ARIF HABIB LIMITED

REP-300

STRATEGY FY2025

...into the **century** zone

Jul 04, 2024

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

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

Best Money Market Broker
(Islamic) 2021

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PAKISTAN CAPITAL MARKET

KSE100 Index to reach 109,250 by Jun'25

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STRATEGY 2025

Index Target

The KSE-100 is expected to provide a return of 36% in FY25. The index is buoyed by the potential negotiation of the IMF's EFF program, a downward trend in the policy rate, and a shift in investments from fixed income to equities; all expected to lead to re-rating of the index.

Economic Outlook

- GDP expected to grow by 3.2% in FY25 on the back of improved agriculture yields, recoveries in industrial output and services sector growth.
- Pakistan is anticipated to enter a new three/four years Extended Fund Facility program with the IMF, likely amounting to USD 6-8bn.
- Inflation is expected to average around 10.7% in FY25.
- Pakistan's CAD for FY25 is expected to reach USD 2.6bn as import-led demand rebounds.
- PKR is expected to average around 289/USD in FY25.

Earnings Growth and Valuation

In 2025, earnings growth is estimated at 4.9% while ex banks and E&Ps earnings are expected to post 16% earnings growth. Additionally, the KSE-100 is trading at a 2025 price-to-earnings (PE) multiple of 4.2x, a valuation lower than the 5-Yr historic average of 5.9x.

Sectoral View

- **Commercial Banks:** Subdued interest rates to suppress earnings growth, but banks will focus on volumetric growth and improved non-markup income.
- **E&Ps:** Curtailment of circular debt, higher payouts, and sale of gov't stake and Reko Diq stake in SOEs, likely to be key triggers.
- **Fertilizer:** Strong pricing power, stable offtake in FY25 and ability to pass on gas tariff hikes to the end consumers.
- **Cement:** Demand to improve in FY25 amid economic revival; moreover lower coal costs, higher retention prices, reduced finance cost and energy-efficient initiatives to boost the bottom-line.
- **Power:** Timely tariff adjustments are projected to alleviate cash flow concerns and curb the accumulation of circular debt.
- **OGMCs:** Economic revival and lower oil prices to support demand of local petroleum products.
- **Textile:** Global recovery to drive demand, energy costs to reduce with PM industrial package, however, a normal tax regime will impact earnings.
- **Autos:** Demand to recover following economic stability and lower interest rates, with HEVs likely to gain prominence due to fuel efficiency

Top Picks

OGDC, PPL, MCB, UBL, MEBL, LUCK, FCCL, DGKC, MLCF, FFC, PSO, HUBC, ILP, NML and, INDU.

PAKISTAN STRATEGY FY25

Contents

ARIF HABIB LIMITED
STRATEGY 2025

Exhibit: Table of content

KSE100 INDEX TARGET FY25

Target Price Based	Earnings Growth Based	Justified PE Based
113,229	92,188	122,332
33%	33%	33%

Average target June 2025

109,250

Expected Return 2025: 36.2%*

- Valuation Basis
- Target
- Weight

*Index Closing 03-Jul-24: 80,234

Source (s): AHL Research

AHL MODEL PORTFOLIO

AHL Take:

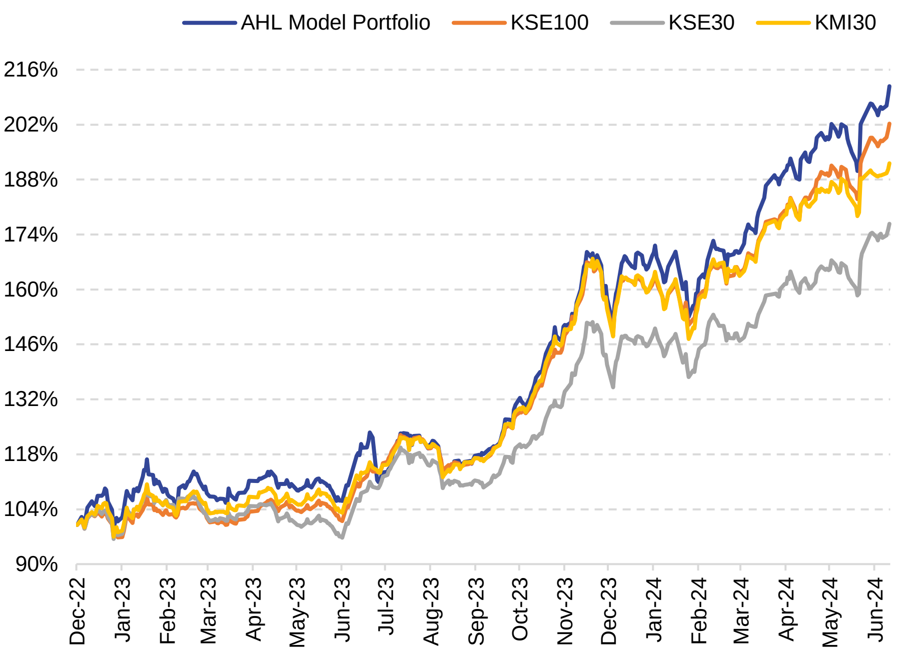
- AHL model portfolio has outperformed the benchmark KSE-30, KMI-30 and KSE-100 indices by 35.1%, 19.6% and 9.5% respectively since inception.
- From the last rebalancing (Dec'23), AHL model portfolio outperformed KSE-100, KSE-30 and KMI-30 index by 5.1%, 9.6% and 12.0%, respectively.
- For FY25 we are rebalancing our model portfolio.-
- We have closed our position in ENGRO (previously 2.5%) and added FFBL with a weight of 5%
- We have increased FCCL weight to 10% (previously 7.5%) while reducing HUBC weight to 5% (previously 10%)

Exhibit: Proforma AHL Model Portfolio

Company	Model Portfolio Weight		Benchmark Index weight	PE (x)	PB (x)	DY (%)
	Previous	Revised				
OGDC	10.0%	10.0%	3.50%	2.98	0.42	10.97
PPL	10.0%	10.0%	3.31%	3.04	0.47	8.02
ENGRO*	2.5%	0.0%	3.52%	4.20	0.68	19.34
LUCK*	10.0%	10.0%	3.18%	3.76	0.84	4.71
MARI	5.0%	5.0%	2.87%	4.85	1.43	8.33
MEBL*	10.0%	10.0%	4.26%	4.58	1.46	10.84
HUBC*	10.0%	5.0%	6.43%	3.14	0.86	14.55
FFC	5.0%	5.0%	4.67%	4.84	2.55	15.45
MLCF*	10.0%	10.0%	0.71%	3.94	0.70	7.85
UBL*	7.5%	7.5%	5.08%	5.01	1.07	15.28
NBP*	7.5%	7.5%	0.90%	2.40	0.22	20.30
INDU	5.0%	5.0%	0.87%	6.02	1.66	9.68
FCCL	7.5%	10.0%	0.78%	3.61	0.66	8.71
FFBL	0.0%	5.0%	0.68%	3.51	1.01	10.5

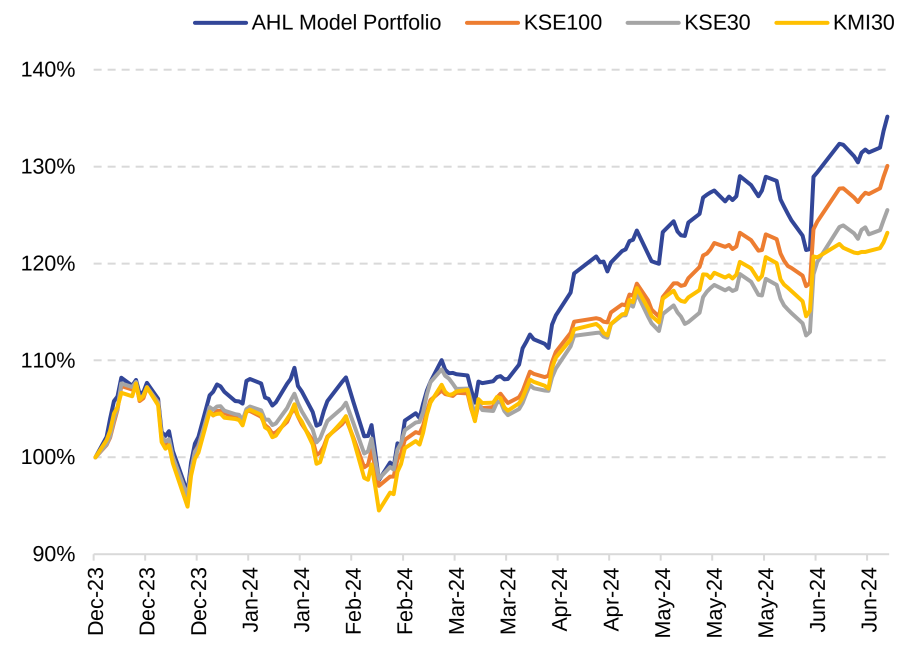
Source (s): AHL Research, *Consolidated

Exhibit: AHL's model portfolio performance since inception



Source (s): Bloomberg, PSX, AHL Research

Exhibit: AHL's model portfolio performance since CY24TD



Source (s): Bloomberg, PSX, AHL Research

AHL model portfolio outperformed KSE-100, KSE-30 and KMI-30 index by 9.5%, 35.1% and 19.6%, respectively since inception (Dec'22).

AHL model portfolio outperformed KSE-100, KSE-30 and KMI-30 index by 5.1%, 9.6% and 12.0%, respectively during CY24TD.

SECTOR WISE - TOP PICKS

ARIF HABIB LIMITED
STRATEGY 2025

Sector Wise Top picks

E&P
OGDC | PPL
Curtailment of circular debt, higher payouts, and sale of gov't stake and Reko Diq stake in SOEs, likely to be key triggers.

Banks
UBL | MEBL| MCB
Subdued interest rates to suppress earnings growth, but banks will focus on volumetric growth and improved non-markup income.

Fertilizer
FFC
Strong pricing power, stable offtake in FY25 and ability to pass on gas tariff hikes to the end consumers.

Cement
LUCK | MLCF | FCCL | DGKC
Demand to improve in FY25 amid economic revival; moreover lower coal costs, higher retention prices, reduced finance cost and energy-efficient initiatives to boost the bottom-line.

OGMCs
PSO
Economic revival and lower oil prices to support demand of local petroleum products.

Auto
INDU
Demand to recover following economic stability and lower interest rates, with HEVs likely to gain prominence due to fuel efficiency

Power
HUBC
Timely tariff adjustments are projected to alleviate cash flow concerns and curb the accumulation of circular debt.

Textile
ILP | NML
Global recovery to drive demand, energy costs to reduce with PM industrial package, however, a normal tax regime will impact earnings.

Source (s): AHL Research

ECONOMY

PAKISTAN ECONOMY

Economic indicators

IMF

At the start of FY25, Pakistan is anticipated to enter a new three/four years Extended Fund Facility program with the IMF, likely amounting to USD 6-8bn.

TRADE DEFICIT

The trade deficit for FY25 is expected to reach USD 27.7bn, largely driven by an anticipated rise in imports amid rising aggregate demand.

ECONOMIC GROWTH

In FY25, we expect real GDP to grow by 3.2% driven mainly on the back of improved agriculture yields, the monetary policy shifts, diminishing domestic uncertainties.

REMITTANCES

Remittances in FY25 are expected to record at USD 30.6bn, with 4% YoY as no significant depreciation is expected going forward.

SECTORAL GROWTH

AHL expects agriculture growth 3.84% (higher yields), Industry by 3.36% (demand revival) and Services by 2.95% (amid growth in other two sectors).

FOREIGN DIRECT INVESTMENT

FDI inflows in FY25 are expected to rise due to investment policy reforms, improving macros and the formation of the SIFC.

CURRENT ACCOUNT BALANCE

Pakistan's CAD for FY25 is expected to reach USD 2.6bn as import-led demand rebounds.

INFLATION

Inflation is expected to average around 10.7% in FY25 controlled food inflation and a high base to keep YoY inflation lower.

PAKISTAN ECONOMY
Economic indicators

INTEREST RATES

With falling inflation, the SBP is expected to further cut the policy rate to 13.5% by Jun'25 end.

GOV'T REVENUE

Total revenue for FY25 is budgeted to increase by 36% YoY, with hopes that FBR tax collections will increase to PKR 12.5trn.

GROSS EXTERNAL FINANCING

Pakistan's gross financing needs in FY25 is expected to be around USD 21bn, which will be 5.5% of GDP.

GOV'T EXPENDITURE

Total expenditure outlay for FY25 is expected at PKR 19.3trn, 16% higher YoY mainly on the back of elevated current expenditure.

PKR PARITY

PKR is expected to average around PKR 289.5/USD. Timely external inflows and managing of CAD to ensure PKR stability.

FISCAL DEFICIT

The fiscal deficit for FY25 is anticipated to reach 6.1% of GDP, amounting to PKR 7.6trn. This deficit will be driven primarily by higher current expenditures.

SBP RESERVES

By Jun'25, SBP reserves are expected to reach USD 11.6bn, supported by improved export inflows, IMF tranches, multilateral/bilateral flows, and timely rollovers.

