

PAKISTAN STRATEGY

KSE100 overreacted to Middle East conflict given manageable impact

- KSE100 overreacted to Middle East military conflict, plunging over 10% at the open, adding to its 8.7% decline in Feb'26, and prompting a trading halt within the first seven minutes of the session.
- However, we expect the KSE-100 to stage a recovery, as the direct economic impact on Pakistan appears manageable and the country is not a direct party to the conflict.
- The evolving Middle East situation could, in fact, strengthen Pakistan's strategic ties with GCC countries, reinforcing its standing as a credible military ally.
- We have our liking for OGDC, PPL, UBL, MEBL, HBL, FFC, ENGROH, PSO, LUCK, FCCL, INDU, ILP and SYS.

PSX overreacts to geopolitical shock: KSE100 overreacted to Middle East military conflict, plunging over 10% at the open, adding to its 8.7% decline in Feb'26, and prompting a trading halt within the first seven minutes of the session. Investor sentiment remains fragile as continued strikes by the US and Israel on Iran show no signs of de-escalation, with Iran responding through missile barrages across the region, heightening fears of a broader regional conflict. Additionally, domestic casualties during protests against the U.S. have further weighed on market confidence. However, we expect the KSE-100 to stage a recovery, as the direct economic impact on Pakistan appears manageable and the country is not a direct party to the conflict.

Risk to oil prices rise on ongoing Middle East military conflict: Oil prices climbed, Brent surged 6.4% to US\$77.6/bbl, as the escalating military conflict in the Middle East appears set to persist for weeks. Fears of a further spike in oil prices have intensified amid concerns that Iran could move to shut down the Strait of Hormuz, which handles 20% of global petroleum liquids, in response to U.S. strikes. The strategic waterway, which handles roughly one-fifth of global crude oil supply, remains open for now; however, marine tracking data indicates a buildup of tankers on both sides of the strait.

Risk to energy supplies remains manageable: Pakistan relies heavily on Middle Eastern energy imports routed through the Strait of Hormuz, making it a critical supply corridor. While a full closure remains a low-probability risk, Pakistan could still secure crude and motor spirit from KSA, potentially via the East-West pipeline, given modest requirement of ~0.2mn bbl/day. Gas Oil and RLNG imports from Kuwait and Qatar may face some disruption. However, the HSD impact would be manageable, as imports account for only ~20% of demand. RLNG risks appear limited, as power generation can shift to coal, while industrial demand could be supported by ramping up domestic E&P gas production, which has remained underutilized in recent years.

Equities to rebound on strong macroeconomic fundamentals: KSE-100 has overreacted to escalating geopolitical tensions, declining nearly 20% from its Jan'26 peak, despite Pakistan having no direct involvement in the conflict and a manageable external position amid significant positive real interest rates and tight fiscal policy. The evolving Middle East situation could, in fact, strengthen Pakistan's strategic ties with GCC countries, reinforcing its standing as a credible military ally. We have our liking for OGDC, PPL, UBL, MEBL, HBL, FFC, ENGROH, PSO, LUCK, FCCL, INDU, ILP and SYS.

MARKET VISTA

REP-019

Muhammad Awais Ashraf, CFA
awais.ashraf@akdsl.com
111-253-111 Ext: 693

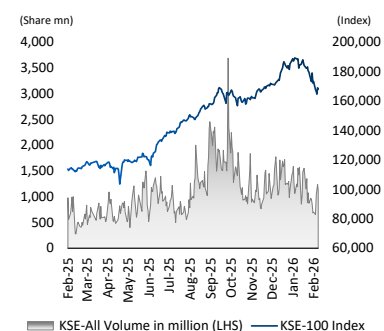
AKD Universe Valuations

	TP (Dec'26)	LDCP*	DY%	Total Upside
FFC	801	499.5	10.0%	70.4%
UBL	590	398.0	8.0%	56.3%
ENGROH	351	244.2	4.1%	47.8%
LUCK	731	388.4	1.8%	90.0%
MEBL	672	421.0	6.7%	66.3%
HBL	483	279.5	7.5%	80.3%
OGDC	522	255.1	6.7%	111.3%
PPL	412	195.1	5.4%	116.6%
SYS	277	119.5	2.1%	133.9%
PSO	900	351.5	4.3%	160.3%
FCCL	88.1	46.8	4.3%	92.5%
INDU	3,966	1,966.0	10.2%	111.9%
ILP	122	78.8	3.8%	58.1%

