

CABLE & ELECTRICAL GOODS

Pak Elektron Limited

Growth momentum through export expansion

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REP - 300



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Wired for an upside!

We initiate our coverage on Pak Elektron Limited (PAEL), a leading player in Pakistan's electrical goods and home appliances sector, with a "BUY" rating. Our analysis sets a Jun-26 target price of PKR 88.7/Share, which implies a compelling upside potential of 48% from the last closing price. This bullish outlook is driven by our forecast of a robust five-year forward revenue and earning compound annual growth rate (CAGR) of 12% and 26% respectively, fuelled by exceptional growth in export revenues, high margins, a resurgence in domestic demand, and advantageous shifts in global trade dynamics. At present, PAEL's stock is trading at highly attractive valuations, with a CY26f P/E ratio of 6.5x and a CY27f P/E of 5.5x, making it an undervalued as compared to its 5-year historical average P/E of 12.4 in the market. To summarize key drivers:

- Riding the export wave, the company's entry into the US transformer market, lifting overall margins to ~31%.
- Surging appliance demand, led by refrigerators and air conditioners, is expected to grow 25%.
- Trading at a forward CY26f PE of 6.5x, a 48% discount to its 5-year historical average, the stock offers an attractive investment opportunity.

Exports as a growth catalyst

PAEL has launched exports of distribution transformers to the US, securing USD 44mn orders in 2025 with targets of USD 50mn in CY25e and USD 100mn in CY26f. Our modest estimates stand at USD 44mn and USD 51mn, adding PKR 12–15bn in revenues. Exports are expected to contribute 35–36% to the power division by CY26f, supported by US tariffs on Chinese imports and Mexico's supply constraints. With export margins about 15% higher than domestic sales, overall margins could expand by 4–5% to reach 30.5% by CY30f.

Appliance sales surge on soaring demand

The appliance division is set for strong growth amid Pakistan's improving GDP outlook, easing inflation, and rising purchasing power. Climate-driven demand for cooling appliances and energy-efficient products boosted CY24 revenues by 80% to PKR 40bn. Partnerships with Electrolux and Panasonic in 2025 strengthen offerings, while supply chain efficiencies support growth. 1HCY25 appliance sales surged 54% YoY to PKR 35.4bn.

Attractive valuation

PAEL trades at a forward PE of 6.5x CY26f, a 48% discount to its 5-year historical average of 12.4x (barring period from Jan'21 to Mar'21). This undervaluation, combined with its export-driven turnaround and strong appliance demand, makes it a compelling buy opportunity.

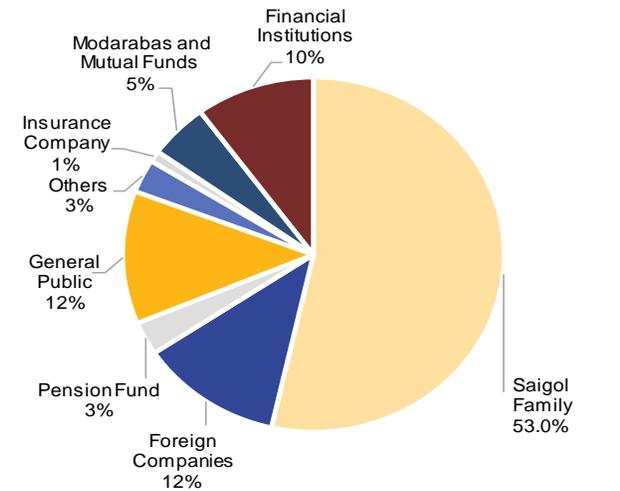
Profitability accelerates sharply

PAEL's profitability is poised for a strong upswing, supported by the factors outlined above, particularly the momentum in exports, margin enhancement and appliance demand recovery. We project EPS to rise to PKR 4.9 in CY25e and PKR 9.26 in CY26f, marking robust earnings growth of 82% and 89%, respectively.

