

The Year of Alpha

Pakistan Equity Market Strategy 2025

20th December 2024

Macro Views

Inflation expected to remain in single digits for most of CY2025.



Central Bank to continue easing. We consider single digit interest rates a high possibility in 2025.



Current Account should not present a challenge as improved remittances, recovering exports and administrative measures to keep balance in check.



Pakistan Credit Ratings could improve in 2025 unlocking flows and strengthening PKR.



Market Views

Market P/E expected to cross its long term mean P/E of **9.76x**.



Pakistan's weightage could increase in international benchmark indices leading to increased foreign inflows.



Equity AUMs of 8%-9% could double to 20% as a percentage of Total Mutual Fund AUMs as flows from other asset classes shift towards equities.



Cyclical sectors are expected to drive PSX earnings growth. Mid and Small Caps could outperform large caps in 2025.



Risks

Volatile Politics can pose a potential threat to economic recovery.



Declining focus from economic reforms as economy comes out of danger zone.



Increasing commodity prices and inflation as Global Central Banks cut rates.

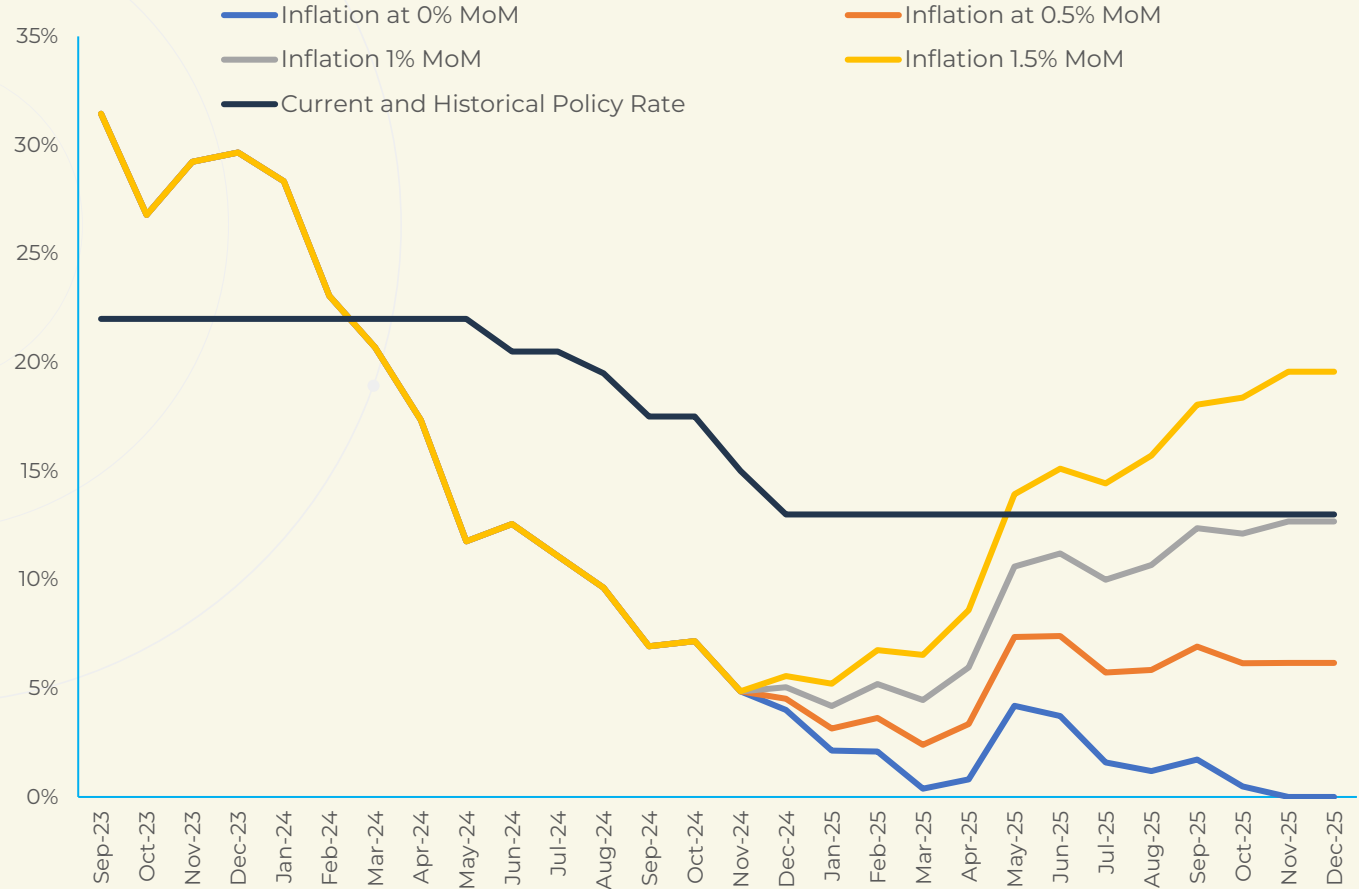


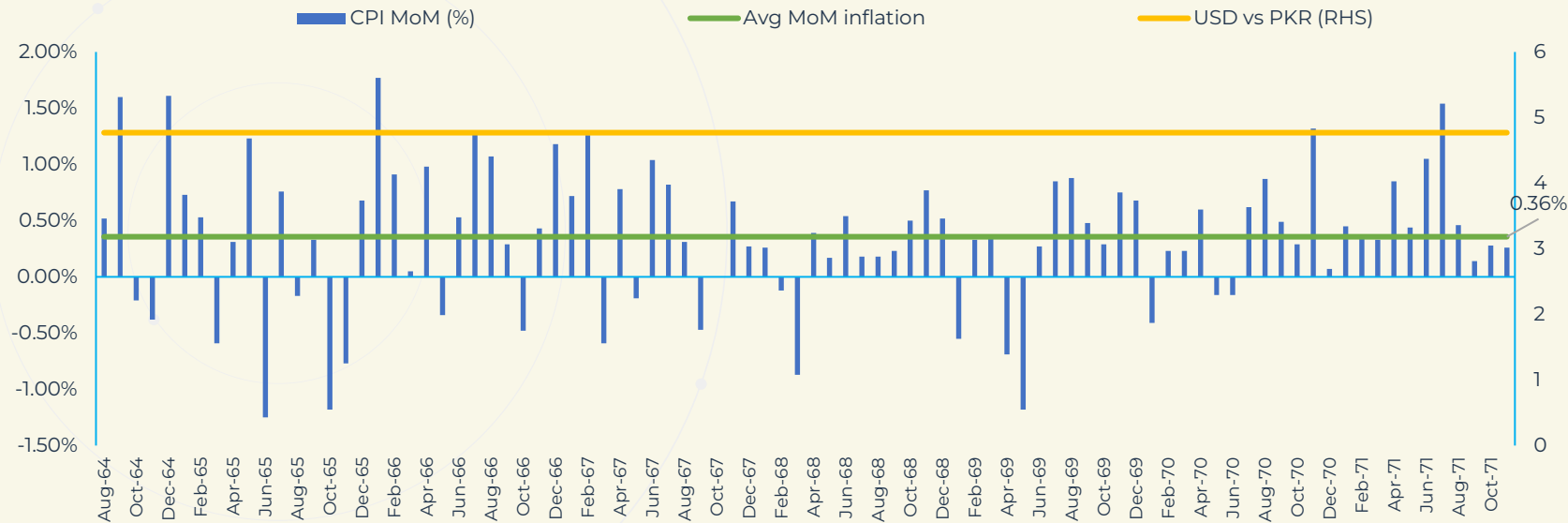
Geopolitical unrest especially Middle East situation can have unexpected consequences.



Macro Views

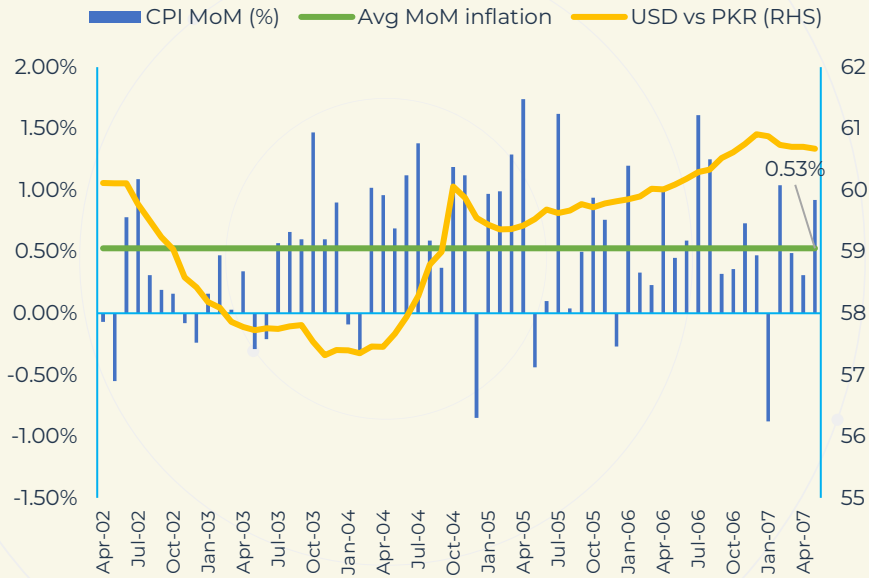
Inflation likely to remain in single digits for most of CY2025.



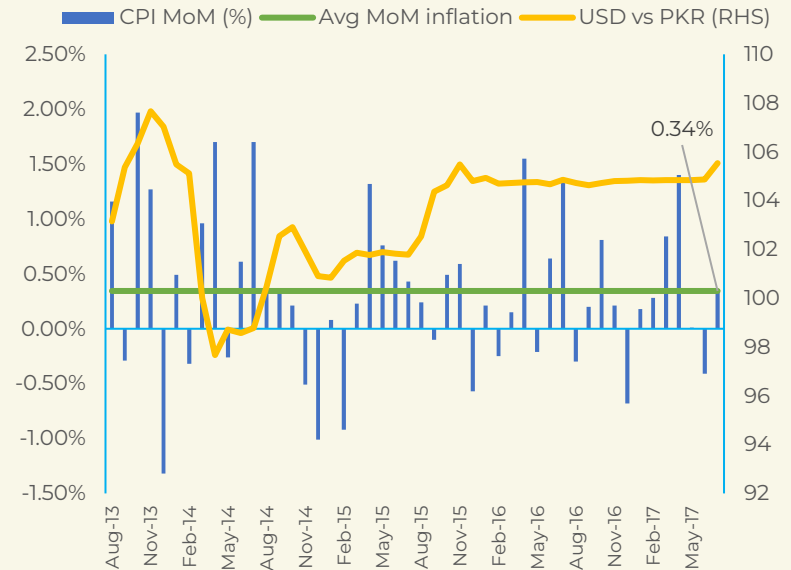


During the late 60s MoM inflation averaged 0.36% as a result of a stable currency.

Without Significant Devaluation, Large MoM Rises in Inflation are Unlikely



A relatively stable currency from 2002-07 also led to a low MoM average of 0.53%.



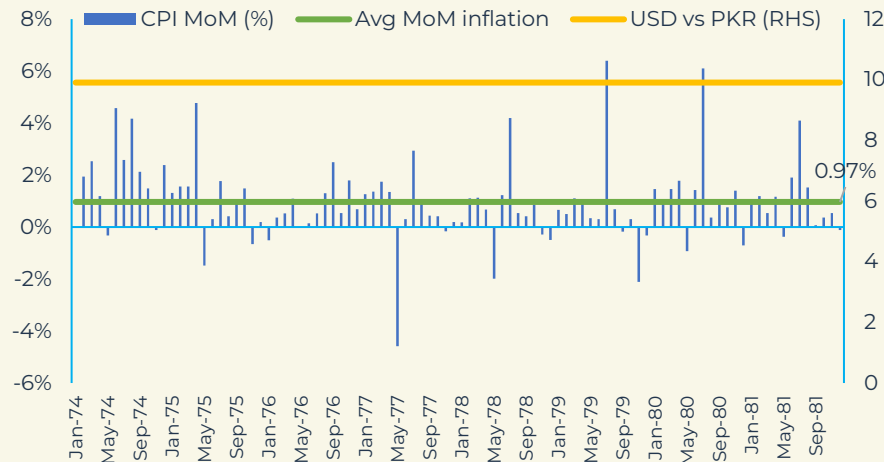
Similar effect was seen during the 2013-17 period.

In the past, a stable currency has meant low inflation

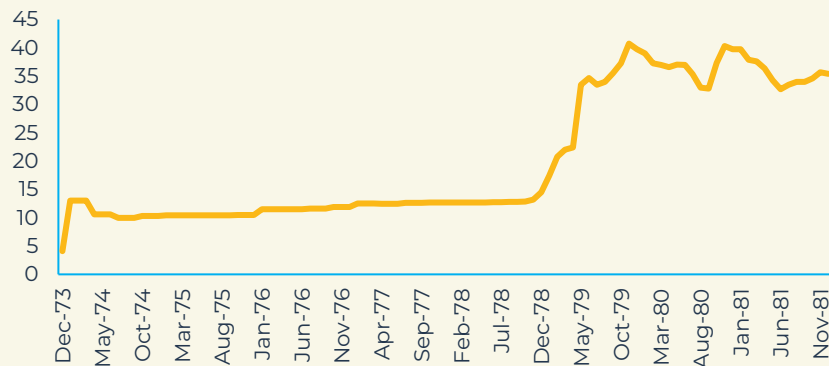
Large MoM rises are usually the result of devaluation or commodity price surges

While the same did not occur during the late 70s with MoM inflation averaging 0.97%.

This was the result of oil prices rising five-fold.

