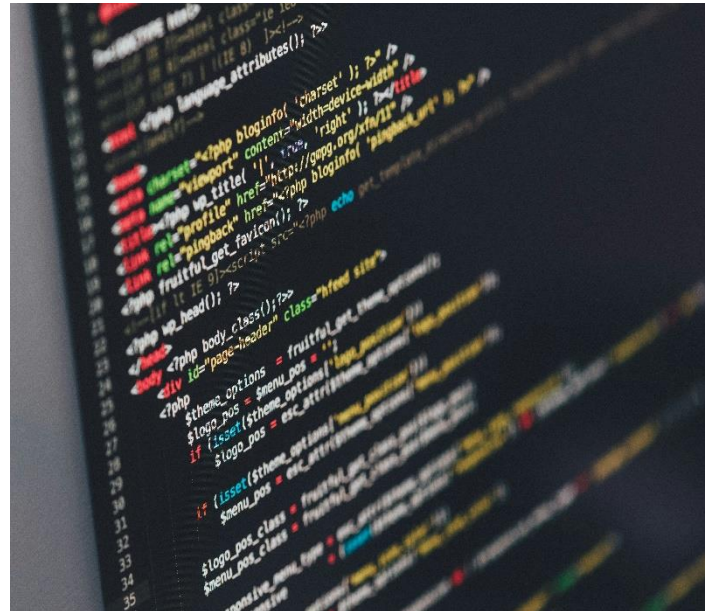




Technology

Research Team

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Technology

Introduction

- Technology is defined as the application of scientific knowledge for practical purposes. The world has progressed at a rapid pace in terms of technological advancements in various fields such as engineering, medicine, communication and manufacturing.
- The Technology Sector comprises businesses involved in research, development, or distribution of technology-based goods and services. Some examples include manufacturing of electronics, development of software, computers, or other products and services related to information technology and industrial automation. The fast-growing segments within the sector are now data centers, cloud-based services and Artificial Intelligence products and services.
- The Sector caters needs of all businesses (B2B and B2C) including both consumer-centric and technology services. Producers of consumer goods such as computers, mobile devices, home appliances and televisions etc. are continuously aiming to develop new and more technologically advanced features in order to attract customers.
- For businesses (mainly industrial manufacturing), advancements in technology enables them to achieve better quality and higher efficiency. This encompasses industrial and systems automation, software development and communication systems etc. A key aspect of this technology is that it often provides critical information and services that enable businesses to make key strategic decisions. It is also vital for businesses to maintain up to date technology in comparison to their competitors or they may find themselves at a disadvantage or even becoming non-competitive.
- This Sector study will particularly focus on systems automation and software segments of the technology Sector.

Technology

Automation & Process Control

- Automation and process control are used in industrial settings to control the conditions in which a product is made through technology. The use of automation and process control in industrial settings allows advanced systems to make required adjustments within established parameters. It relies on specialized control systems that manage the flow, output, and other aspects of an industrial process based on feedback obtained from sensors and data monitoring systems.
- The main advantage of implementing automation and process control is increased efficiency and better quality. Automation and process control minimize human intervention beyond the monitoring of each system. As a result, steps that would otherwise be time-consuming can be carried out swiftly by the automated system while reducing chances of human error, thus reducing waste or redundancies. In addition, it also enables repetitive tasks or operations to be carried out efficiently while ensuring compliance with required standards is strictly observed.
- Process control is typically implemented in industries where continuous production occurs. Some examples are:

Pharmaceuticals

Extreme precision is required when producing medicines as there is no room for even minor errors. Therefore, automation and process control is used to minimize human error and guarantee the safety of medicines produced.

Energy

These systems are used to control power production ensuring adequate supply while monitoring fuel levels, temperature etc. In addition, they are also used to control pressure in oil and gas pipelines to ensure safety and continuous supply.

Petrochemicals

Process control can be used to closely monitor the refining and production process to ensure consistent quality and uninterrupted production.