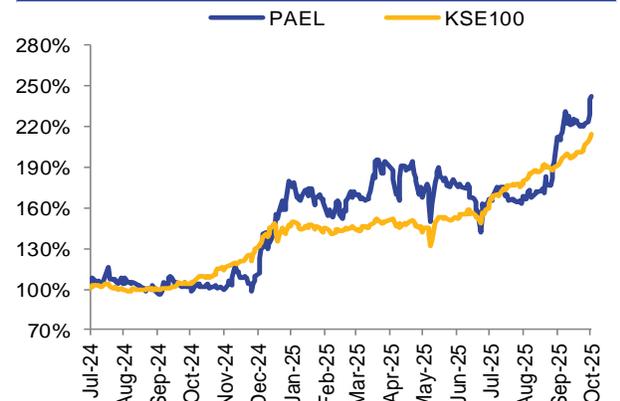
PAEL			
Recommendation	BUY		
Target Price	88.7		
Last Closing	59.9		
Upside	48.0%		
Shares (mn)	923.6		
Free float (%)	55.0		
Market Cap. (PKR bn)	55.4		
Market Cap. (USD mn)	196.80		
Price Performance			
	3M	6M	12M
Return (%)	44.8	32.4	142.9
Avg. Volume (mn)	16.4	13.1	15.2
ADTV (mn) - PKR	838.6	634.6	633.7
ADTV (mn) - USD	3.0	2.3	2.3
High Price - PKR	59.3	59.3	59.3
Low Price - PKR	40.4	35.0	24.4

Source: PSX, AHL Research

Shareholding Pattern as of Mar'25



Source: Company Financials, AHL Research



Source: Bloomberg AHL Research

Valuation

Our valuation of PAEL utilizes a blended approach, assigning 80% weight to discounted cash flow (DCF) methodology and 20% to multiple-based valuation, resulting in a Jun-26 target price of PKR 88.71 per share. This implies a total return potential of 48% from the last closing price of PKR 59.93 per share. Key assumptions include a five-year adjusted beta of 1.3, a risk-free rate of 11.4%, and an equity risk premium of 6.0%, leading to a cost of equity of 19.2%. These parameters account for PAEL's market volatility, current interest rates, and the risks inherent in Pakistan's home appliance sector.

The stock currently trades at forward P/E multiples of 6.5x for CY26f and 5.5x for CY27f, which we consider undervalued compared to the company's growth potential and its 5-year historical average P/E of 12.4, reflecting a 48% discount. This compelling valuation, alongside our projected earnings growth, supports our "BUY" recommendation, providing investors significant upside potential.

Exhibit: Value parameters

Growth rate	6%
Risk free rate	11.4%
Beta	1.3
Equity risk premium	6.0%
CAPM	19.2%

Source (s): AHL Research

Exhibit: Valuation Snapshot

PKR mn	CY26f	CY27f	CY28f	CY29f	CY30f
EBIT after tax	9,478	10,999	12,262	13,773	15,292
Add: Depreciation	1,441	1,506	1,572	1,639	1,707
Capital Expenditure	(2,271)	(2,307)	(2,344)	(2,382)	(2,421)
▲ in Working Capital	(2,699)	(3,825)	(3,509)	(3,424)	(3,373)
Free Cash Flow to Firm	5,949	6,374	7,982	9,606	11,206
Discounted Factor	1.00	0.85	0.73	0.62	0.52
Discounted Cash Flows	5,949	5,436	5,787	5,928	5,881
PV of Future Cash Flows	28,981				
PV of Terminal Value	54,317				
Equity Value	84,416				
Outstanding shares (mn)	924				
DCF based price (PKR/sh.)	84.4				
PE based price (PKR/sh.)	106.0				
Blended Target Price (PKR/sh.)	88.7				

Source (s): Company Financials, AHL Research

Exhibit: Key Multiples

		CY24a	CY25e	CY26f	CY27f
EPS	PKR	2.72	4.90	9.26	10.89
DPS	%	-	-	-	-
P/E	x	12.30	11.50	6.10	5.20
ROE	%	6.00	10.00	16.00	16.00
ROA	%	3.00	6.00	11.00	11.00

Source (s): Company Financials, AHL Research

Export-led margin growth

PAEL has achieved a transformative milestone by securing and commencing exports of distribution transformers to the United States, with the inaugural shipment dispatched on March 13, 2025. This initial batch of orders, valued at USD 44mn, encompasses a wide range of units from 225 kVA to 9,000 kVA, including higher-capacity models worth USD 3mn. This development is in perfect alignment with the company's forward-looking management guidance, which envisions total exports reaching USD 50mn in CY25e and surging to USD 100mn in CY26f, a significant YoY doubling that underscores PAEL's aggressive strategy for market penetration and share capture. However, we assumed a slight reserved approach of USD 44mn export revenue in CY25e and reaching to USD 51mn (up 15% YoY) in CY26f, keeping a measured outlook on order flow.

