

PAKISTAN
STRATEGY

REP-019

MARKET
VISTA

Improving macroeconomics to boost investor's confidence

- Easing inflationary pressures amid strong external account position, along with a reduction in domestic political noise would strengthen investor confidence.
- Any positive development on US-Iran war would serve as a key positive trigger, while the normalization of trade flows from GCC would reduce severity of the ongoing crisis.
- We advise investors to remain in Banks, E&Ps, Fertilizer, Textile, OMCs, Technology, Steel and Automobile sectors. Within these, E&Ps and OMCs are positioned to benefit from resolution of gas sector circular debt.

Economic resilience to strengthen investor's confidence: Easing inflationary pressures, supported by improving food supplies and a favourable base effect, alongside currency stability, a contained current account deficit and record-high FX reserves, would lower the likelihood of further monetary tightening, even if the conflict persists. Subsequently, an improving macroeconomic environment, coupled with easing domestic political noise, would strengthen investor confidence in equities, which are currently trading at attractive valuations. Renewed mediation efforts to restore an interim agreement between the US and Iran have kept hopes alive for a peaceful resolution of the seven-month-long crisis. Any positive resolution of the Middle East conflict would serve as a key market catalyst by paving the way for monetary easing. Meanwhile, the normalization of oil flows from the GCC through alternative routes would help mitigate the severity of the crisis, in our view.

Approval of financing from the US EXIM Bank for the Reko Diq copper and gold mining project, the US\$6bn refinery upgrade and the purchase of PIA aircrafts would support sustainable economic growth while helping contain the current account deficit. We advise investors to remain in Banks, E&Ps, Fertilizer, Textile, OMCs, Technology, Steel and Automobile sectors. We believe the unveiling of a gas sector circular debt settlement plan would revive investor interest in E&Ps and OMCs. E&Ps would also benefit from lower RLNG flows, which could support higher domestic hydrocarbon production.

KSE100 remained under pressure in Sep'26 as regional conflict widens: The KSE-100 Index remained under pressure due to heightened geopolitical tension as the regional conflict expands to Red Sea. Consequently, the KSE-100 Index dropped 4.0% (-3.8% in US\$ terms) during Sep'26. Similarly, market liquidity dropped by 22.8% on sequential basis as average daily traded volume (ADTV) declined to below one billion shares for the first time during last three months. Meanwhile, average daily traded value dropped by 31.0% to PKR35.3bn (US\$127mn) from PKR51.1bn (US\$184mn) in Aug'26.

Individuals and companies capitalized through value buying: Individuals continued to remain net buyer in Sep'26 for the third consecutive month on improving macroeconomic numbers despite regional tensions. Individuals purchased a net US\$37.3mn, the highest in last 5-months, followed by net buying of US\$19.5mn by Companies. Banks turned net buyer in Sep'26 after a period of five-months with net buying of US\$4.6mn.

Whereas Foreigners remained net seller for the 2nd consecutive month with net selling of US\$17.7mn due to rising yields in developed market. Foreigners trimmed position the most in Banks by US\$20.1mn, followed by net selling of US\$3.8mn in Cements. On the other hand, foreigners increased exposure in Others, Power and Fertilizer by US\$10.0mn, US\$1.4mn and US\$1.3mn.

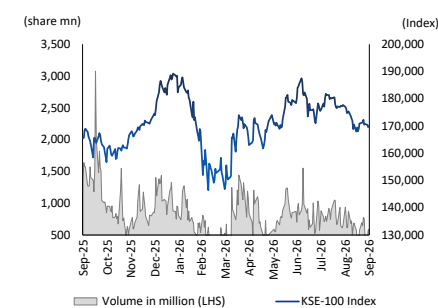
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AKD Universe Valuations

	TP (Dec'26)	LDCP	DY%	Total Upside
FFC	801.0	541.0	9.1%	57.2%
UBL	590.0	421.1	7.6%	47.7%
ENGROH	358.0	263.5	0.0%	35.9%
LUCK	735.0	415.2	1.2%	78.2%
MEBL	672.0	554.9	5.0%	26.1%
HBL	483.0	306.1	6.9%	64.7%
OGDC	522.0	316.7	5.4%	70.2%
PPL	412.0	226.9	5.3%	86.9%
SYS	277.0	119.2	2.1%	134.6%
PSO	900.0	351.2	2.8%	159.1%
FCCL	88.1	52.8	3.8%	70.6%
INDU	3,966.3	1,800.7	11.1%	131.4%
ILP	150.0	97.2	4.1%	58.4%

