August 31, 2026

PAKISTAN STRATEGY

REP-019

MARKET VISTA

KSE-100 poised to gain momentum as Middle East tensions ease

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- **Positive resolution of Middle East unrest amid improving macroeconomic indicators would shift investors focus towards equities, in our view.**
- **The KSE-100 Index turned positive in Aug'26 on improving economic indicators and better than expected corporate results, along with enhanced liquidity.**
- **Refineries, E&Ps and OMC sectors delivered the strongest positive returns, driven by higher oil prices, anticipation of circular debt resolution, higher cracking spreads, and lower RLNG imports.**

Positive settlement of Middle East unrest to end uncertainty: Continued tensions in the Middle East, coupled with stalled efforts to negotiate an end to the conflict and mediators' attempts to reopen the Strait of Hormuz, have dampened investor sentiment. However, any positive development on this front could shift investors' focus towards improving macroeconomic indicators. The higher-than-projected dividend transfer by SBP to the Federal Government, at PkR496bn above the targeted PkR1.4tn, would further strengthen the fiscal position, which has already recorded a historic-low fiscal deficit in FY26. An improvement in the country's credit rating by Moody's is likely to further strengthen the country's external account position. These factors, along with moderation in inflation following the Aug'26 reading, driven by ease in perishable food and fuel prices, would improve the likelihood of interest rates returning to single digits by the end of this year.

We advise investors to remain in Banks, E&Ps, Fertilizer, Textile, OMCs, Technology, Steel and Automobile sectors.

KSE100 remained positive on improving macroeconomic indicators: The KSE-100 Index turned positive in Aug'26 after posting a negative return in Jul'26 on improving economic indicators and better than expected corporate results. Consequently, the KSE-100 Index gained 0.5% (0.6% in US$ terms) during Aug'26. However, market liquidity remained strong as average daily traded volume (ADTV) recorded at 1,083mn shares due to improving economic indicators despite heightened geopolitical tension causing unrest among investors. Meanwhile, average daily traded value improved by 5.0% to PkR51.1bn (US$184mn) from PkR48.5bn (US$175mn) in Jul'26.

Oil drove the index up in Aug'26: Refineries, E&Ps and OMC sectors delivered the strongest positive returns, driven by higher oil prices, anticipation of resolution of gas sector circular debt, higher cracking spreads and lower RLNG imports. Refinery sector posted a return of 37.1% in Jul'26, followed by E&P and OMCs, which generated returns of 5.0%MoM and 4.9% MoM, respectively. Meanwhile, Technology and Fertilizer posted negative return of 3.3% and 1.6% during the month. The former remained under pressure due to strengthening of currency and increasing threat of AI, while latter is down because of emerging concerns on reemergence of GIDC Act.

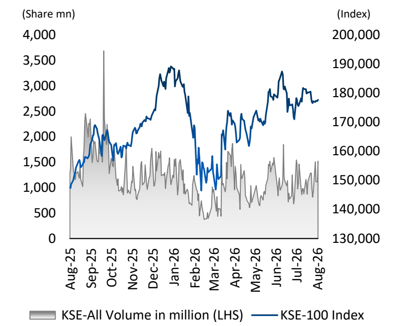
Individuals and Companies strengthen their positions: Individuals continued to remain net buyers for the second consecutive month, with net buying of US$31.8mn in Aug'26. Meanwhile, Companies and Mutual Funds also increased their exposure to equities by US$19.8mn and US$8.7mn, respectively. On the other hand, Banks, Foreigners, and NBFCs remained net sellers, reducing their exposure by US$39.4mn, US$20.1mn, and US$5.3mn, respectively.

AKD Universe Valuations

	TP (Dec'26)	LDCP	DY%	Total Upside
FFC	801.0	552.7	8.9%	53.9%
UBL	590.0	450.8	7.1%	38.0%
ENGROH	351.0	264.9	0.0%	32.5%
LUCK	731.1	437.3	1.1%	68.3%
MEBL	672.0	578.2	4.8%	21.1%
HBL	483.0	318.1	6.6%	58.5%
OGDC	522.0	328.7	5.2%	64.0%
PPL	412.0	234.5	4.1%	79.7%
SYS	277.0	124.5	2.0%	124.4%
PSO	900.0	363.8	4.1%	151.5%
FCCL	88.1	55.3	3.6%	62.8%
INDU	3,966.3	1,928.9	10.4%	116.0%
ILP	150.0	108.7	2.8%	40.8%

