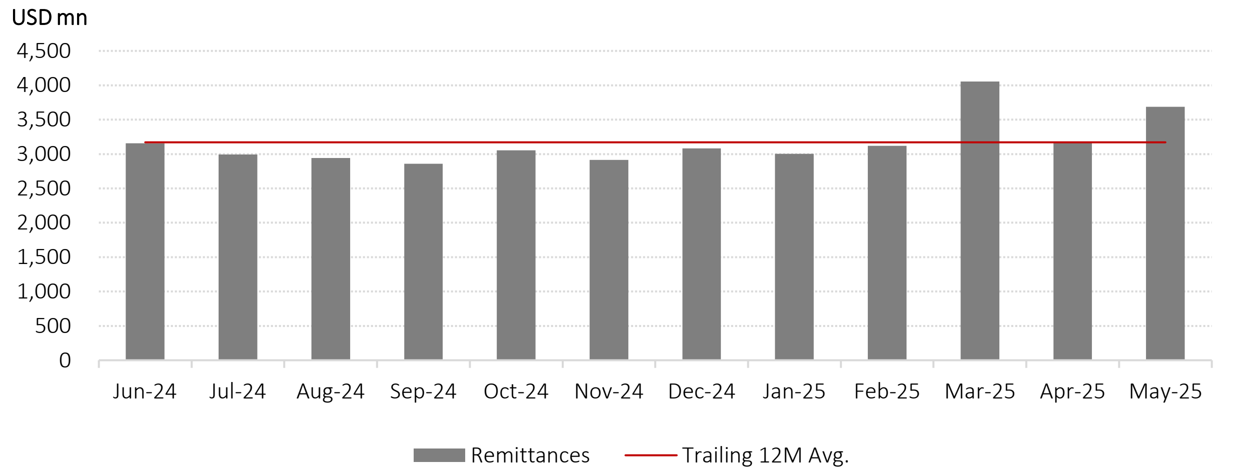
Remittances reach record-high levels

Pakistan remittance inflows reached record-high levels of around USD 35bn (+29% YoY) during 11MFY25 and are likely to hover around USD 38bn by the end of FY25. Stellar growth stemmed from converging differences between the interbank and grey market conversion rates. Moreover, a rising number of expatriates further contributed towards the inflow's growth. It was estimated that **around 0.6mn to 0.8mn Pakistanis** move abroad each year.

The GCC responsible for 55% of Pakistan's remittance inflows: The **GCC region has been responsible for around 55%** of Pakistan's remittances inflows, driven by the increasing number of Pakistani expatriates. Within the region, Saudi Arabia was the largest contributor with inflows of around USD 8.5bn. The largest increase was seen in inflows from the UAE with a growth of 46% YoY to USD 7.1bn.

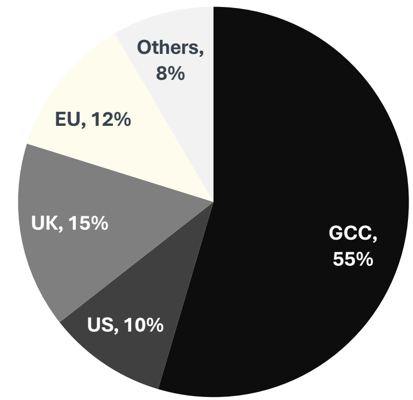
Remittances touch record levels: Given the record-high level of remittance inflows during the fiscal year, certain months peaked at unprecedented levels. Notably, March 2025 saw inflows cross the USD 4.0bn mark for the first time. Moreover, May 2025's figures also touched an impressive USD 3.7bn.

Remittance Trend (FY25)



Source: SBP, BMA Research

Remittance Share by Region (FY25)



Source: SBP, BMA Research

GDP Growth increased to 2.7%

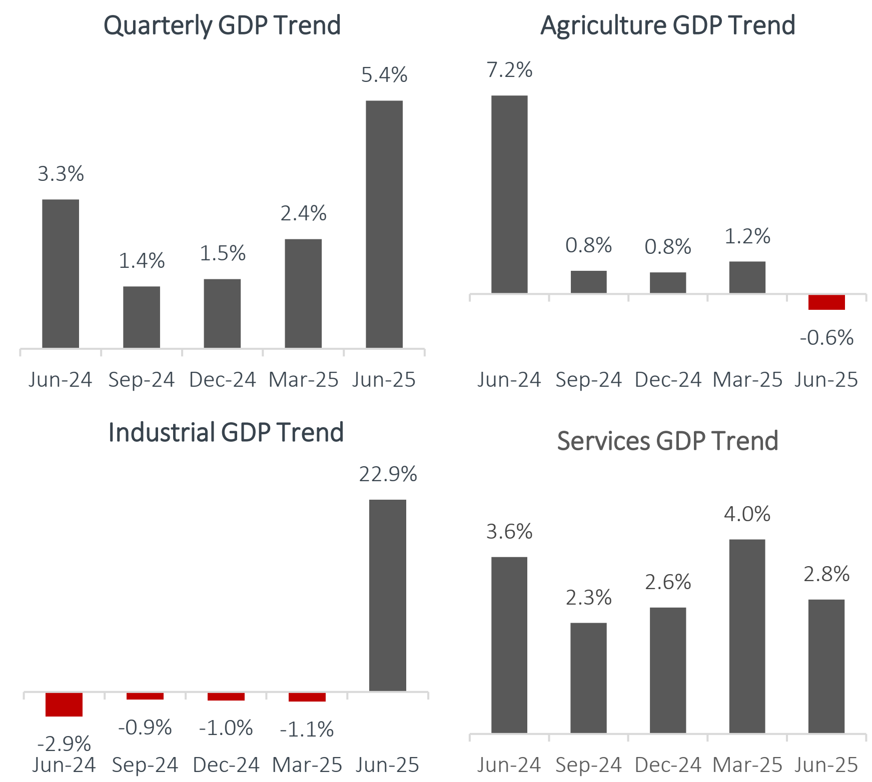
Pakistan's GDP recorded a growth of 2.7% YoY in FY25: Pakistan's GDP growth rate registered at 2.68% during FY25 compared to 2.5% during FY24. The bulk of the growth was primarily witnessed in the 4th quarter, albeit the estimates were based on provisional figures.