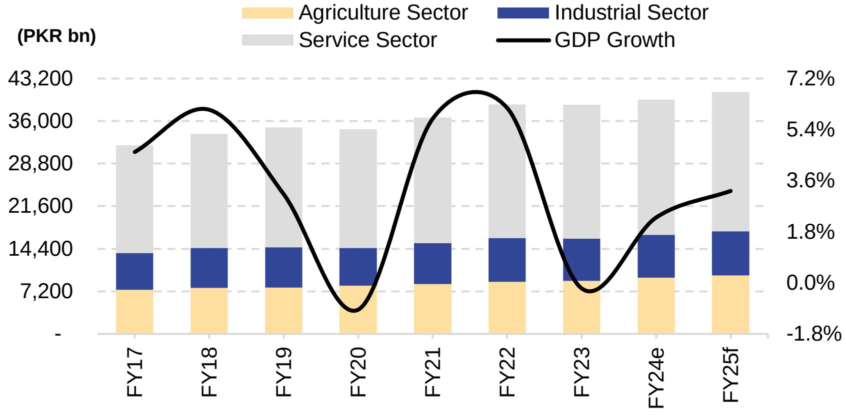
PRIMARY BALANCE

In FY25, primary surplus is expected to be around PKR 2.3trn mainly due to higher revenue from FBR and non-tax sources (PDL and SBP profits).

PAKISTAN ECONOMY

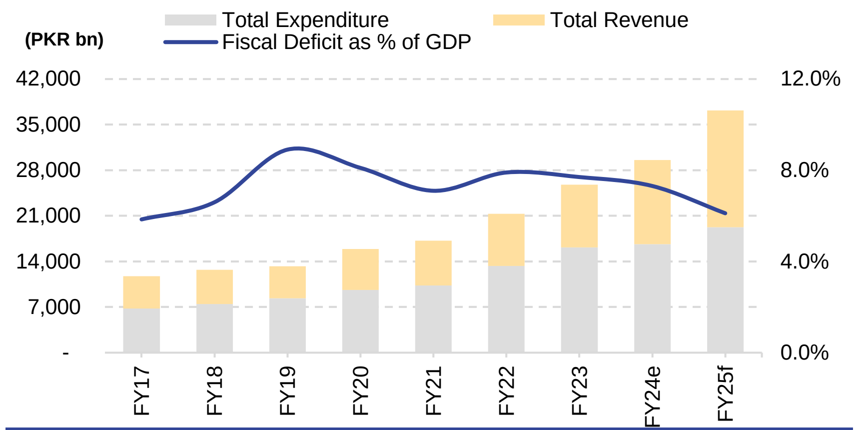
Economy at a glance

Exhibit: Economic growth



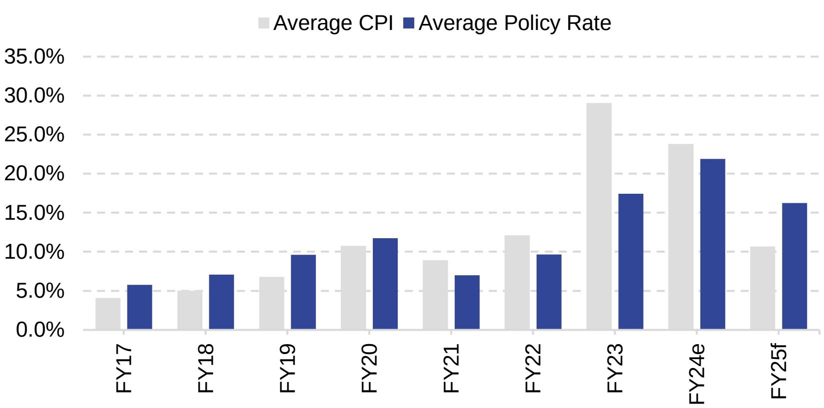
Source (s): PBS, AHL Research

Exhibit: Fiscal sector overview and outlook



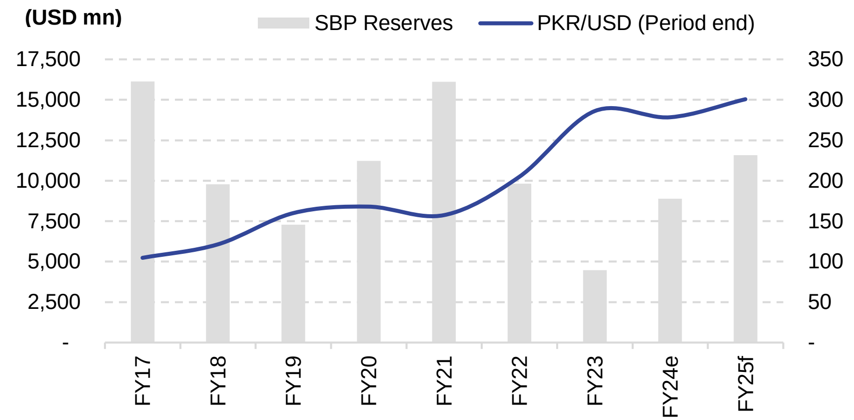
Source (s): MOF, AHL Research

Exhibit: Inflation and Policy rate



Source (s): SBP, PBS and AHL Research

Exhibit: Reserves and PKRUSD



Source (s): SBP, AHL Research


PAKISTAN CAPITAL MARKET

PAKISTAN CAPITAL MARKET

KSE100 Index to reach 109,250 by Jun'25

109,250

Index Target

The KSE-100 index is projected to deliver a 36% return in FY25. The index is buoyed by the successful negotiation of the IMF's EFF program, a downward trend in the policy rate, investments from countries under the SIFC, and a shift in investments from fixed income to equities, leading to potential re-rating of the market

Economic Outlook

Pakistan is likely to enter a larger IMF program in FY25. This, combined with the downward trend in inflation, stable PKR/USD exchange rate, reduction in fiscal deficit, and improved agricultural performance, is expected to sustain robust economic growth.

Earnings Growth

In 2025, earnings growth is estimated at 4.9%. Additionally, the KSE-100 is trading at a 2025 price-to-earnings (PE) ratio of 4.2x, a valuation even lower than the 5-Yr historic average of 5.9x, making it attractive at current levels.

PAKISTAN CAPITAL MARKET
Outlook

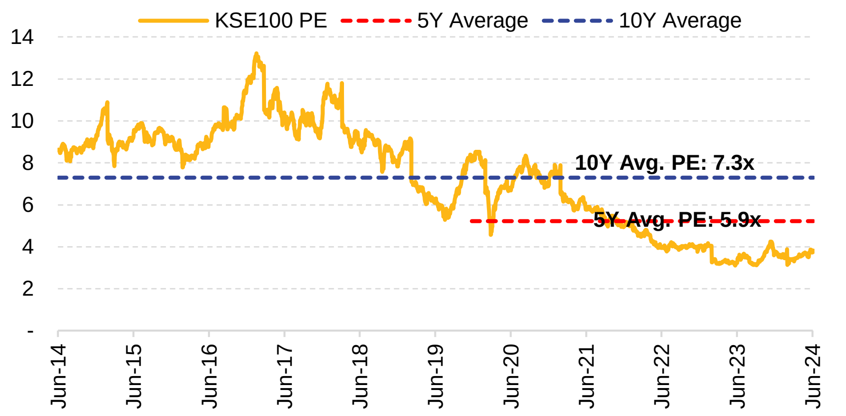
We view FY25 to be a year of strengthening investor sentiment in the equity market primarily on the back of

- **IMF program:** The gov't is negotiating new IMF program, which would support balance of payment for next 3 years.
- **Multiples re-rating**: Factors contributing to this include improving macroeconomic indicators, a comfortable external position, and stable parity.
- **Timely fiscal adjustments**: Effective fiscal measures, especially in the energy sector, and merit based economic decisions by the government will support market stability.
- **Foreign investor interest**: Stabilization measures have attracted significant foreign interest, with net foreign buying reaching USD 141 million in FY24, the highest since FY14.
- **Shift from fixed income to equities**: Declining inflation (projected at 12% in FY25) and interest rates (15% by FY25) are expected to drive investments from fixed income to equities. Currently, only 8% of mutual funds' AUMs are equity-based, leaving significant local liquidity available for the equity market.
- **Tax efficiency**: Equities have become the most tax-efficient asset class post-FY25 budget, with substantial room for growth.

- **KSE100 index highly attractive within regional peers:** The KSE100 index is trading at a forward 2025 P/E multiple of 4.2x, compared to a regional P/E multiple of 12.1, implying a discount of ~65% over regional peers including the Philippines, Vietnam, Indonesia, India and China amongst others. Granted that a re-rating is imminent correcting the discount to other markets based on attractive valuation, consolidation of economy and other underlying fundamentals coming into play.

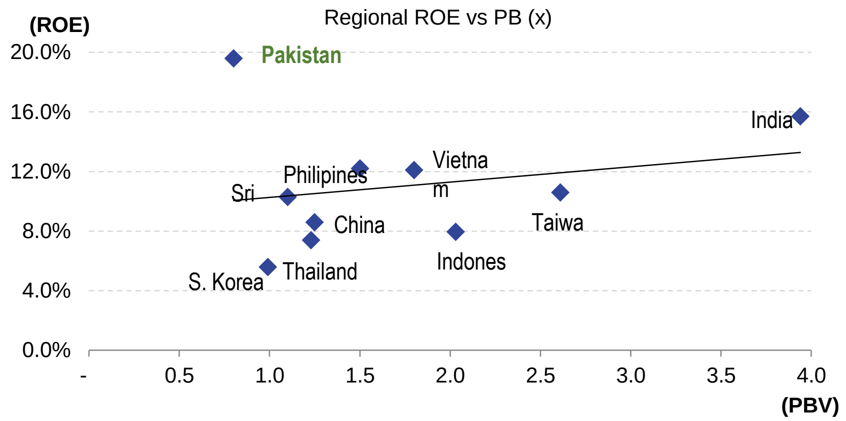
- **Earnings growth:** Earnings growth in 2025 is estimated to be 4.9%, while ex-oil, ex-banks (AHL Universe) reveals profit growth of 16%. This is expected to be largely triggered by the following key sectors i.e. cement (+22%), fertilizer (+5%), autos (+37%), power (+3%), textile (+41%) and chemical (+26%). Lower interest rates and higher economic activity should lead to ignite interest in cyclical sectors (cements) while strong balance sheet and stable earnings should support banking, E&Ps and fertilizer sectors.

Exhibit: Historic trend of KSE-100 PE



Source (s): Bloomberg, AHL Research

Exhibit: Regional attractiveness



Source (s): Bloomberg, AHL Research

PAKISTAN CAPITAL MARKET

Foreign inflows expected to improve in FY25

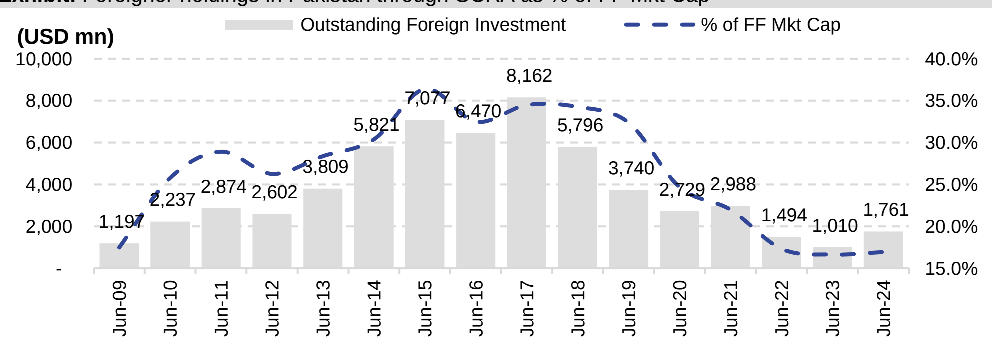
Flows in FY24

Pakistan's equity market has experienced significant inflows in FY24 amounting to USD 141mn as compared to USD 1.6mn in SPLY on the back of rise in investor's confidence due to approval of Stand-By Arrangement (SBA) by IMF. Moreover, foreign equity holdings in Pakistan via Special Convertible Rupee Accounts (SCRA) improved from USD 1.0bn in FY23 to USD 1.8bn in FY24. This substantial increase is primarily due to currency appreciation, an increase in stock prices, and the buying of shares by foreign investors.

Outlook

The local bourse is expected to garner further attention in FY25 as KSE-100 Index remained the World's best performing market with a solid return of 94% in FY24. Also, KSE100 is the second most liquid market in the MSCI Frontier Markets (FM) space, with an average daily trading value (ADTV) of USD 55mn in FY24. Furthermore, the index ranks as one of the cheapest market in terms of price-to-earnings (P/E) ratio of 4.2x compared to regional market average of 12.1x, while also being attractive in terms of price-to-book (P/B) ratio of 0.8x vis-à-vis regional P/B average of 1.6x.

