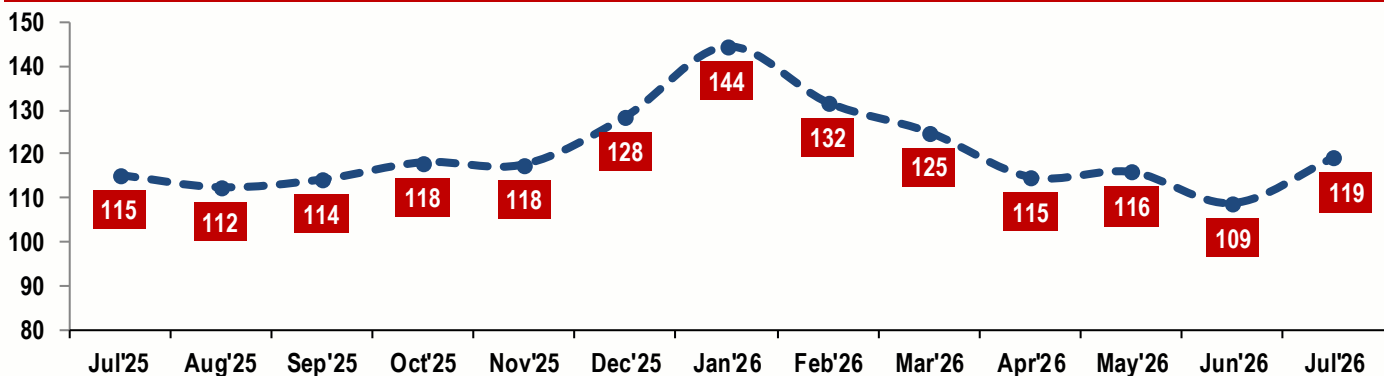


Insight – Economy – Large Scale Manufacturing Index Jul'26

Jul'26 LSMI up 9.51%MoM / 3.03%YoY

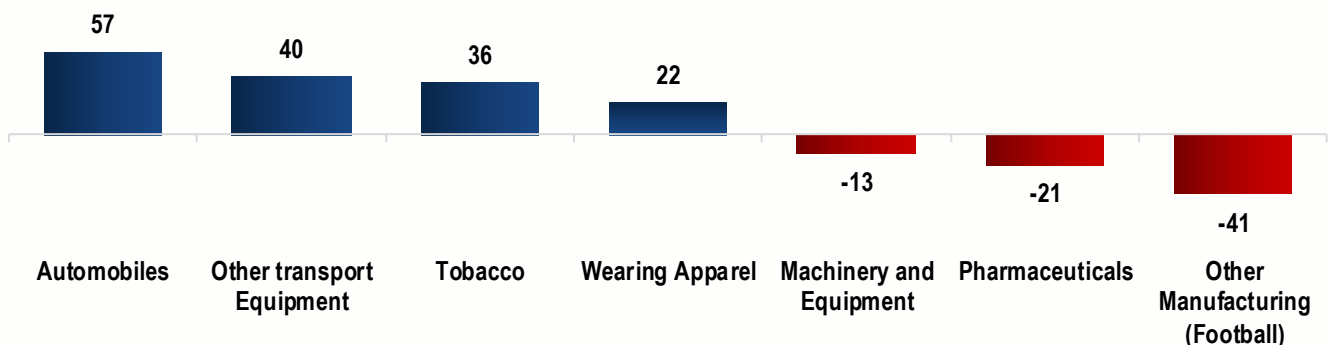
- Large Scale Manufacturing Index (LSMI) was up 9.51%MoM in Jul'26, wherein top contributors were Automobiles (57%YoY), Other Transport Equipment (40%YoY), Tobacco (36%YoY) and Wearing Apparel (22%YoY). Whereas, major decliners were Other Manufacturing – Football (-41%YoY), Pharmaceuticals (-21%YoY) and Machinery & Equipment (-13%YoY), respectively.

LSMI up 9.51%MoM / 3.03%YoY



Source: PBS & TSL Research

Jul'26 - Top performers and decliners - YoY%

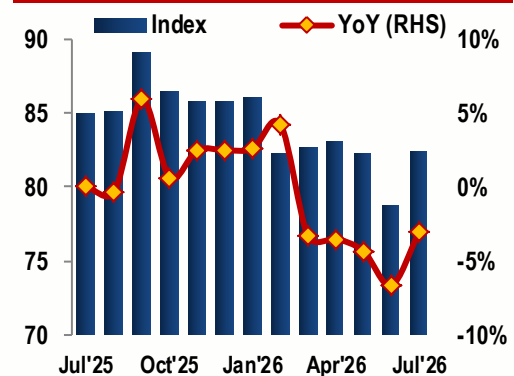


Source: PBS & TSL Research

Textile production up ~5%MoM in Jul'26

- Textile production increased by 5%MoM in Jul'26, driven by higher output of Terry Towels & Bath Robes (69%MoM), Jute Goods (16%MoM) and Yarn (5%MoM), respectively. The increase was mainly supported by stronger demand in home textiles, as textile exports also rose by 43%MoM/8%YoY, during the month.
- However, on a YoY basis, production declined by ~3%YoY, mainly due to drop in the production of Woolen Blankets (-93%), Jute Goods (-74%), Woolen & Carpet Yarn (-26%) and Woolen & Worsted Cloth (-22%), respectively, amid rising global inflation, which weighed on demand and disrupted trade routes.