Source: PSX & AKD Research

KSE100 Index Performance



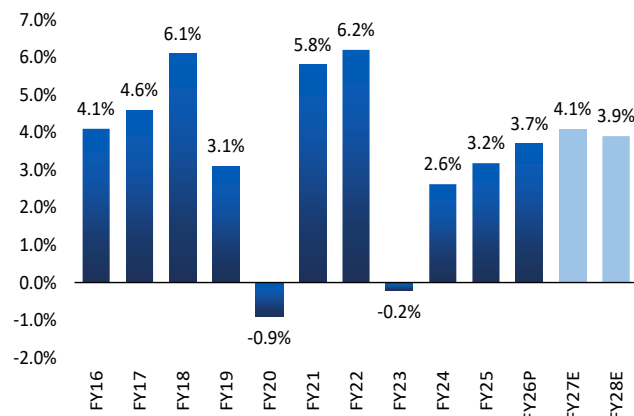
Source: PSX & AKD Research



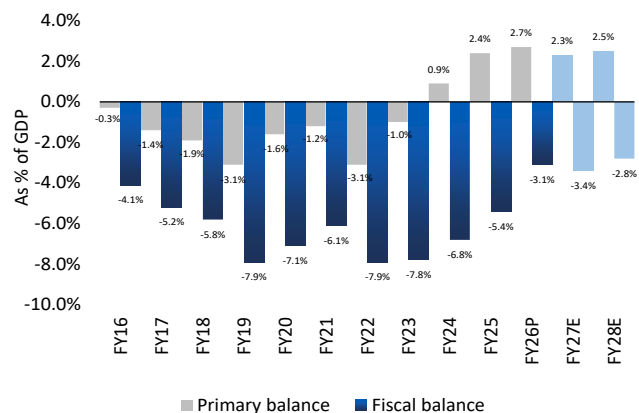
AKD Securities Limited

Economy on a path of gradual stabilization

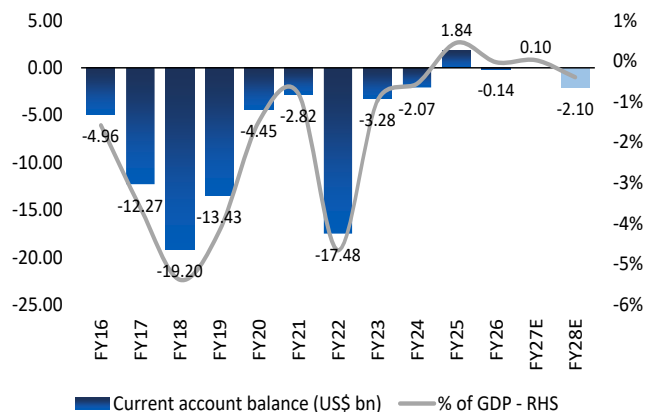
GDP growth to hover around 4% in near term



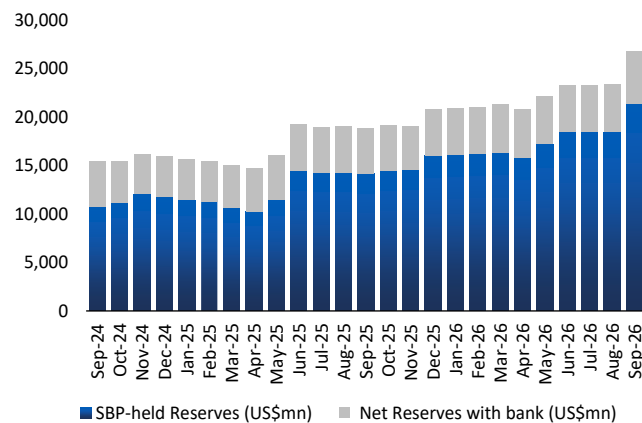
...as fiscal discipline to remain intact...