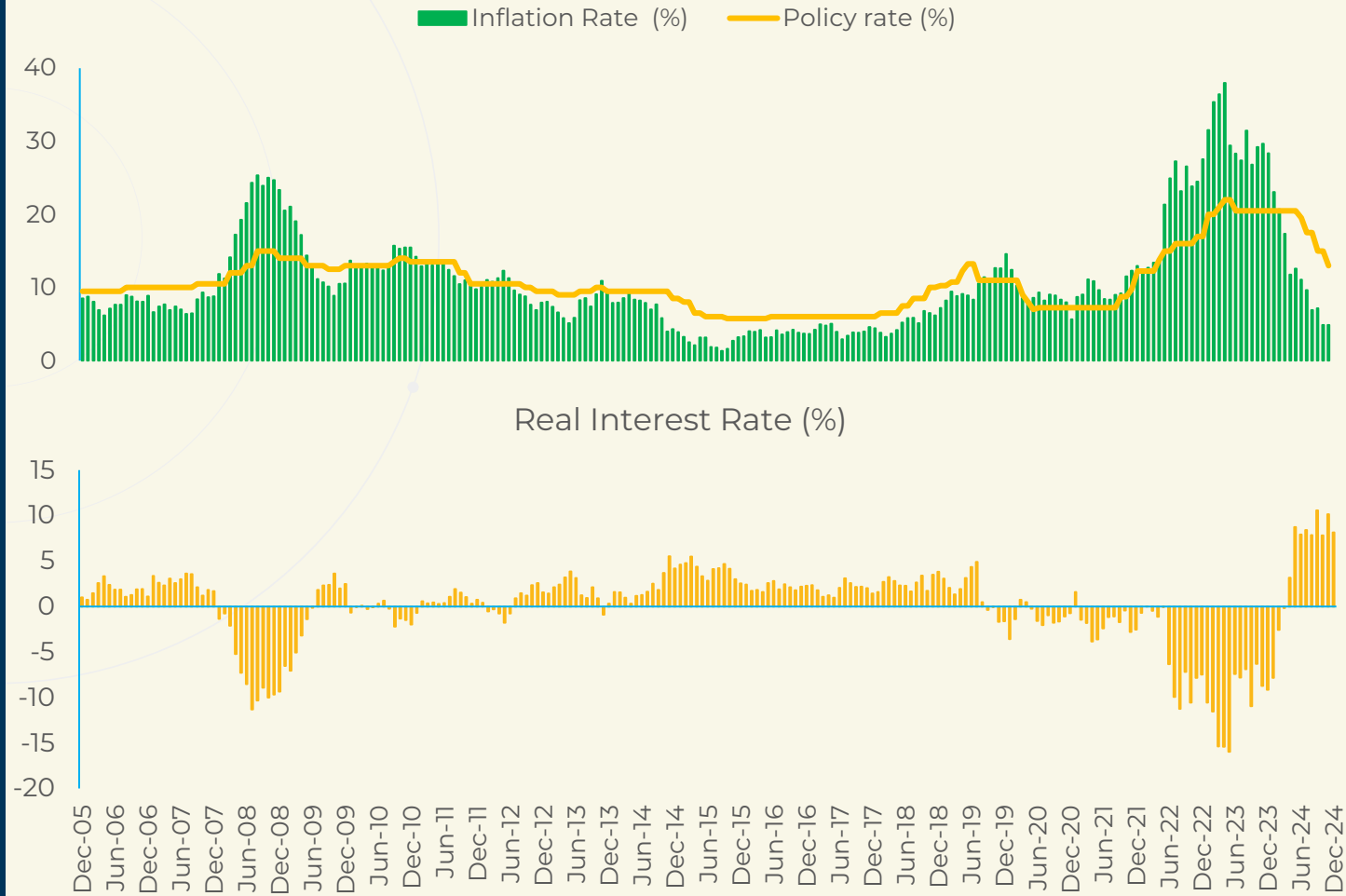


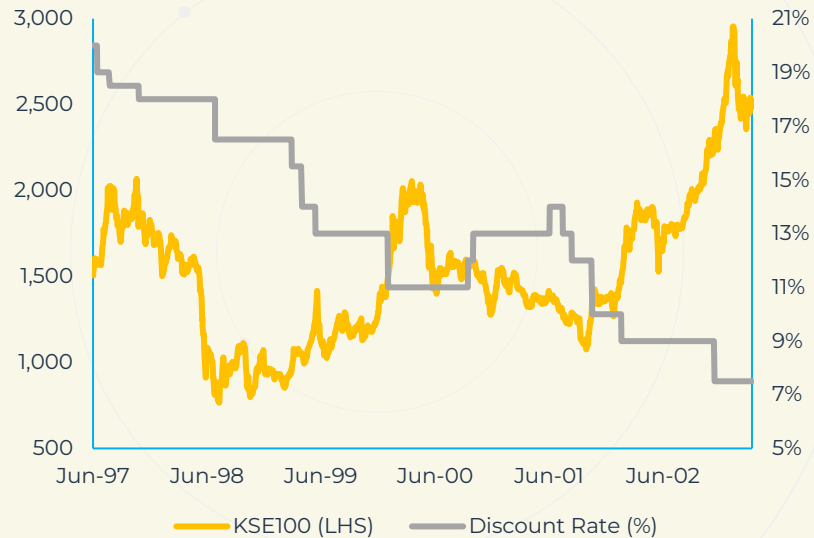
Crude oil, average (\$/bbl)



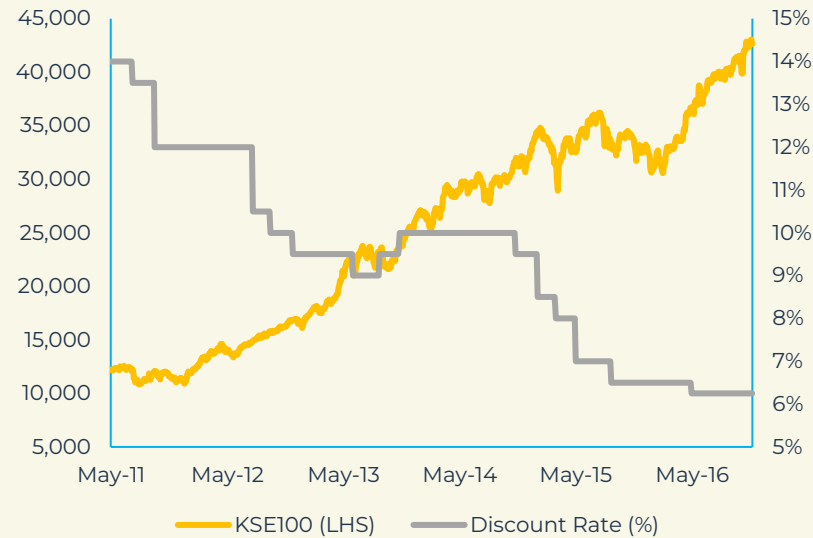
Macro Views

SBP will most likely continue easing in 2025. Given the high real interest rate, single digit policy rate has a high possibility in CY2025.



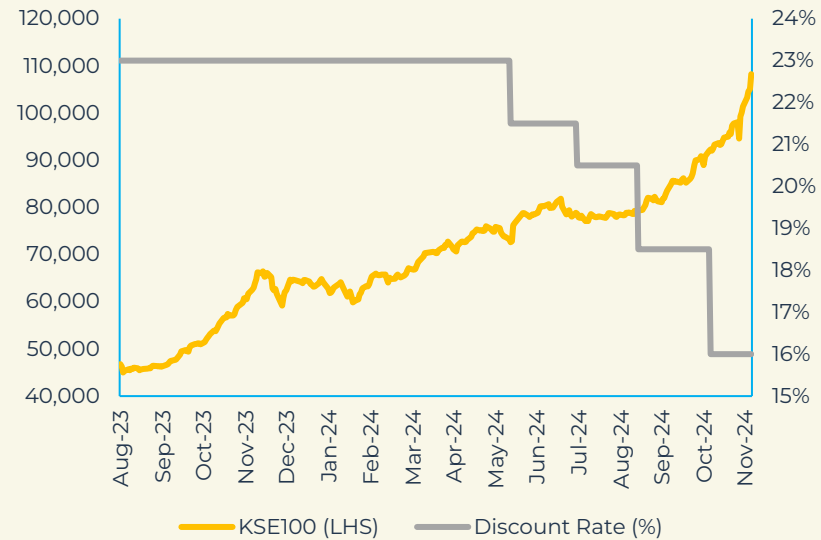
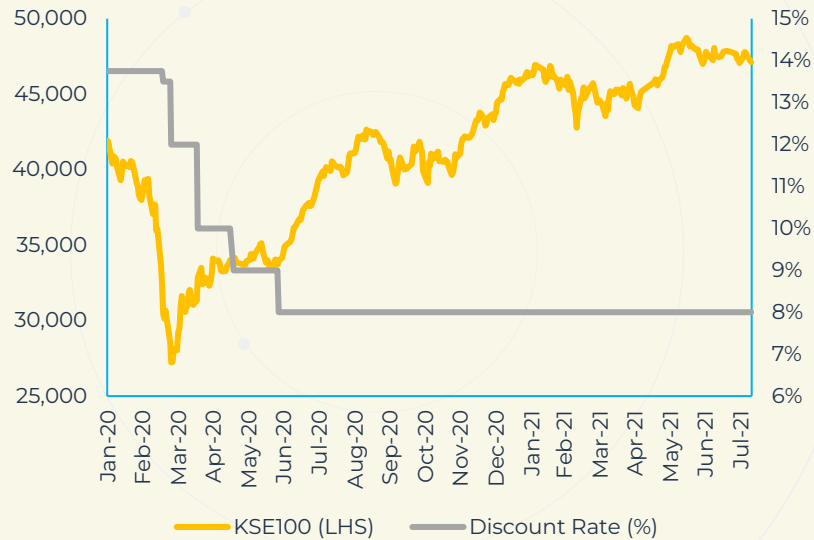


The discount rate fell from a high of 20% in Jun-97 to a low of 8% in Dec-02. At the same time the KSE100 index rose from 1,506 to 2,921, an impressive return of 94%.



The discount rate fell from a high of 14% in Jul-11 to a low of 6% in Jun-16. At the same time the KSE100 index rose from 12,000 to 41,000, a gain of 242%.

Monetary easing leads to rallies in equities



The discount rate fell from 14% in Mar-20 to 8% in Jun-20. This rally was unique as it was during the pandemic and was accompanied by lockdowns and supply chain disruptions. The index moved from 27,000 to 48,000 during this time, a gain of 78%

In recent times, the discount rate has been falling from a peak of 23%. The market has rallied alongside from 46,000 to 116,000, a return of 152%.

Equity as an asset class outperforms

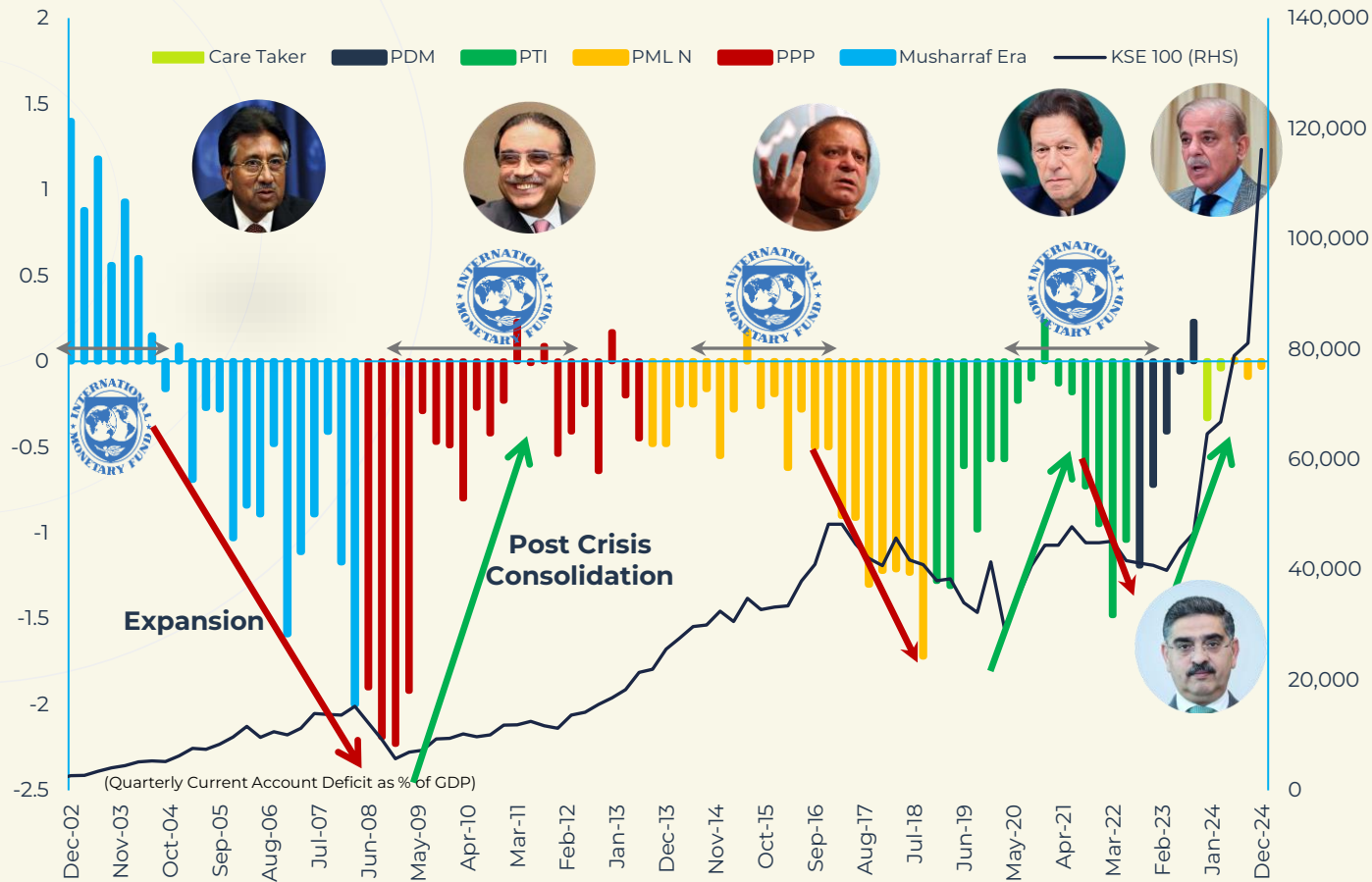
Macro Views

Current Account to Stay Manageable with Improved Remittances, Export Recovery, and Administrative Measures

(In millions of U.S. dollars, unless otherwise indicated)							
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
	Prog.	Est.		Proj.			
Current Account	-3,010	-665	-3,578	-3,772	-3,599	-4,462	-4,784
Balance on Goods	-23,758	-22,065	-25,428	-26,263	-27,062	-27,979	-28,937
Exports, f.o.b.	31,204	31,101	31,751	34,217	36,980	39,812	42,930
Imports, f.o.b.	54,962	53,166	57,180	60,480	64,042	67,791	71,867
Services (net)	-1,772	-2,306	-3,190	-3,679	-4,168	-4,682	-5,168
Services: credit	7,931	7,803	7,965	8,492	9,032	9,603	10,207
Of which: Coalition Support Fund	0	0	0	0	0	0	0
Services: debit	9,702	10,109	11,155	12,171	13,200	14,285	15,375
Income (net)	-6,741	-8,623	-6,636	-6,401	-6,764	-7,380	-7,461
Income: credit	1,020	959	1,117	911	753	716	711
Income: debit	7,761	9,582	7,753	7,313	7,517	8,096	8,171
Of which: interest payments	5,405	5,828	5,421	5,575	5,666	5,921	5,851
Of which: income on direct investment	2,338	3,724	2,332	1,738	1,852	2,175	2,320
Balance on Goods, Services, and Income	-32,271	-32,994	-35,254	-36,343	-37,994	-40,041	-41,565
Current Transfers (net)	29,261	32,329	31,676	32,571	34,396	35,579	36,781
Current transfers: credit, of which:	29,653	32,816	32,072	32,976	34,801	35,984	37,186
Official	431	439	416	416	416	416	416
Workers' remittances	28,081	30,250	29,831	30,536	31,852	32,713	33,556
Other private transfers	1,141	2,127	1,825	2,204	2,533	2,855	3,214
Current Transfers: Debit	391	487	397	406	406	406	406

