Research Entity Number - REP-192

INTERMARKET SECURITIES LTD

Pakistan Monthly

31 August, 2026

Market Review & Outlook

Policy catalysts build, but geopolitics remains the swing

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The KSE-100 edged up c.0.5% MoM in August, supported by a strong first week (+3.0%) on positive news flow around a potential reopening of the Strait of Hormuz. However, renewed geopolitical uncertainty thereafter, alongside rising domestic political noise, weighed on sentiment and largely offset the benefit of strong corporate earnings and softer oil prices, with Arab Light down c.4% MoM. Market activity remained broadly stable at c.1.1bn shares/day, while average daily traded value increased c.5.5% MoM to US$184mn. Individuals (c.US$31.8mn) and Companies (c.US$19.8mn) remained the largest net buyers, followed by Mutual Funds (c.US$8.7mn), while Banks (c.US$39.4mn), Foreign Corporates (c.US$28.6mn) and Insurance (c.US$5.3mn) led net selling. Looking ahead, geopolitics, domestic politics, oil prices, the upcoming IMF review and incoming macroeconomic data are likely to remain the key market drivers. September has historically been a stronger month for equities, with the KSE-100 averaging c.2% MoM gains over the past 20 years.

Market Snapshot – August 2026

KSE 100 Index (points)	176,976
Market Cap (PKRbn)	19,830
Market Cap (US$bn)	71
Avg. Daily Vol (mn shrs)*	1,083
Avg. Daily Td Val (PKR mn)*	51,134
Avg. Daily Td Val (US$ mn)*	184

**Ready + Future*

Source: PSX

Summary

P/E (x)	7.4
P/B (x)	1.4
D/Y	6.0%
KSE 100 MTD (in PKR)	0.5%
KSE 100 CYTD (in PKR)	1.7%
KSE 100 MTD (in US$)	0.6%
KSE 100 CYTD (in US$)	2.6%
Policy Rate*	11.5%
CPI * YoY	9.2%
PKR/US$	277.4

**Last reported*

Watch policy reforms, IMF review and geopolitics

Policy reform and IMF review in focus

Policy reform momentum continued through August, with positive developments across several key areas, including the Brownfield Refinery Policy, where signing is expected shortly, acceleration in the DISCO privatization program and progress on gas circular debt. These reforms remain important structural benchmarks under the IMF program, making the upcoming review a key near-term catalyst for investor sentiment. While we expect most quantitative performance criteria to be met, the pace of structural reforms and timing of the pending gas price increase remain key areas to monitor.

Geopolitical risks cloud the macro-outlook

The improvement in US-Iran relations seen early in the month reversed sharply toward end-August, with renewed military strikes reintroducing uncertainty across the region and pushing oil prices higher. Meanwhile, escalating Russia-Ukraine tensions have contributed to higher global grain prices, adding pressure to Pakistan's food inflation outlook as the government considers wheat imports to contain domestic prices. As such, elevated fuel and food prices could place renewed pressure on both CPI and the external account in the near term, particularly if geopolitical tensions persist.

Valuations and earnings remain supportive

Despite the relatively weak start to FY27, we remain constructive on Pakistani equities, with the KSE-100 trading at c.7.4x forward P/E, below its long-term average of c.8.1x and well below the c.9.3x peak reached earlier this year. While higher oil prices have clouded the near-term macro-outlook, we continue to see the medium-term backdrop as constructive, supported by improving macro fundamentals and ongoing reform momentum.

Corporate earnings have remained better than expected, while healthy dividend yields provide an attractive cushion against near-term volatility. We continue to favor a balanced mix of quality compounders, dividend-yield plays and companies leveraged to a recovery in domestic activity. Our preferred names remain **BAFL, BAHL, OGDC, MARI, APL, MLCF, DGKC, KOHC, FFC and SYS.**

Top picks

As of Aug 31' 2026					EPS (PKR)		P/E (x)		P/B (x)		DPS (PKR)		DY (%)		ROE (%)	
SYM	Mkt Cap (US$bn)	Price (PKR)	Tp (PKR)	Total Return	26A/f	27f	26A/f	27f	26A/f	27f	26A/f	27f	26A/f	27f	26A/f	27f
IMS Universe							**8.0**	**7.4**	**1.6**	**1.4**			**6%**	**6%**	**19%**	**19%**
BAFL	0.7	59	65	19%	9.5	10.2	6.2	5.8	0.9	0.8	5.0	5.5	9%	9%	15%	15%
BAHL	0.6	163	235	54%	32.3	34.6	5.0	4.7	1.0	0.9	15.0	16.0	9%	10%	20%	19%
OGDC	5.0	329	410	31%	39.5	46.4	8.3	7.1	1.0	0.9	16.0	21.0	5%	6%	12%	13%
MARI	2.8	663	785	23%	72.4	71.4	9.2	9.3	2.6	2.4	21.0	29.0	3%	4%	30%	27%
APL	0.3	584	650	16%	136.3	78.7	4.3	7.4	1.0	0.9	25.0	24.0	4%	4%	26%	13%
MLCF	0.4	100	140	40%	11.3	14.0	8.8	7.1	1.4	1.3	-	-	0%	0%	18%	18%
DGKC	0.3	210	309	47%	26.1	23.2	8.0	9.0	0.8	0.8	-	-	0%	0%	11%	9%
KOHC	0.3	96	137	43%	11.2	14.6	8.6	6.6	1.5	1.2	-	-	0%	0%	18%	20%
FFC	2.8	553	638	23%	58.7	64.6	9.4	8.6	4.9	4.2	43.0	48.0	8%	9%	57%	53%
SYS	0.7	125	201	63%	9.4	12.2	13.3	10.2	3.2	2.6	2.5	3.0	2%	2%	27%	28%