Agriculture growth slowed down to 0.6%: Pakistan's agriculture growth **slowed down to 0.6% in FY25** compared to 6.4% in FY24. The slowdown stemmed from weak agriculture economics, driven by a sharp decline in agri-commodity prices and record-high increase in input costs. Notably, under the IMF program, wheat support prices were withdrawn, causing farmers to record considerably low margins on their wheat harvest.

Industrial sector growth recovered to 4.8%: Pakistan industrial sector recovered to 4.8% during FY25 as against a fall of 1.4% in FY24. Based on initial estimates, the industrial sector recorded negative growth of around 1.0% during the first nine months of the fiscal year. However, adjustments resulted in an estimated growth of 23% during the 4th quarter, causing the industrial sector to recover.

The services sector growth hovered around 2.9%: Pakistan's services sector recorded a growth of 2.9% during FY25 compared to 2.2% in FY24. Even through the retail segment was largely stagnant (+0.1%), the sector found support from IT services (+6.5% YoY), Education (+4.4% YoY) and Real Estate (+3.8% YoY).

GDP Growth Trend (FY25)



Source: SBP, BMA Research

Fiscal Deficit Improved to 5.6% of GDP

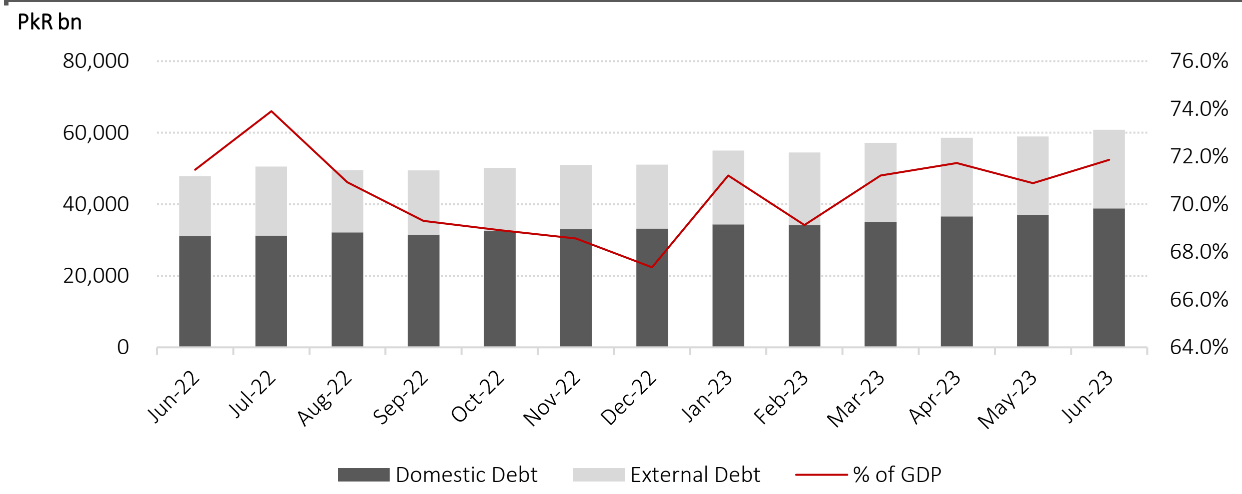
Fiscal Deficit improved to 5.6% of GDP: Pakistan fiscal deficit declined to 5.6% of GDP during FY25 compared with 6.8% during FY24. The improvement stemmed from higher revenue collection and controlled expenditures.

Second-consecutive primary surplus in FY25: Pakistan recorded its second-consecutive primary surplus in FY25, registering around PkR 2.5tn or 2.2% of GDP. In FY24, this figure hovered around PkR 950bn or 0.9% of GDP. The IMF has continuously stressed fiscal discipline, leading to a higher primary figure.

Development expenditure revised to limit fiscal spending: Pakistan recorded its second-consecutive primary surplus in FY25, registering around PkR 1,715bn, around PkR 300bn below budgeted estimates. Moreover, the budgeted federal PSDP was revised down by PkR 300bn to PkR 1.1tn.

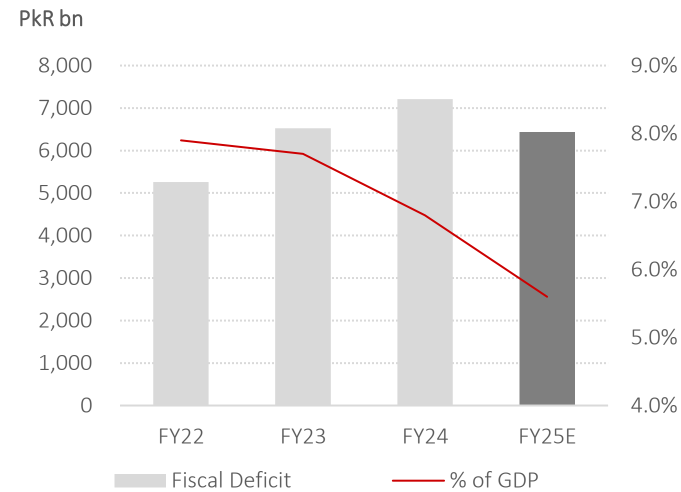
Improving fiscal position keeping a check on government debt: Pakistan's debt position has improved considerably over the past two years because of improving fiscal position. Notably, outstanding debt stands at around 61% of GDP, an improvement from 72%.