Exhibit: Foreigner holdings in Pakistan through SCRA as % of FF Mkt Cap



Source (s): SBP, PSX and AHL Research

Exhibit: Foreigners Portfolio Investment*

Company	Shares (mn)	PKR mn	USD mn
COLG	12.87	15,461	55.55
UBL	49.89	13,057	46.92
PPL	70.15	8,750	31.44
MEBL	35.70	8,567	30.78
OGDC	55.86	7,639	27.45
HUBC	42.81	7,136	25.64
ENGRO	17.86	5,908	21.23
SYS	12.40	5,316	19.10
HBL	37.92	5,025	18.05
FFC	28.05	4,720	16.96
LUCK	4.80	4,380	15.74
PIOC	24.61	4,372	15.71
EFERT	24.93	4,204	15.11
POL	5.57	2,872	10.32
MTL	4.15	2,621	9.42
PSO	13.50	2,321	8.34
NBP	52.13	2,311	8.30
PAEL	85.00	2,274	8.17
MCB	9.51	2,202	7.91
Others		4,168	14.98
Total Portfolio Investment		**113,304**	**407.13**

Source (s): Company Financials, AHL Research
* @market price

PAKISTAN CAPITAL MARKET

Flush of domestic liquidity

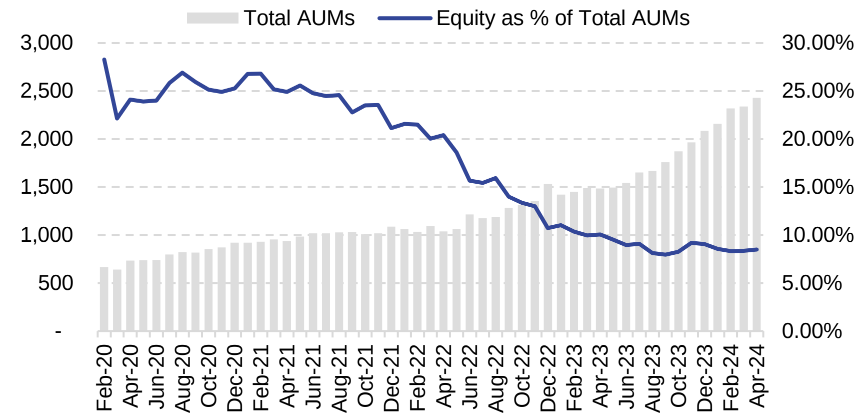
- In FY24, major domestic inflows were reported by insurance (USD 126mn), and Companies (USD 36mn) while Banks/DFIs (USD 141bn), individuals (USD 60mn), Mutual Funds (USD 47mn), Other Organization (USD 33mn), and Brokers (USD 21mn) remained net sellers.
- We have estimated that since Jun'23, Statelife (SLIC) has increased its exposure in the market with an incremental investment of PKR 40bn which has helped maximizing overall portfolio return.
- Currently, individuals, companies, NBFCs, and brokers hold 75.2% compared to 43.4% in FY17.
- Banks and Mutual funds are still lower than their 2017 levels and are currently at 6.9% (2017: 7.7%) and 7.1% (2017: 12.0%) respectively.
- A 1% shift from fixed income to equities by mutual funds and insurance companies (excluding SLIC) is expected to result in an inflow of PKR 25bn and PKR 2.32bn, respectively, while for SLIC, this figure would be PKR 12bn.

Exhibit: KSEALL Ownership (comparison between 2017 & 2024)

	KSE ALL Ownership	
	2017	2024
Mutual Funds	12.0%	7.1%
Banks	7.7%	6.9%
State Life Insurance (SLIC)**	4.2%	6.2%
Insurance (ex. SLIC)	4.0%	0.9%
Foreign	28.7%	3.7%
Other***	43.4%	75.2%

Source (s): MUFAP, FMR, Company Financials, AHL Research
* % of KSEALL Free Float Market Cap, **Financial statements as of Dec'17 and Mar'23
***Others include; Individuals, Companies, NBFCs, Other Organizations, and Brokers.

Exhibit: Equity as % of Total AUMs



Source (s): MUFAP, AHL Research

Exhibit: KSEAll Ownership

PKR bn		AUM / Investment	Equity Exposure	% of total AUMs/ Investments	KSEAll Ownership
Mutual Funds	Apr-24	2,428	206	8.5%	7.1%
Banks^	Mar-24	25,294	201	0.8%	6.9%
State Life Ins. (SLIC)^	Mar-24	1,407	181	12.9%	6.2%
Insurance (ex. SLIC)	May-24	232	25	10.7%	0.9%
Foreign	Jun-24	na	109	na	3.7%
Other*		na	2,192	na	75.2%
Total		**29,361**	**2,915****		

Source (s): MUFAP, FMR, Company Financials, AHL Research,
*Others include; Individuals, Companies, NBFCs, Other Organizations, and Brokers., **KSEALL Free Float Market Cap,

PAKISTAN CAPITAL MARKET

KSE100 event graph FY24

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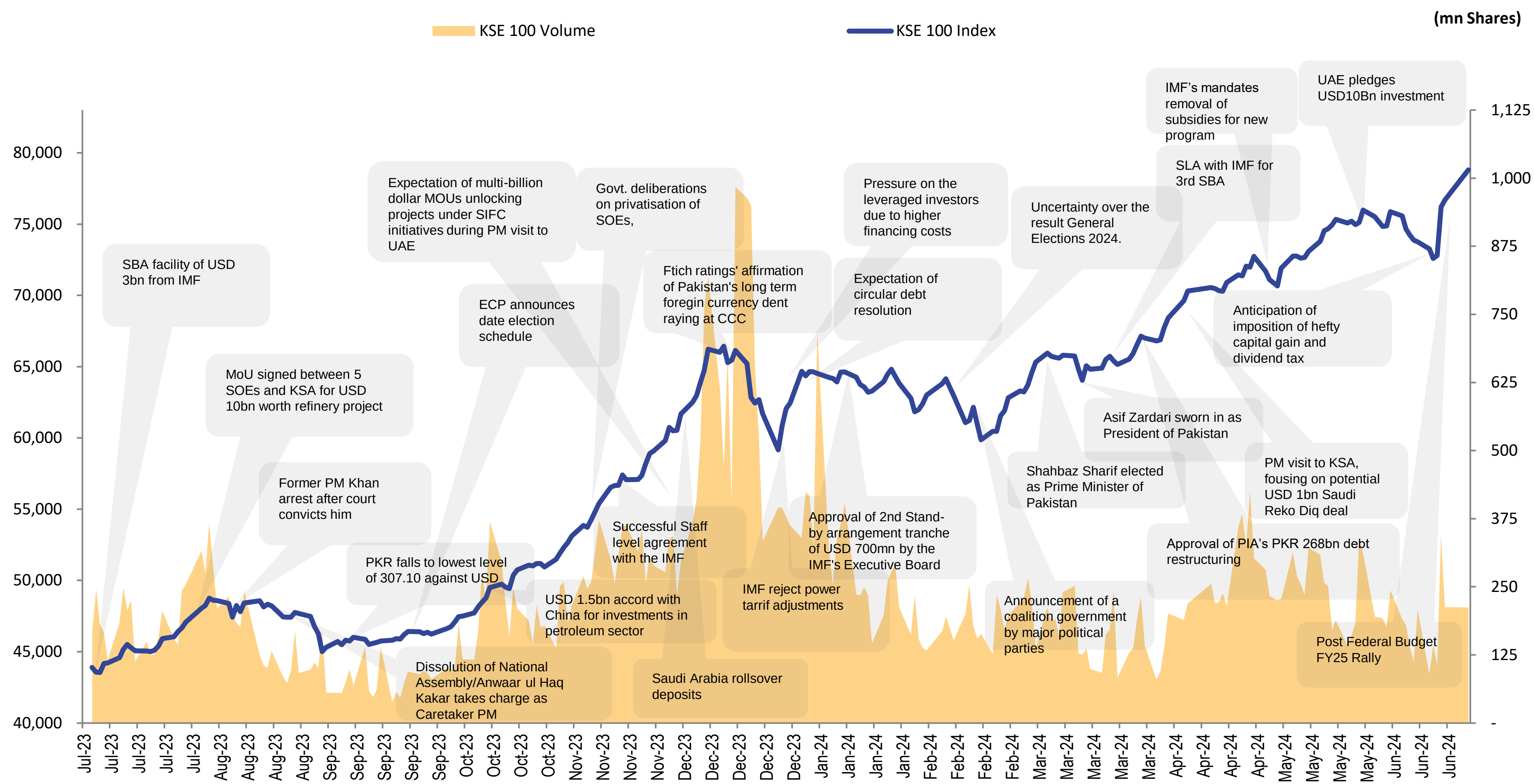
STRATEGY 2025



PAKISTAN CAPITAL MARKET

Upcoming events (1HFY25f)

Jul-24

- OGDC's Jhal Masgi Development Project to complete
- Monetary Policy Committee Meeting
- Staff Agreement of IMF's new EFF program

Aug-24

- Executive Board approval of IMF's EFF program
- Disbursement of first tranche of IMF's EEF program
- MSCI Quarterly Review

Sep-24

- Dewan Farooq to launch electric vehicle Honri-VE
- Wind power project of 28.8MW of LUCK to reach completion
- Monetary Policy Committee Meeting

Oct-24

- COD of Zorlu Solar Pakistan Ltd Project of 100MW
- Commencement of phasing out of OPEC+'s oil production cut of 2.2mn b/d
- Monetary Policy Committee Meeting
- New Chief Justice of Pakistan Syed Ali Shah to take charge

Nov-24

- COD of Suki Kinari Hydropower Project of 884MW
- United States Presidential Election

Dec-24

- Completion of debottlenecking of pipelines under phase 1 of PEF project
- Monetary Policy Committee Meeting
- Staff Agreement of IMF's second tranche of EFF program
- Rollover of USD 3bn of Saudi Arabian debt
- MSCI Quarterly Review

PAKISTAN CAPITAL MARKET

Upcoming events (2HFY25f)

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STRATEGY 2025

Jan-25

- Unwinding of production cut by OPEC
- Completion of pipeline to connect MARI's field Shewa to gas network
- MPC Meeting
- EB approval and disbursement of IMF's second tranche of EFF program
- Rollover of USD 2bn UAE loan
- OPEC+'s 3rd phase of oil production cut

Feb-25

- EPCL's Hydrogen Peroxide plant to reach completion

Mar-25

- Monetary Policy Committee Meeting
- Staff Agreement of IMF's third tranche of EFF program
- Rollover of USD 2bn of Chinese debt

Apr-25

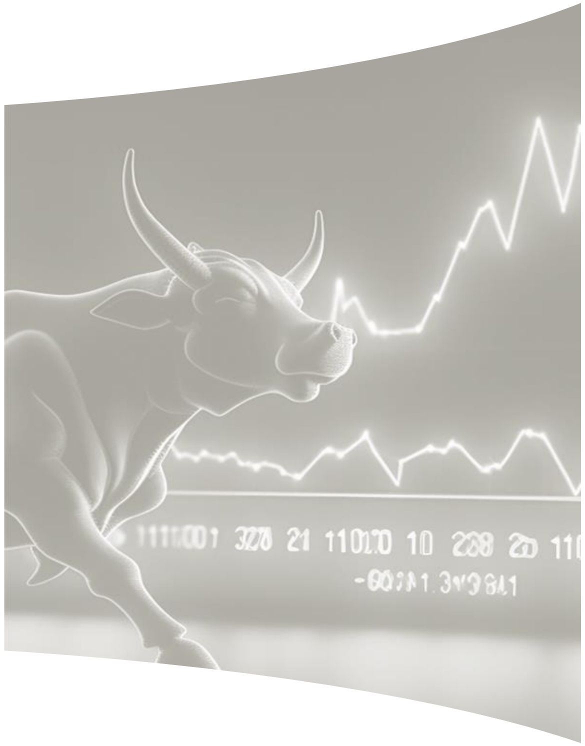
- Monetary Policy Committee Meeting
- Disbursement of third tranche of IMF's EFF program
- Executive Board approval of IMF's third tranche of EFF program
- Unwinding of production cut by OPEC

May-25

- OGDC's Dakhni Compression Project to complete
- MSCI Quarterly Review

Jun-25

- Monetary Policy Committee Meeting
- Federal Budget FY26



TOP PICKS

PAKISTAN CAPITAL MARKET

Top picks

1

E&Ps

OGDC | PPL

Curtailment of circular debt, higher payouts, and sale of gov't stake and Reko Diq stake in SOEs, likely to be key triggers.

2

Banks

UBL | MEBL | MCB

Subdued interest rates to suppress earnings growth, but banks will focus on volumetric growth and improved non-markup income.

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Fertilizer

FFC

Strong pricing power, stable offtake in FY25 and ability to pass on gas tariff hikes to the end consumers.

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Cement

LUCK | MLCF | FCCL | DGKC

Demand to improve in FY25 amid economic revival; moreover lower coal costs, higher retention prices, reduced finance cost and energy-efficient initiatives to boost the bottom-line.

5

OGMCs

PSO

Economic revival and lower oil prices to support demand of local petroleum products.

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6

Auto

INDU

Demand to recover following economic stability and lower interest rates, with HEVs likely to gain prominence due to fuel efficiency

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Timely tariff adjustments are projected to alleviate cash flow concerns and curb the accumulation of circular debt.

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ILP | NML

Global recovery to drive demand, energy costs to reduce with PM industrial package, however, a normal tax regime will impact earnings.