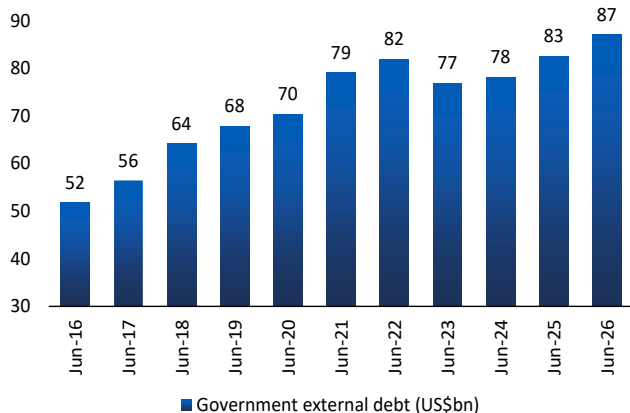
...helps to contain current account



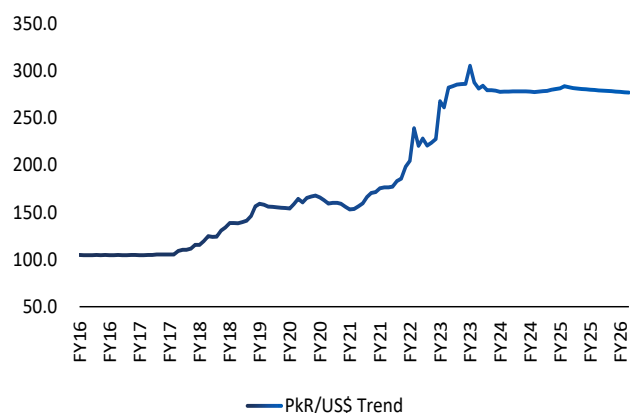
...taking central bank FX reserves to all time high



...while external debt to remain contained...



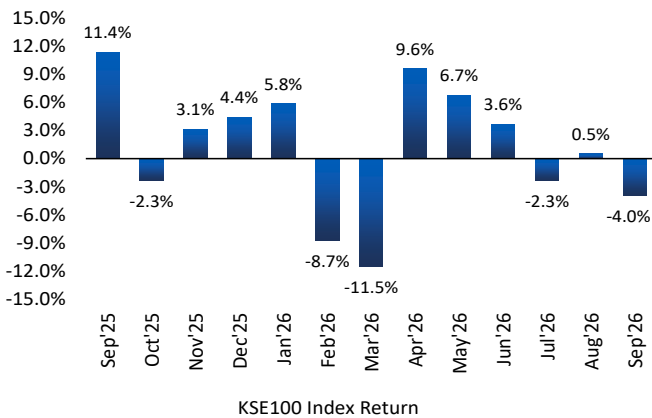
...providing support to currency



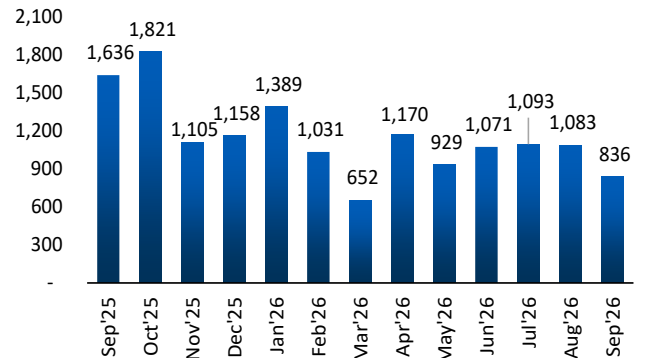


Market remained under pressure

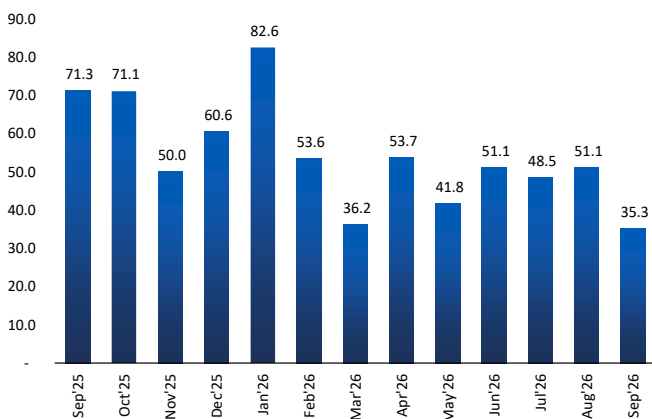
KSE-100 turns negative as regional conflict widens



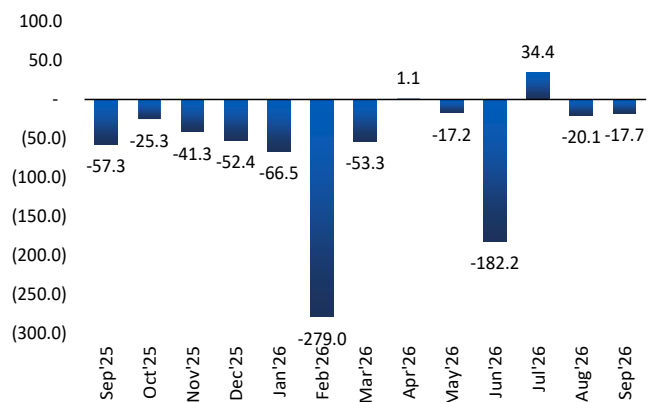
...with reduced market participation... (mn shares)



