

KSE-100 Index Profitability – FY24

Highest profitability on FY basis

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Best Securities House: 2023
Best Investment Bank: 2023



Best Investment Bank: 2022



Best Equity House: 2022



Best Equity Advisor: 2021



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



Top 25 Companies
(2019, 2018 & 2017)



Excellence Award
Leading Brokerage House for RDA 2021



Best Money Market Broker
(Islamic) 2021

KSE-100 Index Profitability

Highest profitability on FY basis

- Profitability of the KSE-100 index continues to rise, registering a growth of 24% YoY during FY24, highest profitability on FY basis.
- The growth in profitability during the period came on the back of 6%, 23%, 35%, 38%, 84%, and 137% YoY growth in E&P, Power, Bank, Cement, Fertilizer, and OGMC sectors, respectively.
- Commercial Banks:** Sector profitability posted 35% YoY growth to PKR 591bn amid higher net interest income.
- Oil and Gas Exploration:** Profitability of the sector is up by 6% YoY to PKR 440bn during FY24 given currency depreciation and taxation reversal on depletion allowance.
- Fertilizer:** Earnings augmented by 84% YoY to settle at PKR 141bn owed to 59% higher urea prices coupled with an increase in urea and DAP sales by 2% and 40% YoY, respectively.
- Cement:** Bottom-line surged by 38% YoY to PKR 115bn amid higher retention prices and lower coal prices, which offset the impact hike in energy tariff, and declining local dispatches.
- Chemical:** Profitability plummeted by 13% YoY to PKR 37bn, which was primarily due to one-off gain booked by Lucky Core Industries Limited during SPLY owing to the sale of NutriCo Morinaga along lower international chemical margins.
- Power:** Net profit climbed up by 23% YoY to PKR 93bn. The major contribution to this growth comes from HUBC amid i) the addition of local coal-based plants, ii) a higher share of profit from associates and joint ventures, and iii) PKR depreciation.

Exhibit: Sector Wise KSE-100 Index Profit after tax

| (PKR mn) | Weight | 4QFY24 | YoY | QoQ | FY24 | FY23 | YoY |
|-------------------|--------|---------|-------|------|-----------|-----------|------|
| | | 355,626 | 11% | -9% | 1,609,112 | 1,293,602 | 24% |
| Banks | 26.0% | 133,073 | 4% | -10% | 590,636 | 436,557 | 35% |
| E&P | 14.0% | 90,641 | -12% | -11% | 439,724 | 415,136 | 6% |
| Fertilizer | 16.6% | 30,901 | 118% | -12% | 140,567 | 76,488 | 84% |
| Power | 7.7% | 26,463 | -4% | 14% | 92,610 | 75,249 | 23% |
| Cement | 7.7% | 23,669 | 247% | -16% | 114,550 | 83,060 | 38% |
| Food | 2.3% | 10,593 | 10% | -2% | 35,668 | 41,546 | -14% |
| Chemicals | 2.3% | 8,989 | 1195% | 18% | 37,431 | 42,925 | -13% |
| Auto Assem. | 2.9% | 7,723 | 52% | 9% | 24,989 | 13,042 | 92% |
| OGMCs | 3.4% | 6,511 | 3% | -27% | 33,314 | 14,082 | 137% |
| Pharma | 2.7% | 2,766 | nm | -15% | 9,889 | 5,591 | 77% |
| Inv. Banks | 0.3% | 2,189 | 1800% | -2% | 11,087 | 7,722 | 44% |
| Miscellaneous | 1.1% | 2,157 | 54% | 76% | 6,430 | 5,021 | 28% |
| Engineering | 1.1% | 1,672 | -63% | 53% | 7,823 | 10,080 | -22% |
| Glass | 0.6% | 897 | 173% | 18% | 4,374 | 2,519 | 74% |
| Textile Composite | 1.3% | 437 | -27% | 5% | 2,199 | 2,407 | -9% |
| Paper | 0.6% | 239 | 354% | -78% | 3,789 | 3,242 | 17% |
| Technology | 4.3% | (1,751) | nm | nm | (6,904) | (1,557) | nm |
| Refinery | 1.0% | (3,281) | nm | nm | 10,462 | 12,099 | -14% |
| Others | 4.3% | 11,738 | 22% | 4% | 50,472 | 48,392 | 4% |