Exhibit: Product wise market share and revenue contribution

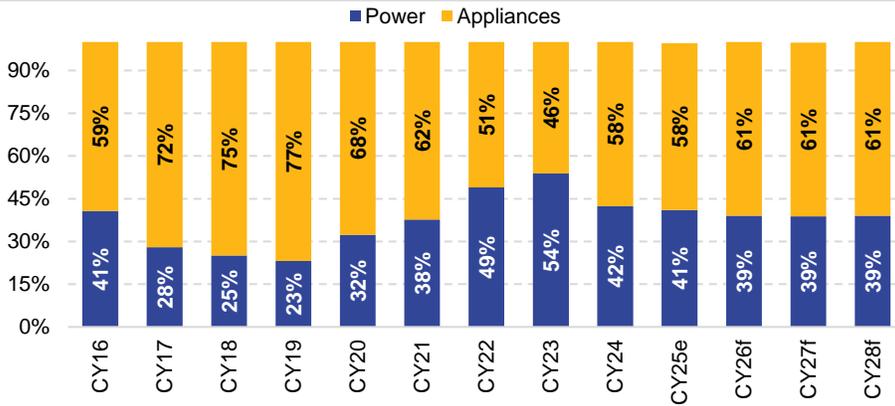
	Market Share	Revenue Contribution
Power Transformers	90.0%	21.0%
Distribution Transformers	17.0%	12.0%
Switchgears	25.0%	6.0%
Energy Meters	18.0%	5.0%

Source (s): CBS, AHL Research

The export initiative is expected to have a meaningful financial impact. For CY25e, it is projected to boost revenues by more than PKR 12bn (19% of total revenue), with the figure exceeding PKR 15bn (19% of revenue) in CY26f. This export-driven revenue stream builds upon PAEL's solid performance in recent years; the financial results for the year ended December 31, 2024, demonstrated an impressive 37.3% YoY revenue increase to PKR 53.1bn in CY24. This growth was partially attributable to contributions from the appliance segment and enhanced margins in the power division, setting a strong foundation for the export-led expansion. To note, transformers exported to the US are positioned at premium price points, benefiting from favorable international demand dynamics and enabling significantly higher profitability than domestic operations. Export margins for PAEL are expected to clock in above 40%, significantly higher than local margins of 25–26%.

To recall, in 1HCY25, PAEL recorded export sales of USD 9mn, equivalent to approximately PKR 2.5bn, accounting for 19% of Power Division revenue. This marks a substantial 3.9x increase from 1HCY24 export revenue of PKR 506mn. Driven by these high-margin exports, net margins in the Power Division improved sharply, rising from 5% in CY24 to 9.8% in 1HCY25. Management further highlights that an additional USD 8mn worth of export orders have been dispatched since mid-Aug'25, reinforcing the strong export momentum and margin expansion outlook.