OIL & GAS EXPLORATION

OIL & GAS DEVELOPMENT CO. LTD (OGDC)

Spearheading exploration in the sector

ARIF HABIB LIMITED

STRATEGY 2025

Circular Debt curtailment

- Due to the revision of gas prices, the circular debt has witnessed a slowdown. Hence, the outstanding trade debts stand at PKR 559bn (PKR 130/share) as of Mar'24.
- In the event of resolution, the multiples will re-rate, given OGDC will consider a one-time hefty payout.
- Govt. has approved the payment of PKR 82bn for TFCs issued back in 2013 for the partial settlement of the circular debt. In addition to this, the Govt. will commence interest payments of PKR 92bn from Jul'25. OGDC could use these funds to pay off Govt. royalty and increase payout.

Large scale oil and gas producer

- The company contributes 42% and 36% of the country's oil and gas production, respectively.
- OGDC has various projects such as Dakhni compression, Uch compression, KPD-TAY compression, Khewari compression and Jhal Masgi projects lined up to counter the natural decline in gas production.
- Discoveries such as Toot Deep, Chak-5 Dim South-3, Kot Nawab-1, Dars West, Kharo, Mari East, and Togh-02 are expected to come online which will add upto 3,488 bopd oil/condensate and 30.9 mmcfd of gas in total.
- OGDC has a reserve life of 20yrs.
- Divestment of stake in Reko Diq mining project to foreign stake holder could improve liquidity and result in gain on divestment.
- Potential major discovery in Pakistan or Abu Dhabi block could further unlock value for the company.

Trading multiples

- The scrip is trading at an implied oil price of USD 41.75/bbl vis-à-vis Arab Light price of USD 89.63/bbl with FY25f PER, PB and dividend yield of 3.0x, 0.4x, and 11%, respectively.
- We expect OGDC to post EPS of PKR 45.86 in FY25f.

	OGDC PA
Recommendation	**BUY**
Target Price (Jun-25)	194.1
Last Closing	136.8
Upside (%)	41.9
Shares (mn)	4,300.9
Free float (%)	15 .0
Market Cap. (PKR mn)	588,152
Market Cap. (USD mn)	2,113.1

Price Performance

	3M	6M	12M
Return (%)	10.8	13.2	76.4
Avg. Volume (000)	7,023	10,666	10,063
ADTV (mn) - PKR	925	1,387	1,173
ADTV (000) - USD	3,293	4,968	4,145
High Price - PKR	139.6	150.3	150.3
Low Price - PKR	117.3	104.3	77.5

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		FY23a	FY24e	FY25f
Earnings per share	*PKR*	52.2	51.6	45.9
Dividend per share	*PKR*	8.6	9.3	15.0
Book value per share	*PKR*	251.8	286.2	323.4
Price to Earning	*x*	1.4	2.7	3.0
Price to Book	*x*	0.3	0.5	0.4
Dividend Yield	*%*	11.9	6.8	11.0
Net Margins	*%*	54.3	48.0	48.2

Source (s): Company Financials, AHL Research

PAKISTAN PETROLEUM LIMITED (PPL)

Higher cash sales amid gas tariff revision

ARIF HABIB LIMITED
STRATEGY 2025

Operational efficiency under focus

- At Sui field, the surface network capacity enhancement, was undertaken during 9MFY24, which has resulted in additional 4mmcfd of gas production.
- PPL installed coil tubing gas lift at Adhi South X-1, which has led to incremental oil production of 250 bopd.
- For the purpose of commencing gas sales from Hatim X-1 and Faiz X-1, the commercial arrangements with potential gas buyers is currently ongoing.
- At Kabir X-1, third party gas sales facilities were upgraded during 9MFY24 to commence gas sales to EGAS Pvt Ltd.
- Feeder line laying at Adam-2 well is reaching completion while, at Jhim East X-1 feeder line laying and surface facilities are complete, with regulatory approvals being sought to commence production.
- First Appraisal well at Abu Dhabi block 5 is under going drilling, and any major discovery from the well could improve production of PPL.

Gas tariff revision decelerates mounting of circular debt

- The implementation of higher consumer gas prices has resulted in improvement in the collection from customers to 74% in 9MFY24 (49% in SPLY).
- As of Mar'24, the outstanding trade debts stands at PKR 537bn (PKR 197/share).
- The resolution of pending circular debt will not only improve liquidity of PPL but also allow the company to announce a one-time high dividend, re-rating multiples in process.

Valuation

- PPL is trading at an implied oil price of USD 40.23/bbl vis-à-vis Arab Light price of USD 89.63/bbl with FY25f PER of 3.0x and P/B of 0.5x.
- We project the EPS to arrive at PKR 41.09 in FY25f.

	PPL PA
Recommendation	**BUY**
Target Price (Jun-25)	163.0
Last Closing	124.7
Upside (%)	30.7
Shares (mn)	2,721.0
Free float (%)	24.6
Market Cap. (PKR mn)	339,359
Market Cap. (USD mn)	1,219.0

Price Performance

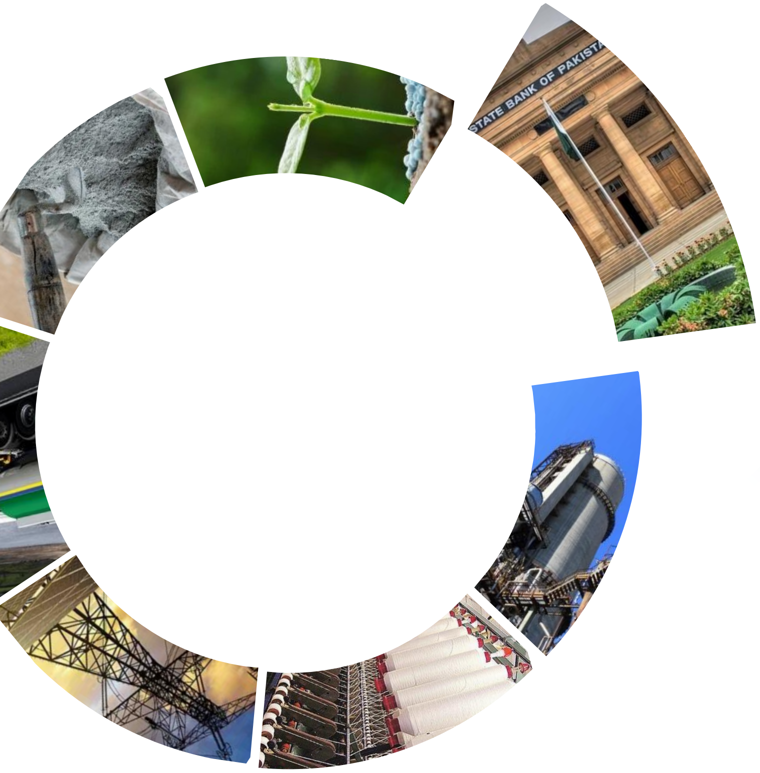
	3M	6M	12M
Return (%)	14.1	0.8	105.8
Avg. Volume (000)	6,196	10,126	9,026
ADTV (mn) - PKR	730	1,204	921
ADTV (000) - USD	2,598	4,311	3,265
High Price - PKR	125.4	129.9	129.9
Low Price - PKR	103.7	95.4	60.6

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		FY23a	FY24e	FY25f
Earnings per share	*PKR*	37.4	46.4	41.1
Dividend per share	*PKR*	2.5	4.5	10.0
Book value per share	*PKR*	198.7	238.6	265.7
Price to Earning	*x*	1.5	2.7	3.0
Price to Book	*x*	0.3	0.5	0.5
Dividend Yield	*%*	4.4	3.6	8.0
Net Margins	*%*	35.6	42.3	40.5

Source (s): Company Financials, AHL Research



COMMERCIAL BANKS

MCB BANK LIMITED (MCB)

Steady dividends to sustain

ARIF HABIB LIMITED
STRATEGY 2025

Steady dividends to sustain

- MCB's CAR is currently at 19.6%, which is well above the regulatory requirement.
- Moreover, bank's ROE generation is expected to stay above 23% in CY25f.
- Sufficient CAR provides buffer to maintain its dividend stream, which is currently at 55% payout. However, with strong capital levels and higher profitability, we believe, MCB has ample room to improve its payout ratio.

Best CASA mix in the industry

- MCB runs one of the most efficient and solid deposit franchises in the country. The bank's CASA ratio has remained above 90% consistently over the past several years, allowing it to maintain above-peer average NIMs.
- The bank has been focusing on improving its current deposit mix as evident in the reported number of 1QCY24, where the CA mix stands at ~44%, from previous levels of late thirties in CY22.

Profitability to remain strong

- The anticipated profitability surge will be driven by an initial increase in NII, as the effects of downward deposit repricing come into play, coupled with lower operating and provisioning expenses due to the bank's low-risk profile and ample coverage ratio.
- We expect MCB to post EPS of PKR 56.5 in CY25f, given the bank's strategic focus on cultivating low-cost deposits, curtailing cost and improving non-markup income.

Strategic asset deployment

- The bank has adopted a cautious approach to lending and has strategically managed its asset deployment. This is evident in its IDR of 68% and an ADR of 37%.
- The bank's infection ratio stands at 7.6% while coverage ratio is ~80%.

			MCB PA
Recommendation			**BUY**
Target Price (Jun-25)			324.8
Last Closing			231.4
Upside (%)			40.3
Shares (mn)			1,185.1
Free float (%)			35.0
Market Cap. (PKR mn)			274,258
Market Cap. (USD mn)			1,155.4
Price Performance			
	3M	**6M**	**12M**
Return (%)	100.6	43.1	130.0
Avg. Volume (000)	231	528	750
ADTV (mn) - PKR	92	102	120
ADTV (000) - USD	326	367	423
High Price - PKR	161.8	246.5	246.5
Low Price - PKR	198.2	159.8	98.1

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		CY23a	CY24e	CY25f
Earnings per share	PKR	54.9	59.1	56.5
Dividend per share	PKR	30.0	32.5	31.0
Book value per share	PKR	204.0	228.1	249.7
Price to Earning	x	2.9	3.9	4.1
Price to Book	x	0.8	1.0	0.9
ADR	%	35.3	35.3	35.1
IDR	%	69.6	72.1	73.3
NIMs	%	8.0	7.4	6.2
RoE	%	29.9	29.7	24.9

Source (s): Company Financials, AHL Research

UNITED BANK LIMITED (UBL)

Top dividend payer

ARIF HABIB LIMITED
STRATEGY 2025

Attractive dividend payout

- UBL is a top pick primarily because of its impressive dividend payout trend.
- Current payout ratio is around 84%, resulting in a dividend yield of 24% (forecasted to be 22% for CY25).
- Despite a slight reduction in capital buffers, we believe UBL still has the capacity to consistently achieve a Tier-I ROE exceeding 20%, supporting substantial cash payouts going forward.

Diversifying portfolio

- UBL's conservative lending approach is reflected in a low ADR of 31%.
- UBL maintains a defensive and diversified loan portfolio.
- The majority of the bank's investment portfolio is allocated to government securities, including PIBs and treasury bills.
- With an investment-to-deposit ratio of 169%, UBL holds substantial long-term government securities. This extensive holding will protect the NIMs from declining during the present period of monetary easing.
- Coverage levels exceed 92%.
- Previous asset quality issues in the Middle East have been resolved, and domestic asset quality remains strong.
- UBL's overseas operations, comprising over 6% of its total assets, remain profitable. Additionally, the bank consistently reports net loan provisioning reversals for these operations.

Digital penetration

- UBL is at the forefront of digital banking innovation in Pakistan, driven by the belief that technology can revolutionize banking experiences.
- UBL has set up efforts to enhance its digital penetration across the country.

	UBL PA
Recommendation	**BUY**
Target Price (Jun-25)	322.2
Last Closing	261.7
Upside (%)	23.1
Shares (mn)	1,224.2
Free float (%)	40.0
Market Cap. (PKR mn)	320,392
Market Cap. (USD mn)	1,150.9

Price Performance

	3M	6M	12M
Return (%)	52.5	59.5	166.8
Avg. Volume (000)	1,638	1,185	1,336
ADTV (mn) - PKR	323	228	227
ADTV (000) - USD	1,149	819	804
High Price - PKR	265.7	265.7	265.7
Low Price - PKR	171.3	159.5	98.1

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		CY23a	CY24e	CY25f
Earnings per share	PKR	45.0	57.5	52.3
Dividend per share	PKR	44.0	44.4	40.3
Book value per share	PKR	233.5	239.3	245.4
Price to Earning	x	3.5	4.6	5.0
Price to Book	x	0.7	1.1	1.1
ADR	%	38.0	39.2	40.2
IDR	%	168.4	170.1	172.0
NIMs	%	3.7	3.2	2.5
RoE	%	18.6	25.9	21.6

Source (s): Company Financials, AHL Research

MEEZAN BANK LIMITED (MEBL)

Promising exceptional ROE

ARIF HABIB LIMITED

STRATEGY 2025

Benefitting from Islamic banking growth

- MEBL has capitalized on the growth of the Islamic banking sector in Pakistan, securing slightly above 7% of the total industry's deposit share and approximately 33% of the Islamic banking market.
- We believe MEBL is poised to dominate Pakistan's Islamic banking sector, although some consolidation in the bank's branch network is anticipated in the coming years.

Highest ROE in the sector

- Meezan Bank's CY24 PB of 1.7x indicates a premium compared to the industry.
- We believe this premium is justified due to the bank's exceptional ROE of over 50%, benefiting from its low-cost deposit base.