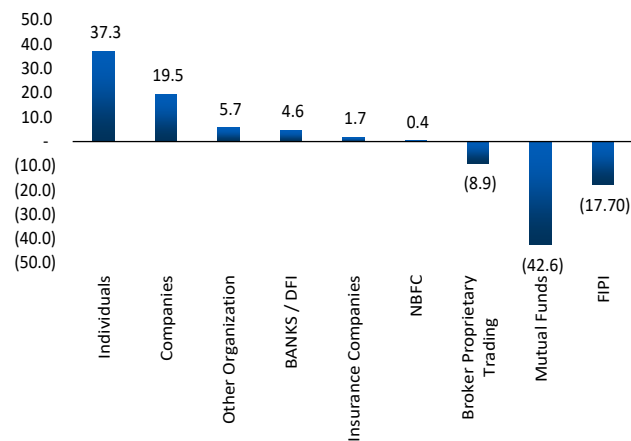
...and traded value (PkRbn)



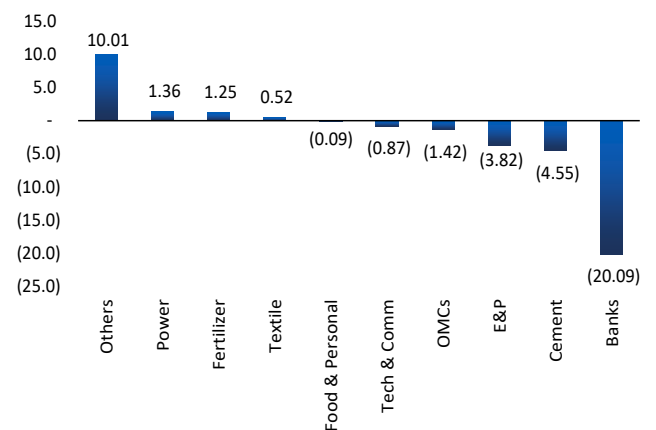
...FII remained net sellers on higher interest rates globally (US\$m)



Individuals continue to capitalize on value buying (US\$m)



...FII trimmed exposure in Banks and Cement the most (US\$m)

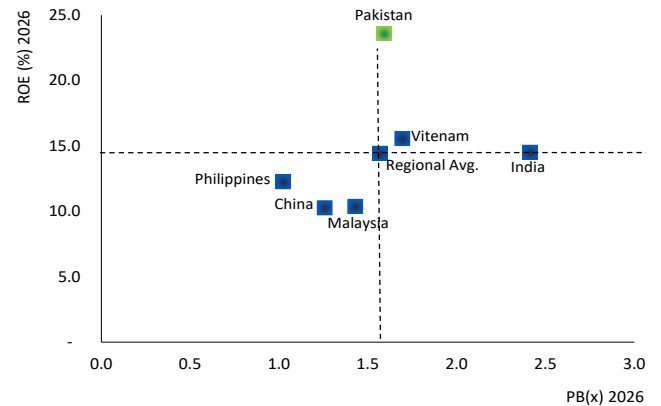
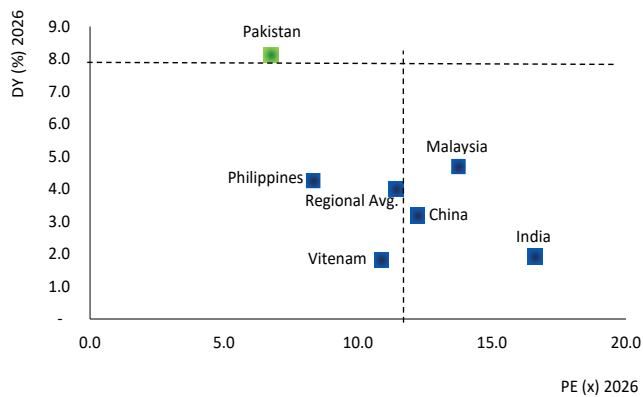




KSE100 at attractive valuations

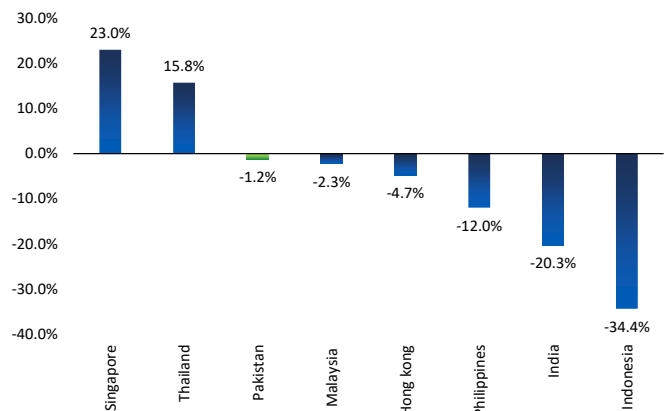
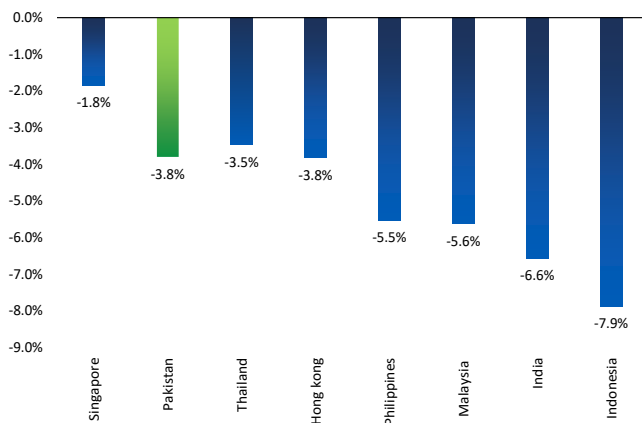
KSE100 providing highest DY with lowest P/E in the region

