

# Pakistan Strategy

## Elections 2024 - Government Jigsaw, Coalition on the Horizon

**11-Feb-2024**

AHL Research

D: +92 21 32462742

UAN: +92 21 111 245 111, Ext: 322

F: +92 21 32420742

E: [ahl-research@arifhabibltd.com](mailto:ahl-research@arifhabibltd.com)

**ASIAMONEY**

Best Securities House: 2023  
Best Investment Bank: 2023

**FinanceAsia**

Best Investment Bank: 2022

 **Global  
Business  
Outlook**

Best Equity House: 2022

 **ASSET ASIAN AWARDS  
TRIPLE A**

Best Equity Advisor: 2021

 **CFA Society  
Pakistan**

Best Brokerage House: 2023  
Corporate Finance House: 2023  
Best Economic Research House: 2023  
Best Equity Sales Person (Runner up): 2023

 **PSX**  
PAKISTAN  
STOCK EXCHANGE  
LIMITED

Top 25 Companies  
(2019, 2018 & 2017)

 **CENTRAL  
DEPOSITORY  
COMPANY**

Excellence Award  
Leading Brokerage House for RDA 2021

 **FINANCIAL MARKETS ASSOCIATION OF PAKISTAN  
FMA**

Best Money Market Broker  
(Islamic) 2021

# Pakistan Strategy

## Elections 2024 - Government Jigsaw, Coalition on the Horizon

- ❑ Pakistan's General Elections took place on February 8th, 2024 and the electoral outcome unveiled intriguing dynamics within the political arena.
- ❑ A significant number of seats, 96 in total, were secured by independent candidates (PTI). In close pursuit, the PML-N secured 75 seats followed by PPPP clinching 54 seats.
- ❑ The distribution of seats hints at the possibility of another hung parliament, prompting aspirants for the prime ministerial position to intensify efforts to secure support from independent candidates and other political parties.
- ❑ The decisions made by the incoming government will play a pivotal role in steering the course of economic recovery and ensuring it remains on track as the need for sound economic policies and reforms is paramount.
- ❑ Also, as per media reports, the results of ~26 seats including national and provincial assemblies have been challenged in the Lahore High Court, and approved for hearing. This development would be of key interest among investors as it would be of crucial importance in forming the federal/provincial gov't.
- ❑ In another important development, as per media reports, the IMF has not given consent to the circular debt resolution plan and negotiations will now be with the new gov't.
- ❑ **Market Reaction:** We believe that the market requires clarity on government formation, key portfolios of finance, energy and industries ministries, challenged constituency results, and clarity on circular debt plan for stability and investor confidence. We anticipate that the market might experience some pressure amid political ambiguity while particularly in E&P sector, due to the delay in the circular debt resolution plan.

Party	2024	2018	2013
Independents (PTI) **	96	116	26
Pakistan Muslim League (N)	75	64	129
Pakistan Peoples Party	54	43	36
Muttahida Qaumi Movement	17	6	19
Others	8	9	24
Independents **	5	13	19
Jamiat Ulema-e-Islam (F)^	4	na	9
Pakistan Muslim League	3	4	2
Istehkam-e-Pakistan Party	2		
Muttahida Majlis-e-Amal		12	na
Grand Democratic Alliance		2	na
Awami National Party		1	2
Jamaat-e-Islami^		na	3
Result Postponed	1	2	3
Result Withheld	1	0	0
<b>Total</b>	<b>266</b>	<b>272</b>	<b>272</b>

Source (s): ECP, AHL Research, ^Within MMA in 2018 \*\*via media

*Election 2024: Election in one constituency postponed (NA-08)*

*Election 2018: Election in two constituencies postponed (NA-60 & NA-103)*

*Election 2013: Election in three constituencies postponed (NA-19, NA-38 & NA-253)*

# Pakistan Strategy

## Immediate Issues for Upcoming Government

- Amidst the myriad challenges that the new government will face, we highlight two crucial immediate issues that will need to be addressed promptly.

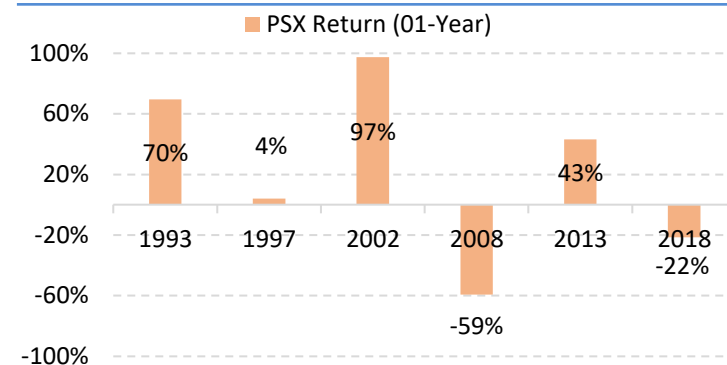
### IMF's New Program

- An immediate challenge awaiting the new government post-election is the imperative task of negotiating a new bigger IMF program for the balance of payment stabilization and support the central bank's foreign exchange reserves.
- The new government must promptly address this challenge by engaging in timely negotiations for a new IMF program.

### Budget FY25 – Relief Unlikely

- Following the establishment of the new government, the subsequent significant milestone will be the formulation of the budget for FY25.
- With the new IMF program likely to be in place by the time budget is announced, it will be a task to see how government balances between both; key economic reforms that IMF requires such as adjusting power tariffs, containing fiscal expenditures, broadening the tax base and depreciation of the PKR versus the USD, and at the same time providing relief to the masses.

Exhibit: KSE100 return during the election year



Source (s): PSX, AHL Research

Exhibit: KSE100 historical returns after elections

Election Dates	Elected parties Tenures	After		
		90 Days	180 Days	360 Days
6-Oct-93	1993-1996	65%	79%	68%
3-Feb-97	1997-1999	0%	23%	8%
10-Oct-02	2002-2007	32%	36%	101%
18-Feb-08	2008-2013	-3%	-25%	-62%
11-May-13	2013-2018	18%	17%	43%
25-Jul-18	2018-2022	-9%	-4%	-21%

Source (s): PSX, Bloomberg, PSX, AHL Research

# Analyst Certification and Disclaimer

**Analyst Certification:** The research analyst(s) is (are) principally responsible for preparation of this report. The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security (ies) or sector (or economy), and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. In addition, we currently do not have any interest (financial or otherwise) in the subject security (ies). Furthermore, compensation of the Analyst(s) is not determined nor based on any other service(s) that AHL is offering. Analyst(s) are not subject to the supervision or control of any employee of AHL's non-research departments, and no personal engaged in providing non-research services have any influence or control over the compensatory evaluation of the Analyst(s).

## Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return from current market price, with Target period as Dec 2024 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside of subject security(ies) is between -15% and +15% from last closing of market price(s)
SELL	Upside of subject security(ies) is less than -15% from last closing of market price(s)

## Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

**Risks:** The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

**Disclaimer:** This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.