

Pakistan Equity | Strategy

April 15, 2022

Prices as of April 14, 2022

Pakistan Key Holding Companies
Average discount increases to 49%
vs. historic discount of 35%



Best Local Brokerage
House 2015-16, FY2020



Best Local Brokerage House
Brokers Poll 2011-14, 2016-21



Best Brokerage
House 2018,19-20



Best Research
House 2019-20



Best Brokerage
House 2019-21

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Holding companies discount now at 49% vs. 41% last year.

- This note contains the latest Sum-Of-The-Parts (SOTP) values of key listed Holding Companies.
- We have filtered out these listed companies based on (1) minimum Market Capitalization of US\$105mn and (2) 50% of the SOTP value driven by listed securities, cash and cash equivalents and land value.
- As per our findings, these companies are currently trading at an average discount of 49% compared to their historical 5-year average discount of 35%. To highlight, the discount has increased from 41% from last published report on May 19, 2021. The increase in discount is due to lower rally in stock prices vs. its holding asset prices during the year.
- The highest discount to SOTP value is on Packages Limited (PKGS) and Kohinoor Textile Mills (KTML) which is at 63% and 61%, respectively. The least discount is on Dawood Hercules (DAWH) of 26%, however if we use ENGRO's SOTP value in DAWH's SOTP than the DAWH's discount increases to 56%.
- The most favorable variance vis-à-vis historical discount is visible in Packages Limited (PKGS) and IGI Holding (IGIHL), with the least favorable variance on Nishat Mills (NML) and Kohinoor Textile Mills (KTML).

Key Holding Companies - SOTP Value and their respective discounts to market price

Symbol	Mkt. Cap (US\$mn)	Market Price (Rs)	SOTP (Rs/share)	Current Discount	Avg 5 year Discount
ENGRO	913	288	503	43%	26%
DAWH	272	103	139	26%	14%
PKGS	212	431	1,171	63%	45%
THALL	172	386	711	46%	34%
NML	171	88	154	43%	31%
KTML	106	64	165	61%	54%
IGIHL	105	133	330	60%	42%

Source: Company Accounts, Topline Research

Pakistan Key Holding Companies

Engro Corporation: SOTP Valuation (Mkt. Cap US\$913mn)

Businesses	Rs/Share	Basis of Valuation
Engro Fertilizer	123	Market Price
Engro PowerGen Thar	77	DCF
Engro Polymer Chemical	74	Market Price
Frieslandcampins Engro	44	Market Price
Engro Elengy	23	DCF
Engro Vopak	20	DCF
Sindh Engro Coal Mining	10	DCF
Engro PowerGen Qadirpur	10	Market Price
Engro Eximp Agriproducts	9	At Cost
Others	42	
Cash & Cash Equivalents/ (Debt)	71	
SOTP Valuation	503	
ENGRO Market Price	288	
Market Price Discount	-43%	

Source: Company Accounts, Topline Research

Engro Corporation (ENGRO) is a holding company mandated to manage investments in subsidiary companies, associated companies and joint ventures - engaged in Fertilizers (Engro Fertilizer), PVC resin manufacturing and marketing (Engro Polymer Chemical), Food (Engro Foods), Energy (Engro PowerGen Qadirpur/Engro PowerGen Thar), LNG (Engro Elengy), Chemical Terminal and Storage Businesses (Engro Vopak) & Coal Mining (Sindh Engro Coal Mining).

Dawood Hercules : SOTP Valuation (Mkt. Cap US\$272mn)

Businesses	Rs/Share	Basis of Valuation
Engro Corporation	128	Market Price
Other Listed Securities	16	Market Price
Cash & Cash Equivalents/ (Debt)	-5	
SOTP Valuation	139	
DAWH Market Price	103	
Market Price Discount	-26%	

Source: Company Accounts, Topline Research

*If we use SOTP of ENGRO instead of Market Price, the SOTP of DAWH would be Rs235 (discount 56%)

Dawood Hercules Corporation Limited (DAWH) is a holding company whose principal activity is to manage investments in subsidiary & associate companies of Dawood Group of Companies. Company has 37% ownership of associated company Engro Corporation Limited (ENGRO).

