

SELECT TECHNOLOGIES IPO



REGISTRATION OF ELIGIBLE INVESTORS

June 17th, 2026 (9:00 am) to
June 23rd, 2026 (3:00 pm)



BIDDING PERIOD DATES

June 22nd, 2026 to
June 23rd, 2026
(9:00 am to 5:00 pm)



DATE OF PUBLIC SUBSCRIPTION

July 02nd, 2026 to
July 03rd, 2026
(till midnight on both days)



PRICE BAND (FLOOR PRICE)

PKR 28 to 42
per share



ISSUE SIZE

88,888,889 Ordinary Shares
(10% of post-IPO paid up
capital)

OFFER FOR SALE DETAILS

CATEGORY	SHARES	% OF ISSUE	AMOUNT (PKR)
Book Building Portion	66,666,667	75%	At Strike Price
Retail Portion	22,222,222	25%	At Strike Price
TOTAL	88,888,889	100%	At Strike Price



MAXIMUM PRICE | PKR **42.00** per share

FLOOR PRICE | PKR **28.00** per share

(Including premium of PKR 18/- per share
on the par value of PKR 10/- per share)

Select Technologies Limited — IPO Subscription Report

Assembling the Future | Initiating with Subscribe at PKR 28

The Case for SELECT

Select Technologies Limited (SELECT) represents a rare opportunity on the Pakistan Stock Exchange — a scaled, operational electronics manufacturer with established global brand partnerships, a credible expansion roadmap, and a structurally improving margin profile, all available at a meaningful discount to sector peers. At the floor price of PKR 28, SELECT trades at a TTM P/E of approximately 12.19x on FY26 earnings (PKR 2.3), a 28% discount to the sector average P/E of 16.84x. To discuss briefly, the proceeds from the IPO will be deployed toward expanding AC and TV assembly lines at the Sundar SEZ and augmenting working capital — investments designed to broaden the revenue base and reduce reliance on short-term borrowings. We initiate with a Subscribe recommendation at the floor price.

The investment case rests on four pillars. First, SELECT is not a distributor — it is a manufacturer, and that distinction matters. The Company assembles smartphones, televisions, and air conditioners for Xiaomi and Hisense under structured manufacturing supply agreements, positioning it within Pakistan's import-substitution industrial framework rather than simply as a trading intermediary. Second, the Sundar Green SEZ facility — expected to commence commercial production in Q2 FY27 — provides a decade-long income tax exemption (till FY35), a benefit that will materially expand net margins as operations scale. Third, the Company's partnership with Xiaomi includes a foreign exchange pass-through mechanism, whereby FX gains and losses on CNY-denominated imports are charged back to Xiaomi Pakistan via debit or credit note — an unusually strong contractual protection that limits SELECT's direct currency exposure. Fourth, SELECT enters the IPO market at an inflection point in its own margin trajectory: gross margins have expanded from 5% in FY24 to 9% in FY25 and 16% in 9MFY26, driven by improved list prices and operating efficiency.

Where SELECT Sits in Pakistan's Electronics Chain

SELECT was incorporated in October 2021 as a wholly owned subsidiary of Air Link Communication Limited (AIRLINK), Pakistan's largest smartphone distributor with a 22% market share. The Company operates as AIRLINK's manufacturing arm, handling the assembly of products that its parent distributes — a vertically integrated model that reduces commercial friction and execution risk at the sales end.

The value chain is straightforward: global brands (Xiaomi, Hisense) supply SELECT with SKD/CKD (Semi-Knocked Down/ Completely Knocked Down) component kits under manufacturing supply agreements → SELECT assembles at its Lahore facilities → finished goods are sold to Xiaomi Pakistan and to AIRLINK, which distributes

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through its established retail and wholesale network. SELECT operates purely in the B2B segment and has no direct consumer-facing exposure, which simplifies its revenue model but also concentrates its customer base — a dynamic discussed further below.

SELECT currently holds a 15.5% share of Pakistan's smartphone assembling sector and a 7.7% share of total mobile devices manufactured in FY25 (Source: PTA), making it one of the larger operators among the 35 PTA-authorized manufacturers in the country.