Investment Thesis

BAFL	BAFL offers a strong deposit franchise with keen focus on current Acc mobilization. Healthy balance sheet growth, robust trade finance, rising NFI and disciplined cost management are a key feature in its recent 2QCY26 results. Compelling valuation and attractive dividends round up our liking.
BAHL	Our liking for BAHL stems from its high current account mix, disciplined cost control, and improving digital fee. Valuations are undemanding leaving room for rerating as earnings normalize. BAHL is an attractive medium-term dividend/value play.
OGDC	OGDC's production outlook remains upbeat, driven by RLNG cargo diversions helping to ease curtailments, along with big discoveries like Baragzai enabling incremental volumes. At the same time, catalysts such as ongoing government deliberations to resolve the gas circular debt, where OGDC remains a key beneficiary with PKR530bn (PKR123/sh) in receivables, along with slowed but continued work on Reko Diq, the latter of which could lead to a step-change in earnings and cash generation.
MARI	MARI's aggressive exploration push underpins our liking for the scrip, as the company pushes new frontiers by bidding for 24 offshore blocks alongside continued onshore success, demonstrated by the Waziristan block and its flagship Mari field. The latter remains a vital energy source for the country's fertilizer clients, shielding the company from circular debt. Beyond exploration, its push into mining and technology is steadily building a more diversified earnings base with multiple robust cash flow streams.
APL	The company continues to maintain a best-in-class balance sheet, with cash and short-term investments standing at PKR 47bn (PKR378/sh), providing a vital buffer against the OMC sector's volatile gross margins. Moreover, following the recent increase in payout to a DPS of PKR60 for the year, the scrip offers an attractive c.10% dividend yield.
MLCF	MLCF ranks among the sector's most efficient producers, giving it room to unlock synergies by transferring its biofuel and petcoke expertise to PIOC. That earnings power, alongside diversification into healthcare and fertilizer, makes the scrip a compelling growth story.
DGKC	The company is now positioned for growth through a 3.6MTPA expansion at US$40/ton and a 33% stake in RMPL, having first prioritized deleveraging. The RMPL stake should provide stable income and buffer cement-sector cyclicality.
KOHC	The company maintains one of the strongest balance sheets in the sector, with negligible debt of PKR2.7bn and cash and short-term investments of PKR34.9bn (PKR38/sh). Its KPK location provides a royalty advantage, while the upcoming 28.5MW coal-fired power plant should support profitability from FY27 onwards.
FFC	FFC's core fertilizer business remains strong, underpinned by market-leading positions in urea (45%) and DAP (61%) and a structural cost edge from concessionary feedstock gas at three of its four plants. A diversified earnings base spanning banking, power, and phosphates provides a steady other-income stream that cushions the inherently seasonal profitability of the fertilizer business. A healthy balance sheet adds further optionality, giving FFC the headroom to pursue longer-term diversification through its investment in the PIA acquisition (34% stake) and a planned coal-based fertilizer plant at the Thar field.
SYS	SYS offers 30% earnings growth at a discounted valuation, trading at a CY27f P/E of 10.8x (a 31% discount to its 10-year median of 15.6x) and a PEG of just 0.4x. The recent acquisitions of Confiz (Retail/CPG, c.34% gross margins) and BAT's captive BPO contribute c.8% to the topline and lift group growth to 26/23% in CY26/27f, on top of tailwind in Pakistan's IT exports (1HCY26: up 23% YoY). These deals diversify revenue away from the Middle East (c.59% of topline) toward the higher-value North American and UK markets, while the dollar-heavy revenue base (91%) still provides a natural hedge against PKR depreciation.