Market Performance - Current Account

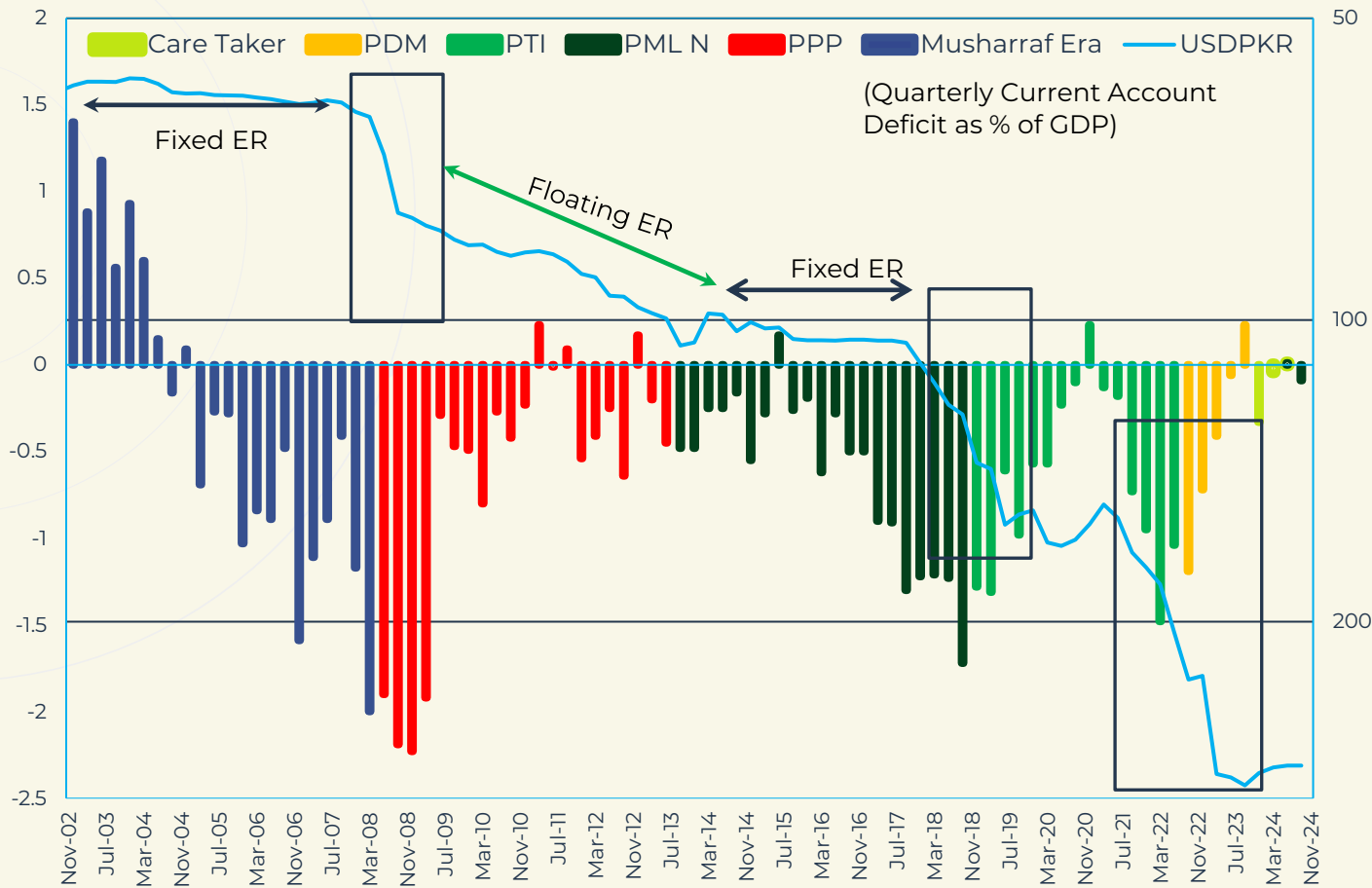
Market rallies at the PSX over the past two decades have consistently halted following significant current account deficits, necessitating extensive rounds of devaluation and interest rate hikes.



Floating Rate Resilience

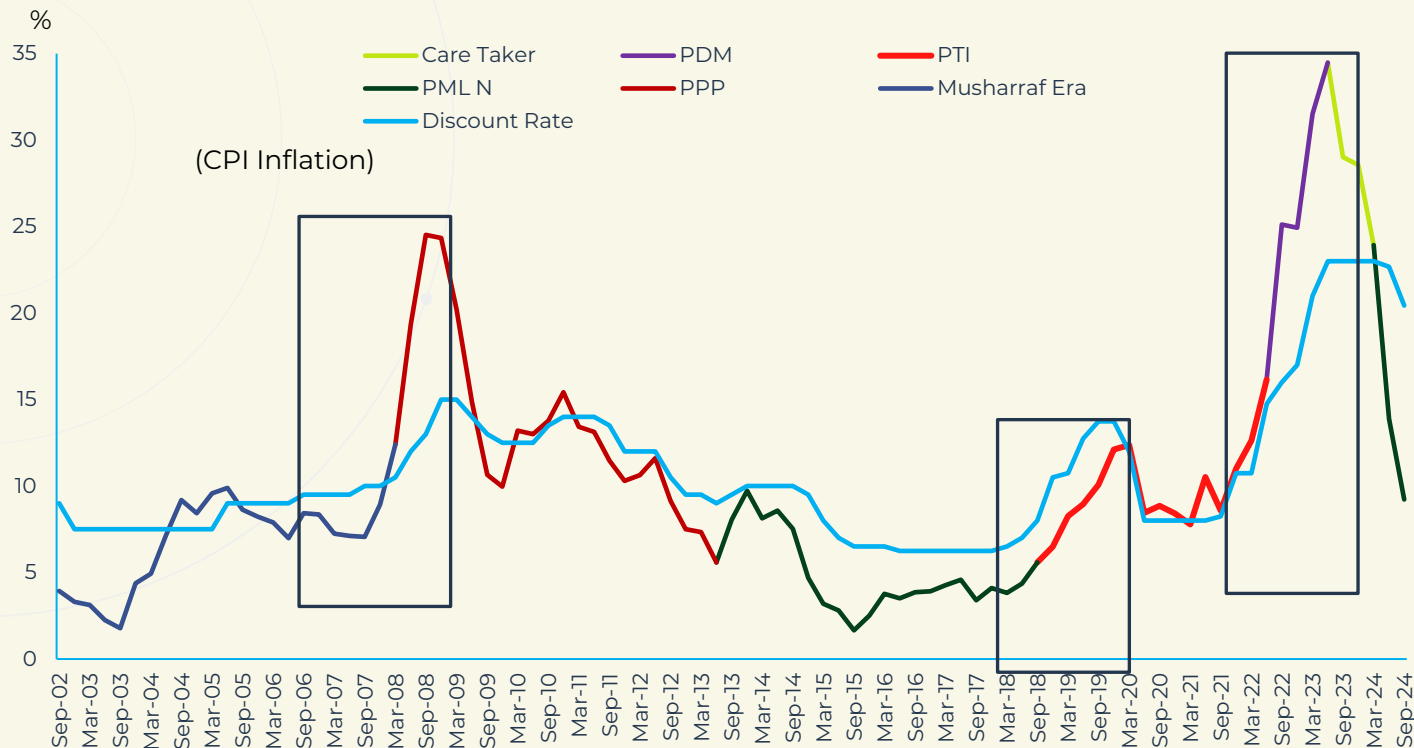
It's crucial to highlight that a floating exchange rate provided a buffer for the current account between 2008 and 2013, even amid rising primary deficits.

Notably, there was no currency crisis following the transfer of government control.



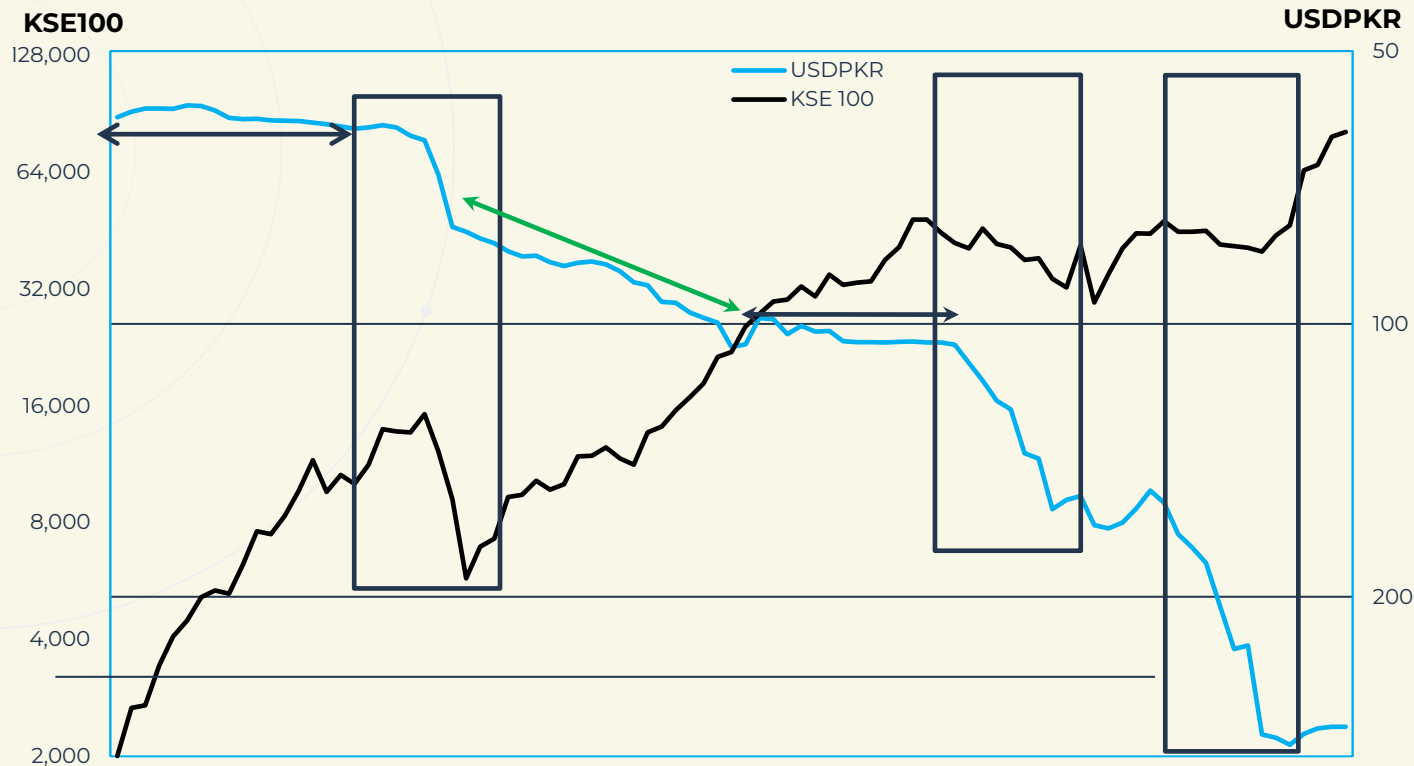
Rate Hikes and Rallies

Extensive devaluations to control the current account resulted in significant spikes in both inflation and interest rates, ultimately bringing about the conclusion of all three stock market rallies in the last two decades.



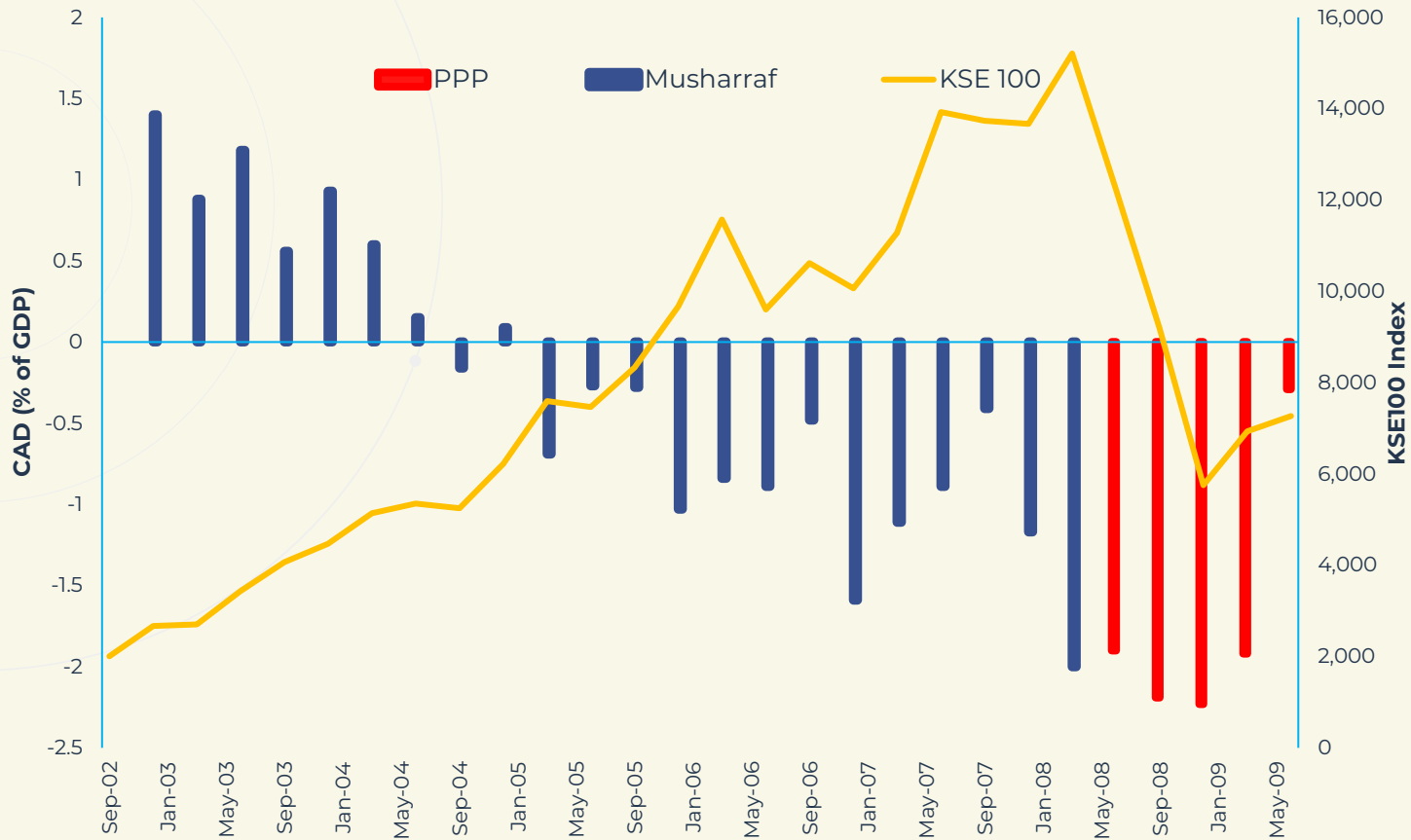
Devaluation and Declines

Substantial declines in stock prices have aligned with significant rounds of devaluation, marking the onset of periods characterized by consolidation.



