BMA CAPITAL


# Pakistan Annual Strategy – 2026

## Well Positioned for a Robust Rally

**Tuesday, December 16, 2025**

EUROMONEY
Euromoney Market Leaders
Investment Banking (Notable) - 2022

PAC Insider
Best Equity Market Consultants
Pakistan 2022

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

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

CFA Society Pakistan
Best Brokerage House 2017
Best Brokerage House 2016 (Runner up)
Best Analyst and Trader 2013 (Runner up)

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## Executive Summary – A robust foundation to push the KSE100 Index to 215,000 points

Pakistan equities recorded their **3rd consecutive year** of stellar performances, posting a **year-to-date return of 48% (USD-based return of 47%)**. The KSE100 index **comfortably surged past our 2025 year-end target of 151,000 points,** and we believe the foundation has been laid for another robust performance in 2026. We believe the rally has yet to fully capture the improving macroeconomic fundamentals, including structural shifts that address Pakistan's long-standing issues. Given ample domestic liquidity, medium-term macroeconomic clarity, improving economic buffers, and the increasing importance of Pakistan on the geopolitical landscape, we think Pakistan equities will remain the go-to investment for CY26.

Our target for the KSE100 index in **CY26 is 215,000 points**, with Pakistan equities **potentially offering a return of 26%.** Market multiples have improved from 2023's 3.0x to current levels of around 8.0x. The index has the potential to **re-rate to around 10.0x**, a level seen during previous bull runs. Energy stocks, cyclical plays, and pharmaceutical companies will likely drive the index's next leg as they capitalize on the improving macroeconomic landscape. We reiterate our assessment that the KSE-100 Index is on track to double over the 2025-2027 period **(target of over 250,000 points)** as a long-term policy environment will allow companies to leverage Pakistan's growing and young population.

**Improving macroeconomic landscape led by the IMF:** Pakistan's entry into the IMF program led to a sharp improvement in its macroeconomic landscape over the past two years. Notably, the **GDP growth rates recovered to 3.0% in FY25** from negative levels in FY23. CPI inflation eased to under 5.0% from record-high levels of 29.0% two years prior. Consequently, the **SBP was able to reduce the policy rate to 10.5%** from 22.0% seen in FY23. Pakistan was also able to build its foreign reserves to nearly USD 15.0bn (import cover: 2.5 months) from under USD 5.0bn (import cover: 1.1 months) in FY23. The country also reduced its external imbalances with a Current Account surplus of nearly USD 2.0bn. Moreover, the domestic debt-to-GDP was pulled below 70%.

**Improvement in Macroeconomic Indicators**

| | FY23 | FY25 |
|---|---|---|
| GDP Growth (% YoY) | -0.2% | 3.0% |
| CPI (% YoY) | 29.0% | 4.6% |
| Policy Rate (%) | 22.0% | 11.0% |
| SBP Reserves (USD bn) | 4.4 | 14.5 |
| Import Cover (Months) | 1.1 | 2.5 |
| Fiscal Deficit (% of GDP) | -7.7% | -5.4% |
| Primary Deficit (% of GDP) | -1.0% | 2.4% |
| CA Balance (USD mn) | (3,275) | 1,932 |
| Debt (% of GDP) | 71.9% | 67.9% |

*Source: SBP, PBS, BMA Research*

# Well Positioned for a Robust Rally

The market remains flush with liquidity: Improving investor sentiments have led to a sharp rise in market activity. Since Pakistan's re-entry into the IMF program back in 2023, market activity has surged nearly 4 times. CY23's ADTV averaged around USD 36mn and has since **increased to USD 130mn** CYTD. Notably, **September 2025's ADTV averaged around USD 200mn** and **October 2025's ADTV averaged around USD 180mn**. Even though foreign investors have **offloaded equities worth over USD 300mn** since the start of the year, the domestic market has been able to comfortably absorb the selling, allowing the KSE100 to continue testing newer highs.

External accounts stabilizing: Fiscal and monetary tightness continue to lend support towards Pakistan's external accounts. Pakistan's current account posted a surplus of nearly USD 2.0bn in FY25. While external accounts have started posting deficits during FY26, we believe the overall quantum (0.5% of GDP) remains relatively manageable.

External account buffers have improved considerably despite debt servicing pressures. Overall, the SBP reserves have inched towards the USD 15.0bn mark (import cover: 2.2 months), supported by controlled current account and FX intervention by the central bank. Notably, the **SBP has purchased nearly USD 8.5bn** from the open market since June 2024, allowing it to shore up reserves while servicing its debt.

Fiscal discipline and a privatization program to support federal balances: Pakistan's fiscal balances have improved considerably over the past few years. Notably, the country's fiscal deficit reduced to 5.4% of GDP in FY25 from 7.7% of GDP a year prior. Pakistan's primary balance improved to 2.4% of GDP in FY25 from 0.9% in FY24. Improving revenue collection and controlled expenditures enabled the reduction in the deficit. Notably, **Pakistan's tax-to-GDP improved to 11.1% in FY25** from 9.5% a year prior. Pakistan is also prioritizing a privatization program to shed its loss-making enterprises. The initiative seeks to overhaul loss-making state-owned enterprises (SOEs) to position them for potential privatization. These entities continue to burden public finances, **generating annual losses of around 1% of GDP**.

Improving credit ratings to open commercial markets: Global rating agencies have upgraded Pakistan's credit during CY25, given the improvement in Pakistan's external accounts. Notably, Pakistan's international bonds are trading near their par values, offering yields of 7-8%, a stark contrast from their default-like pricing with yields exceeding 50% around two years ago. Moreover, Pakistan's **CDS spreads have fallen to around 500bps** from peak levels of near 13,000bps in 2022. Improving ratings will likely open new commercial markets to raise debt, as Pakistan is already in the process of tapping the **Chinese market to raise around USD 400mn.**

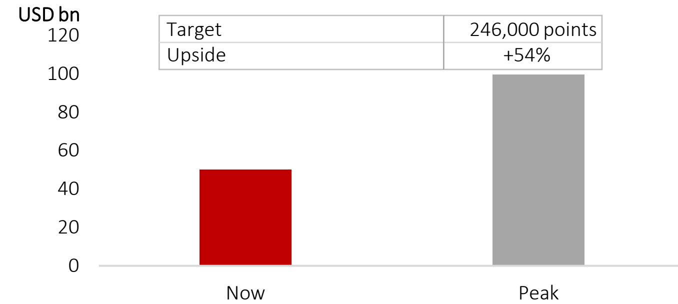
# Attractive valuations on offer

**Market capitalization considerably below peak levels in USD terms:** The PSX has rallied to a market capitalization of USD 69bn; yet the index remains 31% below peak levels seen in May 2017. The market capitalization of notable blue-chip stocks continues to trade at heavy discounts. Pakistan's largest company, OGDC (USD 3.9bn), **is 65% below peak**. Habib Bank (USD 1.6bn), Pakistan's largest bank by deposit base, is **63% below its peak valuation of USD 4.3bn.** Even Lucky Cement (USD 2.4bn), Pakistan's largest cement company, **trades at a 25% discount** to its peak valuation of USD 3.0bn. A rally to peak market capitalization of USD 100bn would **entail an index target of 246,000 points (Upside: 54%)**

**Trading at a 26% discount to FY14-18's bull run:** Despite the recent rally that has taken the KSE100 index to record-high levels, Pakistan equities continue to offer attractive valuations. Notably, market multiples have improved from a default-like 3.0x in FY23 to current levels of around 7.8x. Comparing current market multiples to FY14-18 levels of around 10.0x, we see **the KSE100 index trades at a discount of 22%.** Reversion to the FY14-18 market multiples would **entail an index target of 202,000 points (+26%).**

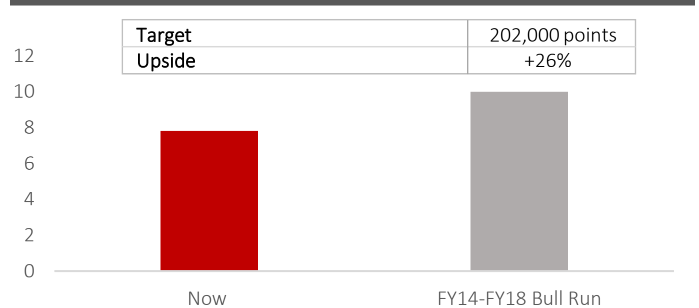
**High discounts to regional peers persist:** The KSE100 index trades at a 30% discount to the MSCI FM index. During the FY14-18 bull run, the discount averaged around 18%. At its peak, the KSE100 index **was trading at a 10% premium** to the MSCI FM index. A reversion to the discounts seen during the FY14-18 run would **entail an indicative target of 210k points (upside: 32%).** Moreover, if the market were to re-rate to its premium multiple, then the **indicative target would increase to 263,000 points (+64% upside).**

**Recovery in Market Capitalization**



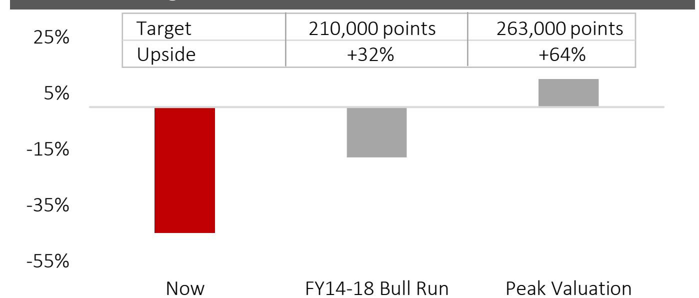

*Source: PSX, Bloomberg, BMA Research*

**Recovery in Market Multiples**




*Source: PSX, Bloomberg, BMA Research*

**Decline in Regional Discounts**




*Source: PSX, Bloomberg, BMA Research*

# Top Stock Picks for 2026

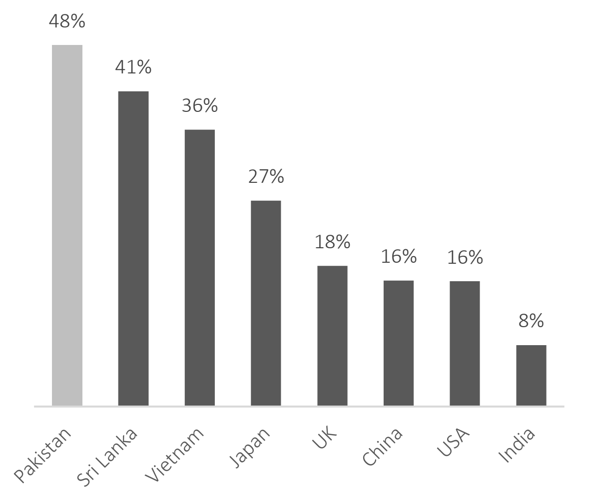
**Cyclical Stocks and Energy plays to lead 2026:** We expect cyclical and energy stocks to lead the rally in 2026. Cyclicals stand to gain from strengthening economic activity, which should support an improved sales outlook and stronger profitability. Energy stocks, meanwhile, are positioned to benefit from structural reforms, including the substantial increase in domestic gas prices. Improved cash collection should enable the sector to restart its production growth trajectory through higher exploration spending.

| Stock | Sector | Price (PkR/sh) | Target (PkR/sh) | Upside (%) | Yield (%) | Return (%) | Reasoning |
|---|---|---|---|---|---|---|---|
| SITC | Chemical | 880 | **1,441** | 64 | 3 | **67** | We like the stock for its improving margin outlook driven by the coal power plant, the earnings boost from lower power costs and reduced working-capital pressure, added profitability from BMR, and a leaner cost base that enhances both competitiveness and export potential. |
| HALEON | Pharma | 824 | **1,318** | 60 | 3 | **63** | We like the stock for its expanding capacity at Jamshoro, its strong push into innovation and new products, the sizeable export opportunity ahead, and the growth boost expected from the upcoming Centrum launch in Pakistan. |
| GHGL | Glass | 37 | **58** | 55 | 5 | **60** | We remain positive on the stock as the company continues to optimize revenues and protect robust margins, backed by its unrivaled dominance in float glass and its leadership across all key segments. The ongoing price recovery, combined with a ramp-up in production, sets the stage for a meaningful acceleration in revenue and a strengthening of its competitive edge. |
| SAZEW | Auto | 1,673 | **2,626** | 57 | 3 | **60** | We remain upbeat on the stock as the introduction of new four-wheeler models injects fresh excitement into the lineup and reinforces the company's competitive edge. HAVAL's rising brand strength is translating into stronger customer pull, and the expansion of four-wheeler capacity creates a powerful platform for future volume growth. |
| MUGHAL | Steel | 90 | **140** | 55 | 2 | **57** | We like the stock given the improving construction demand outlook, the expected market-share boost after BMR completion, the widening product offering in the sections segment, the margin upside from the new 36.5 MW power plant, and the added benefit of lower copper prices amid recent volatility. |
| DGKC | Cement | 244 | **348** | 43 | 1 | **44** | We like the stock for its improving earnings outlook driven by lower finance costs and stable margins, the benefit of a more efficient fuel and power mix, the support from rising export prices, and the cushion provided by a steady stream of other income. |
| FCCL | Cement | 56 | **78** | 39 | 3 | **42** | We remain positive on the stock as the company intensifies its drive toward production efficiencies, laying the groundwork for stronger and more sustainable margins. The ongoing optimization of its fuel and power mix provides an additional lift to profitability, supported by healthy cash generation and a clear trajectory of debt reduction. |
| GWLC | Cement | 63 | **87** | 39 | 3 | **42** | We remain positive on the stock as the cooler-retrofit BMR promises substantial fuel savings and sharper operational performance. Margin expansion is expected to deepen through an improved fuel and power mix, and the downward trajectory in coal prices adds a powerful tailwind to earnings growth. |
| ISL | Steel | 111 | **159** | 34 | 4 | **38** | We like the stock for resilient 2- and 3-wheeler demand, ISL's exposure to a recovering appliance market, rising crop yields supporting flat steel demand, and the added profitability boost from lower interest rates. |
| OGDC | Energy | 273 | **350** | 28 | 7 | **35** | OGDC's cash collections continued to improve in FY25, as reflected in its financials. The company's **gas sales collection rate rose above 100% in FY25** from 76% in FY24. OGDC's intensified exploration efforts have boosted its recoverable oil reserves by 5% to 755 MMBOE, **extending its reserve life from 14 years to around 16 years**. |
| MLCF | Cement | 120 | **151** | 27 | 2 | **29** | We like the stock for its margin support from an efficient fuel and power mix, MLCF's commanding 90%+ market share in white cement, the strategic upside from a potential PIOC acquisition, and the strong cash generation that underpins future investment and growth. |

# PSX records third-consecutive stellar performance

**The PSX outperforms most asset classes:** The PSX witnessed another stellar year, outperforming most other asset classes. Its return of 48% comfortably outpaced returns of fixed income securities, global commodities and most other indices. In 2025, PSX was notably behind gold's performance, which benefitted from a volatile geopolitical landscape. The PSX's market capitalization also **crossed the USD 69bn mark** from lows of USD 21bn in CY23. Yet, the equities market remains **31% below its peak capitalization of USD 100bn in 2017.**

KSE100 Regional Return Comparison

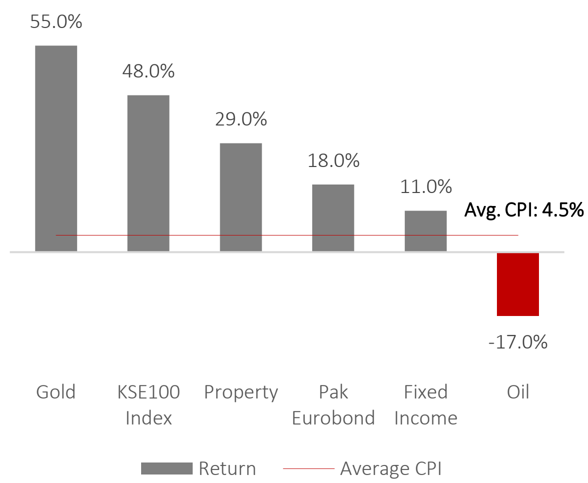



*Source: PSX, Bloomberg, BMA Research*

*The KSE100 index returned **48.0% in CY25TD** as against a return of 85.0% in CY24. The equities market was able to secure three consecutive years of stellar returns because of a stable political environment and macroeconomic stability.*

*Pakistani stocks were also one of best-forming globally, outpacing most emerging economies and the developed markets.*

KSE100 return comparison




*Source: PSX, Bloomberg, BMA Research*

*The KSE100 index was one of the best-performing investments during CY25 with a USD-based return of 47%. Pakistan equities comfortably outpaced inflation, marking its **third-consecutive year in which the KSE100 index returns outpaced both inflation and fixed-income securities.***

PSX Market Capitalization (USD bn)

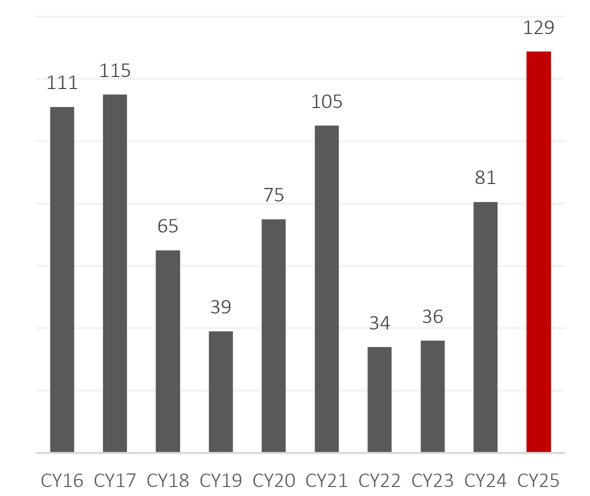

*Source: PSX, Bloomberg, BMA Research*

*The PSX's market capitalization presently stands at USD 69bn, recovering from lows of USD 21bn during the CY23. Despite the rally, the index trades at a **31% discount to its peak capitalization of USD 100bn** back in CY17.*

# Domestic investor participation rising

**Sharp increase in domestic market activity:** The PSX also saw a healthy increase in investor participation during 2025. Most notably, the ADTV increased by 60% YoY USD 129mn during the year. Foreign investor participation also saw **an increase of around 30% as total gross activity is likely to touch USD 6.0bn.** Mutual funds and individuals were the largest net purchasers of equities, building positions to capitalize on improving market sentiments and a stable macroeconomic backdrop.

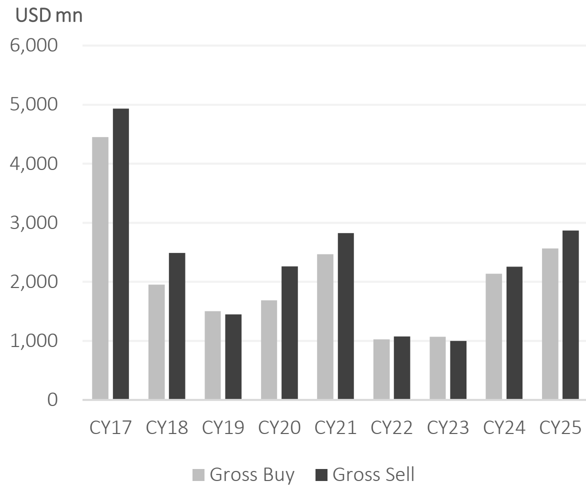
**Value Traded – Daily Average (USD mn)**




*Source: PSX, BMA Research*

*The average daily traded value (ADTV) increased by 60% YoY to USD 129mn in CY25 compared to USD 81mn witnessed during CY24.*

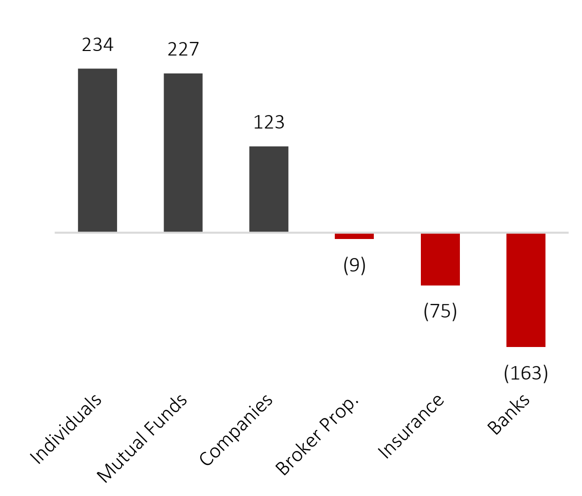
**Gross Foreign Participation**




*Source: NCCPL, BMA Research*

*Gross foreign participation is also on a considerable rise, rising by over 30% to around* ***USD 6.0bn in CY25****. Foreign investors remained net sellers during CY25, offloading positions over USD 300mn. Foreign interest has remained muted in emerging economies because of strong returns in the developed market, driven by technology stocks.*

**Local Participation (CY25)**



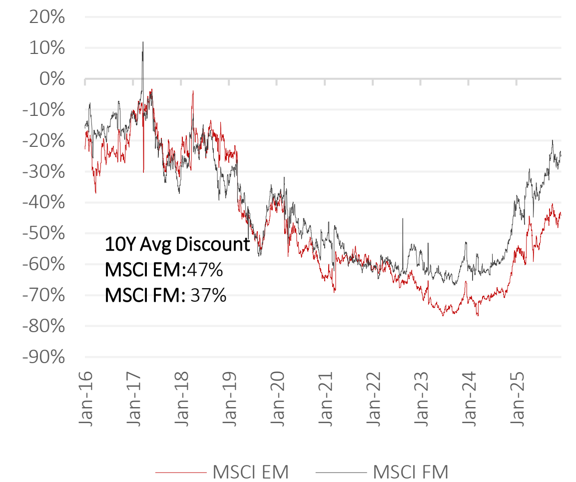

*Source: NCCPL, BMA Research*

*Mutual Funds remained net buyers in CY25, with net purchases of USD 227mn. Mutual Funds were largely compelled to build positions because of continued conversions from fixed-income securities to equities. Individuals also built positions of USD 234mn during the year.*

# Attractive valuations

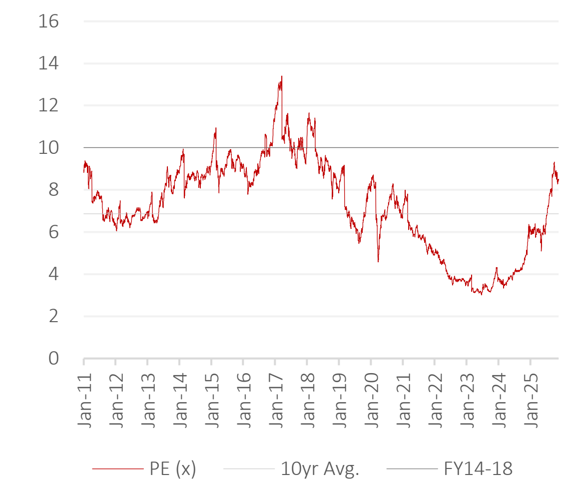
**Valuations still offer upside:** Despite the index's rally, market valuations remain considerably below peak levels seen during past bull cycles. The current market PE of 7.8x stands around 26% below average multiples seen during the FY14-18 bull cycle. The index stands at a 40% discount to peak market multiples seen during the period.

KSE100 Discount to MSCI EM & FM



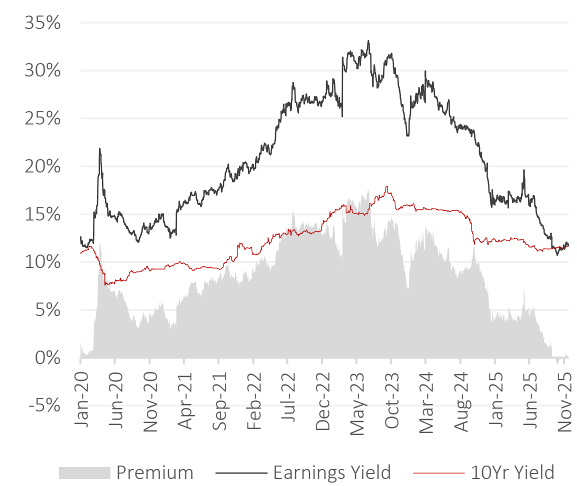

Source: Bloomberg, BMA Research

KSE100 PE Multiples Trend




Source: PSX, Bloomberg, BMA Research

Earnings Yield vs. Bond Yield




Source: PSX, Bloomberg, BMA Research

*The KSE100 index trades at a 30% discount to the MSCI FM index. During the FY14-18 bull run, the discount averaged around 18%. At its peak, the KSE100 index was trading at a 10% premium to the MSCI FM index. A reversion to levels seen during the FY14-18 run would entail an **indicative target of 210,000 points (upside: 32%).** Moreover, a reversion to its premium multiple would suggest an **indicative target of 263,000 points (+64% upside).***

*Despite the recent rally that has taken the KSE100 index to record-high levels, Pakistan equities continue to offer attractive valuations. Notably, market multiples have improved from a default-like 3.0x in FY23 to current levels of around 7.8x. Comparing current market multiples to FY14-18 levels of around 10.0x, we see the KSE100 index trades at a discount of 22%. Reversion to the FY14-18 market multiples would **entail an index target of 202,000 points (+26%).***

*The rally has pulled the KSE100 index's earnings yield to around 12.5%. Consequently, the index trades at a 1.5pps premium to the 10-year yield.*

*Historically, earnings yields have hovered around **2.5-3.0pps above the 10-year** treasury yields.*

Executive Summary



Top Picks



PSX Graphical Overview



## Themes for 2025



PSX Performance Recap



Sectors in Brief



Geopolitical Overview



Pakistan Economy



Sector Outlook & Top Picks



Alpha Stocks



Technical Outlook



Contact Details

# Major Developments in Calendar Year 2025

| Event | Impact |
|---|---|
| **Defense pact** signed with Saudi Arabia | Pakistan and Saudi Arabia signed a mutual defense pact, reinforcing their bilateral relations. Many see the pact as a precursor to increased investments between the two countries. Saudi investors are anticipated to take exposures in Pakistan's energy, mining, technology and agriculture sectors. **Planned investments could potentially touch USD 20-25bn.** |
| **Tariff wars** instigated by the Trump Administration | The Trump Administration instigated a tariff war with its trading partners to improve USA's trade balance. Under initial estimates, Pakistan was liable for a 29% reciprocal tariff on its exports to the US markets but was later reduced to 19%. In FY25, the US was Pakistan's largest export market with **receipts of USD 6.0bn (~18% of total exports).** |
| **Monetary easing** in full force | Pakistan's central bank accelerated the monetary easing cycle, cumulatively **reducing the policy rate by 1,000bps to 10.5%.** The easing cycle was driven by a sharp decline in inflation. In FY25, CPI inflation will likely average under 5.0%, considerably below FY24's average of 23.9%. Moreover, the current account (CA) balance recorded **a surplus of USD 2.0bn in FY25**, against a deficit of around USD 2.1bn in F24. |
| **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 approval, 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 Calendar 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. We also anticipate a higher frequency 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 improved 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, will likely 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. |

# Agriculture Industry to receive considerable support

**Steps taken to boost Pakistan's agriculture sector:** Several steps have been taken to boost Pakistan's agriculture output, including introduction of tractor schemes, changes in agriculture commodity pricing mechanisms and availability of cheaper electricity. The government felt the steps necessary to boost agriculture economics, which underwent a rough spell during the year. Agriculture's growth rate declined to 1.5% in FY25 from 6.4% in FY24. Notably, **important crops witnessed a 13% YoY decline** in production levels after a sharp fall in commodity prices, leading to heavy losses.

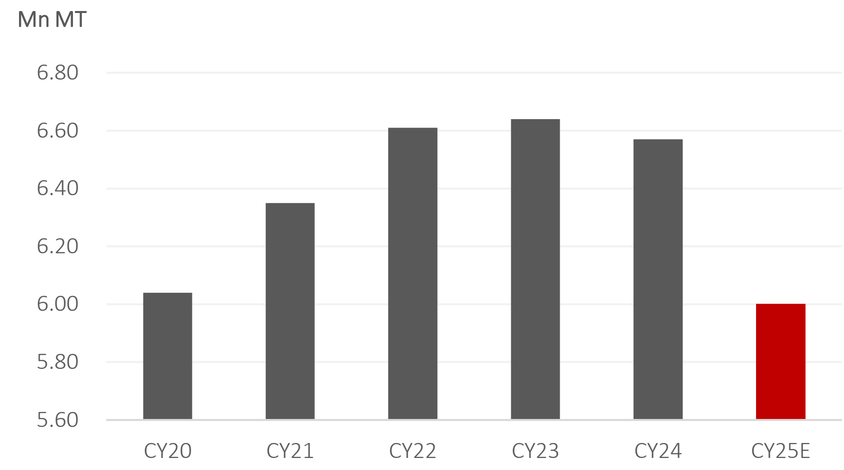
**Tractor schemes to benefit the industry:** The Punjab government has introduced tractor schemes to support the farm economy. Phase 1 of the Green Tractor Scheme entailed discounts of PkR 1.0mn on 9,500 tractors. Phase 2 of the scheme entails the provision of 20,000 tractors at similar discount levels. The impact of the schemes have been apparent with **October 2025's sales eclipsing 1QFY26's average by nearly 3.0x.**

**Cheaper electricity available:** The government has introduced Roshan Maeeshat Electricity Package, which offers electricity at 40% discounted rates to farmers on incremental consumption.

**Farm economics improving:** Farm economics, particularly for wheat, have seen a sharp improvement during FY26. Notably, **wheat prices have improved by 35-40% during FY26** to around PkR 3,800/maund. Moreover, the government is in talks with the IMF to **reinstate a market-driven support price mechanism** to safeguard farmers' profitability.

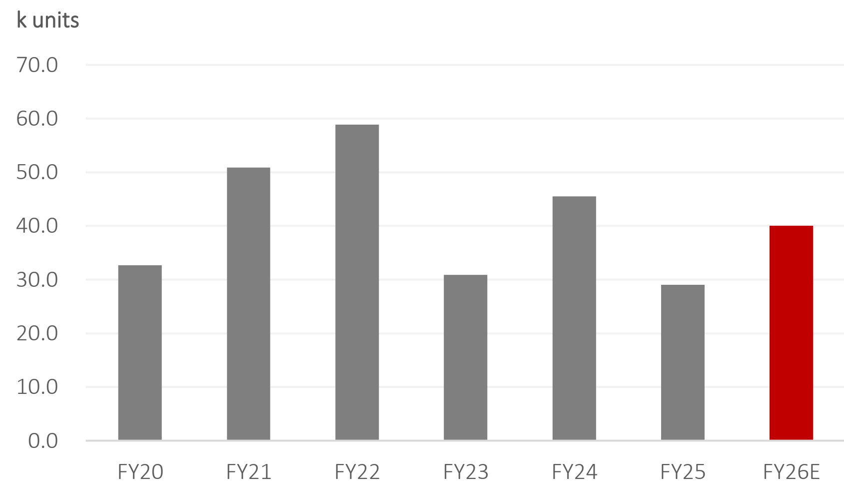
**Fertilizer Sector and Tractors to benefit in FY26:** These developments will benefit the fertilizer industry (**Top Pick: FFC**) and the tractor industry (**Top Pick: MTL**). For CY26, we anticipate Urea sales to rebound back to 6.5mn MT and tractor sales may recover past the 40k unit mark, from around 30k presently.

Urea Sales by Year




*Source: NFDC, BMA Research*

Tractor Sales by Year




*Source: PAMA, BMA Research*

# Export and Industrial growth a priority

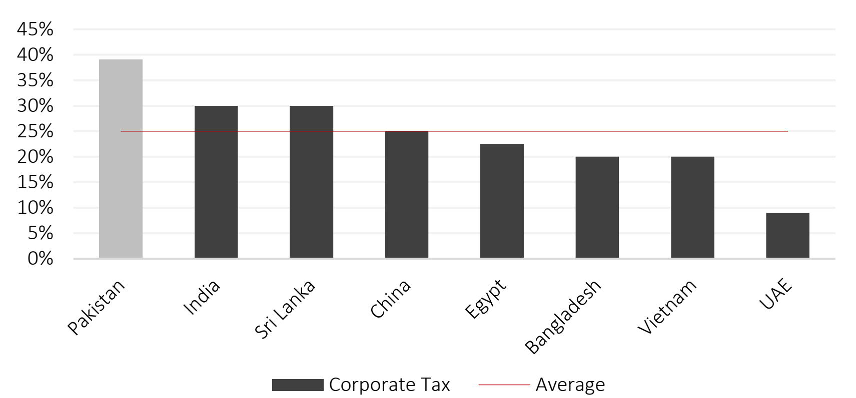
National Industrial Policy in the works: The government is in process of formulating a National Industrial Policy (NIP) to **double Pakistan's exports to USD 60bn by 2030**, increase **manufacturing growth rate to 8%** and the **overall GDP growth rate to 6%.** The roadmap involves enhancing the industrial competitiveness through structural and policy-led initiatives. Identified troubled areas include high energy costs, elevated borrowing costs, expensive industrial land, high taxation levies and policy uncertainty.

Cheaper electricity available: Pakistan has one of the highest electricity tariffs in the region at an **estimated 12.5 cents,** affecting the export industry's global competitiveness. To partially alleviate the issue, the government has introduced Roshan Maeeshat Electricity Package, which offers electricity at 40% discounted rates to industries on incremental consumption, reducing average electricity cost from PkR 34/unit to around PkR 23/unit.

Taxation regime under scrutiny: Officials from the government have highlighted the uneven taxation rates affecting Pakistan's industrial sector. Notably, the corporate tax rate is applicable at 29% with an additional super tax of 10% applied on top. In comparison, the tax rate of **regional countries average around 25%.** Moreover, given that Pakistan's undocumented economy avoids the incidences of taxes, the formal sector finds it difficult to compete domestically.

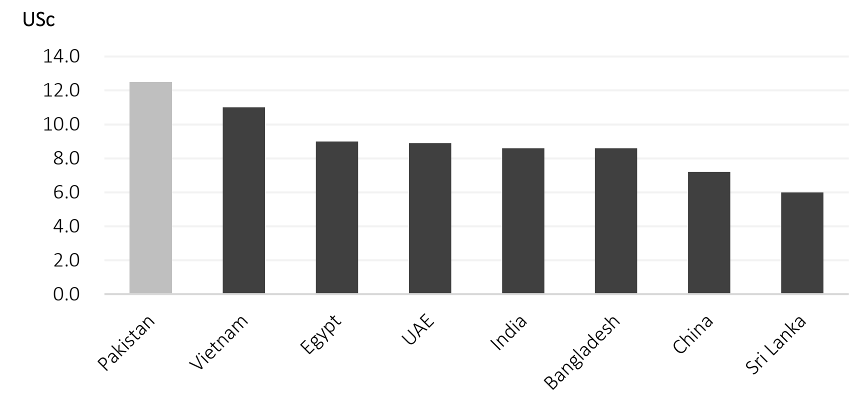
The Textile Sector likely to benefit: We think the textile industry will likely benefit from developments promoting Pakistan's export industry. The potential reinstatement of preferential energy tariffs, a lower taxation structure, and reduced interest rates will considerably improve the sector's global competitiveness. Our top picks for this play include ILP, GATM and NML.