Source: IMS Research

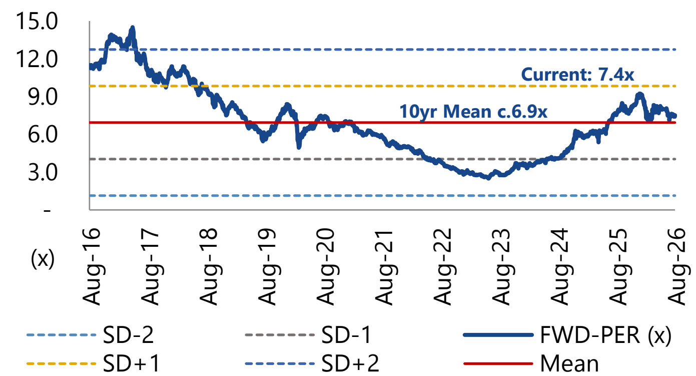
Earnings Tracker - June 2026

	Actual				
IMS Universe	EPS	YoY	QoQ	FY26/1HCY26	YoY
E&P					
POL	43.69	67%	59%	112.45	32%
MARI	30.95	97%	76%	72.36	33%
Banks					
MCB	12.54	2%	13%	23.61	-4%
MEBL	14.32	5%	16%	26.71	3%
HBL	12.51	3%	14%	23.51	0%
UBL	14.97	31%	-23%	34.3	33%
BAFL	3.22	27%	-8%	6.7	40%
BAHL	7.31	-10%	12%	13.85	-22%
Cement					
DGKC	7.01	-3%	23%	26.08	32%
LUCK-Cons	17.31	29%	33%	60.78	14%
MLCF-Cons	4.07	17%	141%	11.34	3%
CHCC	8.94	-6%	23%	37.34	-16%
FCCL	2.2	38%	56%	6.6	22%
PIOC	9.68	95%	44%	29.03	35%
Fertilizer					
FFC	16.93	-3%	39%	29.08	9%
EFERT	2.85	-32%	14%	5.35	-16%
OMC					
APL	17.64	-19%	-74%	136.31	63%
Steel					
ISL	2.91	108%	60%	8.44	136%
Power					
HUBC	12.77	39%	53%	38.26	8%
Autos					
INDU	77.7	-5%	-9%	324.5	11%
SAZEW	144.36	151%	36%	390.5	44%
Pharma					
AGP	2.15	-2%	-30%	5.2	-1%

Source: Company Announcement

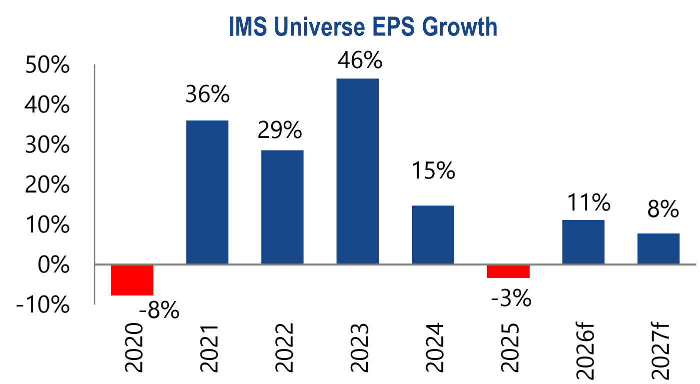
Valuation Snapshot

P/E punches above Its 10-Year weight



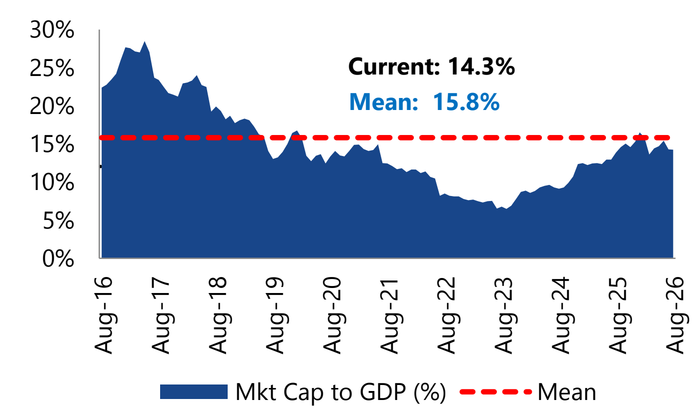
Source: IMS Research

Constructive earnings trajectory into 2027



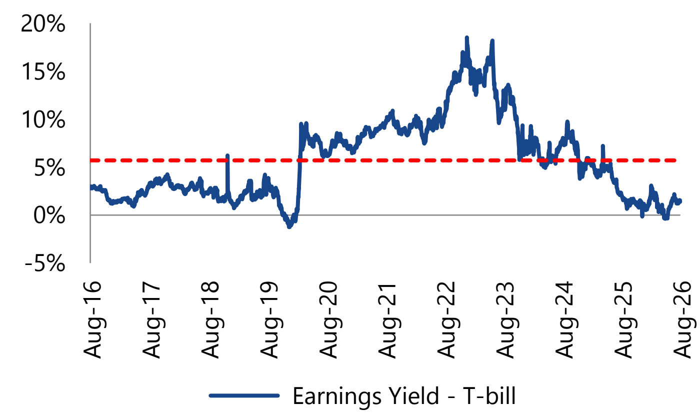
Source: IMS Research

Mean reversion still has room to run



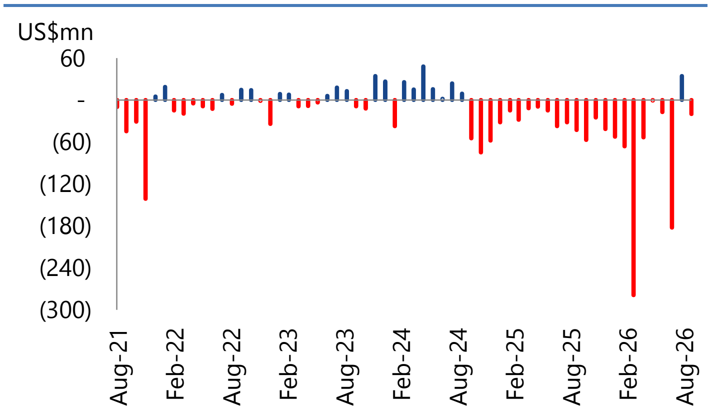
Source: Ministry of Finance, IMS Research

