November 20, 2026
REP 019

FCC verdict on infrastructure cesses to bode well for companies

AKD Securities Limited

AKD Research
research@akdsl.com
+92-111-253-111 Ext: (639)

Price as of: Nov 19, 2026
KSE-100 Index 176,772.18

KSE– All Market Capitalization
PkR 19,233bn (US$69.5bn)

12-Months KSE-All Share Avg TD Value
PkR 49,806mn (US$178.0mn)

The Federal Constitutional Court (FCC) has declared both the Sindh Infrastructure Development Cess (SIDC) and the Khyber Pakhtunkhwa Infrastructure Development Cess unconstitutional, setting aside the respective High Court judgments that had upheld their legality.

The FCC heard 568 petitions filed by private parties challenging the Sindh High Court (SHC) and Peshawar High Court (PHC) judgments. To recall, the Sindh Infrastructure Development Cess was introduced in 1994 as a levy on goods entering and leaving the province, and was subsequently reinforced through the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. On June 4, 2021, the SHC upheld the levy retrospectively from 1994, after which the companies took the matter to Supreme Court.

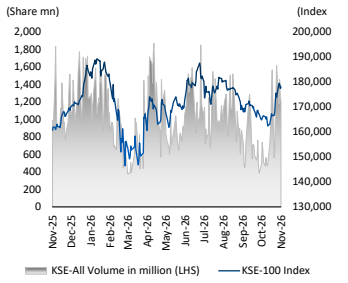
Similarly, the Khyber Pakhtunkhwa Infrastructure Development Cess Act, 2022, imposed a cess on the transportation and movement of goods within the province. The levy was subsequently increased from 1% to 2% in 2024 through amendments to the Act. On Nov 14, 2025, the PHC dismissed 157 petitions challenging the levy and upheld its legality.

The FCC has now ruled in favour of the taxpayers, setting aside the earlier judgments. Furthermore, it has declared the underlying charging provisions, related rules, notifications, assessments and recovery measures unconstitutional and without lawful authority. Moreover, securities furnished solely for the invalid charges shall be discharged upon verification and subject to any subsisting order governing their disposal. However, the provinces remain free to introduce constitutionally valid infrastructure or service charges on goods manufactured and consumed within their respective jurisdictions, according to the judgement.

Earlier this year, some companies have reportedly withdrawn their legal proceedings and reached a settlement with the Government of Sindh under the SIDC Act, 2026, agreeing to pay 45% of the outstanding amount over one year, with the remaining balance payable in 48 equal quarterly instalments.

Impact: The striking down of SIDC is expected to provide substantial one-off financial relief to Automobile, Textile, fertilizer and some of the Steel sector companies, while the impact on cement companies is likely to remain modest. However, companies may defer booking any reversals until the outcome of potential review petitions, as both provincial governments retain the right to challenge the FCC's decision, in our view. On a recurring basis, the removal of these cesses would improve corporate profitability by 1–2% annually. It is important to note that the judgment does not explicitly provide for refunds of amounts already paid.

KSE100 Index Performance



Source: PSX & AKD Research

One-time Impact on AKD universe

Sector	Textile			Fertilizer		INV. Bank	Cement	Steel	Auto		Chemical
Symbol	ILP	NML	NCL	FFC	EFERT	ENGROH	LUCK	ISL	HCAR	INDU	EPCL
PkR-mn	735	2,976	2,534	11,606	2,837	2,800	2,000	4,066	3,301	4,963	2,163
Impact/sh (After tax)	0.3	5.1	6.3	4.8	1.3	1.4	1.4	5.6	13.9	37.9	1.4
Impact % of FY/CY 27 EPS	2.0%	18.1%	43.5%	7.2%	5.8%	2.5%	1.9%	46.5%	50.1%	12.4%	121.3%

Source: PSX and AKD Research

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NEUTRAL > 0% to < 15% expected total return

SELL < 0% expected total return

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