Source: PSX & AKD Research

KSE100 Index Performance

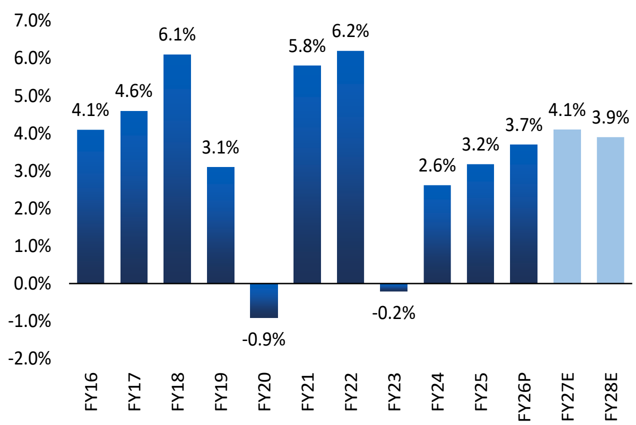


Source: PSX & AKD Research

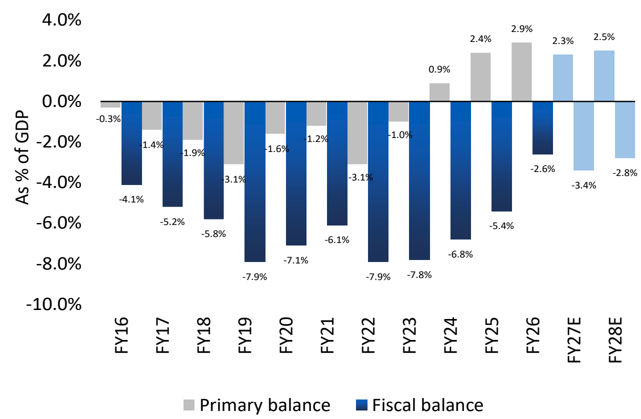
AKD Securities Limited

Economy on a path of gradual stabilization

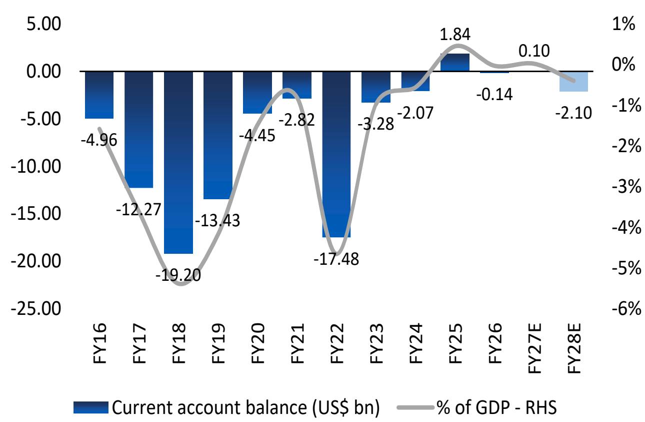
GDP growth to hover around 4% in near term