Food & Beverage

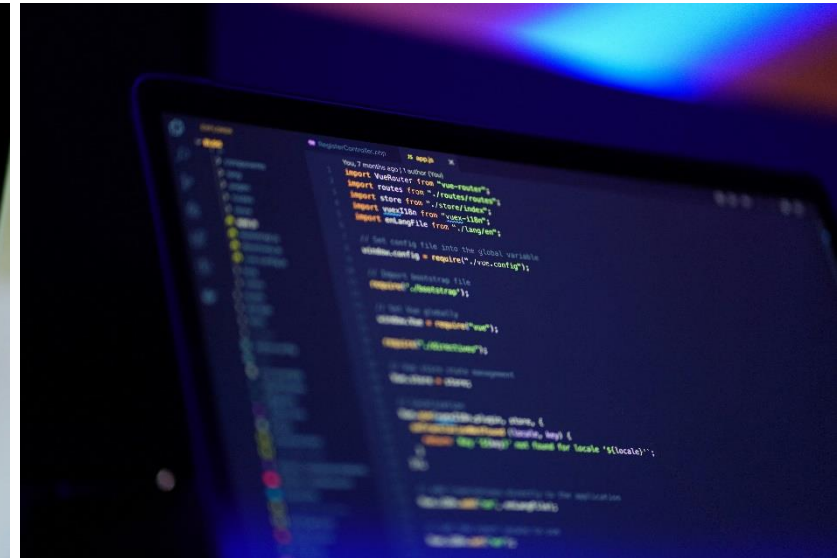
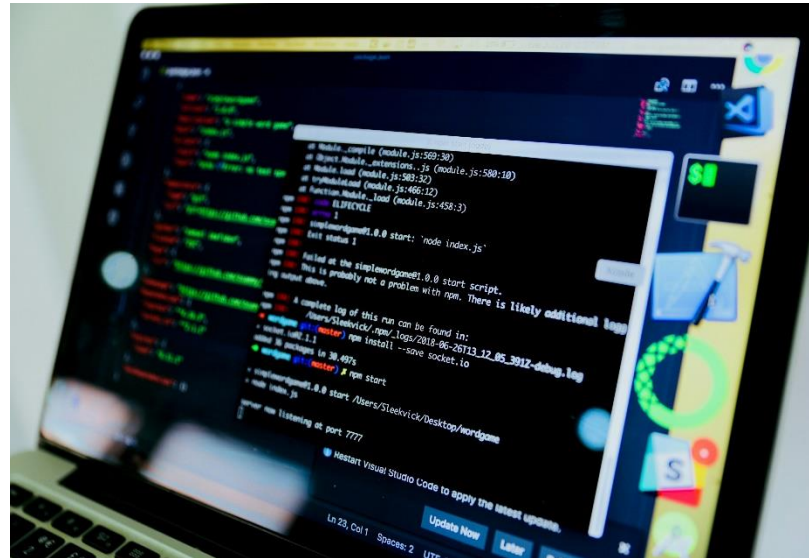
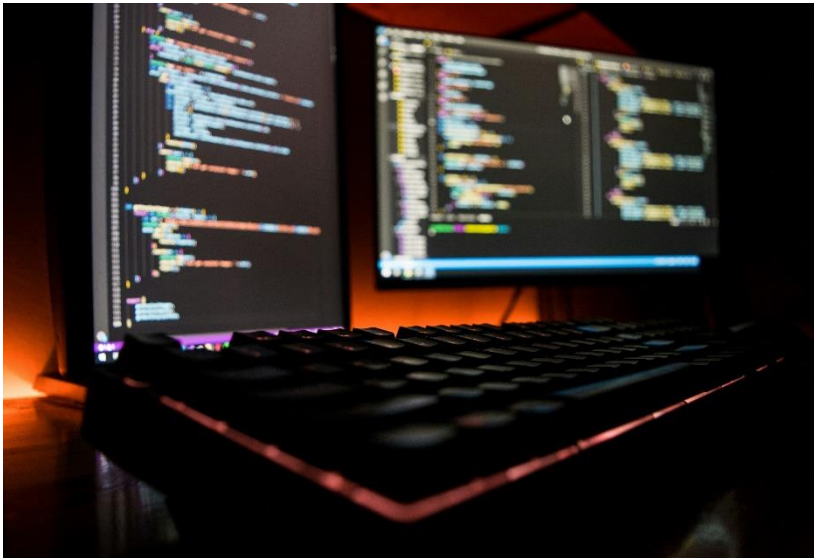
The food and beverage industry must comply with specific health standards and process control can be used to monitor and adjust the ingredients or required temperature to ensure a high-quality output.

