

Pakistan Market Strategy

Dividend Income: Earnings Booster for HoldCos

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Dividend Income: Earnings booster for HoldCos

Dividend income is becoming an increasingly important earnings support for major listed companies, as maturing investments and stronger subsidiary cash generation drive higher upstream distributions. For this report, we have included HoldCos within our coverage, namely HUBC, FFC, NML, LUCK and DGKC. Dividend contributions have expanded significantly in recent years, supported by maturing investment portfolios and healthy cash positions across key subsidiaries and associates. While exceptionally high payouts from certain investments may normalize, rising contributions from newer investments and maturing subsidiaries should sustain dividend income as a structurally stronger earnings contributor going forward.

Exhibit: Dividend Income: Earnings booster for HoldCos

COMPANY	DIVIDEND INCOME	GROWTH	% OF STAND. EPS	WHAT IS DRIVING IT?
HUBC Power	PKR 29.3bn FY26	+96% YoY ~70% CAGR FY20–26	89.8% FY26	Surge driven by TEL and HPHL as CPEC-linked IPPs matured and increased cash distributions. CPHGC and TNPTL having declared PKR 61bn in cumulative dividends to HPHL, we expect dividend inflows to remain supportive of HUBC's future payouts.
FFC Fertilizer	PKR 19.4bn 1HCY26	+107% YoY ~CY25, to PKR 22.4bn	27.1% 1HCY26	Driven by higher wind power payouts and contributions from TEL, PMP and AKBL. Rising payouts from FPCL, TEL and AKBL should sustain dividend income at ~15% of earnings going forward.
LUCK Cement	PKR 15.9bn FY26	+24.8% YoY ~46% CAGR FY22–26	25.5% FY26	Driven primarily by LEPCL. With dividends contributing ~25.5% of FY26 EPS, healthy subsidiary cash generation should continue to support earnings and payouts.
DGKC Cement	PKR 3.9bn FY26	-1.4% YoY ~14% CAGR FY22–26	26.7% FY26	Primarily driven by MCB Bank. Dividend income remains a key non-core earnings support, with continued MCB payouts and the RMPL acquisition providing further support.
NML Textile	PKR 4.6bn FY26	-38.4% YoY ~30% CAGR FY20–25	63.2% FY26	Driven by higher IPP and MCB Bank payouts. While IPP dividends are expected to moderate, MCB's ~75% payout ratio and rising DPS should continue to support NML's dividend income.

Source(s): Company Financials, AHL Research. *FFC on half yearly basis since CY26 results not disclosed

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Coverage HoldCos' dividend income at a glance

Exhibit: Dividend income and its contribution to standalone EPS

PKR mn		2020	2021	2022	2023	2024	2025	2026	CAGR
HUBC	Dividend income	1,232	5,328	2,441	13,572	16,327	14,914	29,306	70%
	% of stand. EPS	9.10%	18.60%	8.70%	32.90%	36.10%	58.60%	89.80%	
FFC	Dividend income	1,375	1,926	4,499	1,800	10,828	22,417	24,142E	75%
	% of stand. EPS	4.40%	5.80%	14.90%	4.00%	12.40%	22.60%	22.1%E	
LUCK	Dividend income	1,285	4,407	3,553	2,379	10,634	12,700	15,850	52%
	% of stand. EPS	28.80%	23.50%	17.40%	13.00%	28.40%	28.80%	25.50%	
NML	Dividend income	2,044	2,723	3,329	4,511	8,456	7,496	4,620	30%
	% of stand. EPS	43.70%	34.50%	24.20%	27.80%	99.60%	93.50%	63.20%	
DGKC	Dividend income	2,054	2,197	2,303	2,471	3,624	3,958	3,903	11%
	% of stand. EPS	n.m.	44.30%	58.10%	n.m.	501.10%	34.20%	26.70%	

Source(s): Company Financials, AHL Research. FFC on a calendar-year basis (2026 = CY26E forecast; 1HCY26 actual: PKR 19,377mn, 27.1% of EPS). 27.1% of EPS). HUBC, LUCK, DGKC and NML on a June fiscal-year ; CAGR to latest actual year. n.m. = not meaningful (loss year). DGKC FY24 at 501% reflects a low EPS base. Basis.