*prices as of
12:45PST

Source: PSX & AKD Research

KSE100 Index Performance



Source: PSX & AKD Research

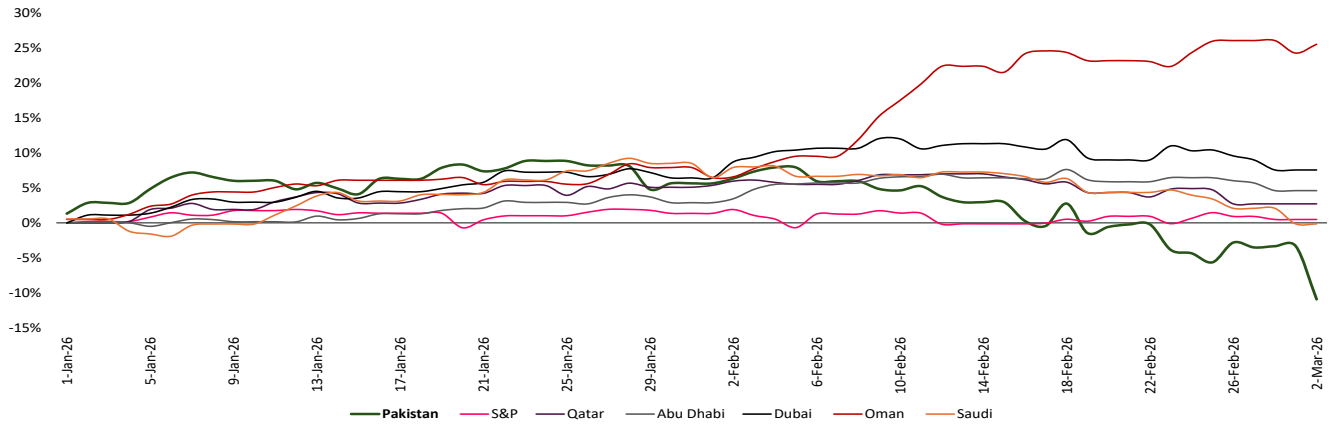


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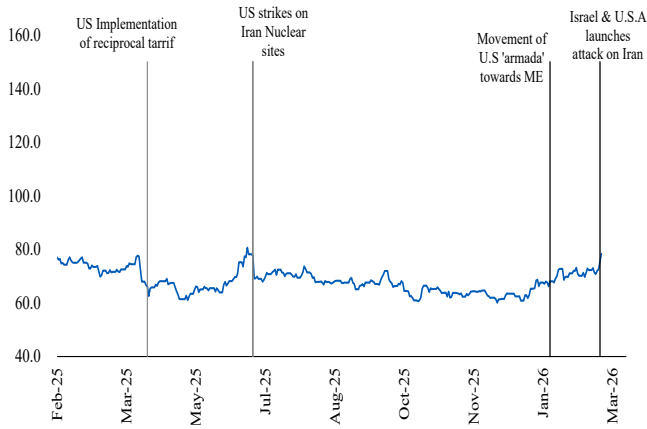


Pakistani equities overreacted to Middle East military conflict

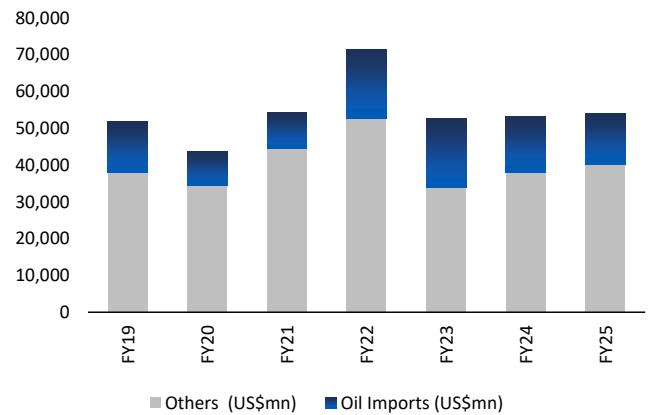
Pakistan market dropped the most on recent Middle East unrest



