

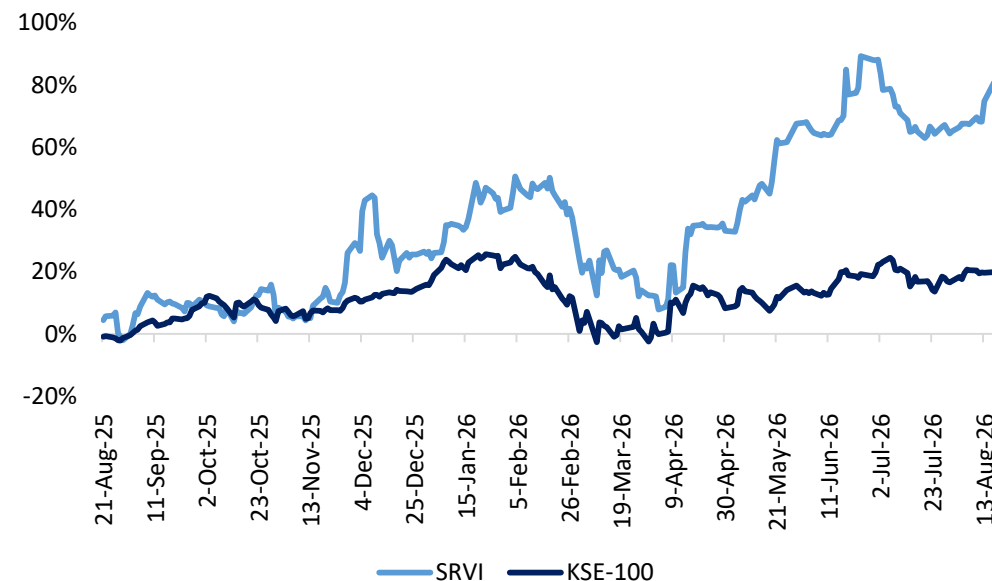


SRVI TP PKR 335.6/share; Upside of 56%

Symbol	SRVI
Recommendation	BUY
Current Price	PKR 215.2
Target Price	PKR 335.6
Potential Upside	56%
Market Cap (mn)	PKR 101,139
Shares (mn)	470
Free Float	5.00%

Source: Company Accounts, Growth Securities

SRVI vs KSE 100



Source: PSX, Growth Securities

- We initiate our coverage on Service Industries Limited (SRVI) with a Target Price of PKR 335.6/sh offering potential upside of 56% along with the dividend yield of 1.7%, taking total return to 58%. Our investment thesis is based on 1) Improving Liquidity Through Share Split, 2) Automotive Revival, Accelerating Tyre Demand, 3) Capacity Expansion to Drive the Next Growth Cycle, 4) Technology Transfer Accelerating Expansion and 5) Reducing Dependence on a Single Business.
- **Improving Liquidity Through Share Split:** The 10:1 share split, reducing the face value from PKR 10 to PKR 1, lowers SRVI's per-share price and makes the stock more accessible to retail investors. The resulting increase in shares outstanding could support higher trading volumes, broader investor participation and improved liquidity, enhancing the stock's marketability and price discovery.
- **Automotive Revival, Accelerating Tyre Demand:** A recovery in Pakistan's automotive sector, reflected in rising car, truck, bus and motorcycle sales, is expected to support demand for both OEM and replacement tyres. With SRVI serving multiple vehicle segments, higher vehicle volumes combined with expanding tyre capacity could provide a strong catalyst for domestic sales and volume growth.
- **Expanding Export Footprint and Global Presence:** SRVI's growing export presence across Europe, North America, Asia, Africa, Australia and the Middle East provides a key avenue for volume and revenue growth. Rising tyre and footwear exports will broaden the Group's addressable market, reduce reliance on domestic demand and strengthen foreign-currency earnings, supporting its transition toward a more export-oriented business model.