Central government debt trend (FY25)



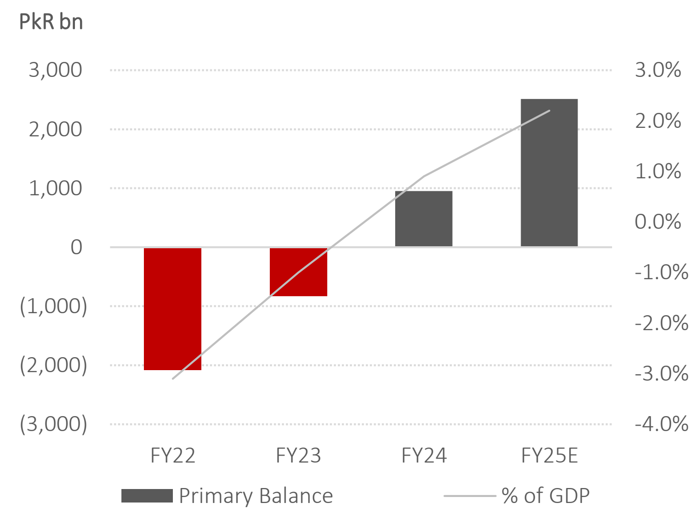
Source: SBP, BMA Research

Pakistan Fiscal Deficit Trend



Source: MoF, BMA Research

Pakistan Primary Balance Trend

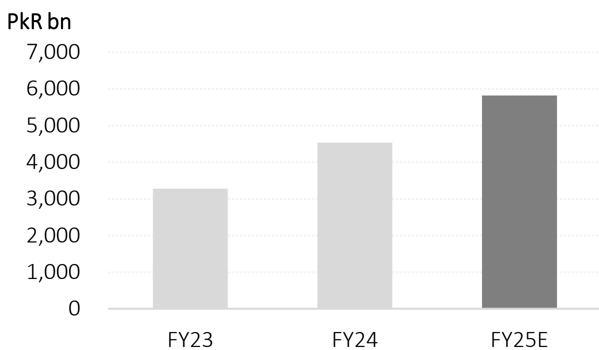


Source: SBP, BMA Research

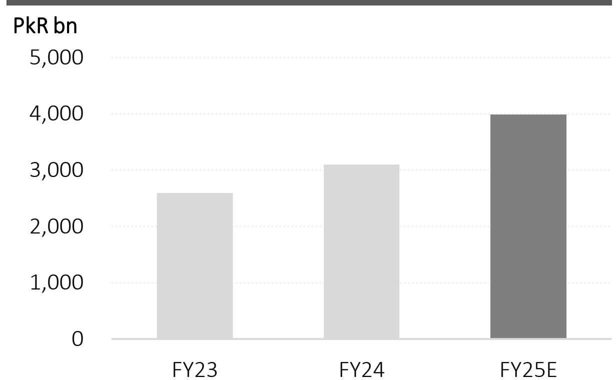
Real taxation growth of 23.0% (10.6% of GDP)

FBR's tax collection grew by 29% YoY: Based on provisional estimates, FBR's tax collection grew by 28% YoY to PkR 11,900bn (10.6% of GDP) during FY25. This figure implies a real growth of 23% YoY. Notably, direct taxation grew by 29% YoY, outpacing projections because of a higher-than-expected corporate profitability. Sales tax collection grew by 29% YoY to PkR 3,984bn during the fiscal year, underperforming projections because of lower-than-anticipated inflation and trade activity. Notably, direct taxation was around 50% of total collection during the year.

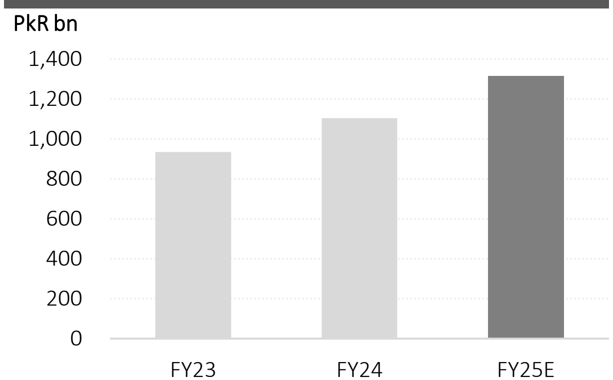
Direct Taxation



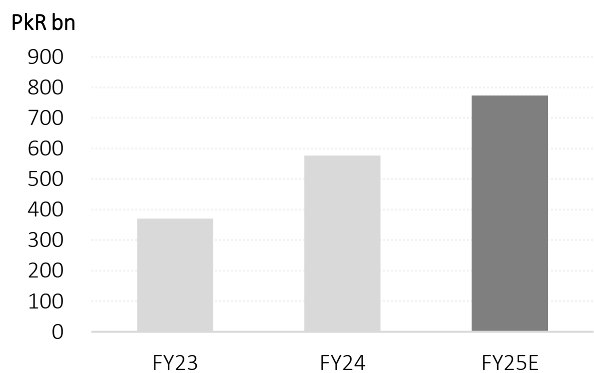
Sales Tax



Custom Duty

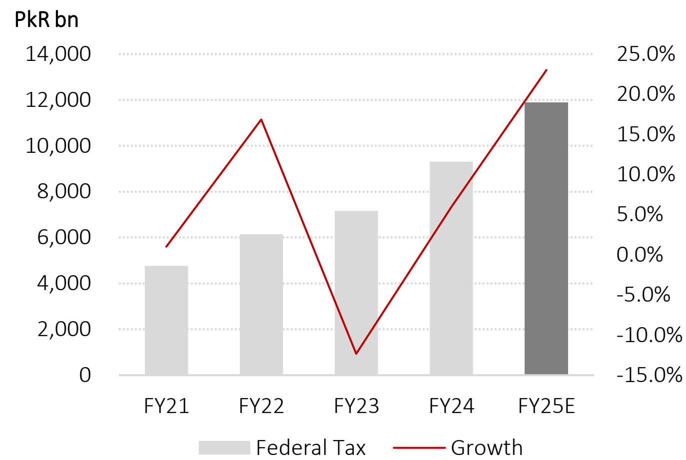


Federal Excise Duty (FED)