Pakistan Key Holding Companies

Packages Limited: SOTP Valuation (Mkt. Cap US\$212mn)

Businesses	Rs/share	Basis of valuation
Packages Convertors Limited	320	DCF
Investment Property	289	Independent Valuation
Nestle Pakistan	226	Market Price
Bulleh Shah Packaging	204	DCF
Tri-Pack films	53	Market Price
Packages Real Estate (Mall)	36	Income Capitalization Method
IGI Holdings Limited	23	Market Price
Others	46	
Cash & Cash Equivalents/ (Debt)	-24	
SOTP Value	1,171	
PKGS Market Price	431	
Market Price Discount	-63%	

Source: Company Accounts, Topline Research

*If we use SOTP of IGIHL and DCF value of Tri-Pack, the SOTP of PKGS would be Rs1,231 (discount 65%)

Packages Ltd. (PKGS) was established in 1956 as a joint venture between the Babar Ali Group of Pakistan and Akerlund and Rausing of Sweden. The company is involved in the business of providing a complete range of packaging solution to individuals and businesses. PKGS has a diverse investment portfolio which includes Nestle Pakistan, IGI Holdings and Tri-Pack Films. The company is also involved in the real estate business (Packages Mall).

Thal Limited : SOTP Valuation (Mkt. Cap US\$172mn)

Businesses	Rs/share	Basis of valuation
Core Operations	268	Earning Multiples
Investment property*	148	Independent valuation
Indus Motor Company	82	Market price
Sindh Engro Coal Mining	74	DCF
Habib Metro Pakistan	34	At Cost
Agriauto	4	Market price
Cash & Cash Equivalents/ (Debt)	66	
Others	33	
SOTP Valuation	711	
THALL Market Price	386	
Market Price Discount	-46%	

Source: Company Accounts, Topline Research, *based on 60% holding

Thal Limited (THALL), a Habib Group company, is a diversified conglomerate engaged in the manufacturing of Engineering products, Jute products, Laminate sheets and Paper sacks. Major value of THALL is driven by its core operations and its investment in Indus Motor and Habib Metro Pakistan.

Pakistan Key Holding Companies

Nishat Mills : SOTP Valuation (Mkt. Cap US\$171mn)		
Businesses	Rs/share	Basis of Valuation
Textile Operations	40	DCF
MCB Bank	38	Market Price
D.G. Khan Cement	29	Market Price
Lalpir & Pakgen Power	10	Market Price
Nishat Power	10	Market Price
Nishat Chunian	5	Market Price
Hyundai Nishat Motor	3	At Cost
Nishat Dairy	1	At Cost
Cash & Cash Equivalents	5	
Others	12	
SOTP Valuation	154	
NML Market Price	88	
Market Price Discount	-43%	

Source: Company Accounts, Topline Research

Nishat Mills Limited (NML) is a vertically integrated textile mill & the flagship company of Nishat Group. Besides textiles manufacturing and retail, NML through its investments in subsidiaries and associates has exposure to Power sector (Nishat Power/Lalpir Power/PakGen Power), Cement sector (D.G.Khan Cement), Financial sector (MCB Bank/Adamjee Insurance), Dairy and Real-estate/Hospitality sectors

Kohinoor Textile Mills: SOTP Valuation (Mkt. Cap US\$106mn)		
Businesses	Rs/share	Basis of Valuation
Textile Operations	91	Price Multiple
Maple Leaf Cement Factory	78	Market Price
Maple Leaf Capital Limited	31	NAV
Investment Property	6	Independent Valuation
Cash & Cash Equivalents/(Debt)	-41	
SOTP Valuation	165	
KTML Market Price	64	
Market Price Discount	-61%	

Source: Company Accounts, Topline Research

Kohinoor Textile Mills Limited (KTML) is a vertically integrated textile mill and the flagship company of the Kohinoor Group. Besides textiles, it has exposure in Cement sector (MLCF) & Capital markets through Maple Leaf Capital & Power (MLPCL). Major value of KTML is driven by its textile operations and its investment in MLCF.

Pakistan Key Holding Companies

IGI Holdings Limited : SOTP Valuation (Mkt. Cap US\$105mn)

Businesses	Rs/Share	Basis of valuation
Nestle Pakistan	170	Market value
Packages Ltd	80	Market value
IGI General Insurance	20	Breakup Value
IGI Investment	19	Market value/Cost
Sanofi Aventis	13	Market value
Packages Real Estate (Mall)	7	Income Capitalization Method
Tri-Pack Films	5	Market value
IGI Finex Securities	2	Breakup Value
Cash net of policy holder liability	14	
SOTP Value	330	
IGIHL Market Value	133	
Market Price Discount	-60%	

Source: Company Accounts, Topline Research

*If we use SOTP of PKGS instead of Market Price, the SOTP of IGIHL would be Rs468 (discount 71%)

IGI Holdings Limited, a Packages Group Company was incorporated as a public limited company in 1953. The group owns IGI General Insurance, IGI Investments (Private) Limited, IGI Finex Securities Limited and IGI Life Insurance Limited. Through these investments, the company owns stake in listed companies Nestle, Packages, and Sanofi among others.

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Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

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Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

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