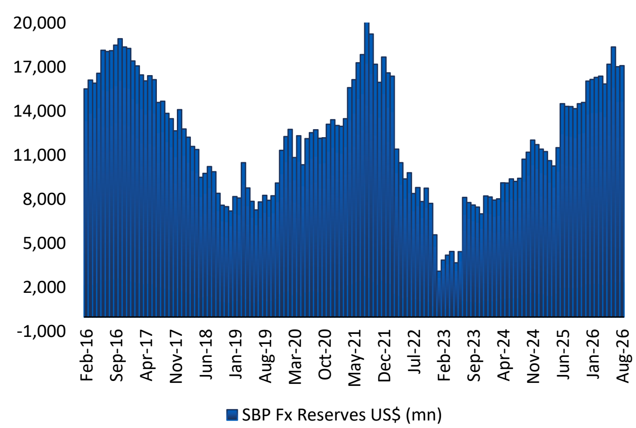
...fiscal discipline to remain intact



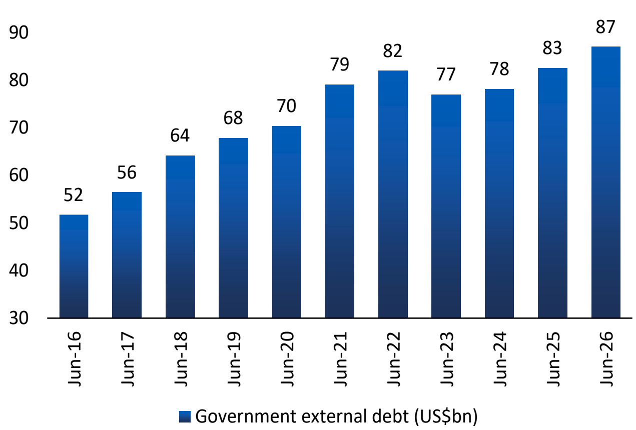
Helps to contain current account



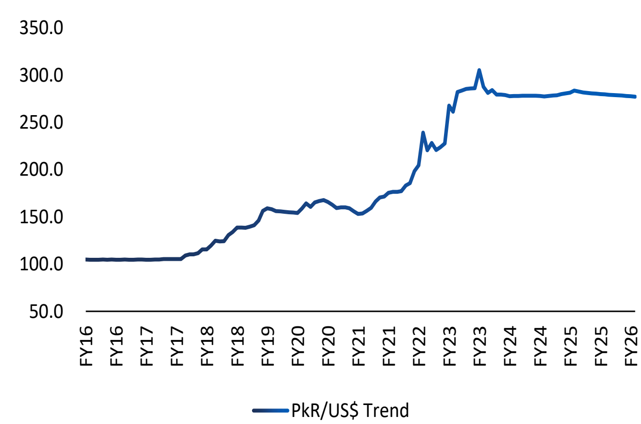
...providing support to build reserves



...while external debt to remain contained



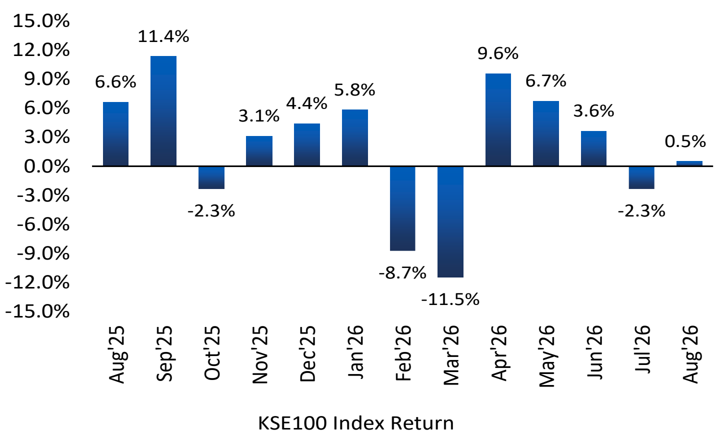
Providing support to currency



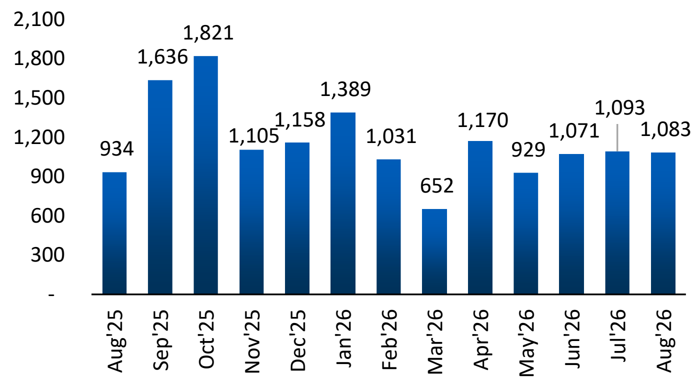
Source: SBP, MoF & AKD Research

KSE-100 gained amid robust liquidity

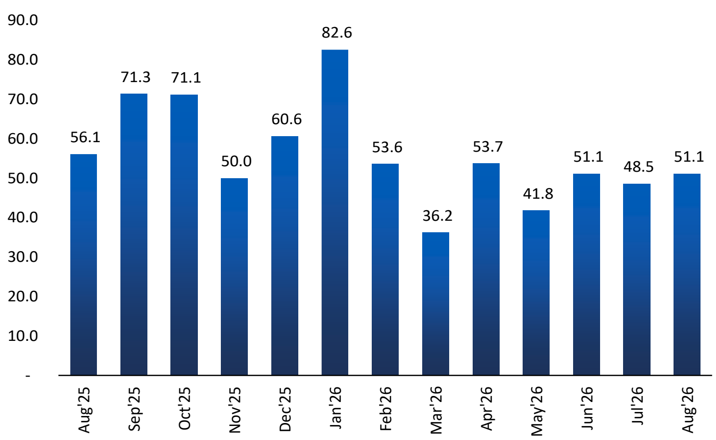
KSE-100 turned positive on better corporate results



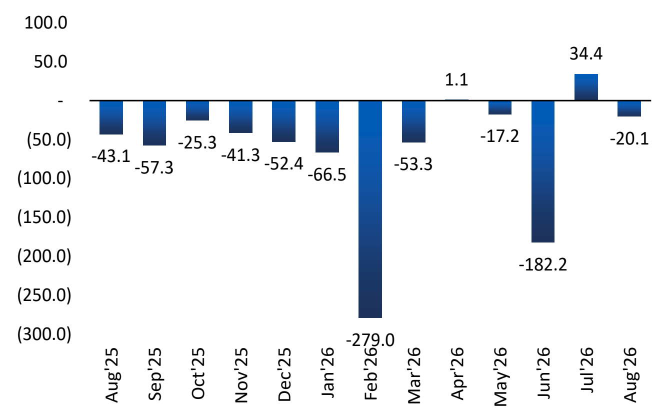
...market depth remained strong (mn shares)