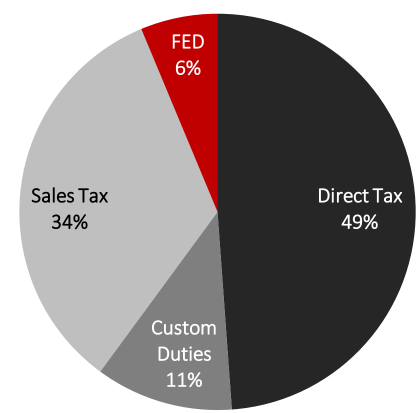
Source: MoF, BMA Research

Real Revenue Growth



Source: MoF, BMA Research

Taxation Break-up (FY25)



Source: MoF, BMA Research

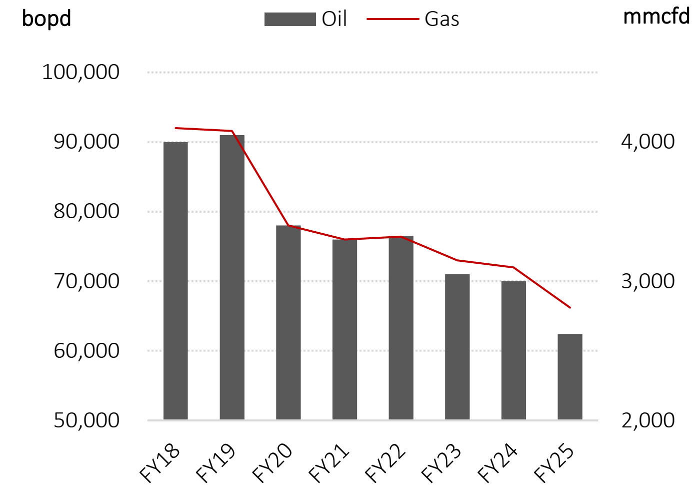
Oil production continues to decline

Continuous decline in production levels: Domestic oil production has been consistently declining over the past six years. Notably, oil production levels fell to around 62k bopd during FY25, currently hovering around 54k bopd. Moreover, gas production levels have fallen below the 3,000mmcfd mark, down from over 4,000mmcfd in FY19. Moreover, current gas production levels hover around 2,700mmcfd. The decline can be attributed to forced curtailment because of excess RLNG supply. Given low demand from RLNG plants, RLNG supply is being diverted towards domestic consumers, compelling the local energy industry to curtail production to manage pipeline supply.

Heightened volatility in the global oil market: Global oil prices experienced heightened volatility during FY25 for several factors. Firstly, the Trump administrations planned tariffs created concerns on the possible reduction in global economic activity, affecting potential demand of oil. Moreover, OPEC countries also expedited their supply ramp-up plan, further exerting pressure on oil markets. Geopolitical volatility, particularly the conflict escalation between Israel and Iran, created concerns on the potential disruption of global trade routes, causing oil prices to spike. Oil prices, however, settled soon after a ceasefire was announced.

Cash collections continue to remain strong while risks remain: The sharp increase in domestic gas prices have improved the cash collection of energy production companies. The cumulative increase in gas-based receivable for E&P companies stood at PkR 35bn during 9MFY25. In contrast, this figure stood at around PkR 210bn during 9MFY24. Risks to cash flows, however, may emanate from potential diversion of RLNG to the domestic sector amidst reduced demand from RLNG plants and the corporate sector.

Energy Production Trend



Source: PPIS, BMA Research

Global Oil Prices (FY25)

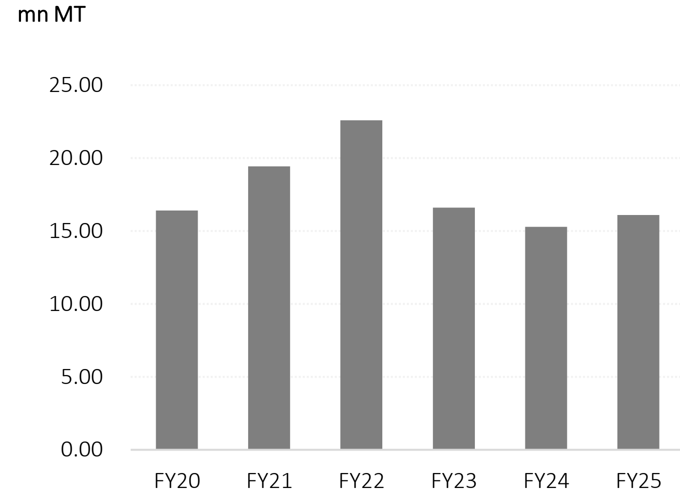
Source: Bloomberg, BMA Research

OMC sales recover in FY25

Total OMC sales to recover in FY25: We anticipate total OMC sales to recover in FY25, driven by an increase in automobile sales, stable petroleum prices and a recovery in economic activity. Notably, HSD sales will likely grow by 10% YoY to around 7.0mn MT during FY25 because of increased economic activity and a curb on smuggled diesel from Iran. MS sales will likely rise by 7% YoY to around 7.5mn MT, finding support from increased PV sales. FO sales, however, are likely to dip by 28% YoY to around 750kT because of reduced demand from power plants.