Equity risk premium below historical



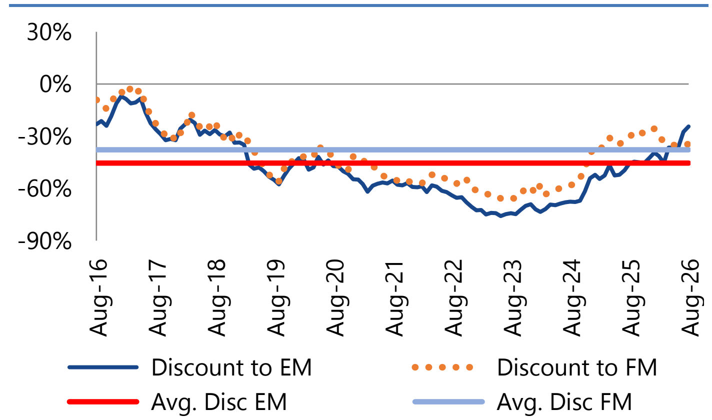
Source: SBP, IMS Research

Foreign selling picked up in August



Source: NCCPL, IMS Research

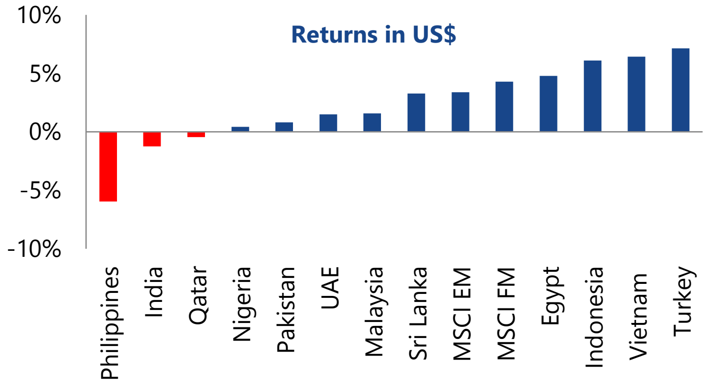
Valuation gap to EM/FM still wide



Source: Bloomberg, IMS Research

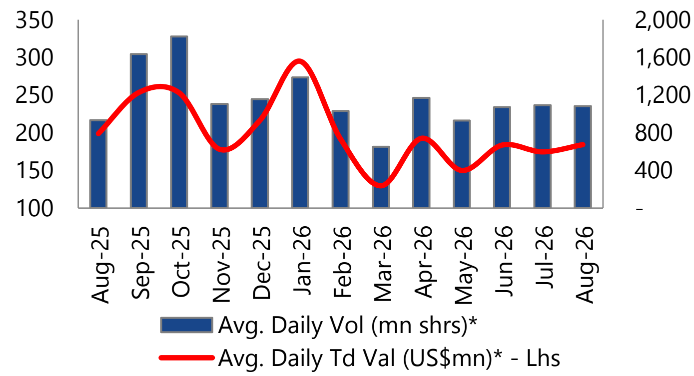
Market Review (August 2026)

Positive but bottom of the pack



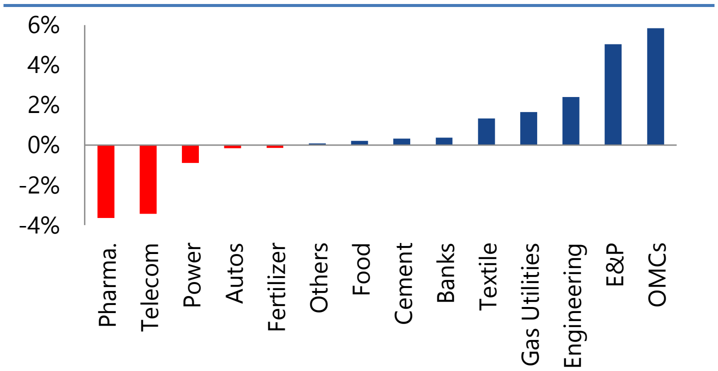
Source: Bloomberg

Turnover holds steady into August



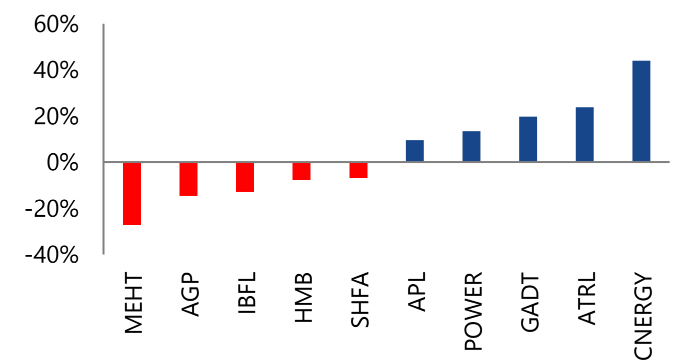
Source: PSX, IMS Research
Ready + Future