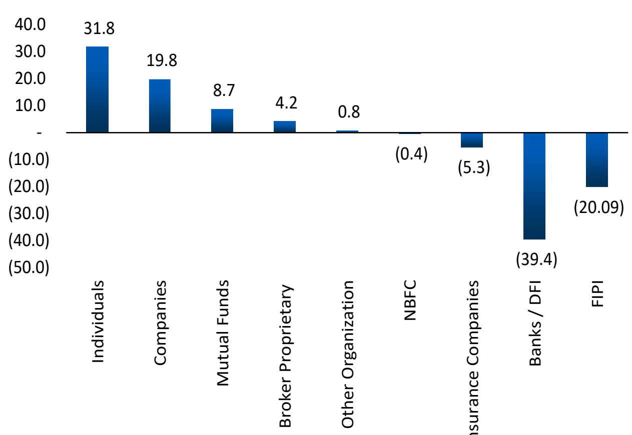
Meanwhile traded value improved (PkRbn)



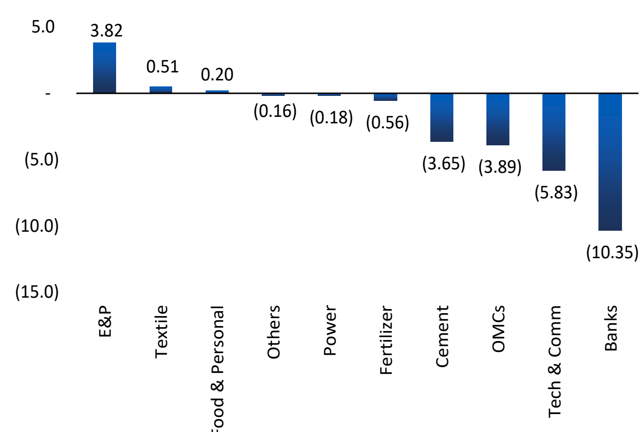
...FIIs turned net sellers as ME conflict remained unresolved (US$mn)



Individual and companies remained strong buyers (US$mn)



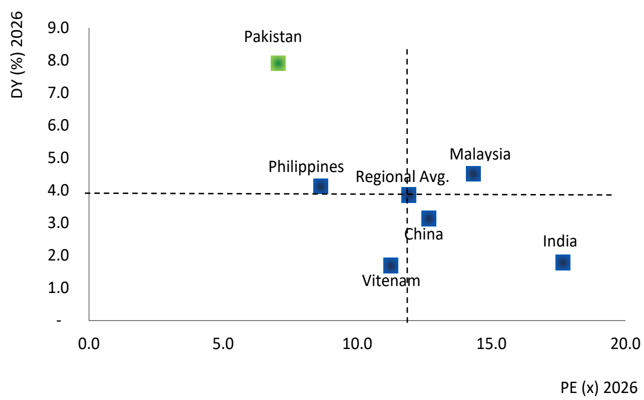
...E&P and Textile received positive Foreign inflows (US$mn)



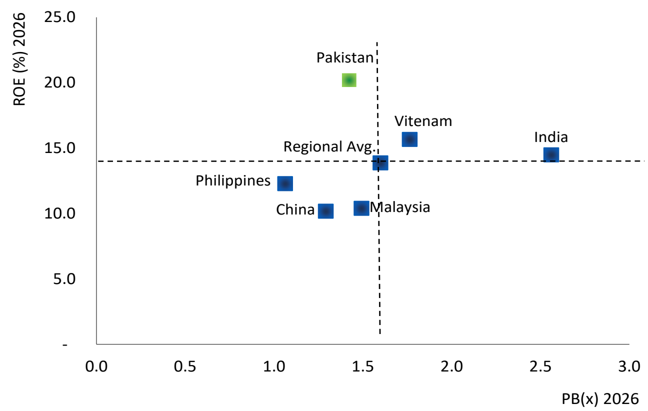
Source: PSX, NCCPL & AKD Research

KSE100 at attractive valuations

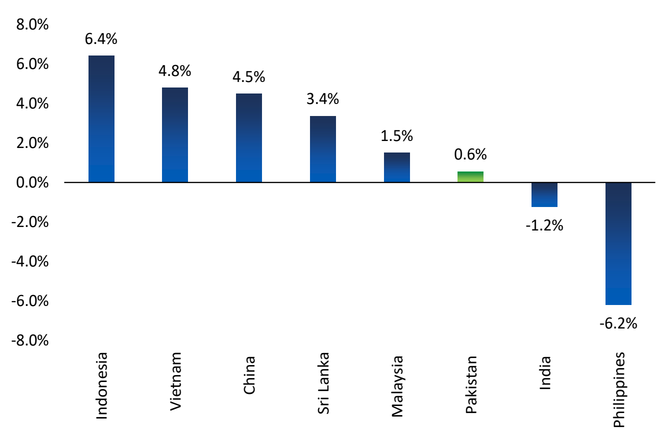
KSE100 providing highest DY with lowest P/E in the region