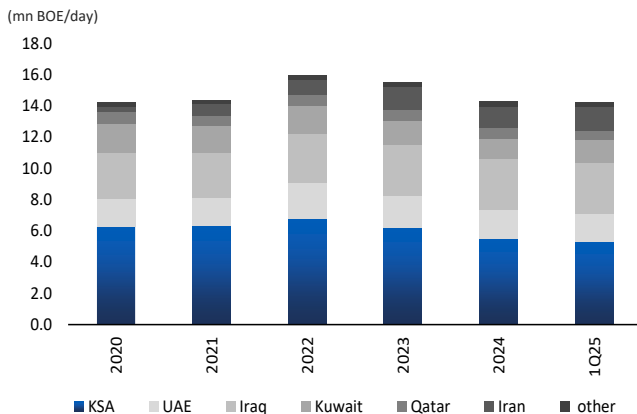
Crude prices gained more than 25% in CYTD (US\$/bbl)



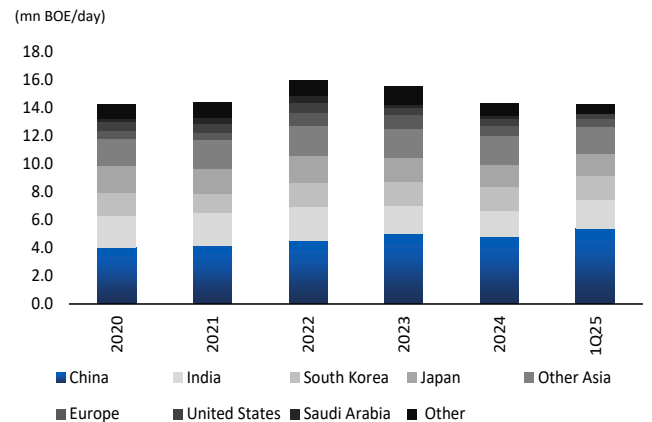
Petroleum imports form ~30% of Pakistan's overall imports



Volume of crude oil through the Strait of Hormuz by origin



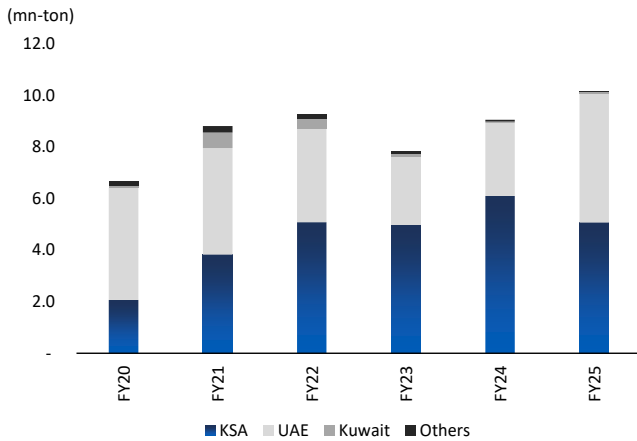
Volume of crude oil through the Strait of Hormuz by destination