Where the Money Goes — and When it Shows Up

The consultants to the issue (Arif Habib Limited and Intermarket Securities) have derived a DCF-based Fair-Value of PKR 46.75 per share, implying a 67% upside from the floor price. We view this figure as directionally credible but note that the terminal value — discounted at WACC of approximately 14-17% — accounts for the bulk of the enterprise value, which is characteristic of early-stage manufacturing companies with back-loaded earnings. The key swing variable in the model is the tax rate assumption: the FV reflects a step-down from 31% in FY26 to approximately 6% by FY28-29, almost entirely driven by the SEZ benefit scaling up.

Moreover, the 43% working capital allocation is not, as it might appear, a dilution of the expansion story. SELECT is required to maintain cash margin deposits against Letters of Credit opened for component imports — a structural feature of its business model that means inventory must effectively be financed before physical receipt of goods. Reducing reliance on short-term bank borrowings for this purpose directly improves interest coverage and lowers the cost of capital. The capex allocations, meanwhile, are expected to result in commercial production commencing at the AC and TV lines by Q2 FY27, meaning FY27 will be the first full year in which IPO-funded capacity contributes meaningfully to the top line.

IPO Allocation	PKR Mn	% of Total
AC Assembly Line (Sundar SEZ)	624	25%
Smartphone Plant & Machinery	433	17%
TV Assembly Line Expansion	373	15%
Working Capital	1,058	43%
Total	2,489	100%

What SELECT Makes — and For Whom

SELECT manufactures across three product categories under partnerships with two of the world's leading consumer electronics brands.

Segment	Brand	Key Models	Screen/Spec Range
Smartphones	Xiaomi	Redmi A3X, A5, 14C, 15C, Redmi 13, 15, Note 14, Note 14 Pro, Note 14 Pro+	Entry to mid-range; 5G capable (Note 14 Pro+)
Smart TVs	Xiaomi	A Series (32"–42"), A Pro Series (43"–65" QLED)	HD to 4K UHD; Google TV
Smart TVs	Hisense	A4N (32"–43"), Ultra HD (43"–65"), Q6N QLED (43"–75")	FHD to 4K; Google TV, 120Hz
Air Conditioners	Hisense	Full range (entry to premium)	Production commencing FY27

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The addition of Hisense — effective January 2026 — is strategically meaningful. It introduces a second global brand relationship, broadens the product mix beyond smartphones/ smart TVs, and diversifies the customer base beyond the singular Xiaomi relationship that has historically defined SELECT's revenue.

Built to Scale, Designed to Last

The following table outlines SELECT's production capacity pre and post expansion:

SELECT operates two assembly facilities — an established plant at Quaid-e-Azam Industrial Estate (QIE), Lahore, and a newer facility at the Sundar Green Special Economic Zone (SEZ), also in Lahore. QIE is SELECT's operational base today, housing smartphone assembly lines with an annual capacity of 3.5mn units and a TV line capable of 180k units per annum. In FY25, smartphone utilization at QIE stood at approximately 58% while TV utilization was only 5% — figures that reflect the order-driven, lumpy nature of B2B manufacturing demand rather than any structural constraint on the facility's output potential. Meaningful headroom exists at QIE even before the SEZ expansion is considered.

Sundar is where SELECT's medium-term earnings inflection is anchored. Initial smartphone and TV production at Sundar commenced in 4QFY26, effectively doubling combined smartphone capacity to approximately 7.0mn units per annum and expanding total TV capacity to 363k units.

On the contrary, the reduction in QIE smartphone capacity post-expansion reflects a planned migration of lines to Sundar — not a contraction — as the newer facility is configured for higher throughput and fewer product changeovers, translating into better operational efficiency over time. Two additional lines remain under construction within the SEZ: a large-scale TV line and an air conditioner line with a capacity of 400k units per annum, both funded through IPO proceeds and targeted for commercial production by Q2 FY27. The AC line in particular represents a meaningful category entry — Pakistan's household appliances market was valued at PKR 328.6 Bn in CY24 — and FY27 will be the first year in which the full breadth of SELECT's expanded product portfolio registers in earnings.