E&P and OMCs led; Pharma/Telecom lagged



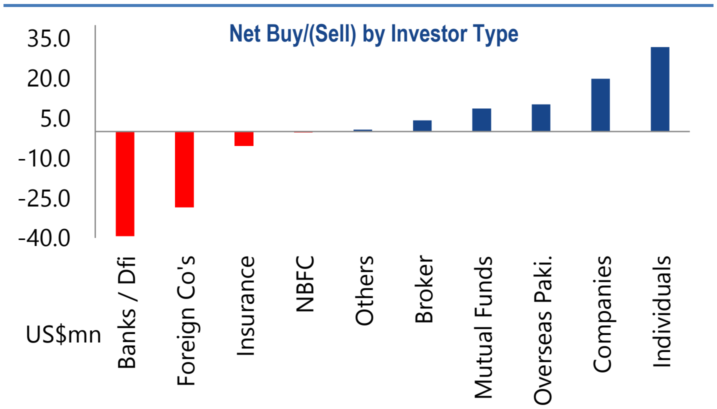
Source: PSX, IMS Research

CNERGY, ATRL top gainers; MEHT, AGP laggards



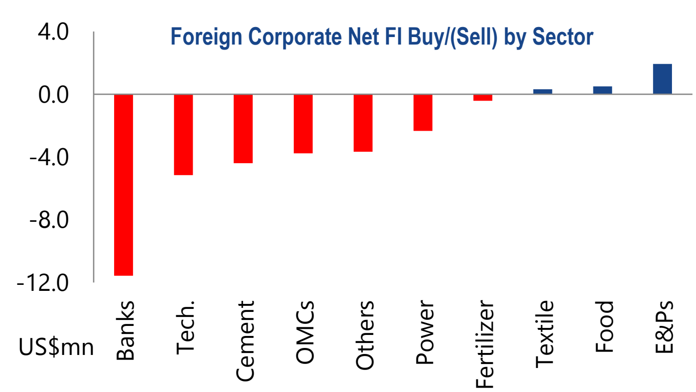
Source: PSX, IMS Research

Local retail leads buying; Banks/DFI and Foreign Cos exit



Source: NCCPL, IMS Research

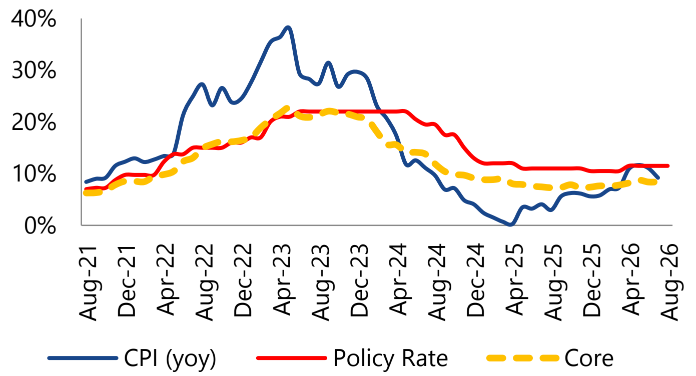
Foreign selling concentrated in Banks



Source: NCCPL, IMS Research

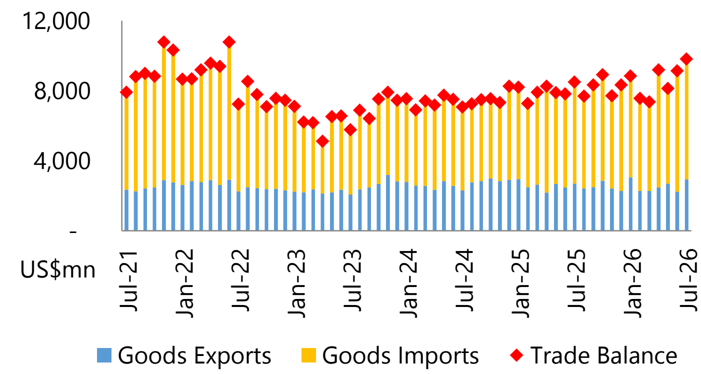
Economic Trends

CPI eases; real rates turn deeply positive



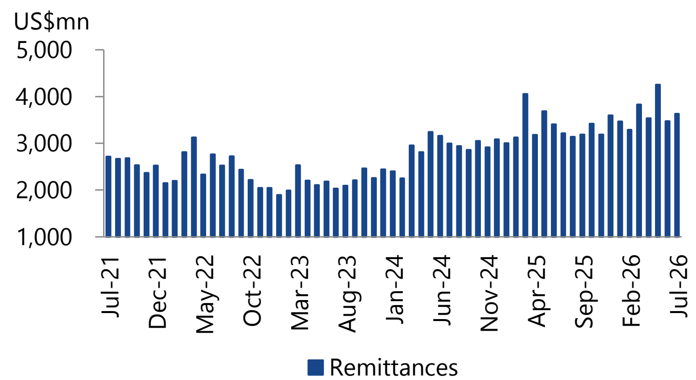
Source: PBS, SBP, IMS Research

Trade deficit widens as imports recover



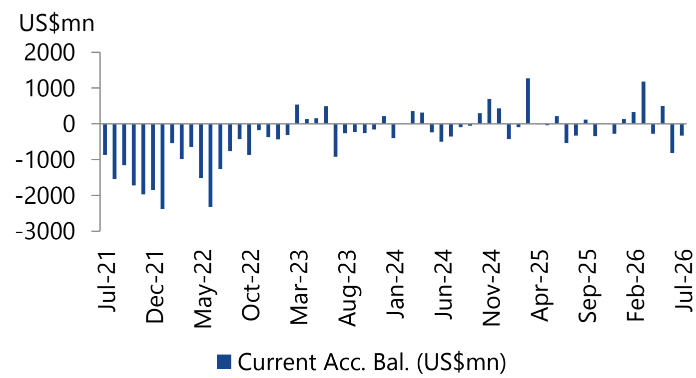
Source: PBS, SBP, IMS Research

Remittances stay above US$3.0bn



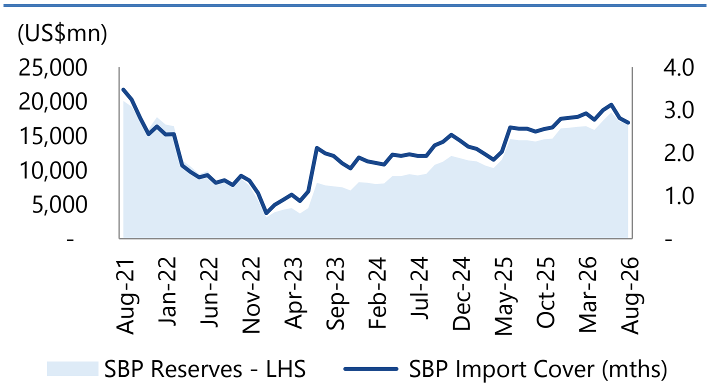
Source: Bloomberg

Inflows offset the wider trade gap



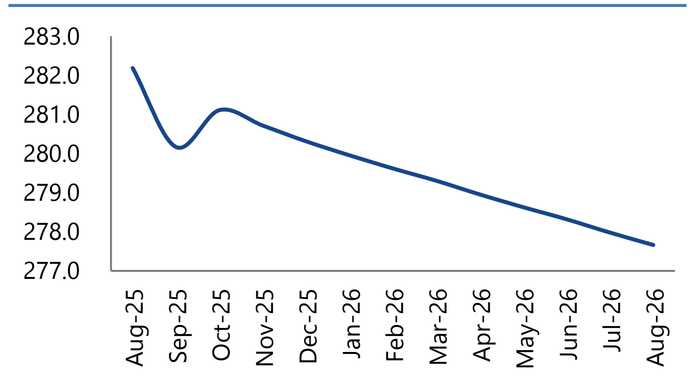
Source: SBP

FX reserves & import cover — reserves rebuilding, cover c.3x



Source: SBP, IMS Research

PKR extends its appreciation



Source: Bloomberg, IMS Research

Annual Economic Estimates

Real Sector	FY24	FY25	FY26	FY27f	FY28f
