

Pakistan Equity | Technology

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REP-057

Pakistan IT exports up 32% YoY in Feb-2024
FY24 IT exports may cross US\$3bn



Best Brokerage House
2016, 2017, FY20 (Winner)
FY22 (Runner Up)

ASIAMONEY

Best Local Brokerage House
Brokers Poll 2016 to 2023



Best Brokerage House
2018, 2019 & 2020



Best Research House
2019, 2020 & 2023



Best Brokerage House
2021

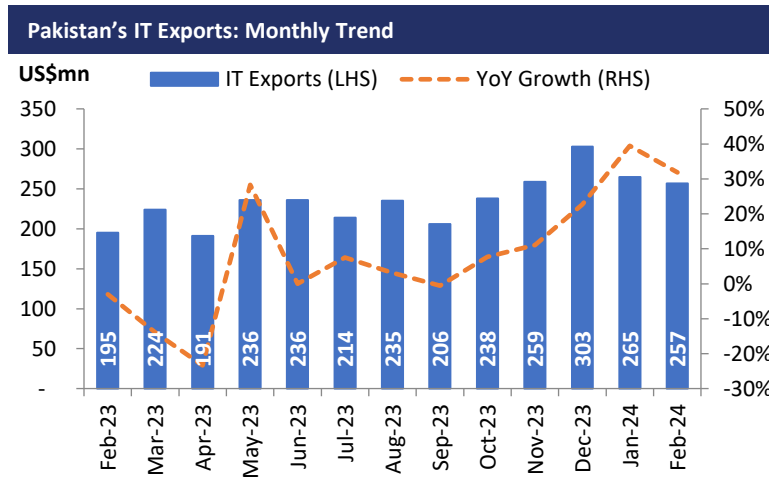
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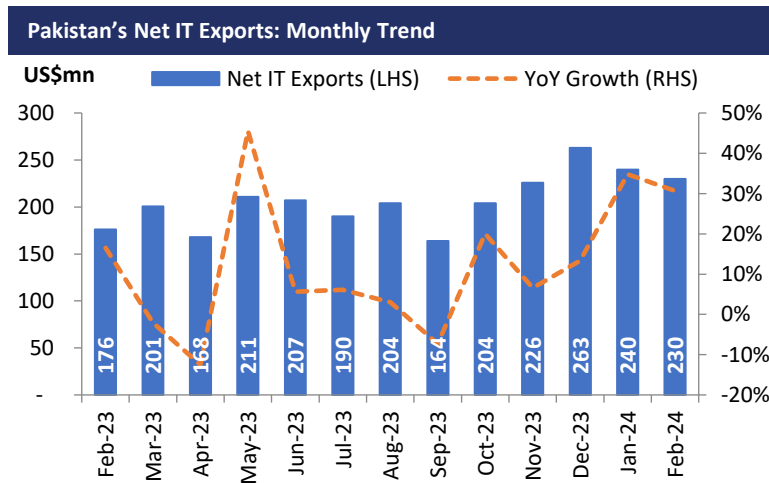
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Topline Securities, Pakistan

Pakistan Net IT exports up 31% YoY in Feb-2024



Source: SBP, Topline Research



Source: SBP, Topline Research

- Pakistan recorded monthly IT exports of US\$257mn, up 32% YoY while down 3% MoM in Feb-2024. These monthly IT exports in Feb 2024 are higher than last 12-month average of US\$233mn.
- YoY jump in IT exports is due to (1) relaxation in the permissible retention limit by the State Bank of Pakistan (SBP), increasing it from 35% to 50% in the Exporters' Specialized Foreign Currency Accounts, and (2) stable PKR currency which encouraged IT companies to repatriate their foreign income and deposit it in local accounts.
- However, the decline in MoM IT exports is attributed to the fewer working days of 19 in Feb-2024 compared to 23 working days in Jan-2024.
- To highlight, the reported IT export number indicates the amount remitted back to Pakistan by technology companies.
- In 8MFY24 IT exports clocked in at US\$2.0bn, up 15% YoY compared to US\$1.7bn recorded in 8MFY23.
- Net IT Exports (Exports-Imports) also recorded an increase of 31% YoY while down 4% MoM to US\$230mn in Feb-2024. These net IT exports numbers in Feb-2024 are also higher than last 12-month average of US\$204mn. In 8MFY24 net IT exports recorded a growth of 13% YoY to US\$1.7bn.
- Soon after the Sharif-led government took power, the Prime Minister called for a meeting with a focus on fully utilizing the country's potential for IT exports, directing ministry for the submission of a comprehensive roadmap to boost IT exports.
- In a recent interview with a private TV channel, the newly appointed Finance Minister, Muhammad Aurangzeb, stated that IT exports are likely to reach US\$3.5bn this year.
- Although there has been a growth in gross IT exports during 8MFY24, the government's target appears challenging. We anticipate that gross IT exports for FY24 will likely fall around US\$3bn compared to US\$2.6bn recorded last year.
- Within the IT sector, Systems Limited (SYS) is our preferred pick. SYS is currently trading at 2023E and 2024F PE of 13x and 10x, respectively.

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