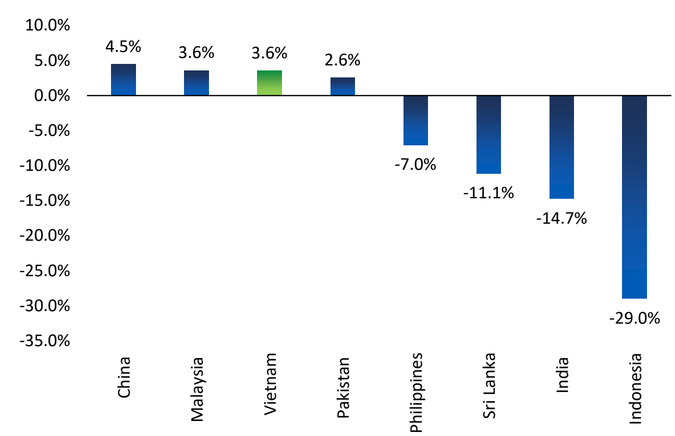
...while also well placed in terms of P/B and RoE



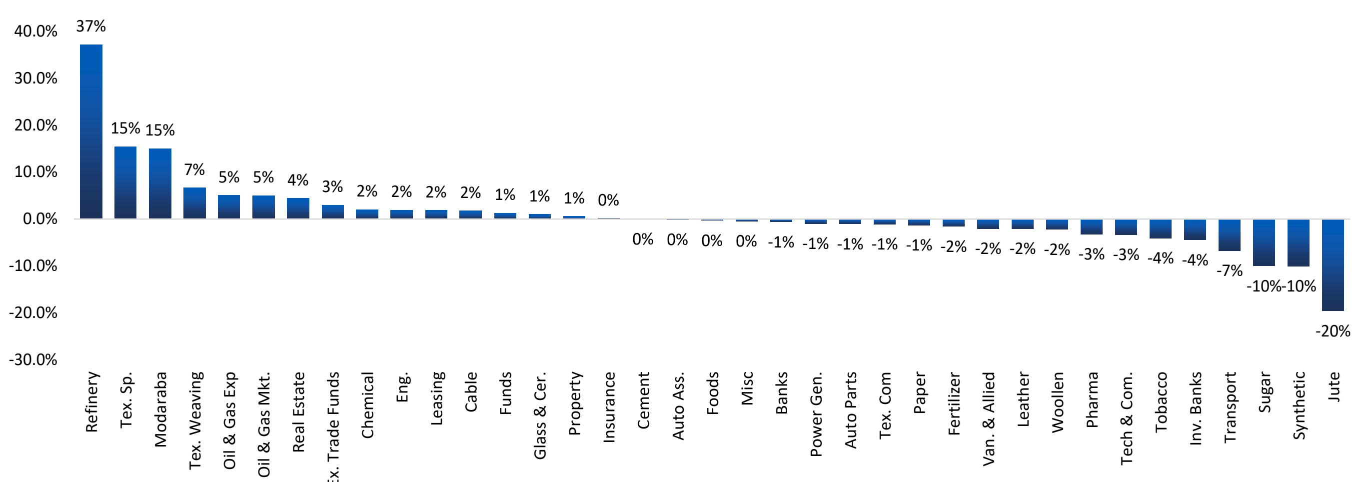
KSE-100 gained in US$ terms during Aug'26