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Key Ratios

	CY24A	CY25A	CY26E	CY27F	CY28F
EPS	8.8	18.6	23.1	30.4	33.5
EPS YoY	46%	112%	24%	31%	10%
Price Earnings	10.7	7.0	9.3	7.1	6.4
Price to Book	1.7	1.5	2.0	1.6	1.3
Dividend Yield	1.6%	1.3%	1.3%	1.7%	1.9%
Gross Margins	24.7%	23.6%	25.4%	26.9%	27.9%
EBITDA Margins	17.3%	16.0%	16.9%	18.4%	19.5%
Net Margins	3.3%	5.9%	6.2%	7.1%	7.1%
ROE	15.9%	21.4%	21.5%	22.7%	20.5%
ROA	3.7%	6.4%	7.6%	9.1%	8.8%

Source: Company Accounts, Growth Securities

- **Capacity Expansion to Drive the Next Growth Cycle:** SRVI's capacity additions are set to support higher production and sales, with SLM targeting 2.6mn TBR and 3.0mn PCR tyres by FY30, while SGFL plans to scale synthetic footwear capacity from 2.0mn to 10.0mn pairs in three phases. In parallel, investments in solar and wind power are expected to improve energy efficiency and support lower manufacturing costs, strengthening the Group's competitiveness across domestic and export markets.
- **Technology Transfer Accelerating Expansion:** Partnerships with Chaoyang Long March Tyre Co. Ltd. and Golden Star Footwear Group provide SRVI with access to proven technology and international expertise, enabling faster entry into TBR tyres and synthetic footwear. These collaborations leverage SRVI's manufacturing and export platform while reducing execution and technology-related risks in new segments.
- **Reducing Dependence on a Single Business:** Following its restructuring, SRVI has diversified exposure across tyres, footwear, automotive products, retail and investments, serving multiple vehicle categories and both leather and synthetic footwear. This diversified portfolio reduces reliance on any single segment and provides exposure to multiple domestic and international demand drivers.
- **Valuation:** We have used blended valuation incorporating a Discounted Cash Flow (DCF) model based on Free Cash Flow to Equity (FCFE) and a long-term PE multiple to arrive at target price of PKR 335.5/share, with a capital upside of 56% and dividend yield of 1.7%, taking total return to 58%.
- **Risks:** 1) lower-than-expected domestic and export volumetric growth, 2) weaker-than-expected automotive demand and vehicle sales, 3) PKR appreciation or higher-than-expected exchange-rate volatility, 4) changes in import duties, tariffs, taxes or export policies, 5) supply-chain disruptions and import restrictions, and 6) delays in TBR, PCR and synthetic footwear capacity expansion.

Valuation: Trading at discount of 32% to its 10 year average P/E

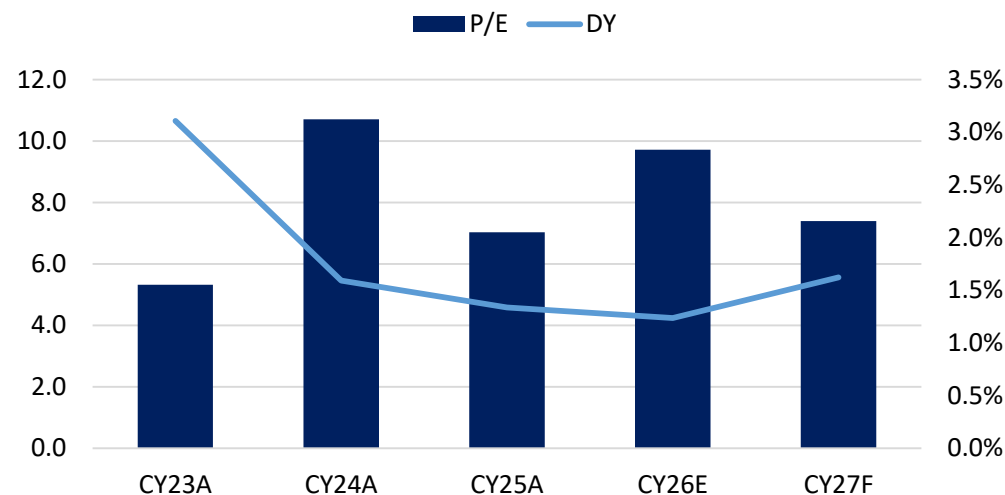
Valuation Assumption

Risk Free Rate	12.0%
Risk Premium	6.0%
Beta	0.87
Discount Rate	17.2%
Growth Rate	3.0%

Source: Growth Securities

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- In DCF, we have applied a cost of equity of 17.2%, which is derived from a risk-free rate of 12%, equity risk premium of 6%. The terminal growth rate assumed is 3.0%. Through DCF, we arrived at a valuation of PKR 335.5/share.
- While for PE multiple, we have calculated 10-Year average PE of SRVI which is 10.41x excluding outliers (FY21/22) and calculated fair value of PKR 335.5/share.
- SRVI is trading at a forward P/E of 9.30x and 7.07x for CY26E and CY27F, respectively.