Exhibit: PAEL revenue mix

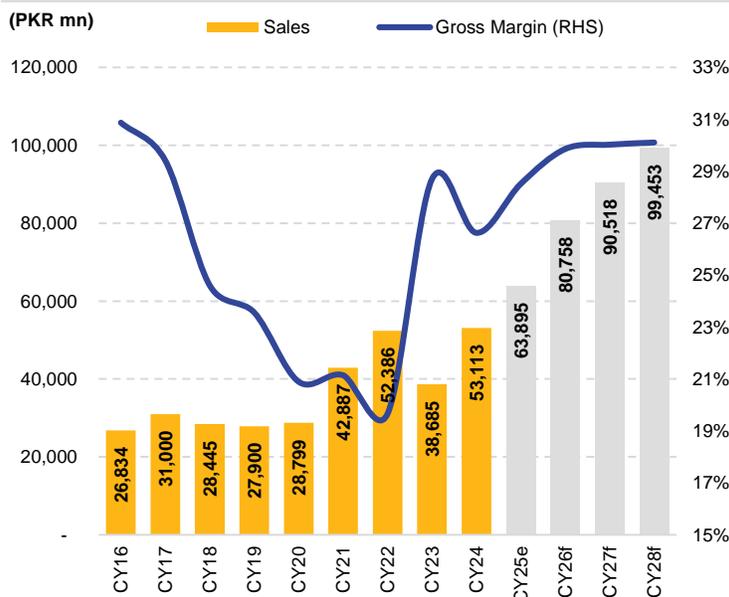


Source (s): Company financials, AHL Research

Rising margins with export mix shift

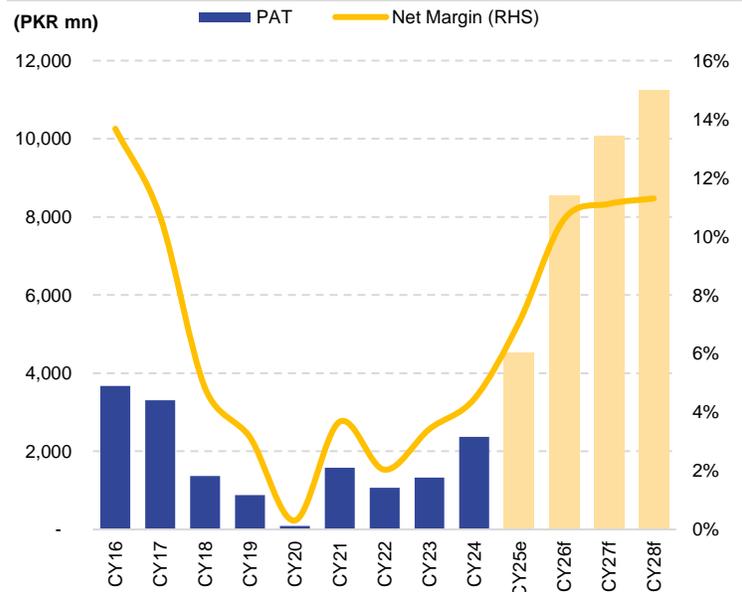
In recent quarters, PAEL's overall domestic gross margins have improved slightly, fluctuating between 26% and 27%. In the 2QCY25, company recorded a margin of 26.9%, reflecting ongoing challenges such as volatile raw material costs, and intense rivalry from both local and imported alternatives. However, as exports scale and constitute a larger slice of the revenue pie, potentially rising from the current 6% to over 19% by CY26f, the blended gross margins are poised for meaningful expansion. We anticipate a 3%-5% increase in gross margins over the next two years from 26% to 30.5%, assuming the targeted export growth materializes. As we have witnessed that net margins have increased from 5% in CY24 to 9.8% in 1HCY25. This uplift would not only offset domestic margin compression but also provide a buffer against any unforeseen cost escalations.