Strong CAR

- MEBL's CAR is 24.1%, significantly above the minimum required level.
- The balance sheet has ample capacity to increase payouts, which the bank has recently raised to above 45%, surpassing its historical payout levels of around 40%.

Supreme asset quality

- Over the last 5 years, the bank's total assets, supported by a robust deposit base, grew at a CAGR of 21%.
- Despite this asset growth, the bank's loan portfolio expanded at a modest 5-year CAGR of 14%.
- The bank's stringent lending policies and effective credit risk management mitigate its exposure to Non-Performing Loans, significantly lower than the industry average with an infection ratio of ~2%.
- Furthermore, as of 1QCY24, the bank maintains a coverage ratio of 170%+.

			MEBL PA
Recommendation			**BUY**
Target Price (Jun-25)			340.2
Last Closing			240.0
Upside (%)			41.8
Shares (mn)			1,791.3
Free float (%)			25.0
Market Cap. (PKR mn)			429,829
Market Cap. (USD mn)			1,810.7
Price Performance			
	3M	**6M**	**12M**
Return (%)	13.9	58.4	197.6
Avg. Volume (000)	1,915	1,645	1,753
ADTV (mn) - PKR	421	325	285
ADTV (000) - USD	1,494	1,165	1,009
High Price - PKR	255.6	255.6	255.6
Low Price - PKR	205.8	146.7	80.6

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		CY23a	CY24e	CY25f
Earnings per share	PKR	47.7	57.0	52.4
Dividend per share	PKR	20.0	25.0	26.0
Book value per share	PKR	106.2	138.1	164.5
Price to Earning	x	3.1	4.2	4.6
Price to Book	x	1.4	1.7	1.5
ADR	%	43.4	48.3	48.8
IDR	%	71.2	71.2	72.2
NIMs	%	9.2	10.0	9.1
RoE	%	55.3	46.7	44.3

Source (s): Company Financials, AHL Research

FERTILIZER

FAUJI FERTILIZER CO. LIMITED (FFC)

Reaping success

Lower gas price, lower urea cost

- FFC is procuring feed and fuel gas at a lower rate of PKR 580/mmbtu, and PKR 1,580/mmbtu, respectively while consumers on SNGP and SSGC are receiving feed and fuel at PKR 1,597/mmbtu each.
- Due to this, FFC has a competitive edge over other major urea producers in industry, which will keep the gross margins higher until revised gas prices are notified.
- In the event Mari consumers are notified revised gas price, the company will have to increase urea prices by PKR 1,200/bag to pass on the impact.
- For every one-month lag in MARI gas notification, FFC would have a monthly positive after tax earnings impact of PKR 2.26/share, we view.
- It is pertinent to note that the government is talks with Govt. for uniform gas tariff.

Stable offtakes

- The urea and DAP sales are expected to remain stable at 2.5 tons and 0.2mn during CY24e and CY25f.

Thar Energy

- We anticipate earnings contribution of PKR 2.61/share and PKR 3.53/share on annualized basis in CY24e and CY25f, respectively. Moreover, the Thar Energy contributes PKR 4.79/share to our target price.

Gas Pressure Project

- The project's phase I is currently undergoing debottlenecking of pipelines (completion date: Dec'24).

Earnings outlook

- For CY24e and CY25f, we expect the EPS to be PKR 33.13 and PKR 34.75, respectively.
- Key growth drivers for FFC are robust margins in core business tagged with dividend income from AKBL, FFBL, FFCEL, FWEL I and FWEL II.

	FFC PA
Recommendation	**Buy**
Target Price (Jun-25)	210.2
Last Closing	168.3
Upside (%)	24.9
Shares (mn)	1,272.2
Free float (%)	55.0
Market Cap. (PKR mn)	214,105
Market Cap. (USD mn)	769.1

Price Performance

	3M	6M	12M
Return (%)	38.1	52.4	91.2
Avg. Volume (000)	2,069	1,640	1,202
ADTV (mn) - PKR	286	212	145
ADTV (000) - USD	1,015	761	518
High Price - PKR	170.8	170.8	170.8
Low Price - PKR	121.1	101.6	81.5

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		CY23a	CY24e	CY25f
Earnings per share	*PKR*	23.3	33.13	34.8
Dividend per share	*PKR*	15.5	24.5	26.0
Book value per share	*PKR*	48.6	57.2	66.0
Price to Earning	*x*	3.7	5.1	4.8
Price to Book	*x*	1.8	2.9	2.5
Dividend Yield	*%*	18.1	14.6	15.4
Net Margins	*%*	18.6	17.7	16.5

Source (s): Company Financials, AHL Research

CEMENT

LUCKY CEMENT LIMITED (LUCK)

The giant in the sector

Maintaining its strong position

- LUCK launched Line-2 in Pezu in FY23, with a production capacity of 3.15mn tons, increasing the company's total capacity to 15.3mn tons, solidifying market share at 18%.
- LUCK stands out as one of the least leveraged companies in the cement sector.
- Additionally, the company effectively utilized LTFF/TERF to reduce its financial costs, protecting it from the challenges of a high-interest rate environment.

Sustainable energy initiatives

- The company relies solely on captive generation for its power requirement, making it one of the lowest-cost manufacturers.
- The company is installing a solar power plant of 6.3MW and 6MW, which is forecasted to be completed by the end of CY24, in Karachi and Pezu, respectively.
- Moreover, LUCK is currently installing a 28.8MW wind power project, which is forecasted to commence in 1QFY25.

LEPCL expected to pay dividend

- The 660MW coal power plant, is wholly owned by the company, attained its COD in March 2022.
- We expect profitability from the power plant to average over PKR 30bn over the next five years and the power project to contribute ~ PKR 223.4/shr to our Jun’25 target price.
- LEPCL is expected to achieve true-up tariff in FY25, which will allow LEPCL to pay dividends to LUCK, positively impacting its cashflows.
- Moreover, LUCK includes an automobile assembly business producing Kia and Peugeot vehicles, a mobile phone business involving Samsung products, a wind power plant, and cement operations overseas in DR Congo and Iraq.

	LUCK PA
Recommendation	**BUY**
Target Price (Jun-25)	1,373.1
Last Closing	913.2
Upside (%)	50.4
Shares (mn)	293.0
Free float (%)	30.0
Market Cap. (PKR mn)	267,559
Market Cap. (USD mn)	961.1

Price Performance

	3M	6M	12M
Return (%)	15.4	15.6	68.3
Avg. Volume (000)	217	249	359
ADTV (mn) - PKR	185	199	252
ADTV (000) - USD	669	714	889
High Price - PKR	957.3	957.3	957.3
Low Price - PKR	756.7	699.9	514.4

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		FY23a	FY24e	FY25f
Earnings per share	*PKR*	46.8	84.8	132.0
Dividend per share	*PKR*	18.0	20.0	43.0
Book value per share	*PKR*	468.8	535.0	647.0
Price to Earning	*x*	10.8	10.8	6.9
Price to Book	*x*	1.1	1.7	1.4
Dividend Yield	*%*	3.6	2.2	4.7
Net Margins	*%*	14.3	21.2	28.1

Source (s): Company Financials, AHL Research

FAUJI CEMENT COMPANY LIMITED (FCCL)

Slowly climbing the ladder

Greenfield expansion

- FCCL successfully commissioned its Greenfield cement manufacturing plant at D.G. Khan on 30th Nov'23, having a production capacity of 6,500 tons per day.
- After this expansion, the company's total capacity increased from 8.4mn tons to 10.5mn tons, strengthening its position as the third-largest company in the country and the second-largest in the Northern region.
- Out of the total long-term loans, 36% comprises LTFF/TERF.

Increase in renewables

- The company successfully installed solar plant of 20MW during FY23, taking total solar capacity to 40MW.
- Moreover, the Board approved enhancement in renewable energy capacity through installation of an additional solar plant of 12.5MW and 15MW, which will take the total capacity to 67.5MW.
- Alongside this, the company installed an additional 7MW of WHRP during the year, taking total WHRP capacity to 47.5MW.
- Also, approximately 7% - 8% of coal can be replaced by alternate fuel such as the burning of tire-derived fuel and poultry waste, further making the company cost-efficient.

Earnings outlook

- For FY24e and FY25f, we expect the company to post a earnings of PKR 3.88/share and PKR 6.35/share, respectively.
- Key drivers would be higher retention prices along with lower coal prices, which will keep the margins elevated. Furthermore, cut in policy rates would support the bottom line.

	FCCL PA
Recommendation	**BUY**
Target Price (Jun-25)	37.6
Last Closing	23.0
Upside (%)	63.7
Shares (mn)	2,452.8
Free float (%)	35.0
Market Cap. (PKR mn)	56,317
Market Cap. (USD mn)	202.3

Price Performance

	3M	6M	12M
Return (%)	24.8	12.5	93.0
Avg. Volume (000)	12,599	9,527	7,229
ADTV (mn) - PKR	268	195	135
ADTV (000) - USD	965	700	481
High Price - PKR	24.1	24.1	24.1
Low Price - PKR	16.9	16.4	10.5

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		FY23a	FY24e	FY25f
Earnings per share	*PKR*	3.0	3.9	6.4
Dividend per share	*PKR*	-	-	1.9
Book value per share	*PKR*	26.6	30.4	34.9
Price to Earning	*x*	3.9	5.9	3.6
Price to Book	*x*	0.4	0.8	0.7
Dividend Yield	*%*	-	-	8.3
Net Margins	*%*	10.9	11.8	15.7

Source (s): Company Financials, AHL Research

MAPLE LEAF CEMENT FACTORY LTD (MLCF)

White cement supremacy

Market leader in white cement

- MLCF successfully completed and commenced operations of its new grey clinker line with a production capacity of 2.1mn tons/annum.
- This enhances MLCF's market dominance in the North as the leading player, consolidating all production lines of 7.7mn tons at a single site.
- MLCF captures more than 90% market share in white cement product, which contributes ~20% to the profitability, and also is the biggest white cement exporter.
- To note white cement is sold at a premium to grey cement.

Optimal power mix

- MLCF is well protected by the ever-rising electricity cost, amid the availability of internal power generation.
- MLCF has a wholly owned subsidiary “Maple Leaf Power Limited (MLPL)” which is a 40MW coal-fired plant. MLPL protects MLCF from higher grid costs and also it helps to bring down the tax rate for MLCF on a consolidated basis.
- Along with this, the company has successfully installed a solar power plant of 12.5MW partially protecting the company from a surge in tariffs.

Earnings outlook & valuation

- MLCF is expected to showcase earnings of PKR 6.9/share and PKR 9.9/share in FY24e and FY25f, respectively.
- The company's initiative to integrate alternative fuels, such as biomass, into its fuel mix is expected to enhance profitability and bolster the bottom line.
- At current levels MLCF offers massive upside of 76.4% based on DCF target price of PKR 66.6/share.

			MLCF PA
Recommendation			**BUY**
Target Price (Jun-25)			66.6
Last Closing			37.7
Upside (%)			76.4
Shares (mn)			1,047.6
Free float (%)			45.0
Market Cap. (PKR mn)			39,525
Market Cap. (USD mn)			142.0
Price Performance			
	3M	**6M**	**12M**
Return (%)	0.2	-7.4	33.2
Avg. Volume (000)	5,401	4,521	5,719
ADTV (mn) - PKR	207	175	208
ADTV (000) - USD	744	627	737
High Price - PKR	40.9	40.9	42.7
Low Price - PKR	35.0	34.4	27.1

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		FY23a	FY24e	FY25f
Earnings per share	PKR	5.3	6.9	9.9
Dividend per share	PKR	-	-	3.0
Book value per share	PKR	41.9	48.8	55.6
Price to Earning	x	5.4	5.6	3.8
Price to Book	x	0.7	0.8	0.7
Dividend Yield	%	-	-	7.9
Net Margins	%	9.3	11.1	14.0

Source (s): Company Financials, AHL Research

D.G. KHAN CEMENT CO. LTD (DGKC)

Major beneficiary of rate cut

Policy cut to enhance the bottom line

- DGKC is one of the major beneficiaries of a cut in policy rate, as it is highly leveraged with a debt-to-equity of 53% vs the industry average of ~40%.
- Assuming a 1% cut in the policy rate, DGKC earnings are anticipated to grow by PKR 244 mn (EPS: PKR 0.56).
- With DGKC's finance cost/ton at PKR 1,145 compared to the industry average of PKR 429, a decrease in interest rates would position DGKC as one of the most appealing stocks in the cement sector.

Benefits from a diversified portfolio

- DGKC is one of the biggest players in the cement sector, with an installed clinker capacity of 6.7mn tons/annum.
- The company is well shielded from fluctuations in cement demand due to its investments in multiple subsidiaries across different segments.
- The company also benefits from exporting clinker to USA, effectively mitigating its fixed costs.
- The company has a total market share of about 11% (including both local and exports).

Self-sufficient in generating power

- DGKC boasts ample captive generation capacity, ensuring self-sufficiency with a total annual requirement of approximately 113MW. This shields the company from the impact of fluctuations in grid rates.
- In addition, the company has a coal-fired power plant of 60MW, which helps DGKC to generate cheaper energy as compared to taking it directly from the national grid.