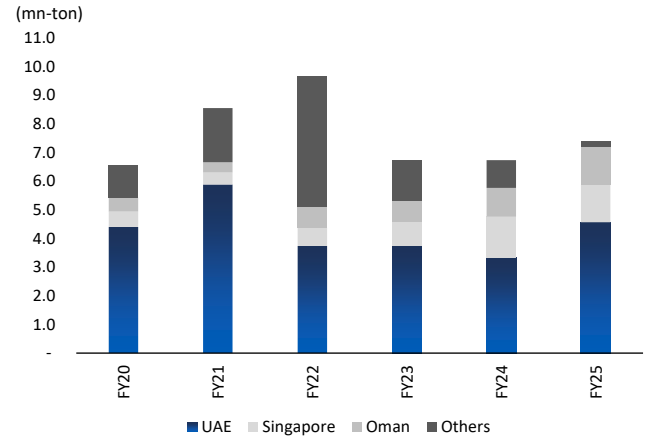


Diversified energy mix to withstand crude supply disruptions

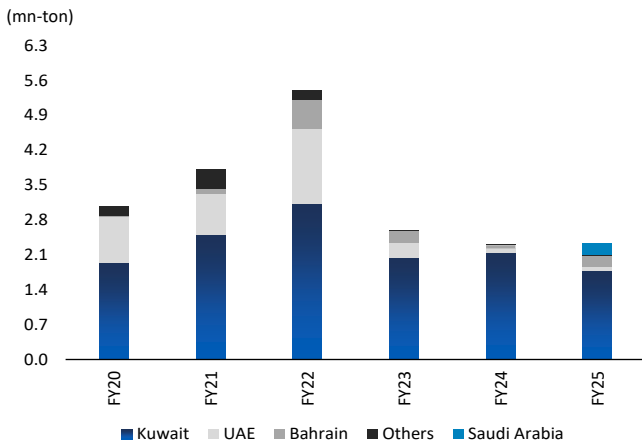
Pakistan imports majority of the crude from UAE & KSA



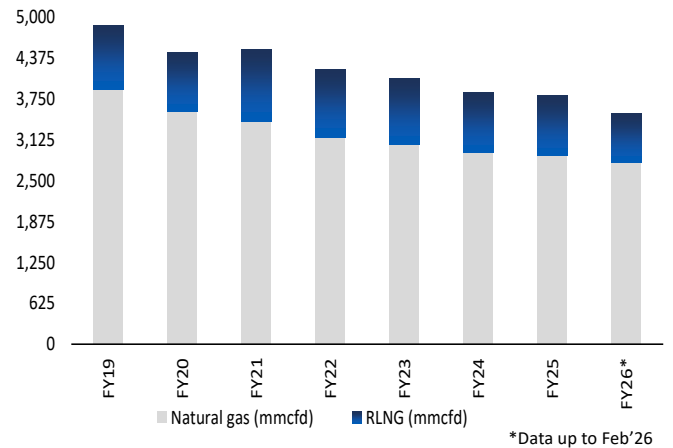
...Motor Spirit mostly sourced from UAE & Singapore



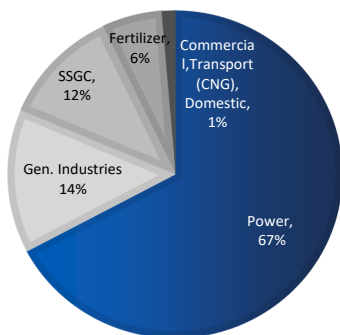
Sole reliance on Kuwait for HSD imports, forms 20% of consumption...



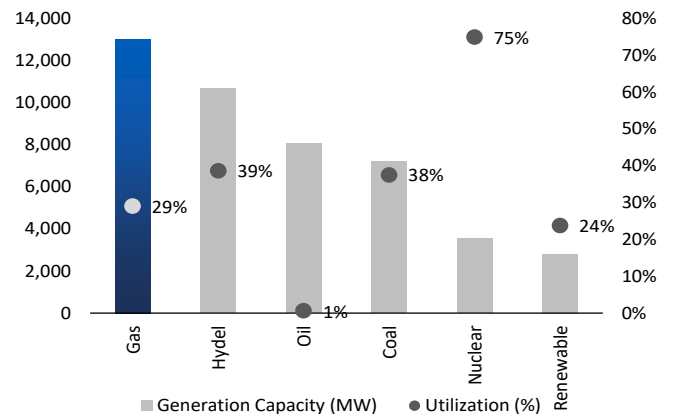
RLNG flows mostly originating from Qatar



Power consumes major chunk of RLNG...