Exhibit: Sales and Gross Margins trend



Source (s): Company financials, AHL Research

Exhibit: PAT and Net Margins trend

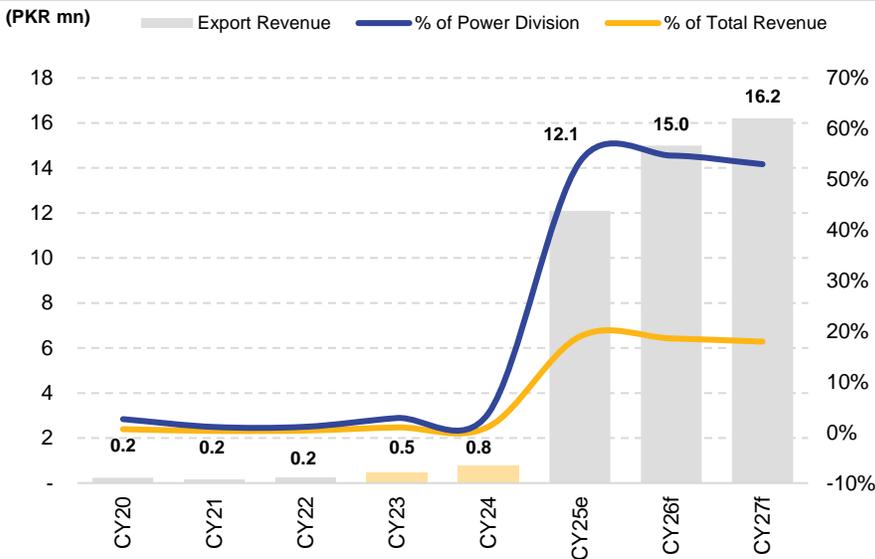


Source (s): Company financials, AHL Research

Tariff advantage powers market entry

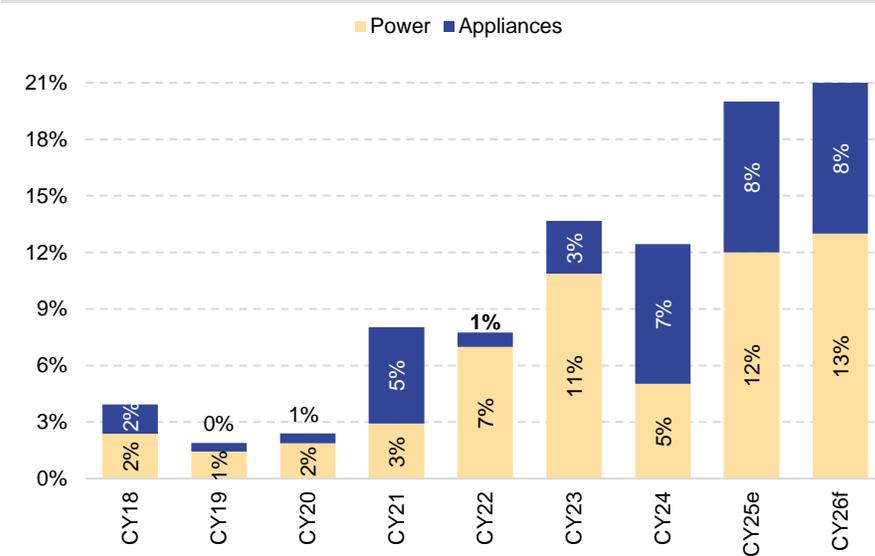
The U.S. has imposed steep tariffs on key transformer suppliers, significant on China and potentially broader trade barriers on Mexico and Canada, who currently account for 80% of U.S. transformer imports but are struggling with capacity constraints. In contrast, Pakistan enjoys a significantly lower tariff rate of just 19%, giving PAEL a strong competitive edge in the U.S. market. Combined with its faster delivery timelines (8–9 months vs. the industry average of 2 years) and internationally compliant, cost-effective products, PAEL is well-positioned to capture a larger share of U.S. transformer demand. This strategic advantage is expected to drive the Power Division’s revenue contribution to over 39% by CY27f.

Exhibit: Export Revenue and % of Total Revenue



Source (s): Company financials, AHL Research

Exhibit: Division wise Net Margin



Source (s): Company financials, AHL Research

Demand fuel appliance growth

PAEL's appliance business is on the cusp of a significant upswing of 25% in revenue, driven by a confluence of macroeconomic improvements and environmental factors. The segment, which includes refrigerators, air conditioners, water dispensers, microwave ovens, washing machines, and LED televisions, is expected to benefit from Pakistan's projected GDP growth of 3-4% in FY26, coupled with easing inflation and rising disposable incomes. These trends are enhancing consumer purchasing power, particularly in urban areas where household appliance adoption is accelerating.

Exhibit: Product wise Market share and revenue contribution

	Market Share	Revenue Contribution*
AC	9.0%	16.3%
Refrigerators/Deep Freezers	19.0%	34.1%
Microwaves	2.0%	1.3%
LED TVs	2.0%	0.7%
Washing machines	4.0%	2.9%
Water Dispenser	25.0%	1.7%

Source (s): CBS AHL Research

*as of CY24

PAEL's innovative product portfolio, focused on energy efficiency and durability, continues to drive strong growth. Early momentum is reflected in 1HCY25 results, where appliance revenues surged 54% YoY. We forecast 25% YoY growth for CY25, supported by robust demand in refrigerators and air conditioners alongside improved pricing power. In CY24, appliance revenues had already risen 80% to PKR 40bn, underscoring the division's resilience despite economic headwinds. Strategic alliances, such as the Feb'25 partnership with Electrolux AB and the Apr'25 expansion with Panasonic, are set to enhance PAEL's offerings in LED TVs and premium smart solutions. While these may introduce minor margin pressures from licensing fees, they promise expanded market reach and diversified revenue streams. Seasonal patterns remain a key consideration, with peak demand during summer months, but overall, the division's outlook is buoyed by deleveraging initiatives and anticipated earnings growth, positioning PAEL to capture a larger share of Pakistan's burgeoning consumer market.