...and among the best performing market in CYTD



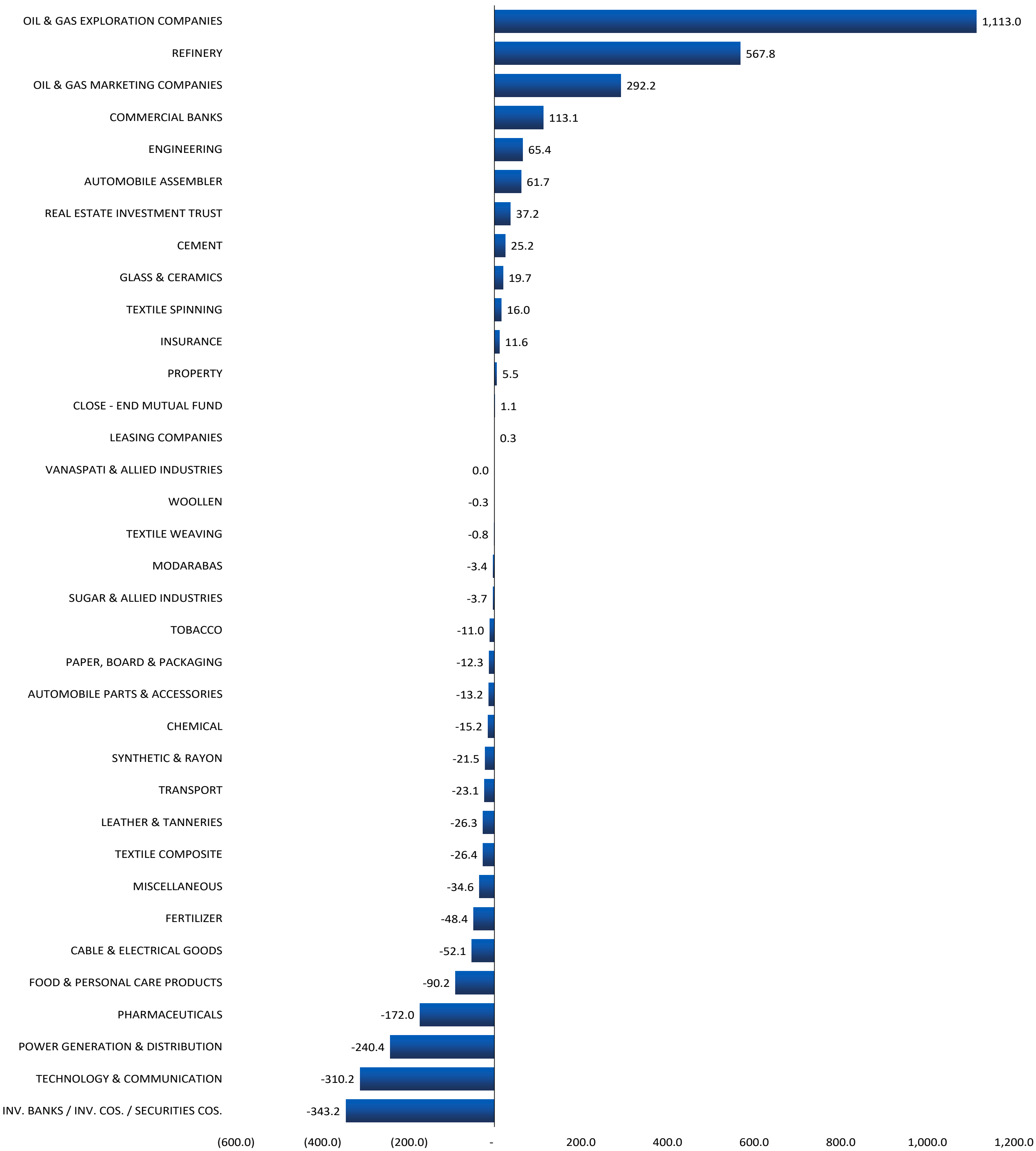
Refineries, E&P & OMC posted positive returns on the mainboard in Aug'26



Source: NCCPL, PSX & AKD Research

E&P remained the top contributor during Aug'26

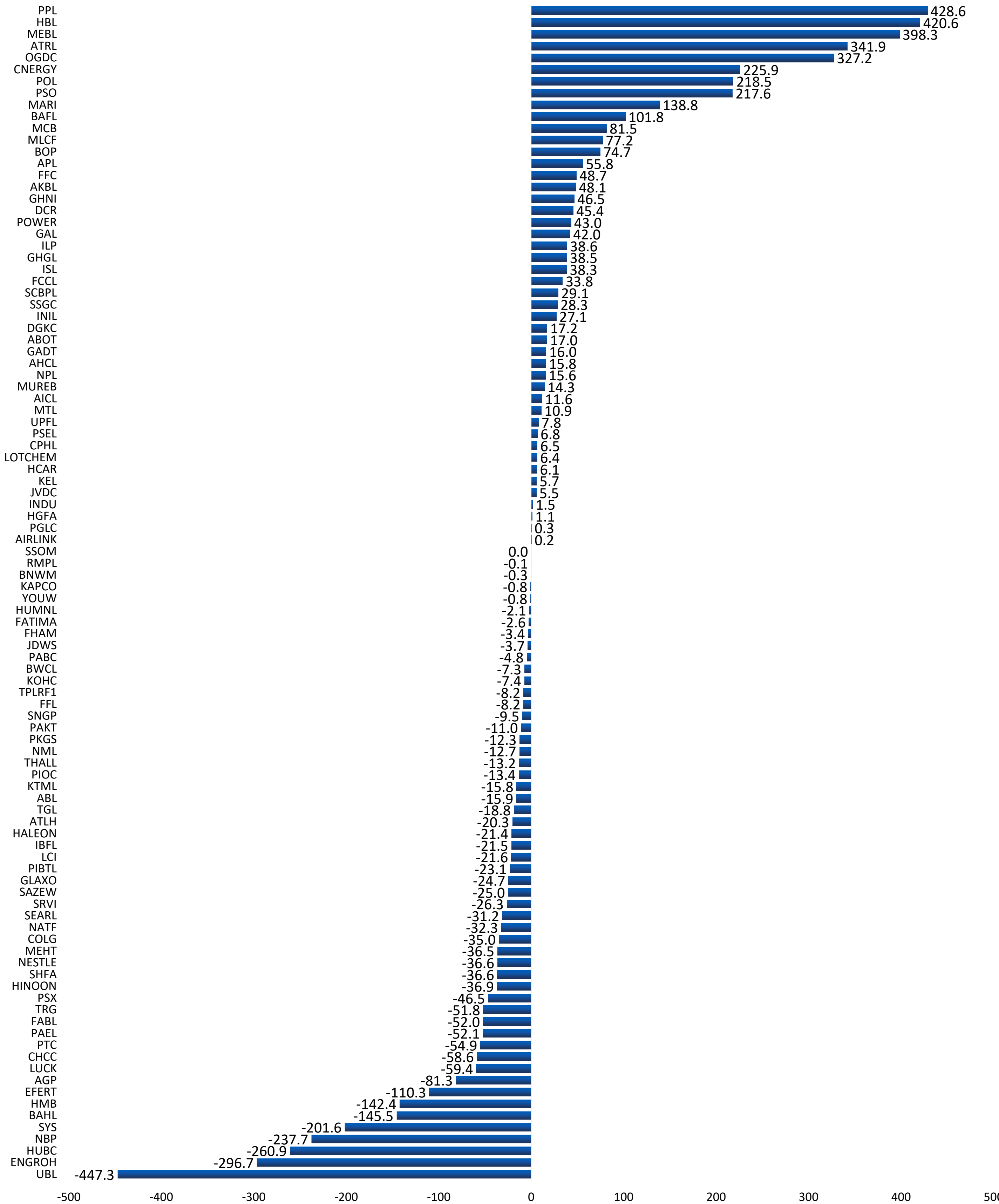
KSE-100 index Sector-wise point contribution