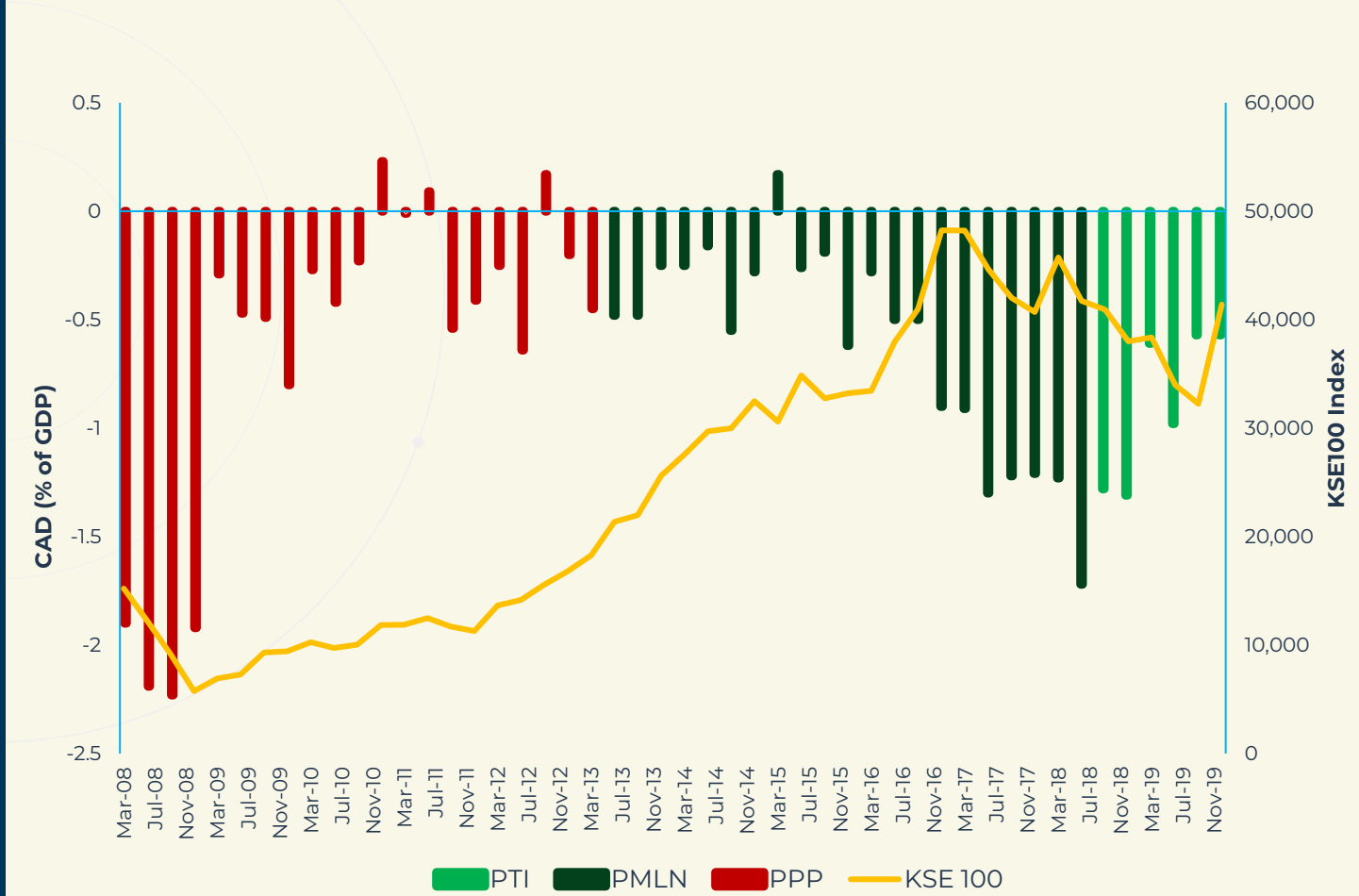
Market Rally

The market rallied from 2002 to 2008 till current account deficits got unsustainable.



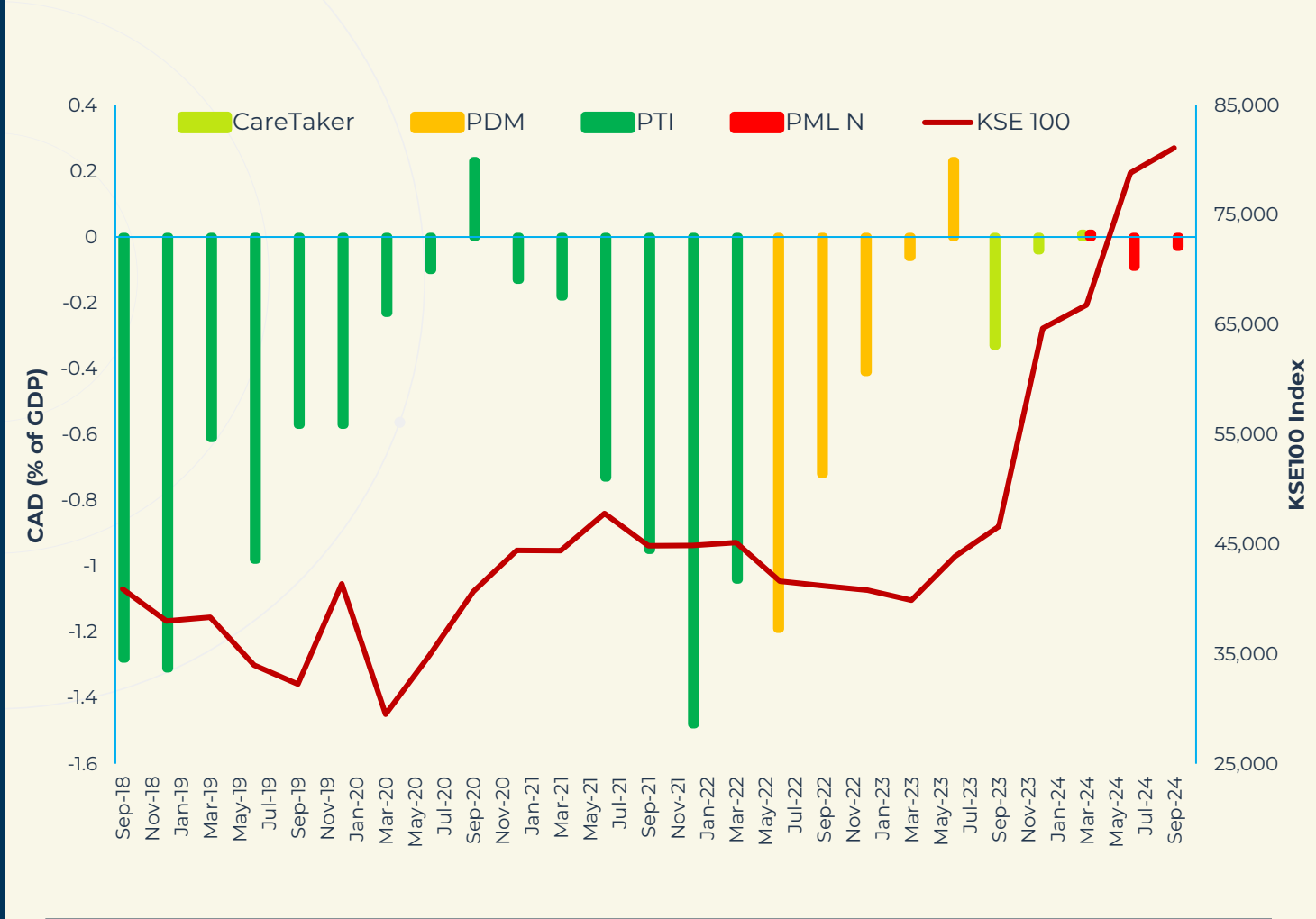
Devaluation and Recovery

A comparable scenario unfolded between 2008 and 2017, wherein a combination of devaluation and fiscal consolidation effectively managed to bring the current account under control. The stock market rally during that period was interrupted by substantial current account deficits and subsequent devaluation.



Deficits and Recovery

Substantial current account deficits brought the post-COVID rally to a halt. Currently, we find ourselves in the midst of another rally as the current account comes under control through measures such as interest rate hikes and devaluation.



Macro Views

Pakistan's Credit Ratings Expected to Improve in 2025, Boosting Capital Flows and Strengthening PKR

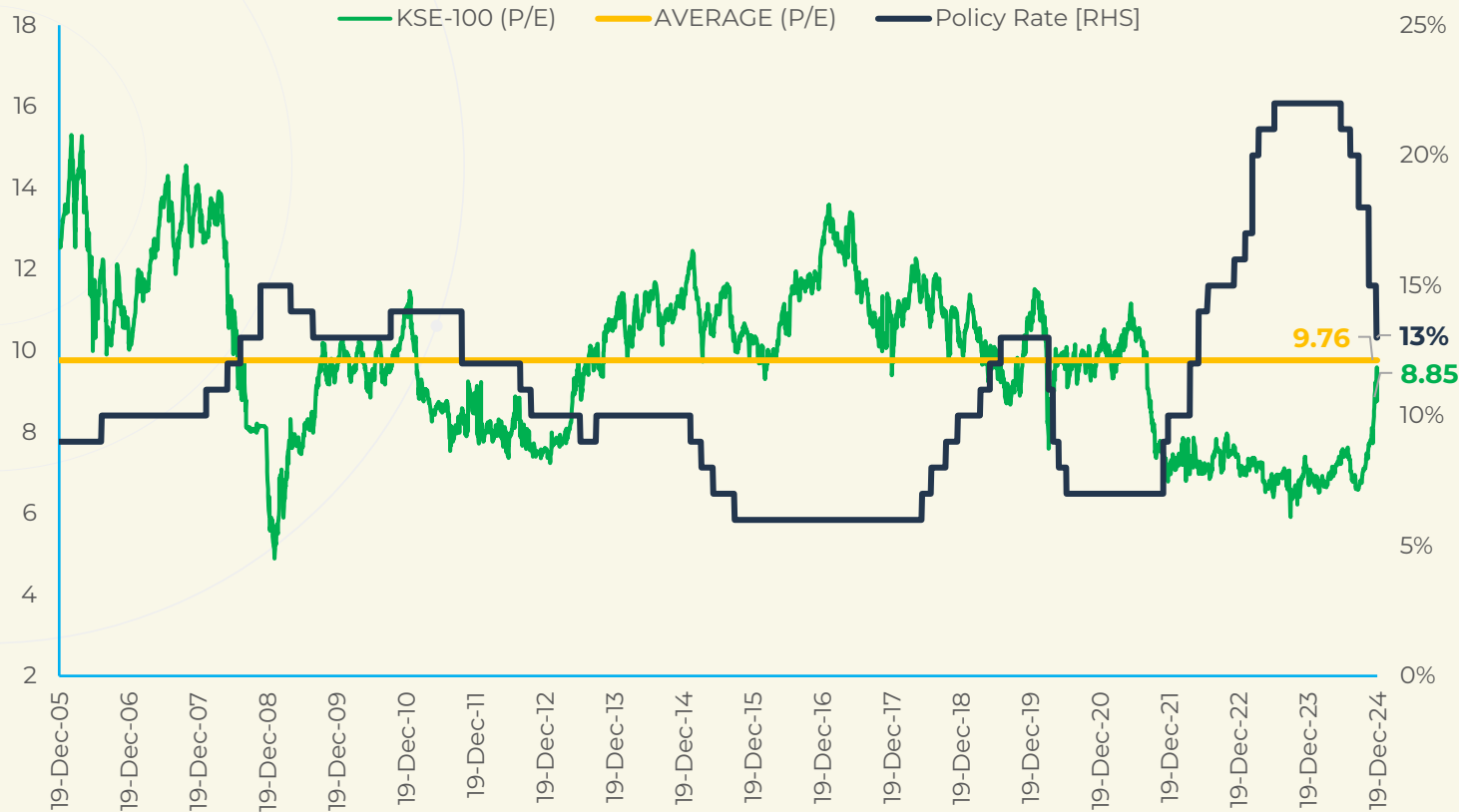
Pakistan has typically held a B3 rating from Moody's and a B-rating from S&P. A two-notch upgrade in credit ratings could unlock access to international capital markets, enhancing liquidity.

Pakistan - Credit Rating Moody's		
Date	Rating	Outlook
Nov-94	Ba3	Stable
Jul-95	B1	Stable
Sep-96	B1	Negative Watch
Nov-96	B2	Negative
May-98	B3	Negative
Oct-98	Caa1	Negative
Oct-01	Caa1	Stable
Feb-02	B3	Stable
Oct-03	B2	Stable
Jan-05	B2	Positive
Nov-06	B2	Positive Watch
Nov-06	B1	Stable
Nov-07	B2	Negative
May-08	B3	Stable
Sep-08	B3	Negative
Oct-08	B3	Negative Watch
Dec-08	B3	Negative
Aug-09	B3	Stable
Jul-12	Caa2	Negative
Jul-14	Caa2	Stable
Mar-15	Caa2	Positive
Jun-15	B3	Stable
Jun-18	B3	Negative
Dec-19	B3	Stable
May-20	B3	Under Review
Aug-20	B3	Stable
Jun-22	B3	Negative
Oct-22	Caa1	Negative
Feb-23	Caa3	Stable
Aug-24	Caa2	Positive

Pakistan - Credit Rating S&P		
Date	Rating	Outlook
Nov-94	B+	Positive
Aug-95	B+	Stable
Jan-98	B+	Negative
May-98	B+	CW-Neg
Jun-98	B-	CW-Neg
Jul-98	CCC	CW-Neg
Oct-98	CCC-	Negative
Dec-98	CC	Negative
Jan-99	SD	NM
Jul-99	SD	NM
Dec-99	B-	Stable
Dec-02	B	Stable
Dec-03	B	Positive
Nov-04	B+	Stable
Dec-05	B+	Positive
Dec-06	B+	Positive
Jun-07	B+	Positive
Jul-07	B+	Stable
Nov-07	B+	Negative
May-08	B	Negative
Aug-08	B-	Stable
Oct-08	CCC+	Negative
Nov-08	CCC	Developing
Dec-08	CCC+	Developing
Jul-12	B-	Stable
May-15	B-	Positive
Oct-16	B	Positive
Feb-19	B-	Stable
Jul-22	B-	Negative
Dec-22	CCC+	Stable

Market Views

Market P/E to cross its long term mean P/E of 9.76x and approach towards double digit P/E