	DGKC PA
Recommendation	**BUY**
Target Price (Jun-25)	123.5
Last Closing	90.2
Upside (%)	37.0
Shares (mn)	438.1
Free float (%)	50.0
Market Cap. (PKR mn)	39,505
Market Cap. (USD mn)	141.9

Price Performance

	3M	6M	12M
Return (%)	31.3	11.1	63.5
Avg. Volume (000)	5,345	4,406	3,959
ADTV (mn) - PKR	436	348	279
ADTV (000) - USD	1,587	1,248	991
High Price - PKR	95.3	95.3	95.3
Low Price - PKR	64.3	63.6	41.5

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		FY23a	FY24e	FY25f
Earnings per share	*PKR*	(8.3)	7.2	15.2
Dividend per share	*PKR*	-	-	-
Book value per share	*PKR*	146.5	153.7	168.9
Price to Earning	*x*	nm	12.6	5.9
Price to Book	*x*	0.4	0.6	0.5
Dividend Yield	*%*	-	-	-
Net Margins	*%*	(5.6)	4.9	8.8

Source (s): Company Financials, AHL Research

OIL & GAS MARKETING

PAKISTAN STATE OIL CO. LTD (PSO)

Potential growth in petroleum sales

ARIF HABIB LIMITED

STRATEGY 2025

RLNG Circular Debt

- The government has revised consumer gas price coupled with hiking fixed monthly charges.
- Hence, with the higher Gas Development Surcharge and fixed charges at disposal, the government will be able to reduce the RLNG circular debt and settle price differential.
- As of Mar'24, PSO's overdue receivables from SNGP stands at PKR 325bn (PKR 691.62/share).
- In addition to this, PSO's Late Payment Surcharge is estimated to be PKR 173bn or PKR 81.22/share.
- Govt. is considering settlement of the outstanding circular debt by giving PSO stake in State Owned companies.

Production & market share

- PSO's white oil sales during FY24 witnessed a decline of 9% YoY to arrive at 7.54mn tons.
- The company's market share witnessed a meagre drop of 0.6% to 49.4% in FY24 compared to 50.0% in SPLY.
- We expect the sales of white oil to increase by 5% YoY in FY25 amid a potential reduction in petroleum prices due to a downward trend in international oil prices, and a revival of economy.

Earnings outlook

- The earnings of PSO are expected to be PKR 31.8/share and PKR 67.4/share in FY24e and FY25f, respectively. The growth in earnings during FY25 is expected to come amid anticipation of absence of hefty inventory losses and growth in sales of white oil.

	PSO PA
Recommendation	**BUY**
Target Price (Jun-25)	220.5
Last Closing	171.9
Upside (%)	28.3
Shares (mn)	469.5
Free float (%)	45.0
Market Cap. (PKR mn)	80,712
Market Cap. (USD mn)	289.9

Price Performance

	3M	6M	12M
Return (%)	0.8	-6.1	52.8
Avg. Volume (000)	1,328	2,569	2,780
ADTV (mn) - PKR	234	455	443
ADTV (000) - USD	831	1,628	1,568
High Price - PKR	185.5	190.0	217.2
Low Price - PKR	161.8	141.2	103.7

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		FY23a	FY24e	FY25f
Earnings per share	*PKR*	12.1	31.8	67.4
Dividend per share	*PKR*	7.5	10.0	12.0
Book value per share	*PKR*	461.3	468.1	510.5
Price to Earning	*x*	8.7	5.4	2.5
Price to Book	*x*	0.2	0.4	0.3
Dividend Yield	*%*	7.2	5.8	7.0
Net Margins	*%*	0.2	0.4	0.9

Source (s): Company Financials, AHL Research

ARIF HABIB LIMITED
STRATEGY 2025

AUTOMOBILE ASSEMBLER

INDUS MOTOR COMPANY LTD (INDU)

Corolla Cross fueling high margins

ARIF HABIB LIMITED

STRATEGY 2025

Robust profit margins

- Over the past decade, Indus has demonstrated remarkable consistency in maintaining its profit margins, typically falling within the resilient range of 7-10%.
- Following the introduction of Corolla Cross, due to reduced custom duties on hybrid vehicles, the company achieved a higher profit margin of 14.7% in 3QFY24. Going forward, we anticipate the profit margins to remain in this range.

Corolla Cross driving sales growth

- Indus being the largest manufacturer, decided to tap the market of SUVs and Hybrids simultaneously and launched its 4th generation Toyota Corolla Cross.
- This strategic launch caused a 304% increase in monthly sales to 2,762 units in Jan'24, with the Corolla Cross contributing 961 units.
- With its strong customer base and competitive pricing ranging between PKR 9.4mn - PKR 9.8mn, the Corolla Cross can challenge higher-priced competitors like the Haval HEV and Hyundai Santa Fe.

Strong balance sheet

- INDU's balance sheet as on Mar'24 reflects cash plus cash equivalents (including short term investments) of PKR 83.7bn which takes cash availability to PKR 1,064.89/share. This indicates that the company's earning is mainly backed by its strong cash flows.
- A diversified portfolio of short-term investments generates sustainable other income for the company.
- Thus, such strong cash holdings translate into higher dividend payouts, sustainable profitability, ability to fund capacity expansions and diversify its product portfolio.

			INDU PA
Recommendation			**BUY**
Target Price (Jun-25)			2,273.4
Last Closing			1,590.6
Upside (%)			42.9
Shares (mn)			78.6
Free float (%)			17.6
Market Cap. (PKR mn)			125,019
Market Cap. (USD mn)			449.1
Price Performance			
	3M	**6M**	**12M**
Return (%)	2.4	28.0	75.9
Avg. Volume (000)	9	19	20
ADTV (mn) - PKR	15	27	25
ADTV (000) - USD	53	95	87
High Price - PKR	1,611.2	1,611.2	1,611.2
Low Price - PKR	1,524.6	1,190.5	839.0

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		FY23a	FY24e	FY25f
Earnings per share	*PKR*	123.0	180.3	264.0
Dividend per share	*PKR*	71.8	105.0	154.0
Book value per share	*PKR*	764.2	839.5	949.5
Price to Earning	*x*	7.0	8.8	6.0
Price to Book	*x*	1.1	1.9	1.7
Dividend Yield	*%*	8.3	6.6	9.7
Net Margins	*%*	5.4	9.6	11.1

Source (s): Company Financials, AHL Research

POWER GENERATION & DISTRIBUTION

THE HUB POWER COMPANY LTD (HUBC)

Maintaining growth momentum

ARIF HABIB LIMITED
STRATEGY 2025

Thar plants to bolster profitability

- Both power plants (TEL & TNPTL), are powered by indigenous coal, having a capacity of 330 MW.
- We anticipate that TEL and TNPTL will contribute PKR 5.71/shr and PKR 4.1/shr, respectively, to earnings of HUBC for FY25.
- Impact of TEL and TNPTL on HUBC's price is forecasted to be PKR 10.1/shr and PKR 7.00/shr, respectively.

Diversified into E&P sector

- HUBC successfully finalized the acquisition of Prime International on 30th Dec'23, establishing a 50:50 joint venture between the company and the Employee Buyout Group.
- We anticipate Prime International to contribute PKR 5.1bn (PKR 3.9/share) in HUBC's FY25 earnings.

First ever dividend by CPHGC

- CPHGC disbursed its first ever dividend of USD 70mn in Nov'23, from which HUBC received its share of USD 32mn.
- The expected dividend distribution from CPHGC to HUBC will strengthen the company's cash position, accelerating loan repayments for Thar and imported coal projects, positively impacting the balance sheet, and increasing shareholders' wealth.

Recent initiatives to boost earnings

- Build Your Dreams (BYD) has entered into the Pakistan's market in collaboration with Mega Motor Company Ltd, an associate of Hub Power Holdings Limited. The incremental impact on HUBC's earnings is anticipated at PKR 3.5/shr.
- HUBC base plant's PPA agreement is set to expire in 2027. To uplift its earnings HUBC signed a MoU with KEL for possibility of power off-take, after the conversion of HUBC's base plant (capacity 1,292 MW) to utilize local Thar coal.

	HUBC PA
Recommendation	**BUY**
Target Price (Jun-25)	212.6
Last Closing	166.7
Upside (%)	27.5
Shares (mn)	1,297.2
Free float (%)	75.0
Market Cap. (PKR mn)	216,223
Market Cap. (USD mn)	776.7

Price Performance

	3M	6M	12M
Return (%)	39.4	45.8	164.6
Avg. Volume (000)	3,566	3,546	3,564
ADTV (mn) - PKR	474	442	392
ADTV (000) - USD	1,680	1,584	1,388
High Price - PKR	165.1	165.1	165.1
Low Price - PKR	119.0	102.7	63.0

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		FY23a	FY24e	FY25f
Earnings per share	PKR	44.4	50.7	53.2
Dividend per share	PKR	30.0	15.3	24.3
Book value per share	PKR	121.8	147.0	189.3
Price to Earning	x	1.3	3.3	3.1
Price to Book	x	0.5	1.1	0.9
Dividend Yield	%	51.2	9.1	14.5

Source (s): Company Financials, AHL Research

TEXTILE COMPOSITE

INTERLOOP LIMITED (ILP)

Global leader in hosiery exports

ARIF HABIB LIMITED

STRATEGY 2025

Hosiery segment to flourish

- Interloop, the premier textile company and a world-leading socks (hosiery) manufacturer, stands out as our top recommendation in the textiles sector.
- With a robust production capacity of 796mn pairs of socks annually, expandable to 923mn pairs by FY26, the company is strategically positioned for substantial growth.
- We anticipate a 10% recovery in volumetric sales in the hosiery segment for FY25, leading to a projected 4-year CAGR of 32% in hosiery sales.
- Looking ahead, we expect gross margins for hosiery to remain robust at 34%, driven by a decline in local cotton prices following a bumper crop season.

Strategic expansions

- Interloop has made a strategic move by acquiring a 64% stake in a US-based hosiery manufacturing company, which also has a presence in China through its subsidiary.
- Responding to rising global demand for denim products, ILP plans to double its denim production capacity from the current 6mn pieces to 12mn pieces per annum by 2025. This expansion is poised to capture greater market share and meet increasing consumer demand.
- ILP has also committed USD 100mn to a fully vertical knitwear apparel segment, which is expected to commence operations in 2QFY25. This investment will significantly boost the aggregate capacity of the apparel segment from 22mn to 40mn garments annually, positioning ILP for substantial growth in the knitwear market.

			ILP PA
Recommendation			**BUY**
Target Price (Jun-25)			103.5
Last Closing			70.3
Upside (%)			47.3
Shares (mn)			1,401.7
Free float (%)			20.0
Market Cap. (PKR mn)			98,498
Market Cap. (USD mn)			353.8
Price Performance			
	3M	**6M**	**12M**
Return (%)	-4.9	-3.3	99.3
Avg. Volume (000)	448	478	654
ADTV (mn) - PKR	34	35	38
ADTV (000) - USD	121	125	135
High Price - PKR	84.1	84.1	84.1
Low Price - PKR	68.6	62.6	34.0

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		FY23a	FY24e	FY25f
Earnings per share	*PKR*	14.4	13.4	16.0
Dividend per share	*PKR*	5.0	4.5	6.5
Book value per share	*PKR*	31.3	40.2	49.7
Price to Earning	*x*	2.3	5.2	4.4
Price to Book	*x*	1.0	1.7	1.4
Dividend Yield	*%*	15.2	6.4	9.3
Net Margins	*%*	16.9	11.9	12.4

Source (s): Company Financials, AHL Research

NISHAT MILLS LIMITED (NML)

Leveraging its market presence

Diversified portfolio to benefit

- As one of the largest and most diversified textile enterprises in the country, NML has positioned itself as a key player in the global textile market, delivering consistent growth and financial resilience.
- Its commitment to innovation and quality has fueled a Profit after tax CAGR of 24.3% over the past five years. The company's sales mix comprises of 20% local, 66% exports, and 14% local sales to direct exporters.
- On a segment basis, company's sales mix consists of yarn (22%), grey cloth (24%), processed cloth (23%), made ups (16%), towel and bath robes (5%) and garments (10%)

Massive portfolio investment

- We remain positive on NML due to:
  - (i) Equity portfolio, with a market value of PKR 74/share, after 30% portfolio discount,
  - (ii) Focus on high-margin yarn and weaving segment,
  - (iii) Regular BMR which will improve capacity and efficiency of the plant, and
  - (iv) Economic revival in US and Europe.
- Our SoTP based Jun'25 TP for NML works out to PKR 98.5/share

			NML PA
Recommendation			**BUY**
Target Price (Jun-25)			98.5
Last Closing			69.4
Upside (%)			41.9
Shares (mn)			351.6
Free float (%)			40.0
Market Cap. (PKR mn)			24,408
Market Cap. (USD mn)			87.7
Price Performance			
	3M	**6M**	**12M**
Return (%)	5.6	-12.4	32.3
Avg. Volume (000)	1,501	1,133	1,299
ADTV (mn) - PKR	108	84	92
ADTV (000) - USD	388	301	326
High Price - PKR	75.5	81.3	83.6
Low Price - PKR	65.5	64.2	53.1

Source: PSX, AHL Research

Exhibit: Ratio Analysis

		FY23a	FY24e	FY25f
Earnings per share	*PKR*	34.6	18.6	34.0
Dividend per share	*PKR*	5.0	2.5	5.0
Book value per share	*PKR*	255.3	271.4	300.5
Price to Earning	*x*	1.5	3.7	2.0
Price to Book	*x*	0.2	0.3	0.2
Dividend Yield	*%*	9.6%	3.6%	7.2
Net Margins	*%*	8.6%	4.1%	6.4%

Source (s): Company Financials, AHL Research

ALPHA STOCKS

PAKISTAN CAPITAL MARKET
ALPHA STOCKS

1. Attock Refinery Limited (ATRL)
2. Exide Pakistan Limited (EXIDE)
3. Service Industries Limited (SRVI)
4. Sazgar Engineering Works Limited (SAZEW)
5. Pak Elektron Limited (PAEL)
6. Fauji Foods Limited (FFL)
7. Hi-Tech Lubricants Limited (HTL)
8. Hum Network Limited (HUMNL)
9. Pakistan National Shipping Corporation (PNSC)

Attock Refinery Limited (ATRL)

- The company recorded an outstanding 5-year revenue CAGR of 23%. Furthermore, the company has a strong balance sheet with cash and short-term investment of PKR 622/share.
- ATRL is most likely to sign the amended brownfield policy and quickly opt for upgradation, given sufficient cash for CAPEX. With the signing of the policy, the company is expected to gain incremental earnings of PKR 123/share.
- Moreover, with deregulation on the horizon, ATRL is all set to capture the IFEM which OMCs will charge on the southern refineries. If this development materializes then ATRL's profitability is anticipated to rise by ~PKR 55/share.