Source: PSX & AKD Research

PPL and HBL remained top contributors among individual stocks

KSE-100 index stock-wise point contribution



Source: PSX & AKD Research

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
Banks																
United Bank Ltd	**UBL**	451	590	BUY	51.9	50.5	45.3	8.7	8.9	9.9	2.2	2.5	2.5	6.5%	7.1%	7.1%
Meezan Bank Ltd	**MEBL**	578	672	BUY	49.5	50.8	53.8	11.7	11.4	10.7	3.7	3.2	2.8	4.8%	4.8%	5.2%
Habib Bank Ltd	**HBL**	318	483	BUY	45.5	51.2	54.6	7.0	6.2	5.8	0.9	1.0	0.9	6.3%	6.6%	8.8%
MCB Bank Ltd	**MCB**	405	544	BUY	49.3	50.8	53.3	8.2	8.0	7.6	1.4	1.5	1.5	8.9%	8.9%	9.9%
Bank AL Habib Ltd	**BAHL**	163	266	BUY	27.6	29.3	33.6	5.9	5.6	4.8	1.1	1.0	0.9	9.2%	9.8%	11.1%
Bank Al Falah Ltd	**BAFL**	59	86	BUY	9.0	8.1	8.3	6.5	7.2	7.0	0.9	0.9	0.9	8.9%	8.5%	8.9%
Faysal Bank Limited	**FABL**	96	134	BUY	14.3	14.0	14.4	6.7	6.9	6.7	1.3	1.2	1.1	6.8%	7.3%	7.8%
Askari Bank Limited	**AKBL**	106	116	NEU	15.8	14.4	13.2	6.7	7.4	8.1	1.0	1.0	0.9	4.7%	5.2%	5.6%
Allied Bank Limited	**ABL**	170	334	BUY	30.7	30.8	33.0	5.5	5.5	5.1	0.7	0.7	0.7	9.4%	9.4%	11.8%
Fertilizer																
Fauji Fertilizer Company	**FFC**	553	801	BUY	51.1	66.0	67.3	10.8	8.4	8.2	5.9	5.0	4.3	6.7%	8.9%	8.9%
Engro Fertilizers Ltd	**EFERT**	181	264	BUY	16.9	21.7	22.1	10.7	8.4	8.2	5.4	5.4	5.2	8.3%	11.6%	11.6%
Fatima Fertilizer Company	**FATIMA**	155	175	BUY	21.8	23.7	21.8	7.1	6.5	7.1	1.9	1.6	1.4	5.5%	6.1%	5.5%
Oil & Gas Exploration																
Oil & Gas Development	**OGDC**	329	522	BUY	39.5	39.9	51.0	8.3	8.2	6.4	1.0	1.0	0.9	4.6%	5.2%	6.2%
Mari Petroleum Company	**MARI**	663	935	BUY	54.3	72.5	87.4	12.2	9.1	7.6	2.9	2.5	2.1	3.3%	4.1%	5.3%
Pakistan Petroleum Ltd	**PPL**	235	412	BUY	33.1	32.9	40.5	7.1	7.1	5.8	0.9	0.8	0.8	3.2%	4.1%	7.5%
Pakistan Oilfields Ltd	**POL**	735	850	BUY	85.1	119.1	106.3	8.6	6.2	6.9	2.6	2.5	2.5	10.2%	13.6%	12.3%
Cement																
Lucky Cement - Standalone	**LUCK (SA)**	437	731	BUY	22.6	31.6	36.8	19.4	13.9	11.9	3.6	3.0	2.5	0.9%	1.1%	2.1%
Lucky Cement Limited	**LUCK**	437	731	BUY	52.5	57.8	71.9	8.3	7.6	6.1	1.8	1.5	1.2	0.9%	1.1%	2.1%
Fauji Cement Company	**FCCL**	55	88	BUY	5.4	6.3	7.7	10.2	8.7	7.2	1.6	1.5	1.3	2.3%	3.6%	4.5%
Maple Leaf Cement	**MLCF**	100	157	BUY	11.0	11.3	12.2	9.1	8.8	8.2	1.5	1.3	1.1	0.0%	0.0%	2.5%
D.G. Khan Cement	**DGKC**	210	389	BUY	19.8	27.0	29.2	10.6	7.8	7.2	1.0	0.8	0.8	1.0%	0.5%	4.1%