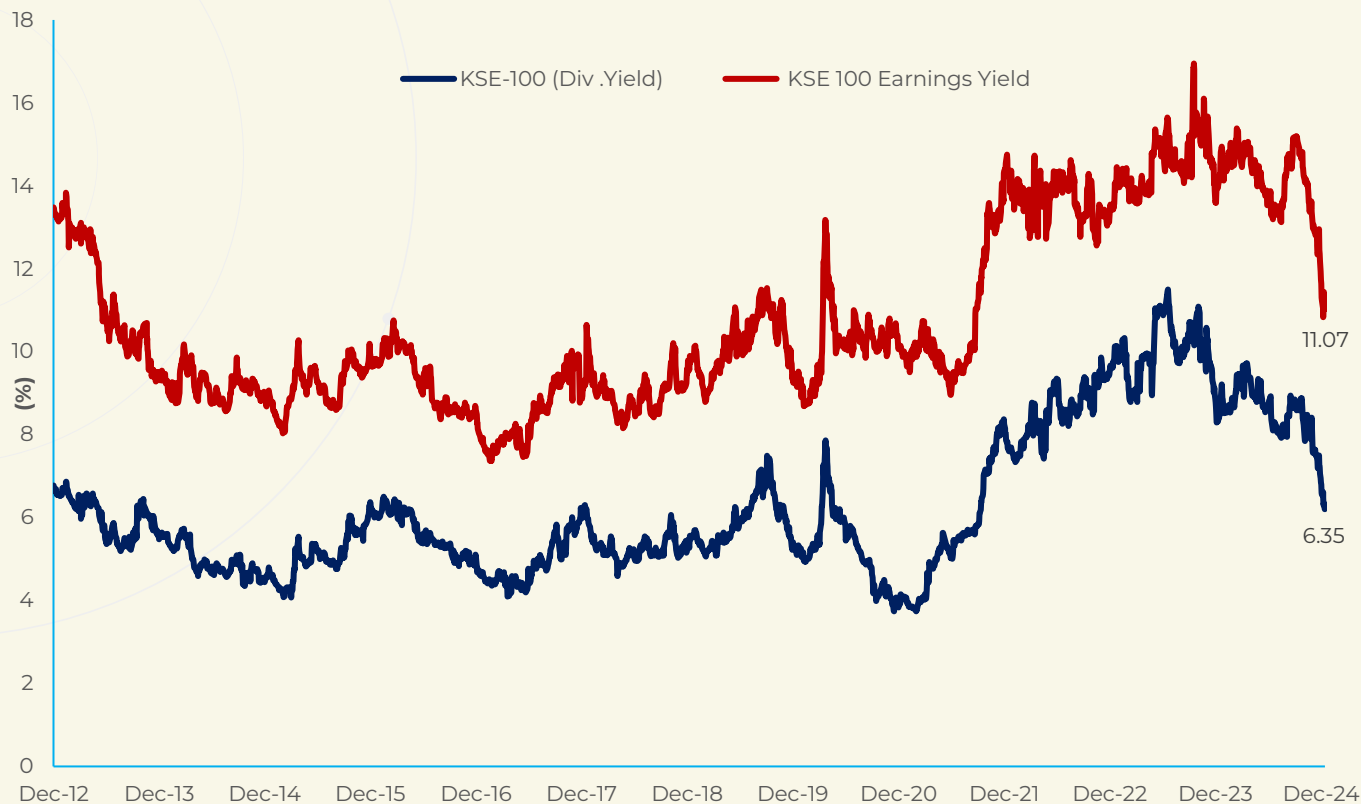
Which economic factors led to previous bull runs?

We list down key economic indicators supporting previous bull runs leading PSX to touch double digit Price to Earnings

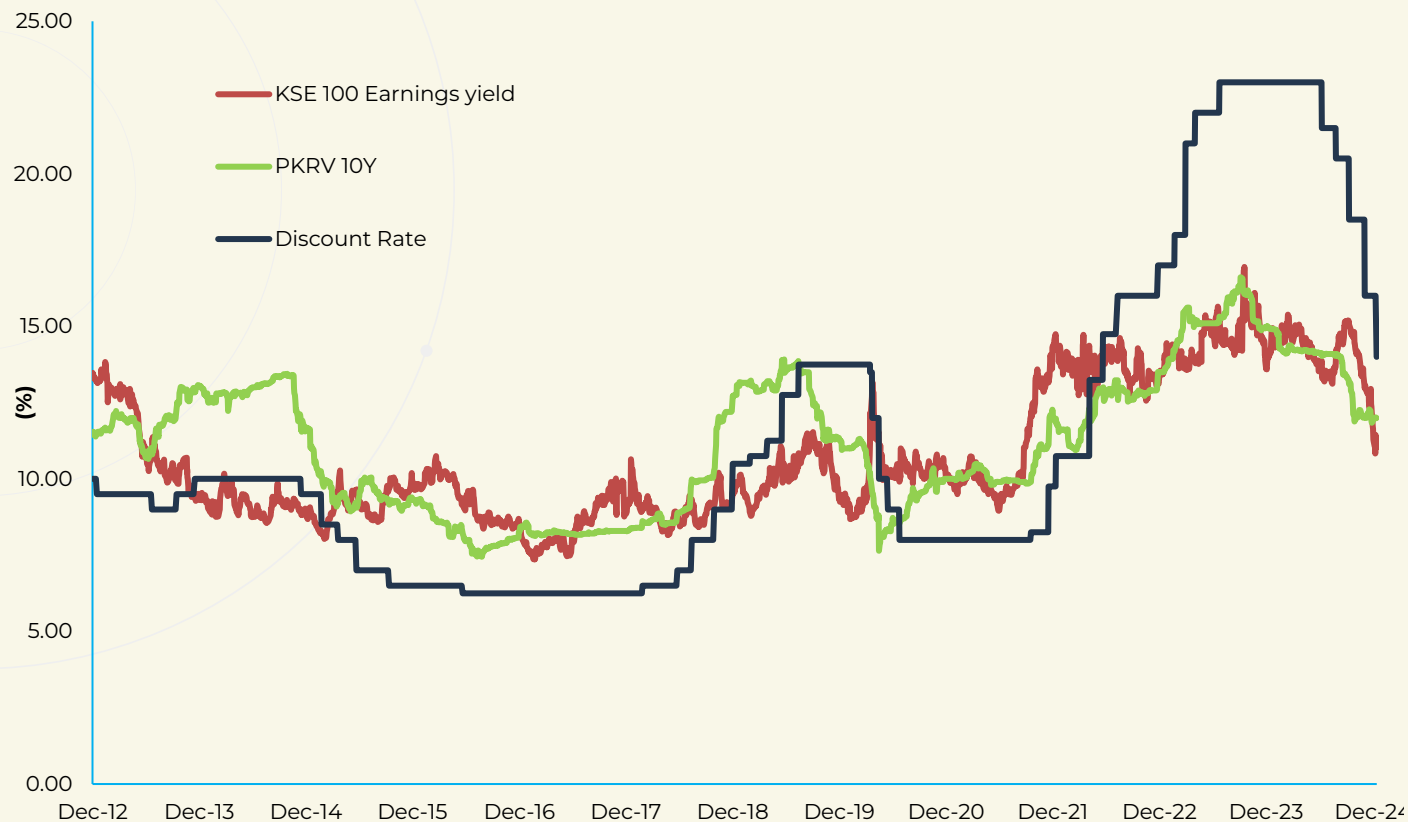
Economic Indicators	FY08	FY17	FY25TD
KSE-100- High	15,676	52,876	114,302
P/E- High	14.55	13.58	9.23
Current Account Surplus/(Deficit) USD Bn	-13.87	-12.27	0.22
CPI(%)	12.00%	4.15%	7.88%
Policy Rate as on 30 th June/Current	11.50%	5.75%	13.00%
USD/PKR Performance	-3.12%	-0.44%	1.79%
Foreign Direct Investment USD Bn	5.41	2.41	0.90
Foreign Portfolio Investment USD Mn	20.00	-516.00	-96.00
Market Cap as % of GDP	34%	30%	14%
Market Cap as % of M2	90%	67%	40%
Politics	Volatile	Volatile	Volatile
Real GDP Growth	2.12%	4.43%	3.00%*

*WB Estimate

**Stocks still
cheaper than
2012 levels.
Higher than
historical
payouts**



Anticipating broad based market rerating as interest rates normalize



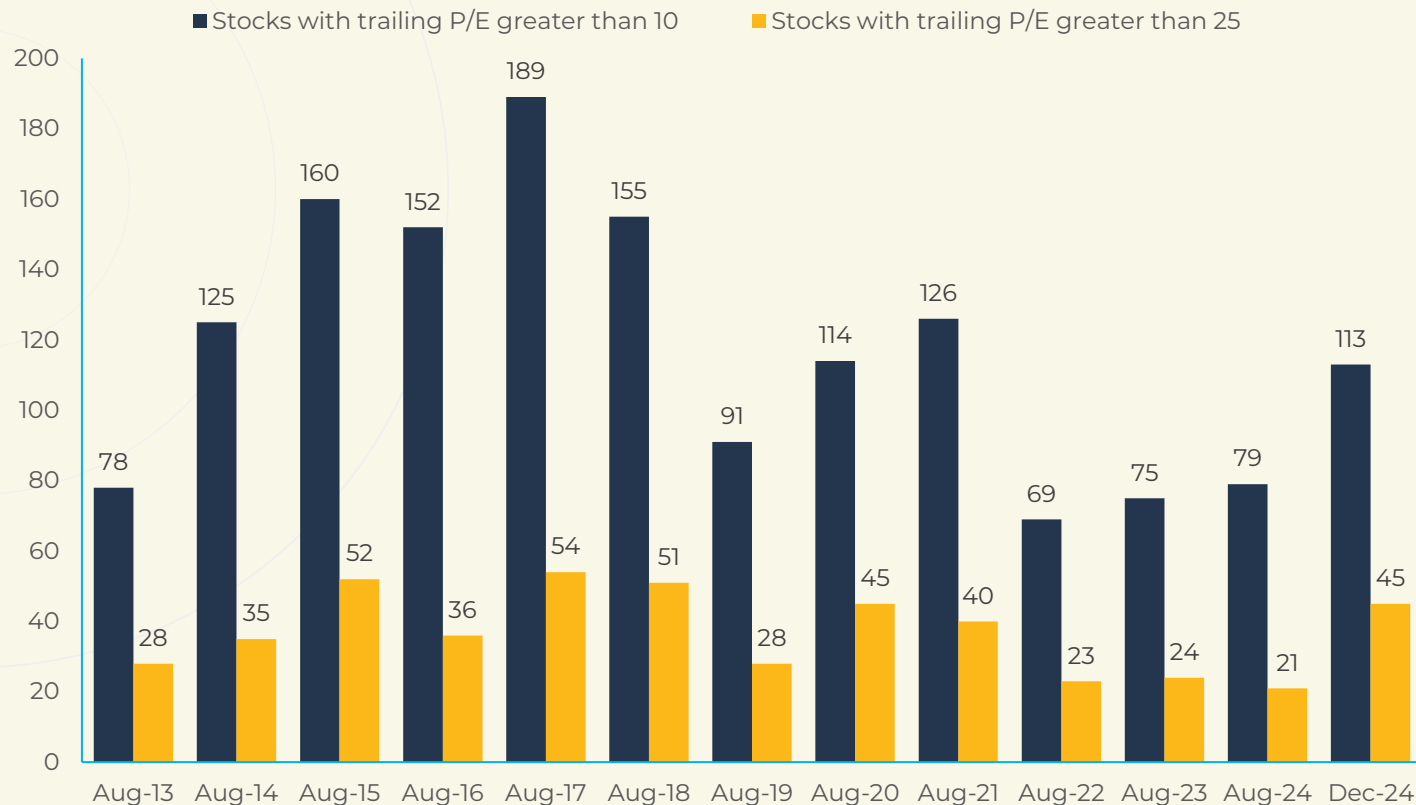
The KSE 100 is cheaper than it was in 2014 (USD)



The KSE All Share is cheaper than it was in 2013 (USD)

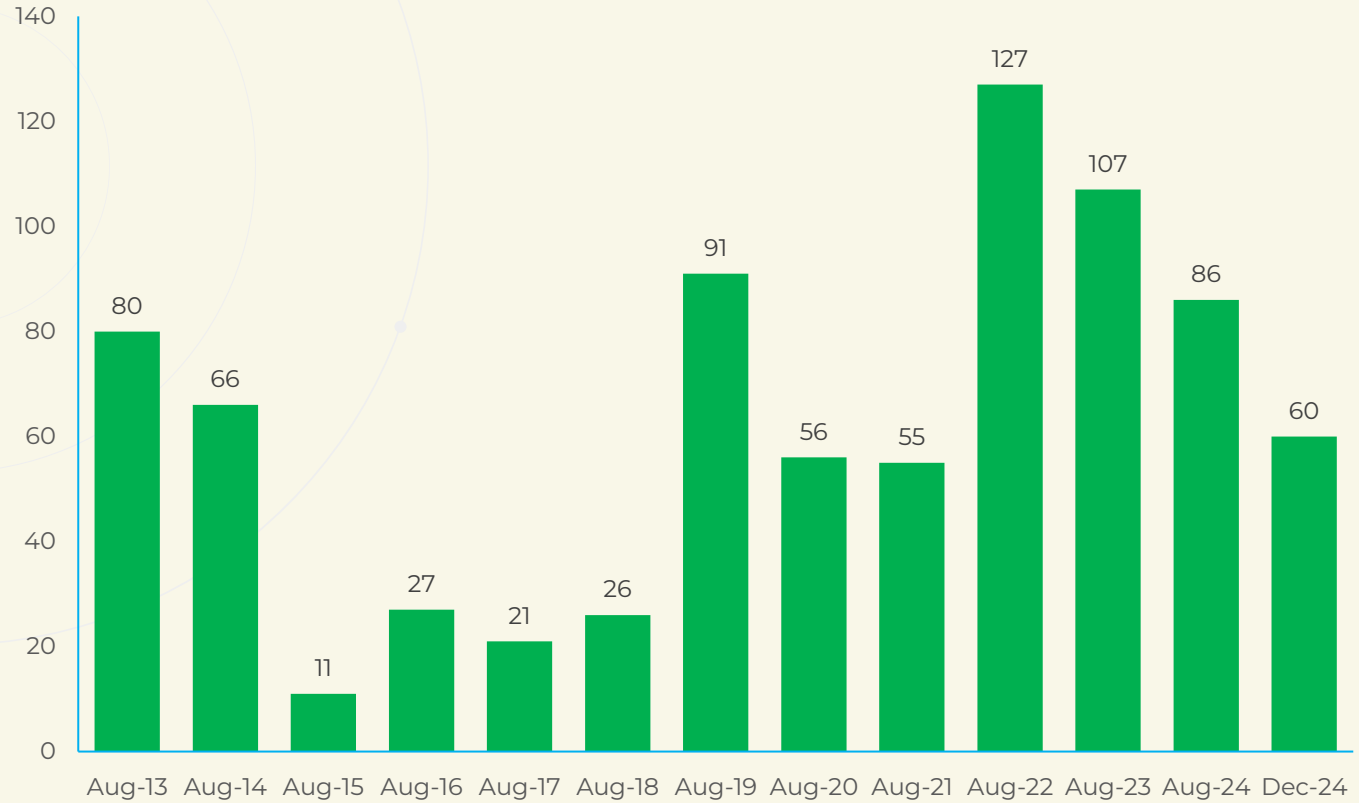


Are Pakistani Equities Over-valued?