GDP Size (PKRbn)	105,190	113,748	126,231	139,863	157,763
GDP Size (US$bn)	372	407	450	492	528
GDP Growth	2.5%	3.1%	3.6%	3.8%	4.1%
GDP per Capita (US$)	1,662	1,740	1,886	2,020	2,128
Population (mn)	229	234	239	243	248

External Sector	FY24	FY25	FY26	FY27f	FY28f
Exports (US$bn)	30.98	32.34	30.79	32.50	35.75
Imports (US$bn)	53.16	59.15	64.45	69.00	72.45
Trade Balance (US$bn)	(22.18)	(26.80)	(33.66)	(36.50)	(36.70)
Services Balance (US$bn)	(3.11)	(2.84)	(2.26)	(2.78)	(3.34)
Remittances (US$bn)	30.25	38.30	41.58	42.43	43.54
Current Account Balance (US$bn)	(2.07)	1.84	(0.99)	(3.46)	(3.07)
CAD % of GDP	-0.5%	0.5%	-0.2%	-0.7%	-0.6%

Fiscal Sector	FY24	FY25	FY26	FY27f	FY28f
Tax Revenue (PKRbn)	10,085	12,723	14,219	14,899	16,352
Non Tax Revenue (PKRbn)	2,129	4,009	3,846	3,396	3,288
Total Expenditure (PKRbn)	20,476	24,494	23,940	18,878	19,671
Tax Revenue % of GDP	9.6%	11.2%	11.2%	10.7%	10.4%
Interest Payments (PKRbn)	8,160	8,887	6,948	7,766	8,073
Primary Balance % of GDP	0.9%	2.1%	3.2%	1.9%	1.9%
Fiscal Balance (PKRbn)	(7,207)	(6,497)	(2,867)	(5,173)	(5,030)
Fiscal Balance % of GDP	-6.9%	-5.7%	-2.3%	-3.7%	-3.2%