Technology

Software

Software can be defined as a set of instructions or programs that enable a computer or equipment to execute specific tasks. It is a generic term used to describe programs that run on PCs, mobile devices, and other smart devices. It includes operating systems, diagnostic tools, and a variety of applications. There are three basic categories of software:

- i. **Programming Software:** A set of tools to aid developers in writing programs. The various tools available are compilers, linkers, debuggers, interpreters, and text editors.
- ii. **System Software:** Serves as a base for application software. System software includes device drivers, operating systems (OSs), compilers, disk formatters, text editors, and utilities that assist the computer to operate more efficiently.
- iii. **Application Software:** Intended to perform certain tasks. Examples of application software include office suites, gaming applications, database systems, and educational software.



Technology

Global | Overview

- The global market size of the technology Sector (encompassing hardware, software, services, and telecommunications), in terms of research and development spending, stood at USD~5.5trn in CY25, growing ~8.6% YoY. The Sector is forecasted to reach an annual growth rate of ~10.8%, with market size reaching USD~6.2trn in CY26.
- The top 5 biggest technology companies in the world increased their market cap by ~46.2% from USD~14.1trn to USD~20.6trn. NVIDIA, Apple, and Alphabet all overtook Microsoft in terms of market cap.
- However, despite NVIDIA being the largest company in terms of market cap, Alphabet saw the most growth in May'26 by ~119% to USD~4.6trn from USD~2.1trn SPLY.
- Alphabet's market cap surge was fueled by an exceptionally strong earnings result of massive AI monetization; alongside new product reveals at the Google I/O 2026 conference. Microsoft remained relatively stable, showing only a ~2.4% decrease at the end of May '26, settling at USD~3.3trn.

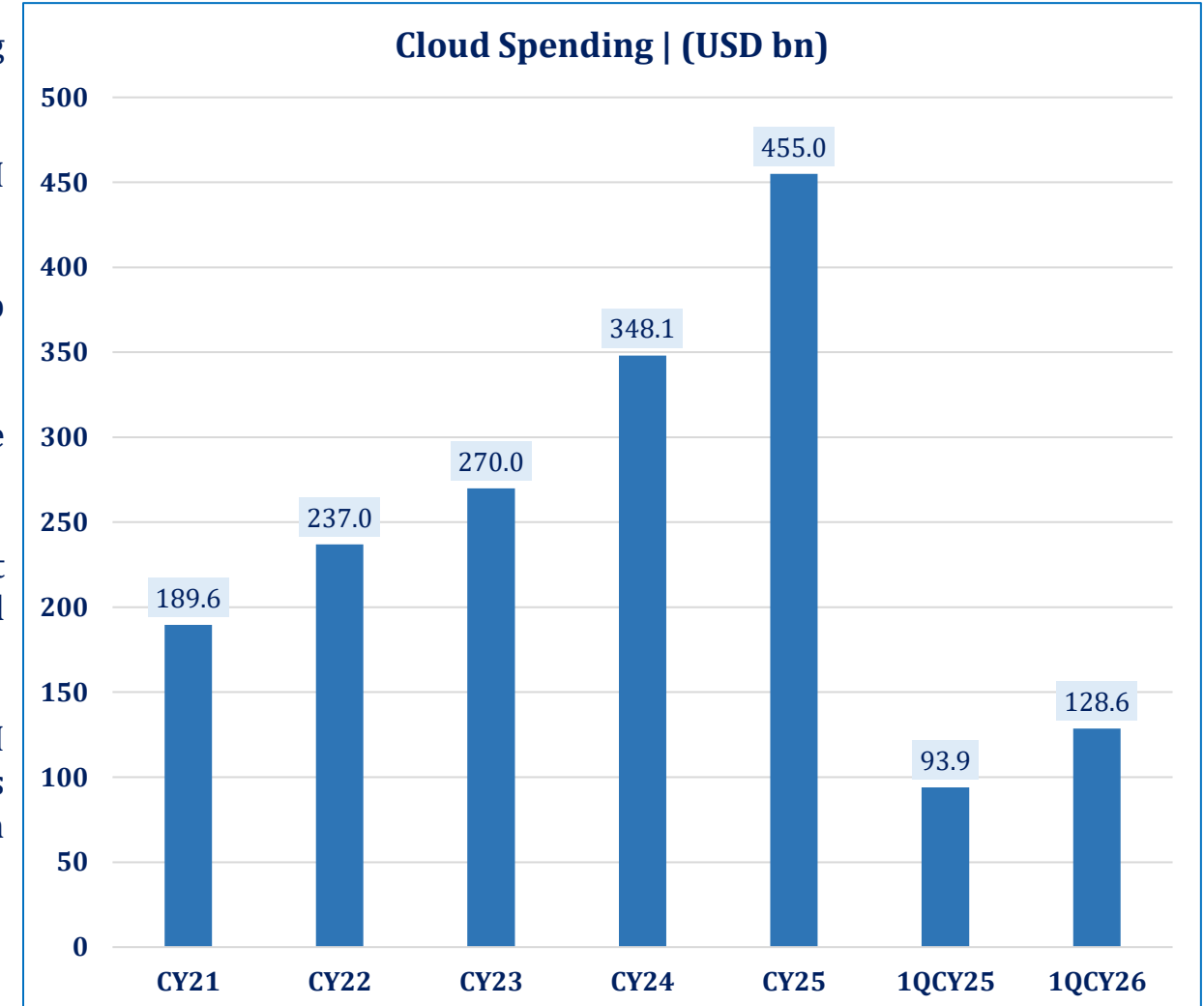
R&D Spending wise key-segments (USD bn)			
Segment	CY24	CY25	CY26(Forecast)
IT services	1,588	1,718	1,867
Comm. Services	1,372	1,304	1,365
Software	1,092	1,250	1,434
Devices	734	788	836
Data Center Systems	329	496	653
Total	5,115	5,555	6,156