Corporate Tax Rate Comparison




*Source: Bloomberg, BMA Research*

Export Power Tariff Comparison




*Source: Bloomberg, BMA Research*

# Asset Shifting to continue towards Equities

**Mutual funds further concentrating towards equities:** The concentration of equities in Mutual Fund portfolios continues to increase, **currently hovering around 14%** against 11% a year before. Despite the increase, the concentration of Equity AUMs remain far below peak levels of around 45% seen during FY17's bull run. We believe as macros stabilize and yields fall to single digits, the flow of funds towards equities will accelerate.

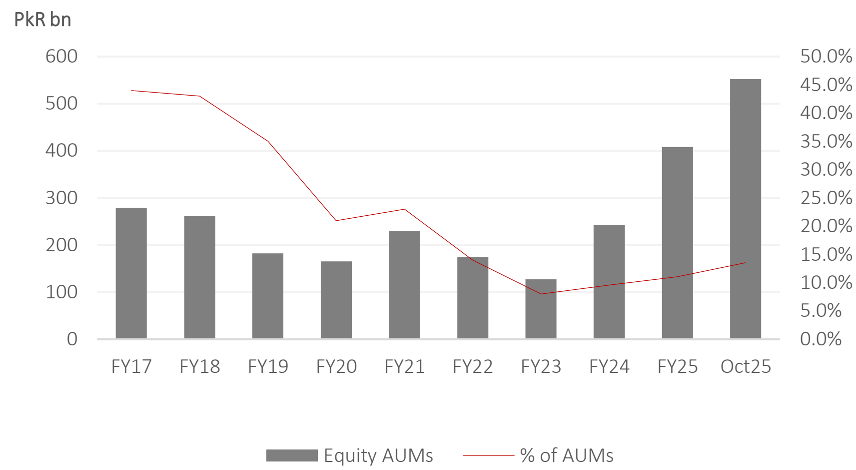
**Insurance companies yet to fully enter the market:** The equity AUMs of the insurance companies have stabilized at 10% of assets compared to a peak level of around 14% witnessed back in CY18. Notably, the equity AUMs of the **privately owned insurance companies also stand at around 15% of total assets, down from 32% in CY18**. As treasury yields fall, insurance companies may continue shifting their assets towards equities to maximize portfolio returns. Based on our sensitivity analysis, a 1% increase in allocation may generate liquidity of around PkR 30bn towards equities (~100% of ADTV).

Sensitivity of Asset Reallocation towards Equities

| | AUMs | Equity | Equity | Sensitivity to Asset Reallocation | | | | |
|---|---|---|---|---|---|---|---|---|
| | PkR bn | PkR bn | % | +1% | +2% | +3% | +4% | +5% |
| Mutual Funds | 4,078 | 552 | 14% | 55 | 110 | 165 | 220 | 276 |
| Insurance | 3,000 | 300 | 10% | 30 | 60 | 90 | 120 | 150 |
| Net Equity Flow (PkR bn) | | | | 63 | 126 | 189 | 252 | 315 |

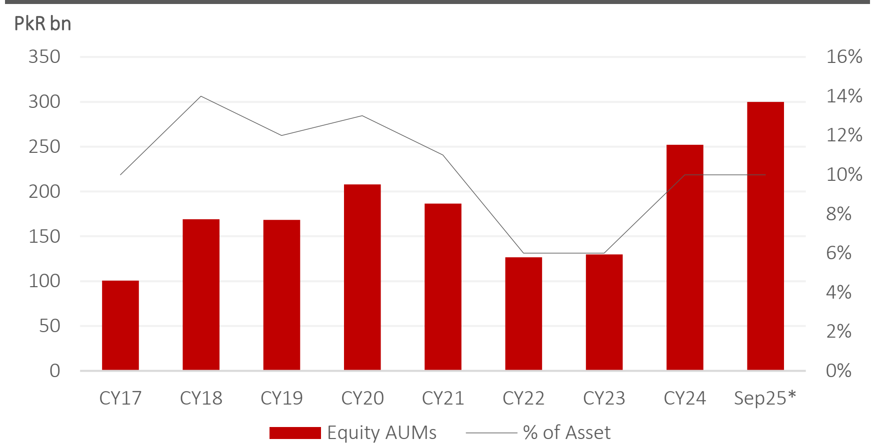
*Source: Fund Reports, Company Accounts, BMA Research*

Mutual Funds Equity AUMs




*Source: Fund Reports, BMA Research*

Insurance Companies Equity AUMs




*Source: Fund Reports, Company Accounts, BMA Research*

# Improving Pakistan's Energy Chain Dynamics

Pakistan's energy sector has long been the country's Achilles heel, burdened by chronic, decades-old structural issues. Successive IMF programs have consistently focused on resolving the sector's underlying problems, including inefficient infrastructure, flawed pricing mechanisms, generous guaranteed ROEs, and heavy dependence on subsidies. These inefficiencies have created severe cash flow constraints across the energy chain, ultimately fueling the buildup of circular debt.

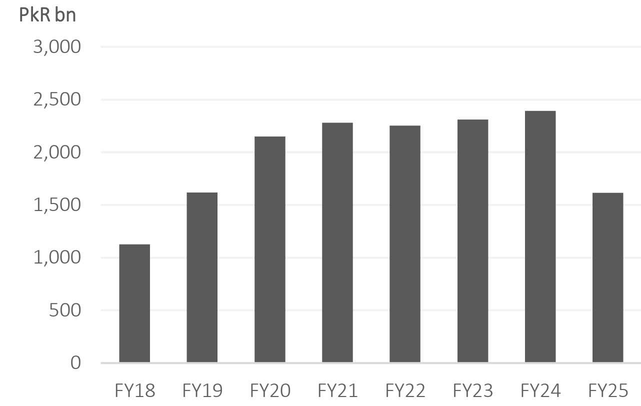
Issues largely addressed: Under the IMF program, the government implemented significant measures to address the sector's chronic issues. Energy tariffs were substantially increased to strengthen revenue collection and reduce dependence on subsidies. Most notably, the sharp rise in gas prices improved the Sui Utilities' recovery rates. This improvement has flowed upstream as well, pushing the **cash-collection rate of E&P companies above 100% during the same period**. With the added flexibility of the new pricing framework, this positive trend is expected to continue in the coming quarters.

In addition, a long-term plan has been introduced to modernize the national energy network and reduce line losses. Currently, transmission and distribution (T&D) losses stand at 18.3%, significantly above NEPRA's allowed limit of 11.8%.

The RLNG surplus also being looked at: The government is also addressing the RLNG surplus issue affecting the energy chain. Latest news reports suggest the government plans to **divert up to 29 LNG cargoes to address the falling demand of gas**. The potential diversion will reduce pipeline pressure and allow domestic energy companies to ramp up production. Moreover, companies affected by cash flow issues caused by RLNG sales will benefit as the share of RLNG is reduced from the energy mix.

Companies that could benefit: As highlighted, Pakistan's energy companies will benefit from an improved cash-collection rate, likely resulting in increased cash payouts by the industry. **Our top picks for this theme include OGDC (Target: PkR 350/sh), PPL (PkR 265/sh), PSO (PkR 670/sh), and SNGP.**

Gas-based Circular Debt




*Source: OGRA, BMA Research*

# MSCI Advance FM index may be the next logical step

The Pakistan equities continued testing newer highs and inched towards the 170k mark. The PSX's market capitalization has increased to **USD 69bn** compared to around USD 50bn at the end of CY24. Notably, Pakistan's weight in the **MSCI FM index increased to 5.5%.** We believe that consistent performance could pave the way for **Pakistan's potential upgrade to MSCI's Advanced Frontier Markets status.**

**Pakistan's capitalization still be too low for EM markets:** Entry to the MSCI EM index requires 3 companies with **market capitalization exceeding USD 2.96bn** and **free-float capitalization exceeding USD 1.48bn**. Presently, only three companies (OGDC, UBL & MARI) meet the market capitalization threshold, and no companies meet the free-float threshold.

**Pakistan meets all mandatory criteria of Advance FM:** The MSCI formulated an Advanced FM Index for countries exhibiting higher levels of market accessibility than other FM countries. For potential entry, Pakistan Market faces no issues on the **Market Accessibility criteria**. Moreover, Pakistan also faces no concerns related to capital flows. Pakistan, however, **falls short** on issues related with **Clearing and Settlement and FX market liberalization**. With improvements, **Pakistan could be up for entry in the next annual review.**

**Pakistan more liquid than other Advanced FM countries:** Currently, there are five countries in the MSCI Advanced FM index, all of them in the European region. Pakistan's market is more liquid than these countries with the **KSE100's 6-Month ADTV of USD 80mn.**

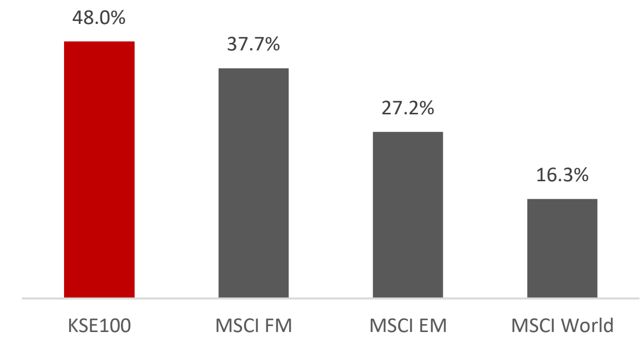
**Index heavyweight stocks may benefit**: An increase in MSCI Pakistan's weight favors companies with larger free-float market capitalizations, especially as investors remain focused on stock liquidity. We believe FFC, UBL, MARI, OGDC, HUBC, and LUCK are well-positioned to benefit from increased foreign inflows. These names also appear to be strong candidates for potential inclusion in the MSCI Advanced FM Index.

Issues with Pakistan's Market for Advance FM status

| Category | Status |
|---|---|
| Clearing and Settlement | Improvements Needed |
| Market Regulations | Improvements Possible |
| Investor Registration | Improvements Possible |
| FX Market Liberalization | Improvements Possible |

*Source: MSCI, BMA Research*

KSE100 vs. MSCI – CYTD Return



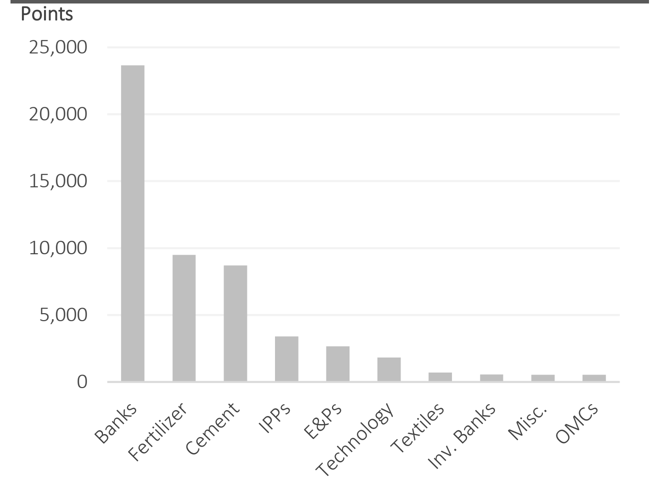

*Source: MSCI, BMA Research*

**Banks led the rally:** The KSE100 index's performance was primarily driven by the banking sector with a **cumulative contribution of 23,646 points, or** 43% of the total rally. The industry capitalized on the favorable interest rate cycle to enhance its balance sheet and increase its payouts. Record profitability enhanced the balance sheets of most major banks, improving their CAR and creating room to increase their cash dividends. Notably, within the top ten performing stocks, bank took up six of the spots. The best-performing bank was **UBL (+6,542 points)** as the stock benefitted from a high cash payout ratio, strong treasury performance and improving balance sheet.

**Yield plays gaining traction:** High-yielding sectors also contributed to the index's rally. Most notably, the **fertilizer industry contributed 9,485pts or 17% of the total rally**. **Fauji Fertilizer (+7,665 points),** the best-forming stock, capitalized on improved fundamentals, including a sharp improvement in pricing power. Notably, FFC benefitted from a new set of investors upon achieving a shariah-compliant status. Moreover, as mentioned, the government is prioritizing agriculture sector, which will likely benefit the fertilizer industry. We also saw **HUBC (+3,455 points)** outperform the market because of a higher-than-anticipated cash payout and strong prospects of its BYD offerings.

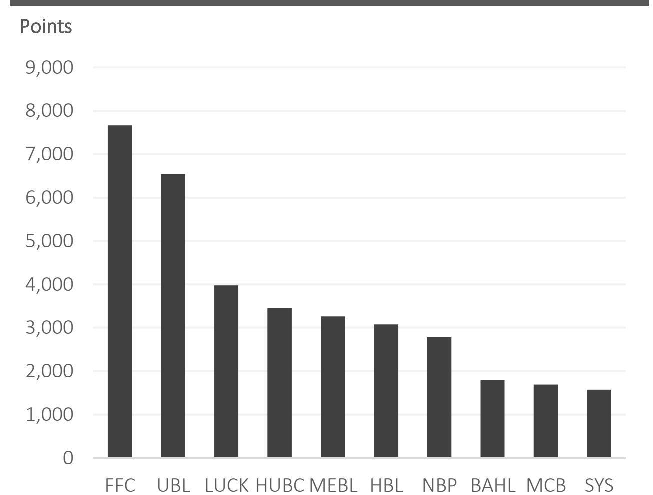
**Cement sector rallies in anticipation of improving fundamentals:** **The cement industry (8,713pts or 16% of the rally)** also benefitted from improving fundamentals amidst a sharp reduction in the policy rate and anticipation of recovering economic activity. The sector has shown considerably resilience in the face of rising energy costs and continues to post record profitability. Within the sector, **LUCK (+3,976 points)** benefitted from its strong investment portfolio performance.

Top-performing Sectors



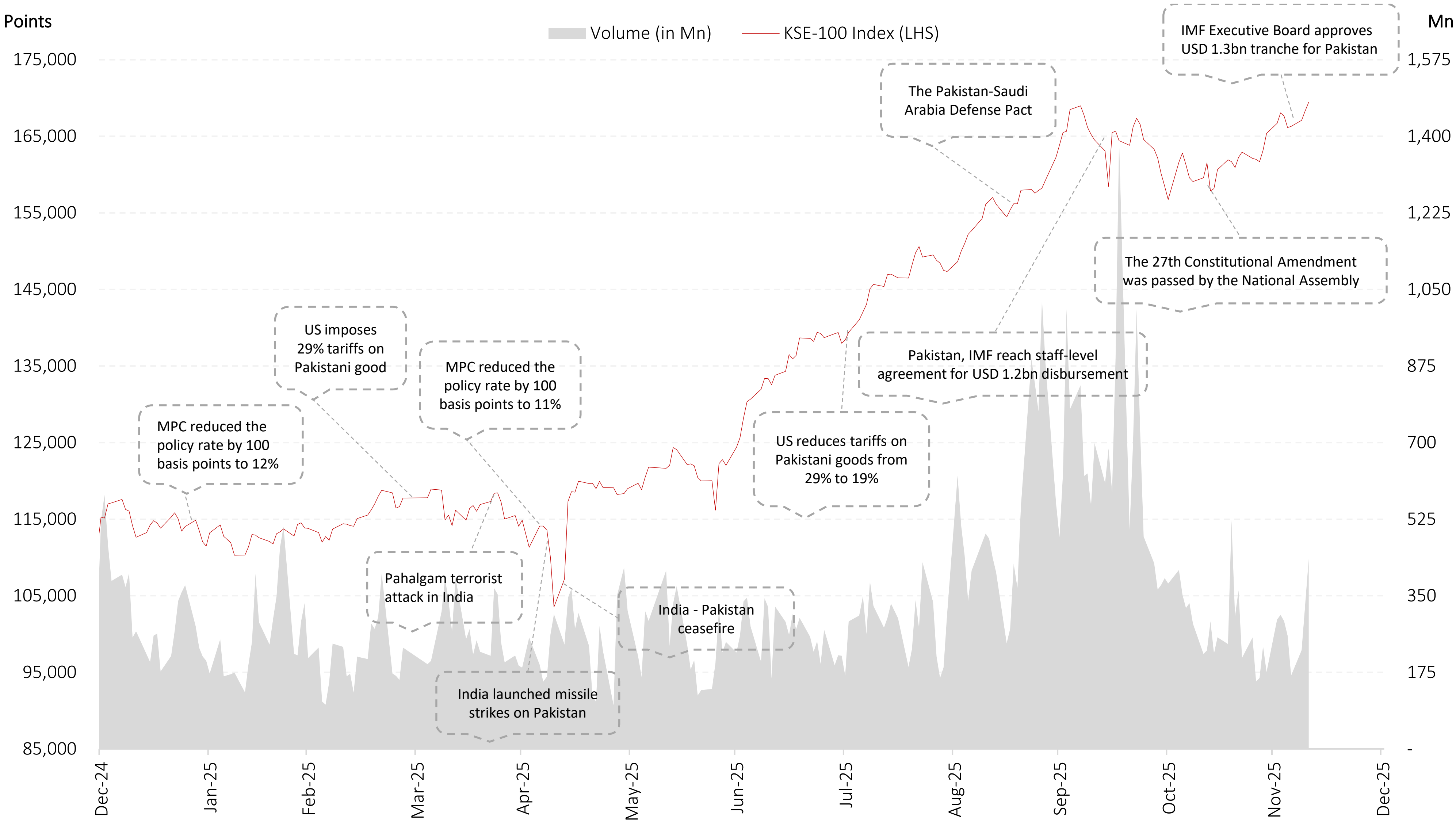

*Source: PSX, BMA Research*

Top-performing Stocks




*Source: PSX, BMA Research*

# PSX Events Recap



| Sector | Outlook | Stance & Top Picks |
|---|---|---|
| Automobile | **Pakistan's auto assembly sector posted a 43% YoY recovery in FY25, selling 148K units**, driven by improving macro conditions, lower interest rates, and stronger consumer confidence. Momentum is expected to continue into FY26, with auto sales projected to rise 40% YoY to around 196K units, supported by policy stability and potential EV incentives.<br><br>Auto financing has grown for eleven straight months, reaching PKR 315bn by Oct 2025, **following SBP's 1,100bps rate** cut that revived loan demand. A possible increase in the auto financing cap from PKR 3mn to PKR 6mn could further unlock credit-led demand, particularly in the higher-priced vehicle segment. | Sector Stance<br>POSITIVE<br><br>Top Pick<br>SAZEW |
| Cements | Cement demand in Pakistan is set to recover, with **local sales expected to grow 5% in FY26 and 6% in FY27**, helped by stronger economic conditions, lower inflation, and interest rate cuts. 1QFY26 sales rose 15% YoY on improved construction activity, while housing and flood-rehabilitation initiatives will further support demand. **Exports are also projected to rise 5% YoY**, lifting capacity utilization to 59.5%–62.5%. Inflation has sharply eased, enabling the SBP to cut rates to 11%, which should stimulate construction and housing loans. Lower coal prices (~USD 85–101/ton), a major cost component, along with diversified fuel sources, are expected to improve cement margins and profitability. | Sector Stance<br>POSITIVE<br><br>Top Picks<br>FCCL, MLCF, DGKC, GWLC |
| Chemical | While Pakistan's chemical companies stand to gain from improving economic conditions, rising gas prices have pushed up production costs, and additional increases may pressure profitability. **PVC demand rose 23% YoY** on construction recovery and stable inflation, with prices likely to remain steady to soft. Caustic soda and hydrogen peroxide markets are oversupplied, keeping prices low. PTA prices will follow PX but face margin pressure due to large new capacity additions despite steady demand. | Sector Stance<br>**POSITIVE**<br><br>Top Picks<br>SITC |

| Sector | Outlook | Stance & Top Picks |
|---|---|---|
| Fertilizers | **Urea and DAP sales declined 8% and 18% YoY in 10MCY25**, but full-year urea demand is now expected to exceed 6.0mn MT (against initial estimates of around 5.6mn MT), with inventories nearing 1mn MT. Farmer input costs should ease with provincial subsidies and higher wheat support prices. Elevated urea inventories may compel the government to allow exports, which could help absorb the surplus and capture stronger global prices. We expect urea prices to remain stable at current levels; however, any cost increase resulting from higher gas prices will be passed on to consumers. | Sector Stance<br>POSITIVE<br><br>Top Pick<br>FFC |
| Glass | **Float glass demand should recover from FY26** as construction projects move toward completion, since glass is used later in the building cycle. Rising use of reflective and double-glazed glass in high-rise façades, along with growing adoption in furniture, is supporting long-term demand. The sector also benefits from locally sourced raw materials (soda ash, limestone, silica), which reduce currency risk and help maintain margins. | Sector Stance<br>POSITIVE<br><br>Top Pick<br>GHGL |
| Steel | The steel industry in Pakistan is highly fragmented, comprising over 300 players. The sector has faced significant challenges in recent years due to a slowdown in construction activity, high-interest rates, and competition from dumped products from FATA/PATA region. Looking ahead, we expect that **lower inflation, declining interest rates, and a backlog of construction projects will support a recovery in steel demand**. Furthermore, companies with **leveraged balance sheets are likely to benefit from reduced KIBOR rates**. | Sector Stance<br>POSITIVE<br><br>Top Picks<br>ISL, MUGHAL |
| Refineries | Pakistan's refineries are expected to leverage the approved refinery policy to expand capacity, upgrade product quality, and shift their output mix toward higher-margin fuels such as MS and HSD. The policy supports these **upgrades through enhanced duty protection, covering up to 25% of project costs**. Moreover, the SIFC has taken up the sales tax issue, a major roadblock for the planned investments. With sector margins currently above historical averages, refinery profitability prospects appear considerably improved. | Sector Stance<br>POSITIVE<br><br>Top Picks<br>PRL, ATRL |

# Sectors in Brief

| Sector | Outlook | Stance & Top Picks |
|---|---|---|
| Pharmaceuticals | Pakistan's pharmaceutical sector is experiencing strong growth following the deregulation of nonessential drug pricing, allowing companies to adjust prices based on market demand. This has improved the availability of previously scarce medicines, with **top brand prices rising 16.5% and overall market volume growth increasing from 0.8% in 2023 to 3.6% in 2025**.<br><br>Declining API costs, partly due to global overcapacity and reduced cartel influence, along with a stable rupee, **have boosted sector margins from 34% in 9M2024 to 39%** in 9M2025. Rising domestic demand, expansion into high-growth areas like dermatology and OTC products, and a 34% surge in exports in FY25 indicate continued robust growth for Pakistan's pharma sector. | Sector Stance<br>POSITIVE<br><br>Top Picks<br>HALEON |
| Oil & Gas Marketing | Pakistan OMCs are expected to benefit from the anticipated economic recovery, supported by a stable macroeconomic backdrop. Moreover, recovery in automobile financing may also push the demand for automobile, and in turn, the demand for Motor Gasoline. Improving cashflows will improve the sector's working capital, allowing the industry to remove its debt levels. Moreover, the change in gas price mechanisms will control gas-based circular debt, allowing for an enhanced cash collection rate, **which has already crossed 100% in some months.** | Sector Stance<br>POSITIVE<br><br>Top Picks<br>PSO |
| Oil & Gas Exploration | Pakistan's oil and gas exploration companies have gained from recent measures aimed at resolving long-standing issues in the energy chain, particularly the persistent buildup of circular debt. **Gas prices were increased by more than 100%** to strengthen cash collections and reduce dependence on subsidies. In addition, the energy ministry's plan to settle circular debt arrears through a direct cash injection could **enable sizable one-off payouts from the sector**. These steps are expected to materially strengthen balance sheets and support sustainable future dividend payouts. E&P companies are also diversifying their revenue base by pursuing international opportunities, including offshore exploration licenses in Abu Dhabi, and expanding into mining through their stakes in Reko Diq. | Sector Stance<br>POSITIVE<br><br>Top Picks<br>OGDC, PPL |

# Large investments planned from Bilateral Allies

The government has earmarked several investment avenues for potential investment from its bilateral allies. Sectors under consideration including energy, mining, technology, transport and agriculture.

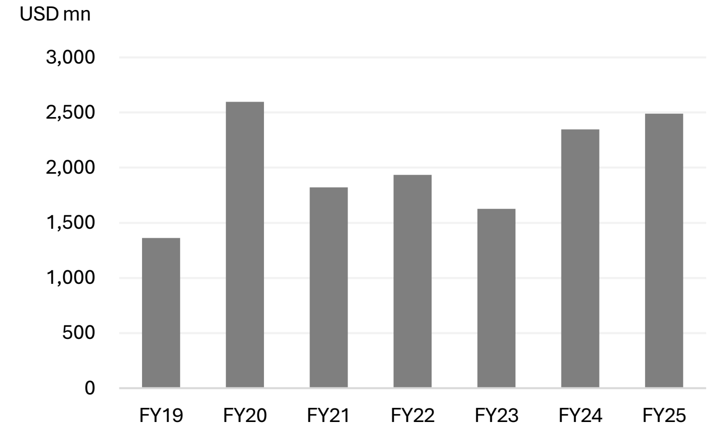
**Improving relations with US unlocking potential investments:** Pakistan's relation with the United States has improved considerably over the past few months, especially after Field Marshall Asim Munir's visit to the White House. US President, Donald Trump, announced a potential energy deal between the two countries, which may see investments to capitalize on Pakistan's underexplored onshore and offshore oil fields. Moreover, US companies announced plans to invest **USD 500mn** in Pakistan's critical minerals sector.

**Saudi Arabia a key long-term partner after the defense pact:** Saudi Arabia stands as one of Pakistan's key partners after signing a defense pact. Investment avenues include energy, technology and mining. Notably, Pakistan has offered Saudi investors a stake in the potentially lucrative Reko Diq Mining venture, with the stake likely **valued over USD 1.0bn.** Moreover, as per news reports, the Government has unveiled around 40 investment projects worth over **USD 28bn** to a visiting Saudi delegation. These projects include a USD 10bn petrochemical facilitiy and a Naphtha cracker.

**China remains at the forefront:** China remains at the forefront of Pakistan's economics through the CPEC. 2026 may see progress on the USD 7.0bn ML-1 railway project, connecting Karachi to Peshawar. Other key projects under the CPEC include further developments to the Gwadar port.

**UAE-based investors also increasing:** The UAE has pledged investments worth USD 10bn. Most recently, PTA global holdings purchased Lotte Chemical for around USD 70mn. Moreover, UAE-based IHC acquired a majority stake in Pakistan's First Women Bank for around USD 15mn.

**Pakistan FDI by Year**




*Source: SBP, BMA Research*

# Regional Geopolitics Escalating

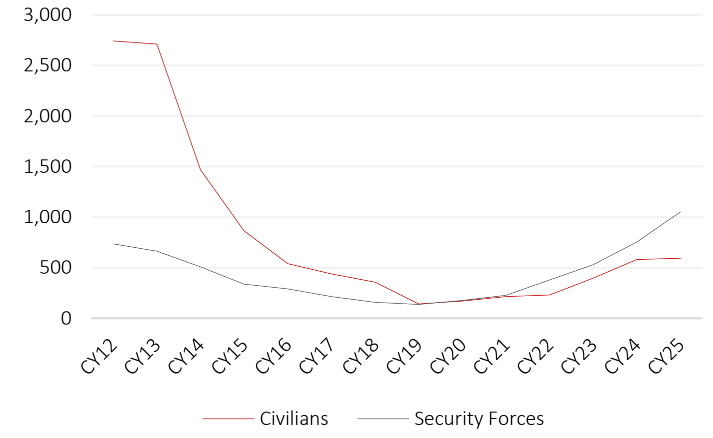
**Relation with Afghanistan deteriorating:** Pakistan's relation with Afghanistan has considerably deteriorated over the past few months after cross-border skirmishes and terror attacks. Notably, incidences of terrorism have been rising after lows seen during the CY19-CY20 period. As per available resources, security force casualties led by terror-related events have crossed 1,000, levels last seen in CY09. Civilian causalities have also increased, inching towards the 600 mark from under 150 in CY19. Consequently, Pakistan has closed the Afghan border to control the situation.

**Pakistan closes the Afghan border:** As highlighted, in a bid to control terror-related incidents, Pakistan has closed the Afghan border. Enhanced border control will also be utilized to keep a check on undocumented trade-related activities. As per news reports, **Pakistan estimates annual losses of PkR 3.4tn** because of illicit trade activities.

**Trade disrupted affecting exports worth USD 800mn:** Trade activity between the two countries has been halted after the border closure. In FY25, Pakistan **exported around USD 800mn** worth of goods through official channels. Sugar exports topped the charts with export **receipts of USD 248mn**, followed by cement with **receipts of USD 74mn.** Many north-based cement industries rely on exports to Afghanistan to keep their utilization levels high, including FCCL, CHCC and MLCF. Moreover, Aluminum Cans exports **reached USD 43mn, with PABC** being responsible for the export receipts. Moreover, medicament exports reached USD 24mn during the year with several pharmaceutical companies exporting to Afghan markets. These companies will likely face disruptions in their sales trajectory in CY26 and onwards.

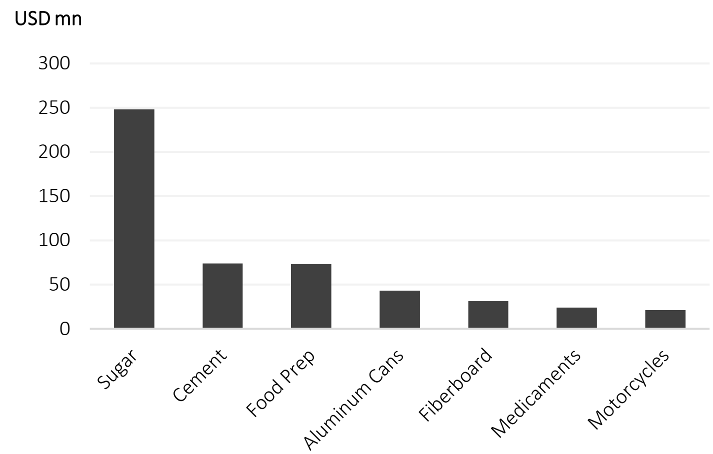
**Import restrictions created an inflation spell:** Afghan border closure affected the supply of fruits and vegetables Pakistan imported to alleviate the domestic supply deficit. Domestic prices became volatile, causing an inflationary spell, which saw CPI increase from lows of 0.3% in April 2025 to current levels of around 6.0%. Longer periods of border closure will continue to increase volatility in domestic food prices.

Terror-led Fatalities in Pakistan




*Source: SATP, BMA Research*

Top Exports to Afghanistan (FY25)




*Source: SBP, BMA Research*

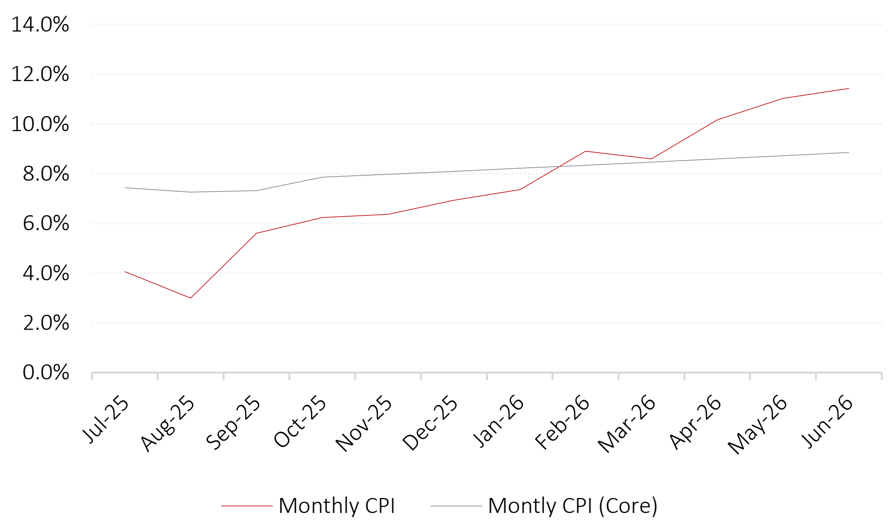
# CPI Inflation may inch towards double digits

**CPI inflation may inch back to double digits:** Despite stable currency and limited energy tariff adjustments, we believe CPI inflation will likely inch back towards double digits (by April 2026) because of the previous year's low base. We estimate CPI inflation to average around 7.5% in FY26 compared to 4.6% in FY25. Certain events affected the inflation trajectory during the year, including the heavy flooding, Afghanistan's border closure and the sharp increase in domestic wheat prices.

**Core inflation relatively stickier albeit slowing:** Core inflation levels have shown stickiness, hovering around 8.0% during recent months. This figure has largely stabilized around current levels because of a stable currency backdrop and limited demand growth.

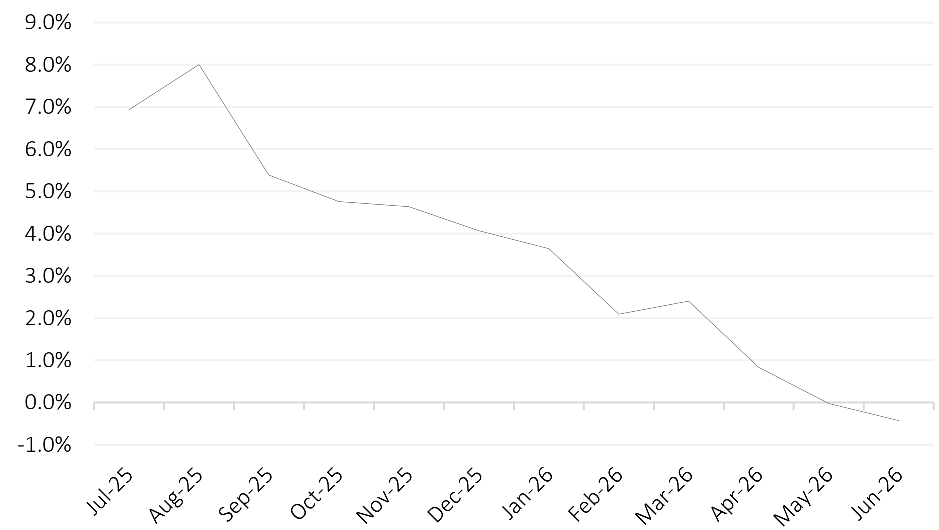
**Real rates may turn negative in FY26:** As highlighted, we think the previous year's low base will likely push inflation to double digits in FY26. Consequently, real interest rates may turn negative by June 2026. Notably, real rates peaked at 11.7% in April 2025 and have since declined to under 5% as of October 2025. The declining trajectory will likely continue in FY26 as the low inflation base comes into effect and food inflation remains elevated.