Are Pakistani Equities Under-valued?

Stocks with P/E less than 5



Market Views

Pakistan's weightage to increase in international benchmark indices leading foreign flows to return

- Pakistan's historical weightage in MSCI indices has varied over time due to changes in market capitalization, liquidity, and other factors. However, in recent years, Pakistan's weightage has generally been relatively low compared to other emerging and frontier markets.
- Currently, Pakistan's weightage in the MSCI Frontier Markets Index is approximately 3.7%. This is a slight increase from the previous weightage of 3.2%. While this is a positive development, it is still relatively low compared to other countries in the index.
- It is important to note that MSCI reviews its indices semi-annually, and Pakistan's weightage could change in the future.
- Here are some of the factors that could affect Pakistan's weightage in the future:

Market capitalization: As Pakistan's stock market grows, its weightage in the MSCI indices could increase.

Liquidity: Increased liquidity in the Pakistani stock market could also lead to a higher weightage.

MSCI's methodology: Changes in MSCI's methodology could also affect Pakistan's weightage.

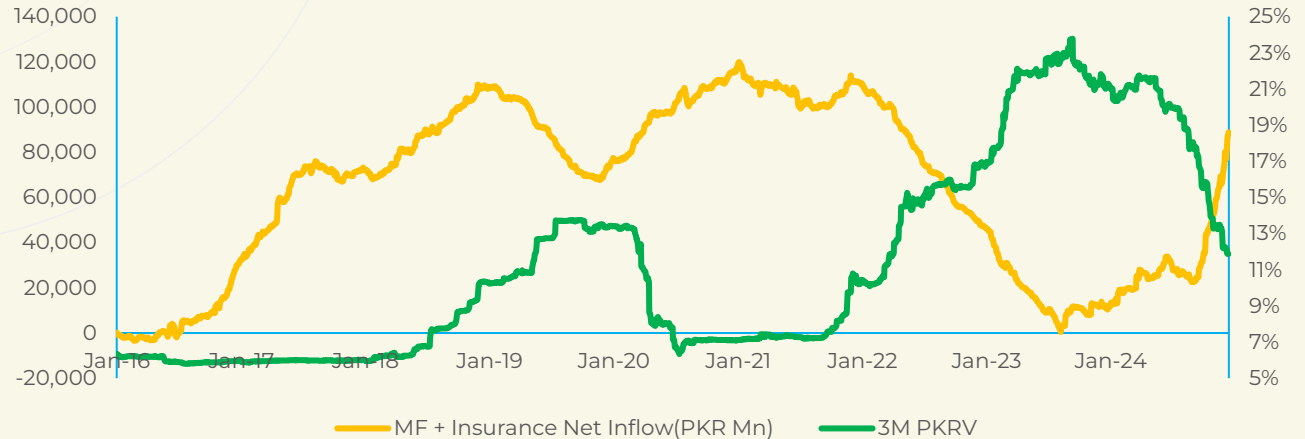
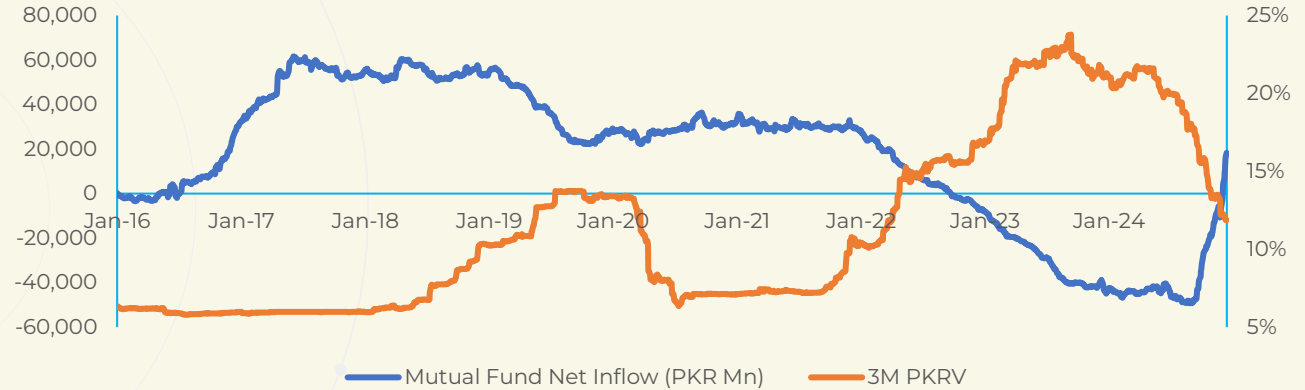
There is potential for further growth in the future, especially if the Pakistani stock market continues to develop.

Market Views

Equity AUMs of 8%-9% expected to double to 20% as a percentage of Total Mutual Fund AUMs as flows from other asset classes shift towards equities

This trend has been witnessed in recent weeks.

Liquidity



Market Views

Cyclical sectors to drive PSX earnings growth. Mid and Small Caps to outperform large caps in 2025

As the Pakistani economy emerges from a period of economic slowdown, we anticipate a significant uptick in the performance of cyclical sectors, particularly automobiles, auto parts, cement, flat steel, and trucks.

Easing Inflationary Pressures: Declining inflation rates will boost consumer purchasing power, stimulating demand for discretionary goods like automobiles, appliances and other discretionary sectors.

Improving Consumer Confidence: As economic conditions normalize and inflationary concerns subside, consumer confidence is likely to rebound, driving demand for durable goods.

The recent economic slowdown led to a significant decline in auto sales. As consumer sentiment improves, pent-up demand for new vehicles is expected to drive sales volumes.

Recent supply chain disruptions have eased, allowing for smoother production and distribution of automobiles and auto parts.

Top Sector Wise Picks

Sector

Exploration & Production

Weight

Over
Weight

Top Picks

OGDC
PPL

Key Triggers for E&P Sector in 2025



•Improved Cash Recoveries

- Positive impact of gas price revisions (Jan'23, Nov'23, Feb'24).
- 100% cash payments from Sui companies improving receivables and cash flow stability.
- Enhanced dividend payouts expected as cash constraints ease.

•Gas Tariff Hikes under IMF Program

- Regular tariff increases anticipated, benefiting Sui companies and E&Ps.

•Exploration Activities to Accelerate

- Planned drilling of 67 wells in FY25, led by OGDC and PPL.
- Increased focus on offshore exploration (Jan'25 round) and in high-potential areas like Balochistan.
- Security challenges may limit pace in frontier regions.

•Reko Diq Potential

- Feasibility study completion by Dec'24.
- Stake sale to Saudi Arabia could be a significant catalyst.

•Valuation and Investment Appeal

- E&P sector trading at FY25 P/E of 5.2x with an 8% dividend yield.
- **Top Picks:** OGDC and PPL for their strong cash recovery outlook and exploration initiatives.

Outlook for Banking Sector in 2025



Earnings Pressure Expected

- Policy rate decline by 900bps in CY24 and a further 300-400bps expected in CY25, bringing rates to 9-10%.
- Sector profits projected to decline.

Key Supportive Factors

- Deposit growth of 13-15% expected, aiding Net Interest Income (NII).
- Credit growth and positive repricing lag may partially offset NIM contraction.
- Unrealized gains on debt securities to play a crucial role in sustaining profitability for select banks mainly UBL.

Attractive Valuations

- Banking sector trading at 2025 P/E of 4-5x, PBV of 0.9x, ROE of 18-21%, and dividend yield of 10-12%.
- Strong CAR supports consistent payout ratios across the sector.

Top Picks: UBL and MEBL

- **UBL:**
 - CASA ratio improved to 92.1%; focus on current accounts supports NIMs.
 - Robust profitability aided by unrealized gains and strategic lending.
- **MEBL:**
 - 5-year profit CAGR of 57% with superior ROE of 56% in 2023.
 - Strong double-digit deposit growth driven by expanding branch network.
 - MDR on retail deposits likely to go in favor of Bank as the strong deposit growth can continue.

Outlook for Fertilizer Sector in 2025



Sector Dynamics

- Stable demand driven by Pakistan's agrarian economy and focus on food security.
- Urea price differential (~Rs2,500/bag) between international and local markets remains favorable.
- Stable international DAP prices and strong rupee parity to boost local DAP demand.

Positive Triggers

- Targeted government support measures to stabilize agronomics.
- High dividend yields (sector average 14%) offer a compelling investment case.

Challenges

- Climate risks, discontinuation of support prices, and reduced farmer income.
- Subdued demand until wheat harvest in April 2025 due to recent cotton crisis.

Top Picks: FFC and Fatima

FFC:

- Amalgamation with FFBL to make FFC the largest urea producer and sole DAP manufacturer in Pakistan.
- Diversified portfolio strengthened further by acquiring Agritech Limited.
- Gas price stability supports profitability; attractive dividend yield.

Fatima:

- Strong operational performance and consistent earnings growth.
- Strategic positioning in the fertilizer market with a focus on innovative solutions.
- Attractive valuations and high dividend payouts.

Cement Sector Outlook



Muted Dispatches: Gradual recovery anticipated in FY26 due to lower borrowing costs and increased government spending.

Robust Profitability: Despite declining volumes, 1QFY25 profitability grew by 12% YoY due to:

- Lower coal prices (including Afghan coal).
- Efficient fuel and power mix (increased renewables usage).
- Higher retention prices.

Top Picks:

• **MLCF (Maple Leaf Cement):**

- Diversification into fertilizer and healthcare sectors.
- Strong balance sheet and cost-efficient operations.

• **CHCC (Cherat Cement):**

- Benefiting from strategic KPK location amidst Punjab's limestone tax hike.
- Higher margins despite potential taxation risks in KPK.

• **DGKC (D.G. Khan Cement):**

- Declining finance costs to support earnings.
- Stable operations with potential upside from economic recovery.

Sector

Autos

Weight
Over
Weight

Top Picks
SAZEW
GHNI
ATLH
AGTL
INDU

Auto Sector – Key Triggers

Recovery in Passenger Car Sales:

- Passenger car sales increased by **50% YoY** in 5MFY25 (38.5K units vs. 25.7K units).
- Boost driven by **lower interest rates, bank financing promotions, and company offers.**
- Expected **recovery in FY25 and beyond** due to anticipated further interest rate reductions and SBP easing regulations on car financing.

Mixed Outlook for Tractors:

- Tractor sales declined **50% YoY** in 5MFY25 due to higher sales tax, weak agricultural activity, and delayed purchases.
- Recovery expected through:
 - Rescinded SRO 563, allowing non-agricultural tractor sales.
 - Punjab Green Tractor Scheme offering a **PKR 1mn subsidy** on 9,500 tractors.
 - Improved cash flow from adjusted sales tax rates.

Auto Financing Trends:

- **First uptick in 27 months** (+0.1% MoM in 4MFY25).
- Financing restrictions (3 to 5-year tenure, 30% down payment, PKR 3mn cap) continue to limit growth however restrictions are expected to ease in coming months.



Valuation and Growth Outlook:

- Stabilization of exchange rates, improved import conditions and easing of supply chain disruptions to facilitate a rebound in sales volumes.
- New Electric Vehicle Policy expected to drive competition and expand sales.
- Emerging export demand for tractors and light commercial vehicles (LCVs) in regional markets.

Top Picks:

- **SAZEW (Sazgar Engineering):** Leader in three-wheeler and SUV segments.
- **GHNI (Ghandhara Industries):** Higher Truck Sales amid economic recovery, infrastructure spending and Rekodiq project.
- **ATLH (Atlas Honda):** Dominant two-wheeler market share with stable cash flows.
- **AGTL (Al-Ghazi Tractors):** Key beneficiary of improving tractor demand, Positioned for tractor recovery and Green Tractor Scheme support.
- **INDU (Indus Motor Company):** Poised to reap the benefits of expiration of ICE incentives for new entrants in 2026 due to higher localization.



Sector

Steel

Weight
Market
Weight

Top Picks

ISL
ASL

Flat Steel: Preferred Sector



Demand Drivers:

- **Rising demand** from motorcycles, appliances, and related products.
- **Government crackdown** on smuggling and duty evasion boosting formal sector sales.

Regulatory Support:

- Permission to purchase raw materials from **unregistered suppliers** in FY25 Budget enhances market share for listed players.
- Potential **removal of subsidies** for FATA/PATA regions to create a level playing field.

Profitability Boost:

- Increased **retention prices** to improve margins due to formalization of the market.
- Anticipated **decline in interest rates** to ease financial pressures on highly leveraged players.

Key Catalysts for Growth:

- Strong motorcycle sales (+55% YoY in 5MFY25).
- Declining **global flat steel prices** creating input cost advantages.

Oil Marketing Companies (OMC) Sector: Key Highlights



Margin Revision:

- Expected approval of OMC margin increase. Dealer margin also set to increase boosting profitability.

Recovery in Sales:

- Recovery driven by **economic stability** and **reduction in smuggling of Iranian fuel**.
- Anticipated **growth** in MS (motor spirit) and HSD (high-speed diesel) sales for FY25 and beyond

Lower Financial Burden:

- Declining **interest rates** to reduce borrowing costs, improving profitability for heavily leveraged OMCs.

Circular Debt Resolution:

- Gas price revisions have improved **PSO's LNG recovery rates** to over **100%** vs. 5-year avg. of 85%, unlocking cash flows.

Growth Drivers for FY25:

- Stable PKR and **lower international oil prices** to support margins.
- Government's **anti-smuggling crackdown** to boost demand for formal sector fuels.
- **PSO (Pakistan State Oil)** stands out due to strong recovery in cash flows and a leading market position.



The Year of Alpha

Pakistan Stock Exchange Limited

Share Price: **22.0**

Shares Outstanding (Bn): **801.5**

Free Float (Mn): **480.9**

1 Yr ADTV (PKR Mn): **33.5**

Dividend Yield: **4.4%**

TTM P/E: **15.6**

P/B: **1.5**

Market Cap (Bn): **17.7**

Pakistan Stock Exchange is a unified national exchange with over 500 listed companies and a market cap of over 14 Trillion.

The group includes associated entities which help PSX carry out its core business (NCCPL, CDC) along with Pakistan Mercantile Exchange and VIS Ratings.