Exhibit: Ratio Analysis

		FY23a	FY22a	LTM
Earnings per share	*PKR*	274.1	93.1	252.4
Dividend per share	*PKR*	12.5	10.0	15.0
Book value per share	*PKR*	1,029.6	483.3	1,218.0
Price to Earning	*x*	0.6	1.7	1.4
Price to Book	*x*	0.2	0.3	0.3
Dividend Yield	*%*	7.7	6.4	4.3
Net Margins	*%*	7.9	3.8	7.2

Source (s): Company Financials, AHL Research

Exide Pakistan Limited (EXIDE)

- The company is involved in the manufacturing and sale of batteries, chemicals, and acid, as well as in the trading, installation, and maintenance of solar energy systems.
- In MY24 the company experienced a substantial growth in earning of 66% YoY arriving at PKR 161.5/share as compared to PKR 41.6/share in SPLY, mainly attributable to higher net sales on the back of improved prices.
- Moreover, in MY24 the gross margins for the company were recorded at 19% vis-a-vis 14% in SPLY.
- Keeping in view the rising demand for batteries in the solar and auto sector, we anticipate a potential boost in the profitability of the company.
- The company posted earnings of PKR 161.5/share in MY24 resulting in an attractive P/E(x) of 3.9.

Exhibit: Ratio Analysis

		MY24a	MY23a	LTM
Earnings per share	*PKR*	161.5	97.1	161.5
Dividend per share	*PKR*	10.0	10.0	10.0
Book value per share	*PKR*	763.4	656.5	763.4
Price to Earning	*x*	1.6	2.8	3.9
Price to Book	*x*	0.3	0.4	0.8
Dividend Yield	*%*	4.0	3.7	1.6
Net Margins	*%*	4.9	3.2	4.9

Source (s): Company Financials, AHL Research

Service Industries Limited (SRVI)

- The company is engaged in the purchase, manufacturing and sale of footwear, tyres and tubes as well as technical rubber products. A huge portion of SRVI's sales revenue comes from export markets particularly European market
- SRVI has reported net earnings growth of 2.5x YoY in CY23 (EPS: PKR28.56), 3.8x YoY in 1QCY24 (EPS: PKR15.61) on standalone basis. Substantial jump in SRVI earnings was driven by increase in Tyre business export volumes and benefit of currency devaluation on pricing and expansion in retail and online business for footwear.
- SRVI holds a 32.1% stake in Service Long March (SLM Tyres). We project SLM to contribute PKR 1.7bn, translating to an EPS impact of PKR 36/share in CY24. Furthermore, the commencement of commercial operations by SLM for phases 2 and 3 is anticipated to significantly enhance SLM's contribution to SRVI's overall performance.

Exhibit: Ratio Analysis

		CY23a	CY22a	LTM
Earnings per share	*PKR*	28.6	7.5	37.9
Dividend per share	*PKR*	10.0	5.0	10.0
Book value per share	*PKR*	177.1	154.8	192.5
Price to Earning	*x*	21.6	43.2	25.4
Price to Book	*x*	3.5	2.1	5.0
Dividend Yield	*%*	1.6	1.5	1.0
Net Margins	*%*	2.4	0.8	3.0

Source (s): Company Financials, AHL Research

Sazgar Engineering Works Limited (SAZEW)

- SAZEW holds the position as the largest producer of rickshaws in the country. SAZEW is also involved in the manufacturing and sale of automobiles, automotive components, accessories, and household electronic appliances.
- In 2023, SAZEW launched Pakistan's first hybrid vehicle, the Haval H6, contributing 60-90% of total sales, resulting in hefty jump in EPS of PKR 50.20 in 3QFY24.
- Recently, Sazgar expanded its hybrid vehicle lineup with the introduction of the Haval Jolion in Apr'24, expected to further drive revenue growth.
- The company remains committed to promoting electric and hybrid vehicles, evident from the launch of Tank 500 and ORA03 models in FY24. Additionally, SAZEW obtained the first license in Pakistan to manufacture electric rickshaws which will enhance their sales in the three-wheeler segment.

Exhibit: Ratio Analysis

		FY23a	FY22a	LTM
Earnings per share	*PKR*	16.5	1.9	81.4
Dividend per share	*PKR*	4.0	-	12.0
Book value per share	*PKR*	48.2	32.3	117.8
Price to Earning	*x*	3.0	30.5	10.0
Price to Book	*x*	1.0	1.8	6.9
Dividend Yield	*%*	8.2	-	1.4
Net Margins	*%*	5.5	1.1	15.9

Source (s): Company Financials, AHL Research

Pak Elektron Limited (PAEL)

- PAEL is a leading producer and distributor of electrical capital goods and domestic appliances.
- Contributing approximately 46% to revenue, PAEL's appliance segment offers a diverse range of products, including refrigerators, air conditioners, and LED TVs.
- The appliance segment's growth is driven by addressing the product penetration gap, rapid urbanization, and improving lifestyles, ensuring robust fundamentals.
- Contributing around 54% to revenue, the power division specializes in transformers, grid stations, and energy meters, capitalizing on rising electrical equipment demand.
- Incremental demand from industries, housing, and increasing electricity consumption, along with government infrastructure initiatives, bolster the power division's outlook.

Exhibit: Ratio Analysis

		CY23a	CY22a	LTM
Earnings per share	*PKR*	1.5	1.3	2.0
Dividend per share	*PKR*	-	-	-
Book value per share	*PKR*	48.4	45.5	48.9
Price to Earning	*x*	14.6	9.7	12.3
Price to Book	*x*	0.5	0.3	0.5
Dividend Yield	*%*	-	-	-
Net Margins	*%*	2.7	1.6	2.7

Source (s): Company Financials, AHL Research

Fauji Foods Limited (FFL)

- FFL processes and distributes dairy and food products.
- Under the Nurpur brand, FFL produces and distributes milk, flavoured milk, tea whitener, cheeses, and butter.
- In FY24, FFL acquired Fauji Infraavest Foods and Fauji Cereals, adding cereals and pasta to its portfolio.
- FFL also provides tailored food products to restaurants, hotels, fast food chains, bakeries, and caterers.
- After 11 years FFL became profitable, posting earnings of PKR 605mn (EPS: PKR 0.24) in CY23, due to operational efficiencies, and focus on high margin products.
- In CY23, FFL used funds generated through the issuance of shares other than the right issue to pay off all the debt. Hence, FFL is debt-free and shariah compliant.
- The consumers are switching to locally produced dairy products over imported ones amid lower selling prices.
- Albeit, FFL is expected to remain profitable in CY24, with strong net sales.

Exhibit: Ratio Analysis

		CY23a	CY22a	LTM
Earnings per share	*PKR*	0.2	(1.4)	0.4
Dividend per share	*PKR*	-	-	-
Book value per share	*PKR*	5.6	2.6	4.5
Price to Earning	*x*	46.4	nm	25.8
Price to Book	*x*	2.0	1.8	2.0
Dividend Yield	*%*	-	-	-
Net Margins	*%*	3.1	nm	4.4

Source (s): Company Financials, AHL Research

Hi-Tech Lubricants Limited (HTL)

- HTL is engaged in the procurement and distribution of lubricants and petroleum products.
- HTL imports various ZIC production from a South Korean company “SK Enmove Co. Ltd.
- Moreover, HTL operates the "Hi-Tech Blending (Pvt) Ltd" facility, which produces lubricants coupled with a bottle processing unit and advanced automated filling lines.
- HTL has 49 fuel stations in Punjab (38) and KPK (11).
- In FY25, the total fuel stations will increase to 87.
- In Jun’24, HTL signed MoU with its supplier for supply of specific additives, ingredients, and formulas for blending and packaging, which will improve margins significantly.
- HTL is trading at 12-M P/S of 0.3x and P/B of 0.9x with a book value of PKR 41.1/share

Exhibit: Ratio Analysis

		FY23a	FY22a	LTM
Earnings per share	*PKR*	(1.8)	4.4	(2.8)
Dividend per share	*PKR*	-	3.8	-
Book value per share	*PKR*	43.4	44.9	27.9
Price to Earning	*x*	nm	8.5	nm
Price to Book	*x*	0.5	0.8	1.3
Dividend Yield	*%*	-	10.1	-
Net Margins	*%*	nm	3.5	nm

Source (s): Company Financials, AHL Research

Hum Network Limited (HUMNL)

- HUMNL is a Pakistani media company known for its flagship channel, Hum TV, and a network of satellite channels.
- In 9MFY24, HUMNL’s revenue surged by 33% YoY to PKR 7.3bn and PAT by 32% YoY at PKR 1.9bn.
- Hum TV's YouTube channel, with over 39 million subscribers, generates USD income from ads based on subscribers, video views, and watch time.
- HUMNL subsidiary, Tower Sports Pvt Limited, and its indirect wholly owned subsidiary, TS3 FZ LLC, have been awarded ICC cricket event broadcasting rights in Pakistan, expected to significantly boost revenue from advertising and sponsors.
- The scrip is trading at 12-M trailing P/E multiple of 5.4x and P/B of 1.3x.

Exhibit: Ratio Analysis

		FY23a	FY22a	LTM
Earnings per share	*PKR*	1.9	1.4	2.0
Dividend per share	*PKR*	-	-	-
Book value per share	*PKR*	6.4	5.4	8.0
Price to Earning	*x*	3.1	4.1	5.4
Price to Book	*x*	0.9	1.1	1.3
Dividend Yield	*%*	-	-	-
Net Margins	*%*	31.5	22.7	28.3

Source (s): Company Financials, AHL Research

Pakistan National Shipping Corporation (PNSC)

- PNSC is a global player in transporting dry bulk and liquid cargoes with seven oil tankers facilitating the shipment of petroleum products from the Middle East to Pakistan.
- Furthermore, PNSC operates five bulk carriers for dry cargo.
- With the addition of new oil tankers, PNSC anticipates continued growth in the oil tankers and dry cargos business in FY25.
- PNSC working on replacing aging tanker vessels through new building and also exploring opportunities in the secondary markets.
- The company evaluating plans to built two Aframax tankers. In addition to this, PNSC is contemplating to procure purchase two MR tanker, two Kamsarmax Bulk Carrier and two 1,100 TEU Container Feeder Vessels which are not older than 5 years.
- In addition to this, the PSNC is considering to purchase two edible oil tankers which are not older than 10 years.
- The crude tanker and product tankers DWT demand is expected to climb up by ~3% and ~6% YoY in FY25f, keeping in view ongoing disruptions across the Red Sea, which will keep the freight rates at the elevated levels.
- The scrip is trading at 12-trailing PE multiple of 1.9x and PB of 0.5x.