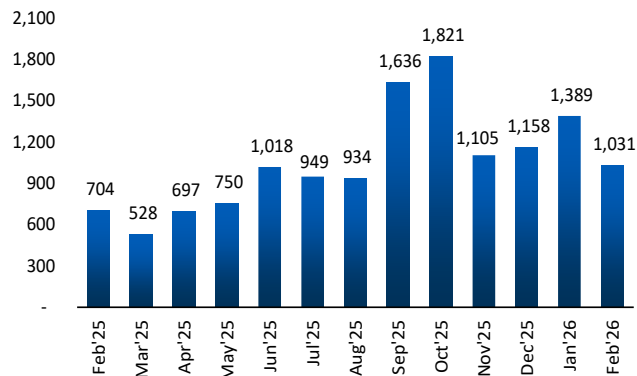
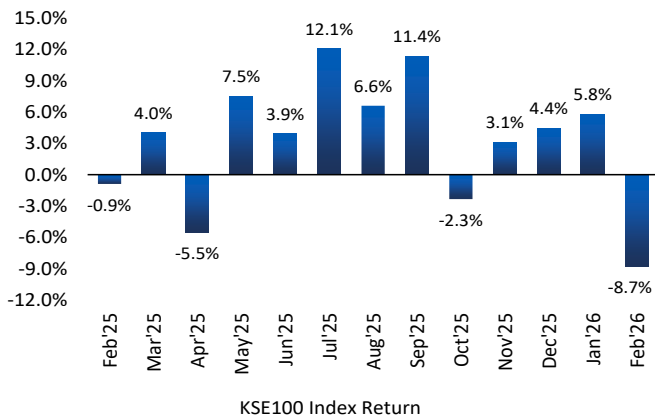
...can easily be replaced by Coal based generation (MW)



KSE-100 positioned attractively among regional markets

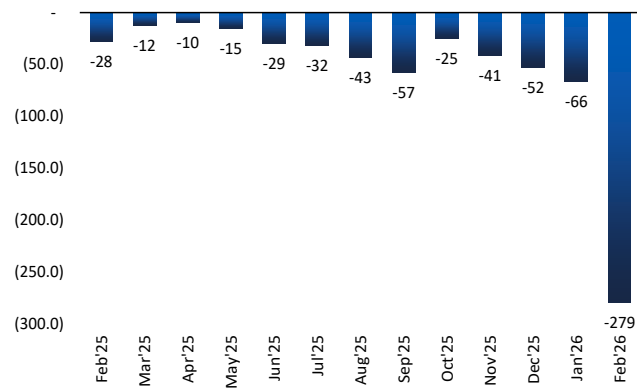
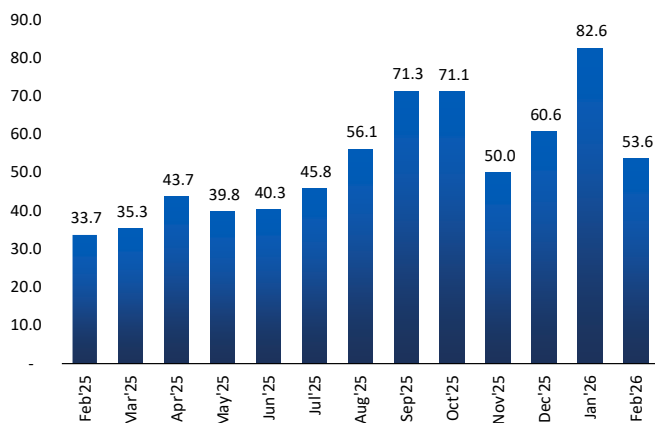
KSE-100 posted negative return after three months of positive run

...with market depth slightly dropped (mn shares)



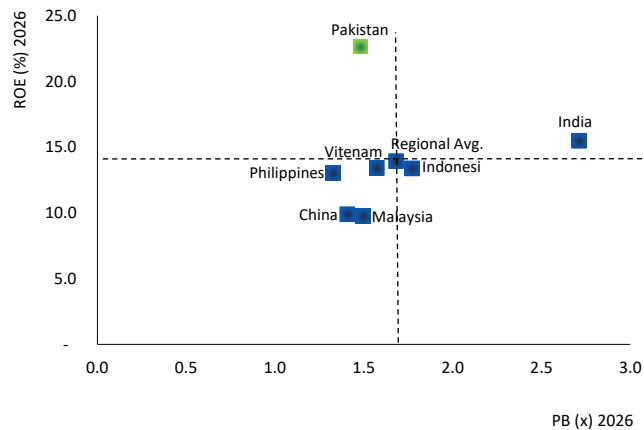
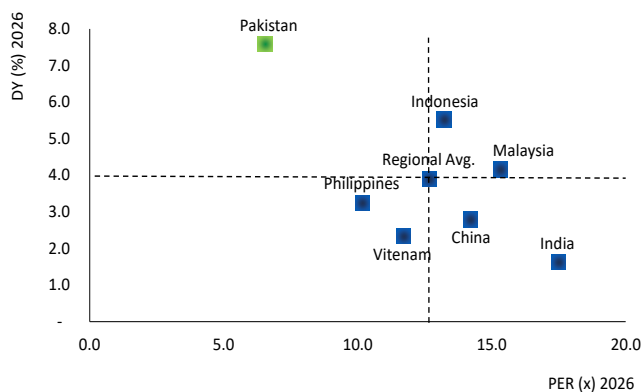
.. with decline in average traded value (PKRbn)