% of EPS shading:



15–30%



30–60%



>60%

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HUBC: CPEC IPPs underpin sharp rise in dividend income

PKR 29.3bn

FY26 dividend income
+96% YoY | ~70% CAGR FY20–26

1.13x

Cover of FY26 DPS
PKR 22.6/sh income vs PKR 20/sh DPS

PKR 45.7bn

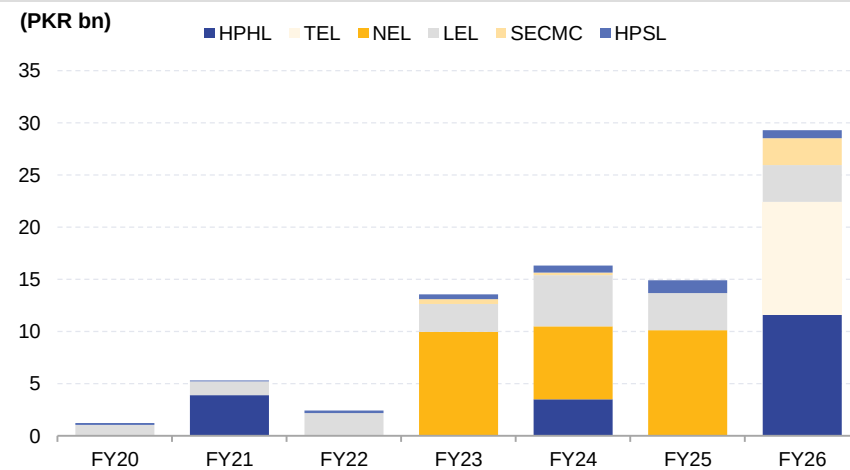
Retained at HPHL
PKR 35.25/sh not upstreamed

PKR 20/sh

DPS, FY27E & FY28F
Implied dividend yield: 9.9%

- HUBC's standalone dividend income surged 96% YoY to PKR 29.3bn (PKR 22.6/share) in FY26, up from PKR 14.9bn SPLY, driven by dividends from TEL (PKR 10.8bn) and HPHL (PKR 11.6bn). This compares with just PKR 1.2bn in FY20, implying ~70% CAGR over FY20–26.
- Rising dividend inflows have strengthened HUBC's payout capacity, supporting its PKR 20/share FY26 dividend.
- CPHGC and TNPTL have cumulatively declared PKR 61bn to HPHL (PKR 46.90/share), of which PKR 15.1bn (PKR 11.7/share) has reached HUBC. The remaining PKR 45.7bn has partly funded CPEC debt repayment and the BYD venture, while TNPTL and PRIME also held PKR 26bn and PKR 23bn in cash, respectively, at FY26-end, which could support HUBC going forward.
- Going forward, we expect robust dividend inflows from CPEC IPPs, supported by strong cash flows and healthy liquidity. We forecast HUBC's dividend at PKR 20/share in FY27E and FY28F, implying a 9.9% yield in each year.

Figure: HUBC's Dividend Income



Source (s): Company Financials, AHL Research

Exhibit: HUBC's Dividend Income

Standalone (PKR mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
LEL	1,057	1,339	2,201	2,670	4,909	3,545	3,519
NEL	-	-	-	9,981	7,001	10,148	-
TEL	-	-	-	-	-	-	10,848
HPSL	175	100	240	465	675	1,220	750
SECMC	-	-	-	455	233	-	2,588
HPHL	-	3,890	-	-	3,510	-	11,601
Total dividend income	1,232	5,328	2,441	13,572	16,327	14,914	29,306
Total dividend income (PKR/sh)	0.95	4.11	1.88	10.46	12.59	11.5	22.59
HUBC DPS	-	12	6.5	30	20	15	20

Source(s): Company Financials , AHL Research

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FFC: Normalizing, but at a structurally higher level