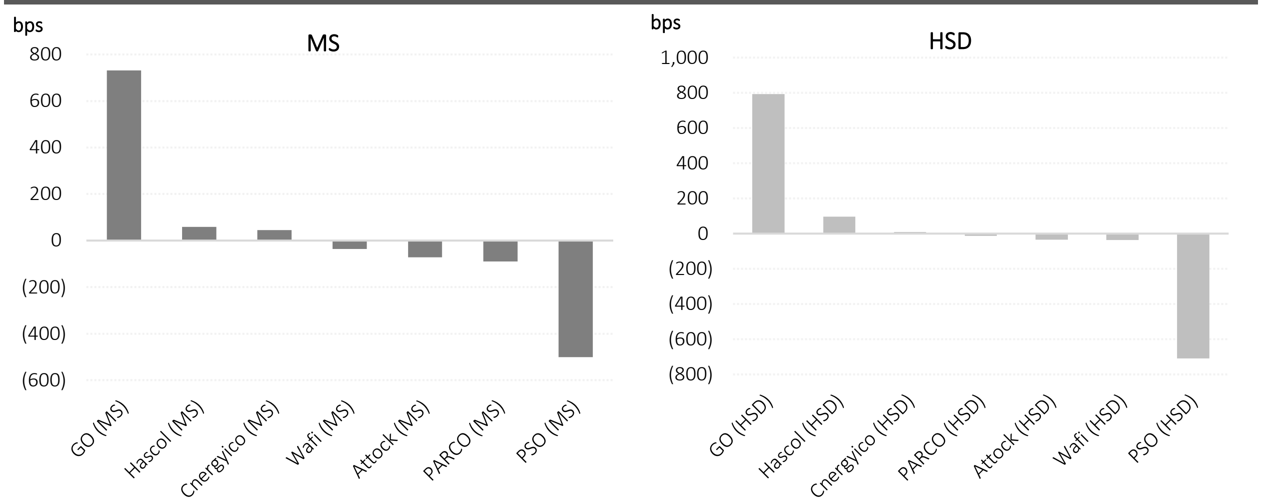
Smaller players gaining traction: Smaller OMC players have gained over the past year, particularly GO Petroleum after its strategic sale to Saudi Aramco. Compared to FY24, GO Petroleum's MS market share grew by 731bps and its HSD market share increased by 792bps. In contrast, PSO's MS market share fell by 500bps, and its HSD market share plummeted by 710bps.

OMC Off-take Trend



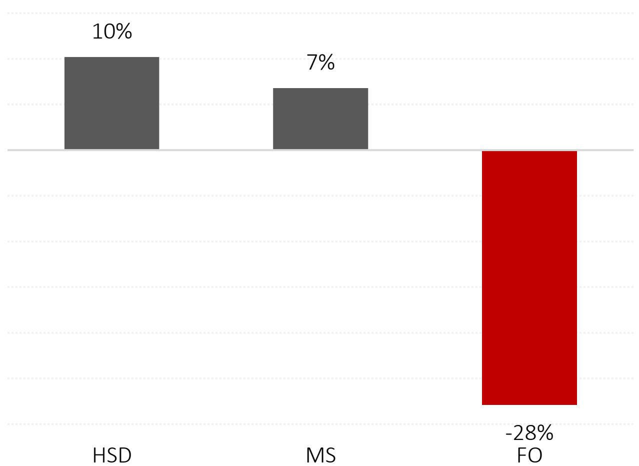
Source: OCAC, BMA Research

Market Share Change Trend (FY25 vs FY24)



Source: OCAC, BMA Research

OMC Growth by Category (FY25)



Source: OCAC, BMA Research

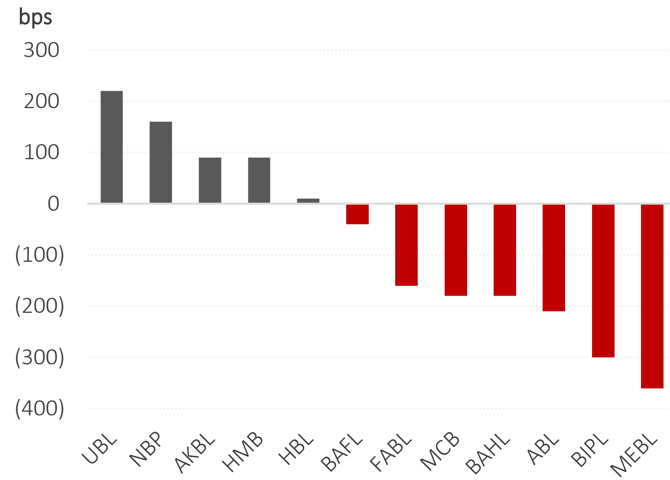
Banking NIMs direction a mixed bag

Banking NIMs a mixed bag: Industry NIMs have exhibited heightened volatility because of the 950bps decline in the policy rate. The Islamic Banking industry were the most affected with the sharp fall in their NIMs because of their low-cost deposit structure. Certain banks, particularly UBL, leveraged their balance sheet to benefit from falling interest rates, causing their profitability and NIMs to balloon during 2025. We think that by the 3rd quarter of 2025, the entire industry's assets will be fully repriced to the lower interest rates.

Focus on managing deposit costs: We think that the banking industry will focus on managing deposit costs to support its NIMs. Notably, the industry's CA ratio has improved by nearly 250bps during FY25 and its CASA ratio has increased by around 350bps.

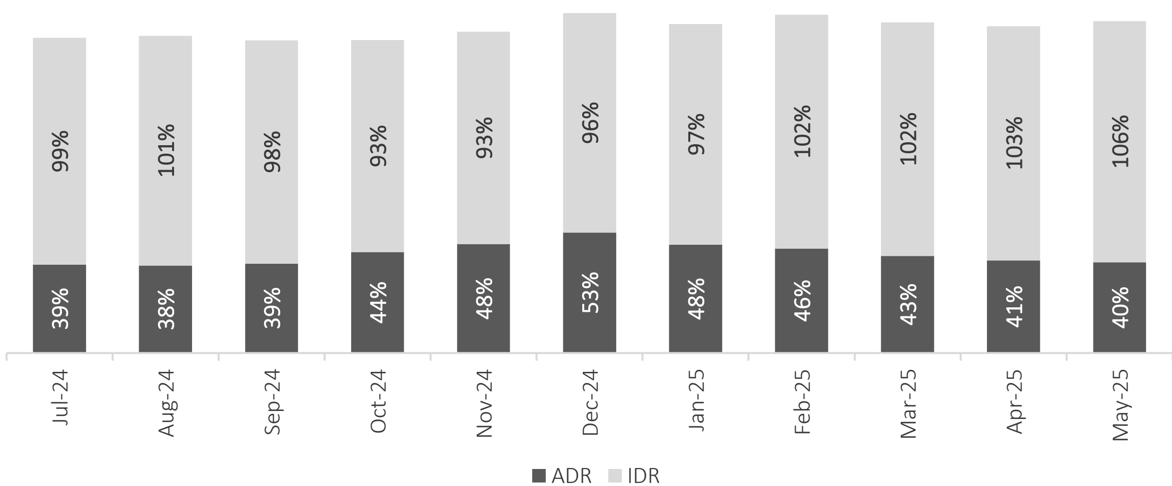
Heightened volatility in ADR and IDR during the fiscal year: The ADR witnessed heightened volatility during the year. It peaked at 53% during December 2024 as the industry tried avoiding the ADR-based tax. It later fell to 40% as of May 2025 after the tax was revoked. The IDR, in turn, improved to 106% as the industry capitalized on falling yields.