P/E and DY (%)



Source: Company Account,, Growth Securities

Key Risks:

1. lower-than-expected domestic and export volumetric growth
2. Weaker-than-expected automotive demand and vehicle sales
3. PKR appreciation or higher-than-expected exchange-rate volatility
4. Changes in import duties, tariffs, taxes or export policies
5. Supply-chain disruptions and import restrictions
6. Delays in TBR, PCR and synthetic footwear capacity expansion.

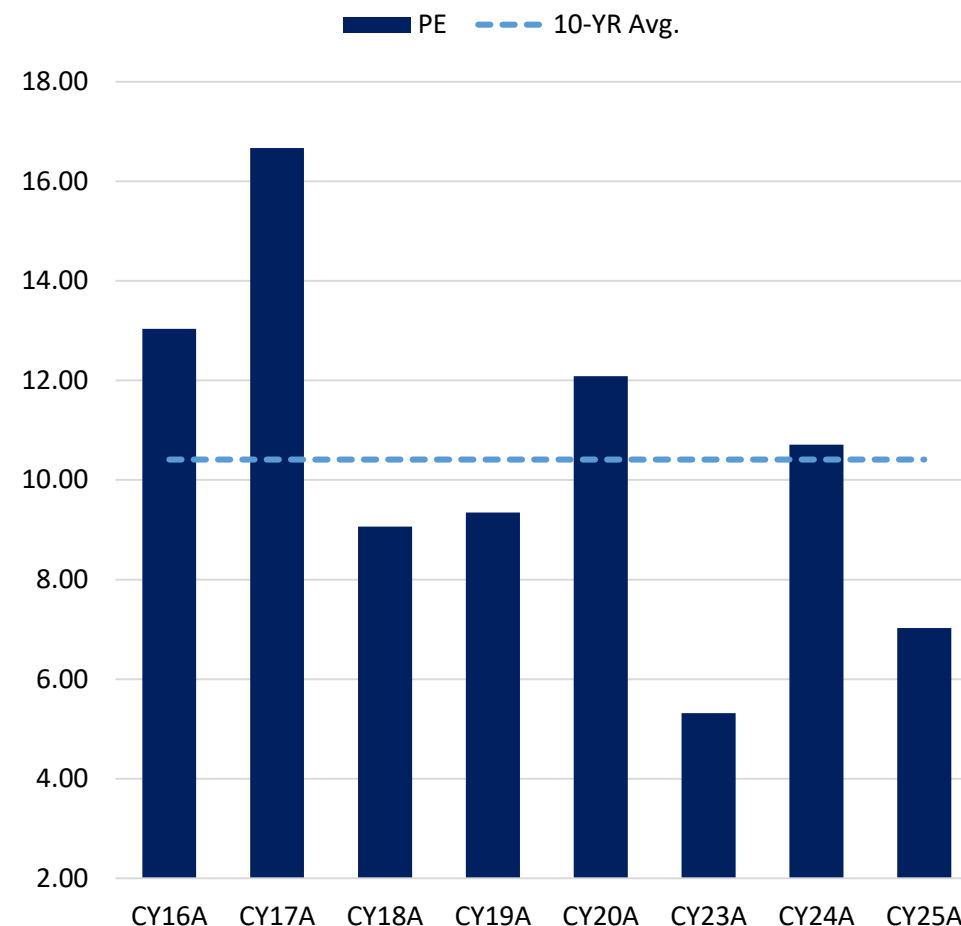
Cash flow based and historical valuations

Cash Flow Based Valuation (FCFF)