Inflation Trend Projections




*Source: PBS, BMA Research*

Real Rates Trend Projections




*Source: PBS, BMA Research*

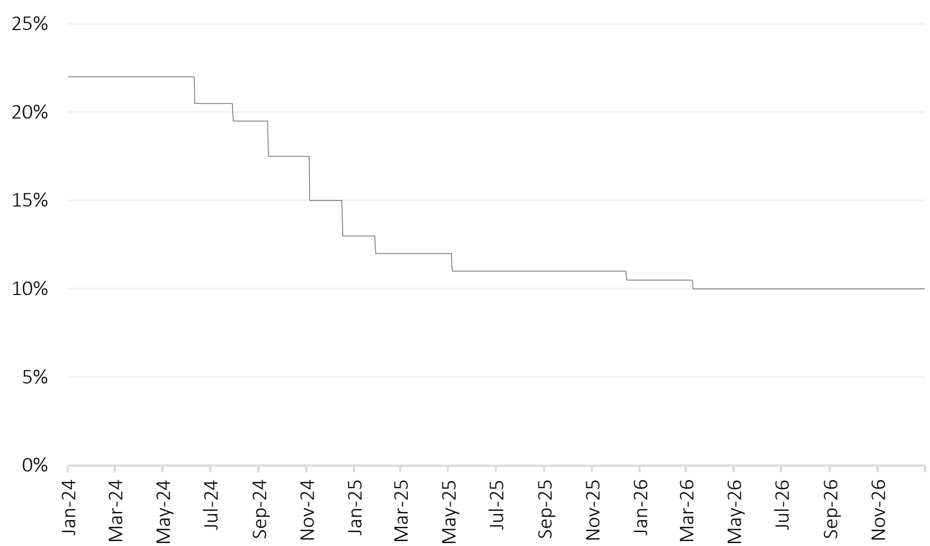
# Interest rates will likely bottom at 10% in FY26

**We think the interest rates will likely bottom at 10% in FY26:** The SBP cut the policy rate by 50bps to 10.50% following a nine-month pause. Considering an expected uptick in monthly CPI readings, heightened geopolitical risks, potential upside pressures on food prices, and forthcoming energy tariff adjustments, we believe the central bank is likely to maintain a floor of around 10% for FY26. Beyond this period, easing inflationary pressures and a stable current account should provide room for the SBP to lower the policy rate into single-digit territory.

**The yield curve likely to fall:** The past three months have seen the yield curve shift upwards with medium-term yields **rising by around 30bps.** After SBP's surprise cut in December 2025's monetary policy meeting, we think the yield curve will likely fall.

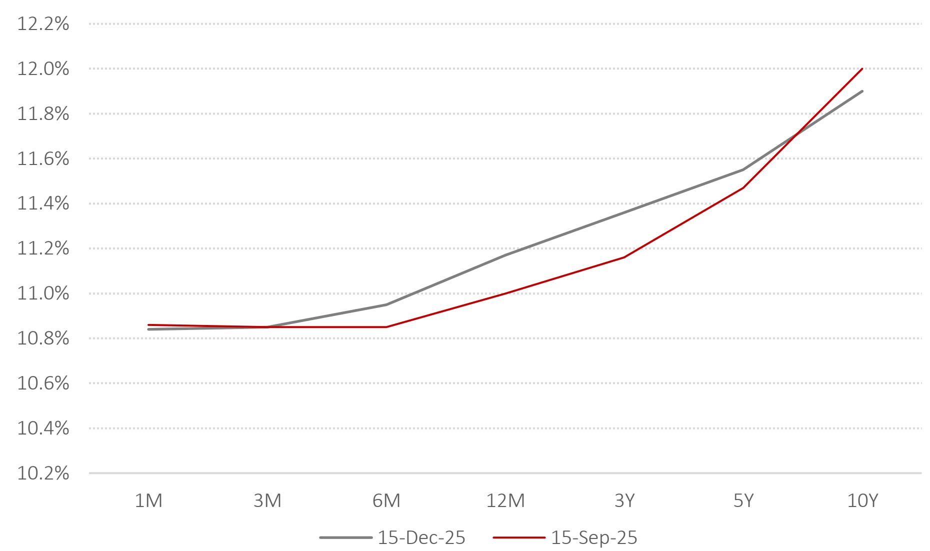
**Lending rates also rise by nearly 40bps:** Pakistan's lending rates also **increased by around 40bps** following the rise in secondary market yields and evolving interest rate expectations. We think domestic lending rates will stabilize around these levels and will likely reduce after secondary market yields adjust.

Policy Rate Projections




*Source: SBP, BMA Research*

Yield Curve Trend




*Source: SBP, BMA Research*

# External account likely controlled while certain risks remain

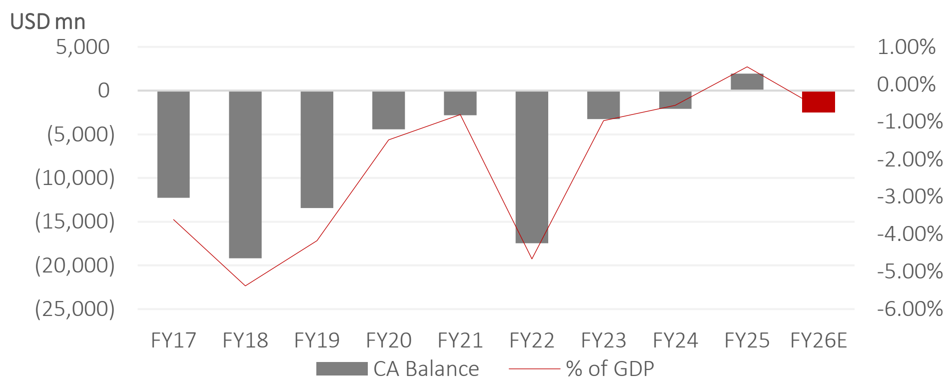
**A current account deficit of around USD 2.5bn in FY26:** After recording its first CA surplus in 11 years during FY25, Pakistan's economy is likely to go back into a **deficit of around USD 2.5bn (0.6% of GDP) during FY26**. The deficit will likely stem from increased economic activity, leading to a greater import bill during the fiscal year. Notably, during the first four months, Pakistan's import bill has increased by 10% YoY as per SBP's figures and nearly 20% based on PBS's figures.

**Remittances likely to continue supporting external balances:** The government anticipates remittance inflows to continue supporting Pakistan's external balances during FY26, likely crossing the USD 40bn mark. To support the inflows, the government reinstated the Workers' Remittances Incentive Scheme (WRIS).

**Debt servicing obligations covered for FY26:** Pakistan's debt servicing obligations stood at around USD 26bn (USD 4bn interest, USD 22bn principal) for the fiscal year. As per the SBP, the central bank repaid around USD 3bn and with expected inflows from multilateral and bilateral institutions, the SBP governor assured that all debt-related obligations were covered for FY26. The government **plans to roll over USD 9.0bn deposits** from China and Saudi Arabia. Moreover, existing **commercial loans due for the year (USD 2.9bn) will likely be refinanced.** The government also plans to tap into the Chinese commercial market and raised around USD 400mn from the issuance of Panda Bonds.

**The central bank continues to shore up reserves:** the SBP's foreign currency reserves have continuously climbed towards the USD 15.0bn mark despite the debt-servicing burden. The reserves found support from controlled current account balances and net purchases from the FX markets. Notably, the central bank **purchased around USD 3.2bn** during the first 8 months of 2026.

CA Balance Projections




*Source: SBP, BMA Research*

External Outstanding Debt

| USD bn | Amount |
|---|---|
| Total Public Debt | 91.8 |
| Multilateral | 42.5 |
| Bilateral (Loans) | 15.0 |
| IMF | 9.3 |
| Bilateral (Deposits) | 9.0 |
| Commercial Loans | 7.2 |
| Euro/Sukuk Bonds | 6.8 |
| NPCs | 1.2 |

*Source: MoF, BMA Research*

Planned External Inflows

| USD bn | Amount |
|---|---|
| Total Inflows | 19.9 |
| Bilateral | 10.3 |
| Multilateral | 5.1 |
| Commercial | 3.1 |
| NPCs | 0.6 |
| Euro/Sukuk Bonds | 0.4 |
| IMF (RSF) | 0.4 |

*Source: MoF, BMA Research*

# GDP growth expected at around 3.8%

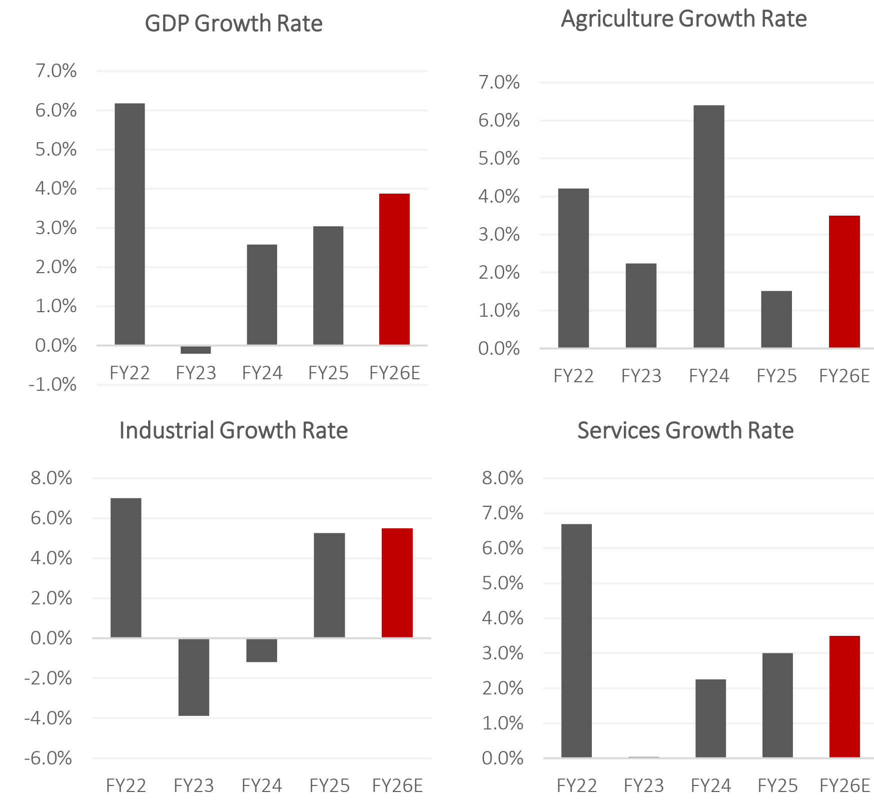
**Pakistan's GDP expected to grow at 3.8% in FY26:** Pakistan's GDP growth rate is **expected at 3.8% in FY26** against FY25's figure of 3.0%. FY26's estimates stand lower than initial projections of around 4.2% because of the heavy flooding affecting most of the country.

**Agriculture growth rate expected at 3.5%:** Pakistan's agriculture growth **is expected to recover to around 3.5%** compared to 1.5% in FY25. The improved prospects stem from supportive policies. Domestic commodity prices have recovered sharply, particularly wheat prices, which have **shot up by over 40%** from lows seen during the previous year. Moreover, in tandem with support schemes, including discounted tractors and electricity, farm economics are anticipated to improve in FY26.

**Industrial sector growth rate estimated at 5.5%:** Pakistan industrial sector is **expected to grow to 5.5% during FY26** as against a 5.3% in FY25. The industrial sector will likely find support from improving demand, led by the rural economy. Early indicators of manufacturing growth, including automobile sales (+46% YoY), LSM index (+4.1% YoY) and Cement Sales (+15% YoY).

**The services sector growth rate estimated at 3.5%:** Pakistan's services sector is **expected to grow by 3.5% in FY26** compared to 3.0% in FY25. The sector will likely find support from the wholesale & retail segment, and the transportation industry, which are expected to benefit from the increase in economic activity, increased rural income and low inflation figures.

**GDP Growth Trend**




*Source: SBP, BMA Research*

# Fiscal deficit may improve to 4.5% of GDP

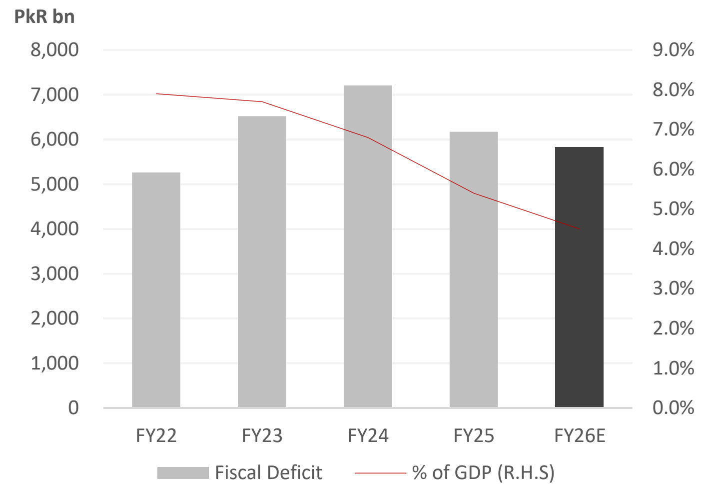
**Fiscal deficit may reduce to 4.5% of GDP:** Pakistan's fiscal deficit may reduce to 4.5% of GDP in FY26 compared to 5.4% of GDP in FY25. The improvement would likely stem from increased revenue collection, controlled spending and reduced mark-up servicing.

**Third-consecutive primary surplus in FY26:** Pakistan will likely record its third-consecutive primary surplus in FY26, **estimated at around 1.2% of GDP** compared to 2.4% of GDP in FY25.

**Flood-related spending and development expenditures to offset each other:** The 2025 floodings are estimated to have cost the economy around USD 3.0bn, of which agriculture damage was estimated at USD 1.5bn and infrastructural damaged was assessed at USD 1.1bn. Flood-related rehabilitation expense will likely be adjusted from the PSDP budget, which was set at PkR 1.0tn for FY26.

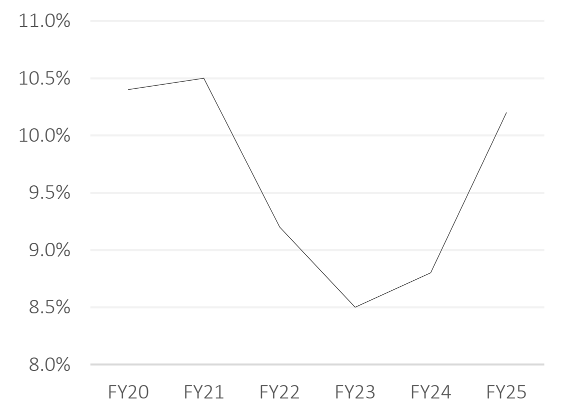
**Revenue collection likely to miss initial target:** We believe Pakistan is likely to miss its initial revenue target of PkR 14.1tn because of flood-induced disruptions to economic activity. Revenue shortfall during the first four months stood at PkR 274bn and is likely to cross the PkR 500bn mark by the end of the fiscal year.

Pakistan Fiscal Deficit Trend

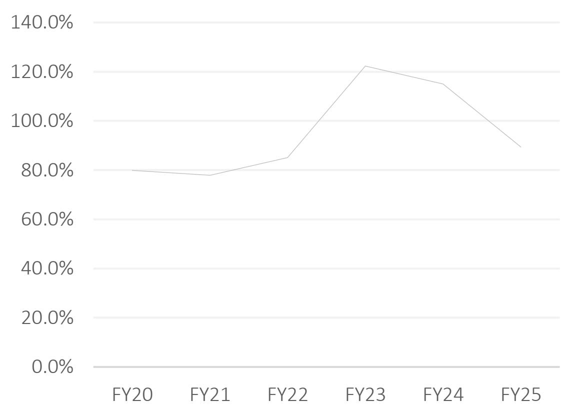



*Source: MoF, BMA Research*

Revenue Collection Trend (% of GDP)

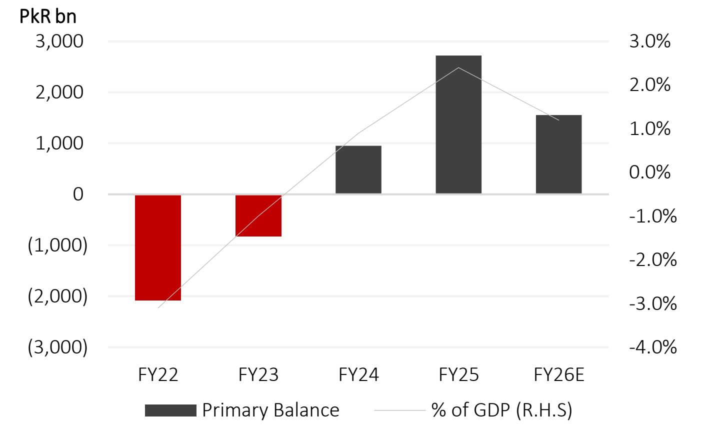



Mark-up to Net Federal Revenue




*Source: SBP, BMA Research*

Pakistan Primary Balance Trend




*Source: MoF, BMA Research*

# E&Ps - Strong cash flows bolstering investment case

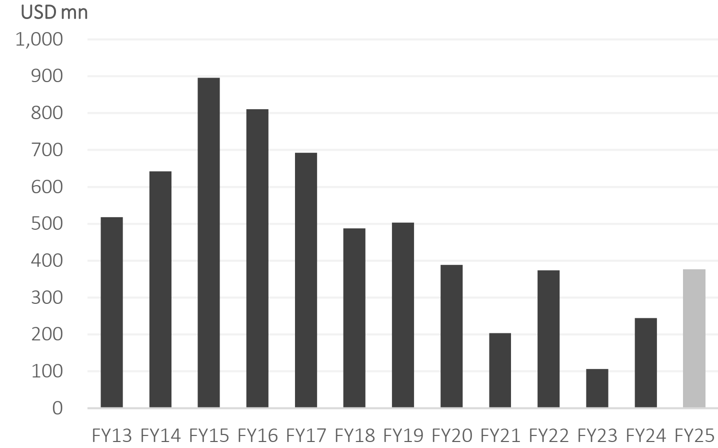
Pakistan's Oil & Gas exploration companies have begun showing stronger cash flows in their latest financials. The sector's main weakness has long been the buildup of receivables from gas sales to the Sui utilities. A healthier cash conversion cycle would boost cash yields further and even enable the industry to counter declining production by supporting higher exploration activity.

**Exploration activities to accelerate:** Improved cash collection allowed E&P companies to further step up exploration activities in FY25. Capital expenditure by **PPL and OGDC rose 55% YoY to USD 377mn.** We have seen significant **onshore and offshore licenses being acquired** to further bolster exploration activities These spendings levels, however, are still far below the levels recorded between FY14 and FY17, when **annual spending averaged USD 761 million** before the RLNG-driven circular debt issue emerged.

**Dividend yields could become attractive:** Both OGDC and PPL also have room to strengthen their cash yields as collections improve, and cash balances rise. Historically, OGDC's cash payout ratio averaged 90% and PPLs averaged 49% during the FY05–08 period. With fundamentals turning around, their payout levels could reasonably return to the 40–50% range, even after accounting for elevated capital expenditures. Notably, **OGDC's payout ratio already improved to 39% in FY25** and **PPL's improved to 22%.**

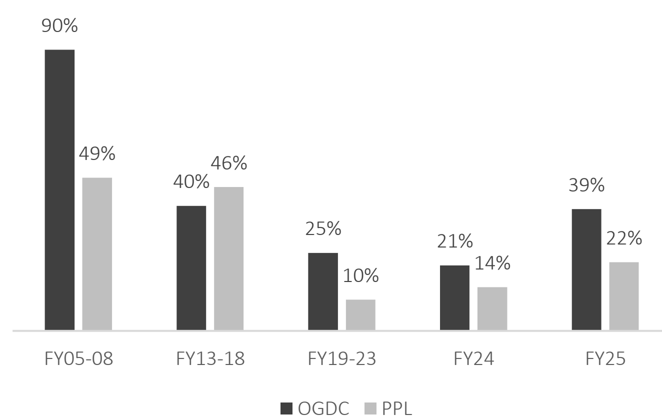
**Potential for furthering unlocking of value:** Pakistan's E&P sector deserves renewed attention as improving cash flows become more evident. Stronger cash generation addresses long-standing concerns around weak cash yields and declining reserves. As noted earlier, **the sector once traded at a 20% premium** to the market but now sits at a **roughly 25% discount**. Moreover, additional triggers are potentially on the horizon, which could further unlock value, including mechanisms to clear the gas-based circular debt, cash flows from the Reko Diq mine, and lucrative offshore discoveries.

Annual Capital Expenditure (PPL & OGDC)




*Source: Company Accounts, BMA Research*

Historical Dividend Payout Ratio (%)




*Source: Company Accounts, BMA Research*

# Oil & Gas Development Company (OGDC) – Target: PkR 350/sh

**Cash Collection continues to improve:** OGDC's cash collections continued to improve in FY25, as reflected in its financials. The company's **gas sales collection rate rose above 100% in FY25** from 76% in FY24. As a result, the monthly build-up of overdue receivables fell to under PkR 1.0bn in FY25 compared to around PKR 5.8bn in FY24. During its most recent quarter (1QFY26), OGDC cash **collection rate hovered around 110%,** reinforcing the improved cash collection theme.

**Cash-rich balance sheet:** Strong cash generation has enabled OGDC to build substantial liquidity on its balance sheet. As of September 2025, the company's cash and **short-term investments totaled PKR 327bn (PKR 76.0/sh)**. In addition, overdue receivables stand at **approximately PKR 501bn (PKR 116/sh)**. The potential clearance of these receivables, alongside the sizable cash balance, positions OGDC to increase its cash payouts in the coming quarters.

**Diversified production catalysts to support energy flows:** OGDC's intensified exploration efforts have boosted its recoverable oil reserves by 5% to 755 MMBOE, **extending its reserve life from 14 years to around 16 years**. In FY26, the company is focused on both onshore and offshore exploration activities. As per the management, the company is studying 4,500sq. Km of tight gas to capitalize on the improving pricing mechanisms, expecting flows from 5-6 shale wells in FY26-27. Potential flows could increase to 1bcf if full potential is realized. OGDC is also expecting drilling in offshore wells in the Indus Basin during 4QFY26.

| OGDC Investment Overview | |
|---|---|
| KATS Code | OGDC |
| Bloomberg Code | OGDC PA |
| Market Price | 275.1 |
| Target Price | 350.0 |
| Upside | 27% |
| 1-Yr High/Low | 290.0/174.3 |
| Free Float | 15% |
| Shares Outstanding (mn) | 4,300.9 |

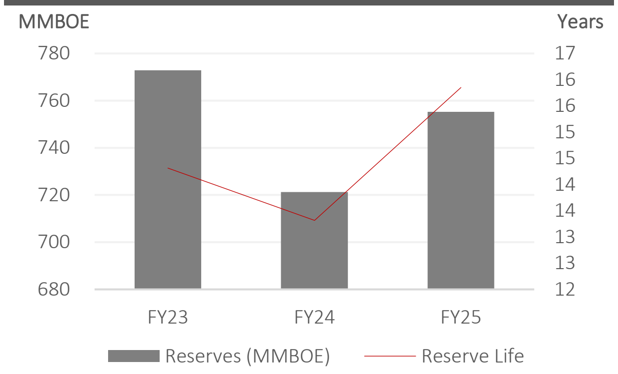
*Source: PSX, BMA Research*

OGDC Financial Overview

| | FY25 | FY26E | FY27E |
|---|---|---|---|
| EPS (PkR) | 39.5 | 37.4 | 40.2 |
| DPS (PkR) | 15.5 | 20.0 | 24.0 |
| PE (x) | 6.9 | 7.2 | 6.7 |
| PB (x) | 0.9 | 0.8 | 0.8 |
| Yield (%) | 6% | 7% | 9% |
| ROE (%) | 13% | 11% | 12% |

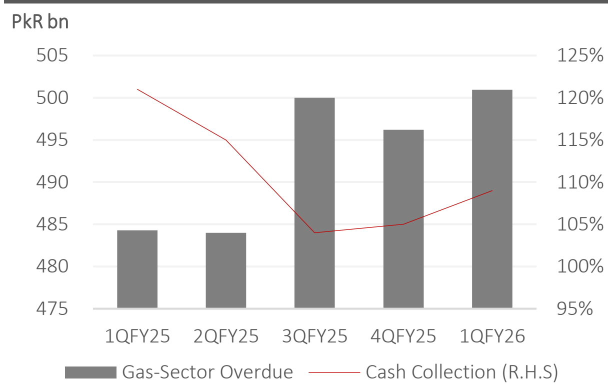
*Source: PSX, Company Accounts, BMA Research*

OGDC Oil Reserves




*Source: Company Accounts, BMA Research*

OGDC Overdue Receivables




*Source: Company Accounts, BMA Research*

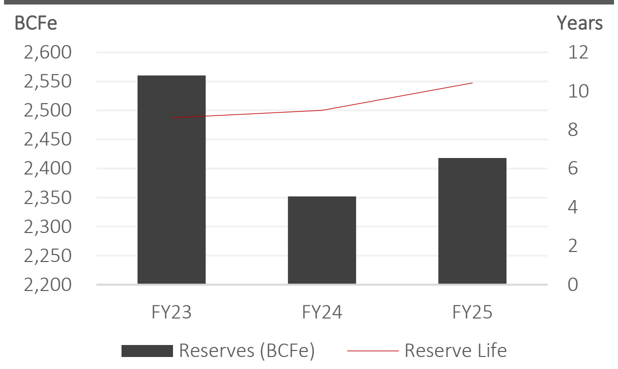
# Pakistan Petroleum (PPL) – Target: PkR 265/sh

**PPL's cash collection rate sees a sharp rise:** PPL benefited from the FY24 gas price hikes, which drove a sharp improvement in cash collections. The **company's collection rate rose to nearly 100% in FY25**, from 81% in FY24 and 53% in FY23. As a result, the monthly buildup of overdue receivables stagnated in FY25. Notably, in 1QFY26, PPL's receivables declined and its cash **collection rate hovered north of 100%.** This improve will support PPL's exploration activity plans and cash payouts in FY26.

**Focus on reviving production flows:** PPL aims to reverse its five-year declining production trend (CAGR: –4%) by stepping up exploration efforts, targeting a 2.0% production CAGR over the next five years. In FY25, the **company's recoverable reserves increased to 2,418 BCFe (+3% YoY)**, increasing its reserve life to over 10 years. In FY26, the company is focused on both onshore and offshore exploration activities, partnering with a Turkish energy company for its offshore endeavors.

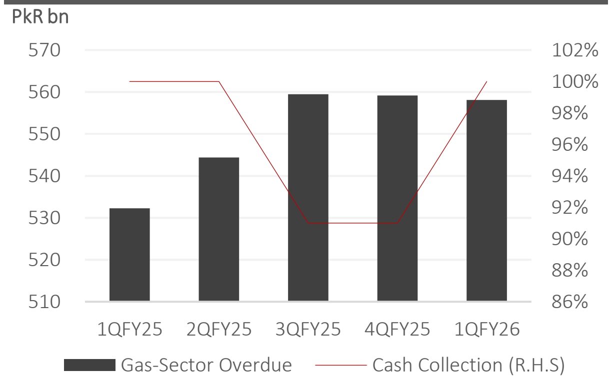
**The planned sale of Reko Diq to KSA:** Based on news reports, a body has been formed for the sale of Reko Diq mining venture. This 15% stake would likely be carved out from the 25% currently held by the E&P companies. According to our estimates, Reko Diq could generate USD 2.8bn in cash flows in its first year of operations (estimated at FY29). Over the project's life, it offers an estimated IRR of 41% and an NPV of USD 14.5bn. For PPL, the implied value of its stake is around USD 1,225mn (PkR 126/sh) if divested, while its share of project cash flows would be approximately PkR 24.4/sh.

### PPL Annual Gas Flows




*Source: Company Accounts, BMA Research*

### PPL Overdue Receivables




*Source: Company Accounts, BMA Research*

| PPL Investment Overview | |
|---|---|
| KATS Code | PPL |
| Bloomberg Code | PPL PA |
| Market Price | 220.3 |
| Target Price | 265.0 |
| Upside | 20% |
| 1-Yr High/Low | 229.1/128.6 |
| Free Float | 25% |
| Shares Outstanding (mn) | 2,721.0 |

*Source: PSX, BMA Research*

**PPL Financial Overview**

| | FY25 | FY26E | FY27E |
|---|---|---|---|
| **EPS (PkR)** | 33.8 | 29.4 | 32.7 |
| **DPS (PkR)** | 7.5 | 10.0 | 12.0 |
| **PE (x)** | 6.4 | 7.4 | 6.6 |
| **PB (x)** | 0.9 | 0.8 | 0.7 |
| **Yield (%)** | 3% | 5% | 6% |
| **ROE (%)** | 13% | 11% | 11% |

*Source: PSX, Company Accounts, BMA Research*

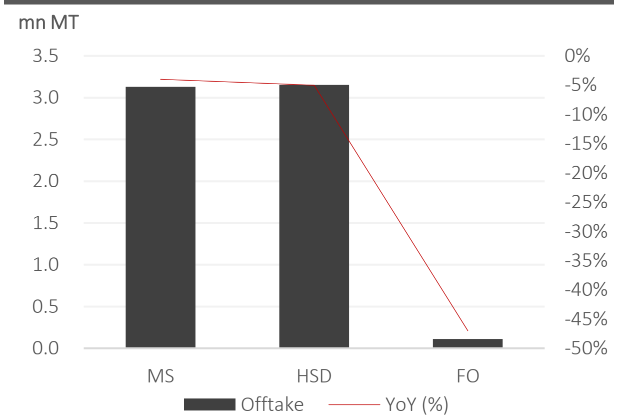
# Pakistan State Oil (PSO) – Target: PkR 670/sh

**Cash collection continues to improve:** The sharp increase in domestic gas prices continues to support stronger cash collections for PSO. In FY25, its receivables fell by PkR 51bn to PkR 437bn, followed by another PkR 12bn reduction in 1QFY26 to PkR 426bn. Improved collection efficiency will significantly strengthen working capital management and lower dependence on debt. Notably, improved cash collection has allowed PSO's short-term borrowings to **reduce from PkR 403bn as of June 30, 2024, to current levels of around PkR 325bn.**

**Off-take recovery anticipated:** PSO's off-take remained under pressure in FY25 because of the slowdown in economic activity and increased competition from smaller players, particularly Saudi-sponsored OMCs. Notably, PSO's market share in MS fell by 4pps to 41% and its share in HSD fell by 7pps to 46%. For FY26, we anticipate a recovery in off-take as economic activity increases. Moreover, we believe the government will continue tackling issues related to undocumented smuggled petroleum to enhance tax collection.

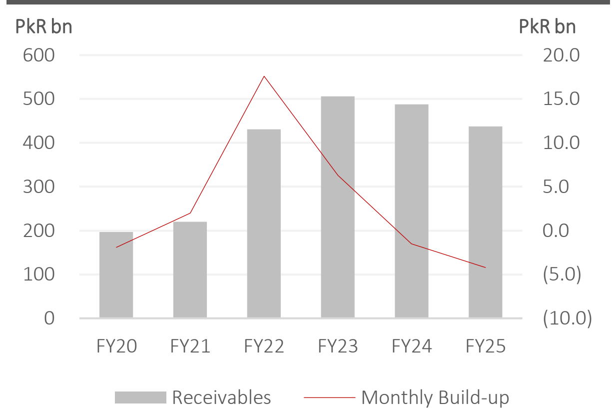
**Margin revision approved:** ECC has approved the revision of OMC margins in two phases. The first phase would see margins revised by PkR 0.61/liter, allowing PSO to benefit from an earnings impact of PkR 3.2/sh in FY26. For FY27, when the entire revision is applied, PSO's earnings impact would increase to PkR 12.96/sh.

**PSO OMC Off-take (FY25)**




*Source: Company Accounts, BMA Research*

**PSO Receivables Build-up**




*Source: Company Accounts, BMA Research*

**PSO Investment Overview**

| | |
|---|---|
| KATS Code | PSO |
| Bloomberg Code | PSO PA |
| Market Price | 469.4 |
| Target Price | 670.0 |
| Upside | 43% |
| 1-Yr High/Low | 494.8/300.0 |
| Free Float | 50% |
| Shares Outstanding (mn) | 469.5 |

*Source: PSX, BMA Research*

**PSO Financial Overview**

| | FY25 | FY26E | FY27E |
|---|---|---|---|
| EPS (PkR) | 44.5 | 78.3 | 86.3 |
| DPS (PkR) | 10.0 | 15.0 | 20.0 |
| PE (x) | 10.7 | 6.1 | 5.5 |
| PB (x) | 0.2 | 0.2 | 0.2 |
| Yield (%) | 2% | 3% | 4% |
| ROE (%) | 2% | 4% | 4% |

*Source: PSX, Company Accounts, BMA Research*

# Fertilizers - Government support to lift demand

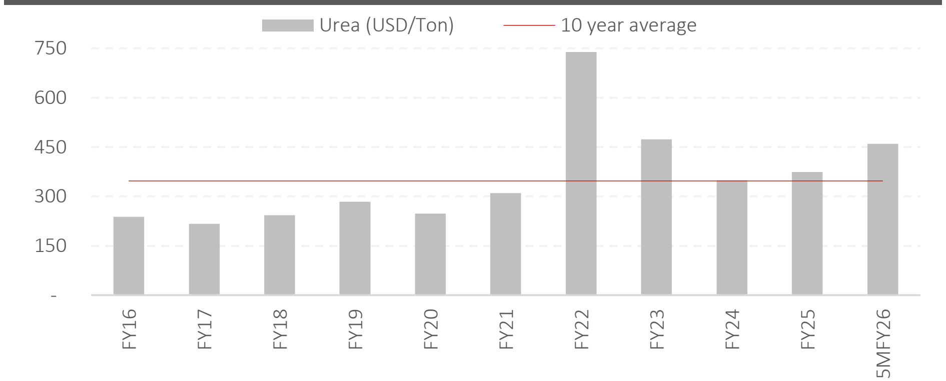
**Urea sales to recover in 2026:** Urea sales for CY25 are anticipated to recover to 6.0mn MT compared to initial estimates of around 5.6mn MT. Improving prospects stemmed from a lower-than-anticipated impact of the floods. Improving agriculture dynamics, particularly after the recovery in domestic commodity prices, also contributed to demand recovery. In CY26, demand for urea may increase to 6.5mn MT, in line with the three-year average.

**Govt. subsidies to ease off cost pressures:** According to industry, pressure on input costs for farmers is expected to ease, as the provincial governments of Punjab and Sindh are likely to disburse subsidies for fertilizers and seeds. Additionally, the federal government approved a wheat procurement price of PkR 3,500 per 40kg for the 2025-26 season. Sindh govt. announced a PkR 55bn relief package for farmers, setting the wheat support price at PkR 3,500 per 40kg and offering subsidized fertilizer to small growers to ease the burden of rising cultivation costs.

**Urea oversupply creates opportunity for exports:** The slowdown in fertilizer demand has led to a build-up of urea inventories at 2017 highs. The government may allow exports if a full-cycle demand forecast confirms surplus volumes. With global urea prices about 40% above domestic levels, exports could ease oversupply, lower working-capital needs, and boost forex earnings.

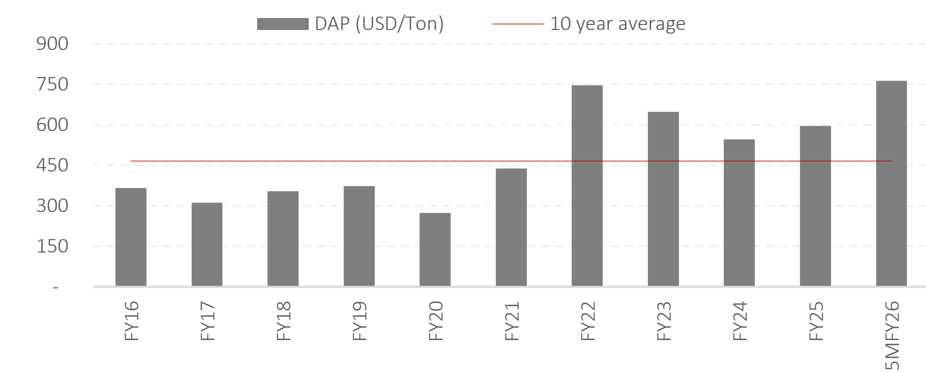
**Urea prices stabilizing:** Domestic urea prices have eased off by around 5% YoY to around PkR 4,300 per 50kg. We, however, see prices stabilizing as international urea prices are up 6% YoY to as of Nov’25, driven by strong demand from India and tightened supply from other regions. Given that the discount to imported urea stands at around 35%, the domestic urea industry has ample room to pass on any cost increase resulting from higher gas prices.