Top 5 Global Companies By Market Capitalization (USD bn)		
Company Name	Market Cap (May'25)	Market Cap(May'26)
Microsoft	3,420	3,340
NVIDIA	3,390	5,130
Apple	2,990	4,590
Amazon	2,180	2,910
Alphabet (Google)	2,090	4,600
Total	14,070	20,570

Technology

Global | Cloud Spending

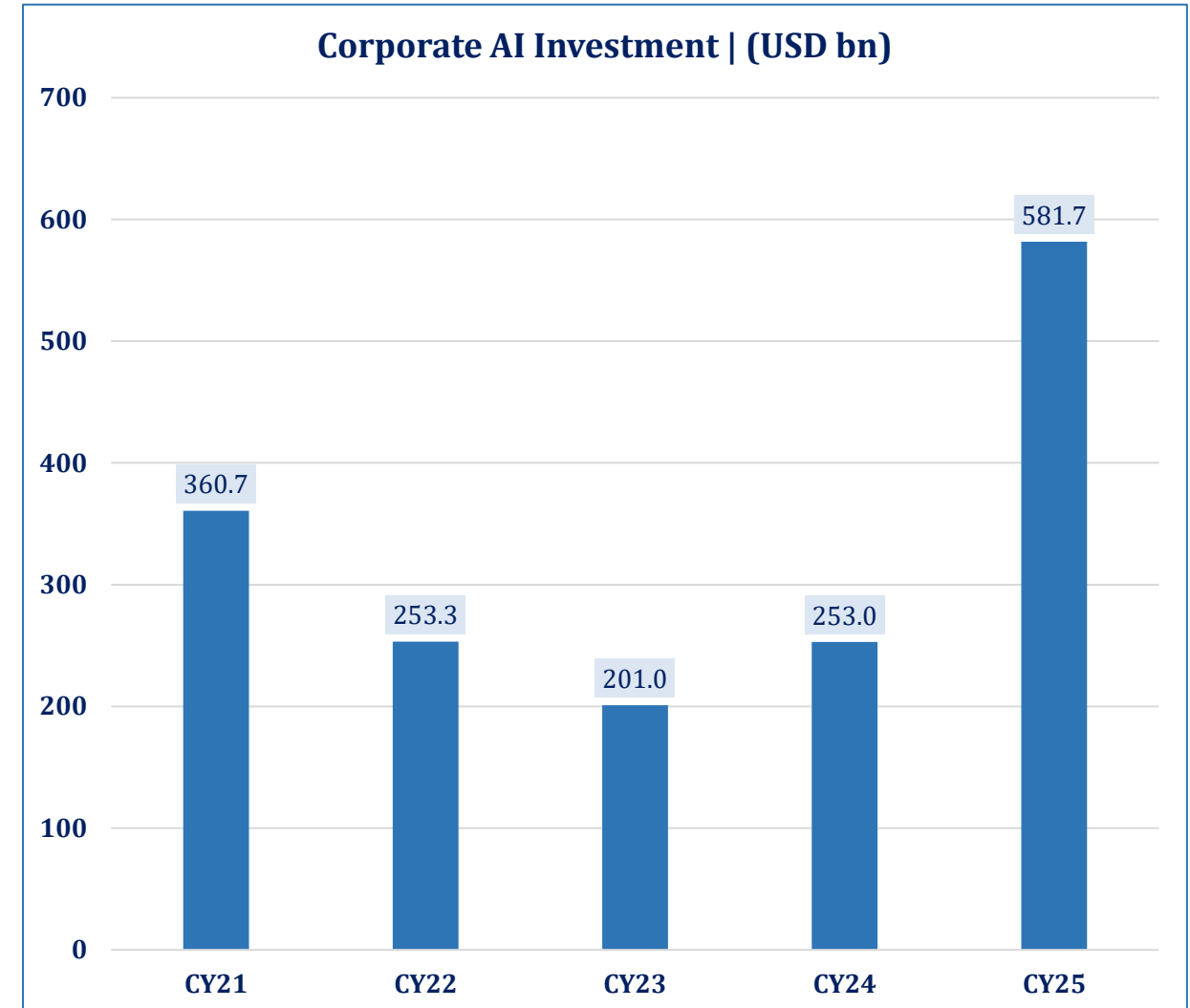
- Global cloud spending has more than doubled over four years, rising from USD~189.6bn in CY21 to USD~455.0bn in CY25, a ~24.5% CAGR.
- The YoY growth was ~28.9% in CY24 and ~30.7% in CY25 as AI infrastructure buildout pulled storage spend back into the ecosystem.
- This carried into CY26, with 1QCY26 spending of USD~128.6bn up ~37.0% over 1QCY25's USD~93.9bn.
- Increase in cloud spending is due to enterprises continuing to migrate on-premise IT infrastructure (servers, storage, applications).
- Cloud platforms offer lower upfront costs, greater scalability and support for remote and hybrid work, sustaining the underlying base of cloud demand even before AI-driven compute is layered on top.
- This reacceleration is directly linked to generative AI, estimating GenAI has driven at least half of the market's revenue growth since ChatGPT's late-2022 launch, through new GenAI/GPU service lines and AI-driven upgrades to existing cloud offerings.