PKRmn	CY27F	CY28F	CY29F	CY30F	CY31F
Net Income	14,296	15,765	18,777	20,444	22,102
Add: Depreciation	4,019	4,631	4,860	5,100	5,351
▲ in Working Capital	(942)	(4,775)	(4,671)	(3,014)	(3,027)
Capital Expenditure	11,628	4,334	4,551	4,779	5,017
Add: Net Borrowing	(4,500)	7,908	6,780	6,824	10,152
Free Cash Flow to Equity	24,502	27,864	30,297	34,132	39,595
Discount Factor	0.5	1.5	2.5	3.5	4.5
Discounted FCFE	1,151	15,125	14,248	14,094	14,463
PV of Future Cash Flows	59,082				
PV of Terminal Value	104,788				
Equity Value	163,870				
Outstanding shares (mn)	470.0				
Value/Share (PKR)	348.7				
PE Multiple Valuation					
Forward EPS	34				
Exit Multiple	10.4				
Target Price	349				
Equity Value/Share	322.5				
Blended Equity Value/Sh.	335.6				

Source: Company Accounts, Growth Securities

Trading at discount to its 10 year average P/E

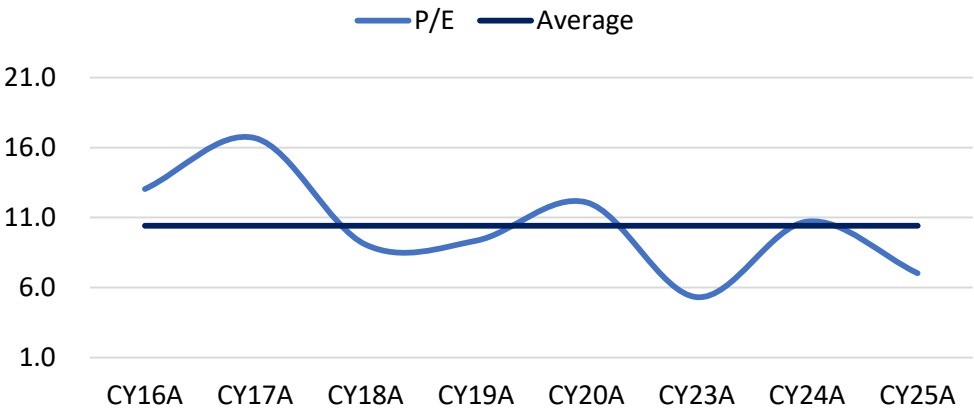


Source: PSX, Company Accounts, Growth Securities

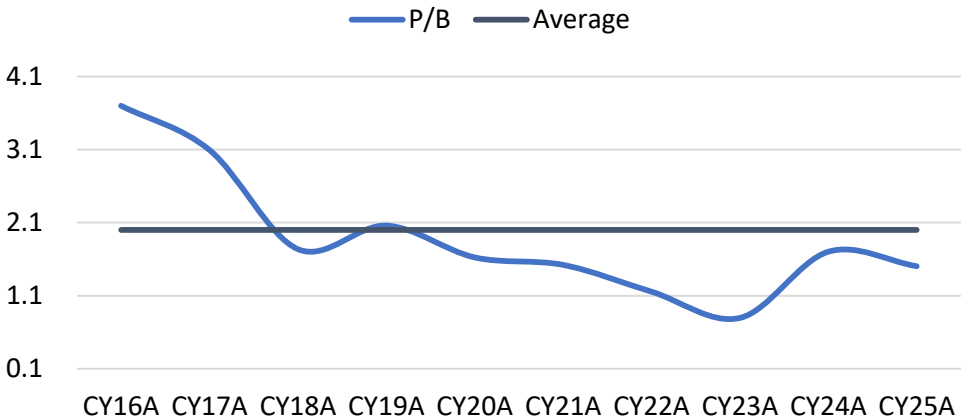
Valuation Metrics



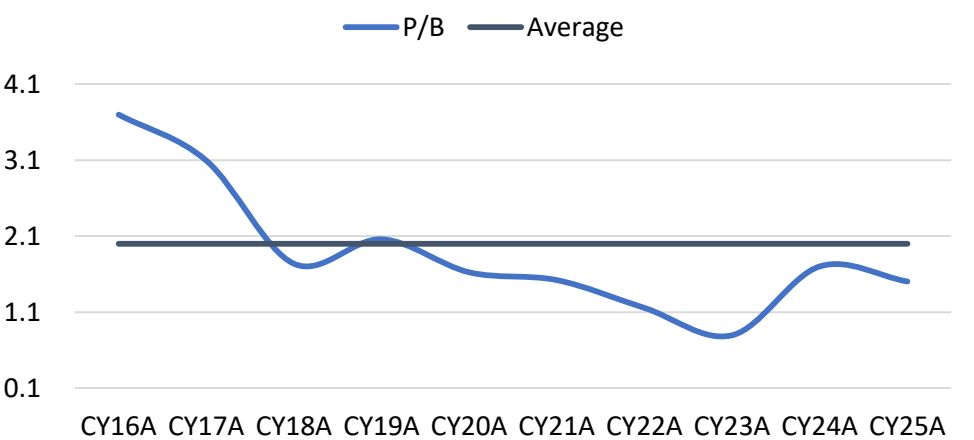
PE Trend



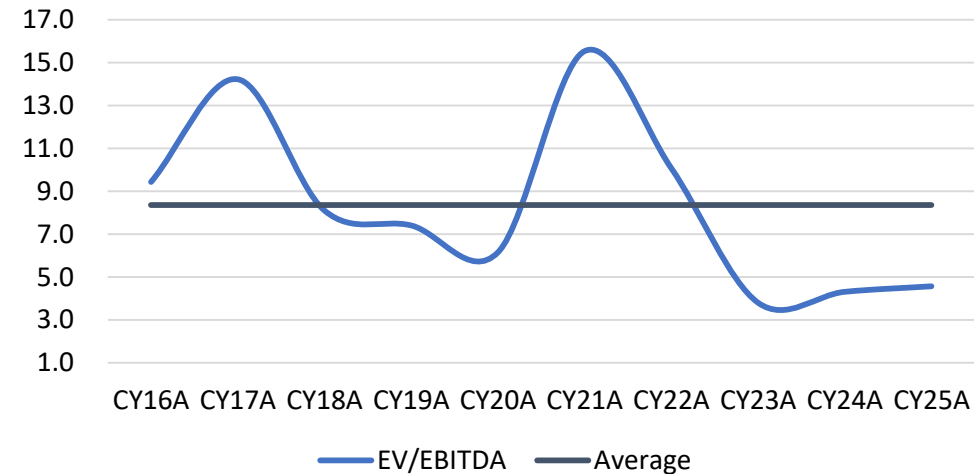
PS Trend



PB Trend



EV/EBITDA Trend