Urea (USD/Ton)




*Source: Bloomberg, NFDC, BMA Research*

DAP (USD/Ton)




*Source: Bloomberg, NFDC,, BMA Research*

# Fauji Fertilizer Company (FFC) – Target: PkR 666/sh

BMA CAPITAL

## Growth Powered by Cost & Portfolio Strength

Our liking of the stock stems from i) 5-year earnings CAGR of 26%, ii) Advantage of lower gas prices, iii) diversified investment portfolio strengthens FFC's earnings stability and iv) Agritech (AGL)'s turnaround expected to boost FFC's scale and profitability.

**5-yr earnings CAGR of 26%:** FFC's profitability to grow at a 5-Yr CAGR of 30%, arriving at PkR 58.2/share in CY26, taking into consideration diversified portfolio of business in banking, energy, and FMCG sectors. For CY25, we expect earnings to clock in at PkR 55.6/share. The major growth driver for the company is better margins in the core business, coupled with dividend income from AKBL, FFCEL, FWEL I, and FWEL II.

**Capitalizing on lower gas prices:** FFC is procuring feed and fuel gas at a lower rate of PkR 580/mmbtu, and PkR 1,580/mmbtu, respectively while consumers on SNGP and SSGC are receiving feed and fuel at PkR 1,597/mmbtu each. Due to this, FFC has a competitive edge over other major urea producers in the industry, which will keep the gross margins higher until revised gas prices are notified.

**Diversified investment portfolio strengthens FFC's earnings stability:** FFC's post-merger investment portfolio serves as an effective hedge against soft farmer economics. On a recent nine-month financial basis, other income constituted approximately 38% of pretax earnings. FFC maintains a 64% ownership position in Askari Bank (AKBL), one of Pakistan's most rapidly expanding mid-tier commercial banks. In addition, it holds majority interests in Fauji Foods (~82%) and Fauji Fresh and Freeze (100%), and retains exposure to power projects, including 100MW wind farms and a stake in Thar Energy Ltd.

**AGL turnaround expected to boost FFC's scale and profitability:** AGL's acquisition is anticipated to improve FFC's profitability—subject to the realization of operational efficiencies—through enhanced market access in Punjab and KPK, reduced logistics expenses, and the addition of Single Super Phosphate (SSP) to FFC's product offering. Stabilization of gas supply will be pivotal in normalizing AGL's operations, thereby supporting increased production, profitability, and scale benefits. Presently, AGL's key constraint is irregular gas availability, leading to recurrent plant shutdowns and operational inefficiencies.

**Valuation:** The stock is offering a potential upside of 13% with an **SOTP value of PkR 666/sh** along with a **dividend yield of 8%.**

| FFC Investment Overview | |
|---|---|
| KATS Code | FFC |
| Bloomberg Code | FFC PA |
| Market Price | 585.0 |
| Target Price | 666.0 |
| Upside | 14% |
| 1-Yr High/Low | 599.0/314.2 |
| Free Float | 60% |
| Shares Outstanding (mn) | 1,423.1 |

*Source: PSX, BMA Research*

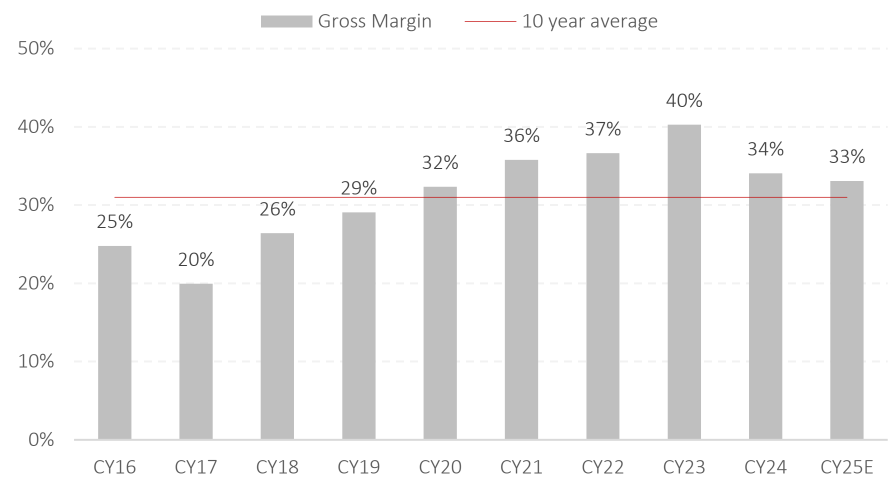
FFC Financial Overview

| | CY24 | CY25E | CY26F |
|---|---|---|---|
| EPS (PkR) | 45.5 | 55.6 | 58.2 |
| DPS (PkR) | 36.5 | 40.0 | 45.0 |
| PE (x) | 12.4 | 10.2 | 9.7 |
| PB (x) | 1.7 | 3.7 | 4.6 |
| Yield (%) | 6% | 7% | 8% |
| ROE (%) | 49% | 51% | 46% |

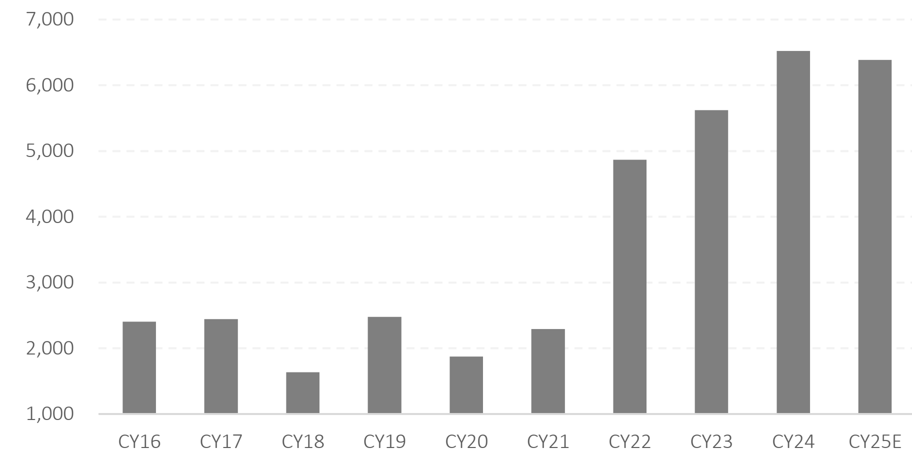
*Source: PSX, Company Accounts, BMA Research*

# FFC Graphical Overview

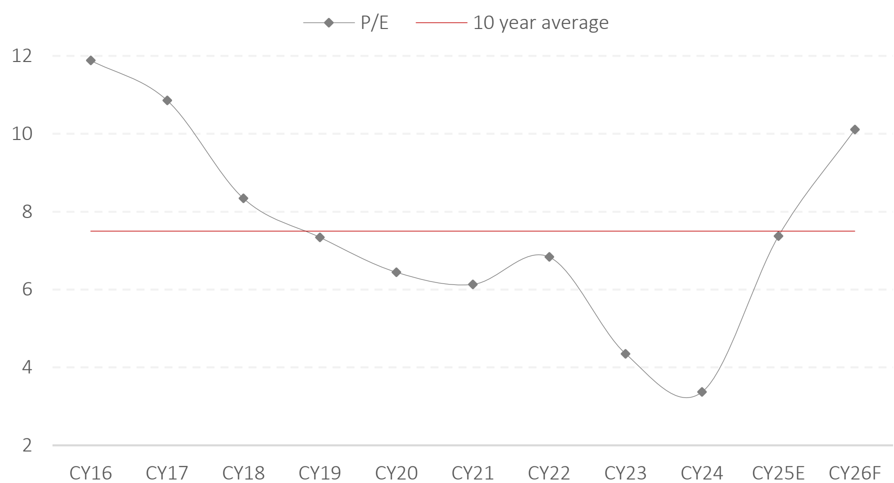
## Gross Margins



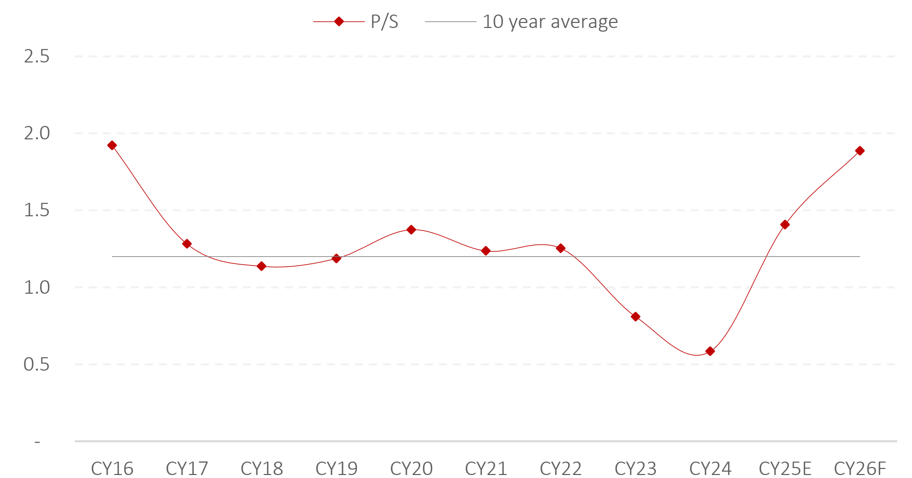

## Finance Cost (PkR Mn)




## P/E Multiple Trend




## P/S Multiple Trend



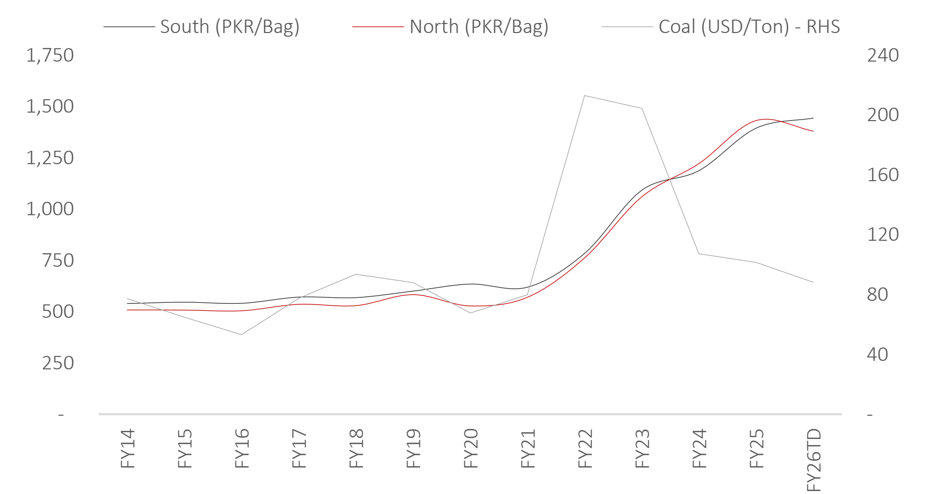
# Cement Sector Poised for Growth on Demand Revival and Cost Tailwinds

**Local demand outlook has improved:** After three consecutive years of decline, local cement sales are expected to rebound by 8-10% YoY in FY26 and 6% YoY in FY27, led by improving economic conditions, easing inflation, and lower interest rates. 1QFY26 sales rose 15% YoY to 9.6mn MT because of stronger construction activity and the low-base effect. Flood-related rehabilitation and Punjab's housing initiatives (Apni Chhat Apna Ghar, PAHP) will further boost demand, especially for Punjab-based players. Exports are projected to grow 5% YoY in FY26 and FY27, with industry capacity utilization rising to 59.5% and 62.5%, respectively.

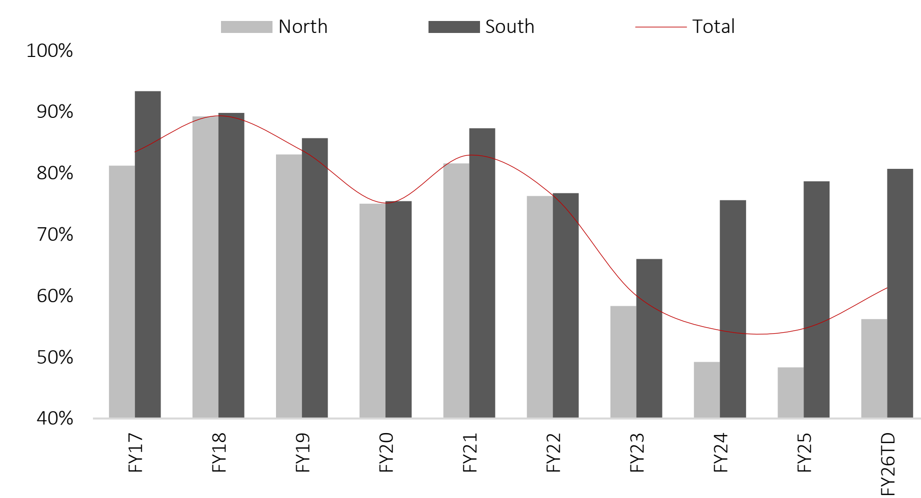
**Monetary easing cycle to support construction activities:** With inflation easing from 38% in May 2023 to 0.3% in April 2025, the State Bank of Pakistan has cut its policy rate by 1,150 bps to 10.5%, marking the start of a monetary easing cycle. This cycle is expected to aid economic recovery and boost sectors like construction. Historically, housing loan uptake rose during low interest periods, but borrowing also spiked in FY22–FY23 due to government-subsidized housing loans at 3–9%, despite high market rates.

**Bearish coal prices trajectory to fuel the earnings growth:** Coal, comprising 40%-45% of cement production costs, heavily influences cement prices. Coal prices averaged at USD 101/MT in FY25, down 5% YoY and are currently hovering around USD 85/MT. We expect lower demand due to environmental concerns to keep coal prices controlled, boosting cement margins and profitability. Cement companies diversified fuel sources, using imported/Afghan, local coal and alternative fuels sources to mitigate price and currency fluctuations.

Cement vs Coal Price




Capacity Utilization (%s)




*Source: Bloomberg, PBS, BMA Research*

# DG Khan Cement Company Limited (DGKC) – Target: PkR 348/sh

BMA CAPITAL

Our liking of the stock stems from i) earnings growth to be led by lower finance cost and stable margin, ii) efficient fuel and power mix to improve margins, iii) rising export prices to support margins, and iv) other Income a buffer in tough times.

**Earnings growth to be led by lower finance cost and stable margin:** DG Khan Cement Company Limited (DGKC) is expected to post earnings of PkR 25.1/sh in FY26, driven by stable gross margins and a sharp reduction in finance costs. Margin stability is supported by lower coal prices and the company's 60MW in-house coal-based power plant, which supplies more than half of its total energy needs.

The company has strengthened its balance sheet through aggressive debt reduction, including a PkR 12.5bn repayment in FY24. With lower debt levels and declining interest rates, finance costs are expected to drop by 67% in FY26. These savings will play a pivotal role in funding the company's planned cost-efficiency initiatives.

**Efficient fuel and power mix to improve margins:** We expect DGKC's gross margins to rise from the three-year average of 19% to 25–28% over FY26–FY28. This improvement will be driven by lower coal prices and a favorable power mix. The company's power portfolio includes FO (23.84MW), gas (24.60MW), dual fuel (33.0MW), WHR (32.40MW), solar (10.92MW), and coal (60MW).

**Rising export prices to support margins:** The company is well-positioned to benefit from the recent increase in export prices, as Egypt's exit from key African markets has created a more favorable competitive landscape. Notably, Egypt's cement exports fell by 5% YoY (the first time in five years), creating an opportunity for DGKC to capitalize on the supply deficit in the region. We anticipate higher retention prices and gross margins of 25–28% in FY26–FY28.

**Other Income a buffer in tough times:** DGKC offers exposure to multiple sectors through its diversified investment portfolio. Over the years, the company has invested in textiles, banking, insurance, autos, paper and packaging, dairy, and hotels. DGKC is benefiting from several of these investments through dividend income, which contributed 33% of profit before tax (PBT) in FY25, providing meaningful support to earnings during challenging periods.

**Valuation:** The stock is currently trading at an FY27F PE of 7.5x. DGKC offers a potential upside of 43% with **TP** of **PkR 348/sh.**

| DGKC Investment Overview | |
|---|---|
| KATS Code | DGKC |
| Bloomberg Code | DGKC PA |
| Market Price | 242.0 |
| Target Price | 348.0 |
| Upside | 44% |
| 1-Yr High/Low | 275.6/91.0 |
| Free Float | 50% |
| Shares Outstanding (mn) | 438.1 |

*Source: PSX, BMA Research*

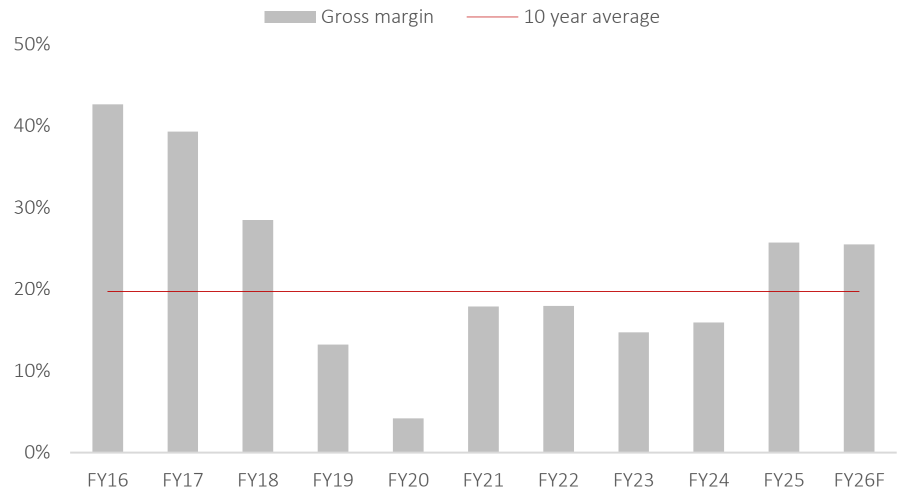
**DGKC Financial Overview**

| | FY25A | FY26E | FY27F |
|---|---|---|---|
| EPS (PkR) | 19.8 | 25.1 | 30.2 |
| DPS (PkR) | 2.0 | 2.5 | 3.0 |
| PE (x) | 11.4 | 9.0 | 7.5 |
| PB (x) | 0.5 | 0.9 | 0.8 |
| Yield (%) | 1% | 1% | 1% |
| ROE (%) | 9% | 10% | 10% |

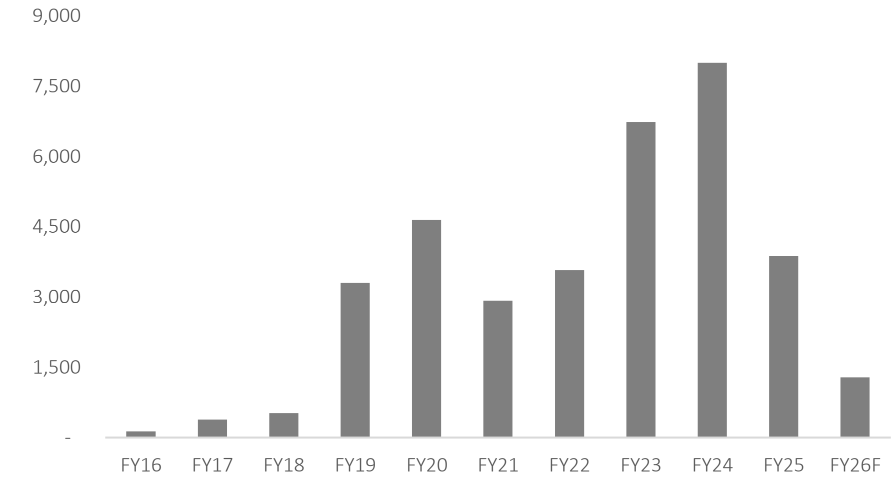
*Source: PSX, Company Accounts, BMA Research*

# DGKC Graphical Overview

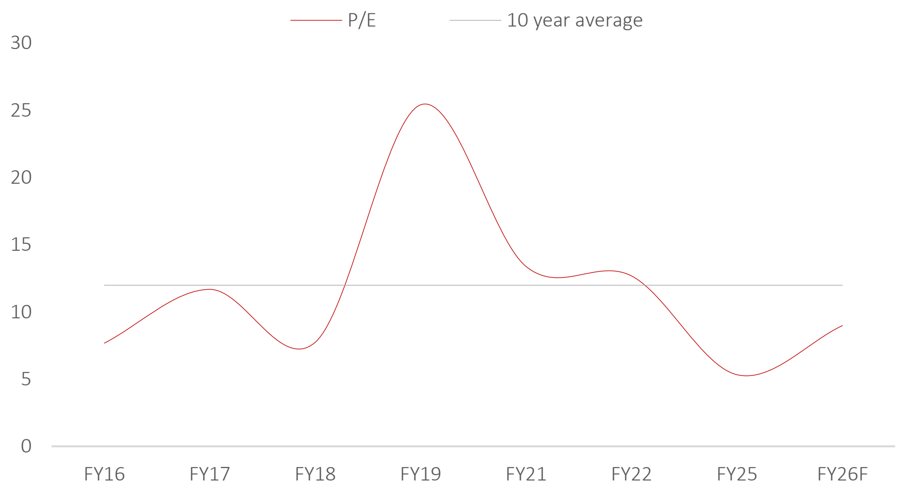
## Gross Margin



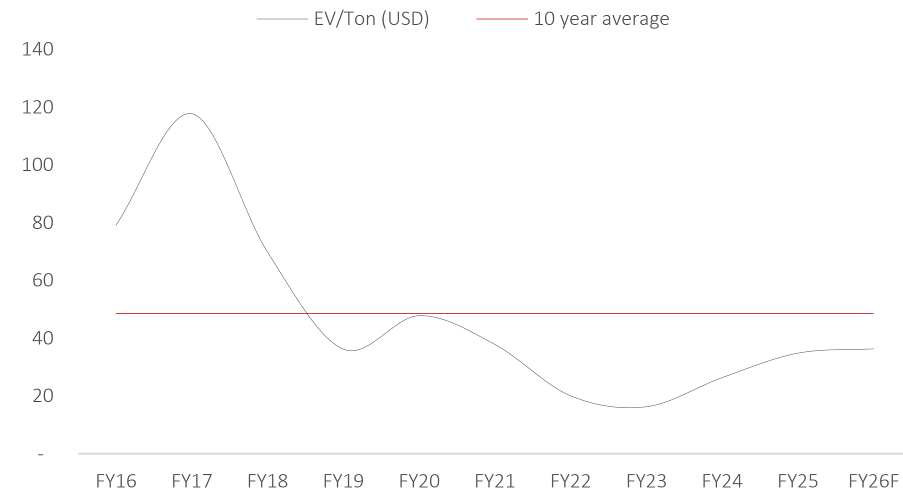

## Finance Cost (PkR Mn)




## P/E Multiple Trend




## EV/Ton Multiple Trend



# Gharibwal Cement Limited (GWLC) – Target: PkR 87/sh

Our liking on the stock stems from i) cooler retrofit BMR to bring fuel savings, ii) efficient fuel and power mix to enhance margins, iii) bearish coal prices trajectory to fuel the earnings growth and iv) steady Progress on the new line.

**Cooler retrofit BMR to bring fuel savings:** GWLC completed its cooler retrofit project in 2QFY25, enhancing production capacity and reducing fuel costs through advanced cooling technology. The upgrade improves clinker cooling efficiency, energy consumption, product quality, and equipment life. With fuel efficiency expected to improve by 7%, gross margins could rise by 2.1% in FY27, while a 5–7% efficiency gain may boost margins by 150–210 bps and EPS by PKR 0.5–0.8 over FY27–FY28.

**Efficient fuel and power mix to enhance margins:** GWLC's gross margins are projected to rise from 23.3% in FY25 to 25–26% over FY26–FY28, while EBITDA margins are expected to improve from 25.7% to 27-28%, driven by lower coal prices, better retention, and efficient fuel & power mix. The company benefits from a diverse power portfolio, including Waste Head Recovery (WHR) and solar plants (20MW & 24.5MW), as well as FO, gas, and dual-fuel captive power plants totaling 38MW, supporting cost efficiency and margin expansion.

**Bearish coal prices trajectory to fuel the earnings growth:** Bearish coal prices trajectory to fuel the earnings growth: In FY25, GWLC's fuel mix improved to 38% local and 62% imported coal from 27/73% in FY24, **with a forecasted 40/60% mix moving forward**. Greater reliance on local coal, **priced PKR 2,000–3,000 lower than imported Afghan coal**, along with declining international and regional coal prices, is expected to reduce costs. GWLC's effective coal cost is projected to average PKR 35,000 per ton in FY26, down 2% YoY, **supporting a 1-2pps improvement in gross margins**.

**Steady Progress on the new line:** **GWLC's new 10,000tpd production line** is in early civil work stages, progressing cautiously while monitoring cement demand. Project execution will accelerate once domestic demand recovers, allowing the company to balance capital expenditure and financial flexibility during the current subdued market.

**Valuation:** **Our target for the stock is PkR 87/sh, offering an upside of 39%.**

| GWLC Investment Overview | |
|---|---|
| KATS Code | GWLC |
| Bloomberg Code | GWLC PA |
| Market Price | 63.1 |
| Target Price | 87.0 |
| Upside | 38% |
| 1-Yr High/Low | 78.0/32.0 |
| Free Float | 10% |
| Shares Outstanding (mn) | 400.3 |

*Source: PSX, BMA Research*

**GWLC Financial Overview**

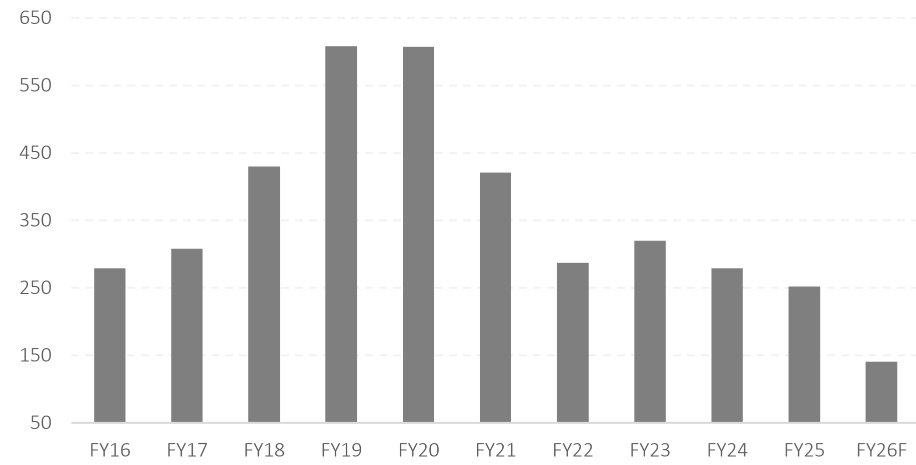
| | FY25A | FY26E | FY27F |
|---|---|---|---|
| EPS (PkR) | 5.5 | 6.5 | 8.0 |
| DPS (PkR) | 1.0 | 2.0 | 2.0 |
| PE (x) | 12.0 | 10.2 | 8.3 |
| PB (x) | 1.0 | 1.0 | 0.9 |
| Yield (%) | 2% | 3% | 3% |
| ROE (%) | 8% | 9% | 11% |

*Source: PSX, Company Accounts, BMA Research*

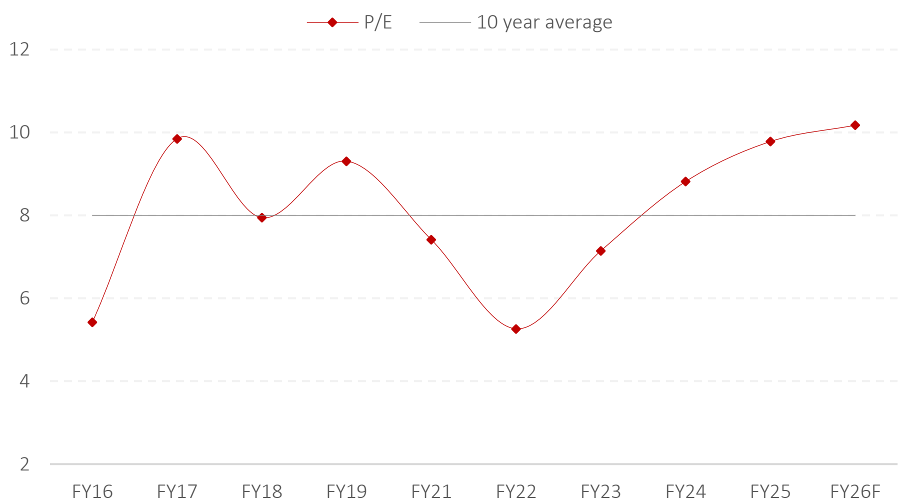
# GWLC Graphical Overview

## Gross Margin

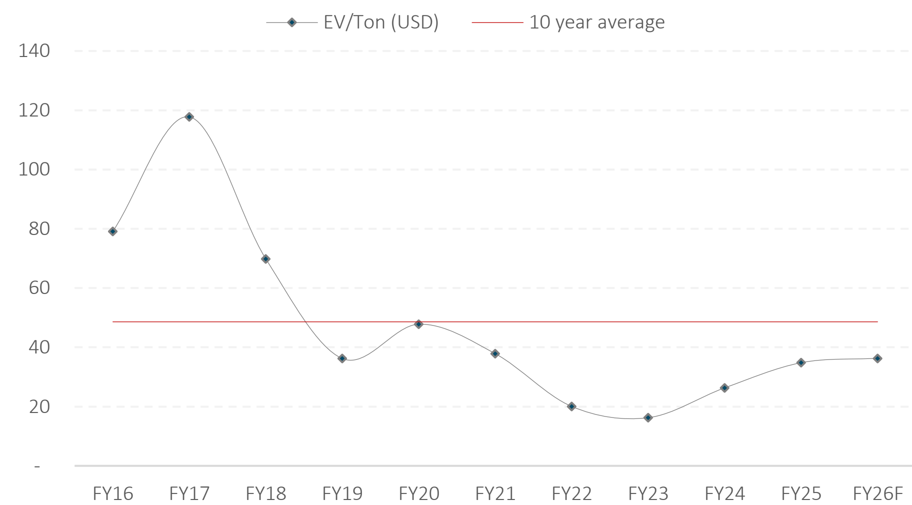

## Finance Cost (PkR Mn)




## P/E Multiple Trend




## EV/Ton Multiple Trend



# Maple Leaf Cement Factory (MLCF) – Target: PkR 151/sh

Our liking of the stock stems from: i) efficient fuel and power mix to improve margins, ii) MLCF commands over 90% market share in white cement, iii) MLCF's potential acquisition of PIOC, and iv) strong cash generation to support future investments.

**Efficient fuel and power mix to improve margins:** We expect MLCF gross margins to improve from 34% in FY25 to 35-38% over FY26-FY28 mainly due to a decline in coal price, and improvement in power and fuel mix. We expect international coal prices of USD 90/ton based on our discussions with industry players. MLCF is one of the most efficient players in the sector. MCLF utilizes local coal with a higher sulfur content and benefits from a favorable power mix, including a coal-fired power plant, WHR (Waste Heat Recovery), and a solar plant.

**MLCF commands over 90% market share in white cement:** MLCF has separate plants for grey and white cement, each with dedicated production lines within the same facility. MLCF has an annual production capacity of 165K tons of white cement, contributing around 4.3% to sales as per FY25 annual accounts. As per our sources, total market size of white cement in Pakistan is ranging from 100K to 125K tons with an annual turnover of PkR 7-9bn. MLCF stands as the foremost producer of white cement in Pakistan with market share of over 90%. Moreover, MLCF sells its white cement at a premium to other players due to its superior quality.

**MLCF's potential acquisition of PIOC:** MLCF intends to acquire an additional 58.03% stake in PIOC, along with an 11.72% public offer. The potential transaction would raise its total shareholding in the company to 88.9%. Following the acquisition, MLCF would become the second-largest cement producer in the north region, with a combined capacity of 13.1mn tons. Consequently, its capacity-based market share in the north would increase from 12.0% to 19.5%.

**Strong cash flows to support on multiple avenues:** With improving profitability, MLCF's operating cash flow has increased as well. Strong cash flows have the potential to support the company's capacity expansion projects, energy efficiency projects, buybacks, investment to diversify business exposure and enhance cash yield potential.