Foreigners continued to remain net sellers (US\$mn)



KSE-100 providing higher DY with lower P/E in the region...

...well placed in terms of P/B and RoE as well



AKD Universe Active Coverage Cluster's Valuations

	Symbol	Price	TP	Stance	EPS			PE			PB			DY		
		(Pkr)	(Pkr)		FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Oil & Gas Marketing																
Pakistan State Oil	PSO	352	900	BUY	44.5	65.0	80.4	7.9	5.4	4.4	0.7	0.6	0.5	2.8%	4.3%	5.7%
Attock Petroleum	APL	555	760	BUY	83.5	84.8	87.6	6.6	6.5	6.3	1.1	1.0	0.9	4.6%	6.3%	6.8%
Steel																
Mughal Iron & Steel	MUGHAL	74	142	BUY	2.6	10.2	14.2	28.4	7.3	5.2	1.0	0.8	0.7	0.0%	2.7%	3.4%
International Steels Limited	ISL	78	151	BUY	3.6	7.6	12.1	21.7	10.2	6.4	1.3	1.2	1.1	3.2%	5.8%	9.0%
Cement																
Lucky Cement Limited	LUCK	388	731	BUY	52.5	66.6	71.9	7.4	5.8	5.4	1.6	1.3	1.1	1.0%	1.8%	2.3%
Maple Leaf Cement	MLCF	86	157	BUY	11.0	10.0	12.2	7.8	8.5	7.0	1.3	1.1	1.0	0.0%	1.5%	2.9%
Cherat Cement Company	CHCC	262	640	BUY	44.7	42.2	51.6	5.9	6.2	5.1	1.5	1.3	1.0	2.1%	2.7%	3.4%
Pioneer Cement Ltd	PIOC	237	372	BUY	21.5	23.5	30.3	11.0	10.1	7.8	1.1	1.0	1.0	4.2%	6.5%	8.4%
Kohat Cement Company	KOHC	88	194	BUY	12.6	11.7	14.3	7.0	7.5	6.2	1.7	1.4	1.2	0.0%	0.0%	3.4%
Fauji Cement Company	FCCL	47	88	BUY	5.4	6.0	7.7	8.6	7.8	6.1	1.4	1.3	1.1	2.7%	4.3%	5.3%
D.G. Khan Cement	DGKC	185	389	BUY	19.8	23.6	29.2	9.3	7.8	6.3	0.9	0.7	0.7	1.1%	2.4%	4.6%
Power																
Hub Power Company	HUBC	202	196	NEU	39.8	40.2	44.1	5.1	5.0	4.6	1.1	1.0	0.8	7.4%	7.4%	7.4%
Nishat Power Limited	NPL	73	87	BUY	-2.1	4.0	3.7	-34.6	18.2	19.9	0.9	0.9	0.9	8.2%	3.4%	2.7%
Automobile Assembler																
Honda Atlas Cars	HCAR	169	444	BUY	19.0	25.8	27.7	8.9	6.5	6.1	1.0	0.9	0.8	4.7%	5.9%	6.5%
Indus Motor Ltd	INDU	1,966	3,966	BUY	292.7	333.6	340.8	6.7	5.9	5.8	2.0	1.7	1.5	9.0%	10.2%	10.4%
Oil & Gas Exploration																
Oil & Gas Development	OGDC	255	522	BUY	39.5	39.5	51.0	6.5	6.5	5.0	0.8	0.7	0.7	5.9%	6.7%	8.0%
Pakistan Petroleum Ltd	PPL	195	412	BUY	33.1	34.2	40.5	5.9	5.7	4.8	0.8	0.7	0.6	3.8%	5.4%	9.0%
Mari Petroleum Company	MARI	550	935	BUY	54.3	57.4	87.4	10.1	9.6	6.3	2.4	2.2	1.8	3.9%	4.2%	6.4%
Pakistan Oilfields Ltd	POL	635	850	BUY	85.1	89.4	106.3	7.5	7.1	6.0	2.3	2.2	2.1	11.8%	12.6%	14.2%