...and also well placed in terms of P/B and RoE

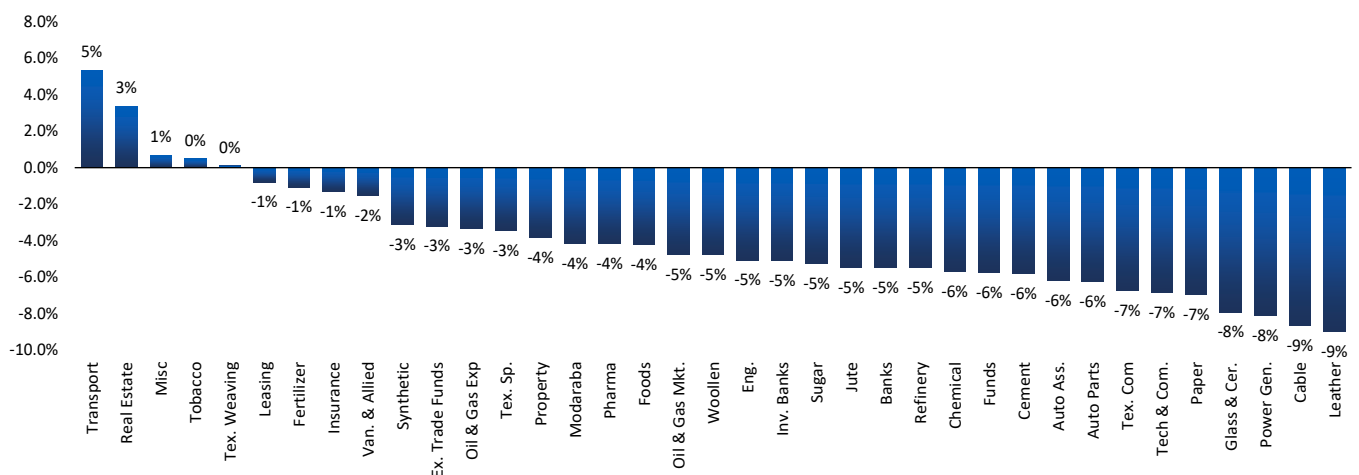


KSE-100 declined in US\$ terms during Sep'26

...while one of the least affected among regional markets in CYTD



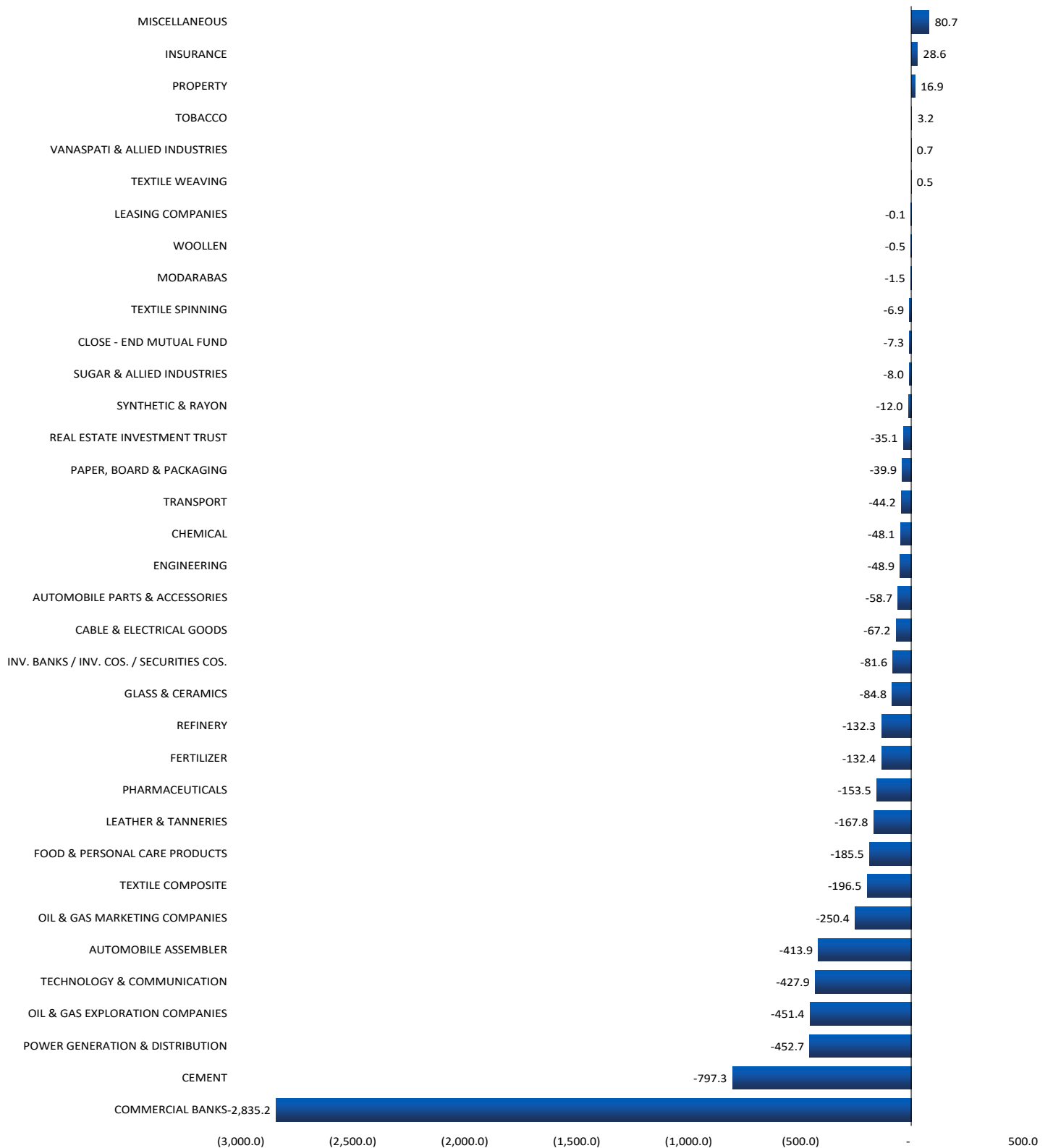