Monetary Sector	FY24	FY25	FY26	FY27f	FY28f
CPI Inflation (average)	23.9%	4.6%	7.0%	6.9%	5.9%
Policy Rate (average)	21.9%	14.7%	11.0%	11.0%	9.2%
Policy Rate (period end)	21.0%	11.0%	11.5%	10.0%	9.0%
SBP Fx Reserves (US$bn)	9.4	14.5	17.9	18.9	19.4
Import Cover (months)	2.1	2.9	3.3	3.3	3.2
US$/PKR (average)	283.0	279.4	280.4	284.4	298.6
US$/PKR (period end)	278.4	283.1	278.3	290.8	305.3

Key Notes

Strategy & Economy
Strategy: Through the fog
Economy - Inflation update: CPI falls back into single digits
Economy - Balance of Payments: July'26: External position remains resilient, but risks are rising

Sectors
Oil Marketing Sales Update - July 26: FY27 starts off on a strong note
Auto Sales Update - Jul'26: Tax shift puts ICE in the driver's seat
Power Sector Update - DISCO privatization: Rewiring Pakistan's grid
Fertilizers - Sales Update July 2026: Urea offtake jumps 10% YoY in the ongoing Kharif season
Energy - Circular Debt Payment Plan: A leaner plan, a better shot at IMF approval
Refineries - Sector update: Deemed duty reversal masks underlying 4QFY26 profitability

Companies
FFC 2QCY26 Analyst Briefing Takeaways
EFERT 2QCY26 Analyst Briefing Takeaways
HBL: Quality franchise at a bargain

Weekly Market Recap
Improving sentiment, persistent risks
Market treads water amid geopolitical uncertainty
Geopolitics weigh on KSE-100
Steady amid the static: KSE-100 ends week broadly unchanged