Source: Company Account, PSX, Growth Securities

Financial Summary

Income Statement					
PKRmn	CY24A	CY25A	CY26E	CY27F	CY28F
Net sales	125,015	148,449	174,384	200,932	221,998
Cost of sales	94,134	113,393	130,058	146,881	160,005
Gross profit	30,881	35,057	44,326	54,051	61,993
Dist. Exp.	8,911	10,454	12,280	14,150	15,633
Admin Exp.	3,896	5,086	5,975	6,884	7,606
Operating profit	18,073	19,517	26,071	33,017	38,754
Finance cost	7,291	5,507	2,987	2,796	3,962
Other Income	1,345	1,258	2,249	2,249	2,249
Other Exp.	954	1,267	1,488	1,715	1,895
Profit before tax	11,244	14,112	23,958	30,868	35,258
Taxation	3,406	1,003	4,792	6,174	7,052
Profit After Tax	4,136	8,757	10,875	14,296	15,765

Source: Company Accounts, Growth Securities

Balance Sheet					
PKRmn	CY24A	CY25A	CY26E	CY27F	CY28F
Non-Current Assets	48,357	56,143	59,756	67,365	67,068
Current Assets	62,262	80,664	83,938	90,210	112,810
Total Assets	110,619	136,808	143,693	157,575	179,878
Equity	26,018	40,906	50,477	63,058	76,931
Non-Current Liabilities	23,340	19,742	15,242	10,742	16,394
Current Liabilities	61,261	76,160	77,975	83,775	86,553
Total Equity & Liabilities	110,619	136,808	143,693	157,575	179,878

Source: Company Accounts, Growth Securities

SRVI: About the company

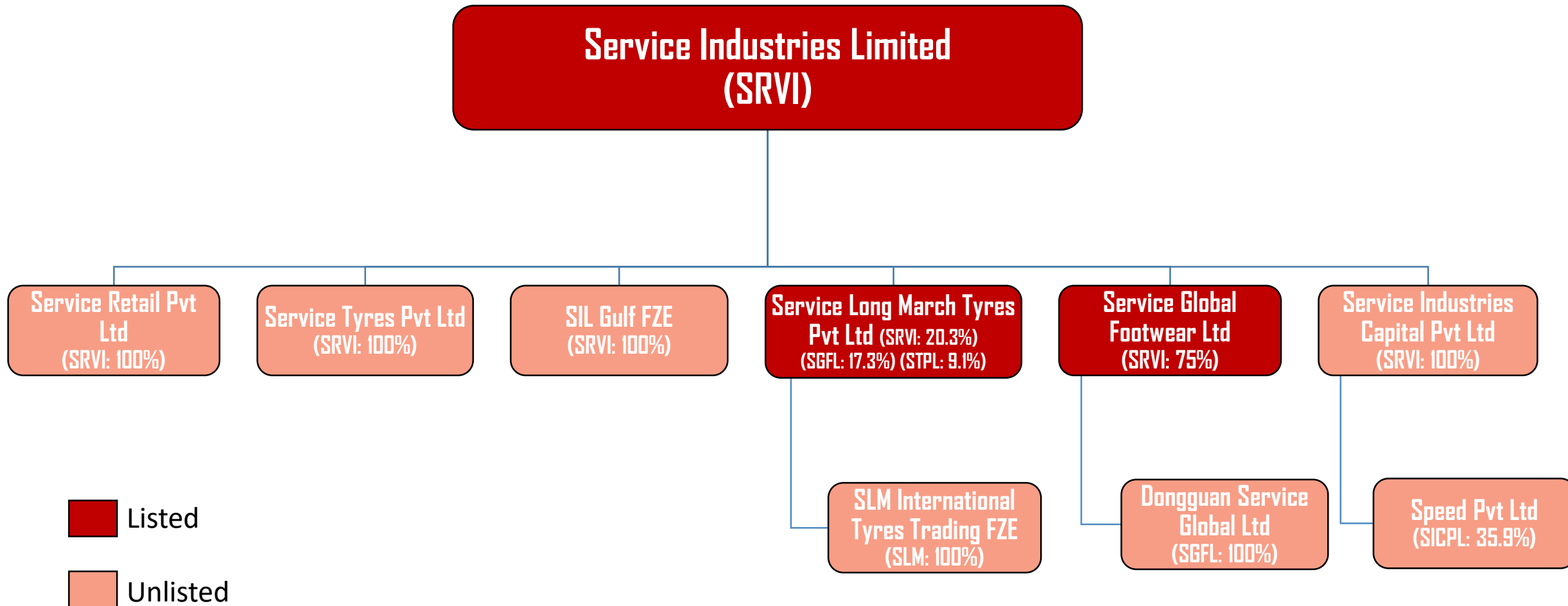
Product Portfolio



Source: Company Account, Growth Securities

- Service Industries Limited (SRVI), commonly known as Servis, is one of Pakistan's leading diversified manufacturing and investment groups, with a history spanning more than six decades. Over the years, SRVI has transformed from a primarily footwear-focused business into a diversified group with significant exposure to footwear manufacturing, tyre production, retail and strategic investments. The Group has strengthened its manufacturing and export capabilities through subsidiaries including Service Global Footwear Limited (SGFL) and Service Long March Tyres Limited (SLM). SGFL focuses on the manufacturing and export of footwear, while SLM is engaged in the production of tyres, particularly Truck and Bus Radial (TBR) tyres, serving both domestic and international markets.
- **Local Group Business Units;**
- **Gujrat, Punjab:** The Gujrat facility is one of the Group's largest and longest-established manufacturing sites. It has historically housed both footwear and tyre/tube manufacturing operations.
- **Muridke, Punjab:** The Muridke facility, located on 10km Muridke Sheikhpura Road, is primarily associated with footwear and motorcycle-related products.
- **Nooriabad, Sindh:** Nooriabad represents a strategically important newer manufacturing location, particularly for the Group's tyre business. The facility is focused on the production of radial truck and bus tyres (TBR) through Service Long March Tyres.
- **Foreign Group Business Units;**
- The company has a growing international presence through its foreign group business units. Its operations in Dongguan City, China are focused on footwear, while its businesses in the United Arab Emirates include footwear operations in Dubai and tyre operations in Sharjah.

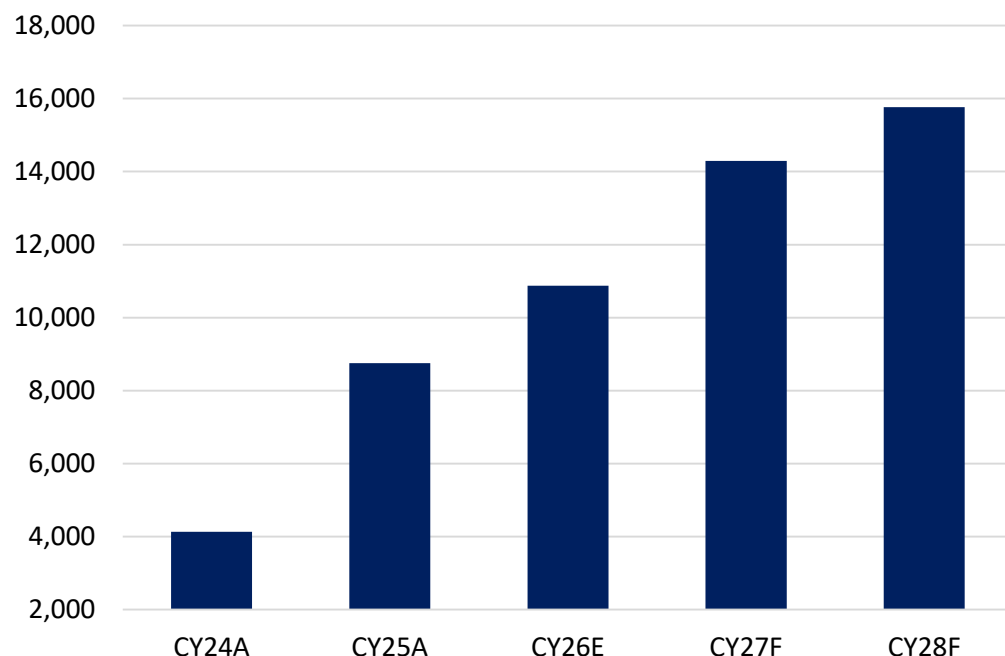
Shareholding Structure



Source: Company Account, Growth Securities

Group Subsidiaries

SRVI Consolidated - Profit After Tax

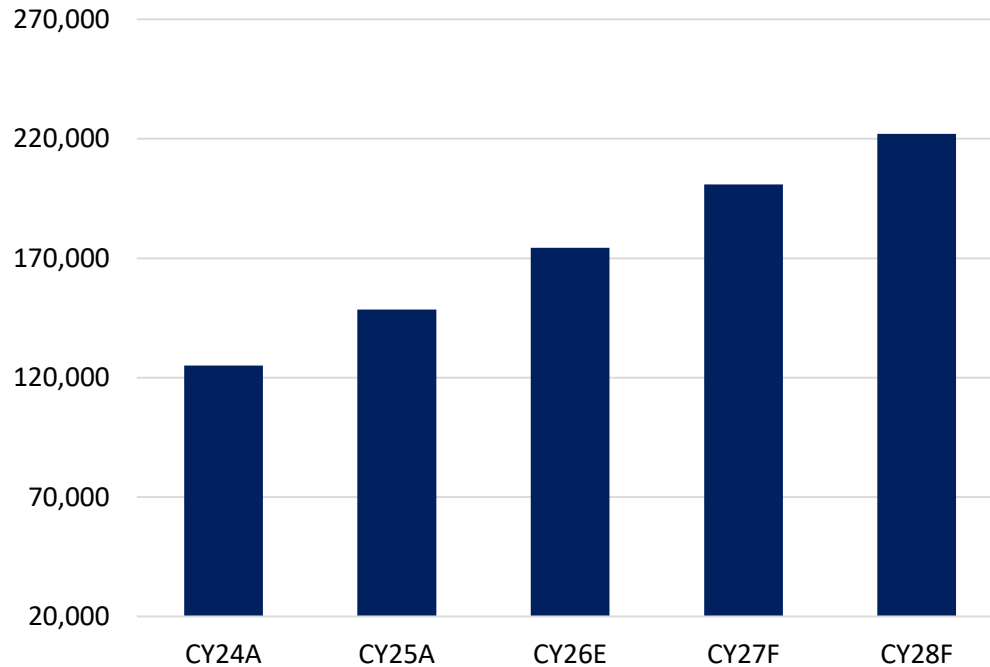


Source: PSX, Growth Securities

- **Service Long March Tyres Limited (SLM):** SLM is Pakistan’s first dedicated manufacturer of all-steel Truck and Bus Radial (TBR) tyres, serving both domestic and international markets. Established in 2020 as a joint venture between Service Industries and China’s Chaoyang Long March Tyre Co. Ltd., SLM has captured a significant share of a market historically dominated by imported and smuggled tyres. Tyre sales increased from approximately 390,000 units in FY23 to 1.6mn units in FY26, with capacity expected to expand to 2.2mn tyres by FY28 and 2.6mn by FY30. Its cost competitiveness is supported by its Special Economic Zone (SEZ) location, which provides a 10-year tax exemption through 2032, subsidized long-term financing, and investments in solar and wind power that have reduced energy costs. The next major growth catalyst is SLM’s entry into the Passenger Car Radial (PCR) segment, with commercial production expected in January 2028 and initial capacity of 2.0mn tyres, rising to 2.5mn in FY29 and 3.0mn in FY30. With Pakistan’s PCR market estimated at 8.65mn tyres annually, this expansion offers substantial room for import substitution and market penetration.
- **Service Global Footwear Limited (SGFL):** SGFL is the Group’s key export-oriented footwear subsidiary and one of Pakistan’s largest footwear exporters. Building on its established leather-footwear business, SGFL is expanding into the non-leather/synthetic footwear segment, which accounts for approximately 85% of the global footwear market. To capture this opportunity, SGFL has partnered with Golden Star Footwear Group (GSFGL), a leading Chinese footwear manufacturer, through Service Athletic Global Footwear (SAGF), in which SGFL holds a 51% stake and GSFGL 49%. The project will be developed in three phases, with Phase I requiring US\$6.5mn and focused on manufacturing sneakers, athletic and non-leather footwear for both domestic and export markets. The expansion significantly broadens SGFL’s addressable market and provides a new avenue for volume and export-led growth

Group Subsidiaries

SRVI Consolidated - Revenue



Source: PSX, Growth Securities

- **Service Industries Capital (Private) Limited:** Service Industries Capital (Private) Limited functions primarily as an investment vehicle within the Group, rather than as a conventional manufacturing subsidiary. Its strategic importance lies in managing SRVI's investments and supporting the Group's broader capital allocation strategy.
- **Service Tyres (Private) Limited (STPL):** STPL is a wholly owned subsidiary of SRVI engaged in the manufacturing and sale of tyres and tubes, as well as automotive spare parts. The company holds a strong position in Pakistan's domestic tyre market and is the second-largest exporter of tyres and tubes, with an established presence across 50+ countries. STPL serves both Original Equipment Manufacturers (OEMs) and the replacement market, providing diversified exposure across vehicle demand. In addition to tyres and tubes, STPL has expanded into the automotive aftermarket through products such as chain kits, sprockets, batteries, bearings, brake shoes, engine and electrical parts and lubricants. This diversification allows the company to leverage the strong Servis brand equity beyond tyres and strengthen its presence across Pakistan's broader automotive ecosystem.
- **SIL Gulf FZE:** SIL Gulf FZE provides SRVI with a presence in the Gulf region, supporting the Group's international commercial activities and access to markets in the Middle East.
- **Service Retail (Private) Limited (SRPL):** SRPL operates the Group's nationwide footwear retail network under the Servis brand, providing direct access to Pakistan's consumer footwear market through approximately 283 outlets. Despite the Group's increasing focus on manufacturing and exports, SRPL remains strategically important by strengthening brand visibility, domestic market reach, and the Group's direct distribution channel for Servis footwear.

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‘Buy’ – Total stock return > 15%

‘Hold’ – Total stock return > 0% and < 15%

‘Sell’ – Total stock return < 0%

Growth Securities (Pvt.) Limited uses different valuation methods such as 1) Discounted Cash Flow, 2) Relative Valuation (PE, PB, PS etc.), 3) Asset Based Valuation etc.

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