Majority of the sectors posted negative returns on the mainboard in Sep'26





Commercial banks led the KSE-100 decline during Sep'26

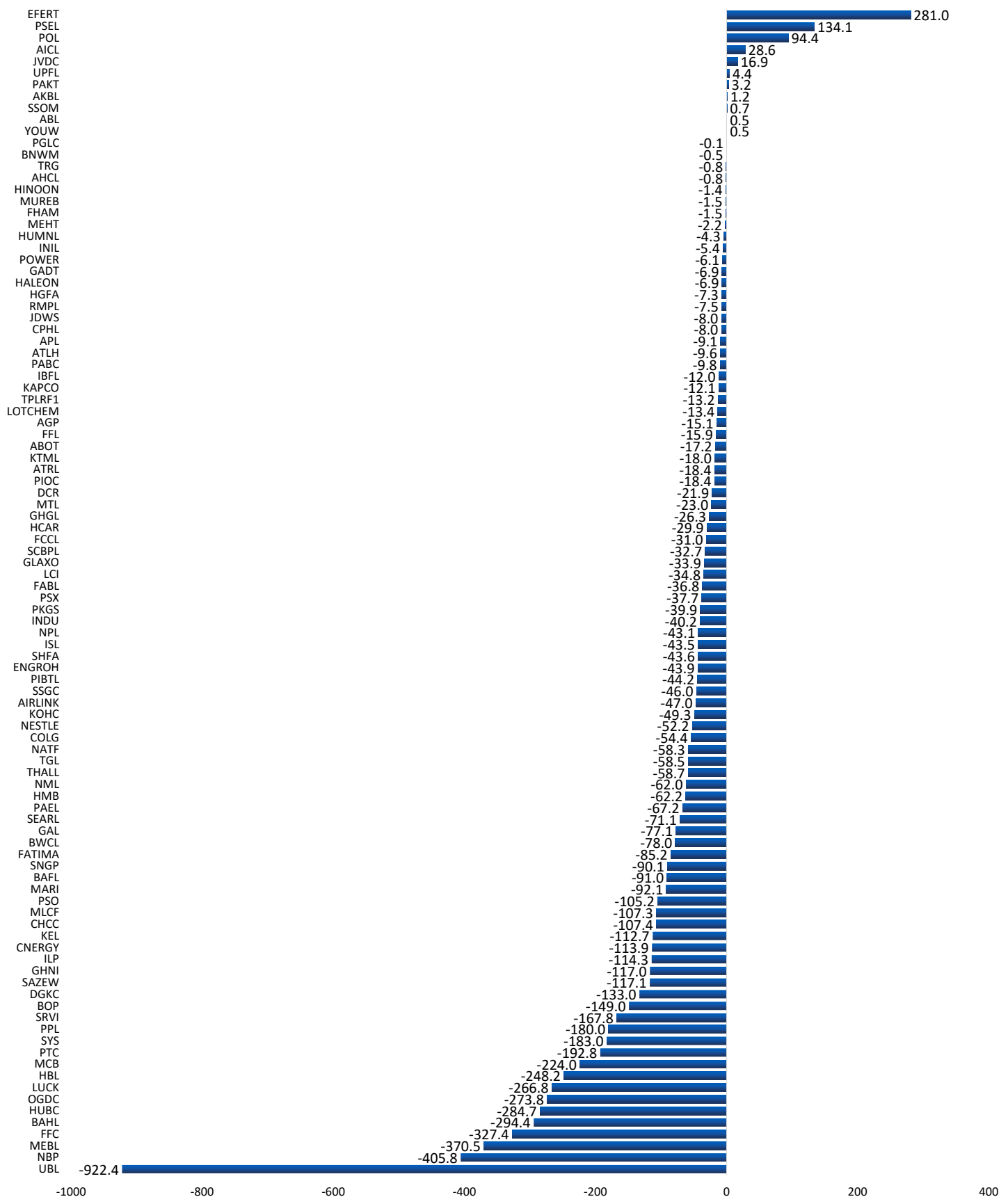
KSE-100 index Sector-wise point contribution