Reading Between the Revenue Lines

The FY24 revenue figure of PKR 73.5bn reflects a demand supercycle following the government's removal of LC restrictions in FY23 — essentially two years of compressed demand releasing simultaneously. FY25 revenue at PKR 48.9bn represents a normalized base, and the 9MFY26 figure of PKR 23.1bn reflects a soft first three quarters attributable to order timing and delayed product launches by SELECT's

Facility	Product	Annual Capacity (Pre)	Annual Capacity (Post)	Status
QIE, Lahore	Smartphones	3,500,000	2,970,000	Operational
QIE, Lahore	TVs	180,000	180,000	Operational
Sundar SEZ	Smartphones	—	4,032,000	Production from 4QFY26
Sundar SEZ	TVs	—	180,000	Production from 4QFY26
Sundar SEZ	Large-scale TVs	—	3,000	Under construction
Sundar SEZ	Air Conditioners	—	400,000	Under construction
Combined	Smartphones	3,500,000	7,002,000	
Combined	TVs	180,000	363,000	

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brand partners. Management has indicated that H2 FY26 will see improved momentum driven by new model introductions and the commencement of Sundar SEZ operations. Importantly, even through this revenue softness, absolute gross profit remained resilient and margins expanded — which speaks to SELECT's improving pricing position with Xiaomi rather than a deterioration in business quality.

Why Now, Why SELECT, Why PKR 28

SEZ tax benefit — structural, not cosmetic: SELECT's Sundar Green facility operates within a Special Economic Zone, conferring a complete income tax exemption through FY35 — covering income tax, super tax, alternative corporate tax, turnover tax, and utility-related withholding taxes. At an effective tax rate of 34-38% in recent years, the SEZ benefit is not a marginal improvement; it is a step-change in net margin that compounds over the next decade as a larger proportion of production migrates to Sundar.

Margin trajectory tells a better story than the revenue line: Despite revenue declining 33% in FY25 versus FY24, EBITDA grew 6% and gross margin expanded to 9% from 5%. In 9MFY26, gross margins have expanded further to 16%. This is a function of improved list prices negotiated with Xiaomi Pakistan and a favorable product mix shift toward higher-margin TV assemblies. The business is getting more efficient even as the top line normalizes.

Hisense — a second pillar, not just a footnote: Pakistan's household appliances market was valued at PKR 328.6bn in CY24. Hisense holds a 14% share of the global Smart TV market. SELECT's agreement with Hisense, effective January 2026, gives it manufacturing rights for TVs and ACs under one of the world's most recognized white goods brands. This is a meaningful diversification — both in terms of product category and in terms of reducing the singular dependence on Xiaomi that has characterized the business to date.

Local manufacturing tailwinds are structural: The PTA's MDM regulations and DIRBS system have driven locally manufactured smartphones from 11.7mn units in CY19 to 30.2mn in CY25 — a CAGR of 18%. Over 68% of smartphones sold in Pakistan are now locally assembled. The forthcoming rollout of 5G services (launched in parts of Pakistan in March 2026) will accelerate handset upgrade cycles, particularly in the mid-range Redmi segment where SELECT's Xiaomi portfolio is concentrated.

Airlink ecosystem as a structural advantage: AIRLINK's 22% distribution market share and established relationships with Samsung, TCL, Transsion, and Xiaomi create a ready commercial infrastructure for SELECT's output. SELECT does not need to build distribution — its parent has already built it. This reduces execution risk on

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the demand side, particularly as SELECT diversifies into new product categories like ACs and large-scale TVs where establishing new distribution from scratch would be meaningfully costly.

Risks — Context Alongside the Caution

Customer concentration: Xiaomi Pakistan has accounted for approximately 99-100% of SELECT's revenue in FY23-FY24. This remains the single most important risk in the investment case. A reduction in Xiaomi Pakistan's local demand — driven by competitive pressure from Samsung, Oppo/Realme, or Infinix — would directly compress SELECT's order volumes.

Revenue softness in 9MFY26: At PKR 23.1bn for nine months, annualized FY26 revenue would imply roughly PKR 30-31bn — a further decline from FY25's PKR 48.9bn. Management attributes this to order timing and delayed product launches. While this explanation is plausible given the lumpiness of B2B manufacturing revenue, investors should be aware that the full-year FY26 number is unlikely to be a clean recovery.

Negative operating cash flows: SELECT has generated negative cash flows from operations in FY24 (PKR -4.0bn) and FY25 (PKR -3.0bn), driven by working capital absorption — specifically inventory build and LC margin requirements. The IPO's PKR 1.06bn working capital allocation will provide partial relief, but the structural working capital intensity of this business model will remain. Notably, debt to equity stood at 157% as of FY25, improving to 107% by 9MFY26 as trade payables normalized.