**Valuation:** MLCF offers a **potential upside of 26% to our target price of PkR 151/share**.

| MLCF Investment Overview | |
|---|---|
| KATS Code | MLCF |
| Bloomberg Code | MLCF PA |
| Market Price | 123.3 |
| Target Price | 151.0 |
| Upside | 22% |
| 1-Yr High/Low | 133.0/41.3 |
| Free Float | 45% |
| Shares Outstanding (mn) | 1,047.6 |

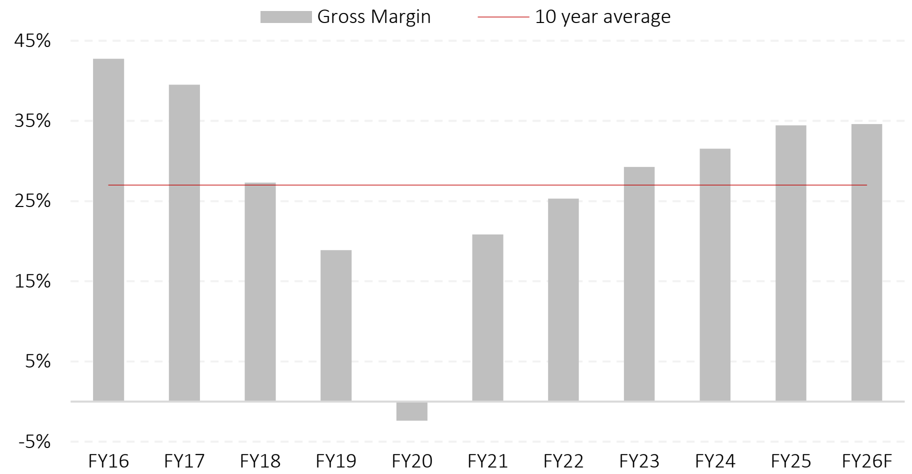
*Source: PSX, BMA Research*

| MLCF Financial Overview | FY25 | FY26E | FY27F |
|---|---|---|---|
| EPS (PkR) | 16.3 | 10.6 | 12.8 |
| DPS (PkR) | 1.5 | 2.0 | 2.5 |
| PE (x) | 6.5 | 10.0 | 8.2 |
| PB (x) | 0.5 | 0.5 | 0.4 |
| Yield (%) | 1% | 2% | 2% |
| ROE (%) | 24% | 13% | 14% |

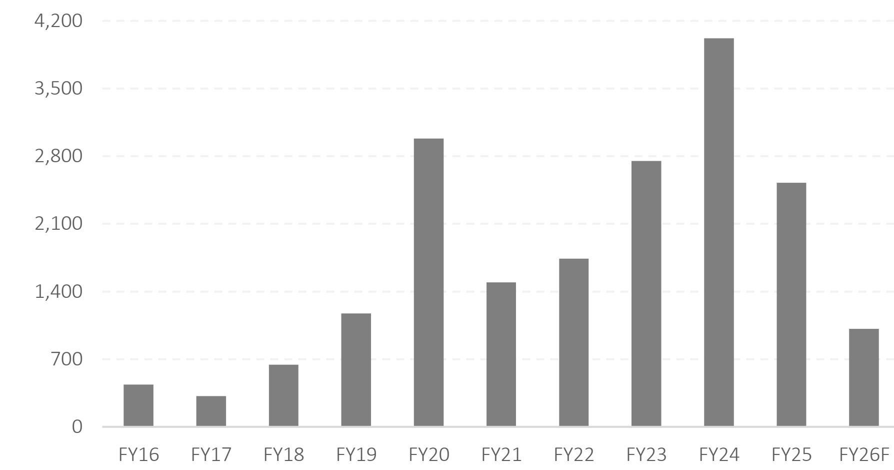
*Source: PSX, Company Accounts, BMA Research*

# MLCF Graphical Overview

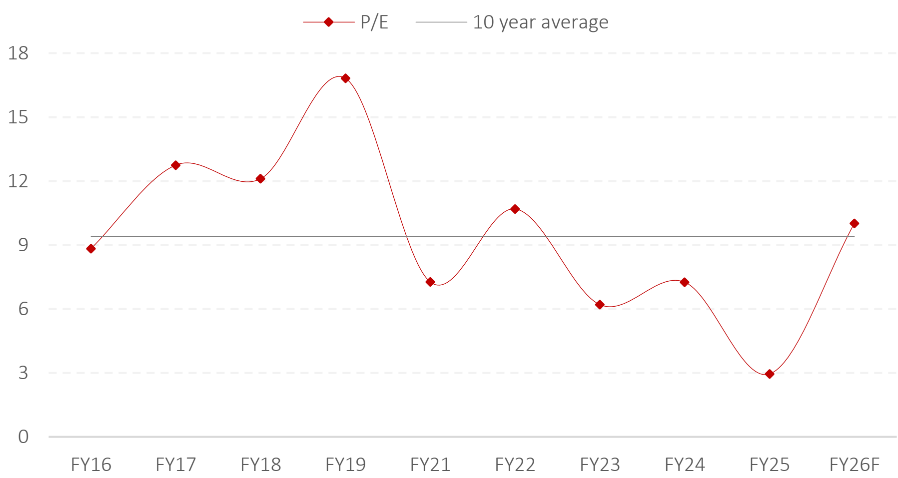
## Gross Margin



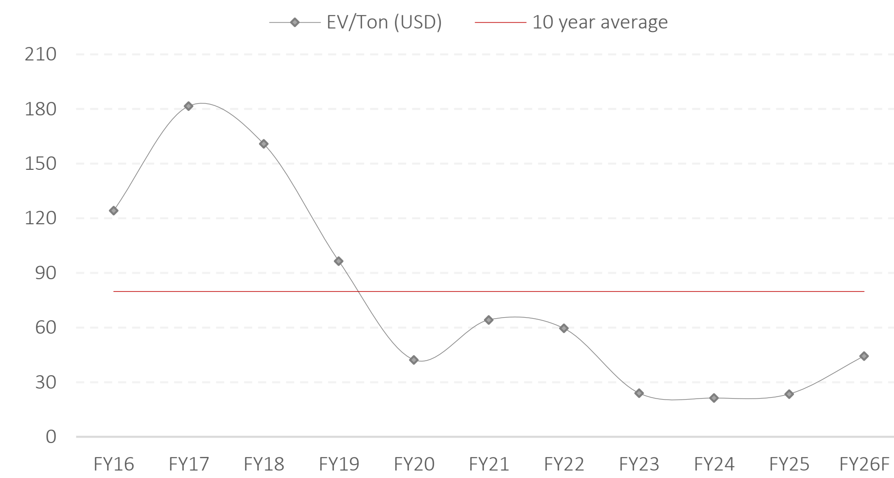

## Finance Cost (PkR Mn)




## P/E Multiple Trend




## EV/Ton Multiple Trend



# Fauji Cement Company (FCCL) – Target: PkR 78/sh

Our liking of the stock stems from i) heightened focus on production efficiencies, ii) efficient fuel and power mix to enhance margins, iii) strong cash flows and debt reduction, and iv) strategic footprint expansion.

**Heightened focus on production efficiencies:** Fauji Cement also strives to become one of the most efficient cement players in the industry by using green technologies. Presently, the company's solar generation capacity stands at 67.5MW and its WHR stands at 48MW. These efficiencies yield potential savings of over PkR 100/bag for the company.

**Efficient fuel and power mix to enhance margins:** We expect FCCL gross margins to improve from 35% in FY25 to 35-36% over FY26-FY28. The anticipated improvement in margins is on account of decline in coal prices, efficient fuel mix and power efficiencies. In our view, the company is expected to continue its cost-saving initiatives going forward.

**Strong cash flows and debt reduction:** Cost optimization has kept FCCL highly profitable, generating EBITDA of PKR 25 bn (PKR 10/sh) in FY24 and PKR 32 bn (PKR 13/sh) in FY25, despite operating at 51% capacity. Strong cash flows enabled PKR 9bn debt reduction, improving the debt-to-equity ratio from 0.62x to 0.11x by 1QFY26, while lower interest rates are expected to cut finance costs by ~1% in FY26. A key risk remains the PKR 7.4bn parent loan, now carrying a 10% markup, whose potential conversion into equity could dilute existing shareholders.

**Strategic footprint expansion:** FCCL, alongside KAPCO, is **acquiring an 84.06% stake in ACPL**, equally shared between them. The deal increases FCCL's total capacity by 4.3mn tons (12.6mn tons effective), enhances access to southern markets (Sindh and Baluchistan), and opens sea-based export opportunities. This reinforces FCCL as Pakistan's third-largest cement producer and second-largest in the North and South. Pending regulatory approvals, ACPL could add ~PKR 0.57/sh to FCCL's EPS.

**Valuation:** FCCL offers a potential **upside of 39% to our target price of PkR 78/share**.

| FCCL Investment Overview | |
|---|---|
| KATS Code | FCCL |
| Bloomberg Code | FCCL PA |
| Market Price | 57.5 |
| Target Price | 78.0 |
| Upside | 36% |
| 1-Yr High/Low | 62.8/32.8 |
| Free Float | 35% |
| Shares Outstanding (mn) | 2,452.8 |

*Source: PSX, BMA Research*

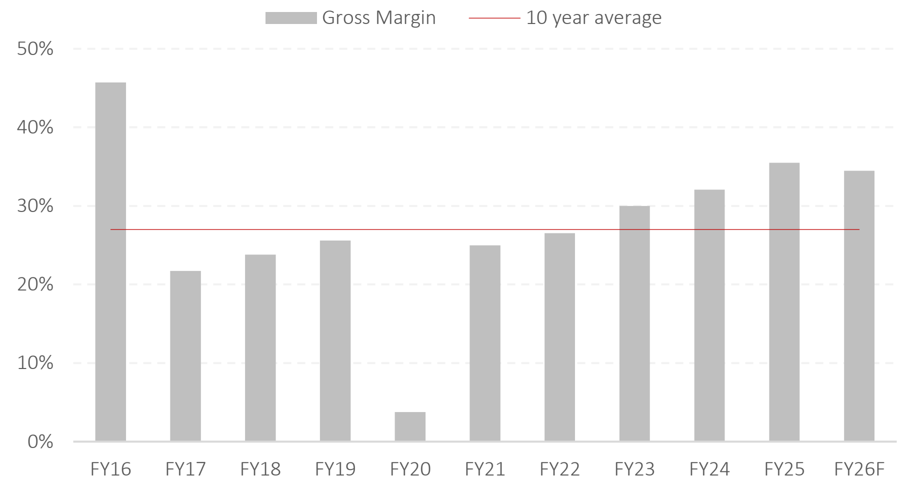
**FCCL Financial Overview**

| | FY25 | FY26E | FY27F |
|---|---|---|---|
| EPS (PkR) | 5.4 | 6.3 | 7.5 |
| DPS (PkR) | 1.3 | 1.5 | 1.5 |
| PE (x) | 9.9 | 8.7 | 7.6 |
| PB (x) | 1.0 | 1.4 | 1.2 |
| Yield (%) | 2% | 3% | 3% |
| ROE (%) | 16% | 16% | 16% |

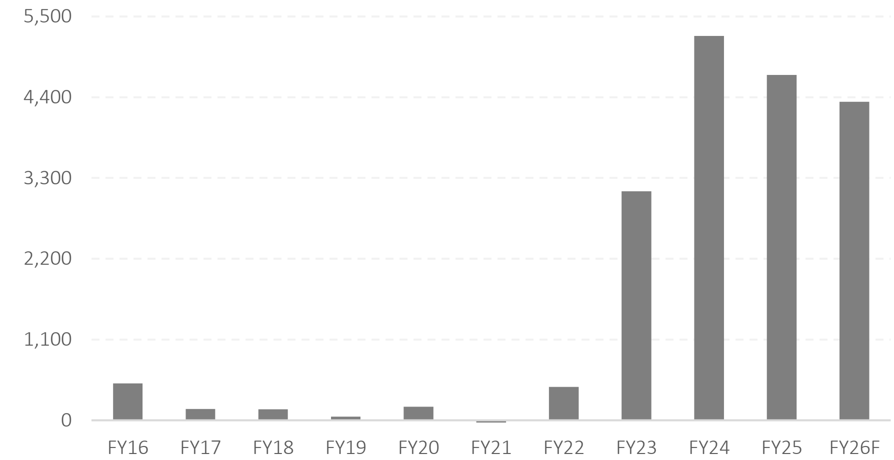
*Source: PSX, Company Accounts, BMA Research*

# FCCL Graphical Overview

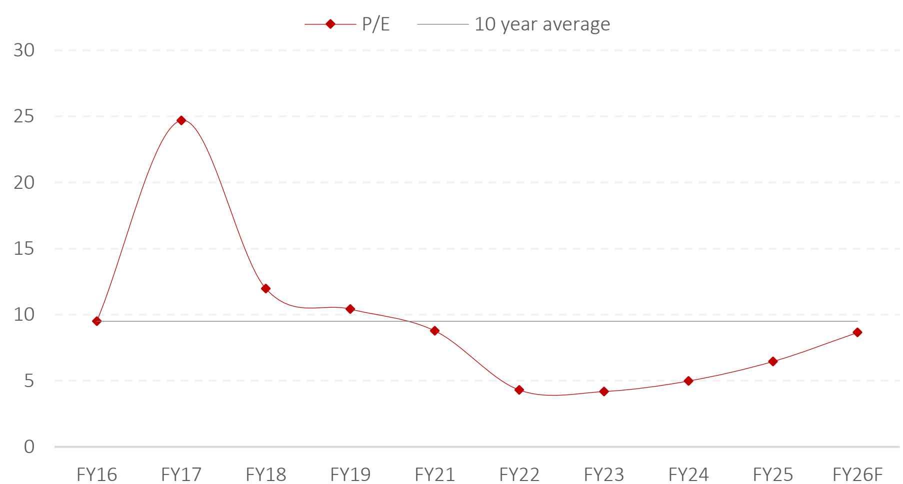
## Gross Margin



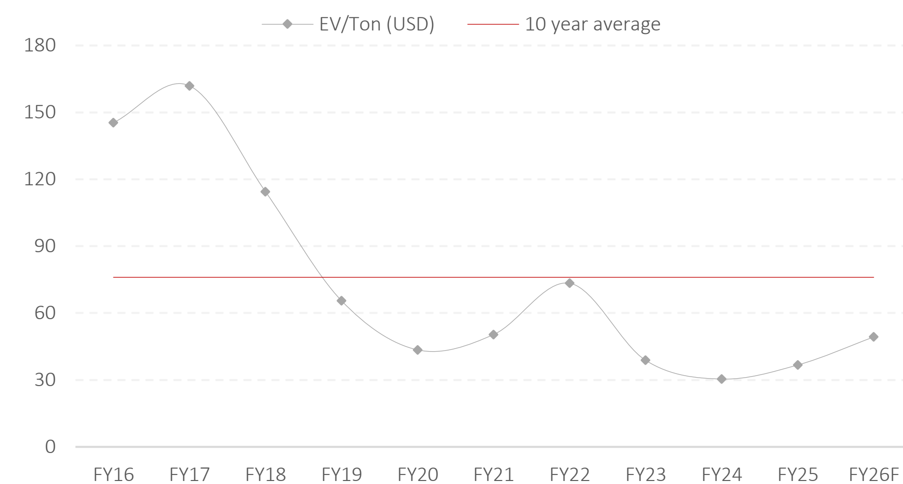

## Finance Cost (PkR Mn)




## P/E Multiple Trend




## EV/Ton Multiple Trend



## Executive Summary



## Top Picks



## PSX Graphical Overview



## Themes for 2025



## PSX Performance Recap



## Sectors in Brief



## Geopolitical Overview



## Pakistan Economy



## Sector Outlook & Top Picks



## Alpha Stocks



## Technical Outlook



## Contact Details

# Steel - Economic stability may lead to double-digit growth

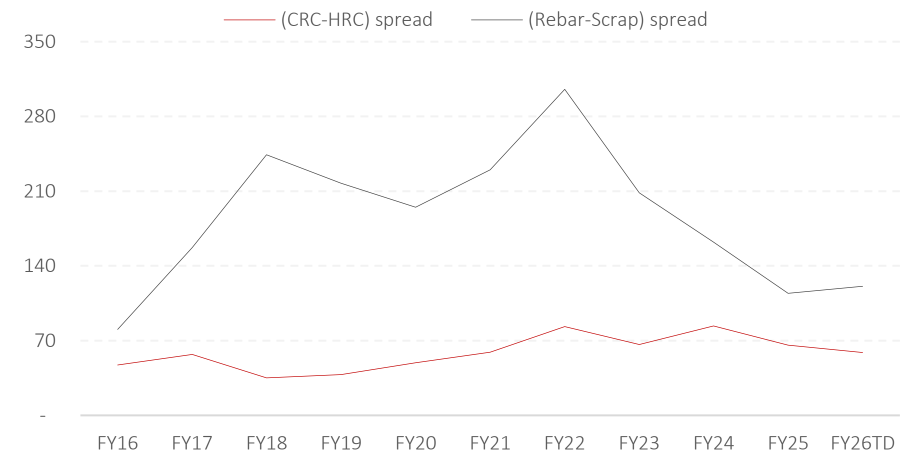
**Domestic steel industry:** The steel industry is broadly classified into two product-based sub-sectors: (1) Flat Products and (2) Long Products. Flat Products—such as hot-rolled and cold-rolled coils—are primarily used in the automotive, electronics, and construction industries. In contrast, Long Products, including rebars, girders, and channels, are predominantly utilized in the construction sector.

**Highly competitive steel sector:** Pakistan's Steel Sector is highly competitive, with ~168 members registered with Pakistan Steel Melters Association and ~173 members registered with Pakistan Steel Melters & Re-Rolling Association. Amreli Steel is the market leader, with a capacity of 605,000 tons. According to industry, the limited number of players in the cement industry promotes pricing discipline, whereas the steel industry, with over 300 players, faces greater competition.

**Lowest per capita consumption offer growth opportunity:** Pakistan remains an under-penetrated market for steel, with per capita consumption at just 43 kg—one of the lowest globally—compared to the India of 102 kg and world average of 214 kg. This presents a significant growth opportunity for local players.

**Steel demand to grow by 12%:** Rebar, a key construction material, is closely linked to cement consumption, with high-rise projects requiring a higher rebar-to-cement ratio. Experts estimate 1 ton of steel is used for every 8 tons of cement in construction. According to industry, steel demand is expected to grow by 12% in the current fiscal year, driven by economic stability.

CRC-HRC/Rebar-Scrap (USD/Ton)




Scrap Imports (Mn Tons)


*Source: Bloomberg, PBS, BMA Research*

# Mughal Iron & Steel Industries (MUGHAL) – Target: PkR 140/sh

Our liking of the stock stems from i) increase in construction demand, ii) surge in market share post-BMR project completion, iii) expanding product line in sections segment, and iv) margin expansion expected following commissioning of 36.5 MW power plant.

**Construction sector demand set to increase:** Domestic steel sector consumption is projected to grow by 12-13% in FY26, driven by improved macroeconomic conditions resulting in lower inflation and interest rates. Additionally, enhanced economic stability is expected to enable the government to boost spending on infrastructure projects, further supporting demand.

**Market share to surge post-BMR project completion:** We see the market share in the sections segment rising from 62% to over 80% upon completion of the BMR project. This upgrade will transform the bar mill into a multipurpose facility capable of simultaneously producing rebars and mini sections. The mill is expected to come online in 3QFY26, with an estimated capital expenditure of PkR 2– 3bn.

**Expanding product line in sections segment:** According to management, the company is working to introduce new products in the sections segment. Management also estimates the total market size for girders and sections to be around 1.8–2.0mn tons.

**Margin expansion expected following commissioning of 36.5 MW power plant:** Mughal is currently installing a 36.5 MW coal-fired power plant through its subsidiary, Mughal Energy Ltd. The hydro test has been successfully completed, and commercial operations (COD) are expected by the end of the calendar year. As a result, we anticipate gross margins to improve from 9.1% in FY25 to 13.5% in FY26 and 14.4% in FY27, driven by reduced reliance on the electricity grid.

**Pullback in copper amid price volatility:** According to management, increased volatility in copper prices has led the company to scale down its copper business. However, the company plans to reposition itself once copper prices stabilize. The company is currently focused on the ferrous segment, where management expects volumetric growth and improved margins. Steel scrap is currently priced between USD 350–400 per ton, while finished products are selling at around USD 800 per ton.

**Valuation:** The stock is offering a potential **upside of 54% with a target of PkR 140/sh**.

| MUGHAL Investment Overview | |
|---|---|
| KATS Code | MUGHAL |
| Bloomberg Code | MUGHAL PA |
| Market Price | 88.4 |
| Target Price | 140.0 |
| Upside | 58% |
| 1-Yr High/Low | 96.0/52.0 |
| Free Float | 25% |
| Shares Outstanding (mn) | 335.6 |

*Source: PSX, BMA Research*

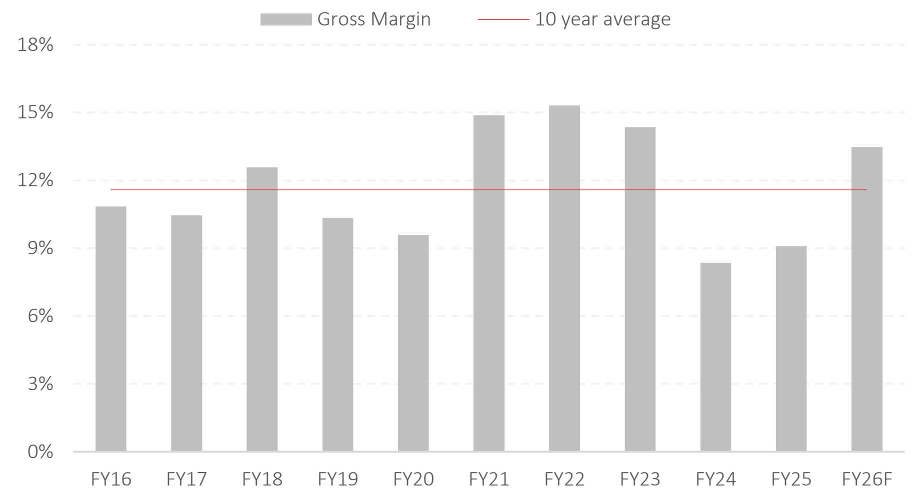
| MUGHAL Financial Overview | FY25 | FY26E | FY27F |
|---|---|---|---|
| EPS (PkR) | 2.6 | 8.7 | 13.6 |
| DPS (PkR) | - | 1.8 | 2.8 |
| PE (x) | 31.5 | 9.5 | 6.1 |
| PB (x) | 0.9 | 0.9 | 0.7 |
| Yield (%) | 0% | 2% | 3% |
| ROE (%) | 3% | 10% | 13% |

*Source: PSX, Company Accounts, BMA Research*

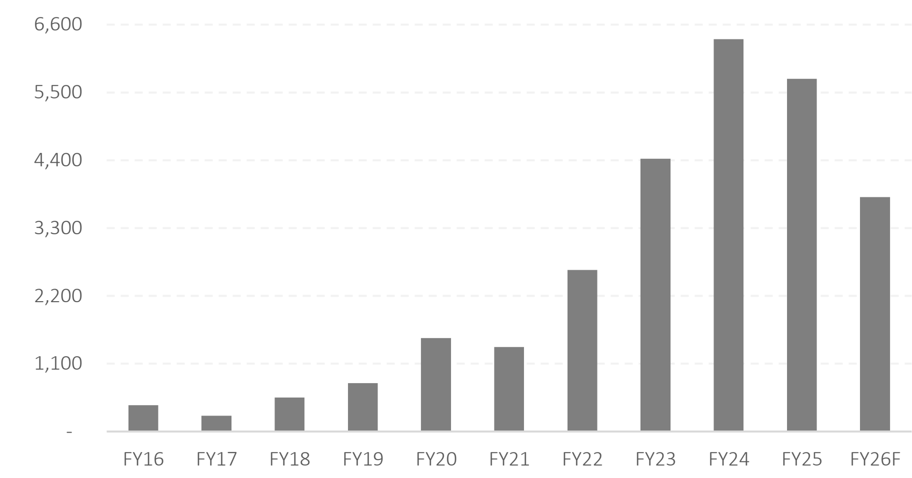
# MUGHAL Graphical Overview

BMA CAPITAL

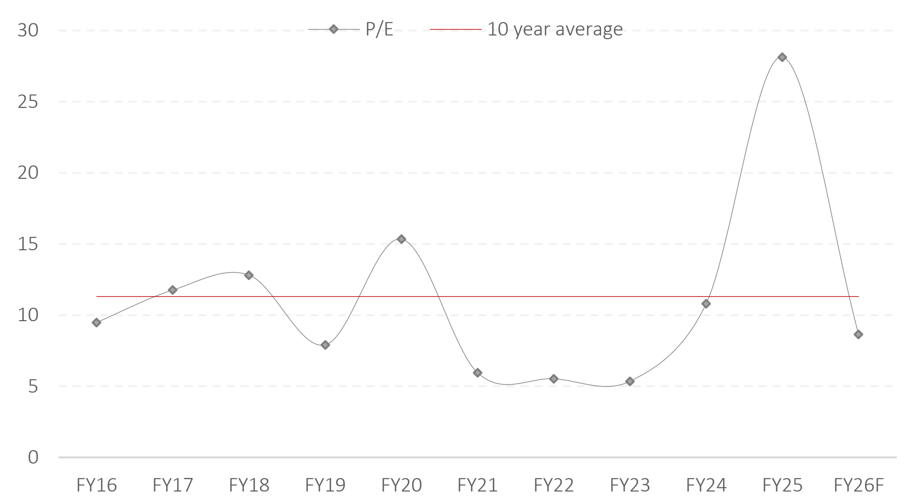
## Gross Margin



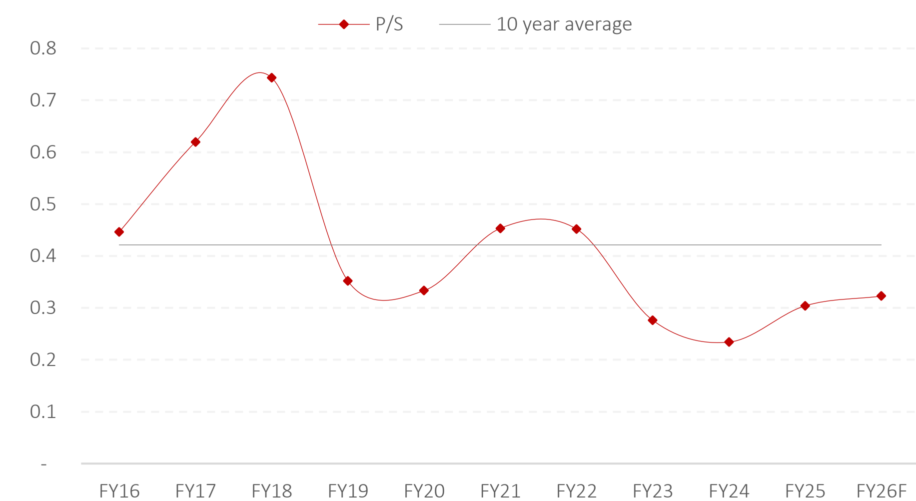

## Finance Cost (PkR Mn)




## P/E Multiple Trend




## P/S Multiple Trend



# International Steels (ISL) – Target: PkR 149/sh

Our liking of the stock stems from i) relatively resilient demand for 2/3 wheelers, ii) ISL poised to benefit from reviving appliance market, iii) Rise in crop yields bode well for flat steel demand, and iv) Reduced interest rate to further bolster profitability.

**Relatively resilient demand for 2/3 wheelers:** The 2/3-wheeler industry accounts for approximately 50% of ISL's sales. This segment has demonstrated relative resilience amid Pakistan's volatile macroeconomic environment, with sales declining by only 3% in FY24, compared to a 16% drop in the passenger car segment over the same period. Looking ahead, with improving purchasing power and a recovering economy, demand for 2/3 wheelers is expected to move closer to historical averages.

**ISL poised to benefit from reviving appliance market:** The appliance industry accounts for approximately 20% of ISL's sales. Our market assessment indicates that demand for appliances has recovered significantly during FY25, supported by economic stability and a backlog of demand. Given low purchasing power, we expect consumer preferences to favor more affordable, locally assembled appliances over imported alternatives. The local appliance industry is likely to continue its recovery into FY26, as evidenced by 22% and 35% growth in refrigerators and deep freezers, respectively, in 1QFY26.

**Rise in crop yields bode well for flat steel demand:** Pakistan's agriculture industry is responsible for around 10% of ISL's sales. The sector saw one of the lowest growth of 0.56% in FY25. FY26 may see a robust recovery, driven by government subsidies. Notably, agriculture remains a strong part of the SIFC to induce foreign investment in the industry. As crop yields rise further, we may see the demand for storage silos rise, and in turn, induce demand for CRC from the agriculture industry.

**Reduced interest rate to further bolster profitability:** Easing inflationary pressures have enabled the SBP to commence the monetary easing cycle with cumulative reduction of 1,100bps. Notably, borrowing costs have come off considerably, reducing the debt servicing burden for ISL by around 10% YoY. Moreover, monetary easing is likely a precursor to the recovery in Pakistan's economic cycle, benefitting most of the industries ISL caters.

**Valuation:** The stock is offering a **potential upside of 34% with a Target Price of PkR 149/sh** along with a **dividend yield of 4%.**

| ISL Investment Overview | |
|---|---|
| KATS Code | ISL |
| Bloomberg Code | ISL PA |
| Market Price | 111.7 |
| Target Price | 149.0 |
| Upside | 33% |
| 1-Yr High/Low | 135.0/62.0 |
| Free Float | 35% |
| Shares Outstanding (mn) | 435.0 |

*Source: PSX, BMA Research*

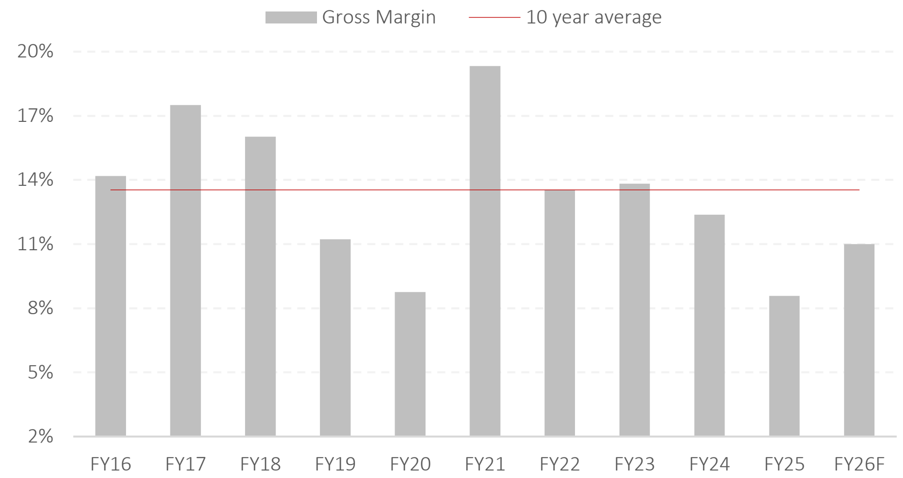
ISL Financial Overview

| | FY25 | FY26E | FY27F |
|---|---|---|---|
| EPS (PkR) | 3.6 | 7.3 | 10.2 |
| DPS (PkR) | 2.5 | 4.0 | 4.0 |
| PE (x) | 25.7 | 12.6 | 9.0 |
| PB (x) | 1.1 | 1.8 | 1.6 |
| Yield (%) | 3% | 4% | 4% |
| ROE (%) | 7% | 14% | 17% |

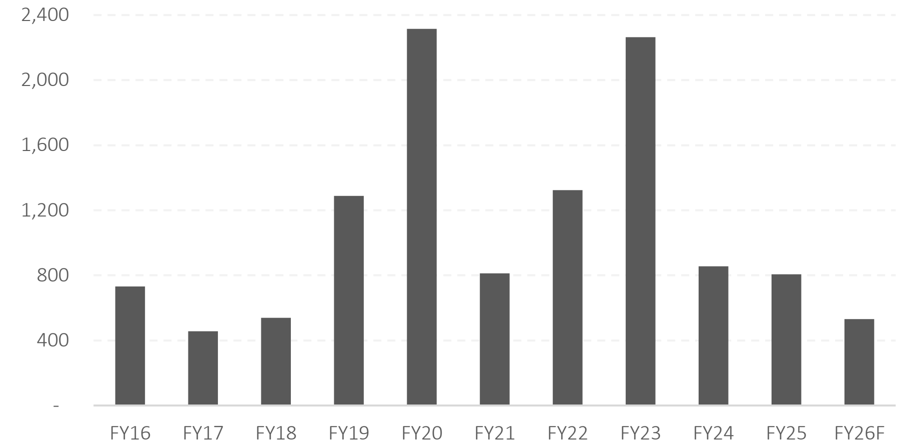
*Source: PSX, Company Accounts, BMA Research*

# ISL Graphical Overview

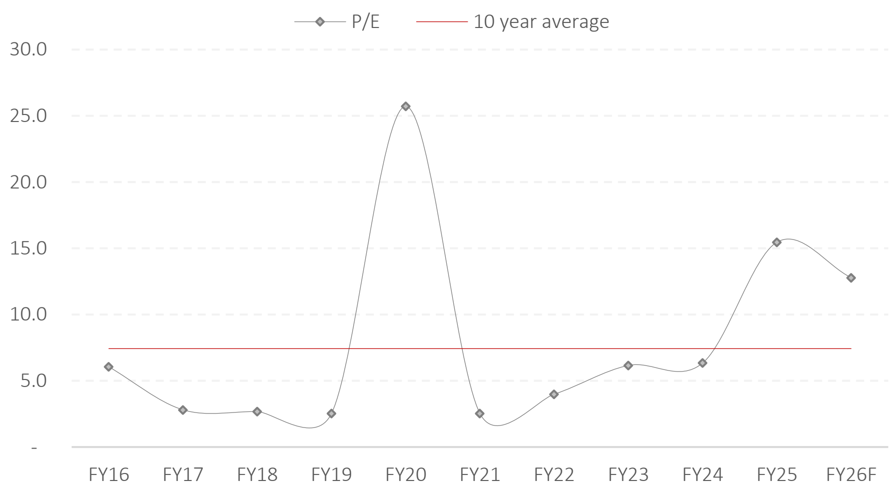
## Gross Margin



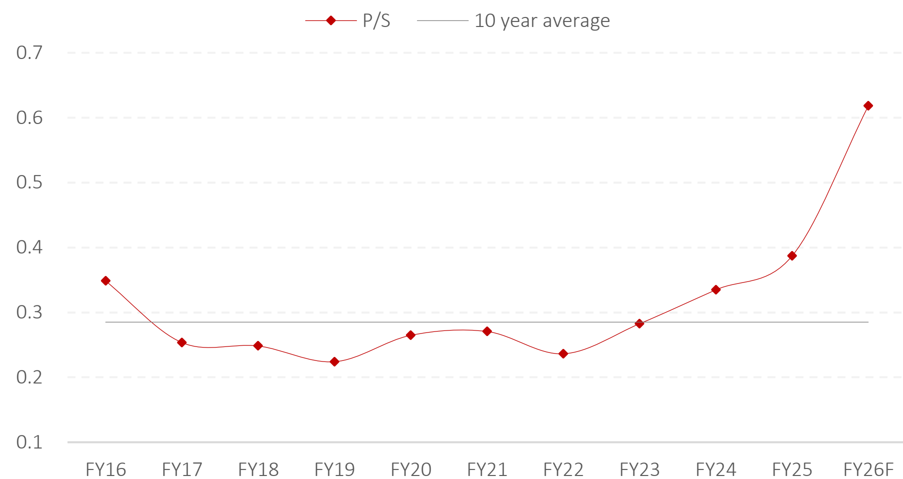

## Finance Cost (PkR Mn)




## P/E Multiple Trend




## P/S Multiple Trend



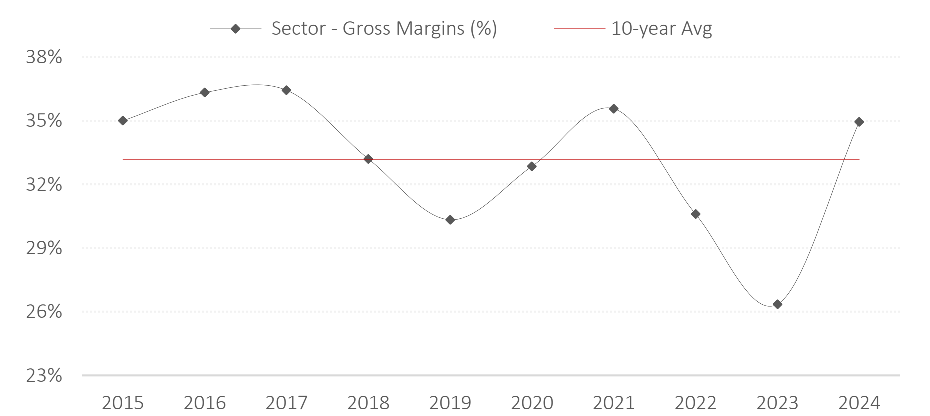
# Deregulation, margin recovery, and export momentum drive resilience

**Deregulation boosts drug availability and market growth:** The government's deregulation of nonessential drug pricing, covering over 50-60% of pharmaceutical products, has allowed companies to adjust prices based on market conditions rather than regulatory delays. According to a joint survey by PPMA and Pharma Bureau survey and IQVIA data, prices of the top 100 brands rose by an average of 16.5%, contributing to the renewed availability of previously scarce medicines such as anti-epileptics, psychiatric drugs, and certain cancer therapies. Market performance has also strengthened, with IQVIA reporting an increase in unit sales and a rise in overall market volume growth from 0.8% in 2023 to 3.6% this year.