IMS Universe

IMS Coverage Universe

31-Aug-26					EPS (PKR)		P/E (x)		EPS Growth		P/B (x)		DPS (PKR)		DY		ROE
Symbol	MCAP (USD bn)	Price (PKR)	Tp (PKR)	Total Return	26A/f	27f	26Af	27f	26A/f	27f	26A/f	27f	26A/f	27f	26A/f	27f	26A/f
Universe							**8.0**	**7.4**	**11%**	**8%**	**1.6**	**1.4**			**6%**	**6%**	**19%**
E&P	**8.1**						**7.9**	**7.4**	**10%**	**8%**	**1.2**	**1.1**			**5%**	**6%**	**15%**
OGDC	5.0	329	410	31%	39.50	46.4	8.3	7.1	0%	17%	1.0	0.9	16.0	21.0	5%	6%	12%
PPL	2.3	235	310	39%	35.26	37.8	6.7	6.2	7%	7%	0.8	0.8	12.0	15.0	5%	6%	13%
POL	0.7	735	770	16%	112.45	97.4	6.5	7.5	32%	-13%	2.5	2.4	75.0	83.0	10%	11%	39%
MARI	2.8	663	785	23%	72.36	71.4	9.2	9.3	33%	-1%	2.6	2.4	21.0	29.0	3%	4%	30%
Banks	**12.4**						**8.4**	**7.8**	**2%**	**8%**	**1.7**	**1.6**			**7%**	**7%**	**21%**
MCB	1.7	405	440	17%	48.20	53.56	8.4	7.6	-2%	11%	1.6	1.5	36.0	36.0	9%	9%	18%
MEBL	3.7	578	540	-2%	50.16	56.28	11.5	10.3	0%	12%	3.1	2.7	28.0	28.5	5%	5%	29%
HBL	1.7	318	415	38%	48.20	52.99	6.6	6.0	6%	10%	0.9	0.8	24.0	24.0	8%	8%	14%
UBL	4.0	451	445	6%	51.74	53.90	8.7	8.4	0%	4%	2.3	2.1	31.0	30.0	7%	7%	26%
BAFL	0.7	59	65	19%	9.54	10.15	6.2	5.8	8%	6%	0.9	0.8	5.0	5.5	9%	9%	15%
BAHL	0.6	163	235	54%	32.34	34.61	5.0	4.7	11%	7%	1.0	0.9	15.0	16.0	9%	10%	20%
Cement	**4.2**					-	**7.7**	**6.8**	**11%**	**13%**	**1.8**	**1.6**			**1%**	**2%**	**16%**
DGKC	0.3	210	309	47%	26.08	23.17	8.0	9.0	32%	-11%	0.8	0.8	-	-	0%	0%	11%
LUCK	2.3	437	505	17%	60.78	68.4	7.2	6.4	14%	12%	3.1	2.6	6.0	6.0	1%	1%	16%
MLCF	0.4	100	140	40%	11.34	14.0	8.8	7.1	3%	23%	1.4	1.3	-	-	0%	0%	18%
CHCC	0.2	302	407	37%	37.34	40.7	8.1	7.4	-16%	9%	1.5	1.2	4.5	8.0	1%	3%	20%
FCCL	0.5	55	69	30%	6.60	7.4	8.4	7.4	21%	13%	1.5	1.3	-	2.6	0%	5%	19%
KOHC	0.3	96	137	43%	11.16	14.6	8.6	6.6	-11%	30%	1.5	1.2	-	-	0%	0%	18%
PIOC	0.2	258	341	36%	29.03	37.7	8.9	6.9	35%	30%	1.2	1.1	-	11.0	0%	4%	14%
Fertilizer	**3.7**					-	**9.3**	**8.3**	**16%**	**12%**	**4.9**	**4.4**			**9%**	**10%**	**57%**
FFC	2.8	553	638	23%	58.71	64.6	9.4	8.55	15%	10%	4.9	4.2	43.0	48.0	7.78%	9%	57%
EFERT	0.9	181	214	29%	20.05	24.0	9.0	7.6	18%	20%	5.0	5.0	20.0	24.0	11%	13%	58%
OMC	**0.9**					-	**4.5**	**4.8**	**71%**	**-5%**	**0.7**	**0.6**			**5%**	**5%**	**16%**
PSO	0.6	364	570	62%	78.12	87.4	4.7	4.2	75%	12%	0.6	0.5	20.0	22.0	5%	6%	14%
APL	0.3	584	650	16%	136.31	78.7	4.3	7.4	63%	-42%	1.0	0.9	25.0	24.0	4%	4%	26%
Steel	**0.2**					-	**9.4**	**7.7**	**203%**	**21%**	**1.1**	**1.0**			**2%**	**3%**	**12%**
MUGHAL	0.1	79	105	33%	10.16	12.6	7.8	6.2	339%	24%	0.8	0.7	-	-	0%	0%	11%
ISL	0.1	92	110	23%	8.44	10.0	10.9	9.2	135%	19%	1.5	1.4	3.0	4.0	3%	4%	14%
Power	**1.0**					-	**5.5**	**5.9**	**8%**	**-6%**	**1.0**	**0.9**			**10%**	**10%**	**19%**
HUBC	1.0	210	215	13%	38.26	35.8	5.5	5.9	8%	-6%	1.0	0.9	22.0	20.0	10%	10%	19%
Autos	**0.7**					-	**5.7**	**6.7**	**24%**	**-14%**	**2.0**	**1.7**			**7%**	**7%**	**38%**
HCAR	0.1	247	324	35%	22.64	36.3	10.9	6.8	19%	60%	1.3	1.2	9.0	13.0	4%	5%	13%
INDU	0.5	1,929	3,000	66%	324.50	335.8	5.9	5.7	11%	3%	1.7	1.5	195.0	201.0	10%	10%	31%
SAZEW	0.4	1,884	2,230	22%	390.51	225.3	4.8	8.4	44%	-42%	2.9	2.3	65.0	45.0	3%	2%	75%
Tractors	**0.4**					-	**15.6**	**12.5**	**22%**	**25%**	**10.8**	**9.3**			**5%**	**7%**	**75%**
MTL	0.4	301	267	-6%	19.27	24.1	15.6	12.5	22%	25%	10.8	9.3	15.0	20.0	5%	7%	75%
Pharma	**0.3**					-	**11.5**	**9.4**	**259%**	**23%**	**1.7**	**1.5**			**2%**	**2%**	**16%**
AGP	0.2	163	220	39%	16.64	19.6	9.8	8.3	25%	18%	2.2	1.8	5.0	6.0	3%	4%	24%
SEARL	0.2	87	130	51%	6.33	8.2	13.7	10.6	-366%	29%	1.4	1.3	1.0	1.0	1%	1%	11%
Tech	**0.7**					-	**13.3**	**10.2**	**30%**	**30%**	**3.2**	**2.6**			**2%**	**2%**	**27%**
SYS	0.7	125	201	63%	9.39	12.17	13.3	10.2	30%	30%	3.2	2.6	2.5	3.0	2%	2%	27%

Source: IMS Research

I, Abdul Ghani Mianoor, certify that the views expressed in the report reflect my personal views about the subject securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations made in this report. I don't' have any holdings in the specific securities that I have recommendations on in this report.

Ratings Guide*	Upside
Buy	Total return expectation of ≥ 15% or expected to outperform the KSE-100 index
Neutral	Total return expectation of > -5% or expected to match the return of KSE-100 index
Sell	Expected downside of more than 5% or expected to underperform the KSE-100 index

*Based on 12 month horizon unless stated otherwise in the report. Upside is the percentage difference between the Target Price and Market Price.

Valuation Methodology: We use multiple valuation methodologies in arriving at a Target Price including, but not limited to, Discounted Cash Flow (DCF), Dividend Discount Model (DDM) and relative multiples based valuations.

Risks: (i) Failure to sustain the IMF program, (ii) political disruption, and (iii) a sharp downturn in corporate profitability.

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