

# Pakistan Equity | Strategy

March 27, 2023

Prices as of March 24, 2023

**Pakistan Key Holding Companies**  
**Average discount at 51% vs. Average**  
**5-Year discount of 35%**



Best Local Brokerage  
House 2015-16, FY2020



Best Local Brokerage House  
Brokers Poll 2011-14, 2016-22



Best Brokerage  
House 2018,19-20



Best Research  
House 2019-20



Best Brokerage  
House 2019-22

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## Holding companies discount at 51%

- This note contains the latest Sum-Of-The-Parts (SOTP) values of key listed Holding Companies of Pakistan Stock Exchange (PSX).
- As per our findings, these companies are currently trading at an average discount of 51% compared to their historical 5-year average discount of 35%.
- The highest discount to SOTP value is on IGI Holdings Limited (IGIHL) and Thal Limited (THALL) which is at 70% and 67%, respectively. The least discount is on Dawood Hercules Corporation Limited (DAWH) of 29%.
- The most favorable variance vis-à-vis historical discount is visible in Thal Limited (THALL) and IGI Holdings Limited (IGIHL), with the least favorable variance on Packages Limited (PKGS).

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

Symbol	Mkt. Cap (US\$m)	Market Price (Rs)	SOTP (Rs/share)	Current Discount	Avg 5 year Discount
ENGRO	577	284	478	41%	29%
DAWH	158	93	130	29%	17%
PKGS	106	337	861	61%	55%
NML	65	53	89	41%	27%
THALL	49	170	521	67%	32%
IGIHL	45	90	295	70%	49%

Source: Company Accounts, Topline Research

## Pakistan Key Holding Companies

Engro Corporation: SOTP Valuation (Mkt. Cap US\$577mn)		
Businesses	Rs/Share	Basis of Valuation
Engro Fertilizer	105	Market Price
Engro PowerGen Thar	100	DCF
Engro Polymer Chemical	40	Market Price
Frieslandcampina Engro	31	Market Price
Engro Elengy	30	DCF
Engro Vopak	16	DCF
Sindh Engro Coal Mining	13	DCF
Engro Eximp Agriproducts	9	At Cost
Engro PowerGen Qadirpur	9	Market Price
Others	42	
Cash & Cash Equivalents/ (Debt)	83	
<b>SOTP Valuation</b>	<b>478</b>	
ENGRO Market Price	284	
<b>Market Price Discount</b>	<b>41%</b>	

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 (FrieslandCampina), Energy (Engro PowerGen Qadirpur/Engro PowerGen Thar), LNG (Engro Elengy), Chemical Terminal and Storage Businesses (Engro Vopak) & Coal Mining (Sindh Engro Coal Mining), Engro Enfrashare (Tower Business).

Dawood Hercules : SOTP Valuation (Mkt. Cap US\$158mn)		
Businesses	Rs/Share	Basis of Valuation
Engro Corporation	127	Market Price
Other Listed Securities	12	Market Price
Cash & Cash Equivalents/ (Debt)	(8)	
<b>SOTP Valuation</b>	<b>130</b>	
DAWH Market Price	93	
<b>Market Price Discount</b>	<b>29%</b>	

Source: Company Accounts, Topline Research

If we use SOTP of ENGRO instead of Market Price, the SOTP of DAWH would be Rs182 (Discount 49%).

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\$106mn)
Businesses	Rs/share	Basis of valuation
Packages Convertors Limited	93	Earnings Multiple
Investment Property	287	Independent Valuation
Nestle Pakistan	207	Market Price
Bulleh Shah Packaging	170	Earnings Multiple
Tri-Pack films	38	Market Price
Packages Real Estate (Mall)	40	Income Capitalization
IGI Holdings Limited	15	Market Price
Others	46	
Cash & Cash Equivalents/ (Debt)	(35)	
<b>SOTP Value</b>	<b>861</b>	
PKGS Market Price	337	
<b>Market Price Discount</b>	<b>61%</b>	

Source: Company Accounts, Topline Research

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).

Nishat Mills : SOTP Valuation		(Mkt. Cap US\$65mn)
Businesses	Rs/share	Basis of Valuation
Textile Operations	24	DCF
MCB Bank	14	Market Price
D.G. Khan Cement	8	Market Price
Lalpir & Pakgen Power	7	Market Price
Nishat Power	4	Market Price
Nishat Chunian	1	Market Price
Hyundai Nishat Motor	8	At Cost
Nishat Dairy	1	At Cost
Cash & Cash Equivalents	4	
Others	17	
<b>SOTP Valuation</b>	<b>89</b>	
NML Market Price	53	
<b>Market Price Discount</b>	<b>41%</b>	

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.

## Pakistan Key Holding Companies

Thal Limited : SOTP Valuation		(Mkt. Cap US\$49mn)
Businesses	Rs/share	Basis of valuation
Core Operations	116	Earning Multiples
Investment property*	157	Independent Valuation
Indus Motor Company	55	Market price
Sindh Engro Coal Mining	101	DCF
Habib Metro Pakistan	34	At Cost
Agriauto	2	Market price
Cash & Cash Equivalents/ (Debt)	(8)	
Others	65	
<b>SOTP Valuation</b>	<b>521</b>	
THALL Market Price	170	
<b>Market Price Discount</b>	<b>67%</b>	

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. Company also has stakes in power and energy business. Major value of THALL is driven by its core operations, property investment and investment in Sindh Engro Coal Mining Company.

IGI Holdings Limited : SOTP Valuation		(Mkt. Cap US\$45mn)
Businesses	Rs/Share	Basis of valuation
Nestle Pakistan	157	Market value
Packages Ltd	68	Market value
IGI General Insurance	20	Breakup Value
IGI Investment	20	Market value/Cost
Sanofi Aventis	10	Market value
Packages Real Estate (Mall)	8	Income Capitalization Method
Tri-Pack Films	3	Market value
IGI Finex Securities	2	Breakup Value
Cash net policy holder liability	7	
<b>SOTP Value</b>	<b>295</b>	
IGIHL Market Value	90	
<b>Market Price Discount</b>	<b>70%</b>	

Source: Company Accounts, Topline Research

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

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