NIMs Trend (FY24 vs FY25)



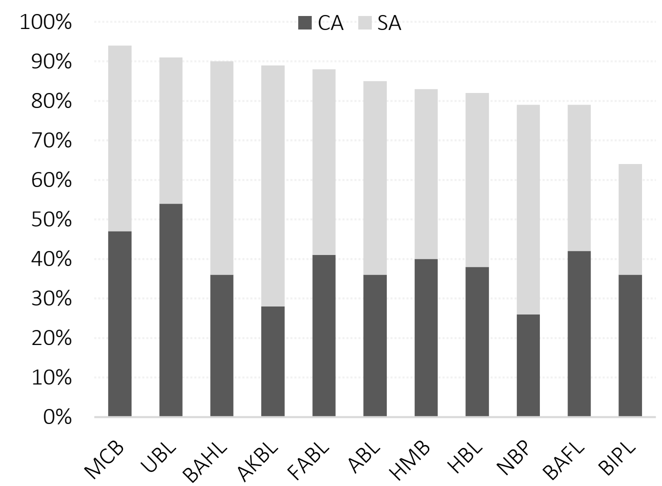
Source: Company Financials, BMA Research

ADR and IDR Trend (FY25)



Source: SBP, BMA Research

Deposit Breakup (2025)



Source: Company Financials, BMA Research

Fertilizer sector fundamentals worsen in FY25

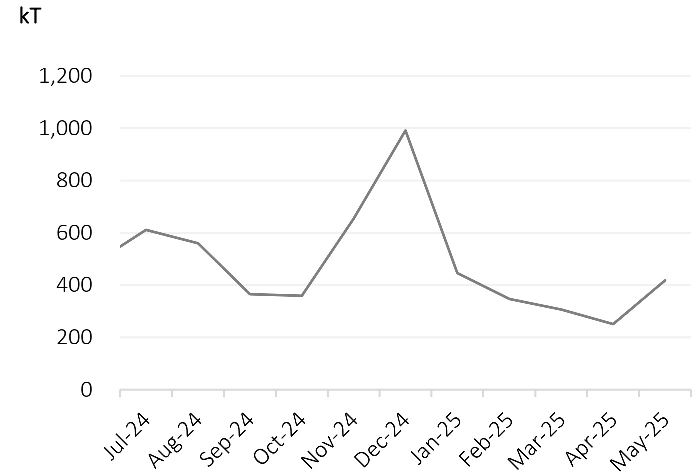
Urea Sales fall by 13% YoY during 11MFY25: Urea sales fell by 13% YoY to 5.31mn MT during 11MFY25 as against 6.1mn MT during 11MFY24. The decline was due to weak agriculture economics, led by a sharp decline in the production of important crops. Notably, the production of important crops fell by 13.5% YoY and the production of cotton dipped by 19% YoY during the fiscal year.

Urea production, however, reached record levels: Urea production saw record-high levels, growing by 2% YoY to 6.2mn MT during 11MFY25. The improvement was led by continuous gas supply, and the previous year's plant overhauls, improving production efficiency.

Demand-supply mismatch causing high inventory levels: Urea inventory levels reached levels of 1.3mn MT because of the demand-supply mismatch. These levels are inching towards the record-high levels seen during FY16 (peak of 1.73mn MT), compelling the industry to export the commodity to manage its inventory. Notably, between FY17 and FY18, the industry was allowed to export around 0.57mn MT of urea.

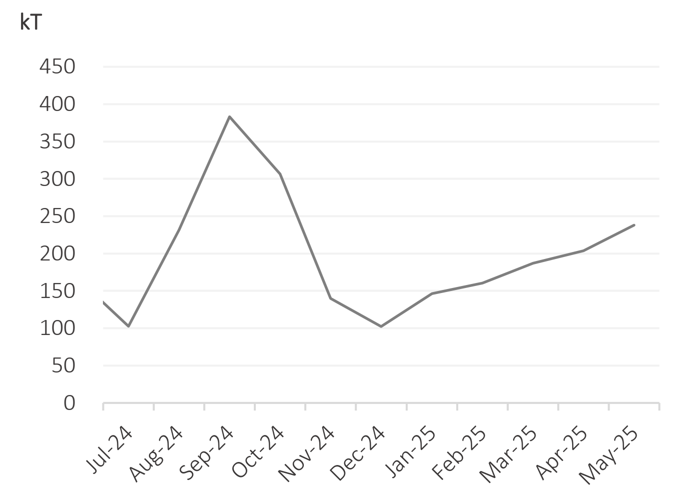
DAP sales also under pressure because of weak fundamentals: The industry's DAP sales have also come under pressure because of weak farm economics. The commodity's off-take dipped by 4% Yoy to 1.42mn MT during 11MFY25. Its domestic production, however, saw an increase of 3% YoY to 0.77mn MT.

