



Pakistan Equity | Technology

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REP-057

Pakistan IT exports up 39% YoY in Jan-2024

IT Exports up 13% in 7MFY24



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

ASIAMONEY

Best Local Brokerage House
Brokers Poll 2016 to 2022



Best Brokerage House
2018, 2019 & 2020



Best Research House
2019, 2020 & 2023



Best Brokerage House
2021

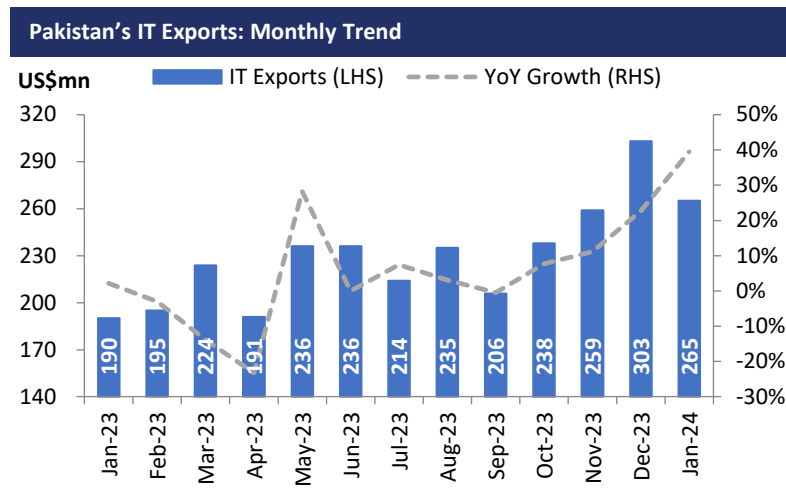
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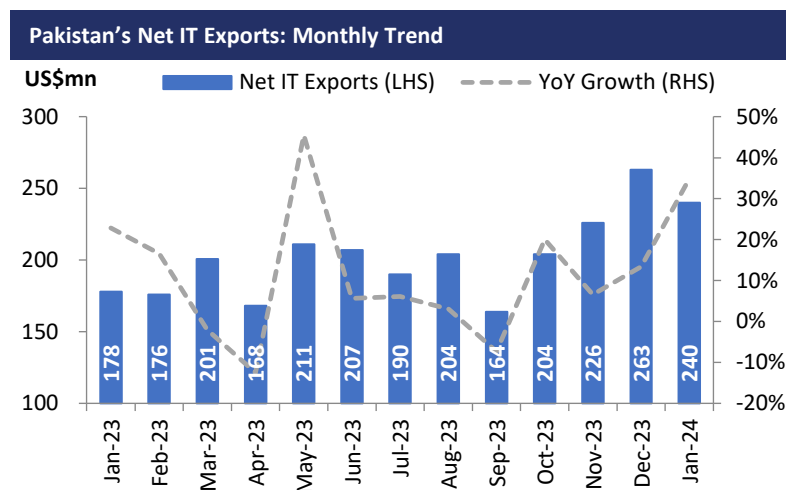
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Topline Securities, Pakistan

Pakistan Net IT exports up 35% YoY in Jan-2024



Source: SBP, Topline Research



Source: SBP, Topline Research

- Pakistan recorded monthly IT exports of US\$265mn, up 39% YoY while down 13% MoM in Jan-2024. IT exports in Jan 2024 are higher than last 12-month average of US\$227mn.
- 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.
- To highlight, the reported IT export number indicates the amount remitted back to Pakistan by technology companies. As per the IT Minister, IT companies have parked an estimated US\$1-2bn outside of Pakistan.
- In 7MFY24 IT exports clocked in at US\$1.7bn, up 13% YoY compared to US\$1.5bn recorded in 7MFY23.
- Net IT Exports (Exports-Imports) also recorded an increase of 35% YoY while down 9% MoM to US\$240mn in Jan-2024. These net IT exports numbers in Jan-2024 are also higher than last 12-month average of US\$199mn. In 7MFY24 net IT exports recorded a growth of 11% YoY to US\$1.5bn.
- Minister for IT Dr. Umar Saif has stated that the caretaker government has successfully achieved 13 out of the 15 goals set to promote the IT sector and increase its exports within a brief period of the caretaker setup. Major goals achieved include allowing the retention of 50% in dollars, the establishment of Specialized Tribunals, enabling PayPal Remittances, ensuring 5G Spectrum availability, and establishing a Startup Fund, among others.
- Although there has been a growth in gross IT exports during 7MFY24, the government's ambitious target of reaching US\$5bn seems challenging. We anticipate that gross IT exports for FY24 will likely fall within the range of US\$3-4bn 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 12.0x and 9.3x, respectively.

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