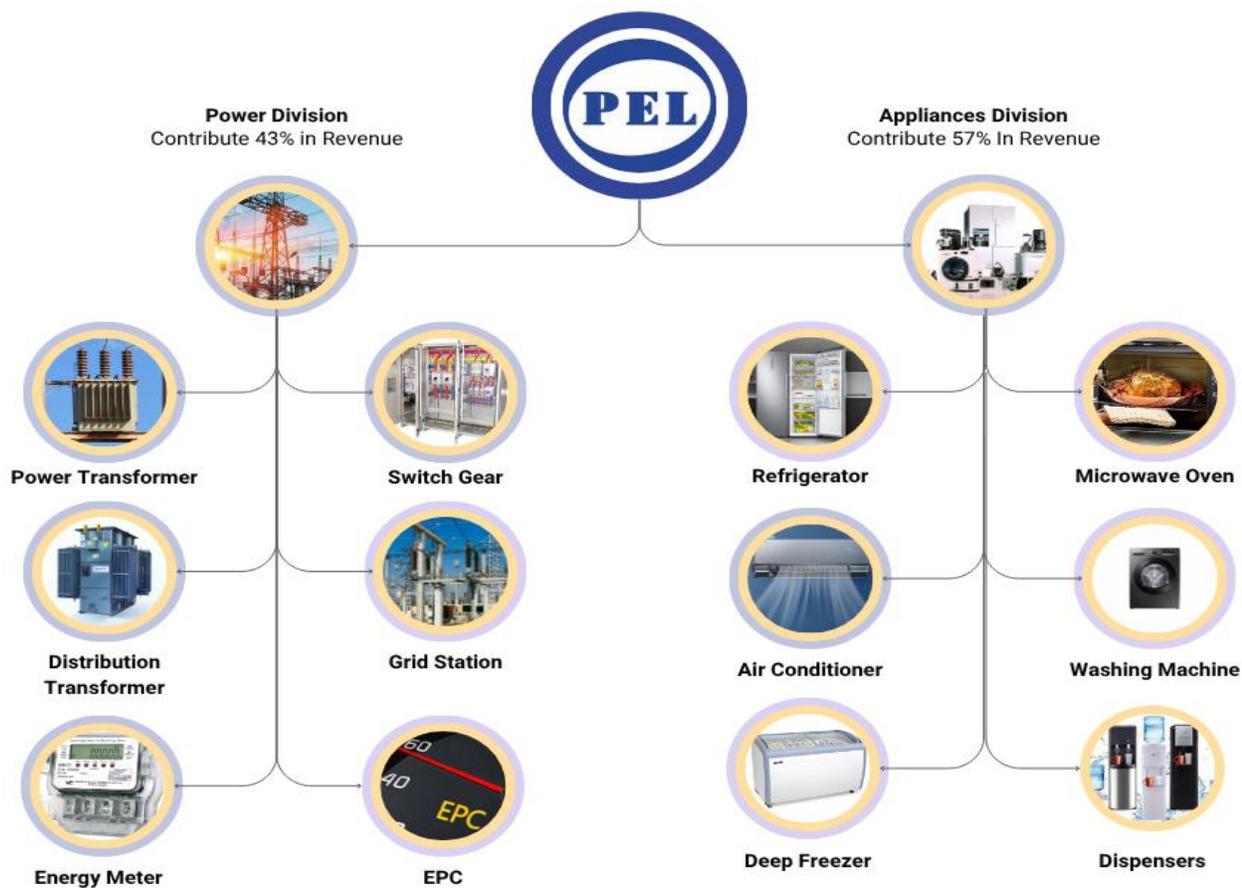
Capitalizing on AMR-driven demand

The government's planned transition to Automated Meter Reading (AMR) meters in CY26 is set to significantly boost demand in this high-margin segment. Automated Meter Reading (AMR) meters are expected to be priced nearly 3x higher than traditional meters and rank among the highest margin products in PAEL's portfolio, we view. It is believed that, with licenses already secured from all DISCOs, well ahead of competitors still navigating the licensing process, PAEL holds a clear first-mover advantage, positioning it to capitalize early and strongly on this shift. We forecast 25% growth in energy meter sales.

Strong earnings momentum

All said, PAEL's profitability is set to witness a strong and sustained upswing, driven by robust growth in exports, expanding margins, and a steady recovery in appliance demand. We forecast EPS to rise sharply to PKR 4.9 in CY25e and further to PKR 9.26 in CY26f, reflecting impressive earnings growth of 82% and 89% YoY, respectively. Despite the strong earnings outlook, we expect dividend pay-outs to remain on hold in the near term as the company prioritizes working capital management to support its export-led growth trajectory. As a result, we anticipate dividend distributions to resume by CY28f, supported by a healthier balance sheet and stronger earnings base. We believe that with improving cash flows and sustained profitability, management is likely to adopt a 40% pay-out ratio (initially) post-CY28f, translating into a projected DPS of PKR 5.0 in CY28f–CY29f and rising to PKR 6.0 in CY30f, in line with earnings growth.