UBL and NBP dragged the index most among individual stocks

KSE-100 index stock-wise point contribution



AKD Universe Active Coverage Cluster's Valuations

	Symbol	Price	TP	Stance*	EPS			PE			PB			DY		
		(Pkr)	(Pkr)		FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Banks																
United Bank Ltd	UBL	421	590	BUY	51.9	50.5	45.3	8.1	8.3	9.3	2.1	2.4	2.3	7.0%	7.6%	7.6%
Meezan Bank Ltd	MEBL	555	672	BUY	49.5	50.8	53.8	11.2	10.9	10.3	3.6	3.1	2.7	5.0%	5.0%	5.4%
Habib Bank Ltd	HBL	306	483	BUY	45.5	51.2	54.6	6.7	6.0	5.6	0.9	0.9	0.9	6.5%	6.9%	9.1%
MCB Bank Ltd	MCB	390	544	BUY	49.3	50.8	53.3	7.9	7.7	7.3	1.4	1.5	1.5	9.2%	9.2%	10.3%
Bank AL Habib Ltd	BAHL	153	266	BUY	27.6	29.3	33.6	5.5	5.2	4.5	1.0	0.9	0.9	9.8%	10.5%	11.8%
Bank Al Falah Ltd	BAFL	57	86	BUY	9.0	8.1	8.3	6.3	7.0	6.8	0.9	0.9	0.9	9.2%	8.8%	9.2%
Faysal Bank Limited	FABL	94	134	BUY	14.3	14.0	14.4	6.6	6.7	6.6	1.2	1.1	1.0	6.9%	7.4%	8.0%
Askari Bank Limited	AKBL	106	116	NEU	15.8	14.4	13.2	6.7	7.4	8.1	1.0	1.0	0.9	4.7%	5.2%	5.6%
Allied Bank Limited	ABL	170	334	BUY	30.7	30.8	33.0	5.5	5.5	5.1	0.7	0.7	0.7	9.4%	9.4%	11.8%
Fertilizer																
Fauji Fertilizer Company	FFC	541	801	BUY	51.1	66.0	67.3	10.6	8.2	8.0	5.7	4.9	4.2	6.8%	9.1%	9.1%
Engro Fertilizers Ltd	EFERT	195	264	BUY	16.9	21.7	22.1	11.5	9.0	8.8	5.8	5.7	5.6	7.7%	10.8%	10.8%
Fatima Fertilizer Company	FATIMA	147	175	BUY	21.8	23.7	21.8	6.8	6.2	6.8	1.8	1.5	1.3	5.8%	6.4%	5.8%
Oil & Gas Exploration																
Oil & Gas Development	OGDC	317	522	BUY	39.5	56.4	51.0	8.0	5.6	6.2	1.0	0.9	0.8	4.8%	5.4%	6.5%
Mari Petroleum Company	MARI	634	935	BUY	54.3	72.5	87.4	11.7	8.7	7.3	2.8	2.4	2.0	3.4%	4.3%	5.5%
Pakistan Petroleum Ltd	PPL	227	412	BUY	33.1	35.9	40.5	6.9	6.3	5.6	0.9	0.8	0.7	3.3%	5.3%	7.7%
Pakistan Oilfields Ltd	POL	755	850	BUY	85.1	119.1	106.3	8.9	6.3	7.1	2.7	2.6	2.6	9.9%	13.2%	11.9%
Cement																
Lucky Cement - Standalone	LUCK (SA)	415	735	BUY	22.6	31.6	36.8	18.4	13.2	11.3	3.5	2.8	2.4	1.0%	1.2%	2.2%
Lucky Cement Limited	LUCK	415	735	BUY	52.5	57.8	71.9	7.9	7.2	5.8	1.8	1.4	1.1	1.0%	1.2%	2.2%
Fauji Cement Company	FCCL	53	88	BUY	5.4	6.6	7.7	9.7	8.0	6.9	1.5	1.4	1.2	2.4%	3.8%	4.7%
Maple Leaf Cement	MLCF	93	155	BUY	11.0	11.3	13.4	8.5	8.2	7.0	1.4	1.2	1.1	0.0%	0.0%	2.7%