Source (s): Company Financials, AHL Research

KSE-100 Index Profitability

Highest profitability on FY basis

- **OGMCs:** Earnings climbed up by 137% YoY due to higher ex-refinery prices during the period, leading to inventory gains.
- **Auto Assembler:** Bottom-line surged by 92% YoY, settling at PKR 25bn better margins amid higher prices of passenger vehicles and tractors.
- **Refinery:** Net profit decline by 14% YoY to PKR 10bn owed to lower GRMs.
- **Engineering (Steel):** Profitability down by 22% YoY to PKR 8bn, led by MUGHAL and INIL amid lower sales and margins.
- We have based our analysis on the KSE-100 index and have included the results of 87 companies. The companies that have been included in our analysis represent almost 94.4% of the market capitalization of the benchmark bourse.

Exhibit: Sector Wise KSE-100 Index Profit before Tax

| (PKR mn) | Weight | 4QFY24 | YoY | QoQ | FY24 | FY23 | YoY |
|---------------------|--------|----------------|-------------|-------------|------------------|------------------|--------------|
| KSE100 Index | | 614,670 | -11% | -14% | 2,905,474 | 2,276,520 | 27.6% |
| Banks | 26.0% | 263,383 | -3% | -12% | 1,221,291 | 837,039 | 46% |
| E&P | 14.0% | 127,155 | -38% | -18% | 616,842 | 684,880 | -10% |
| Fertilizer | 16.6% | 62,728 | -12% | -32% | 394,477 | 215,324 | 83% |
| Cement | 7.7% | 46,127 | 103% | -8% | 186,494 | 135,155 | 38% |
| Power | 7.7% | 42,750 | 33% | 40% | 127,260 | 90,955 | 40% |
| Food | 2.3% | 17,859 | 2% | 4% | 58,049 | 60,076 | -3% |
| Auto Assem. | 2.9% | 12,101 | 13% | 4% | 39,792 | 22,147 | 80% |
| Chemicals | 2.3% | 11,930 | nm | -12% | 57,346 | 51,379 | 12% |
| OGMCs | 3.4% | 5,555 | -58% | -50% | 57,290 | 41,245 | 39% |
| Pharma | 2.7% | 3,654 | 171% | -18% | 14,396 | 11,176 | 29% |
| Miscellaneous | 1.1% | 3,124 | 68% | 107% | 8,209 | 6,326 | 30% |
| Textile Composite | 1.3% | 367 | -56% | -48% | 2,991 | 3,464 | -14% |
| Inv. Banks | 0.3% | 197 | 334% | -31% | 1,046 | 250 | 319% |
| Engineering | 1.1% | 8 | 100% | -99% | 10,419 | 16,771 | -38% |
| Paper | 0.6% | (53) | nm | nm | 4,081 | 6,458 | -37% |
| Refinery | 1.0% | (1,074) | nm | nm | 22,254 | 28,859 | -23% |
| Technology | 4.3% | (3,607) | nm | nm | (14,250) | (7,184) | nm |
| Others | 4.9% | 22,465 | 2% | -8% | 97,489 | 72,201 | -77% |