We favor this stock for the following reasons:

- Monopolistic position
- Long term growth runway
- Increasing stock market activity to supplement revenue growth
- Strong pricing power
- Strong governance
- Attractive Dividend Potential
- Low customer acquisition cost



Key Associates	Key Functions
CDC (40%)	Equity
NCCPL (50%)	Debt
PMEX (28.4%)	Commodities
VIS Ratings (12.5%)	Clearings & Settlements
	Ratings

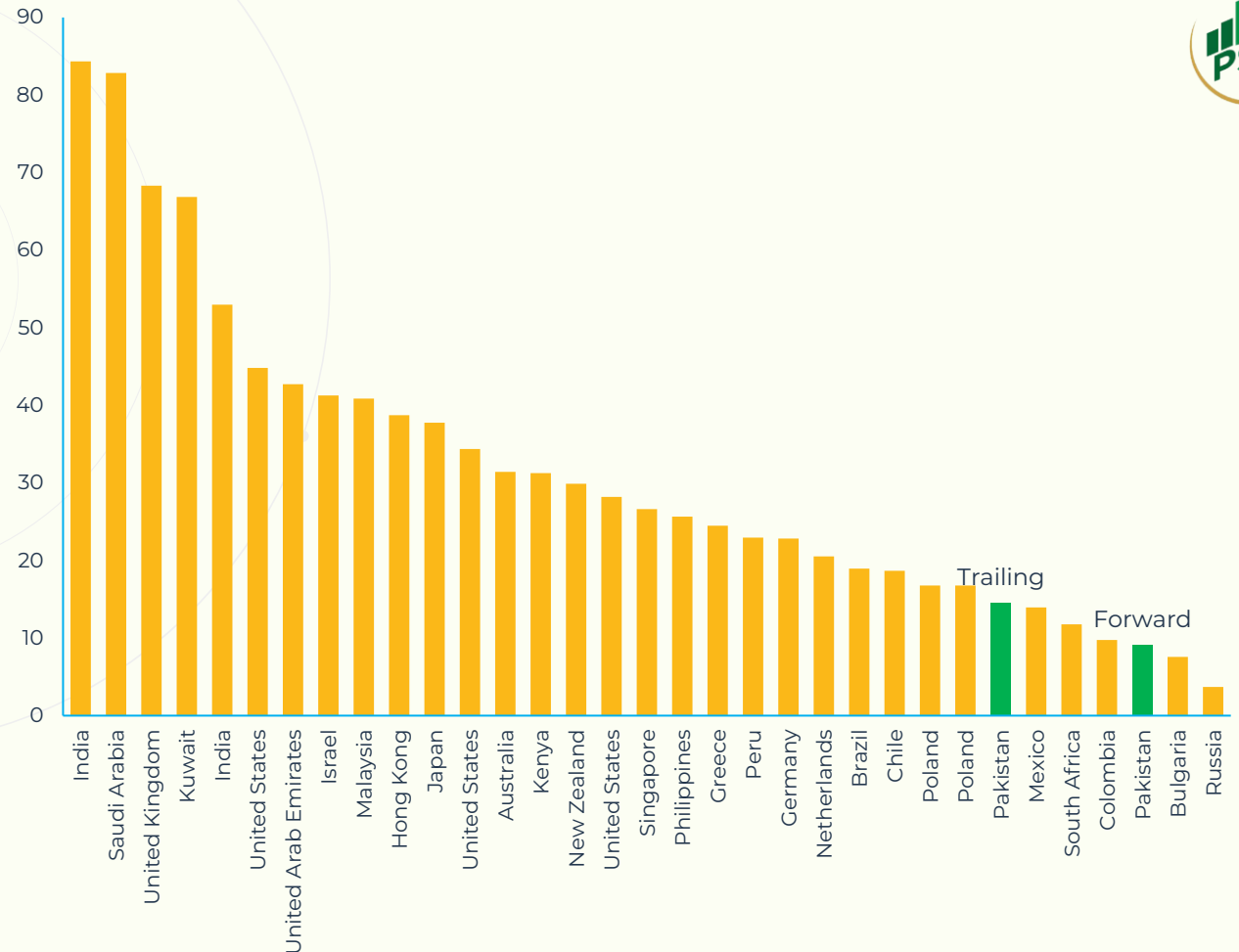
Sensitivity FY25 Earnings									
ADTV (PKR 'Bn)	15	20	25	27.8	30	40	50	60	100
FY25 EPS	1.04	1.26	1.48	1.6	1.7	2.14	2.57	3.01	4.76
FY25 DPS	0.83	1.01	1.18	1.28	1.36	1.71	2.06	2.41	3.81
PER	21.20	17.50	14.90	13.78	12.97	10.30	8.58	7.33	4.63
D/Y	4%	5%	5%	6%	6%	8%	9%	11%	17%

Pakistan Stock Exchange Limited

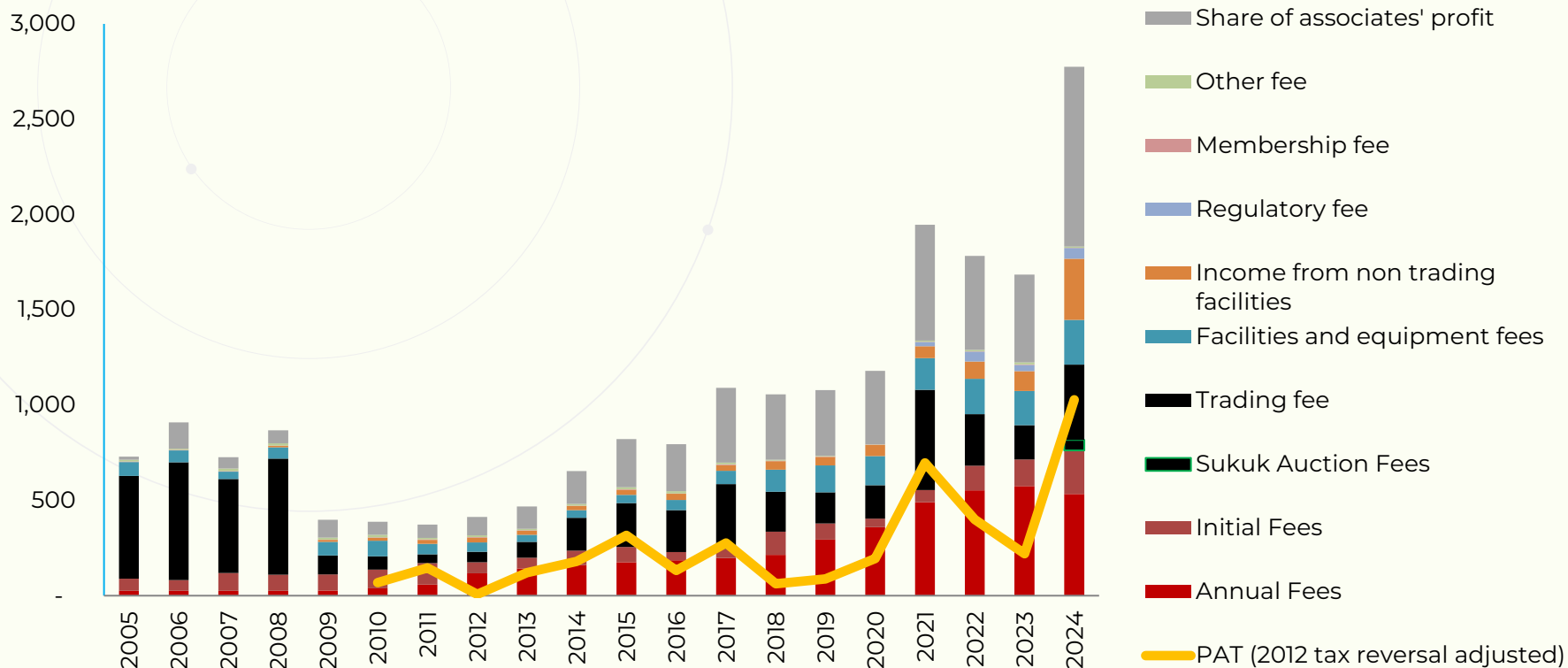
PSX is currently trading at a trailing PER of 15.6x, offering a compelling value proposition compared to global peers.

The exchange has benefited from higher trading volumes, driving increased trading income, while the rising market cap of listed companies has bolstered income from annual fees.

Additionally, PSX's subsidiaries, NCCPL and CDC, hold monopoly positions in their respective markets, with revenues directly tied to transaction volumes and the total size of listed securities.



Pakistan Stock Exchange



Loads Limited

Share Price: **14.3**

Shares Outstanding (Mn): **251.3**

Free Float (Mn): **125.6**

1 Yr ADTV (PKR Mn): **22.4**

Dividend Yield: **0.0%**

TTM P/E: **3.9**

P/B: **1.5**

Market Cap (Bn): **3.6**

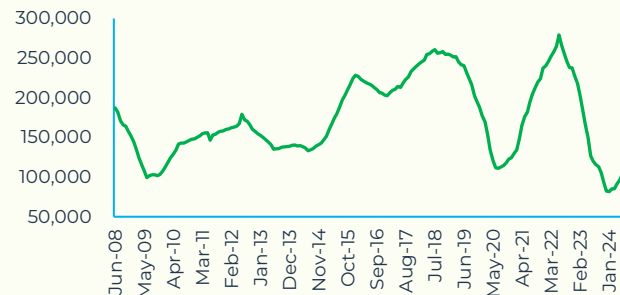
We favor this stock for the following reasons:

- Enhanced gross margins in the last two quarters from 15% to 25-27% indicate price revisions on products.
- Cheap valuation with substantial runway for earnings growth.
- 92% revenue contribution from OEMs (>50% Suzuki).
- Monetary easing to spur low end vehicle sales.
- Scarce competition in low end vehicle segment translates into higher likelihood of revenue growth.

Product Categories	Key Products
Exhaust Systems	Suzuki
Radiators	Honda
Sheet Metal Components	Toyota

Earnings Sensitivity				
Net Sales Growth	25%	50%	100%	200%
Qtr EPS	0.52	0.67	0.97	1.58
Annual EPS	2.08	2.68	3.88	6.32
PER	6.86	5.32	3.68	2.26

Total TTM PC+SUV+LCV Sales



Colgate-Palmolive (Pakistan) Limited

Share Price: **1,505.6**
 Shares Outstanding (Mn): **242.8**
 Free Float (Mn): **24.3**
 1Yr ADTV (PKR Mn): **79.0**

Dividend Yield: **3.8%**
 TTM P/E: **19.5**
 P/B: **11.5**
 Market Cap (Bn): **365.5**

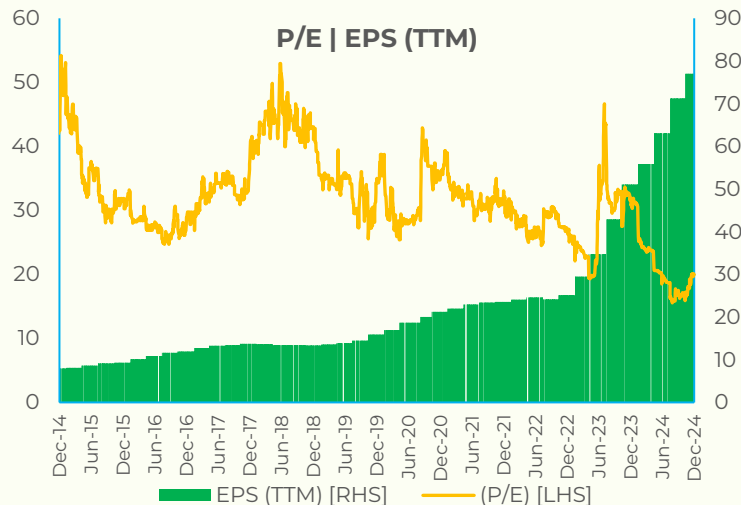
The Company's principal activity is to manufacture, market and distribute home care and personal care products.

Our liking for the stock is based on the following factors:

- Company maintains a **strong market presence**, using consistent marketing strategy and ensuring physical availability and visibility of the products.
- Pakistan's hygienic habits are now changing with increased awareness. Along, with the growing population the company's **sales are expected to grow** at a steady pace.
- The company **pays out major portion of its earnings** and does not require significant CAPEX to grow..
- COLG has 5-year avg ROE of 42% and 10-year avg ROE of 36%.
- The company has 10-year earnings CAGR of 26% and a 10-year avg payout ratio of 60%.



Product Categories	Key Products
Fabric Care	Colgate Toothpaste
Oral Care	Palmolive Soap & Shampoo
Personal Care	Bonus Detergent
Home Care	Lemon Max Dishwash Bar



Ghani Chemical Industries Limited

Share Price: **14.0**

Shares Outstanding (Mn): **500.2**

Free Float (Mn): **125.0**

1 Yr ADTV (PKR Mn): **20.2**

Dividend Yield: **0.0%**

TTM P/E: **8.0**

P/B: **0.7**

Market Cap (Bn): **7.0**

Ghani Chemical Industries is the largest manufacturer of Industrial and Medical gases in Pakistan. GCIL is currently operating 4 ASU plants with a capacity of 430TPD and recently established another 275TPD ASU Plant in Hattar SEZ, KPK.

Our liking for the stock is based on the following factors:

- Long term contracts signed with major customers like Engro Polymer, Lotte and Attock Refinery etc. to drive sustainable earnings.
- GCIL to carve out Calcium Carbide project into GCWL, unlocking the indigenous value of these separate entities, along with the inherited benefits of Special Economic Zone.
- Shareholders of GCIL will get partially redeemable shares of Rs. 100 par value (Rs. 90 redeemable) of GCWL in a ratio of 50 shares for every 1000 shares of GCIL. These shares will also be listed on PSX.
- GCWL will also possess additional 70 million shares of GCIL, benefiting from the revenue stream of Industrial/ Medical gases business of GCIL.
- The stock is trading below its book value.



Major Customers

Attock Refinery

Tariq Glass

Balochistan Glass

Pak Electron Ltd

Orient Electronics Ltd

Nestle Pakistan Ltd

FrieslandCampina

Big Bird Foods

Engro Polymers

Engro Fertilizers

Fatima Fertilizers

Fauji Fert. Bin Qasim

Aisha Steel

Amreli Steels

Pakistan Tobacco Company Limited

Share Price: **1,369.5**
 Shares Outstanding (Mn): **255.5**
 Free Float (Mn): **12.6**
 1 Yr ADTV (PKR Mn): **15.1**

Dividend Yield: **10.7%**
 TTM P/E: **12.5**
 P/B: **6.9**
 Market Cap (Bn): **349.8**

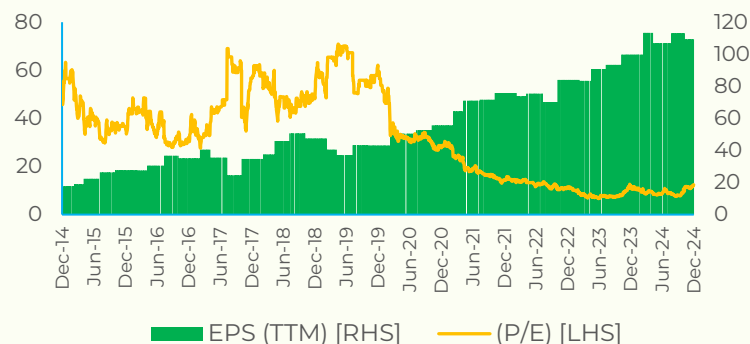
The Company is engaged in the manufacture and sale of cigarettes/tobacco.