Exhibit: PAEL product line break-up



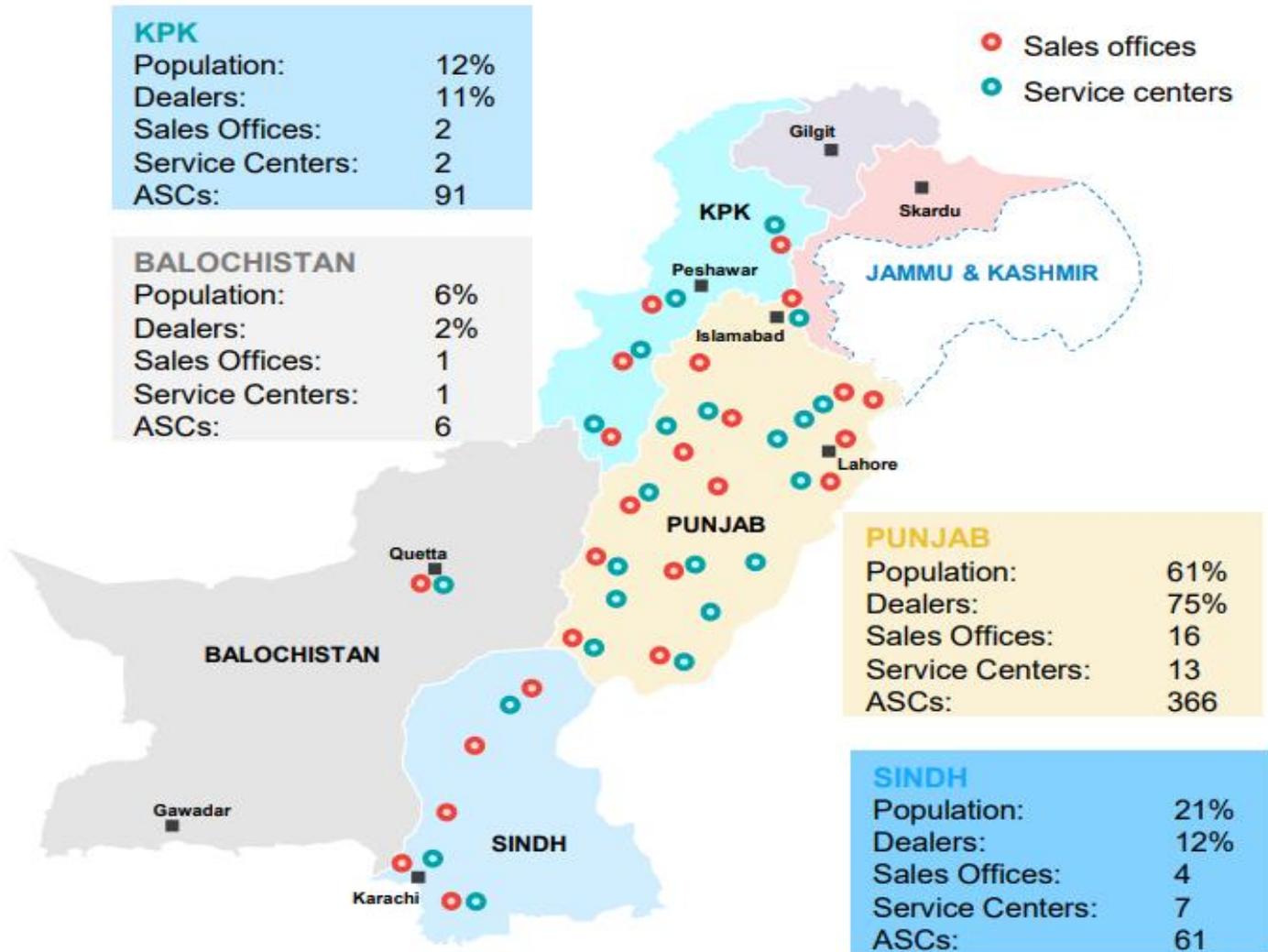
Source (s): CBS, AHL Research

Growth journey

1956	1958	1981	1988	1992
 <p>Established</p>	 <p>Commercial Production of Transformers</p>	 <p>Manufacturing of air Conditioners</p>	 <p>Listed on Pakistan Stock</p>	 <p>Obtained ABB USA energy meter production license</p>
2011	2016	2018	2019	2024
 <p>Launch of new Desire series Refrigerator</p>	 <p>Launching new inverter technology air conditioners</p>	 <p>Launch of 4k LED smart Android TV</p>	 <p>Launch of semi-automatic washing machine</p>	 <p>Entry to USA market Exporting Dis. Transformers</p>

Distribution network

Exhibit: PAEL distribution network



Source (s): CBS, AHL Research

Key risks

- Subdued local demand in the power division due to persistent challenges in Pakistan’s power sector.
- PAEL’s reliance on exports for growth in power products is vulnerable to geopolitical tensions.
- Intense competition in appliance and distribution businesses could lead to low pricing power.
- Economic instability and inflation could pressure appliance sales.