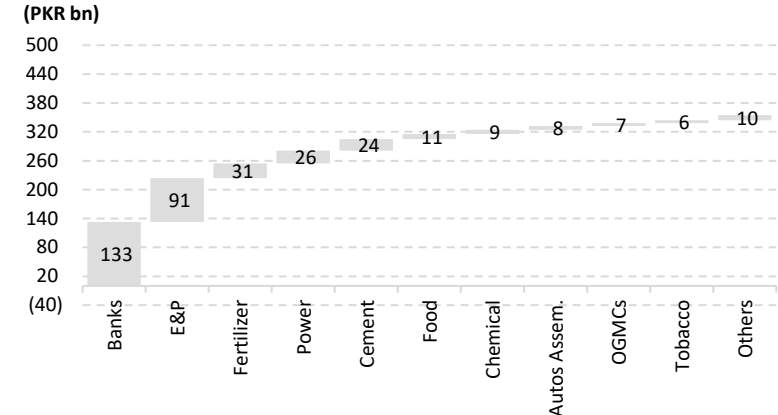
Source (s): Company Financials, AHL Research

KSE-100 Index Profitability

Growth of 11% YoY during 4QFY24

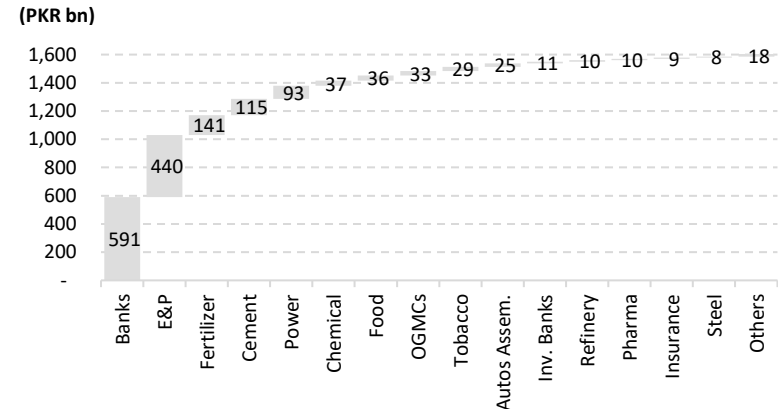
- On a quarterly basis, KSE-100 profitability increased by 11% YoY to PKR 356bn attributable to a jump in earnings of Banks, Cement, Fertilizer, Food, Auto Assemblers, and Chemicals.
- Commercial Banks:** Banks posted a growth of 4% YoY in 2QCY24 given a higher net interest income.
- Oil and Gas Exploration Companies:** Profitability declined by 12% YoY, arriving at PKR 91mn, given decline in earnings of OGDC owing to absence of one-off gain booked during 4QFY24. Meanwhile, MARI and POL posted robust earnings.
- Fertilizer:** During 2QFY24, profitability surged by 118% YoY due to i) 59% YoY and 15% jump in urea prices and DAP respectively, ii) imposition of incremental super tax on 1HCY23 and CY22 in 2QCY23, and iii) higher dividend income from associate company to FFC and FFBL.
- Cement:** Profitability witnessed a significant growth of 247% YoY amid absence of incremental super tax compared to last year.
- Automobile Assembler:** Net profit witnessed a healthy growth of 52% YoY due to the realization of higher passenger car and tractor prices.
- Chemical:** Profitability showcased robust growth of 13x YoY to PKR 9bn, which was majorly contributed by LOTCHEM amid massive improvement in sales coupled with no additional super tax burden during the quarter as compared to last year.
- OGMCs:** Earnings increased by 3% YoY to PKR 6.5bn on the back of lower inventory losses booked during the quarter.

Exhibit: KSE100 Profitability Contribution (4QFY24)



Source (s): Company financial, AHL Research

Exhibit: KSE100 Profitability Contribution (FY24)



Source (s): Company financial, AHL Research

KSE-100 Index Profitability

Growth of 11% YoY during 4QFY24

- **Power sector:** Net profit dwindled by 4% YoY to PKR 26bn, which is attributable to the decline in profitability of HUBC owed to higher liquidated damages. In addition to this, NCPL and SPWL reported lower profitability due to currency appreciation.
- **Textile Composite:** The bottom line reduced by 27% YoY due to decrease in KTML's profitability during the quarter.
- **Pharma:** The sector reported a profit of PKR 2,766mn during the quarter compared to a loss of PKR 637mn, on account of higher selling prices of medicines.