D.G. Khan Cement	DGKC	192	389	BUY	19.8	27.8	29.2	9.7	6.9	6.6	0.9	0.8	0.7	1.0%	0.5%	4.4%
Cherat Cement Company	CHCC	276	640	BUY	44.7	37.3	51.6	6.2	7.4	5.4	1.6	1.3	1.1	2.0%	2.0%	3.3%
Kohat Cement Company	KOHC	90	194	BUY	12.6	11.6	14.3	7.1	7.7	6.3	1.7	1.4	1.2	0.0%	0.0%	3.3%
Pioneer Cement Ltd	PIOC	243	372	BUY	21.5	29.0	30.3	11.3	8.4	8.0	1.2	1.1	1.0	4.1%	0.0%	0.0%
Inv. Banks / Inv. Cos																
Engro Holdings Ltd	ENGROH	263	358	BUY	46.2	50.7	55.0	5.7	5.2	4.8	1.6	1.3	1.1	0.0%	0.0%	7.6%
Technology																
Systems Limited	SYS	119	277	BUY	7.5	11.2	14.8	15.9	10.7	8.0	3.6	2.9	2.3	1.7%	2.1%	2.7%
Power																
Hub Power Company	HUBC	201	215	BUY	39.7	38.3	47.4	5.1	5.3	4.2	1.1	1.0	0.9	7.4%	9.9%	9.9%
Nishat Power Limited	NPL	61	87	BUY	-2.1	4.0	3.7	-29.0	15.2	16.7	0.8	0.8	0.7	9.8%	4.1%	3.3%
Oil & Gas Marketing																
Pakistan State Oil	PSO	351	900	BUY	44.5	32.1	80.4	7.9	10.9	4.4	0.7	0.6	0.5	2.8%	2.8%	5.7%
Attock Petroleum	APL	576	760	BUY	83.5	136.3	87.6	6.9	4.2	6.6	1.1	1.0	0.9	4.4%	10.4%	6.5%
Automobile Assembler																
Indus Motor Ltd	INDU	1,801	3,966	BUY	292.7	324.5	306.6	6.2	5.5	5.9	1.8	1.5	1.4	9.8%	11.1%	11.4%
Honda Atlas Cars	HCAR	218	444	BUY	19.0	22.6	27.7	11.5	9.6	7.9	1.3	1.2	1.1	3.7%	4.1%	5.1%
Textile																
Interloop Limited	ILP	97	150	BUY	3.8	9.4	15.4	25.3	10.4	6.3	2.5	2.2	1.8	1.0%	4.1%	5.7%
Nishat Mills Limited	NML	133	318	BUY	17.1	14.6	28.0	7.8	9.1	4.7	0.3	0.3	0.3	1.5%	1.5%	2.6%
Nishat Chunian Limited	NCL	39	84	BUY	3.3	6.7	14.6	11.9	5.9	2.7	0.4	0.4	0.4	5.1%	10.2%	10.2%
Chemical																
Engro Polymer & Chemicals	EPCL	33	28	SELL	-4.5	0.5	1.2	-7.3	65.1	27.8	1.3	1.3	1.2	0.0%	0.0%	0.0%
Steel																
International Steels Limited	ISL	81	151	BUY	3.6	7.6	12.1	22.6	10.7	6.7	1.4	1.3	1.1	3.1%	5.6%	8.6%
Mughal Iron & Steel	MUGHAL	70	142	BUY	2.9	7.4	15.6	24.2	9.4	4.5	0.8	0.6	0.6	0.0%	2.9%	3.9%

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To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

New Rating Definitions

BUY > 15% expected total return

NEUTRAL > 0% to < 15% expected total return

SELL < 0% expected total return

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