Cherat Cement Company	**CHCC**	302	640	BUY	44.7	37.3	51.6	6.8	8.1	5.9	1.8	1.5	1.2	1.8%	1.8%	3.0%
Kohat Cement Company	**KOHC**	96	194	BUY	12.6	11.0	14.3	7.6	8.7	6.7	1.8	1.5	1.3	0.0%	0.0%	3.1%
Pioneer Cement Ltd	**PIOC**	258	372	BUY	21.5	29.0	30.3	12.0	8.9	8.5	1.2	1.1	1.1	3.9%	0.0%	7.7%
Inv. Banks / Inv. Cos																
Engro Holdings Ltd	**ENGROH**	265	351	BUY	46.2	50.7	55.0	5.7	5.2	4.8	1.6	1.3	1.1	0.0%	0.0%	7.6%
Technology																
Systems Limited	**SYS**	125	277	BUY	7.5	11.2	14.8	16.6	11.1	8.4	3.8	3.0	2.4	1.6%	2.0%	2.6%
Power																
Hub Power Company	**HUBC**	210	215	NEU	39.7	38.3	47.4	5.3	5.5	4.4	1.1	1.0	0.9	7.2%	9.5%	9.5%
Nishat Power Limited	**NPL**	68	87	BUY	-2.1	4.0	3.7	-32.3	17.0	18.6	0.9	0.8	0.8	8.8%	3.7%	2.9%
Oil & Gas Marketing																
Pakistan State Oil	**PSO**	364	900	BUY	44.5	65.0	80.4	8.2	5.6	4.5	0.7	0.6	0.6	2.7%	4.1%	5.5%
Attock Petroleum	**APL**	584	760	BUY	83.5	136.3	87.6	7.0	4.3	6.7	1.2	1.0	0.9	4.4%	10.3%	6.4%
Automobile Assembler																
Indus Motor Ltd	**INDU**	1,929	3,966	BUY	292.7	333.1	306.6	6.6	5.8	6.3	2.0	1.6	1.5	9.1%	10.4%	10.6%
Honda Atlas Cars	**HCAR**	247	444	BUY	19.0	22.6	27.7	13.0	10.9	8.9	1.5	1.4	1.3	3.2%	3.6%	4.5%
Textile																
Interloop Limited	**ILP**	109	150	BUY	3.8	8.0	15.4	28.3	13.6	7.0	2.8	2.4	2.0	0.9%	2.8%	5.1%
Nishat Mills Limited	**NML**	144	318	BUY	17.1	15.9	28.0	8.4	9.0	5.1	0.3	0.3	0.3	1.4%	1.4%	2.4%
Nishat Chunian Limited	**NCL**	37	84	BUY	3.3	7.2	14.6	11.2	5.1	2.5	0.4	0.4	0.3	5.4%	5.4%	10.9%
Chemical																
Engro Polymer & Chemicals	**EPCL**	36	28	SELL	-4.5	0.5	1.2	-7.9	70.8	30.3	1.4	1.4	1.3	0.0%	0.0%	0.0%
Steel																
International Steels Limited	**ISL**	92	151	BUY	3.6	7.6	12.1	25.7	12.1	7.6	1.6	1.5	1.3	2.7%	4.9%	7.6%
Mughal Iron & Steel	**MUGHAL**	79	142	BUY	2.9	11.3	15.6	27.4	7.0	5.0	0.9	0.8	0.7	0.0%	2.8%	3.5%

Stance determined on the basis of Total Return (i.e. Upside + Dividend Yield)

Source: PSX & AKD Research

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Valuation Methodology

To arrive at our period end target prices, AKDS uses different valuation techniques including:

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

New Rating Definitions

BUY > 15% expected total return

NEUTRAL > 0% to < 15% expected total return

SELL < 0% expected total return

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