KSE-100 Index Profitability

Dividends up by 29% YoY to PKR 667bn in FY24

- Dividends of KSE-100 companies increased by 29% YoY to PKR 667bn in FY24.
- Commercial Banks:** Sector dividend posted a surge of 55% YoY to PKR 279bn amid robust profitability growth.
- Fertilizer:** Fertilizer sector witnessed an uptick in dividend of 7% YoY to PKR 84bn amid higher dividend announced by FFC and EFERT.
- E&P:** The dividend of the E&P sector witnessed a growth of 37% YoY to PKR 118bn. The jump in dividends is witnessed due to the 18%, 19%, 58% and 1.4x YoY higher dividends announced by OGDC, POL, MARI and PPL, respectively.
- Power:** Dividends from power sector plunged by 30% YoY during FY24. The decline is witnessed due to a 33% YoY decrease in HUBC's dividend.
- Chemical:** Chemical sector dividends experienced an uptick of 1% YoY during FY24 due to 40% YoY higher dividends from LCI, partially offsetting 63% and 53% YoY decline dividends from EPCL and LOTCHEM.
- Autos:** Dividends from the automobile sector increased by 43% YoY due to a 60% YoY surge in dividend from INDU coupled with 19% YoY higher dividend from MTL.

Exhibit: Sector Wise KSE-100 Index Dividends

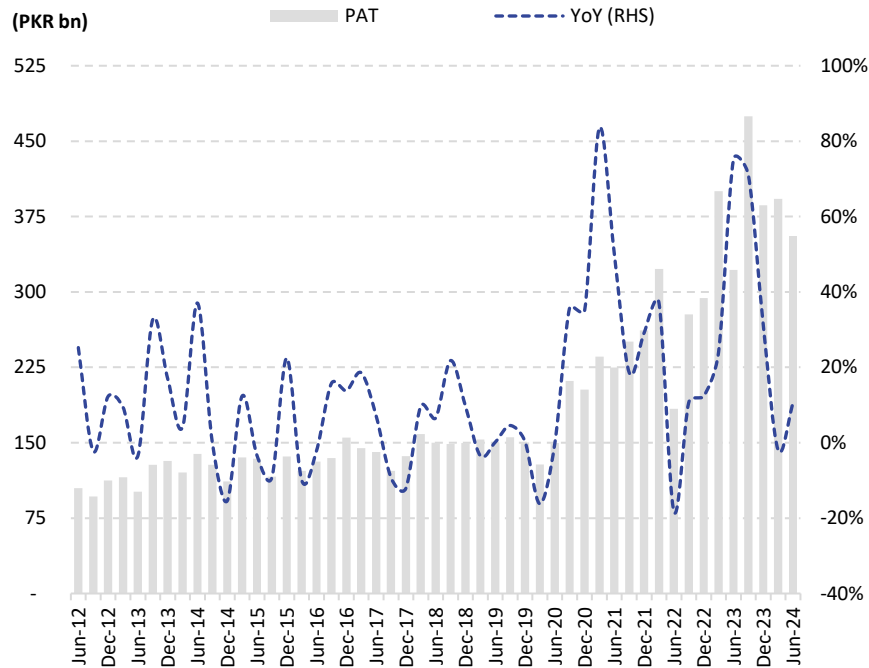
| (PKR mn) | Weight | 4QFY24 | YoY | QoQ | FY24 | FY23 | YoY |
|---------------------|--------|----------------|--------------|--------------|----------------|----------------|--------------|
| KSE100 Index | | 240,767 | 30.5% | 93.9% | 666,529 | 516,043 | 29.2% |
| Banks | 26.0% | 69,224 | 4% | 8.0% | 278,940 | 179,824 | 55.1% |
| Fertilizer | 16.6% | 26,796 | 109% | 13.6% | 83,864 | 78,404 | 7.0% |
| E&P | 14.0% | 61,752 | 52% | 445.4% | 117,681 | 85,894 | 37.0% |
| Power | 7.7% | 17,917 | -7% | 281.6% | 40,292 | 57,245 | -29.6% |
| Chemicals | 2.3% | 11,424 | 103% | 1408.8% | 24,832 | 24,589 | 1.0% |
| Food | 2.3% | 11,506 | 56% | 512.0% | 21,552 | 17,508 | 23.1% |
| Auto Assem. | 2.9% | 3,380 | -34% | 26.5% | 13,810 | 9,683 | 42.6% |
| Inv. Banks | 0.3% | 2,245 | 367% | -6.7% | 5,614 | 10,588 | -47.0% |
| Cement | 7.7% | 14,667 | 50% | 310.0% | 26,826 | 19,036 | 40.9% |
| OGMCs | 3.4% | 6,872 | 28% | nm | 9,186 | 7,585 | 21.1% |
| Engineering | 1.1% | 1,767 | -27% | nm | 3,118 | 4,456 | -30.0% |
| Real Estat | 0.4% | 1,112 | 0% | 0.0% | 4,447 | 4,025 | 10.5% |
| Tobacco | 0.4% | 7,665 | nm | 0.0% | 23,505 | 2,555 | 820.0% |
| Property | 0.2% | 1,523 | -33% | nm | 1,523 | 2,285 | -33.3% |
| Glass | 0.6% | - | nm | nm | - | 1,033 | nm |
| Insurance | 0.5% | 825 | 0% | 175.0% | 2,750 | 3,050 | -9.8% |
| Others | 12.4% | 2,093 | -39% | 2107.6% | 8,587 | 8,283 | 3.7% |