Textile Production - YoY(%)



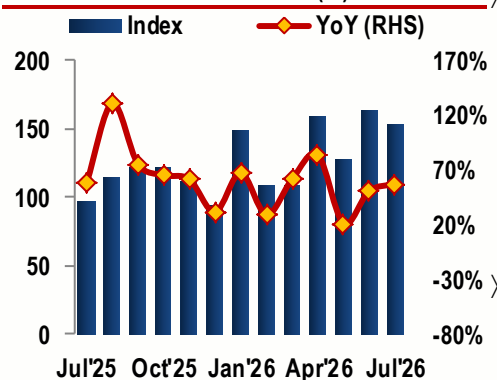
Source: PBS & TSL Research

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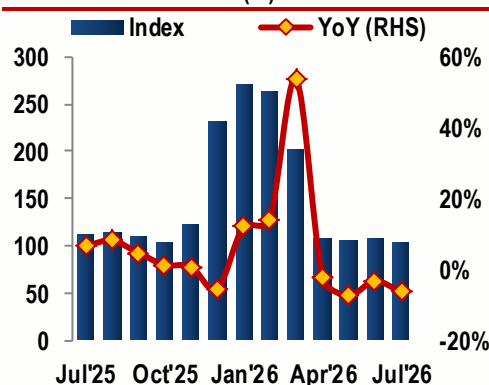
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Automobiles Production - YoY(%)



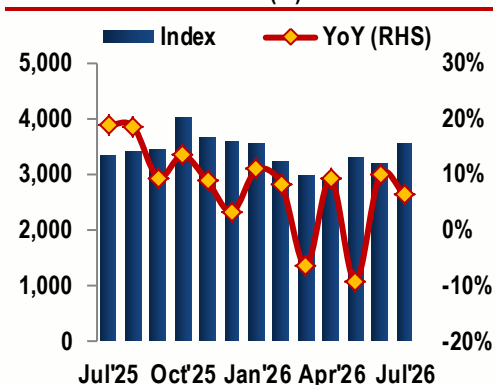
Source: PBS & TSL Research

Food Production - YoY(%)



Source: PBS & TSL Research

Cement Production - YoY(%)



Source: PBS & TSL Research

Automobile production down ~6%MoM in Jul'26

Automobile production was down ~6%MoM/up ~57%YoY in Jul'26. Wherein, production of Jeeps & cars and buses declined by ~8%MoM and ~26%MoM, respectively. Whereas, production of LCVs and Trucks went up by ~3%MoM and ~13%MoM. On a YoY basis, production of Jeeps & Cars, LCVs and Trucks increased ~57%, ~13% and ~94%, respectively. While, production of Buses declined ~4%.

The decrease in MoM production can largely be attributed to the pre-budget buying seen in Jun'26, as consumers accelerated vehicle purchases ahead of the FY27 Budget to avoid potential increases in sales tax and other duties on automobiles. This resulted in a pull-forward of demand, creating a relatively higher base and consequently weighing on production volumes in the first month of FY27 due to lower demand. Going forward, we remain optimistic about industry sales growth in FY27, driven by the expected release of a favorable Auto Policy 2026–31, while the recent reduction in GST on hybrid cars from 25% to 18% could also provide an additional boost to demand, ultimately result in the increase of production.

Food production down ~3%MoM in Jul'26

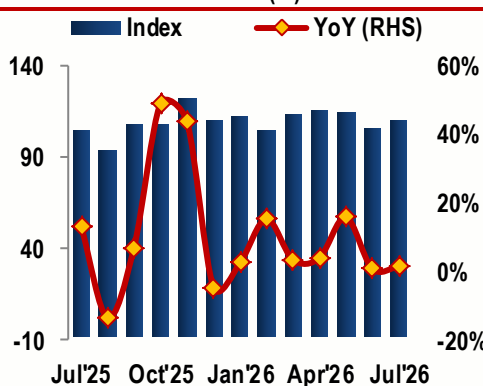
Food production was down ~3%MoM in Jul'26, primarily driven by decrease in the key categories i.e. Vegetable Ghee and Wheat & Rice Milling, down ~1%MoM each, respectively.

Cement production up ~11%MoM in Jul'26

Cement production increased ~11%MoM in Jul'26, clocking-in at ~3.5Mn tons as compared to a production of ~3.2Mn tons in Jun'26. The increase was primarily attributed to the revival in construction activities during Jul'26, which supported higher cement demand. Dealers also placed pre-orders to cater to the expected pick-up in demand. On a YoY basis, cement production went up by ~6% on account of increase in construction demand.

Nevertheless, on account of the budgetary measures (FY27), we expect a slight recovery (limited growth anticipated due to higher base effect, higher international coal prices along with elevated transportation cost in the near term) in domestic demand on the back of; i) Accelerating "Apna Ghar program" – PKR 71Bn allocated under Budget FY27; ii) Allocated PKR 16.4Bn (up 22%YoY) housing loan under the Federal PSDP (PKR 1Trn); and iii) Super Tax reduced to 8% with earnings exceeding PKR 500Mn. On the export front, we expect sales to remain subdued during 1HFY27 (gradual recovery from 2HFY27 after possibility of a permanent ceasefire between US-Iran) due to ongoing Middle-East Conflict.

Petroleum Products - YoY(%)



Source: PBS & TSL Research

Petroleum production up ~4%MoM in Jul'26

- Petroleum output surged ~4%MoM in Jul'26 due to increase in the production of HSD, MS, FO, Naptha and Kerosene by ~5%MoM, ~9% MoM, ~8%MoM, ~35%MoM and ~51%MoM, respectively. While, the production of Jet Fuel and Lubricating Oil was down ~12%MoM and ~8%MoM, respectively. On a yearly basis, production of petroleum products increased by ~1% i.e. production of MS, FO, Jet Fuel and Kerosene went up by ~12%, ~22%, ~44% and ~43%, respectively.
- During 2MFY27, petroleum sales increased by ~10%YoY, with MS and HSD up ~8%YoY and ~1%YoY, respectively.
- Furthermore, the Government raised petroleum dealers' margin by PKR 1.34/litre, prompting OMCs to seek a margin increase after three years.
- Looking ahead, the Government has set a PDL target of PKR 1.68Trn for FY27. Moreover, the ECC has approved bonded oil storage for foreign suppliers' re-export, with Government's emergency reserve access – amid ME disruptions.

Future outlook

- The Government anticipates LSMI growth to gradually recover (4.0%) in FY27 on the back of key positive measures in budget FY27 i.e. i) Lower input cost due to tariff rationalization; ii) Reduction in super tax and eliminated export development surcharge; iii) Cut in advance Income tax and Minimum tax on exporters from 2% to 1.25%; iv) Supportive measures for the related sectors like Construction, Cement, Steel, Real Estate, Glass & Ceramics and Chemical sectors; and v) Lower interest rate environment in case of permanent ceasefire of US-Iran conflict.
- However, broad based demand growth remains sluggish due to higher taxation wherein the Federal Government has increased tax collection target to PKR 15.3Trn for FY27 – as part of a move to align the budget with the IMF program benchmarks. This along with high energy cost pressures is likely to undermine industrial growth to an extent i.e. 1HFY27 in our view and recovery in 2HFY27.

Jul'26: Large Scale Manufacturing Index (LSMI) up 9.51%MoM / 3.03%YoY

Manufacturing Sector	Weights (%)	YoY change (%)	
		Jul'26	Jul'25
Textile	18.16	-3.1	0.0
Food	10.69	-6.4	7.5
Coke & Petroleum Products	6.66	1.3	13.2
Wearing Apparel	6.08	22.1	24.8
Pharmaceuticals	5.15	-20.8	1.1
Non Metallic Mineral Products	5.01	4.3	17.8
Fertilizers	3.93	-4.7	-1.6
Beverages	3.84	-8.8	-10.8
Iron & Steel Products	3.45	-11.4	-3.7
Automobiles	3.10	57.0	58.1
Chemicals Products	2.55	-9.0	-4.0
Tobacco	2.07	35.8	0.1
Electrical Equipment	2.05	7.9	4.3
Paper & Board	1.63	-4.3	14.4
Leather Products	1.23	0.7	-0.4
Other transport Equipment	0.69	40.2	53.9
Furniture	0.51	10.1	86.8
Fabricated Metal	0.42	13.6	-3.6
Machinery and Equipment	0.39	-13.3	-22.8
Other Manufacturing (Football)	0.32	-41.0	33.7
Rubber Products	0.24	1.8	17.3
Wood Products	0.18	2.8	-2.2
Electronics and Optical products	0.03	5.4	1.0

Source: PBS & TSL Research

SECP Research Entity Notification Number: REP-040

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Valuation Methodology

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

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S, EV/EBITDA, EV/Revenue etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: <https://jamapunji.pk/>

Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/BVPS	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield
ROE	Return on Equity	ROA	Return on Assets	JPB	Justified Price to Book