Urea Sales (FY25)



Source: NFDC, BMA Research

Urea Inventory (FY25)



Source: NFDC, BMA Research

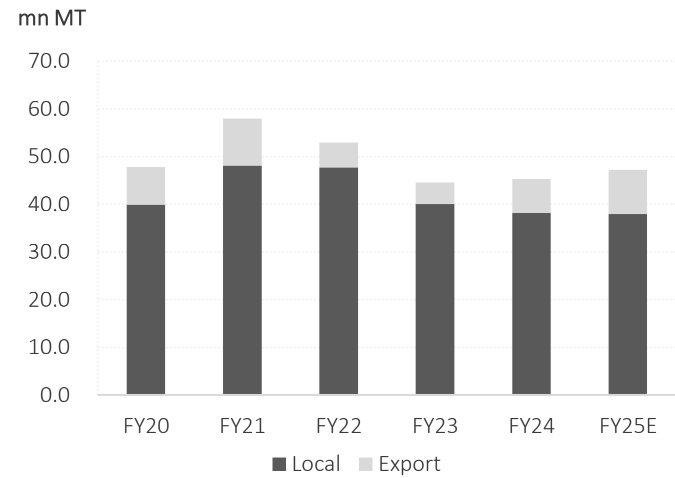
Local cement demand under pressure

Domestic cement demand under pressure: Despite improving fundamentals, cement demand has remained under pressure during FY25. We estimate domestic dispatches to hover around 38mn MT, relatively flattish compared to the previous year. Low demand growth can be credited to weak real estate activity, constrained public sector demand because of fiscal discipline, and low agriculture income.

Exports gaining traction: The cement industry's export sales have gained traction and are likely to grow by around 30% YoY to 9.3mn MT. The industry has been identifying new cement markets, particularly in the West African region, to keep its industry utilization levels high. Moreover, notable growth was witnessed in sale to the US market with receipts of around USD 15mn.

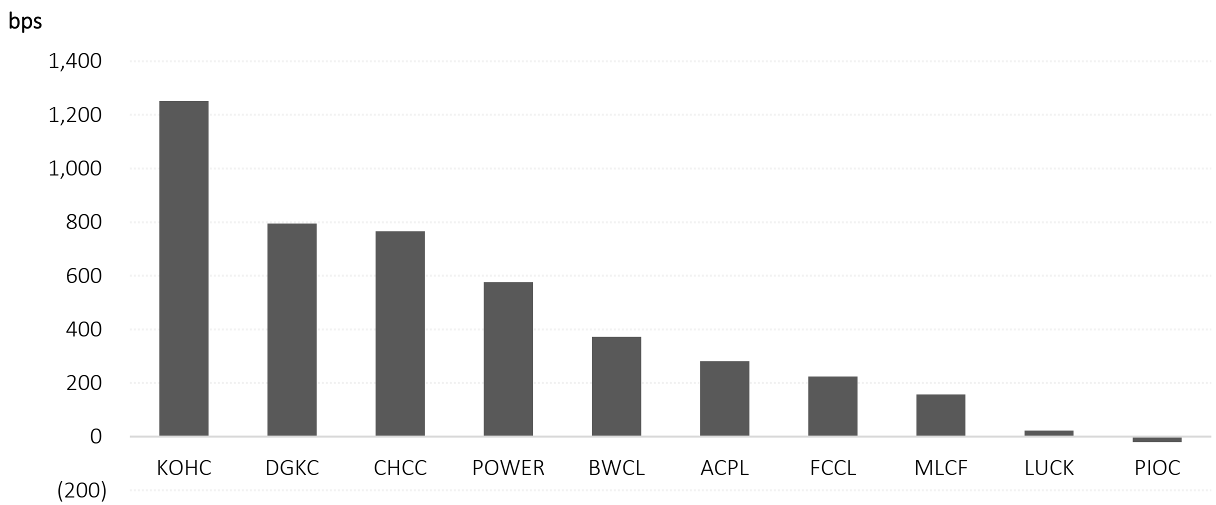
Margins improving amidst rising prices and falling costs: The cement industry's margins have improved by 450-500bps during the fiscal year, benefitting from a PkR 200/bag increase in cement prices and around a 30% decline in coal prices to USD 90/MT. Moreover, export retention levels have also improved, support the industry's margins.

Cement Off-take Trend



Source: APCMA, BMA Research

Cement Margin Growth YoY (FY25)



Source: Company Accounts, BMA Research

Global Coal Prices (FY25)

Source: Bloomberg, BMA Research

Automobile sales improving in FY25

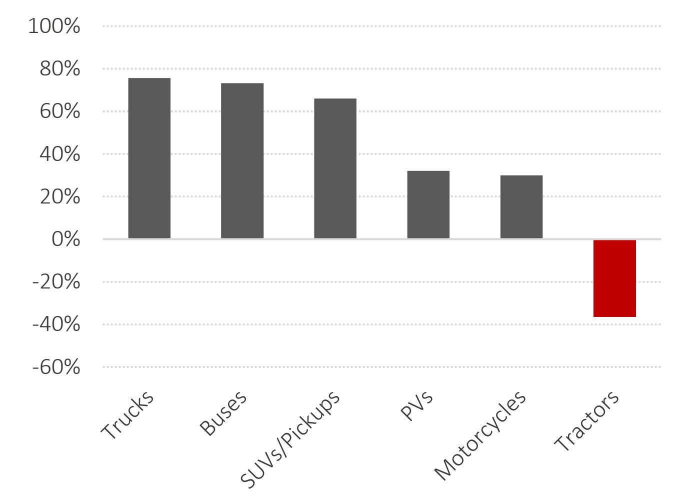
Passenger Vehicle segment grew by 32% YoY: Cumulatively, the PV segment grew by 32% YoY to 94,388 units during 11MFY25. The growth was supported by the previous year's low base, falling interest rates and recovering economic activity. Falling interest rates have supported automobile sales through increased automobile financing. **As of April 2025, the outstanding stock of automobile financing grew by 12% YoY to PkR 263bn.**

The SUV/Pickup segment grew by 66% YoY: Cumulatively, the SUV segment grew by 66% YoY to 31,706 units during 11MFY25. The segment's growth was supported by strong reception of Sazgar's Haval. Moreover, lower interest rates and recovering economic activity supported SUV sales during the year.

Tractor sales under pressure: **Tractor sales fell by 36% YoY to 26,301 units during 11M FY25**. Despite the Punjab government's incentive scheme, tractor sales declined because of weak farm economics. Moreover, we think many farmers may be holding off purchases on anticipation of further incentives by provincial governments.