Exhibit: Ratio Analysis

		FY23a	FY22a	LTM
Earnings per share	*PKR*	227.1	42.8	156.9
Dividend per share	*PKR*	20.0	5.0	25.0
Book value per share	*PKR*	538.2	320.9	624.5
Price to Earning	*x*	0.5	0.9	1.9
Price to Book	*x*	0.2	0.1	0.5
Dividend Yield	*%*	17.2	13.2	8.3
Net Margins	*%*	54.8	20.3	43.8

Source (s): Company Financials, AHL Research

AHL UNIVERSE

Recommendation Summary

AHL Universe - Recommendation Summary

Code	Company	Price 3-Jul-24	TP Jun-25	Total Return (%)	Stance	EPS (PKR) 2023	EPS (PKR) 2024	EPS (PKR) 2025	DPS (PKR) 2023	DPS (PKR) 2024	DPS (PKR) 2025	P/E (x) 2024	P/E (x) 2025	DY (%) 2024	DY (%) 2025	P/B (x) 2024	P/B (x) 2025	ROE (%) 2024	ROE (%) 2025	Indices
Exploration & Production																				
PPL	Pakistan Petroleum Ltd.	124.7	163.01	30.7	Buy	37.4	46.4	41.1	2.50	4.50	10.00	2.7	3.0	3.6	8.0	0.5	0.5	21.2	16.3	KSE100, KSE30, KMI & MSCI
OGDC	Oil and Gas Dev Co.	136.8	194.1	41.9	Buy	52.2	51.6	45.9	8.55	9.30	15.00	2.7	3.0	6.8	11.0	0.5	0.4	19.2	15.0	KSE100, KSE30, KMI & MSCI
POL	Pakistan Oilfields Ltd.	516.0	614.59	19.1	Buy	128.4	139.0	109.6	80.00	90.00	70.00	3.7	4.7	17.4	13.6	2.0	1.9	55.6	41.1	KSE100, KSE30 & MSCI
MARI	Mari Petroleum Ltd	2,713.5	3,660.5	34.9	Buy	420.7	552.6	560.0	147.00	223.00	226.00	4.9	4.8	8.2	8.3	1.7	1.4	38.9	32.2	KSE100, KSE30, KMI & MSCI
Commercial Banks																				
UBL	United Bank Ltd.*	261.7	322.2	23.1	Buy	45.0	57.5	52.3	44.00	44.00	40.00	4.6	5.0	16.8	15.3	1.1	1.1	24.3	21.6	KSE100, KSE30 & MSCI
BAFL	Bank Alfalah*	70.3	85.0	20.8	Buy	23.2	25.7	23.0	8.00	8.00	7.00	2.7	3.1	11.4	10.0	0.7	0.6	26.3	20.1	KSE100 & MSCI
MCB	MCB Bank Ltd.*	231.4	324.8	40.3	Buy	54.9	59.1	56.5	30.00	33.00	31.00	3.9	4.1	14.3	13.4	1.0	0.9	27.3	23.7	KSE100, KSE30 & MSCI
HBL	Habib Bank Ltd.*	132.5	154.1	16.3	Buy	39.3	45.7	41.3	9.75	11.00	10.00	2.9	3.2	8.3	7.5	0.5	0.4	17.1	13.7	KSE100, KSE30 & MSCI
ABL	Allied Bank Ltd.*	110.8	140.0	26.3	Buy	36.1	38.8	33.5	12.00	16.00	13.00	2.9	3.3	14.4	11.7	0.6	0.5	21.3	16.7	KSE100
NBP	National Bank of Pakistan.*	44.3	54.7	23.3	Buy	25.0	9.5	18.5	-	4.00	9.00	4.7	2.4	9.0	20.3	0.2	0.2	5.0	9.5	KSE100
AKBL	Askari Bank Ltd.*	25.7	33.2	29.1	Buy	14.8	15.4	13.3	2.50	5.00	5.00	1.7	1.9	19.4	19.4	0.3	0.3	21.3	16.3	KSE100
BOP	The Bank of Punjab*	5.4	7.2	33.1	Buy	3.4	3.3	2.9	1.00	0.50	0.50	1.6	1.9	9.3	9.3	0.2	0.2	12.8	10.2	KSE100 & MSCI
MEBL	Meezan Bank Ltd.*	240.0	340.2	41.8	Buy	47.7	57.0	52.4	20.00	25.00	26.00	4.2	4.6	10.4	10.8	1.7	1.5	46.8	34.7	KSE100, KSE30 & KMI
FABL	Faysal Bank Ltd.*	53.8	68.4	27.1	Buy	13.3	16.1	15.0	4.00	5.00	4.00	3.3	3.6	9.3	7.4	0.8	0.7	24.6	19.6	KSE100, KMI & MSCI
Fertilizer																				
ENGRO	Engro Corporation*	330.9	403.4	21.9	Buy	39.2	78.0	78.7	48.00	64.00	64.00	4.2	4.2	19.3	19.3	0.7	0.7	15.0	17.0	KSE100, KSE30, KMI & MSCI
FFBL	Fauji Fert. Bin Qasim	38.0	58.3	53.2	Buy	3.4	8.9	10.8	1.00	3.00	4.00	4.3	3.5	7.9	10.5	1.3	1.0	35.8	32.7	KSE100, KMI & MSCI
EFERT	Engro Fertilizer	168.6	157.8	(6.4)	Hold	19.6	26.5	28.1	20.50	25.00	26.00	6.4	6.0	14.8	15.4	4.9	5.0	75.5	82.9	KSE100, KSE30, KMI & MSCI
FFC	Fauji Fertilizer Co.	168.3	210.2	24.9	Buy	23.3	33.1	34.8	15.49	24.50	26.00	5.1	4.8	14.6	15.4	2.9	2.5	62.6	56.4	KSE100, KSE30 & MSCI
FATIMA	Fatima Fertilizer Co.	53.1	na	na	na	11.0	na	na	4.50	na			Group Company: No estimates are given							KSE100 & KMI
AHCL	Arif Habib Corp. Ltd.	54.0	na	na	na	8.4	na	na	-	na			Group Company: No estimates are given							KSEALL
Cement																				
LUCK	Lucky Cement Ltd.*	913.2	1,373.1	50.4	Buy	166.4	222.4	243.0	18.00	20.00	43.00	4.1	3.8	2.2	4.7	0.8	0.7	22.4	20.4	KSE100, KSE30, KMI & MSCI
FCCL	Fauji Cement Co.	23.0	37.6	63.7	Buy	3.0	3.9	6.4	-	-	2.00	5.9	3.6	-	8.7	0.8	0.7	13.6	19.4	KSE100, KMI & MSCI
ACPL	Attock Cement Ltd.	98.5	148.3	50.7	Buy	11.0	17.4	27.0	6.00	6.96	10.78	5.7	3.7	7.1	11.0	0.6	0.5	11.9	16.0	KSEALL, KMI & MSCI
DGKC	D.G. Khan Cement Co.	90.2	123.5	37.0	Buy	(8.3)	7.2	15.2	-	-	4.00	12.6	5.9	-	4.4	0.6	0.5	4.8	9.4	KSE100, KSE30, KMI & MSCI
KOHC	Kohat Cement Co.	275.4	339.4	23.2	Buy	29.7	41.6	47.2	-	11.58	11.18	6.6	5.8	4.2	4.1	1.3	1.1	22.2	20.4	KSE100, KMI & MSCI
MLCF	Maple Leaf Cement.*	38.2	66.6	74.2	Buy	5.4	6.7	9.7	-	-	3.00	5.7	3.9	-	7.9	0.8	0.7	14.6	19.0	KSE100, KMI & MSCI
POWER	Power Cement	5.7	na	na	na	0.2	na	na	-	na			Group Company: No estimates are given							KMI
Oil & Gas Marketing																				
PSO	Pakistan State Oil	171.9	220.5	28.3	Buy	12.1	31.8	67.4	7.50	10.00	12.00	5.4	2.5	5.8	7.0	0.4	0.3	6.8	13.8	KSE100, KSE30, KMI & MSCI
APL	Attock Petroleum Ltd.	409.36	514.20	25.6	Buy	100.2	99.8	124.2	27.50	27.50	47.50	4.1	3.3	6.7	11.6	0.9	0.8	25.0	26.3	KSE100 & KMI
SNGP	Sui Northern Gas Pipeline Ltd.	68.2	84.3	23.6	Buy	18.8	23.3	25.6	8.00	7.00	8.00	2.9	2.7	10.3	11.7	0.7	0.6	249.7	249.7	KSE100, KSE30, KMI & MSCI
Automobile Assemblers																				
INDU	Indus Motor Co.	1,590.6	2,273.4	42.9	Buy	123.0	180.3	264.0	71.80	105.00	154.00	8.8	6.0	6.6	9.7	1.9	1.7	22.5	29.4	KSE100
HCAR	Honda Atlas Cars (Pak)	275.8	281.9	2.2	Hold	1.8	16.3	19.7	-	-	9.87	16.9	14.0	-	3.6	1.8	1.7	11.4	12.6	KSE100 & KMI
MTL	Millat Tractors Ltd.	631.8	667.6	5.7	Hold	17.6	53.5	68.0	25.00	39.00	61.00	11.8	9.3	6.2	9.7	11.5	10.2	112.7	116.7	KSE100, KSE30, KMI & MSCI
Power Generation & Distribution																				
HUBC	Hub Power Company*	166.7	212.6	27.5	Buy	44.4	50.7	53.2	30.00	17.50	24.25	3.3	3.1	10.5	14.5	1.0	0.9	36.0	30.2	KSE100, KSE30, KMI & MSCI
NCPL	Nishat Chu. Power Ltd.	29.9	29.2	(2.4)	Hold	10.8	13.2	11.6	-	-	1.50	2.3	2.6	-	5.0	0.4	0.3	18.1	13.8	KMI & MSCI
NPL	Nishat Power Ltd.	39.8	45.9	15.3	Buy	11.6	14.0	11.9	7.00	6.50	7.00	2.8	3.3	16.3	17.6	0.4	0.4	15.9	12.6	KSEALL & MSCI
Textile Composite																				
NML	Nishat Mills Ltd.	69.4	98.5	41.9	Buy	34.6	18.6	34.0	5.00	2.50	5.00	3.7	2.0	3.6	7.2	0.3	0.2	7.1	11.9	KSE100, KMI & MSCI
NCL	Nishat (Chunian) Ltd.	26.0	37.1	42.6	Buy	(4.2)	3.5	9.8	-	-	3.50	7.5	2.7	-	13.5	0.3	0.3	4.0	10.8	KSEALL
ILP	Interloop Ltd.	70.3	103.5	47.3	Buy	14.4	13.4	16.0	5.00	4.50	6.50	5.2	4.4	6.4	9.3	1.7	1.4	37.5	35.0	KSE100 & KMI
Chemicals																				
LOTCHEM	Lotte Chemical Pak Ltd.	17.84	19.43	8.9	Hold	3.4	2.8	3.7	3.00	1.50	2.00	6.4	4.8	8.4	11.2	1.1	1.0	17.4	22.2	KSE100 & KMI
EPCL	Engro Polymer & Chem.	43.7	45.1	3.2	Hold	9.8	4.7	7.2	6.00	3.25	5.00	9.4	6.1	7.4	11.4	1.4	1.3	14.7	21.6	KSE100, KSE30 & KMI
LCI	Lucky Core Industries Ltd.	922.2	1,115.0	20.9	Buy	191.1	116.2	130.5	43.00	40.00	50.00	7.9	7.1	4.3	5.4	1.8	1.5	23.3	23.2	KSE100 & KMI
Leather & Tanneries																				
SGF	Service Global Footwear Ltd.	70.13	92.45	31.8	Buy	5.7	9.1	14.6	5.00	8.00	13.00	7.7	4.8	11.4	18.5	1.9	1.5	26.5	35.0	KMI
Engineering																				
ASTL	Amreli Steels Ltd.	26.7	29.9	11.6	Hold	(2.3)	(5.3)	4.7	-	-	-	(5.1)	5.7	-	-	0.6	0.6	(11.4)	10.2	KSEALL
AGHA	Agha Steel Industries Ltd.	10.1									Under Review									KMI
ASL	Aisha Steel Mills Ltd.	7.6	na	na	na	(3.5)	na	na	-	na			Group Company: No estimates are given							KSEALL
Technology & Communication																				
SYS	Systems Ltd.	428.9	545.2	27.1	Buy	29.8	29.0	33.5	5.00	10.30	11.80	14.8	12.8	2.4	2.8	2.2	1.8	18.8	15.4	KSE100, KSE30, KMI & MSCI

Source: Bloomberg, AHL Research, *Earnings Consolidated Basis

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STRATEGY 2025

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LIST OF ABBREVIATIONS

Exhibit: List of abbreviations

Short Form	Abbreviation
AJK	Azad Jammu-Kashmir
AOP	Association of Persons
ATL	Active Taxpayer List
Bn	Billion
CGT	Capital Gains Tax
CPI	Consumer Price Index
CY	Current Year
E&P	Exploration & Production
EFF	Extended Fund Facility
FATA/PATA	Federally Administered Tribal Areas / Provincially Administered Tribal Areas
FBR	Federal Bureau of Revenue
FY	Fiscal Year
GB	Gilgit Baltistan
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPP	Independent Power Producers
LSM	Large-Scale Manufacturing
Mn	Million
MoF	Ministry of Finance
MoM	Month-on-Month
OMC	Oil Marketing Company
PBS	Pakistan Bureau of Statistics
PCT	Pakistan Customs Tariff
PDL	Petroleum Development Levy
PKR	Pakistani Rupee
POS	Point of Sale
PSDP	Pakistan Social Development Program
PSX	Pakistan Stock Exchange
PTA	Purified Terephthalic Acid
PVC	Polyvinyl Chloride
RD	Regulatory Duty
REIT	Real Estate Investment Trust
SBP	State Bank of Pakistan
SLIC	State Life Insurance Corporation Of Pakistan
SOE	State-Owned Enterprise
SPLY	Same Period Last Year
trn	Trillion
WHT	Withholding Tax
YoY	Year-on-Year

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Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form 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

Disclosure required under Research Analyst Regulations, 2015:

In order to avoid any conflict of interest, we hereby disclosed that; Arif Habib Limited (AHL) has shareholding in OGDC, HBL, NBP, BOP and FCCL.