Chemical																
Engro Polymer & Chemicals	EPCL	30	28	SELL	-4.5	0.5	1.2	-6.8	60.6	25.9	1.2	1.2	1.1	0.0%	0.0%	0.0%
Textile																
Nishat Mills Limited	NML	157	318	BUY	17.1	15.9	28.0	9.2	9.9	5.6	0.4	0.3	0.3	1.3%	1.3%	2.2%
Nishat Chunian Limited	NCL	36	84	BUY	3.3	7.2	14.6	10.9	5.0	2.5	0.4	0.4	0.3	5.6%	5.6%	11.1%
Interloop Limited	ILP	79	122	BUY	3.8	8.0	13.3	20.5	9.8	5.9	2.0	1.8	1.5	1.3%	3.8%	5.7%
Banks																
Habib Bank Ltd	HBL	279	483	BUY	45.5	51.2	54.6	6.1	5.5	5.1	0.9	0.8	0.8	7.2%	7.5%	10.0%
MCB Bank Ltd	MCB	361	544	BUY	49.3	50.8	53.3	7.3	7.1	6.8	1.3	1.4	1.3	10.0%	10.0%	11.1%
United Bank Ltd	UBL	398	590	BUY	51.9	50.5	45.3	7.7	7.9	8.8	2.0	2.2	2.2	7.4%	8.0%	8.0%
Meezan Bank Ltd	MEBL	421	672	BUY	49.5	50.8	53.8	8.5	8.3	7.8	2.7	2.4	2.1	6.7%	6.7%	7.1%
Bank AL Habib Ltd	BAHL	154	266	BUY	27.6	29.3	33.6	5.6	5.3	4.6	1.0	0.9	0.9	9.7%	10.4%	11.7%
Bank Al Falah Ltd	BAFL	118	171	BUY	18.0	16.2	16.7	6.5	7.2	7.1	1.0	0.9	0.9	8.9%	8.5%	8.9%
Faysal Bank Limited	FABL	83	134	BUY	14.3	14.0	14.4	5.8	5.9	5.7	1.1	1.0	0.9	7.9%	8.5%	9.1%
Askari Bank Limited	AKBL	91	116	BUY	15.8	14.4	13.2	5.8	6.3	6.9	0.9	0.8	0.8	5.5%	6.0%	6.6%
Allied Bank Limited	ABL	162	334	BUY	30.7	30.8	33.0	5.3	5.3	4.9	0.7	0.7	0.7	9.9%	9.9%	12.3%
Inv. Banks / Inv. Cos																
Engro Holdings Ltd	ENGROH	244	351	BUY	46.2	50.7	55.0	5.3	4.8	4.4	1.5	1.2	1.0	0.0%	4.1%	8.2%
Fertilizer																
Fauji Fertilizer Company	FFC	500	801	BUY	51.7	66.7	68.1	9.7	7.5	7.3	5.2	4.4	3.9	7.4%	10.0%	10.0%
Engro Fertilizers Ltd	EFERT	201	264	BUY	16.9	21.7	22.1	11.9	9.3	9.1	6.0	5.9	5.7	7.5%	10.4%	10.4%
Fatima Fertilizer Company	FATIMA	147	175	BUY	21.8	23.7	21.8	6.7	6.2	6.8	1.8	1.5	1.3	5.8%	6.5%	5.8%
Technology																
Systems Limited	SYS	119	277	BUY	7.5	11.2	14.8	15.9	10.7	8.1	3.7	2.9	2.3	1.5%	2.1%	2.7%

*prices as of 12:45PST

Source: PSX & AKD Research

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- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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BUY > 15% expected total return

NEUTRAL > 0% to < 15% expected total return

SELL < 0% expected total return



AKD Securities Limited

602, Continental Trade Centre,
Clifton Block 8, Karachi, Pakistan.
research@akdsl.com