Our liking for the stock is based on the following factors:

- Premium Tobacco Brand of Pakistan
- Blockade of illicit / non-duty paid products will increase company's market share, since illicit segment currently holds 58% of the market share.
- The rationalization of Federal Excise Duty may reduce the price gap between legal and illicit products, thereby lowering the incentive for consumers to purchase illicit goods.
- Increased margins to drive NP growth.
- PAKT has a 5-year average ROE of 97%, 10-year average of 90%.
- The company also boasts a 10-year earnings CAGR of 25%

Product Categories	Key Products
Combustible	Velo
	Vuse
Modern Oral	Dunhill
	Gold Leaf
Vapour	Captain

P/E | EPS (TTM)



Al-Ghazi Tractors Limited

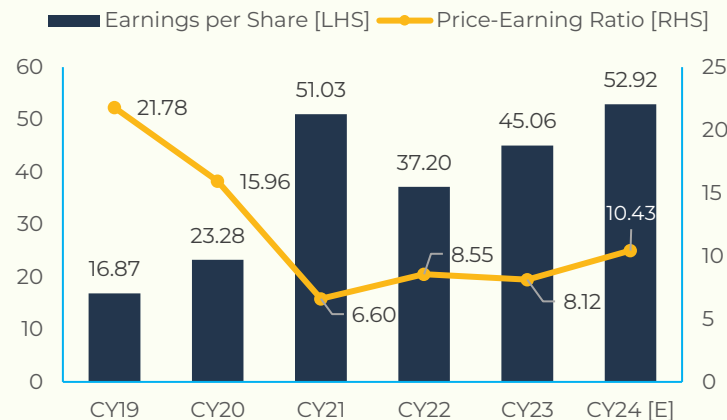
Share Price: **552.0**
 Shares Outstanding (Mn): **58.0**
 Free Float: **3.6**
 1 Yr ADTV (PKR Mn): **6.9**

Dividend Yield: **0.0%**
 TTM P/E: **10.0**
 P/B: **3.9**
 Market Cap (Bn): **31.9**

Al-Ghazi Tractors Limited (AGTL) manufactures New Holland (Fiat) tractors and has a production capacity of 30,000 units per annum.

Our liking for the stock is based on the following factors:

- Punjab **Green Tractor Scheme** to drive sales growth.
- Launch of new tractor to help **capture larger market share**.
- Agricultural growth and Corporate Farming to increase **tractor demand**.
- Expected **Dividend Payout** due to the resolution of dividend repatriation issue.
- The company has a 5-year average ROE of 98% and 10-year average of 77%.



EPS Sensitivity		Sales Volume		
		12,500	15,000	20,000
Gross Margin	20%	39.92	47.91	63.88
	22%	46.42	55.71	74.28
	24%	52.92	63.51	84.69

Image Pakistan Limited

Share Price: **18.12**

Shares Outstanding (Mn): **230.4**

Free Float (Mn): **149.7**

1 Yr ADTV (PKR Mn): **32.12**

Dividend Yield: **0.0%**

TTM P/E: **9.54**

P/B: **1.1**

Market Cap (Bn): **4.1**

Image Pakistan Limited is a fashion and retail house engaged in manufacturing and selling of unstitched and ready-to-wear fabrics.

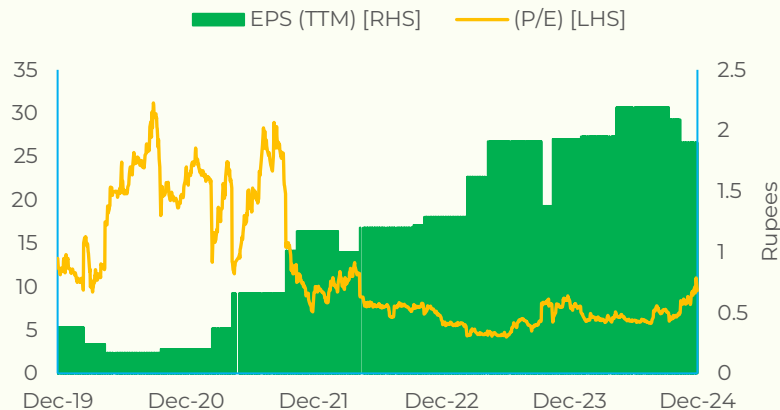
Our liking for the stock is based on the following factors:

- Company's next year **sales target is Rs. 5 billion.**
- Image Pakistan's associate/subsidiary Image Global Pakistan to unlock domestic and export **ecommerce potential with tax benefits** of being an ecommerce (IT) company.
- Dolmen mall – Karachi is the leading selling store of IMAGE. With the opening of Dolmen mall – Lahore store, we expect the **sales volumes to expand further.**
- IMAGE is set to open two **new stores at Sialkot and Faisalabad**, thereby increasing its market presence.
- The company also plans to **launch western clothing** for the international market.
- The company's **exports to the Indian market** are currently 8-10% of its total sales.



Local Physical Stores	Exclusive Online Stores
Karachi	UK
Lahore	
Peshawar	US
Rawalpindi	
Islamabad	UAE

P/E | EPS (TTM)



Synthetic Products Enterprises Limited

Share Price: **43.2**
 Shares Outstanding (Mn): **199.7**
 Free Float (Mn): **40.0**
 1 Yr ADTV (PKR Mn): **75.3**

Dividend Yield: **1.8%**
 TTM P/E: **10.2**
 P/B: **1.6**
 Market Cap (Bn): **8.6**

We favor this stock for the following reasons:

- Strong potential with regards to exports
- Pivot to FMCG has provided support to bottom line with a more regular revenue stream.
- Sound management with sustainable growth being targeted
- Energy price stability with solar installations
- Sustained competitive advantage in its product lines through innovation and certification
- Only supplier of localized door trims to auto OEMs.



Product Categories	Key Customers
Auto Interior Plastic parts	Suzuki
Auto Exterior Plastic Parts	Honda
FMCG Packaging	Toyota
	Unilever
	Pakistan Tobacco
Water Bottles	Nestle

FY25 EPS Sensitivity		Sales Growth			
		25%	50%	100%	150%
Gross Margin	20%	3.53	4.59	6.72	8.85
	23%	4.33	5.55	8.00	10.44
	25%	4.86	6.19	8.85	11.51
	27%	5.39	6.83	9.70	12.57

Indus Motor Company Limited

Share Price: **2121.4**
 Shares Outstanding (Mn): **78.6**
 Free Float (Mn): **13.9**
 1 Yr ADTV (PKR Mn): **22.1**

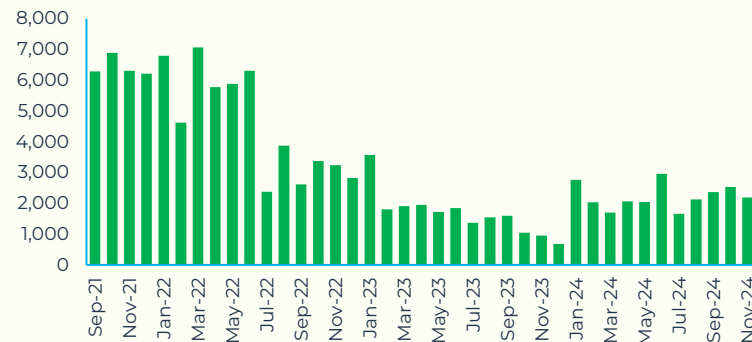
Dividend Yield: **5.8%**
 TTM P/E: **9.8**
 P/B: **2.3**
 Market Cap (Bn): **166.7**

We favor this stock for the following reasons:

- Localized models to benefit from expiration of incentives for ICE vehicles especially in mid priced category.
- Only localized HEV manufacturer with benefits to be reaped post Jun-26
- Monetary easing cycle to boost sales
- Perceived resale value to drive sales growth as consumers look to the future.
- Enhanced margin since introduction of Corolla Cross.

Key Products	Yaris	Corolla	Corolla Cross	Fortuner/IMV
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INDU Monthly Sales



FY25 Earnings Sensitivity

Unit Sales	25,000	30,000	35,000	40,000	45,000	50,000
EPS	177.01	213.78	250.55	287.31	324.08	360.85
DPS	106.21	128.27	150.33	172.39	194.45	216.51
PER	12.0	9.9	8.5	7.4	6.5	5.9
D/Y	5%	6%	7%	8%	9%	10%

Atlas Honda Limited

Share Price: **785.0**

Shares Outstanding (Mn): **124.1**

Free Float (Mn): **12.4**

1 Yr ADTV (PKR Mn): **8.0**

Dividend Yield: **7.7%**

TTM P/E: **7.6**

P/B: **3.1**

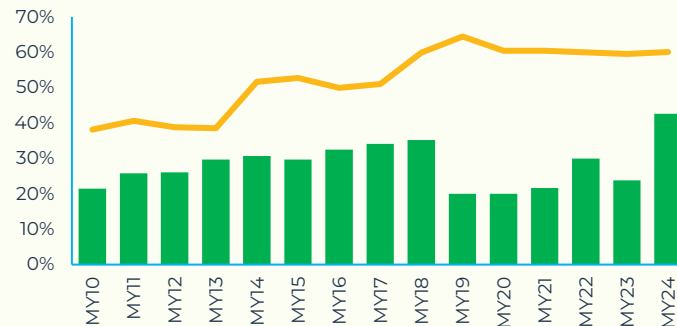
Market Cap (Bn): **97.4**

We favor this stock for the following reasons:

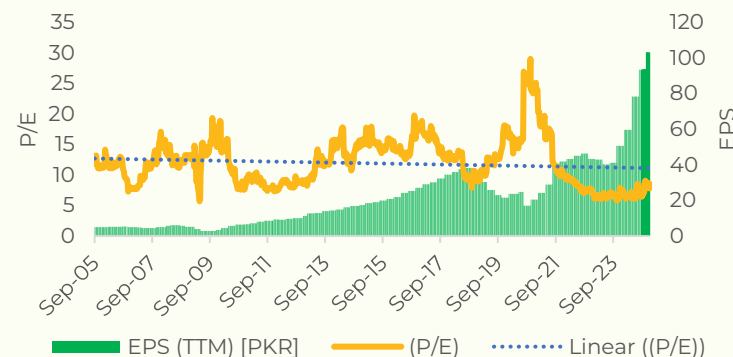
- Long term growth runway
- Competitive advantage demonstrated by repeatedly establishing a monopoly position
- Unrivalled market presence, brand value and dealership network
- Low capex needed for growth
- Consistent 60% payout ratio
- Economic rebound to drive sales volume to near all time highs
- 5 Year Average ROE of 28%



Key Products	CD70	CG125	Pridor	CB 150
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ROE Dividend Payout
ATLH



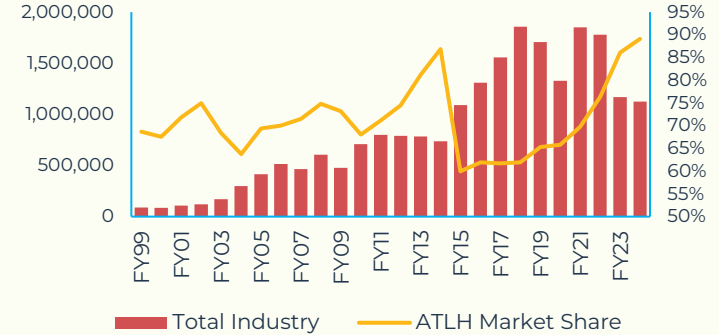
Atlas Honda Limited



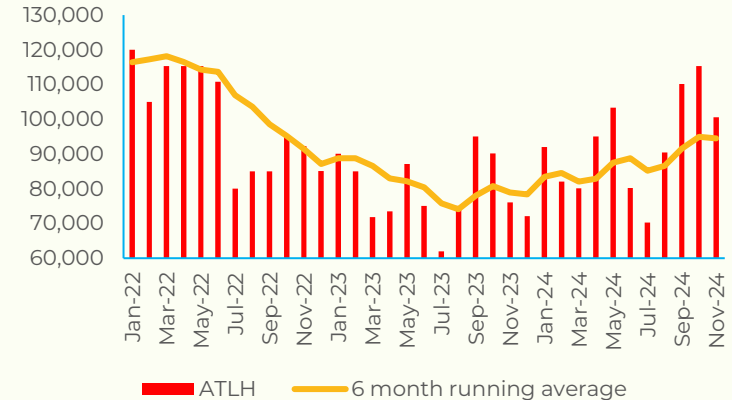
- With the economic recovery underway ATLH stands to benefit from a rebound in industry sales while it is positioned as the product of choice.
- Going forward, adoption trends for e-bikes will play a significant role in determining whether ATLH can capitalize on its market share.

Unit Sales	MY25 Earnings Sensitivity			
	1,000,000	1,200,000	1,400,000	1,600,000
EPS	65.72	92.7	119.67	146.64
DPS	39.48	55.68	71.89	88.09
PER	11.9	8.5	6.6	5.4
D/Y	5%	7%	9%	11%

2 Wheeler Industry Sales



ATLH Monthly Sales



Hum Network Limited

Share Price: **13.5**

Shares Outstanding (Bn): **1.1**

Free Float (Mn): **567.0**

1 Yr ADTV (PKR Mn): **91.1**

Dividend Yield: **0.0%**

TTM P/E: **5.4**

P/B: **1.4**

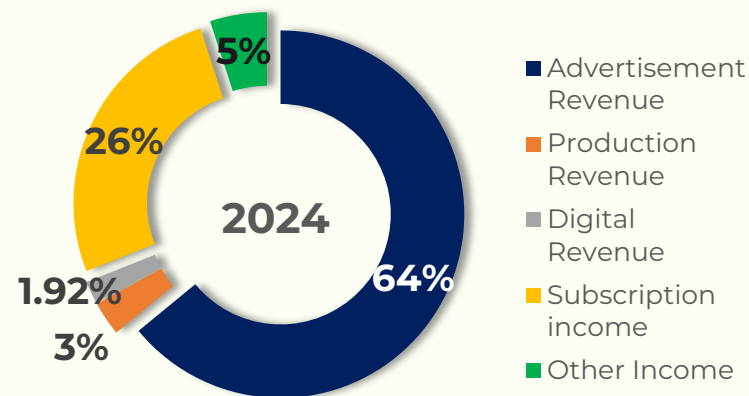
Market Cap (Bn): **15.3**

We favor this stock for the following reasons:

- Strong brand value with a loyal customer base.
- Acquisition of Ten Sports set to enhance revenues and viewership with contracts in place for multiple high profile events including ICC, Champions Trophy and PSL.
- Rising digital revenue from online mediums to drive future growth.
- Cash per Share is PKR 2.06.
- Very cheap valuation at P/E of 5 given its ability to scale.
- Consistent Gross Margin over 44%.
- 5-year average return on equity 22%
- 5-year revenue CAGR of 17.7% and PAT 26.7%



Channels
Hum TV
Hum News
Hum Films
Hum Masala
Ten Sports
Hum Sitara



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Rating Definition	
Buy	Total stock return > 15%
Neutral	Total stock return between 0% -15%
Sell	Total Stock return < 0%

* Total stock return = capital gains + dividend yield

Valuation Methodology:

- Period end target prices, Chase Securities Pakistan Private Limited uses different valuation methodologies including but not limited to:
- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return or arrive at our based methodologies (EVA, Residual Income etc.)





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