Suppliers not yet finalized: As disclosed in the prospectus, purchase orders for the AC and smartphone plant and machinery have not yet been issued as of the date of publication — vendors have been internally shortlisted, and negotiations are in final stages. This creates a degree of execution uncertainty on the capex program. Investors should note, however, that the implementation schedule is designed around IPO proceeds being received first, and both plants are targeted for operational availability by Q2 FY27.

Free float of 10%: Post-IPO, AIRLINK will retain a 90% stake in SELECT. The thin free float limits secondary market liquidity and may constrain institutional participation. It also means that the listed price will be more sensitive to retail sentiment in the near term.

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The Bottom Line: Subscribe at Floor Price (PKR 28)

SELECT is not a company without risks — customer concentration is real, near-term revenue is soft, and the AC and large-scale TV lines remain under construction. But the investment case at the floor price of PKR 28 is backed by Pakistan's largest smartphone distributor, operating under contracts with two of the world's top consumer electronics brands. The floor price reflects a discount to the sector on every meaningful earnings multiple, while the SEZ ramp and product diversification offer a credible medium-term re-rating catalyst.

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Income Statement (PKR Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Sales Revenue	50,617	62,672	75,985	95,792	119,879	134,633
Units Sold ('000s):						
Smartphones	1,730	1,507	1,771	2,050	2,360	2,412
Smart-TVs	16	24	29	33	41	48
Air Conditioners	0	53	67	76	98	115
Cost of Sales	-45,006	-57,138	-69,850	-85,300	-106,370	-119,244
Gross Profit	5,610	5,534	6,135	10,492	13,509	15,389
Administrative Expenses	-272	-302	-314	-327	-342	-357
Operating Profit (EBIT)	5,338	5,232	5,821	10,164	13,167	15,032
Other Income	329	428	448	493	552	616
Other Expenses	-133	-131	-146	-254	-329	-376
Finance Expense	-2,387	-2,717	-3,124	-3,385	-3,714	-3,771
Profit before Tax	3,152	2,813	3,000	7,019	9,677	11,503
Taxation	-983	-456	-190	-450	-608	-702
Net Income for the Year	2,169	2,356	2810	6,569	9,069	10,800

Source: Company Prospectus, HMFS Research

Balance Sheet (PKR Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Non-Current Assets	14,071	15,510	15,660	15,821	15,993	16,175
Current Assets	26,938	33,327	39,484	46,686	58,343	64,943
Total Assets	41,007	48,821	55,137	62,500	74,328	81,110
Equity	14,511	15,807	17,352	20,965	25,953	31,893
Non-Current Liabilities	4,618	4,208	3,793	3,378	2,963	2,548
Current Liabilities	21,881	28,822	33,999	38,164	45,420	46,677
Total Liabilities	26,498	33,030	37,792	41,542	48,383	49,226
Total Equity & Liabilities	41,009	48,836	55,144	62,507	74,336	81,119

Source: Company Prospectus, HMFS Research

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(PKR Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Operating Profit	5,338	5,232	5,821	10,164	13,167	15,032
Less: Tax	-1,666	-849	-369	-651	-827	-918
NOPAT	3,673	4,383	5,452	9,513	12,340	14,114
Add: Depreciation	604	704	713	724	737	750
Add: Amortization	-	-	-	-	-	-
Adj: Changes in Working Capital	1,515	-3,699	-3,501	-3,625	-5,835	-2,468
Less: CapEx	-3,330	-2,143	-863	-886	-909	-932
FCFF	2,462	-755	1,800	5,727	6,333	11,464
Terminal Value						89,391 ^{60}

Enterprise Value	54,603
Less: Debt	-17,027
Add: Investment Property	1,936
Add: Short-term investments	1,800
Add: Cash	245
Equity value	41,556
No. of Shares (Mn)	889
Value per Share (PKR)	46.75

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To arrive at our fair value estimates, HMFS uses different valuation methodologies including but not limited to:

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

HMFS RATING GUIDE	
BUY	More than 15% Upside
HOLD	Between 15% Upside & 15% Downside
SELL	More than 15% Downside
Note: All fair value estimates are for a twelve month time horizon unless specified otherwise in the report Upside/Downside represents the difference between the stated “Fair Value” & the prevailing “Market Price” Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes	