



WEEKLY REPORT

WAVES OF PANIC

DATE:

Friday, May 15, 2026

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Major Events

During the week, the stock market was impacted by a combination of news and events that had a considerable effect on its direction. Key events that shaped the market's trend included:

IMF Review Clears, Budget Machinery Kicks In

The IMF's Executive Board approved Pakistan's 3rd EFF review on May 8, unlocking ~USD 1.3bn in fresh financing (~USD 1bn EFF, USD 210mn RSF) and lifting total programme disbursements to ~USD 4.5bn. The SBP confirmed receipt of the funds on May 12, pushing foreign exchange reserves above USD 17bn — within striking distance of the central bank's USD 18bn FY26 target. Clearance came after Pakistan accepted 11 additional structural benchmarks, taking total programme conditionality to 75 — spanning parliamentary approval of the FY27 budget in line with IMF staff targets, phased withdrawal of SEZ/STZA (Special Economic Zone/ Special Technology Zones Authority) fiscal incentives by 2035, a BISP (Benazir Income Support Program) stipend hike to PKR 19,500 from January 2027, and an SBP roadmap for gradual FX liberalisation. Review findings also flagged weak suspicious transaction reporting in real estate and trade-based money laundering risks. On the fiscal front, an IMF mission arrived in Islamabad on May 13 for pre-budget discussions expected to run through May 20, while the government signalled a no-new-tax FY27 budget — targeting ~USD 780bn through FBR enforcement alone, double FY26's PKR 389bn. Separately, central government debt breached the PKR 80trn mark by March 2026 (up PKR 2.6trn in 9MFY26), though the composition shift is notable: domestic debt rose 11.7% Y/Y as the government pivoted to PIBs to extend maturities, while external debt declined PKR 458bn — and the fiscal deficit narrowed to a historic 0.7% of GDP in 9MFY26. In sum, Pakistan's programme trajectory remains on track, but the narrowing fiscal space — with debt breaching PKR 80trn even as the deficit hits historic lows — underscores that the heavy lifting on structural reform is far from over.

Regulatory Reset: Tariffs, Subsidies & Trade

The Power Division moved to formalize existing subsidy management arrangements with DISCOs through Public Service Obligation (PSO) agreements under the SOE Act 2023 — a structural step tied to commitments made to international financial institutions. The agreements will standardize how DISCOs administer tariff differential subsidies, relief packages, and NEPRA-mandated surcharges, converting previously ad-hoc directives into legally binding obligations. On the cross-border front, NEPRA approved a tariff for 204MW of electricity imports from Iran while flagging CPPA-G over compliance violations — a development that carries added weight given ongoing Strait of Hormuz disruption risks. In a separate utility-level proceeding, NEPRA concluded a public hearing on K-Electric's PKR 43.6bn End-of-Term adjustment claims under the MYT FY17–23 framework, covering FX impact on allowed return on equity (~PKR 11bn), working capital

Major Events

actualisation (~PKR 23bn), and investment-related adjustments. The government and Karachi-based industrialists opposed the claims, warning against burdening consumers/ taxpayers. Meanwhile, the federal government slashed Gwadar Port tariffs — cutting berthing fees by 25%, international transshipment charges by 40%, and transit cargo fees by 31% — with one-month free storage, positioning the port as a regional logistics alternative amid Hormuz disruption. NEPRA also enabled digital payment of regulatory fees, a minor but overdue administrative step. Collectively, the week's regulatory activity signals a power sector in transition — formalising subsidy frameworks, stress-testing utility claims, and pivoting trade infrastructure, all under the shadow of geopolitical risk and IMF conditionality.

Pakistan Deepens Global Partnerships Across Trade, Capital, and Industry

Pakistan's engagement with international partners accelerated meaningfully this week, spanning capital market access, industrial investment, energy cooperation, and export market expansion. At the centre of this momentum was the inauguration of Pakistan's first-ever Panda Bond issuance in Beijing, where Finance Minister Muhammad Aurangzeb attended the official ceremony marking Pakistan's entry into China's domestic capital market. The inaugural tranche of USD 250mn forms part of an overall USD 1bn programme — diversifying Pakistan's sovereign funding base away from traditional multilateral channels and tapping one of the world's largest bond markets. The issuance sits within a broader bilateral investment narrative. Ambassador Khalil Hashmi disclosed that Pakistan and China have signed over 300 MoUs and more than three dozen joint venture agreements over the past two years, with cumulative value exceeding USD 13bn. A leading Chinese company, Challenge Fashion is separately establishing a large-scale manufacturing facility in the textile sector of Pakistan with the potential to generate USD 400mn–USD 500mn in annual exports and create up to 20,000 local jobs. Pakistan's abundant raw material reserves for sodium-based battery technologies — an emerging global supply chain priority — further strengthen the country's industrial investment proposition ahead of the Prime Minister's forthcoming visit to Beijing. Beyond China, Kuwait agreed to explore strategic petroleum storage and refining cooperation in Pakistan, adding a Gulf dimension to the country's energy infrastructure agenda. Separately, Pakistan is on the cusp of achieving WHO Level 3 pharmaceutical certification, which would expand export market access from 51 countries to over 150 — a transformational opportunity for a sector historically underrepresented in global trade flows.

Other News

KP millers see a crisis as wheat supply from Punjab suspended: The flour millers expressed grave concerns over suspension of wheat supply from Punjab to Khyber Pakhtunkhwa and feared a flour crisis if the ban on wheat movement is not lifted.

PSX launches new "Apparel" sector: The Pakistan Stock Exchange (PSX) has formally introduced a dedicated "Apparel" sector, which marks a structural shift in how the bourse categorizes companies primarily engaged in the apparel business.

PPL brings Faiz X-1 well on stream after decade: Pakistan Petroleum Limited (PPL) has successfully commissioned Faiz X-1 Deep (Basal Sand) at its operated Gambat South Block in Sanghar, Sindh, according to a statement issued on Saturday.

Govt revises Gwadar Port tariff structure to attract greater traffic: In line with the directions from the Federal Minister of Maritime Affairs Junaid Anwar Chaudhry, the Gwadar Port Authority has revised its port tariff structure to attract greater transit and international transshipment container traffic through Gwadar port.

Second Qatari LNG tanker heads to Pakistan via Hormuz: A second Qatari liquefied natural gas tanker is transiting the Strait of Hormuz days after the first such cargo crossed under an arrangement involving Iran and Pakistan, highlighting how cargoes are crossing the waterway on a case-by-case basis amid ongoing conflict risks.

IT drives 17pc surge in services export: Pakistan's services exports rose 17.05 per cent during the first nine months of the current fiscal year, driven largely by higher earnings from the information technology sector, according to official data.

9MFY26 budget deficit reaches Rs856.4bn mark: Pakistan's fiscal position sharply deteriorated in the third quarter of fiscal year 2025-26 as the overall budget balance swung to a deficit of Rs856.4 billion.

Pakistan car sales jump 52% in July-April FY26: Pakistan's car sales rose sharply by 52% in the first ten months of the current fiscal year, reaching 127,042 units compared with 83,401 units sold during the same period last year, as per the data released by the Pakistan Automotive Manufacturers Association (PAMA).

PM seeks to explore alternative sources of fertilizer from Central Asian countries: Prime Minister Shehbaz Sharif on Tuesday directed the authorities to explore alternative sources of fertilizer from Central Asian countries in view of potential disruptions in the supply chain from Gulf nations.

Ogra directs refineries to contribute Rs7.1bn to compensate PSO: The Oil and Gas Regulatory Authority (Ogra) has directed the country's oil refineries to collectively contribute Rs7.1 billion to compensate Pakistan State Oil (PSO) under an emergency diesel pricing mechanism introduced amid escalating regional tensions linked to the Iran-US conflict.

PM Shehbaz orders easy SME loans: Prime Minister Shehbaz Sharif on Wednesday directed the commercial banks to provide easy loans to women entrepreneurs and small and medium enterprises, and to assist them in exporting their products, as SMEs have full potential for the development of the national economy and for increasing exports.

Pakistan joins top tyre exporters: Pakistan has emerged among the top 10 exporters of truck and bus radial (TBR) tyres to key global markets including the United States and Brazil.

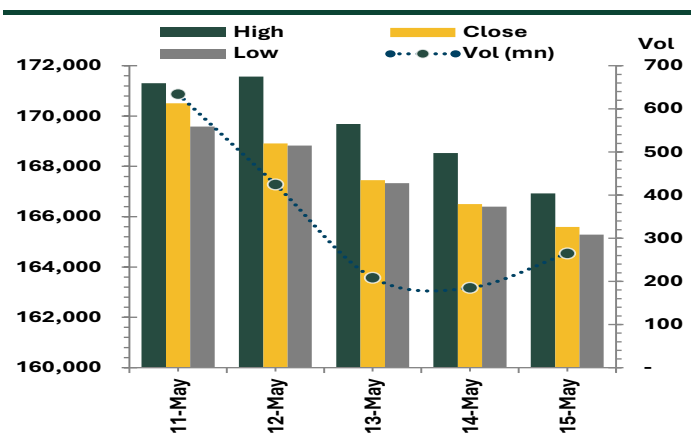
Oil refineries: SIFC to ensure removal of major tax distortion: The Special Investment Facilitation Council (SIFC) will ensure the removal of a major tax distortion for the oil refineries in the upcoming budget (2026-27).

Equity Market Review

Summary

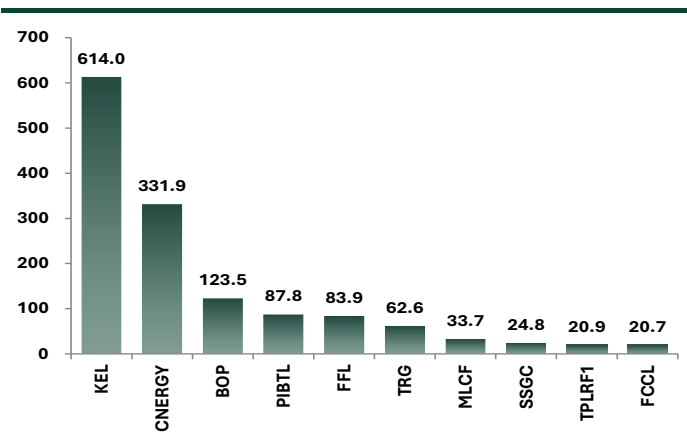
The Pakistan equity market witnessed a sharply volatile and predominantly bearish week, with the benchmark KSE-100 Index closing at 165,596.07 level, down nearly 5,519.75 points w/w, as investor sentiment remained overshadowed by escalating geopolitical tensions and mounting macroeconomic concerns. Market direction was largely dictated by the intensifying US-Iran deadlock after President Donald Trump rejected Tehran’s latest peace proposal, reigniting fears of disruptions in the Strait of Hormuz and renewed pressure on global oil supply and prices. Sentiment further weakened following the government’s decision to increase the Petroleum Levy on petrol and HSD under IMF-linked commitments, amplifying concerns over inflationary pressures and rising economic costs. Although mid-week optimism briefly emerged after the IMF tranche inflow, the momentum quickly faded amid the absence of fresh positive triggers. Moreover, the IMF’s introduction of 11 new structural benchmarks — including fiscal consolidation measures, energy tariff adjustments, and governance reforms — reinforced expectations of a tighter policy and regulatory environment ahead. Average daily traded volumes remained relatively subdued at ~ 343.45mn shares, while 825.07mn shares in the broader ALLSHR Index during the week, reflecting cautious participation and defensive positioning by investors. Consequently, intermittent recoveries remained largely technical in nature, as the broader market continued to trade under a persistent risk-off undertone.

Daily Market Performance



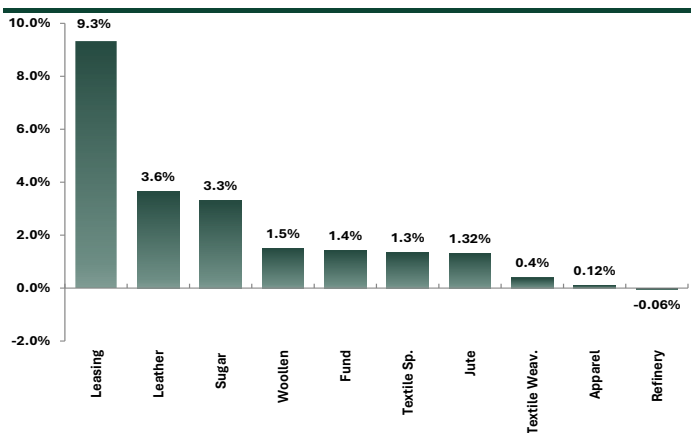
Source: PSX & HMFS Research

Top 10 Volume leaders (volumes in mn)



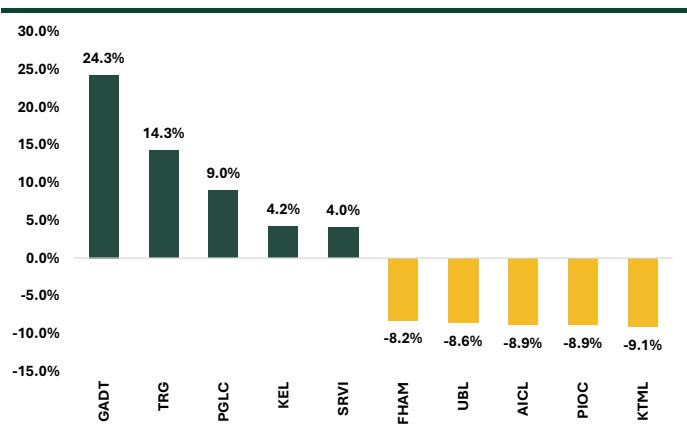
Source: PSX & HMFS Research

Sector Performance



Source: PSX & HMFS Research

Gainers & Losers (KSE-100 Index)



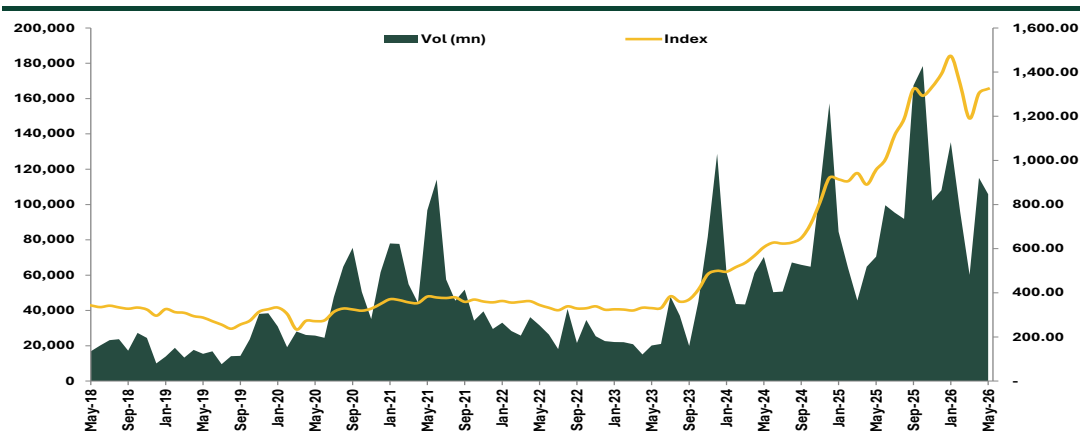
Source: PSX & HMFS Research

Equity Market Review

Outlook

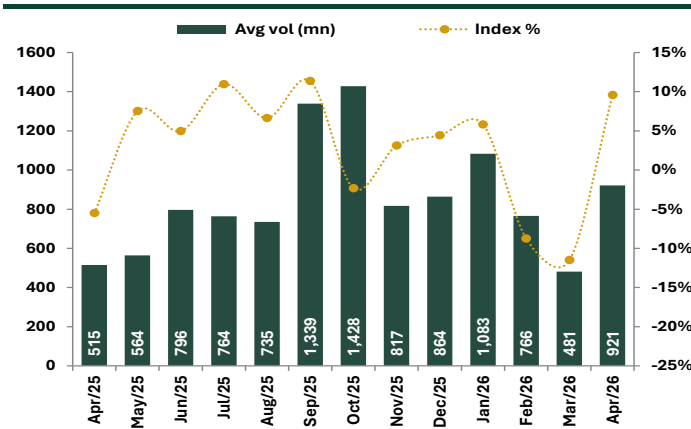
Going forward, the market outlook is expected to remain predominantly headline-driven, with sentiment closely anchored to developments in the US-Iran geopolitical situation and subsequent volatility in global crude oil prices. Near-term risk remains skewed to the downside as uncertainty around supply routes and inflationary pressures continues to cloud visibility on the macroeconomic trajectory. However, improving domestic fundamentals, including IMF-backed stabilization measures and gradual macro consolidation, could provide a supportive floor to valuations over time. Additionally, any easing in geopolitical tensions or stabilization in oil prices may act as a key re-rating trigger for the market. In this environment, investors are likely to remain selective, favoring fundamentally resilient stocks with strong earnings visibility, robust balance sheets, and defensive characteristics.

Index Performance



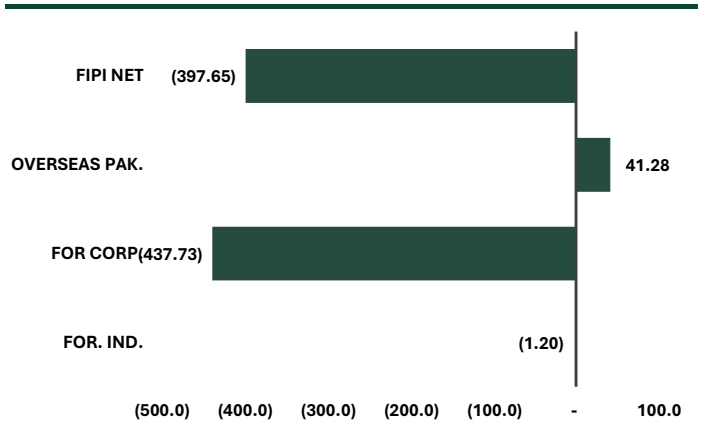
Source: PSX & HMFS Research

MoM Index gain vs Average Volume



Source: PSX & HMFS Research

FIPI (CYTD in USD mn)



Source: NCCPL & HMFS Research

Money Market Review

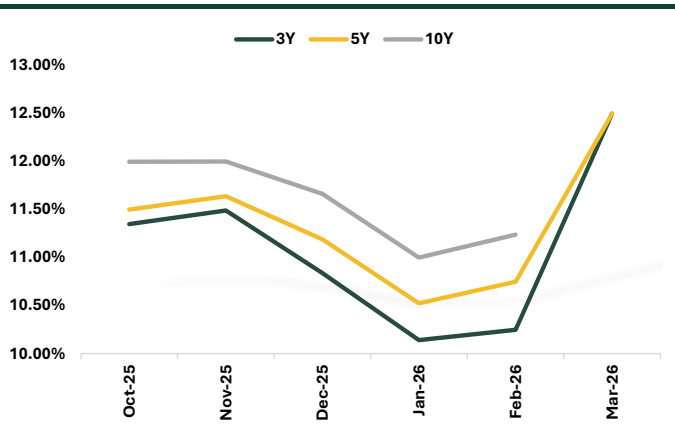
Summary

During the week, the State Bank of Pakistan (SBP) conducted a T-Bills auction, raising PKR 950bn against a target of PKR 1tn. Cut-off yields increased across most tenors, marking the second upward adjustment following the SBP’s recent 100bps policy rate hike. The 12-month tenor recorded the sharpest increase of 40bps, followed by the 6-month tenor with a 37bps rise, while the 3-month tenor edged up by 3bps. In contrast, the 1-month tenor declined by 11bps. No auction for Pakistan Investment Bonds (PIBs) was held during the week. Additionally, the SBP conducted a reverse repo-based Open Market Operation (OMO), injecting PKR 1.03tr to maintain liquidity conditions.

Outlook

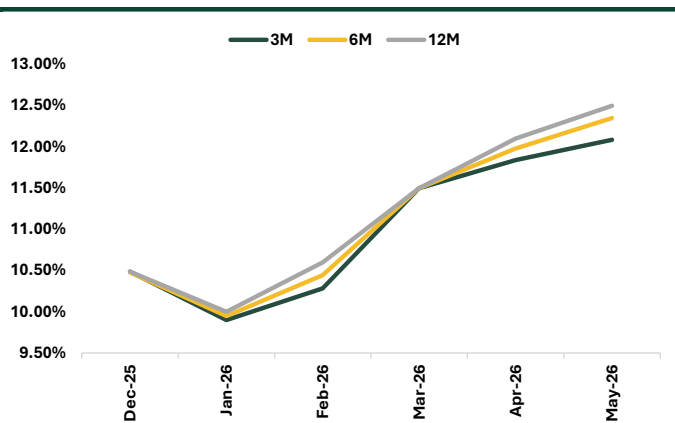
Money market conditions are expected to remain cautious amid persistent inflationary pressures. Inflation has re-entered double-digit territory, while rising domestic fuel prices, driven by elevated global crude oil prices and ongoing geopolitical tensions, indicate further upside risks to inflation if external conditions persist. The continued increase in T-bill cut-off yields also reflects a tightening bias in the interest rate environment following the recent policy rate hike. Although liquidity conditions remain manageable, higher rates are likely to keep borrowing costs elevated in the near term. Going forward, market direction will largely depend on the outcome of the upcoming T-Bills auction scheduled for May 20 and the PIB auction on May 18, which will provide further clarity on investor sentiment and rate expectations.

PIB Yields



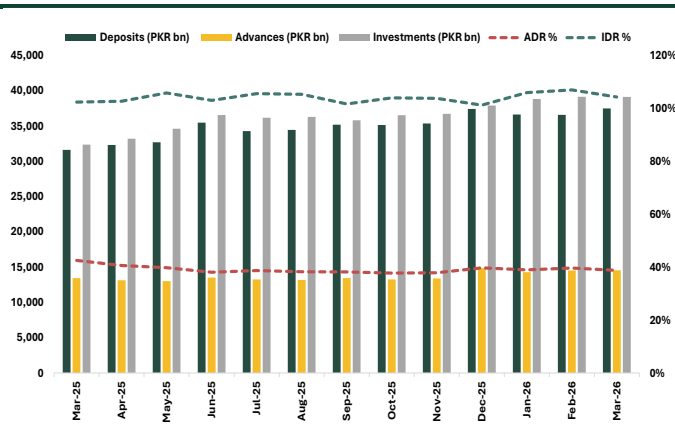
Source: SBP & HMFS Research

T-Bill Yields



Source: SBP & HMFS Research

Bank’s ADR & IDR



Source: SBP & HMFS Research

Forex Market Review

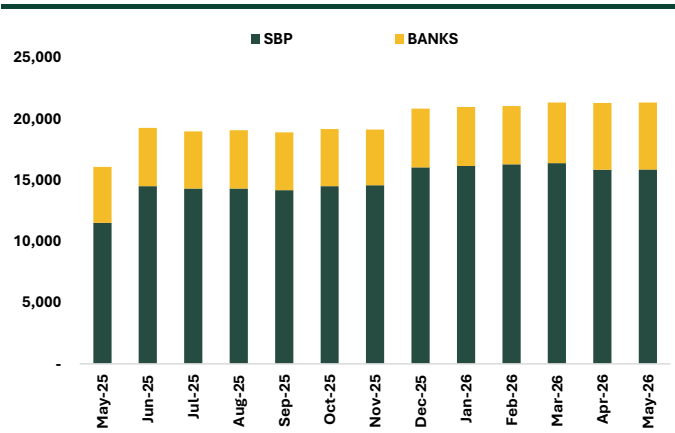
Summary

During the week ended May 8, 2026, foreign exchange reserves held by the State Bank of Pakistan (SBP) increased by USD 16.7mn w/w to USD 15.87bn. Meanwhile, reserves held by commercial banks rose by USD 26.5mn w/w to USD 5.47bn. As a result, the country's total liquid foreign exchange reserves increased by USD 43.2mn w/w to USD 21.34bn. On the currency front, the PKR remained broadly stable in the interbank market, closing near PKR 278.61/USD.

Outlook

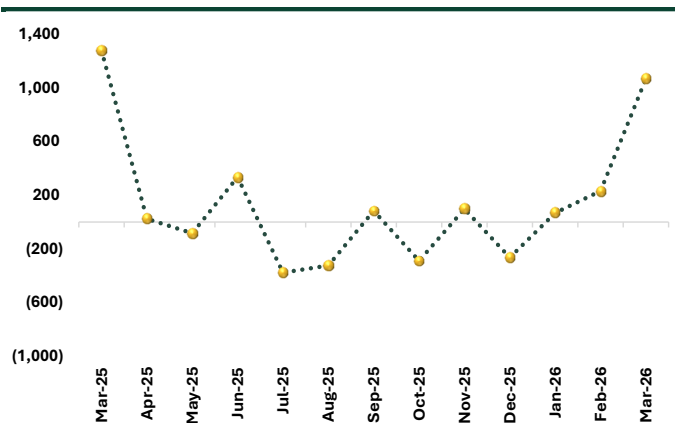
The forex outlook for the coming week remains broadly balanced, with inflows from the USD 1.3bn IMF tranche likely to provide support to reserve levels. Remittance inflows have also remained resilient despite ongoing geopolitical tensions in the Middle East, recording an 8.5% increase during 10MFY26, which continues to support the external account. However, elevated global crude oil prices and Pakistan's dependence on petroleum imports remain key risks to the reserve position by increasing the import bill. The finance minister has reiterated that the current account remains on track to meet its annual target, with a marginal surplus maintained during 9MFY26 despite external challenges. Nevertheless, the sustainability of this position will depend on the timely realization of external inflows, while the PKR is expected to remain range-bound against the USD in the near term.

Foreign Exchange Reserves (USD bn)



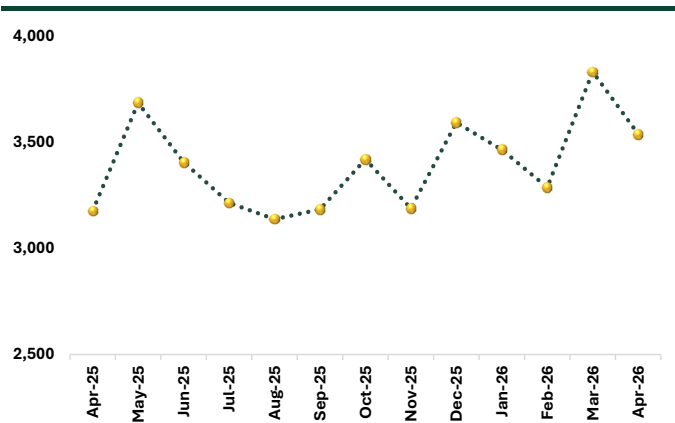
Source: SBP & HMFS Research

Current Account Balance (USD mn)



Source: SBP & HMFS Research

Remittances (USD mn)



Source: SBP & HMFS Research

Key Economic Indicators

Item	Units	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	%M/M	CY25	CY24	%Y/Y
Banking Indicators											
Return on Outstanding Loans	%	-	10.48%	10.59%	10.63%	10.91%	11.15%	-0.11%	11.74%	17.03%	-5.30%
Return on Deposits	%	-	4.94%	4.97%	5.01%	5.35%	5.23%	-0.03%	5.54%	10.77%	-5.23%
Interest rate Spread	%	-	5.54%	5.62%	5.62%	5.56%	5.92%	-0.08%	6.20%	6.26%	-0.06%
Deposits	(PKR bn)	-	37,505	36,586	36,642	37,431	35,380	2.51%	37,431	30,283	23.60%
Advances	(PKR bn)	-	14,555	14,534	14,291	14,880	13,421	0.15%	14,880	16,009	-7.05%
Investments	(PKR bn)	-	39,127	39,156	38,839	37,910	36,732	-0.08%	37,910	29,129	30.14%
ADR	%	-	38.81%	39.73%	39.00%	39.75%	37.93%	-0.92%	39.75%	52.87%	-13.11%
IDR	%	-	104.32%	107.02%	105.99%	101.28%	103.82%	-2.70%	101.28%	96.19%	5.09%

Kibor (Ask Side)											
3-Month	%	11.45%	11.03%	10.53%	10.39%	10.85%	11.16%	0.41%	11.40%	18.81%	-7.41%
6-Month	%	11.60%	11.12%	10.55%	10.39%	10.89%	11.19%	0.48%	11.39%	18.58%	-7.19%
9-Month	%	12.00%	11.50%	10.79%	10.62%	11.15%	11.44%	0.50%	11.61%	18.50%	-6.89%
1-Year	%	12.04%	11.57%	10.80%	10.61%	11.16%	11.47%	0.47%	11.61%	18.21%	-6.60%

Avg. Exchange Rates											
USD	PKR	278.95	279.30	279.62	279.95	280.29	280.71	-0.13%	281.15	278.53	0.94%
Euro	PKR	326.04	322.83	330.91	328.56	328.43	324.52	0.99%	317.82	301.36	5.46%
JPY	PKR	1.75	1.76	1.80	1.79	1.80	1.81	-0.59%	1.8811	1.8410	2.18%
GBP	PKR	374.78	372.54	380.06	378.54	375.40	368.67	0.60%	370.72	355.94	4.15%
CNY	PKR	40.79	40.51	40.49	40.17	39.81	39.49	0.69%	39.11	38.70	1.07%

Item	Units	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	%M/M	FY25	FY24	%Y/Y
Inflation											
Avg. CPI	%	6.19%	5.67%	5.46%	5.24%	5.10%	5.01%	0.52%	4.49%	23.41%	-18.92%
Avg. NFNE	%	8.00%	7.40%	7.10%	7.20%	6.90%	6.60%	0.60%	6.90%	12.20%	-5.30%

Commodities											
Arab Light (Avg.)	USD/bbl	114.07	102.99	67.67	62.88	62.82	65.62	10.76%	74.89	86.22	-13.14%

External Sector (FY USD mn)											
Total Imports	(USD Mn)	6,553	5,103	5,290	5,805	6,081	5,306	28.41%	58,387	54,937	6.28%
Total Exports	(USD Mn)	2,479	2,264	2,276	3,055	2,268	2,420	9.50%	32,039	30,684	4.42%
Trade Balance	(USD Mn)	(4,074)	(2,839)	(3,014)	(2,750)	(3,813)	(2,886)	-43.50%	(26,348)	(24,253)	-8.64%
Current Account Balance	(USD Mn)	-	1,070	231	68	(265)	98	363.20%	328	(313)	204.79%
Remittances	(USD Mn)	3,539	3,831	3,288	3,464	3,592	3,188	16.53%	38,300	30,251	26.61%
Oil Import Bill	(USD Mn)	-	983.01	1,199.40	1,186.10	1,183.09	1,007.78	-18.04%	15,003.59	15,161.83	-1.04%

Source: SBP, PBS, Oilprice.com, HMFS Research

Note: % change is of last available month

*N/M: Not Meaningful

Valuation Guide

	Symbol	Period End	Stance	Current Price	Fair Value	FV Return	M. Cap	EPS			DPS			DY		P/E		P/B		ROE		Total Yield		
							PKR	2025 A	2026 E	2027 F	2025 A	2026 E	2027 F	2026 E	2027 F	2026 E	2027 F	2026 E	2027 F	2026 E	2027 F	2026 E	2027 F	CY-26/ FY-26
							Trn	PKR	PKR	PKR	PKR	PKR	PKR	%	%	x	x	x	x	%	%	%		
1	FFC	Dec	BUY	512.1	735.0	44%	736.9	51.7	50.3	53.8	37.0	43.0	46.0	8%	9%	10.2	9.5	4.5	4.2	44%	44%	52%		
2	EFERT	Dec	BUY	197.0	255.0	29%	263.0	17.0	22.5	25.7	15.0	22.0	25.0	11%	13%	8.8	7.7	5.2	5.1	59%	66%	41%		
3	INDU	Jun	BUY	1991.7	3267.0	64%	156.5	292.7	400.1	414.7	176.0	242.0	253.0	12%	13%	5.0	4.8	1.7	1.5	34%	31%	76%		
4	HCAR	Mar	HOLD	220.6	232.0	5%	31.5	19.0	20.5	23.0	8.0	8.5	9.5	4%	4%	10.8	9.6	1.2	1.2	12%	12%	9%		
5	HBL	Dec	BUY	274.9	372.0	35%	403.2	45.5	43.2	48.5	20.0	18.0	18.0	7%	7%	6.4	5.7	0.8	0.7	12%	13%	42%		
6	MCB	Dec	BUY	398.9	476.0	19%	472.7	49.3	44.5	53.1	36.0	36.0	36.0	9%	9%	9.0	7.5	1.8	1.7	20%	22%	28%		
7	UBL	Dec	BUY	379.5	514.0	35%	950.4	52.1	60.5	55.2	29.5	33.0	33.0	9%	9%	6.3	6.9	1.2	1.1	18%	16%	44%		
8	BAHL	Dec	BUY	160.6	228.0	42%	178.4	29.2	31.0	31.0	15.0	15.0	15.0	9%	9%	5.2	5.2	1.0	0.9	19%	17%	51%		
9	ABL	Dec	BUY	179.0	254.0	42%	205.0	31.7	45.4	33.4	16.0	17.5	18.0	10%	10%	3.9	5.4	0.9	0.8	22%	15%	52%		
10	MEBL	Dec	BUY	479.6	565.0	18%	863.5	50.2	52.5	54.2	28.0	27.0	28.0	6%	6%	9.1	8.8	2.6	2.3	28%	26%	23%		
11	MUGHAL	Jun	BUY	72.1	106.0	47%	24.2	2.8	7.2	8.4	0.0	0.0	1.5	0%	2%	10.0	8.6	0.8	0.8	8%	9%	47%		
12	ISL	Jun	BUY	77.5	148.0	91%	33.7	3.6	7.2	9.5	2.5	4.0	8.0	5%	10%	10.8	8.2	1.6	1.5	14%	18%	96%		
13	OGDC	Jun	BUY	321.8	427.0	33%	1,383.8	39.5	34.9	38.2	15.1	18.0	20.0	6%	6%	9.2	8.4	0.9	0.9	10%	11%	38%		
14	PPL	Jun	BUY	227.4	350.0	54%	618.7	33.8	29.7	35.1	7.5	8.0	10.0	4%	4%	7.7	6.5	0.8	0.7	10%	11%	57%		
15	POL	Jun	BUY	660.5	897.0	36%	187.5	85.2	82.4	89.0	75.0	90.0	92.0	14%	14%	8.0	7.4	2.2	2.2	28%	30%	49%		
16	LUCK	Jun	BUY	417.8	566.0	35%	612.0	52.5	62.1	77.9	4.0	6.5	15.0	2%	4%	6.7	5.4	0.7	0.6	10%	12%	37%		
17	FCCL	Jun	BUY	49.6	71.0	43%	121.6	5.4	6.5	7.7	1.3	1.5	2.5	3%	5%	7.6	6.5	1.3	1.2	18%	18%	46%		
18	MLCF	Jun	BUY	83.9	146.0	74%	87.9	16.3	12.8	22.5	0.0	0.0	0.0	0%	0%	6.6	3.7	1.3	1.0	21%	27%	74%		
19	NML	Jun	BUY	144.3	175.0	21%	50.7	17.1	15.5	18.6	2.0	3.0	3.0	2%	2%	9.3	7.8	0.4	0.4	4%	5%	23%		
20	ILP	Jun	BUY	81.0	128.0	58%	113.6	3.8	9.2	8.5	1.0	4.0	6.0	5%	7%	8.8	9.5	1.3	1.3	15%	13%	63%		
21	GATM	Jun	HOLD	22.3	25.0	12%	16.5	5.4	0.5	0.98	0.0	0.0	0.0	0%	0%	44.6	22.7	0.3	0.3	1%	1%	12%		
HMFS Universe							40%	7,511.5						6%	7%	9.7	7.9	1.5	1.4	18%	20%	46%		

(*) Under Review (A) Actual (E) Estimated (F) Forecasted

Valuations may be revised following changes in monetary policy, fluctuations in relevant commodity prices, and the announcement of financial results, as well as other material macroeconomic or company-specific developments.

Contact Details

Chief Executive

Ather H. Medina

Chief Executive Officer
(92-21) 3582 2244
ather@hmfs.com.pk

Research Team

(92-21) 3264 8442

Uzma Taslim

Head Of Research
uzma.taslim@hmfs.com.pk

Rimsha Mohib

Research Analyst
rimsha.mohib@hmfs.com.pk

Hawwa Abdus Samad

Graduate Trainee Officer
hawwa@hmfs.com.pk

Rubeya Rashid

Research Analyst
rubeya.rashid@hmfs.com.pk

Sunain Rizwan

Graduate Trainee Officer
muhammad.sunain@hmfs.com.pk

Umesh Solanki

Database Manager
umesh.solanki@hmfs.com.pk

Sales Team

Syed Ahsan Ali

Head Of Institutional Sales & Business
Development
(92-21) 3582 2277
ahsan.ali@hmfs.com.pk

Kashif Ibrahim

Senior Equity Trader
(92-21) 3582 2274
kashif.ibrahim@hmfs.com.pk

Irfan Surya

Senior Equity Trader
(92-21) 3582 2217
muhammad.irfan@hmfs.com.pk

Online Desk

Iftikhar Hassan

Head Of Online Product
(92-21) 3582 2208
iftikhar@hmfs.com.pk

Umair Ilyas

Online Trader
(92-21) 3514 8162
umair.ilyas@hmfs.com.pk

Mehak Nasir

Sales & Customer Support
(92-21) 3514 8162
mehak.nasir@hmfs.com.pk

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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
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