**Pharma margins on a growth trajectory:** API prices have declined sharply, in some cases by over 40%, as global commodity prices normalize post-pandemic. This drop over the past months is driven by several factors: reduced demand for APIs, the breakup of Chinese cartelization affecting both APIs and intermediates, and overcapacity built in anticipation of higher demand that did not materialize. Also, the relatively stable rupee has eased import costs, supporting margin recovery in the pharma sector. The combined effect of lower API prices and the stable rupee has helped pharma sector margins rise from 34% in 9M2024 to 39% in 9M2025.

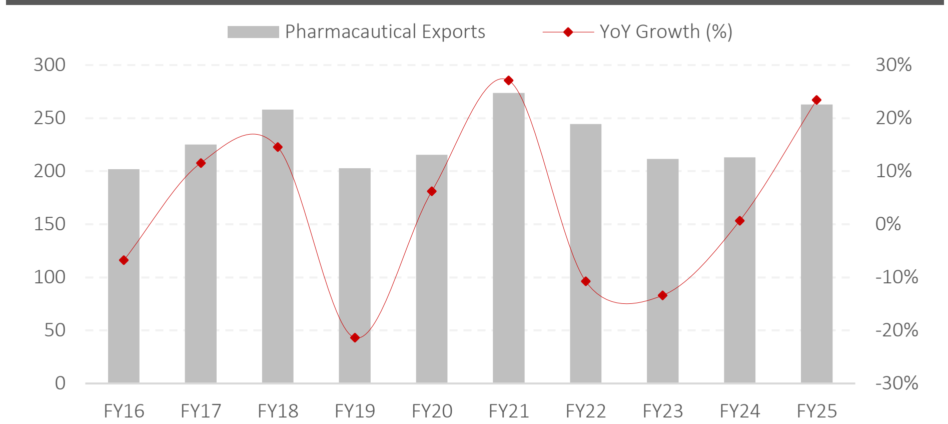
**Pharma growth outlook:** Pakistan's rising population and increasing healthcare awareness are driving up demand for both prescription and non-prescription health products. Pharmaceutical firms are scaling up capacity, launching new products, and moving into high growth areas such as dermatology, nutrition, and over the counter (OTC) segments. On the external side, export momentum is building. Pharma exports surged 34% in FY25, the strongest growth in over 20 years. This growth trend is expected to continue in the coming year.

Pakistan Listed Pharmaceuticals Sector: Gross Margins Trend (%)




*Source: Company Accounts, BMA Research*

Pakistan Pharmaceuticals Sector: Export Trend (USD mn)




*Source: SBP, BMA Research*

# Haleon Pakistan Limited (HALEON) – Target: PkR 1,318/sh

Our liking on the stock stems from i) ongoing capacity expansion at the Jamshoro plant ii) product innovation and new launches, iii) significant export growth opportunities, and iv) centrum launch in Pakistan.

**Centrum launch in Pakistan:** HALEON has strategically entered Pakistan's multivitamin market with the launch of Centrum in March 2025. Competing against a fragmented landscape dominated by Surbex Z, Centrum is positioned as a comprehensive wellness solution rather than a simple deficiency supplement. Management estimates Centrum can capture 7–8% market share, adding PKR 1.7bn in revenues by CY26.

**Product innovation and new launches:** The launch of Panadol Menstrual Pain and Panadol Migraine in 2026 will tap into underserved categories, creating new revenue streams in everyday healthcare. The menstrual pain segment alone, supported by a large demographic base of women, and could deliver PKR 500mn in incremental revenues annually. This innovation-led approach strengthens Panadol's position as the go-to brand in everyday healthcare.

**Ongoing capacity expansion at the Jamshoro plant:** The Company is executing a USD 12mn expansion at its Jamshoro facility to strengthen supply and meet accelerating domestic demand. The project will lift Panadol's annual production from 6bn to 8bn tablets and upgrade the CAC-1000 Plus line, representing a near 50% increase in output. Beyond supporting existing demand, the added capacity will provide headroom for upcoming launches such as Panadol Menstrual Pain and Centrum, ensuring consistent availability across retail and pharmacy channels.

**Significant export growth opportunities:** HALEON has begun to lay the foundation for a meaningful export franchise, with initial Centrum shipments dispatched to Kenya and existing flows of Voltral Emulgel and CaC-1000 Plus into Vietnam and the Philippines. Although exports currently account for only 1% of revenues, management's roadmap targets entry into 19 markets over the next 12–18 months.

**Valuation:** Our target for the stock is PkR 1,318/sh, offering an upside of 60% and a dividend yield of 2%.

| HALEON Investment Overview | |
|---|---|
| KATS Code | HALEON |
| Bloomberg Code | HALEON PA |
| Market Price | 829.8 |
| Target Price | 1,318.0 |
| Upside | 59% |
| 1-Yr High/Low | 975.0/653.1 |
| Free Float | 13% |
| Shares Outstanding (mn) | 117.1 |

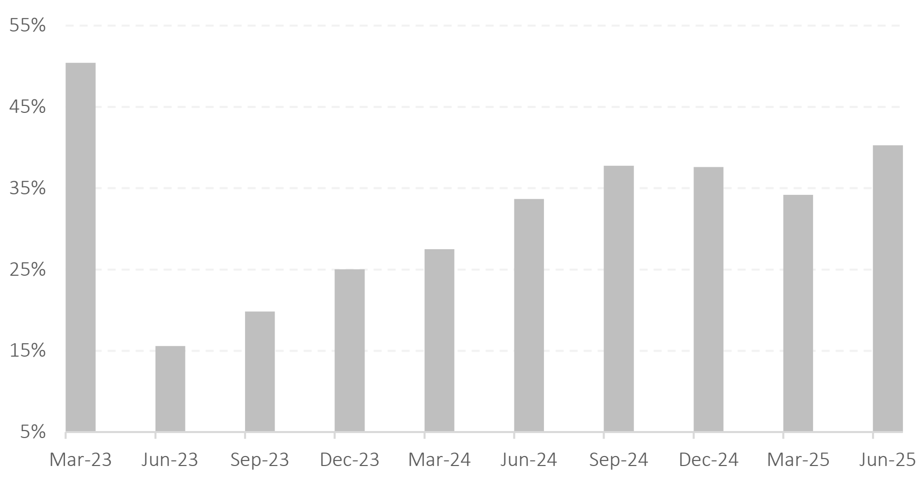
*Source: PSX, BMA Research*

| HALEON Financial Overview | CY24 | CY25E | CY26F |
|---|---|---|---|
| EPS (PkR) | 39.1 | 48.3 | 62.6 |
| DPS (PkR) | 20.0 | 22.0 | 28.0 |
| PE (x) | 10.3 | 18.0 | 13.9 |
| PB (x) | 3.9 | 6.6 | 4.6 |
| Yield (%) | 5% | 2% | 2% |
| ROE (%) | 46% | 41% | 39% |

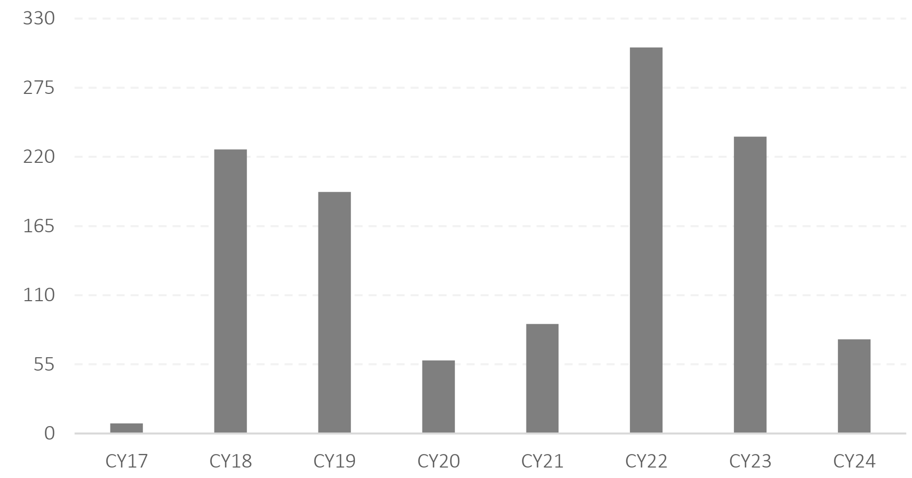
*Source: PSX, Company Accounts, BMA Research*

# HALEON Graphical Overview

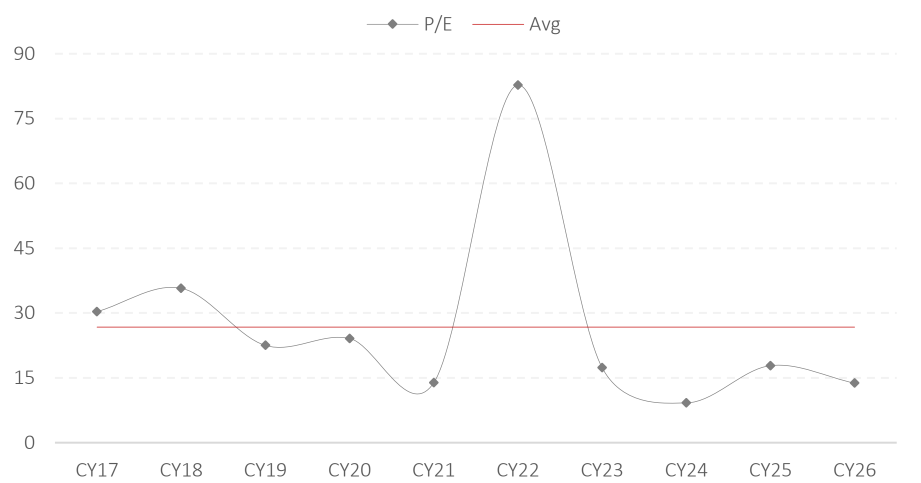
## Gross Margin



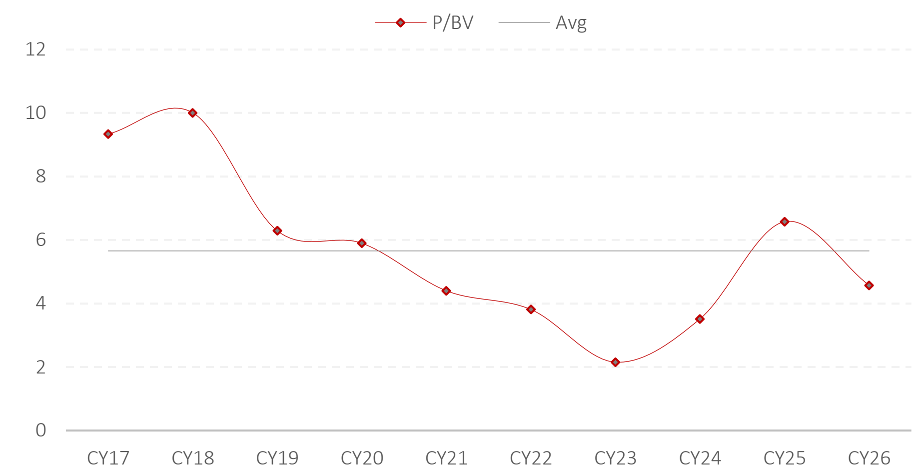

## Finance Cost (PkR Mn)




## P/E Multiple Trend




## P/B Multiple Trend



## Executive Summary



## Top Picks



## PSX Graphical Overview



## Themes for 2025



## PSX Performance Recap



## Sectors in Brief



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## Sector Outlook & Top Picks



## Alpha Stocks



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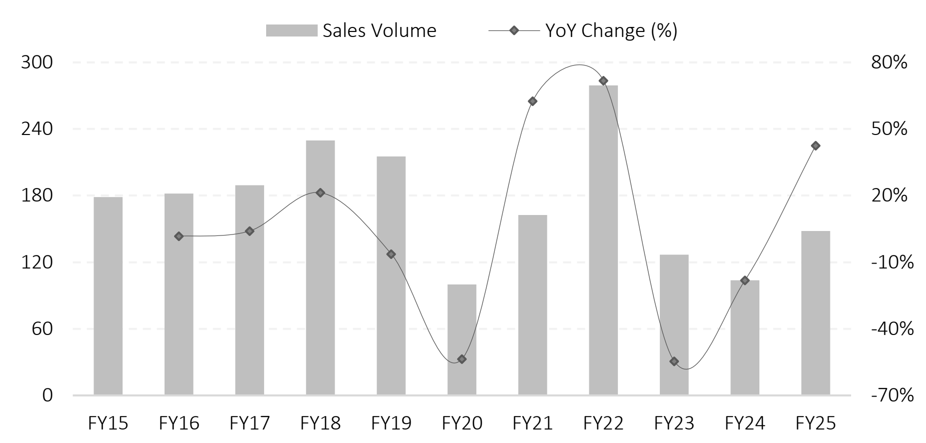
# Automobiles - Improving macros to drive volumetric recovery

**Improving macroeconomic variables and policy incentives to support volumetric growth:** The auto assembly sector recorded a 43% YoY increase, reaching 148K units in FY25, marking one of the strongest recoveries across Pakistan's industrial segments. This growth was driven by a recovering economy, lower financing costs, and rising consumer confidence. Momentum is expected to continue into FY26, supported by policy stability, sustained demand, favorable financing conditions, and potential incentives for hybrid and electric vehicle production. If the current momentum holds, auto sales in FY26 are expected to rise 40% YoY, reaching approximately 196K units.

**Auto financing to sustain auto sector growth:** Auto financing extended its growth streak to eleven months, reaching PKR 315bn in Oct 2025. This growth is driven by lower interest rates, improved consumer purchasing power, and the launch of new vehicle models. The SBP's 1,150bps rate cut since June 2024, bringing the policy rate to 10.5%, has revived demand for auto loans. With macroeconomic conditions stabilizing, including a stable Rupee, and new EV and PHEV models entering the market, momentum is expected to continue in FY26.

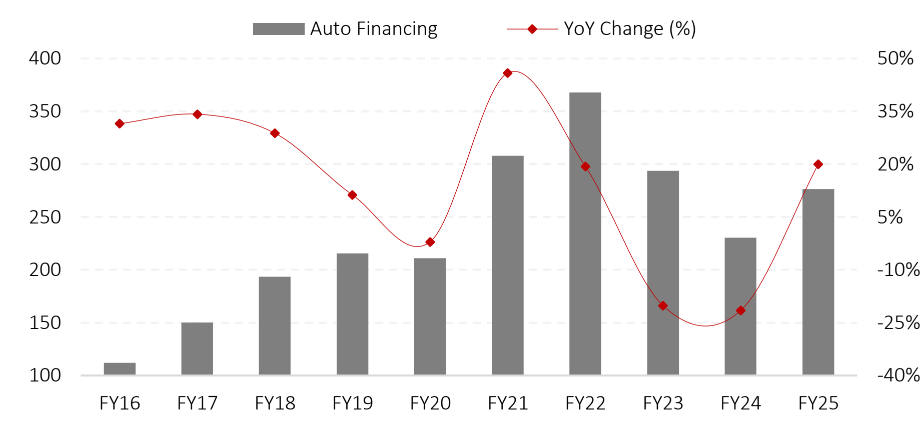
**Auto financing cap revision could unlock demand:** The SBP's cap, introduced in Sep 2021, limits total auto financing per individual to PKR 3mn across all banks and DFIs, restricting access to credit for higher priced vehicles. Market rumors indicate that the central bank may consider raising this limit to PKR 6mn, which could help sustain the current momentum by expanding financing access for a broader base of consumers. With a significant portion of car sales in Pakistan driven by credit, lifting the cap could unlock pent up demand, particularly in the premium segment, and accelerate the sector's recovery.

Sales Volume Trend (000' Units)




*Source: PAMA, BMA Research*

Auto Financing Trend (PKR bn)




*Source: SBP, BMA Research*

# Sazgar Engineering Works Limited (SAZEW) – Target: PkR 2,626/sh

Our liking on the stock stems from i) launch of new four-wheeler models, ii) strengthening brand appeal of "HAVAL", iii) capacity expansion in the four-wheeler segment, and iv) market leadership and export growth in the three-wheeler segment.

**Capacity expansion in the four-wheeler segment:** SAZEW is gearing up for a major leap in its four-wheeler operations with a PKR 11.5bn investment, aimed at doubling its annual production capacity to 48,000 units by Mar 2026. The expansion will raise daily output from 60 to 100 units, translating to a monthly run rate of approximately 1,320 to 2,200 units, supported by new assembly lines, upgraded paint facilities, expanded warehousing, and a 5.7 MW solar power system.

**Strengthening brand appeal of "HAVAL":** SAZGAR reshaped Pakistan's SUV landscape by launching the country's first locally assembled hybrid electric vehicle (HEV) in late 2022, well ahead of its peers Even as rivals like Toyota, Hyundai, and MG have since entered the HEV segment, HAVAL continues to outperform, with over 21,800 units sold to date. Looking forward, sales are expected to maintain strong momentum, with monthly volumes likely to surpass 1,100 units on average throughout FY26.

**Launch of new four-wheeler models:** The Company is set to launch two new plug-in hybrid electric vehicles (PHEVs), the TANK-500 and Cannon Alpha by Ma 2026. The TANK 500, a full-size luxury SUV, targeting high-income urban buyers. Priced at PKR 45mn, it offers premium features at a 62% discount to the Toyota Land Cruiser, which lacks a hybrid option. The Cannon Alpha hybrid pickup targets both commercial and lifestyle users, entering a segment with few electric choices. Its key rivals include the BYD Shark 6, JAC T9, Isuzu D-Max, and Toyota Revo. The Cannon Alpha is expected to launch competitively at PKR 19.3mn.

**Market leadership and export growth in the three-wheeler segment:** Sazgar maintained its dominance in the three-wheeler segment with FY25 volumes reaching 24,700 units, marking a 58% YoY increase. Market share rose from 30% in FY20 to over 71% in FY25, supported by consistent product quality and a strong portfolio. On the export front, sales have grown at a 5-year CAGR of 15% and volumes expanded at an 18% CAGR, with new markets like the Philippines, Mexico, and Afghanistan set to join its existing footprint across 25 countries.

**Valuation:** The stock is offering a **potential upside of 57%** on its target **of PkR 2,626/sh**.

| SAZEW Investment Overview | |
|---|---|
| KATS Code | SAZEW |
| Bloomberg Code | SAZEW PA |
| Market Price | 1,668.9 |
| Target Price | 2,626.0 |
| Upside | 57% |
| 1-Yr High/Low | 2,050.0/947.0 |
| Free Float | 35% |
| Shares Outstanding (mn) | 60.4 |

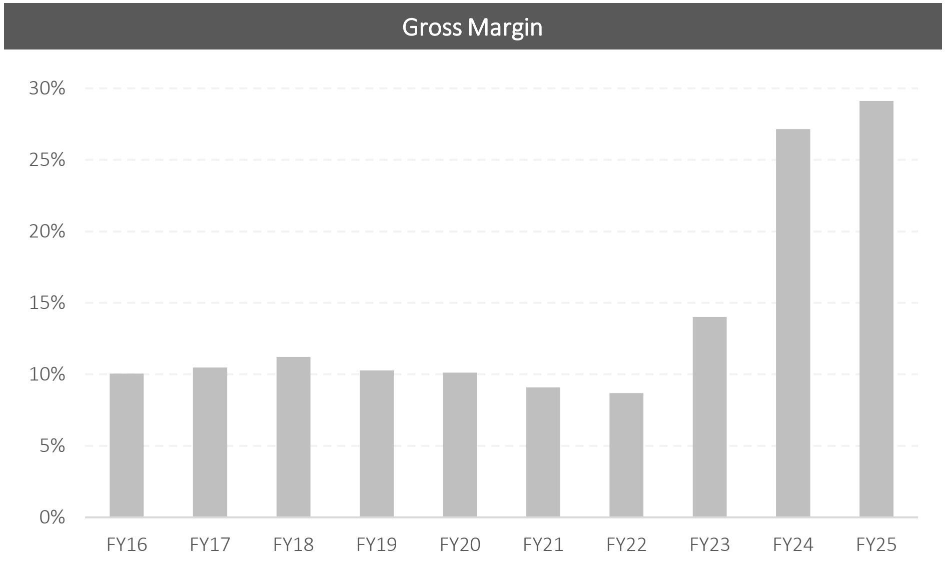
*Source: PSX, BMA Research*

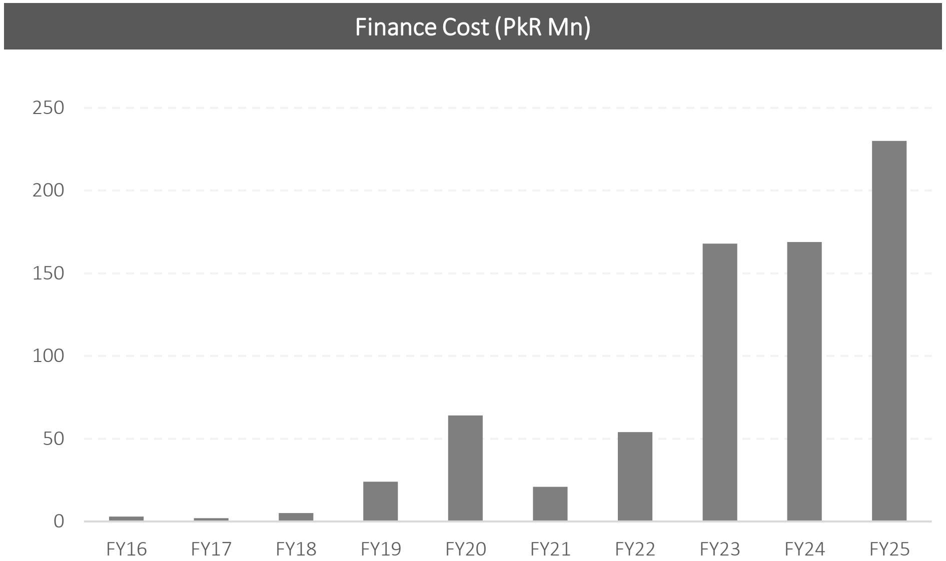
| SAZEW Financial Overview | FY25 | FY26E | FY27F |
|---|---|---|---|
| EPS (PkR) | 270.3 | 281.6 | 264.6 |
| DPS (PkR) | 52.0 | 56.9 | 47.8 |
| PE (x) | 4.2 | 6.5 | 6.9 |
| PB (x) | 2.7 | 3.1 | 2.3 |
| Yield (%) | 5% | 3% | 3% |
| ROE (%) | 97% | 56% | 36% |

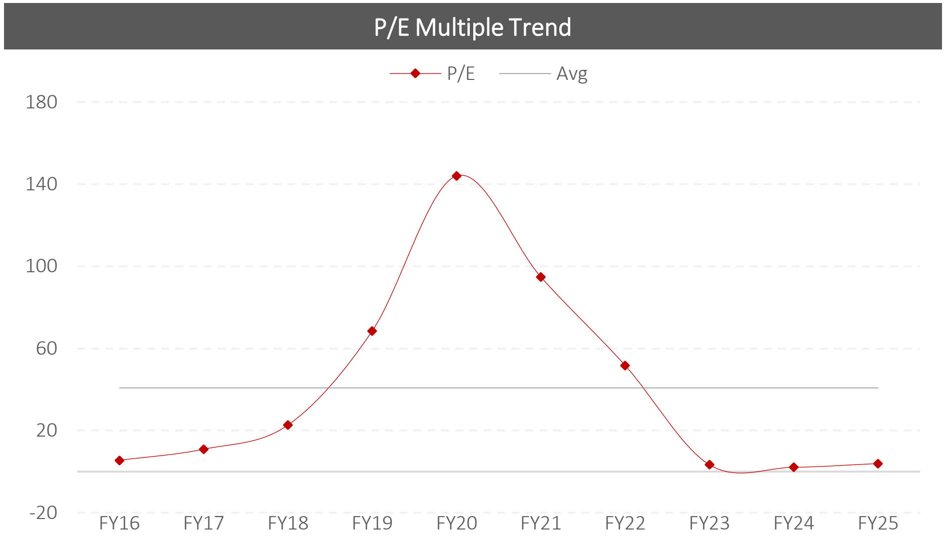
*Source: PSX, Company Accounts, BMA Research*

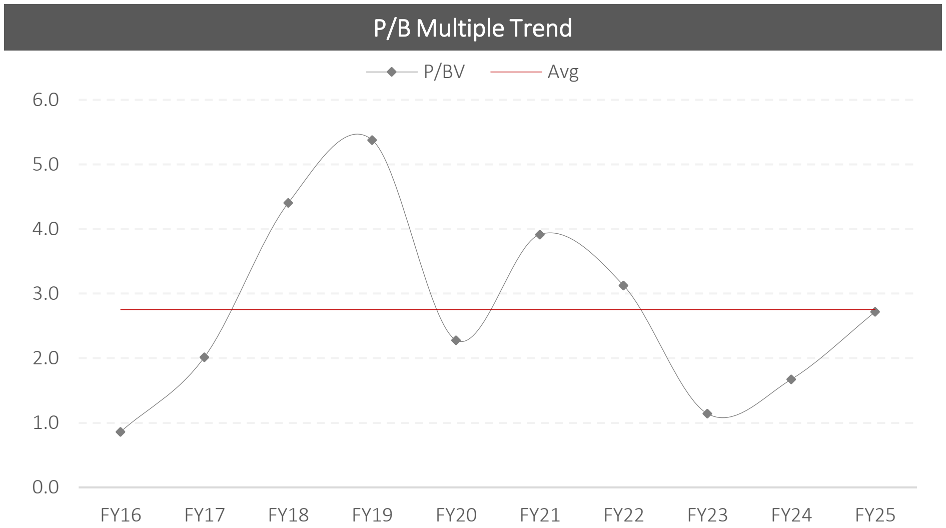
# SAZEW Graphical Overview

BMA CAPITAL



# Chemicals - Efficiency will be the key to navigate the challenges

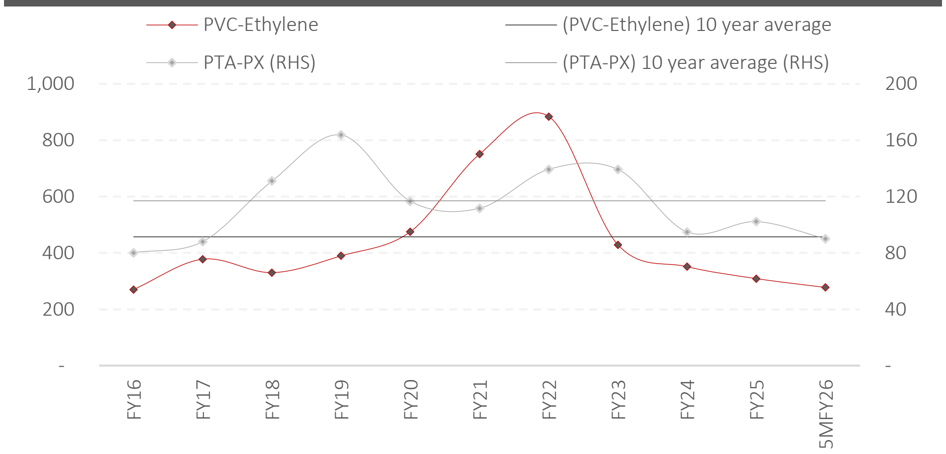
**PVC demand will grow alongside increasing construction activity:** The domestic PVC market remains resilient, growing 23% YoY, supported by a gradual recovery in construction and infrastructure demand, improved policy rates, a rebound in the real estate sector, and stabilized inflation, which boosted demand for pipes, fittings, and profiles. Looking ahead, PVC prices are expected to remain stable to slightly soft as new capacities come online.

**Oversupply hits caustic soda:** Global caustic soda prices declined amid persistent oversupply and weak regional demand, as new capacities in Northeast and Southeast Asia increased spot export availability. Domestically, textile demand remained subdued due to weak global apparel imports, although seasonal improvements in local processing provided some support.

**Weak demand keeps prices low:** The global hydrogen peroxide market remained well-supplied, with weak demand across the pulp, paper, and textile sectors. In South Asia, surplus capacity kept prices subdued, while the domestic market faced similar pressure due to high import volumes, particularly from Bangladesh.

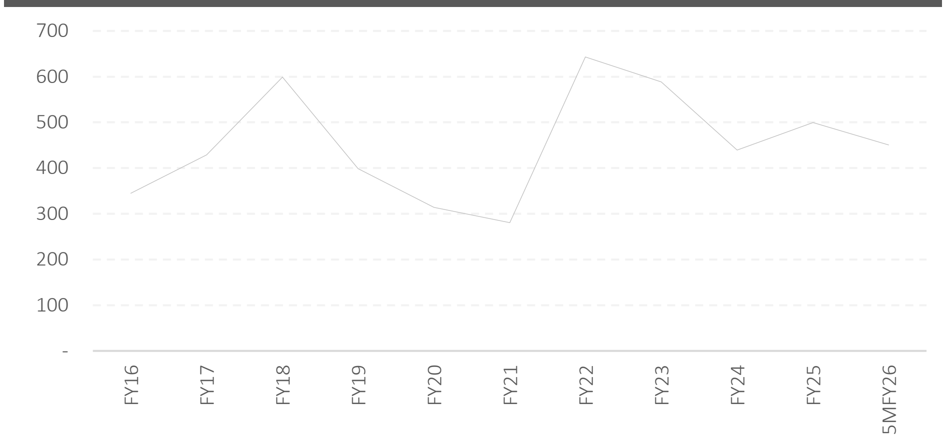
**Margins to remain depressed given additional supplies:** PTA prices are expected to move largely in line with the upstream PX market, despite some support from steady demand in China. However, the commissioning of around 6.2mn metric tons of new PTA capacity is set to significantly expand supply, which may further depress regional margins. In contrast, holiday-season demand could provide some upside, though it is unlikely to offset the broader supply overhang.

PTA-PX & PVC-Ethylene (USD/Ton)




*Source: Bloomberg, BMA Research*

Caustic Soda (USD/Ton)




*Source: Bloomberg, BMA Research*

# Sitara Chemical Industries Limited (SITC) – Target: PkR 1,441/sh

Our liking of the stock stems from i) margins expansion with coal power plant, ii) Power savings to support earnings further by reducing working capital needs, iii) BMR will further aid the bottom line, and iv) Lower costs to boost competitiveness and exports.

**Margins expansion with coal power plant:** SITC, which relies heavily on electricity for its caustic soda production (contributing 70% of total revenue), is facing rising energy costs. In FY25, the company sourced power from gas (14%), the grid (32%), and old coal power plant (52%), with an average energy rate of PKR 32/kWh. Following the COD of the new coal-captive plant, the energy mix is expected to shift to 10/90% from Grid/Coal Captive (new plant). Additionally, this will bring savings of PKR 6–8/kWh.

**Power savings to support earnings further by reducing working capital needs:** Savings from the coal power project may be used to reduce short-term borrowings, further supporting Sitara's bottom line. As per recent accounts, short-term borrowings stand at PkR 9,340mn. We believe that with inflation expectations between 7-8%, the central bank could reduce the policy rate by at least another 100 bps. This would result in savings of PkR 111mn (PkR 5.2/sh), given the company's total debt of PkR 18,167mn.

**BMR will further aid the bottom line:** As per management, the company is undertaking BMR on its existing plant (Capex: PKR 1.5 bn), which will reduce energy requirements and improve production efficiency. To recall, in the AGM, management highlighted that power consumption would decline from 2,400 kWh per ton of caustic soda to 2,100 kWh per ton. Moreover, management expects the BMR to be completed by 4QFY26.

**Lower costs to boost competitiveness and exports:** The company's exports are gaining momentum, as it has started exporting chemicals to the USA in addition to its existing exports to the Middle East. The company is focused on further increasing exports, as its products are expected to become highly competitive due to lower production costs following the commissioning of the coal power plant.

**Valuation:** The stock is offering a **potential upside of 64%** and a **dividend yield of 4%** with a **Target Price of PkR 1,441/sh**.

| SITC Investment Overview | |
|---|---|
| KATS Code | SITC |
| Bloomberg Code | SITC PA |
| Market Price | 879.0 |
| Target Price | 1,441.0 |
| Upside | 64% |
| 1-Yr High/Low | 1,060/267.9 |
| Free Float | 35% |
| Shares Outstanding (mn) | 21.4 |

*Source: PSX, BMA Research*

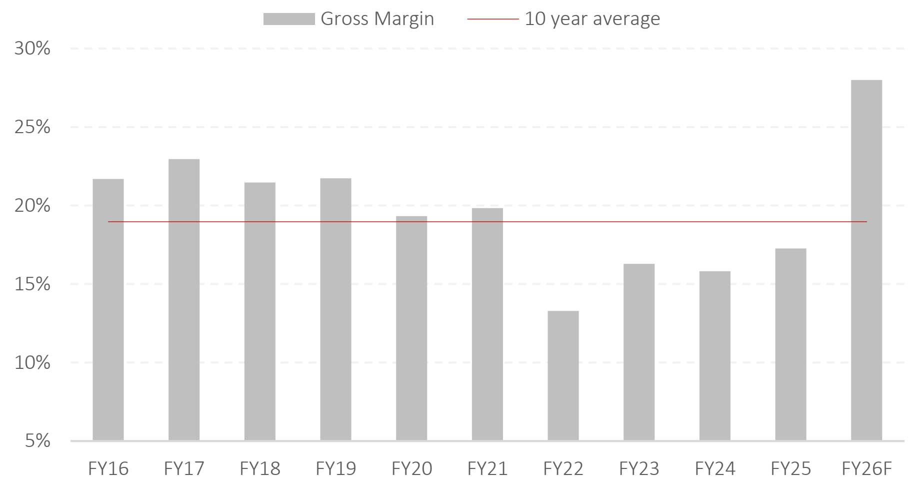
SITC Financial Overview

| | FY25 | FY26E | FY27F |
|---|---|---|---|
| EPS (PkR) | 43.8 | 151.0 | 218.8 |
| DPS (PkR) | 11.0 | 30.0 | 45.0 |
| PE (x) | 19.4 | 5.6 | 3.9 |
| PB (x) | 0.4 | 0.9 | 0.7 |
| Yield (%) | 1% | 4% | 5% |
| ROE (%) | 5% | 15% | 19% |

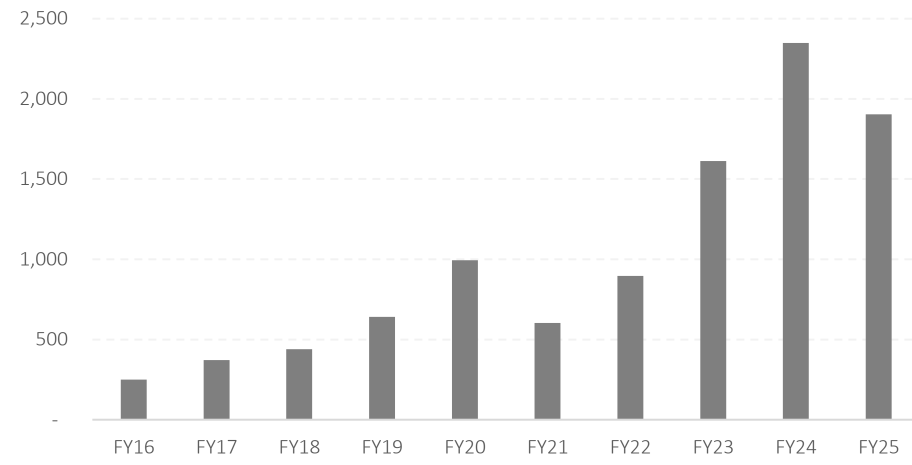
*Source: PSX, Company Accounts, BMA Research*

# SITC Graphical Overview

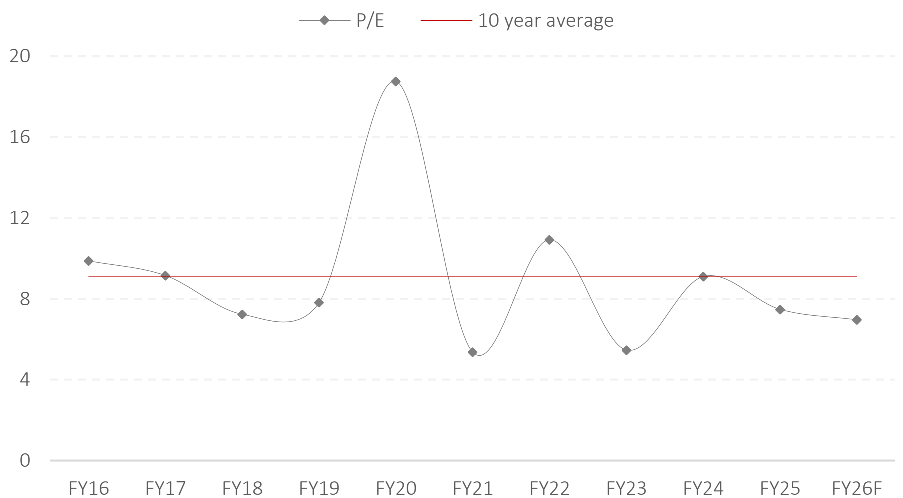
## Gross Margin



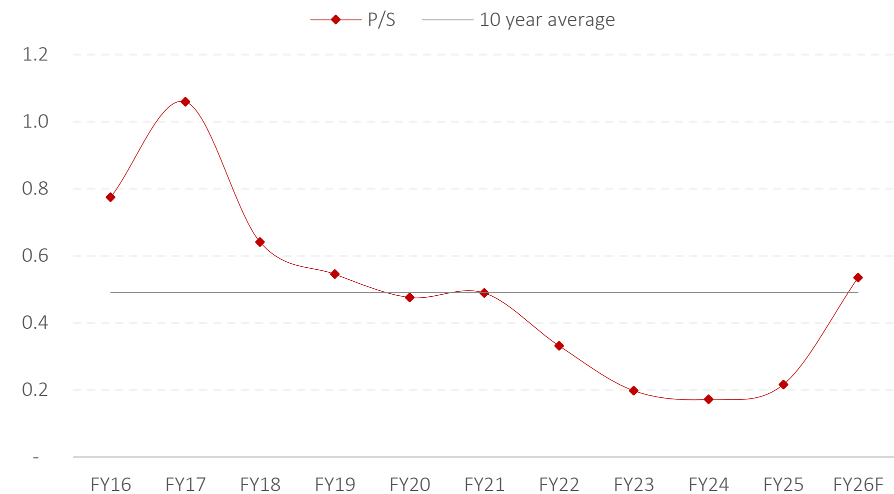

## Finance Cost (PkR Mn)




## P/E Multiple Trend




## P/S Multiple Trend



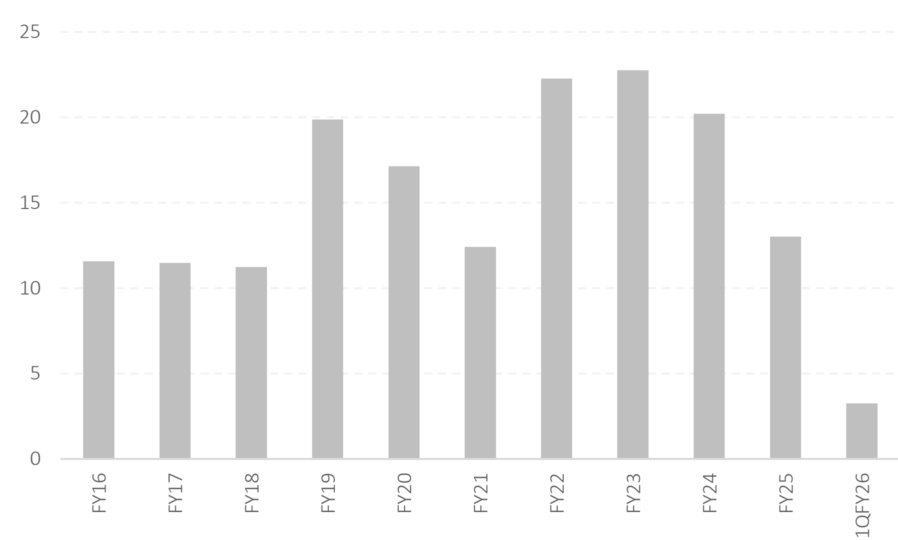
# Glass Industry - Demand Revival, Broader Use, and Supply Stability

**Float Glass Volumes poised for FY26 Recovery:** With a stronger fiscal outlook, construction and related sectors should benefit. However, unlike cement and steel—used early in building foundations and structural work—float glass sees demand later in the cycle, when façades, windows, and interior elements are installed. As projects reach completion and macroeconomic pressures ease, float glass volumes are likely to continue recovering in FY26 and beyond.

**Rising Adoption of Glass in Pakistan's High-Rise and Home Interiors:** Glass usage in high-rise buildings is becoming increasingly common in Pakistan. Reflective glass is preferred for its superior heat-insulation properties. Most corporate structures now feature curtain-wall designs—non-structural exterior façades that use double-glazed glass for UV resistance and thermal insulation. Beyond construction, glass has also gained popularity in furniture, as consumers shift toward mixed wood-and-glass designs instead of purely wooden pieces.

**Procurement of raw material is not a concern:** Raw material procurement is one aspect that clearly works in favor of glass sector as their major raw materials including Soda Ash, Limestone, and Silica, are all procured locally, cushioning the companies from exchange rate volatility, bank charges, risk of shortage and helps to better maintain its gross margins.

Glass Production (Mn Sq M)




*Source: PBS, BMA Research*

Float Glass Products

# Ghani Glass Limited (GHGL) – Target: PkR 58/sh

Our liking of the stock stems from i) revenue optimization to uphold healthy gross margins, ii) leveraging its dominance in the float glass segment, iii) Leading the market across all segments, iv) price rebound and production boost to drive revenue growth.

**Revenue optimization to uphold healthy gross margins:** In FY25, GHGL generated 59.2% of its revenues from the Float glass segment, 15.5% from the Food and Beverages and 21.8% Pharmaceuticals segment. Moreover, following the expected recovery in demand, revenue contribution is likely to be tilted further in favor of the float glass segment.

It is important to note that float glass generates better gross margins due to lower power requirement & the company's improved ability to pass on any cost pressures by leveraging its dominant market position.

**Leveraging its dominance in the float glass segment:** GHGL and Tariq Glass (TGL) together control more than ~98% of the domestic demand for float glass, giving them significant pricing power which is evident by sticky gross margins (GHGL/TGL): 5-Yr average GMs are 27/25% respectively) these companies have enjoyed over the past. Any cost pressures have been passed on to consumers as a result.

**Leading the market across all segments:** As per the management, GHGL holds 95% market share in the pharmaceutical glass segment, 96% in the food and beverages containers, and 75% in the float glass market.

**Price rebound and production boost to drive revenue growth:** Revenue is expected to increase, as operations resumed at one of the pharmaceutical glass furnaces, while commercial production of tableware from the newly installed machinery has commenced from Oct'25.

The installation of new sophisticated and state-of-the-art machinery to improve the quality of glass tableware segment. Management also anticipates a price rebound for float glass, projecting a 5–7% increase, which would support margin recovery.

**Valuation:** The stock is offering a potential **upside of 55% with a Target Price of PkR 58/sh**.

| GHGL Investment Overview | |
|---|---|
| KATS Code | GHGL |
| Bloomberg Code | GHGL PA |
| Market Price | 37.7 |
| Target Price | 58.0 |
| Upside | 54% |
| 1-Yr High/Low | 52.3/26.5 |
| Free Float | 35% |
| Shares Outstanding (mn) | 999.7 |

*Source: PSX, BMA Research*

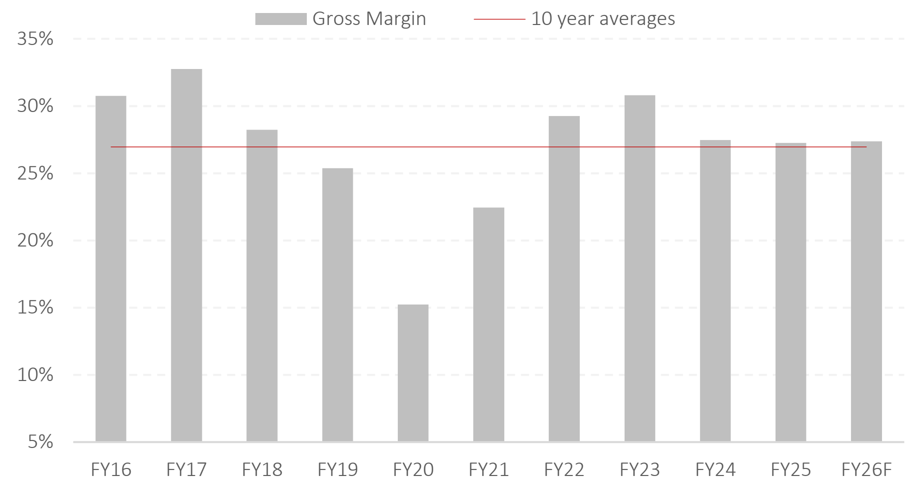
GHGL Financial Overview

| | FY25 | FY26E | FY27F |
|---|---|---|---|
| EPS (PkR) | 5.9 | 5.4 | 6.4 |
| DPS (PkR) | 1.5 | 2.0 | 2.0 |
| PE (x) | 5.6 | 5.8 | 4.9 |
| PB (x) | 0.9 | 0.8 | 0.8 |
| Yield (%) | 5% | 6% | 6% |
| ROE (%) | 15% | 14% | 15% |

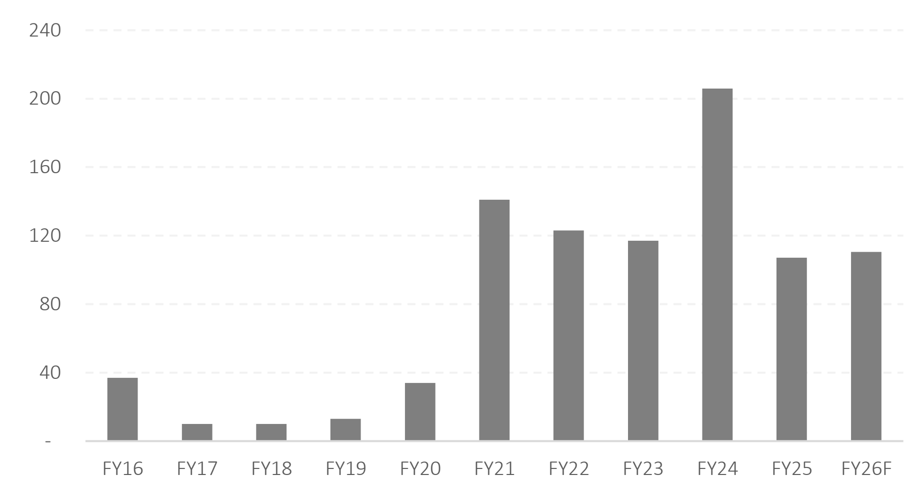
*Source: PSX, Company Accounts, BMA Research*

# GHGL Graphical Overview

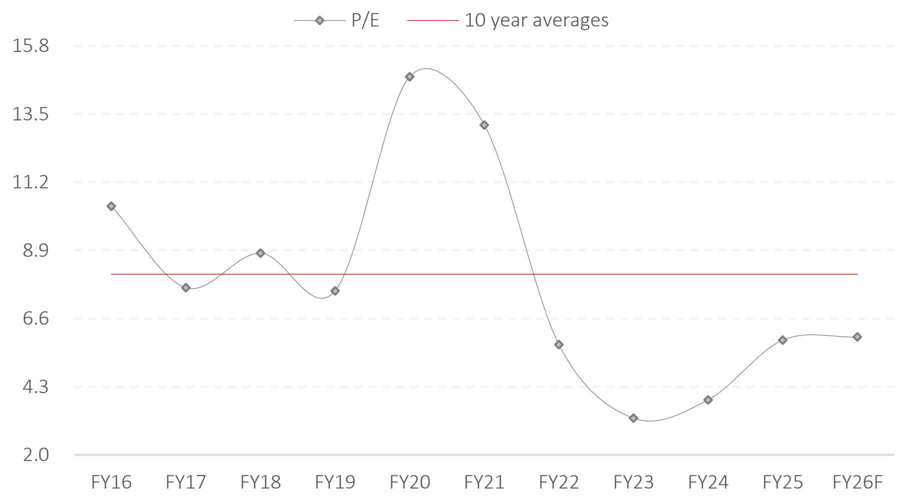
## Gross Margin



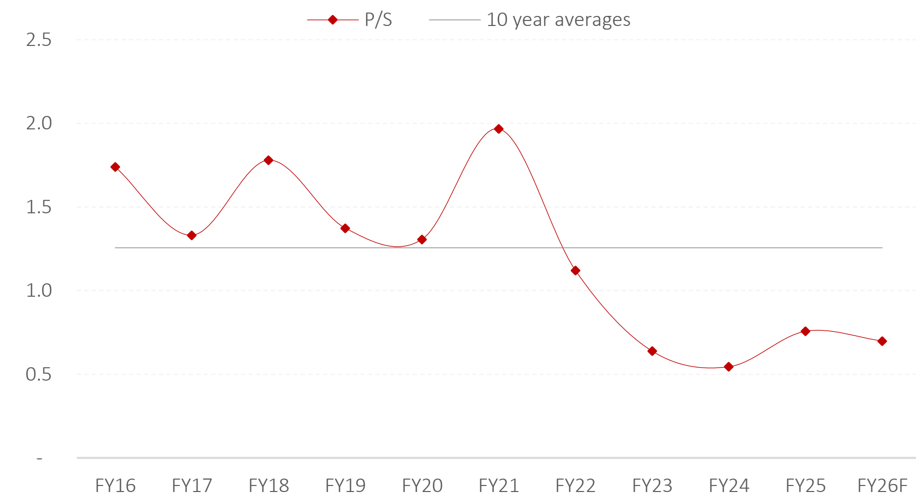

## Finance Cost (PkR Mn)




## P/E Multiple Trend




## P/S Multiple Trend



## Executive Summary



## Top Picks



## PSX Graphical Overview



## Themes for 2025



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## Sectors in Brief



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## Pakistan Economy



## Sector Outlook & Top Picks



## Alpha Stocks



## Technical Outlook



## Contact Details

# Top Alpha Picks for 2026

Top Alpha picks to outperform the market: We have highlighted stocks we believe have the potential to outperform the broader index. Most of these stocks will benefit from Pakistan's improving macroeconomic backdrop. Many exhibit a very high sales CAGR, benefitting from the anticipated increase in economic activity and increasing demand from international markets.

| Stock | Sector | Price (PkR/sh) | Reasoning |
|---|---|---|---|
| GCIL | Chemical | 34.6 | The company's JV with Mari Energies is set to supply LNG and $CO_2$ to off-grid markets, with Phase 1 expected by end-next year. Management also sees the green yard initiative potentially doubling ship-breaking volumes, while medical oxygen demand should remain steady. |
| AIRLINK | Technology | 171.6 | AIRLINK's new Sundar Green SEZ facility offers major tax incentives and will gradually absorb all smartphone production by FY26. With local assembly expected to meet 95% of demand, AIRLINK is well-positioned for >10% assembly revenue growth. Expanding into Smart TVs, home appliances, and low-cost laptops further supports its outlook. |
| PAEL | Cable & Electrical Goods | 55.0 | PAEL's appliance division is set for strong growth, supported by improving GDP, lower inflation, and easier financing. The company is also exporting transformers to US markets, with an initial shipment value of around USD 50mn. **Exports could potentially rise to USD 100mn** in case the customer response is favorable. |
| ATLH | Automobile Assembler | 1,432.9 | FY26 volumes are expected at 1.8–2.0mn units, fueled by strong demand and rising rural incomes. ATLH's growth is supported by improved margins, EV expansion, strong brand, high localization, and a robust cash balance (PKR 65.9bn). |
| GLAXO | Pharmaceuticals | 394.7 | GLAXO's market-leading antibiotics portfolio, including Augmentin and Amoxil, drives strong revenue growth, supported by post-flood demand for essential medicines. Margin expansion from lower API costs and a debt-free balance sheet further strengthen its financial position and growth prospects. |
| GAL | Automobile Assembler | 550.9 | GAL's strategic entry into the double-cab pickup segment with the JAC T9 Hunter has boosted profitability, with 1QFY26 after-tax profit surging 2.8× YoY. Strong demand from major infrastructure and mining projects is expected to drive further truck sales and support market share expansion. |
| BWHL | Automobile Parts | 189.7 | Baluchistan Wheel's sales prospects are improving as automobile sales continue to recover. In FY25, Passenger Vehicle (PV) sales recovered by 38% YoY to 112k units. |

# Ghani Chemical Industries Limited (GCIL)

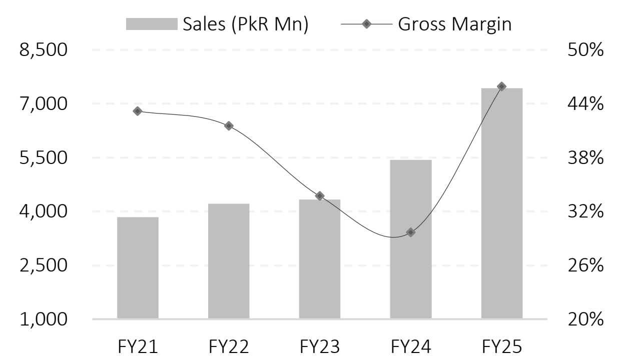
BMA CAPITAL

**Earnings growth driven by margin expansion:** Topline grew 37% YoY in FY25, led primarily by medical gases. Gross margin improved by 16ppt to 46%, supported by efficiency gains from the ASU plants. The company now operates five ASU facilities nationwide, with the newest 275TPD unit commissioned in April 2025 at Hattar, KPK.

**JV to tap off-grid LNG and $CO_2$ demand:** The company has formed a JV with Mari Energies to serve LNG and $CO_2$ demand in off-grid regions. The venture will produce 80,000 TPA of LNG and 55,000 TPA of $CO_2$, generating an estimated PkR 17bn in annual revenue, with 49% accruing to the company. Management expects net margins to be broadly in line with the industry average of around 10%. The PkR 14bn project will be funded mainly through supplier credit, with repayments starting post-commissioning over about two years. Phase 1 is expected to be commissioned by end-next year, and management sees minimal curtailment risk.

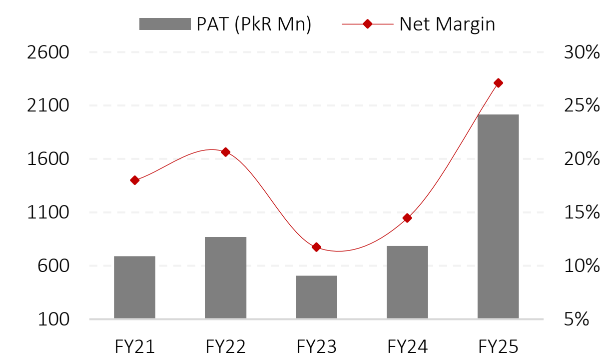
**Ship-breaking set for volume surge amid green yard initiative:** In ship-breaking, the company indicated that the government's green yard initiative could increase volumes by up to 100% in the coming months. It noted that it previously held roughly a 50% market share in shipyard oxygen supply during 2017–2018. If demand recovers, ship-breaking volumes could reach 25mn tons under stronger market conditions. Lastly, medical demand is expected to remain steady, with organic growth slightly above industry trends.

## Sales (PkR Mn) vs Gross Margin



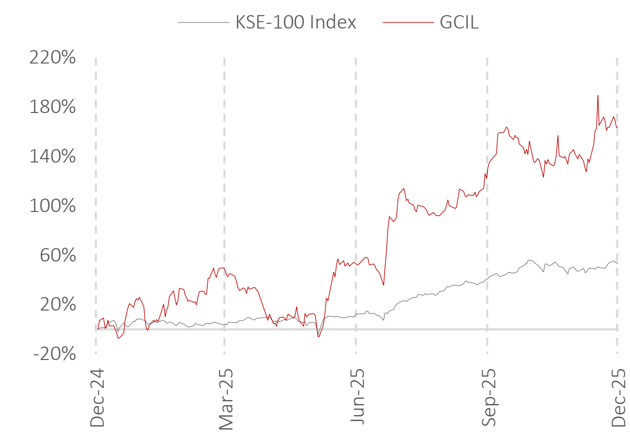

*Source: Company Accounts, BMA Research*

## PAT (PkR Mn) vs Net Margin




*Source: Company Accounts, BMA Research*

## KSE100 Index Vs. GCIL Performance




*Source: PSX, BMA Research*

## GCIL Financial Overview

| | FY23 | FY24 | FY25 |
|---|---|---|---|
| EPS (PkR) | 1.1 | 1.6 | 4.0 |
| DPS (PkR) | - | - | 0.6 |
| PE (x) | 33.7 | 22.3 | 9.0 |
| PB (x) | 2.3 | 2.1 | 2.2 |
| Yield (%) | 0% | 0% | 2% |
| ROE (%) | 6% | 8% | 22% |

*Source: PSX, Company Accounts, BMA Research*

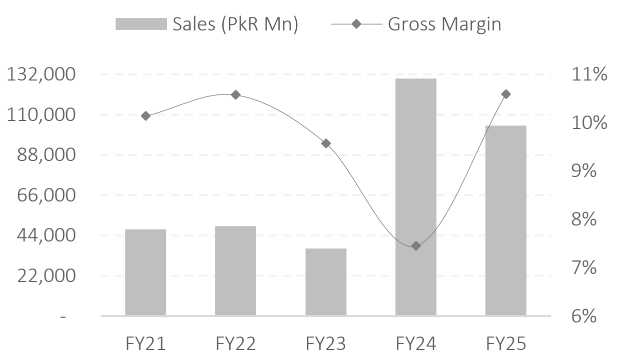
# Air Link Communication Limited (AIRLINK)

**10-year tax holiday:** AIRLINK is setting up a modern production facility in the Sundar Green SEZ, Lahore, spanning eight acres with 1.4mn sq. ft. of purpose-built space (3 acres owned by AIRLINK and 5 by its subsidiary, Select Technologies). The move secures a 10-year tax holiday and a one-time GST exemption on imported machinery. According to channel checks, AIRLINK plans to shift 50% of smartphone production to the new facility initially, with the remaining output gradually transitioning from the existing plant during FY26.

**Strong policy support driving local assembly growth:** Government support for local mobile assembly—driven largely by DIRBS, which curbed smuggling and made imports costlier—is expected to lift locally produced phones to 95% of domestic demand. As a leading assembler, Airlink is a key beneficiary, and we expect its assembly segment revenue to grow at a over 10% four-year forward CAGR through FY30.

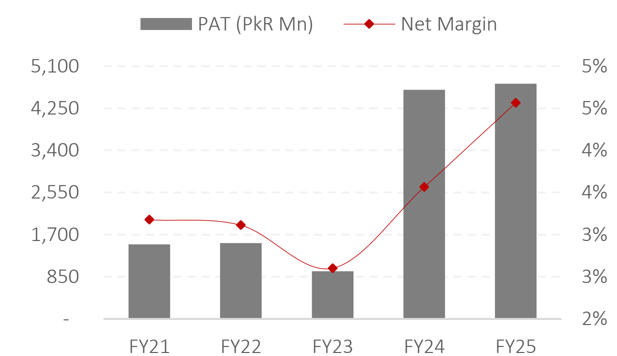
**Diverse range of product line:** Airlink is positioned to benefit from rising Smart TV demand, with the segment expected to add ~PKR 5.4bn in FY26. Its new Sundar Green facility expands into home appliances, while affordable Acer E-10 laptops launching in 2QFY26 further strengthen its portfolio in a market lacking low-cost options.

### Sales (PkR Mn) vs Gross Margin



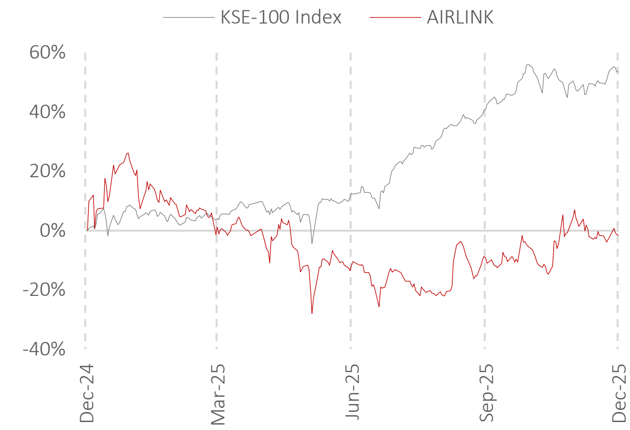

*Source: Company Accounts, BMA Research*

### PAT (PkR Mn) vs Net Margin




*Source: Company Accounts, BMA Research*

### KSE100 Index Vs. AIRLINK Performance




*Source: PSX, BMA Research*

### AIRLINK Financial Overview

| | FY23 | FY24 | FY25 |
|---|---|---|---|
| EPS (PkR) | 2.4 | 11.7 | 12.0 |
| DPS (PkR) | 2.5 | 6.0 | 7.0 |
| PE (x) | 71.6 | 14.9 | 14.5 |
| PB (x) | 10.7 | 5.9 | 5.6 |
| Yield (%) | 1% | 3% | 4% |
| ROE (%) | 8% | 31% | 28% |

*Source: PSX, Company Accounts, BMA Research*

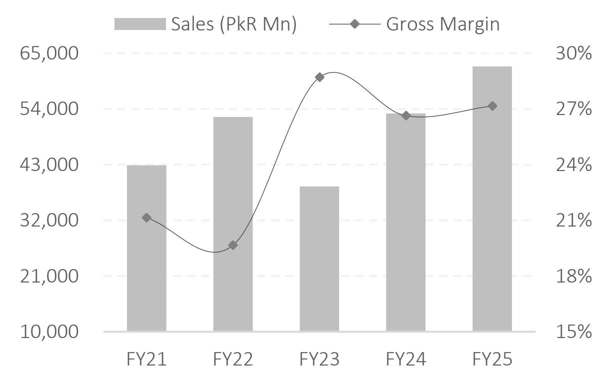
# Pak Elektron Limited (PAEL)

**PAEL Secures Major US Orders, Including Tesla:** PAEL has entered new international markets—most notably the United States—securing export orders worth USD 44mn and targeting USD 50mn by end-2025. It has also received orders from major global players, including Tesla, reflecting its engineering capabilities and competitiveness in global energy solutions. Regarding US tariffs, the full 19% tariff on Pakistan is effectively passed on to customers, as Pakistan's tariffs remain lower than competitors like Bangladesh and India. PAEL also benefits from faster delivery times compared to US manufacturers (9 months vs. 2 years).

**Robust outlook for appliance division amid economic recovery:** The appliance division is poised for robust growth, supported by Pakistan's improving GDP, lower inflation, and rising consumer purchasing power. Lower interest rates will also boost appliance sales, as buyers increasingly prefer purchasing appliances on installments.

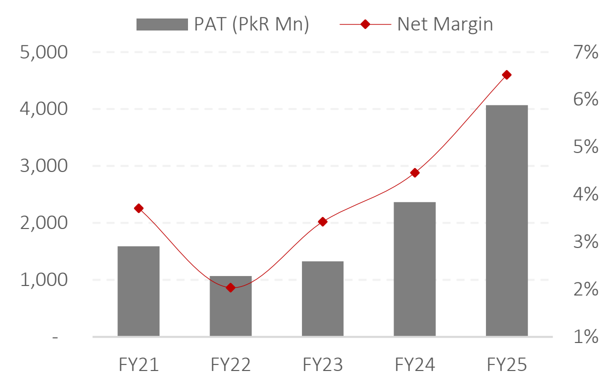
**Strong Market Shares Highlight PAEL's Diversified Portfolio:** The household appliance market in Pakistan is estimated at PKR 328.6bn, with PAEL capturing 19% of refrigerators, 9% of air conditioners, 4% of washing machines, and 25% of water dispensers. In the power segment, PAEL commands a 90% share of the PKR 16bn power transformer market, 17% of the PKR 41bn distribution transformer market, 25% of the PKR 17bn MV & LV switchgear market, and 18% of the PKR 20bn energy meter market.

### Sales (PkR Mn) vs Gross Margin



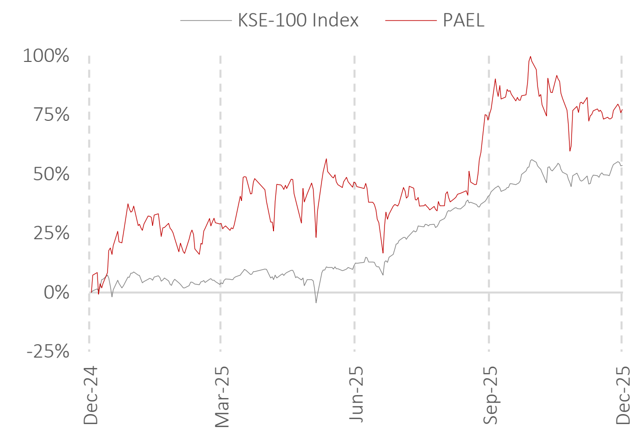

*Source: Company Accounts, BMA Research*

### PAT (PkR Mn) vs Net Margin




*Source: Company Accounts, BMA Research*

### KSE100 Index Vs. PAEL Performance




*Source: PSX, BMA Research*

### PAEL Financial Overview

| | 2023 | 2024 | 2025E |
|---|---|---|---|
| EPS (PkR) | 1.6 | 2.8 | 4.5 |
| DPS (PkR) | - | - | - |
| PE (x) | 34.7 | 19.4 | 11.8 |
| PB (x) | 1.2 | 1.1 | 1.0 |
| Yield (%) | 0% | 0% | 0% |
| ROE (%) | 3% | 5% | 9% |

*Source: PSX, Company Accounts, BMA Research*

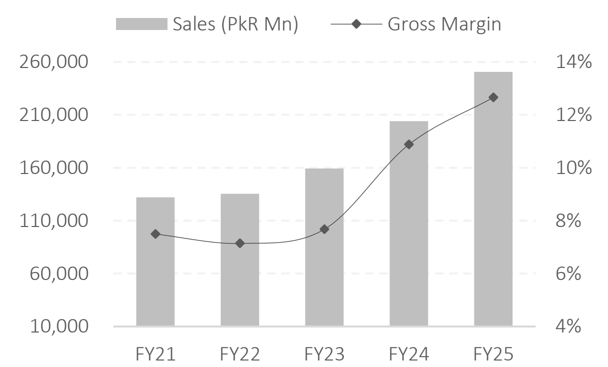
# Atlas Honda Limited (ATLH)

**Leading motorcycle manufacturer:** Atlas Honda Limited (ATLH) is Pakistan's leading motorcycle manufacturer. The company primarily serves dealers and institutional clients. It manufactures and sells motorcycles across 70cc, 100cc, 125cc, and 150cc categories through a nationwide dealer network, while also offering motorcycle parts and after-sales services through the same network. The company sold 1.5mn motorcycles in FY25, up 32% YoY, while 1QFY26 sales surpassed 432,000 units, marking a 35% YoY increase. It continues to **dominate the market with a share of 85%.**

**Urban and rural demand to drive motorcycle sales:** We expect volumes to improve in FY26, with sales projected at 1.8–2.0mn units, driven by strong urban demand and resilient mid-to-upper-income consumers. Additionally, rising rural incomes following higher wheat prices are likely to sustain this momentum.

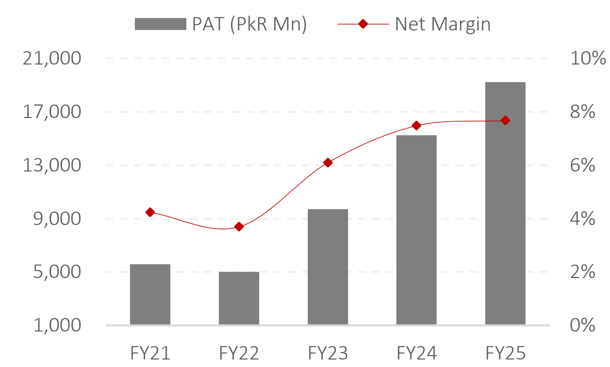
**Strong brand and financial health support ATLH growth outlook:** With rising sales, improving gross margins, and a strategic move into the EV segment, ATLH is well-positioned for sustainable growth. The company benefits from a strong brand, high localization efficiency (up to 95% for 70cc models), and consistent dividend payouts. It also holds substantial cash and short-term investments of PKR 65.9bn (PKR 531 per share) and generated PKR 25.1bn in EBITDA over the last four quarters, further supporting its dividend paying capacity.

### Sales (PkR Mn) vs Gross Margin



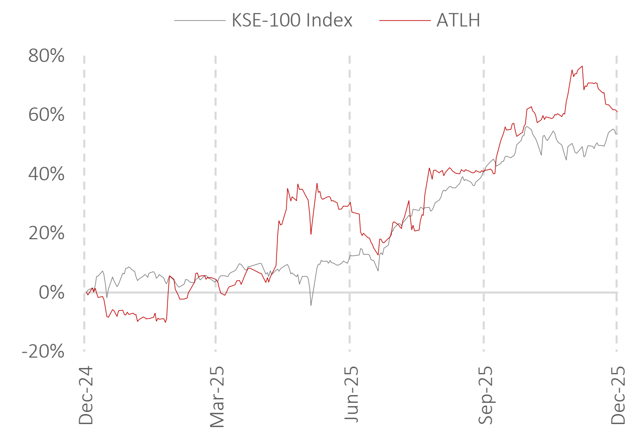

*Source: Company Accounts, BMA Research*

### PAT (PkR Mn) vs Net Margin




*Source: Company Accounts, BMA Research*

### KSE100 Index Vs. ATLH Performance




*Source: PSX, BMA Research*

### ATLH Financial Overview

| | FY23 | FY24 | FY25 |
|---|---|---|---|
| EPS (PkR) | 78.2 | 122.9 | 155.0 |
| DPS (PkR) | 47.0 | 74.0 | 93.0 |
| PE (x) | 18.0 | 11.5 | 9.1 |
| PB (x) | 6.1 | 4.8 | 3.9 |
| Yield (%) | 3% | 5% | 7% |
| ROE (%) | 34% | 42% | 43% |

*Source: PSX, Company Accounts, BMA Research*

# GlaxoSmithKline Pakistan Limited (GLAXO)

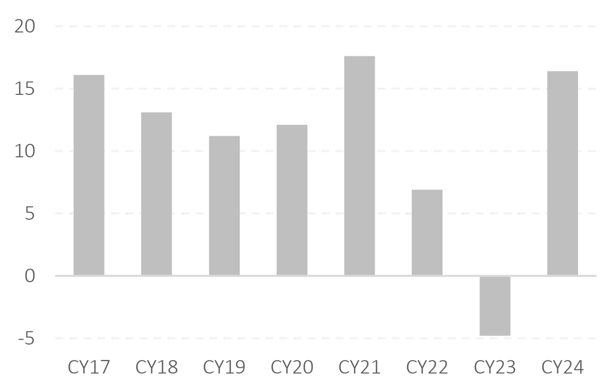
**GLAXO is one of Pakistan's largest multinational pharmaceutical company:** GLAXO is one of Pakistan's largest multinational pharmaceutical company, producing 400mn packs annually, concentrated towards its products like Augmentin, Amoxil and Calpol. Antibiotics make up 50% of its revenue, with the Derma and pain relief segments contributing 25% and 6%, respectively. Its diverse portfolio includes top brands like Augmentin, Calpol, Amoxil, and Velosef.

**GLAXO's leading antibiotics portfolio:** GLAXO's antibiotics portfolio is a major contributor to its business, accounting for over half of total revenues. The segment's growth is driven by leading brands such as Augmentin, a market leader in value and volume, Amoxil for treating respiratory infections, and Velosef, a widely prescribed cephalosporin. These flagship products continue to strengthen GLAXO's position in the anti-infective.

**Significant margin improvement:** Global API prices have fallen sharply due to easing post-pandemic demand and supply overcapacity. GLAXO has benefited from lower input costs, with gross margins rising from 22% in 9MCY24 to 36% in 9MCY25. Key high-volume products, including antibiotics, are driving this improvement, and continued cost efficiencies combined with volume recovery are expected to support further margin expansion.

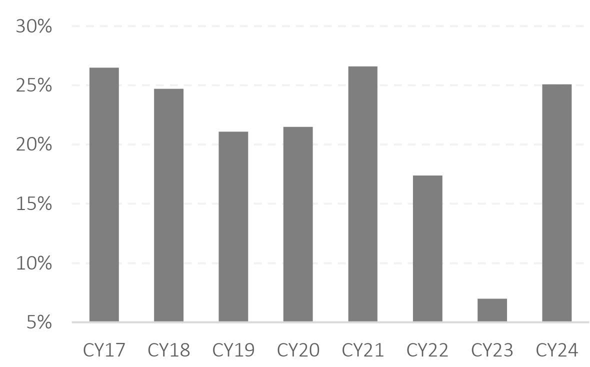
GLAXO's key products, such as Augmentin, Calpol, and Polyfax, are well-positioned to support urgent healthcare needs following the floods. This spike in demand is expected to drive higher sales for the

### EBITDA Margins Trend



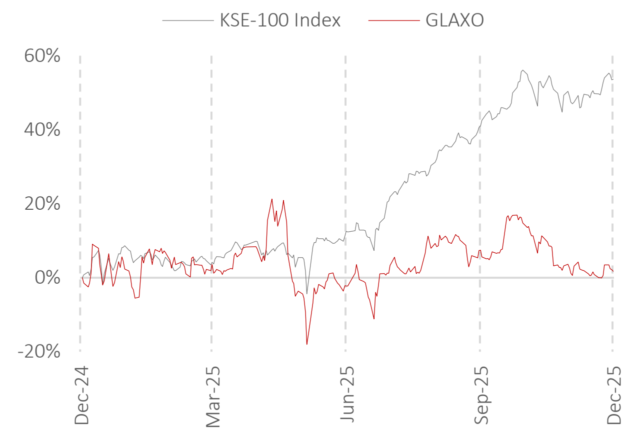

*Source: Company Accounts, BMA Research*

### Gross Margins Trend




*Source: Company Accounts, BMA Research*

### KSE100 Index Vs. GLAXO Performance




*Source: PSX, BMA Research*

### GLAXO Financial Overview

| | CY22 | CY23 | CY24 |
|---|---|---|---|
| EPS (PkR) | 7.7 | 1.7 | 20.5 |
| DPS (PkR) | 0.0 | 0.0 | 10.0 |
| PE (x) | 15.7 | 47.9 | 8.2 |
| PB (x) | 5.8 | 5.7 | 4.3 |
| Yield (%) | 0% | 0% | 2.6% |
| ROE (%) | 12% | 3% | 26% |

*Source: PSX, Company Accounts, BMA Research*

# Ghandhara Automobiles Limited (GAL)

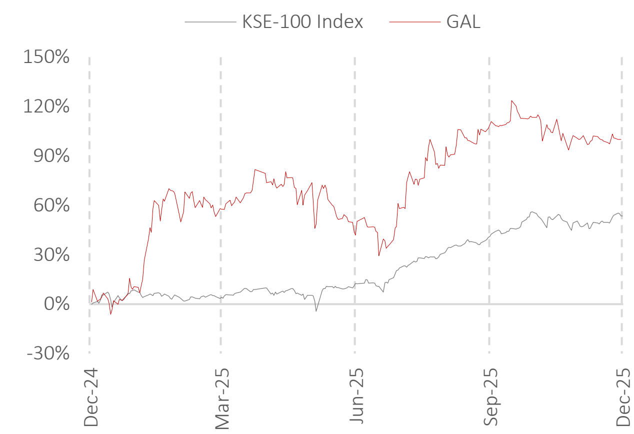
Ghandhara Automobile Limited (GAL) assembles and sells commercial and passenger vehicles, including Dongfeng, JAC, and Renault trucks. It also provides toll manufacturing for Gandhara Industries (GHNI) under the ISUZU brand, with annual capacity of 4,800 commercial and 6,000 passenger vehicles.

**Strategic entry into the pickup segment:** GAL made a decisive move into Pakistan's double-cab pickup market with the launch of the JAC T9 Hunter in 2025, priced at PKR 9.75-10.50mn. The timing and pricing strategy positions GAL to challenge incumbents in a growing segment. Since the launch, profitability has surged, reflecting strong market acceptance. 1QFY26 after-tax profit reached PKR 1.67bn, up 2.8x YoY from PKR 601mn.

**Rising truck demand from major projects:** The resumption of major infrastructure and mining projects, including Reqo Diq, Thar coal, and dam construction, is expected to boost demand for commercial trucks. Increased axle load requirements could further support higher sales volumes. These developments create a favorable environment for GAL to expand its market share.

**GHNI--Driving GAL's portfolio strength:** GAL's 17.91% stake in GHNI gives it strong exposure to Pakistan's commercial vehicle market. GHNI's leadership, holding a 67% share in trucks and 27% in buses, combined with rising demand from freight and infrastructure projects, supports robust earnings. The stake positions GAL to benefit from sustained growth and improving profitability.

## KSE100 Index Vs. GAL Performance




*Source: PSX, BMA Research*

## GAL Financial Overview

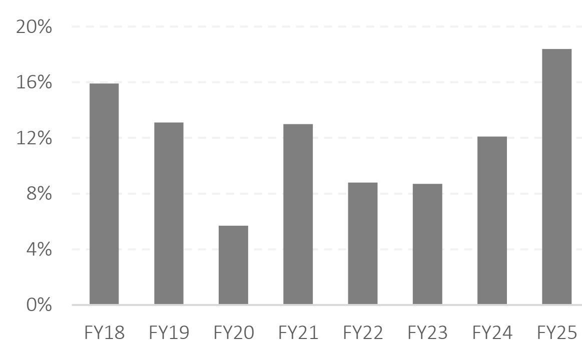
| | FY23 | FY24 | FY25 |
|---|---|---|---|
| EPS (PkR) | 3.2 | 6.4 | 71.8 |
| DPS (PkR) | 0.0 | 0.0 | 10.0 |
| PE (x) | 15.7 | 47.9 | 8.2 |
| PB (x) | 4.0 | 2.9 | 2.1 |
| Yield (%) | 0% | 0% | 1.8% |
| ROE (%) | 2% | 4% | 32% |

*Source: PSX, Company Accounts, BMA Research*

## EBITDA Margins Trend


*Source: Company Accounts, BMA Research*

## Gross Margins Trend




*Source: Company Accounts, BMA Research*

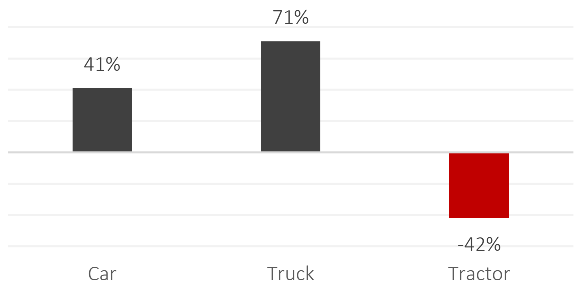
# Baluchistan Wheels (BWHL)

**Recovering vehicle sales to bolster outlook:** Baluchistan Wheel's sales prospects are improving as automobile sales continue to recover. In FY25, Passenger Vehicle (PV) sales recovered by 38% YoY to 112k units. Consequently, **BWHL's car segment saw a growth of 48% YoY.** As interest rates fall and economic activity picks pace, we anticipate further recovery in the passenger vehicle segment. The company's key customers in the segment, Pak Suzuki, Kia Lucky Motors and Indus Motors will benefit from improved demand as auto-financing becomes affordable. As such, this segment will likely grow well into FY26.

**Truck segment could be the next cash cow:** During FY25, the truck segment showed considerable growth of 188% YoY, benefitting from a significant increase in its sales. During the year, Pakistan's truck **sales grew by 84% to 4,444 units**. Moreover, BWHL's key customer, GHNI, **saw growth 111% YoY** to 3,143 units. Over the medium term, the truck segment has a few things going for it. Firstly, the anticipated increase in **economic and international trade activity (post tariff rationalization)** will enhance transportation demand. Moreover, the development of **Reko Diq and other viable mines** will further increase demand for trucks. In addition, the strict implementation of **axle load limits** will continue bolstering demand for transportation services.

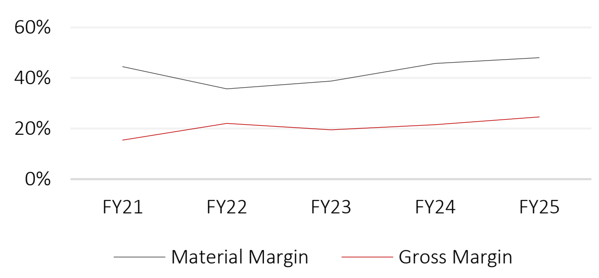
**Tractor segment could see resurgence from incentive schemes:** We, believe that FY26 will see the government prioritize the agriculture sector to revive its weakened dynamics. Given the IMF restrictions, we may see provincial government step up and announce incentive schemes. The Punjab government has already announced a phase 2 of the Green Tractor Scheme for distributing 10,000 subsidized tractors. It may be safe to assume that the Sindh government will also announce similar tractor schemes to revitalize agriculture dynamics. Tractors were BWHL's biggest cash cow, and we expect the segment's prospects to improve in FY26.

**Sales Growth by Segment (FY25)**



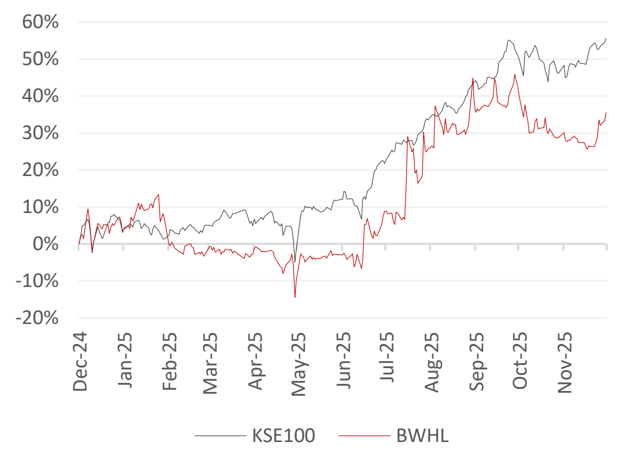

*Source: Company Accounts, BMA Research*

**Material and Gross Margins (%)**




*Source: Company Accounts, BMA Research*

**KSE100 Index Vs. BWHL Performance**




*Source: PSX, BMA Research*

**BWHL Financial Overview**

| | FY23 | FY24 | FY25 |
|---|---|---|---|
| EPS (PkR) | 10.2 | 18.1 | 23.7 |
| DPS (PkR) | 8.0 | 13.0 | 13.0 |
| PE (x) | 18.6 | 10.5 | 8.0 |
| PB (x) | 1.1 | 1.1 | 1.0 |
| Yield (%) | 4% | 7% | 7% |
| ROE (%) | 6% | 10% | 13% |

*Source: PSX, Company Accounts, BMA Research*

# KSE-100 Index – Technical Strategy Outlook for 2026

The KSE-100 entering CY-2026 with one of the strongest multi-year momentum structures in its history. The breakout above the long-term ceiling around 52,000, which had capped the market from 2017 to 2023, has now evolved into a sustained structural uptrend. Since late-2023, the index has been advancing within a well-defined monthly rising channel, supported by higher highs, higher lows, and consistent institutional demand. The persistence of monthly bullish candles throughout 2024-2025 reflects a market transitioning from a recovery cycle into a full-scale expansionary phase, with price now consolidating near the upper half of the channel.

The broader structure argues that the breakout was not merely cyclical but secular, as the index has climbed far above prior decade-long congestion without any meaningful retest. Momentum indicators confirm this stance: the monthly RSI remains elevated above 60, maintaining a sustained overbought regime typically associated with strong trend continuation rather than imminent reversal. Historically, such RSI readings on a monthly chart have aligned with long-duration bull phases, where temporary pullbacks tend to be shallow, rotational, and confined within the trend channel rather than signaling a change in direction.

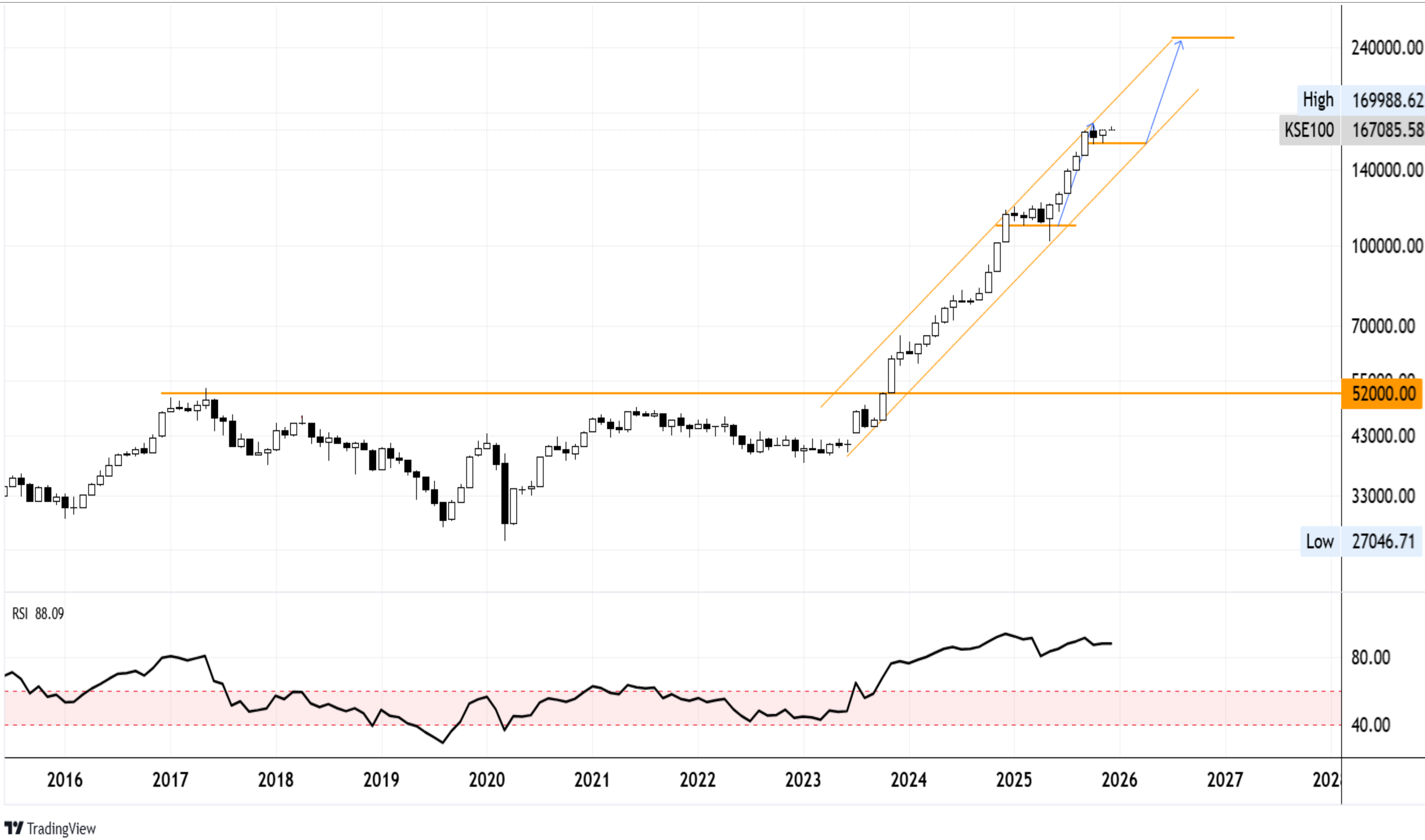
From a structural point of view, the trend channel drawn from the 2023 impulsive low continues to guide upside targets. Price remains comfortably within the channel's median-to-upper range, suggesting that as long as the index stays above the mid-channel zone, underlying trend strength remains intact. Any corrective move toward this zone would likely represent a normal technical reset rather than a bearish reversal. The next major upward extension, measured from the width of the existing channel and the magnitude of the 2023 breakout, projects a **potential medium-term objective toward the 230,000–250,000 area**. This region also aligns with the projected upper trajectory of the channel during the mid-2026 horizon.

On the downside, the 140,000–150,000 region forms the primary structural support. This zone represents the mid-channel area as well as the breakout-extension floor where major trend participants are expected to defend the market. A deeper correction below this zone would be required to disrupt the broader bullish pattern, although current momentum does not indicate such risk. Above this, minor supports around 160,000–165,000 and 172,000–175,000 remain active stabilization points within the ongoing trend.

## Recommendation for 2026

The technical structure for 2026 remains firmly bullish, with the trend channel intact and momentum supporting continuation. The recommended stance for the year is to remain overweight equities, gradually adding exposure during corrective phases toward mid-channel support. Upside **potential toward 230,000–250,000 remains achievable** if the index maintains trend discipline. Any pullback into the 150,000–160,000 zone should be viewed as an opportunity rather than a threat. A defensive shift is only warranted if the index loses the structural floor around 140,000, which currently appears unlikely given prevailing trend strength.

# KSE100 Index: Technical Strategy Outlook for 2026

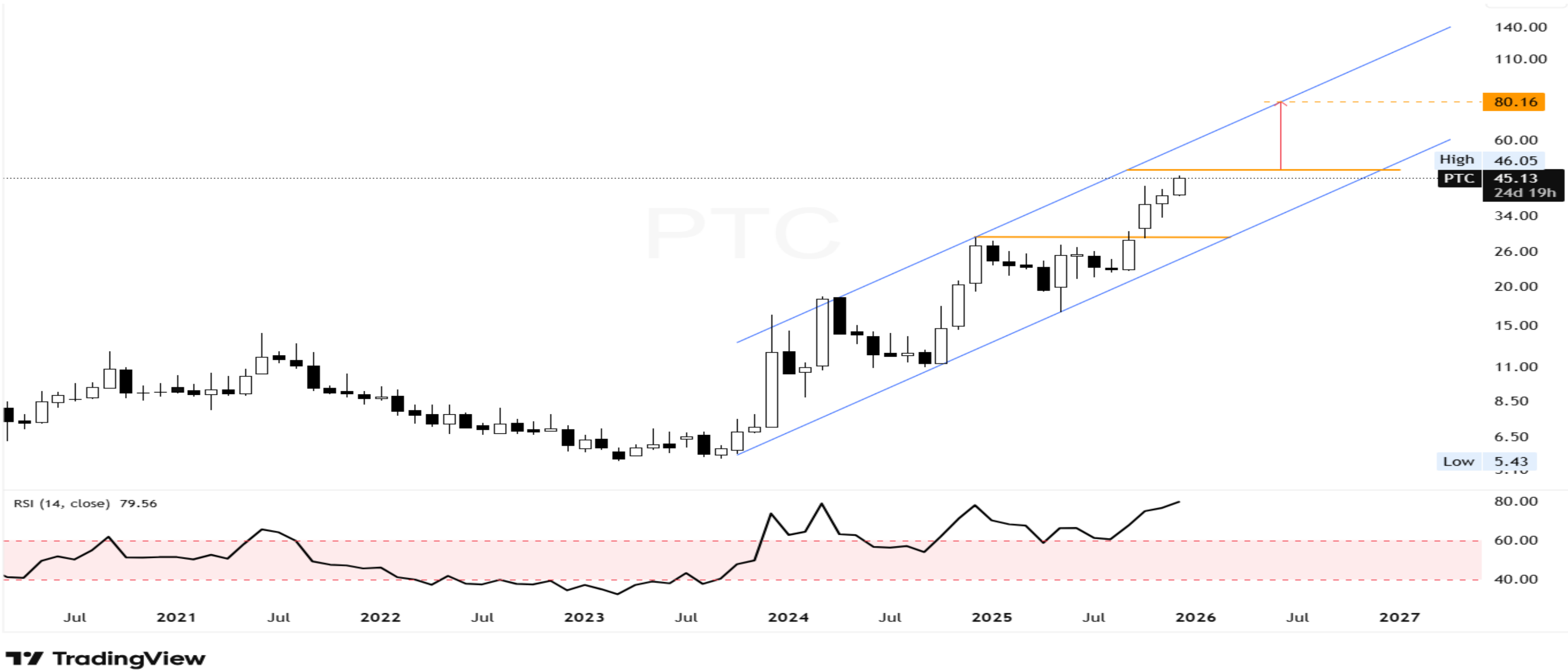


# Nishat Mills Ltd (NML) – Technical Outlook


NML entering CY-2026 in a strong structural uptrend after delivering a decisive monthly breakout above the multi-year resistance at PKR 121. This level has acted as a ceiling since 2017, and its clean violation confirms a broad rounding-bottom / multi-year base formation built between PKR 46–50 and PKR 121. The breakout projection of this formation **indicates a medium- to long-term upside potential toward the PKR 240–260 region**. Momentum remains supportive, with monthly RSI holding firmly in bullish territory without signs of exhaustion. Price action above the breakout zone has been constructive, with recent consolidation around PKR 150–170 suggesting a healthy continuation setup rather than an overextended move. As long as monthly closes remain above PKR 121, the long-term trend stays firmly intact.

NML should be treated as a structural long opportunity, with pullbacks into PKR 135–145 offering accumulation windows. The broader trend bias remains upward, targeting PKR 240–260 over the coming year, provided the stock maintains its breakout support and current momentum profile.

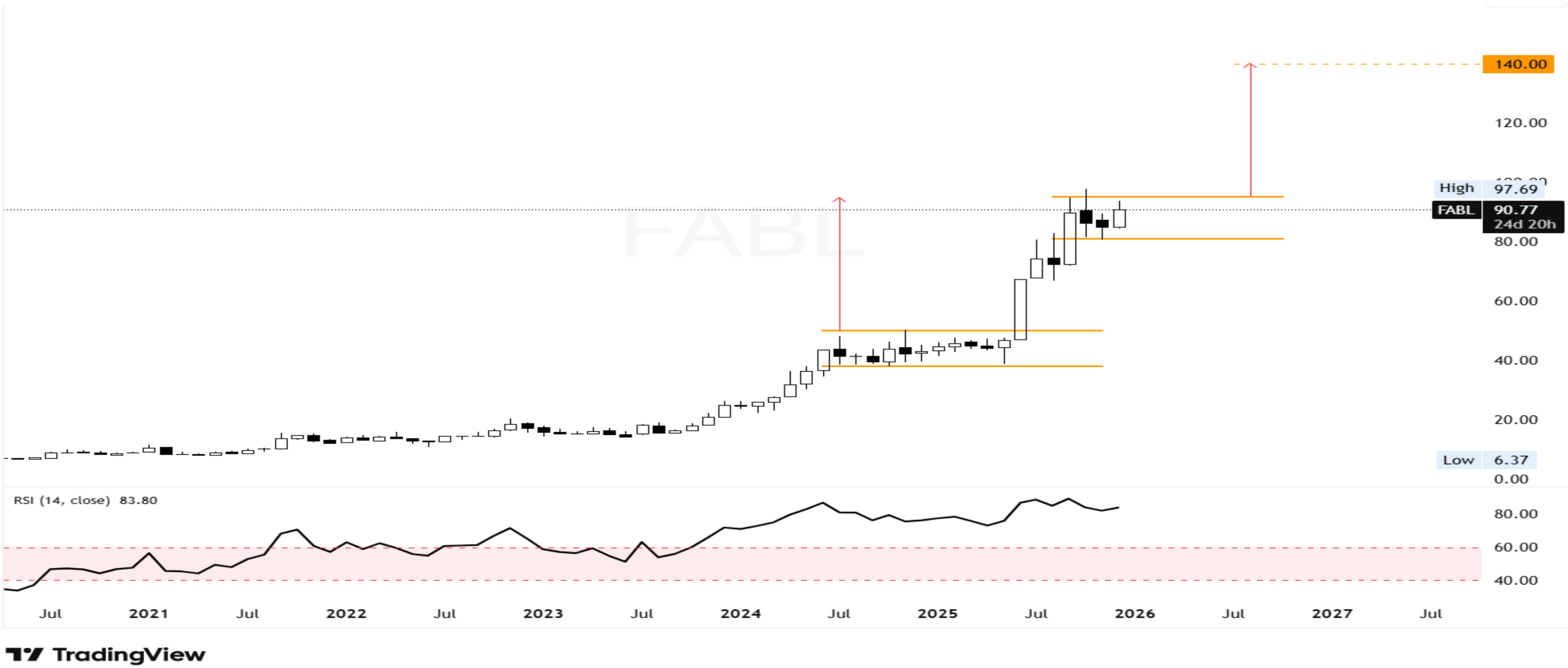
# Pakistan Telecommunication (PTC) – Technical Outlook




PTC enters CY-2026 in a firmly established uptrend, consistently respecting its ascending channel that has guided the rally since early 2023. The stock recently broke out above its consolidation barrier near PKR 30, triggering a renewed momentum phase that carried prices toward PKR 45–46. This move confirms strength within the broader trend, while the monthly RSI near 80 signals strong momentum typical of trending markets rather than immediate exhaustion. The breakout structure and channel slope together point toward a **medium-term upside objective around PKR 75–80**, in line with the upper boundary of the rising channel. The former resistance zone at PKR 30 now serves as major structural support, with intermediate support emerging around PKR 36–40 in case of corrective dips.

PTC remains a trend-favoring long, with any controlled pullback viewed as an accumulation opportunity. The broader bias stays bullish as long as the stock holds above PKR 30, with upside potential extending toward the PKR 75–80 zone during CY-2026.

# Faysal Bank Limited (FABL) – Technical Outlook




FABL heads into CY-2026 with a powerful long-term uptrend after a clean breakout above its multi-year base around PKR 40–45. The stock has since surged sharply and is now forming a tight consolidation band between PKR 85–98, representing a healthy continuation pause within an established bullish structure. The trend remains strongly supported by elevated momentum readings, with the monthly RSI above 80—typical of sustained leadership phases rather than immediate exhaustion. The measured upside from the previous base breakout points toward a **medium-term target in the PKR 135–140 region**, aligning with the continuation setup currently shaping on the monthly chart. The PKR 80 level now acts as major structural support, with the PKR 84–88 area offering attractive accumulation on any controlled pullback.

FABL remains a sector-leading long setup, with the broader trend firmly upward. As long as the stock holds above PKR 80, the technical roadmap favors continuation toward PKR 135–140 during CY-2026.

# Pakistan Petroleum Limited (PPL) – Technical Outlook


Pakistan Petroleum Ltd (PPL) has broken above a long-term multi-year trend line resistance on the monthly chart, signaling the beginning of a strong bullish phase supported by rising volume and an RSI near 69, which reflects strong momentum without extreme overbought conditions.

The most important support zone is at PKR 200–205, which marks the breakout retest level and should act as a solid floor if the price pulls back. Below this, PKR 165–170 zone serves as strong support based on previous consolidation. **On the upside, the first target lies at PKR 250–255**, aligned with the upper boundary of the long-term rising channel. If momentum continues, the next major target is PKR 280–290, which also matches the measured breakout projection and Fibonacci extensions. A stronger rally could push the price toward an extended target of PKR 310–320, marking a potential multi-year bullish cycle. The trend remains bullish as long as monthly closes stay above PKR 200, while a drop below this level would weaken the breakout structure.

# Secure Logistics -Trax Group Limited (SLGL) – Technical Outlook


The updated weekly chart of SLGL continues to show a strong bullish structure, with price holding above a long-term rising trendline that has acted as reliable support since mid-2024. The stock recently pulled back to this trendline near PKR 19.10–19.50 and has shown signs of stabilization with small-bodied candles and lower wicks, indicating buying interest at support. The horizontal resistance zone around PKR 20.50–21.00 remains the key ceiling that price must break to trigger a stronger upside move. Once this zone is cleared with a convincing weekly close, the next major target lies around PKR 26.50 and based on the height of the previous consolidation range, the **measured move suggests potential continuation toward the PKR 32–35 region**, as indicated by the projection arrow on the chart. Volume remains steady, with no signs of distribution during the pullback, and the RSI around 55 reinforces that momentum is healthy, with ample room for an upward push. Overall, as long as price maintains support above the trendline and the 19.10 level, the chart favors a bullish continuation scenario with increasing probability of a breakout above 21 leading to significantly higher targets.

# List of Abbreviations

| List of Abbreviations | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1H | First Half | FATA | Federally Administered Tribal Areas | kW | Kilowatt | PS | Price to Sales Ratio |
| 2Q | Second Quarter | FBR | Federal Burueau of Revenue | kWh | Kilowatt Hour | PSDP | Public Sector Development Program |
| ADB | Asian Development Bank | FCFE | Free Cash Flow to Equity | l.h.s | Left-hand Side | PSX | Pakistan Stock Exchange |
| ADR | Advance to Deposit Ratio | FCFF | Free Cash Flow to the Firm | LC | Letter of Credit | pts | Points |
| ADTV | Average Daily Traded Value | FIF | Foreign Inclusion Factor | LIBOR | London Interbank Offered Rate | QoQ | Quarter over Quarter |
| APCMA | All Pakistan Cement Manufacturer's Association | FIPI | Foreign Investor Portfolio Investment | LIPI | Local Investor Portfolio Investment | r.h.s | Right-hand Side |
| AUM | Asset Under Management | FM | Frontier Markets | MDR | Minimum Deposit Rate | REIT | Real Estate Investment Trust |
| bn | Billion | FMCG | Fast Moving Consumer Goods | mmbtu | Million British Thermal Unit | RIR | Real Interest Rate |
| BoP | Balance of Payment | FMR | Fund Managers Report | mmcfd | Million Cubic Feet per Day | RLNG | Regasified Natural Gas |
| bopd | Barrel of Oil per Day | FO | Furnace Oil | mn | Million | ROA | Return on Asset |
| bps | Basis Points | FX | Foreign Exchange | mo | Month | ROE | Return on Equity |
| CA | Current Account | FY | Fiscal Year | MoM | Month over Month | S&P 500 | Standard and Poor's 500 Index |
| CAD | Current Account Deficit | FYTD | Fiscal Year to Date | MPC | Monetary Policy Committee | SBA | Stand-by Arrangement |
| CAGR | Compound Annual Growth Rate | GCC | Gulf Cooperation Council | MPS | Monetary Policy Statement | SBP | State Bank of Pakistan |
| Capex | Capital Expenditures | GDP | Gross Domestic Product | MS | Motor Gasoline | SC | Supreme Court |
| CAR | Capital Adequacy Ratio | GEM | Growth Enterprise Market | MSCI | Morgan Stanley Capital International | SEZ | Special Economic Zone |
| CBU | Completely Built Unit | GENCO | Generation Companies | MT | Metric Ton | sh | Share |
| CKD | Completely Knocked Down Unit | GFR | Gross Fiscal Revenue | MW | Megawatt | SIFC | Special Investment Facilitation Council |
| CPEC | China Pakistan Economic Corridor | GM | Gross Margin | NEPRA | National Electric Power Regulatory Authority | SKD | Semi Knocked Down Unit |
| CPI | Consumer Price Index | GST | General Sales Tax | NII | Net Interest Income | SME | Small and Medium Enterprises |
| CY | Calendar Year | GW | Gigawatt | NIM | Net Interest Margin | SOE | State-owned Enterprises |
| CYTD | Calendar Year to Date | GWh | Gigawatt Hour | NM | Net Margin | ST | Short Term |
| DAP | Diammonium Phosphate | HEV | Hybrid Electric Vehicle | NPL | Non-performing Loans | SUV | Sport Utility Vehicle |
| DCF | Discounted Cash Flows | HSD | Hi-Speed Diesel | NPV | Net Present Value | T&D | Transmission and Distribution |
| DISCOs | Distribution Companies | IDB | Islamic Development Bank | NTC | National Tariff Commission | Target | Target Valuation |
| DPS | Dividend per Share | IDR | Investment to Deposit Ratio | OEM | Original Equipment Manufacturer | tn | Trillion |
| DR | Discount Rate | IMF | International Monetary Fund | OGRA | Oil & Gas Regulatory Authority | TP | Target Price |
| E&P | Energy and Petroleum | IPO | Initial Public Offering | OMC | Oil Marketing Company | UFG | Unaccounted for Gas |
| EBITDA | Earnings before Interest Depreciation and Tax | IPP | Independent Power Producers | PAT | Profit After Tax | UK | United Kingdom |
| ECC | Economic Coordination Committee | IRR | Internal Rate of Return | PATA | Provincially Administered Tribal Areas | USD | United States Dollar |
| EFF | Extended Fund Facility | JPY | Japanese Yen | PB | Price to Book Ratio | UV | Ultraviolet |
| EM | Emerging Markets | k | Thousand | PDL | Petroleum Development Levy | WACC | Weighted Average Cost of Capital |
| EPS | Earnings per Share | kg | Kilogram | PE | Price to Earnings Ratio | WACOG | Weighted Average Cost of Gas |
| EU | European Union | KIBOR | Karachi Interbank Offered Rate | PkR | Pakistan Rupee | WHR | Waste Heat Recovery |
| EV | Electric Vehicle | KSA | Kingdom of Saudi Arabia | pps | Percentage Points | x | Times |
| EV | Enterprise Value | KSE100 | KSE100 Index | PR | Policy Rate | YoY | Year over Year |

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Investors should carefully read the definitions of all rating used within every research reports. In addition, research reports carry an analyst's independent view and investors should ensure careful reading of the entire research reports and not infer its contents from the rating ascribed by the analyst. Ratings should not be used or relied upon as investment advice. An investor's decision to buy, hold or sell a stock should depend on said individual's circumstances and other considerations. BMA Capital Limited uses a three-tier rating system: i) Buy, ii) Neutral and iii) Underperform (new rating system effective Jan 1'18) with our rating being based on total stock returns versus BMA's index target return for the year. A table presenting BMA's rating definitions is given below:

### 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.)

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