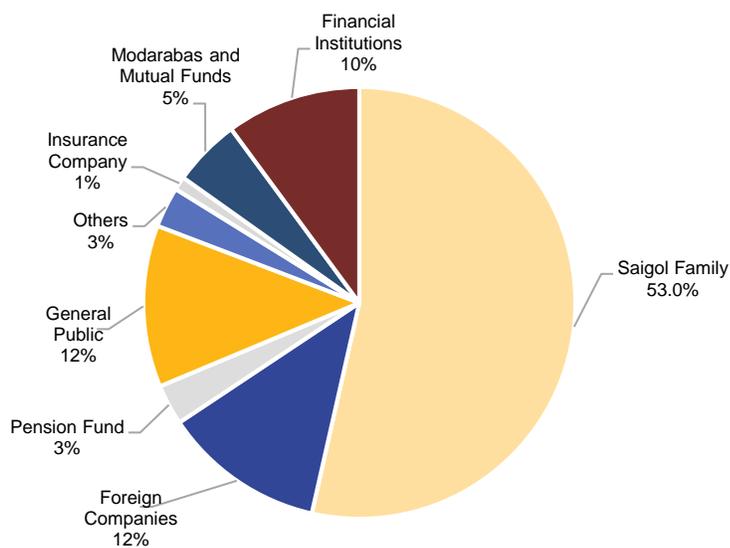
About the Company

Established in 1956 by Malik Brothers in collaboration with Germany’s AEG, PAEL pioneered electrical manufacturing in Pakistan, initially focusing on transformers, switchgears, and electric motors. AEG divested in the late 1960s, and the Saigol Group acquired it in 1978, expanding into home appliances in 1981 as part of a diversification strategy. Today, PAEL blends power equipment expertise with consumer appliances, serving as a vital contributor to Pakistan’s industrial and household sectors.

Shareholding Pattern

PAEL has 9,371 shareholders holding 856mn outstanding shares. According to the latest shareholder pattern shared by company in its analysts’ briefings, Saigol family owns the largest stake at 53%, followed by the foreign companies at 12%. General public hold 12%, while Financial Institutions account for 10%, reflecting a balanced and engaged investor base.

Exhibit: Shareholding pattern



Source (s): CBS, AHL Research

Financial Highlights

Exhibit: Key financial highlights

PKR mn	CY25e	CY26f	CY27f	CY28f	CY29f	Unit	CY25e	CY26f	CY27f	CY28f	CY29f	
Income Statement Items (PKR mn)						Per Share						
Revenue	63,895	80,758	90,518	99,453	108,251	Earnings	PKR	4.9	9.3	10.9	12.2	13.7
Cost of Sales	45,671	56,643	63,340	69,512	75,416	DPS	PKR	-	-	-	4.9	5.0
Gross Profit	18,224	24,115	27,178	29,941	32,835	Book Value	PKR	52.5	61.8	72.7	79.9	88.6
Distribution Cost	4,194	4,845	5,431	5,967	6,495	Valuation						
Administrative Exp.	2,621	2,852	3,076	3,286	3,477	P/E	x	12.2	6.5	5.5	4.9	4.4
Other Expenses	69	255	290	322	355	Dividend Yield	%	-	-	-	8.2	8.3
Other Income	151	579	1,037	1,276	1,790	P/B	x	1.1	1.0	0.8	0.7	0.7
Finance Cost	2,778	1,616	1,639	1,788	1,936	Pay-out Ratio	%	-	-	-	40.0	40.0
PBT	8,509	14,868	17,490	19,538	22,016	RoE	%	9.8	16.2	16.2	15.9	16.3
PAT	4,523	8,549	10,057	11,235	12,659	RoA	%	6.1	10.8	11.4	11.6	12.1
Balance Sheet Items (PKR mn)						Turnover & Activity						
Paid-up Capital	9,236	9,236	9,236	9,236	9,236	Asset Turnover	x	0.9	1.0	1.0	1.0	1.0
Total Equity	48,514	57,063	67,120	73,829	81,870	Current Ratio	x	2.4	2.7	3.0	3.3	3.4
Current Liabilities	18,050	19,151	20,036	20,366	21,981	Margins						
Non-Current Liability	8,390	7,044	5,766	5,822	5,879	Gross Margin	%	28.5	29.9	30.0	30.1	30.3
Current Assets	43,861	51,335	60,197	66,520	75,490	EBITDA Margin	%	19.8	22.2	22.8	23.0	23.6
Non-Current Assets	31,093	31,923	32,724	33,496	34,239	Net Profit Margin	%	7.1	10.6	11.1	11.3	11.7
Total Assets	74,954	83,258	92,921	100,017	109,729							

Source (s): Company Financials, AHL Research

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Jun'26 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 0% and +15% from last closing of market price(s)
SELL	Upside of subject security(ies) is less than 0% 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 Discounted 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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