22.6%

of EPS in CY25
PKR 22.4bn dividend income

27.1%

of EPS in 1HCY26
PKR 19.4bn in six months

~10%

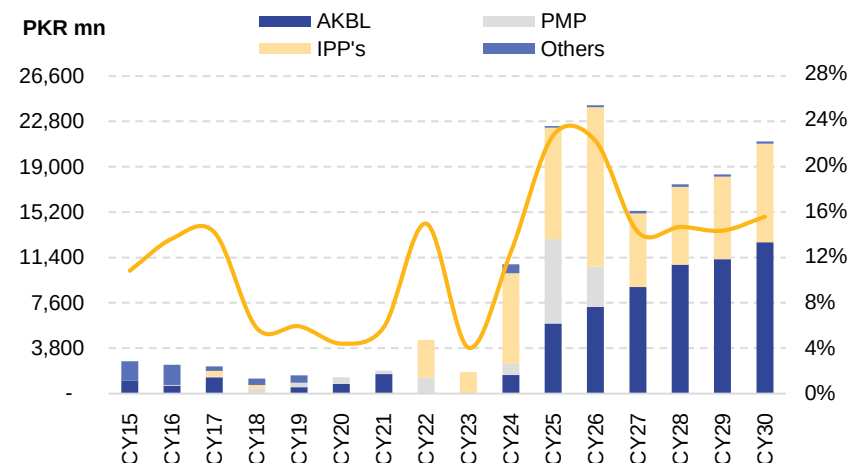
11-year average (CY15–25)
share of standalone earnings

~15%

Expected going forward
AHL estimate, average

- Over the years, contributions from FFC's investments have increased meaningfully, accounting for 22.6% of earnings in CY25 and rising further to 27.1% in 1HCY26. On an 11-year average basis, dividend income has contributed around 10% of FFC's standalone earnings, highlighting the recent acceleration in its earnings contribution
- The increase has primarily been driven by higher dividends from FFC's wind power investments, alongside the initiation of dividends from TEL, while contributions from PMP and AKBL have also increased significantly.
- Meanwhile, FPCL is yet to commence meaningful dividend payouts, providing further upside potential to FFC's investment income
- While we expect the exceptionally high dividends from FFC's wind power investments to normalize, we expect rising contributions from FPCL, TEL and AKBL to partly offset this moderation, with potential for further upside as these investments mature
- Accordingly, we expect dividend income to remain a structurally stronger contributor to FFC's earnings, albeit below the current ~22% level, and estimate it to account for around 15% of earnings on average going forward, supported by higher payouts from its investment portfolio.

Figure: FFC's Dividend Income



Source (s): Company Financials, AHL Research

Exhibit: FFC's Dividend Income

Standalone (PKR mn)	CY20	CY21	CY22	CY23	CY24	CY25	1HCY26
AKBL	816	1,631	-	-	1,563	5,862	3,519
PMP	559	295	1,349	-	937	7,076	3,358
IPP's	-	-	3,150	1,800	7,579	9,347	12,500
Others	-	-	-	-	749	132	-
Total dividend income	1,375	1,926	4,499	1,800	10,828	22,417	19,377
After tax impact on FFC (PKR/sh)	0.72	1	2.34	0.94	5.64	11.68	7.88
% of EPS	4.40%	5.80%	14.90%	4.00%	12.40%	22.60%	27.10%
EPS	16.36	17.21	15.76	23.32	45.49	51.69	29.08

Source(s): Company Financials , AHL Research

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LUCK: Steady growth in dividend income

PKR 15.9bn

FY26 dividend income
+24.8% YoY | PKR 10.82/sh

~46%

CAGR, FY22–26
from PKR 3.5bn in FY22

~25.5%

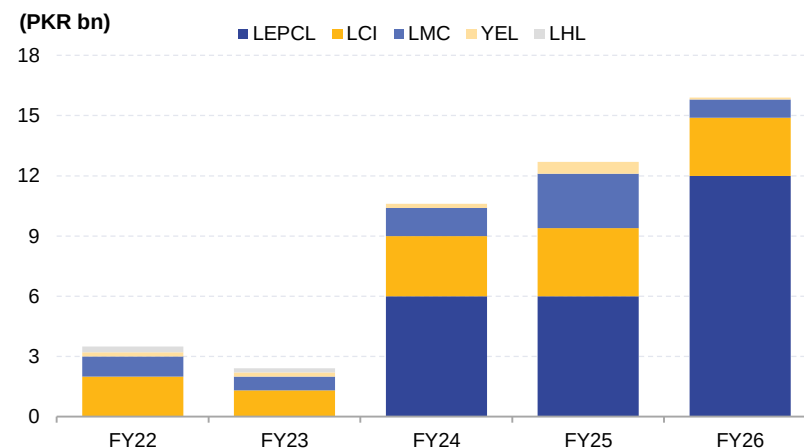
of FY26 EPS
from dividends alone

PKR 28.0bn

FY26 other income
PKR 19/sh

- In FY26, LUCK's dividend income increased 24.8% YoY to PKR 15.9bn (PKR 10.82/share) from PKR 12.7bn (PKR 8.67/share) in FY25, driven by dividend inflows from LEPCL (PKR 12.0bn), LCI (PKR 2.9bn), LMC (PKR 0.9bn) and YEL (PKR 0.1bn).
- Dividend income has expanded significantly over the past five years, up from PKR 3.5bn in FY22 to PKR 15.9bn in FY26, implying a ~46% CAGR. The growth has primarily been driven by the ramp-up in LEPCL's dividend distributions following its COD in Mar'22, supported by strong cash buildup despite the co. achieving its true-up and PCD.
- The rising contribution from dividends has materially strengthened LUCK's non-core income stream, with other income reaching PKR 28.0bn in FY26, equivalent to PKR 19/share. Dividend income alone accounted for ~25.5% of FY26 EPS, highlighting its growing importance to overall profitability.
- Going forward, dividend income should remain supportive, with LEPCL expected to sustain its PKR 12bn dividend stream, while LMC's dividend is projected to increase by 14% YoY. Meanwhile, an improvement in LCI's core caustic soda and polyester operations could unlock incremental dividends for LUCK as stronger profitability enhances its capacity to distribute earnings to shareholders.

Figure: LUCK's Dividend Income



Source (s): Company Financials, AHL Research

Exhibit: LUCK's Dividend Income

Standalone (PKR mn)	FY22	FY23	FY24	FY25	FY26
Total Dividend Income	3,500	2,400	10,600	12,700	15,900
Dividend income from Subsidiaries	3,300	2,200	10,400	12,100	15,800
LCI	2,000	1,300	3,000	3,400	2,900
LHL	300	200	-	-	-
LEPL	-	-	6,000	6,000	12,000
LMC	1,000	700	1,400	2,700	900
Dividend income from Associates	200	200	200	600	100
YEL	200	200	200	600	100
NRL	-	-	-	-	-
LUCK DPS	-	3.60	3.00	4.00	5.00

Source : Company Financials, AHL Research Note: No dividend income from LCLHL

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DGKC: Dividend stream provides support to earnings

PKR 3.9bn

FY26 dividend income
(1.4%) YoY | PKR 8.91/sh

~14%

CAGR, FY22–26
from PKR 2.3bn in FY22

~85%

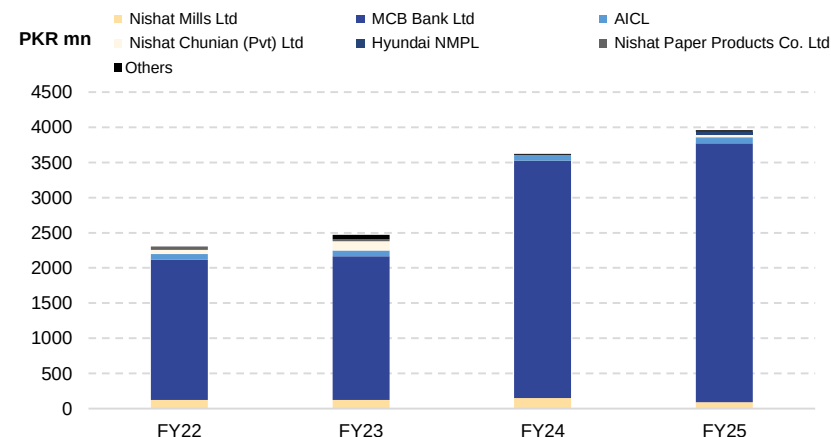
of other income
average contribution

PKR 4.8bn

FY28F dividend income
RMPL adds PKR 0.7–0.9bn

- DGKC's dividend income has grown steadily over the past five years, rising from PKR 2.3bn in FY22 to PKR 3.9bn in FY26, implying an approximate 15% CAGR, primarily driven by higher distributions from MCB Bank.
- In FY26, DGKC's dividend income declined marginally by 1.4% YoY to PKR 3.9bn (PKR 8.91/sh) from PKR 3.9bn (PKR 9.03/sh) in FY25, while continuing to account for a sizeable ~85% of Other Income on average.
- Strong dividend inflows continue to support DGKC's non-core earnings, contributing to FY26 Other Income of PKR 11/sh and providing an important supplement to core cement profitability.
- Going forward, dividend income should remain supportive, underpinned by the recent acquisition of RMPL and continued dividend distributions from MCB Bank, providing further support to DGKC's non-core income stream.

Figure: DGKC's Dividend Income



Source (s): Company Financials, AHL Research

Exhibit: DGKC's Dividend Income

Standalone (PKR mn)	FY22	FY23	FY24	FY25	FY26
Total Dividend Income	2,303	2,471	3,624	3,958	3,903
Related Parties	2,296	2,407	3,610	3,935	3,863

Source : Company Financials, AHL Research.

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NML: MCB anchors dividend income as IPP payouts fade

PKR 4.6bn

FY26 dividend income
(38.4%) YoY | FY24 peak: PKR 8.5bn

~15%

CAGR, FY20–26
from PKR 2.0bn in FY20

63.2%

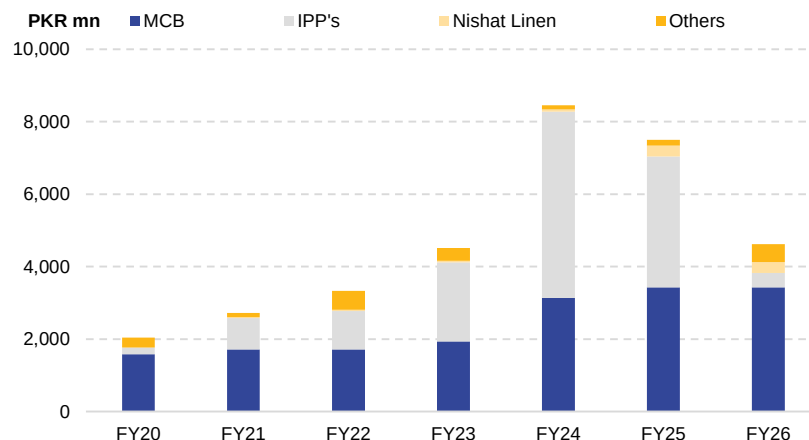
of FY26 EPS
FY25: 93.5% | FY24: 99.6%

~75%

MCB payout ratio
DPS PKR 36/38/40, CY26E–28F

- Dividend income remains a key earnings support for NML, rising from PKR 2.0bn in FY20 to PKR 4.6bn in FY26, a ~15% CAGR. However, FY26 dividend income fell 38% YoY from PKR 7.5bn in FY25, with its contribution to EPS easing to 63.2% from 93.5% in FY25 and 99.6% in FY24.
- The decline was led by IPP payouts, which dropped to PKR 404mn in FY26 from PKR 3.6bn in FY25 and a peak of PKR 5.1bn in FY24, as LPL and PKGP ceased operations and NPL and NCPL retained cash for auto and Rafhan investments. MCB Bank dividends held steady at PKR 3.4bn, now accounting for ~74% of total dividend income.
- Going forward, IPP dividends are likely to remain subdued, leaving MCB Bank as the key driver of NML's dividend income. MCB's strong capital position supports a sustainable ~75% payout, with DPS of PKR 36, 38 and 40 forecast for CY26E–CY28F, providing continued support to NML's dividend income.

Figure: NML's Dividend Income



Source (s): Company Financials, AHL Research

Exhibit: NML's Dividend Income

Standalone (PKR mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
MCB	1,584	1,716	1,716	1,934	3,139	3,425	3,425
IPP's	181	869	1,056	2,181	5,136	3,615	404
Nishat Linen	-	21	43	43	64	300	300
Others	279	116	514	353	117	157	491
Total dividend income	2,044	2,723	3,329	4,511	8,456	7,496	4,620
After tax impact on NML (PKR/sh)	4.36	5.81	7.1	9.62	18.04	15.99	9.85
% of EPS	43.70%	34.50%	24.20%	27.80%	99.60%	93.50%	63.2%
EPS	9.97	16.84	29.33	34.6	18.11	17.1	15.59

Source(s): Company Financials , AHL Research

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- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

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 Arif Habib Limited (AHL) has a shareholding in FFC & HUBC