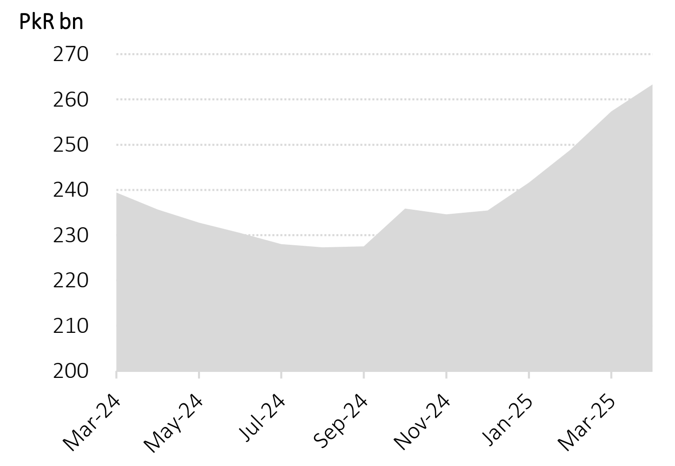
2/3-wheeler segment holding steady: the 2/3-wheeler segment sales grew by 30% YoY to 1,378k units during 11MFY25. The segment continues to show resilience despite macroeconomic headwinds, being the affordable option for the middle-income segment.

Automobile Sales (FY25)



Source: PAMA, BMA Research

Consumer Financing Trend



Source: SBP, BMA Research

Contact List

Management			
Moazzam Mazhar Malik	Chairman & CEO		moazzam@bmacapital.com
Equity Research			
Yusuf Rahman	Head of Research	111-262-111 Ext: 2065	yusuf.rahman@bmacapital.com
Fahad Hussain Khan	Senior Analyst	111-262-111 Ext: 2056	fahad.hussain@bmacapital.com
Nadia Majeed	Analyst	111-262-111 Ext: 2060	nadia.majeed@bmacapital.com
Asad Amyn	Analyst	111-262-111 Ext: 2056	asad.amyn@bmcapital.com
Abdul Wahid Raja Patni	Senior Manager Database	111-262-111 Ext: 2060	abdulwahid.raja@bmacapital.com
Equity Sales			
Ali Raza	Head of International Equity	021-3246 4358	ali.raza@bmacapital.com
Muhammad Muzzammil Khan	Head of Institutional Desk	021-3244 4465	mkhan@bmacapital.com
Muhammad Irfan Yousuf	Head of HO Retail Desk		mirfan@bmacapital.com
Azhar Ali Shahzad	HNW Sales Desk	021-3246 1775	ashezad@bmacapital.com

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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 MANAGEMENT LIMITED

TREC HOLDER AT PAKISTAN STOCK EXCHANGE LIMITED

HEAD OFFICE:

Level 8, Unitower, I.I. Chundrigar Road, Karachi - 74000, Pakistan

Tel: +92 21 111 262 111 | Fax: +92 21 3243 0748 | www.bmacapital.com | info@bmacapital.com

Stock Exchange Branch:
Room 141, Pakistan Stock Exchange,
Stock Exchange Road, Karachi.
Tel: (021) 32410617

Bahadurabad Branch:
Office # 3, Mezzanine Floor,
Akber Manzil, Main Bahadurabad
Roundabout, Karachi
Tel: (021) 3486 0393-98
Fax: (021) 3493 1396

Gulshan-e-Iqbal Branch:
Commercial Office premises bearing,
B-29 Mezzanine Floor 13/A, Main University
Road, Gulshan-e-Iqbal Karachi.
Tel: (021) 34825023

North Nazimabad Branch:
D-14 Office No 02, 2nd Floor Block H,
MCB Building, Near 5 Star Round About,
North Nazimabad Karachi.
Tel: (021) 36672301-00.

Awami Markaz Branch:
G13, Ground floor, Awami Markaz,
Shahrah-e-Faisal Karachi.
Tel: (021) 34300578

Lahore Cavalry Branch:
Office No. 74, 2nd Floor, Commercial Area,
Main Cavalry Ground, Lahore Cantt, Lahore.
Tel: (042) 3667 6614-20
Fax: (042) 3661 9912

Lahore Gulberg Branch:
Commercial Office No. 402, 7th Floor,
Mega Tower 63-B, Main Boulevard,
Gulberg II, Lahore.
Tel: (042) 35762953-57

Lahore LSE Branch:
1st Floor Room# 110-111, LSE Building,
19- Khayaban-e-Aiwan-e-Iqbal, Lahore.
Tel: (042) 36280931-34

Islamabad Branch:
104, 1st Floor, 82-East,
Muhammad Gulistan Khan House,
Fazel e Haq, Blue Area, Islamabad
Pakistan
Tel: (051) 280 2354-5
Fax: (051) 280 2356

Sialkot Branch:
2nd Floor, Sialkot Business & Commerce
Centre, Paris Road, Sialkot, Adjacent to
Sialkot Chamber of Commerce.
Tel: (052) 4260091-94

Multan Branch:
Office No. 607/A, 6th Floor,
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.

Gujranwala Branch:
51-H block Near Standard Chartered Bank
Trust Plaza GT road Gujranwala.
Tel: (055) 3848501-05

Chakwal Branch:
Office No. 12, 1st Floor, Ejaz Plaza,
Talagang Road Chakwal.
Tel: (0543) 553850, 0543-543720,0543-543721.

Jhelum:
2nd Floor, Khalid Plaza, Plot#7/89,
Kazim Kamal Road, Jhelum, Punjab.
Tel: (054) 4620594-97

Peshawar Branch:
Shop No.F1 & F2, 1st Floor Mall Tower 35,
The Mall Peshawar Cantt.
Tel: (091) 5274770-72

Abbottabad Branch:
Gohar Son's Arcade 1st Floor Office# 4,
Supply Bazar Sikandarabad Abbottabad,
KPK.
Tel: (0992) 400346-47

Gujar Khan Branch:
1st Floor, Office# 101 & 102, Akbar Kayani
Plaza, GT Road,GujarKhan.
Tel: (051) 3762083

Bahawalpur Branch:
Plot # 13-A, 1st Floor, Office # 2,
Model Town B, Bahawalpur
Tel: (062) 2883158, 2884158