Source (s): Company Financials, AHL Research

KSE-100 Index Profitability

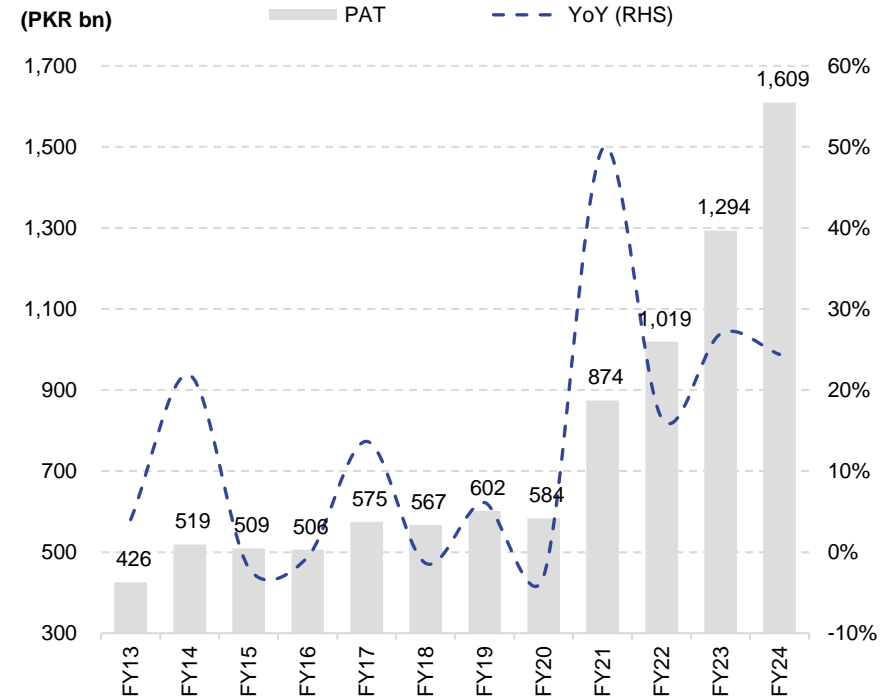
Historical trends

Exhibit: KSE100 Historical Profitability (Quarterly)



Source (s): Company financial, AHL Research

Exhibit: KSE100 Historical Profitability (FY24)



Source (s): Company financial, AHL Research

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| 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

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