Technology

Global | AI Investment

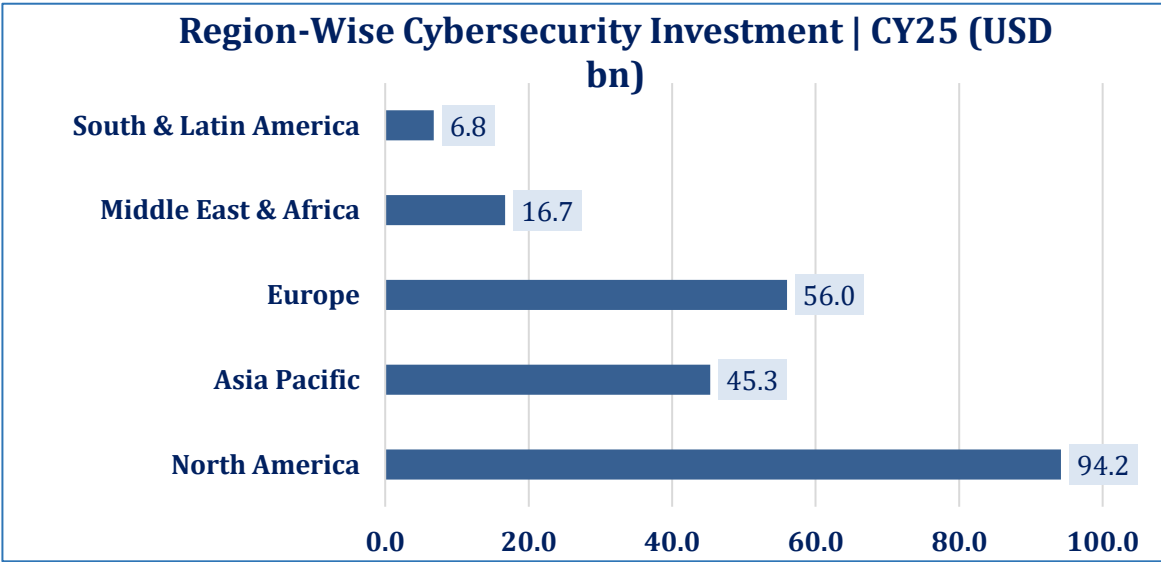
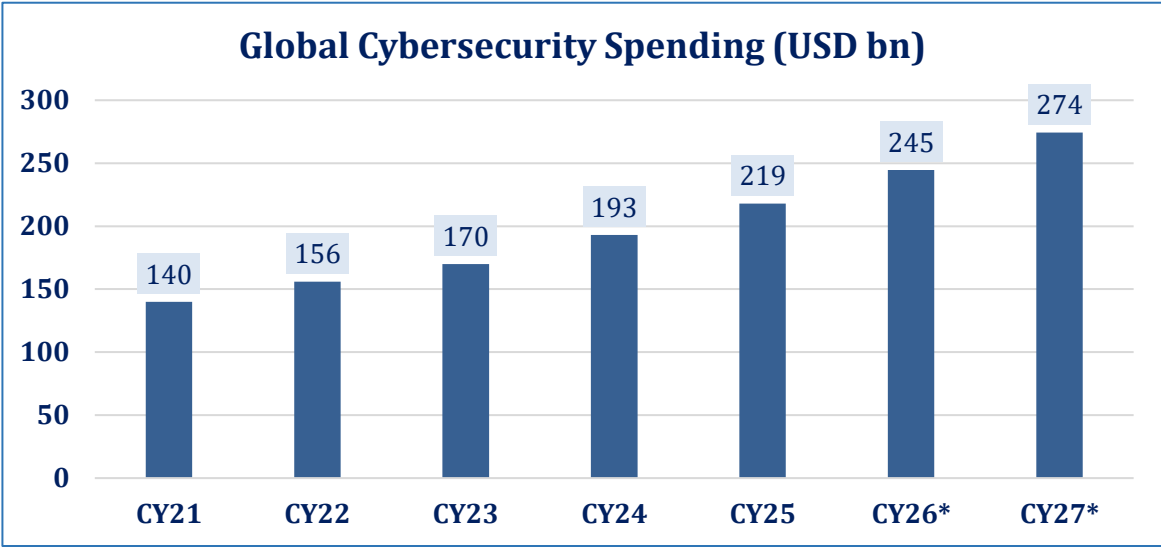
- Corporate AI investment surged by ~129.9% YoY to USD~581.7bn in CY25 after declining to USD~201.0bn in CY23.
- CY24 marked an inflection point, recovering to USD~253.0bn, before CY25 saw investment more than double YoY, the largest single-year move in the series, as enterprises shifted from pilot-stage experimentation to production-scale AI deployment.
- The CY25 surge is attributed to private investment growing 127.5% and now accounting for 60% of total AI investment, with generative AI alone growing over 200%.
- This captured nearly half of all private AI funding, indicating the shift from tentative post-hype-cycle spending (CY22–23) to committed, production-scale generative AI investment.



Technology

Global | Cybersecurity

- Global cybersecurity grew to USD~219bn in CY25, and is forecast to accelerate further to USD~245bn in CY26 and USD~274bn in CY27.This reflects a shift from discretionary to compliance-driven spending, i.e., data protection and operational resilience frameworks.
- AI is acting as a primary source of growth as enterprises are investing in AI-powered detection and response tools even as attackers use generative AI to scale and polish their own campaigns.
- North America dominates global cybersecurity investment with USD ~94.2bn in CY25, larger than any other single region, followed by Europe (USD ~56.0bn). Europe’s spending, while sizable, is primarily due to compliance mandates, a different reason for growth compared to North America's threat-led spending.
- Asia Pacific(USD~45.3bn), Middle East & Africa (USD~16.7bn), and South & Latin America (USD~6.8bn). Asia Pacific's strong second-place position signals it as the fastest-growing region globally, driven by national digital expansion strategies and rapid cloud migration across major economies.
- North America's lead reflects the concentration of high-value enterprise and federal targets, a dense regulatory disclosure regime, and the world's most active cyber-insurance market, all of which push spend higher per organization.

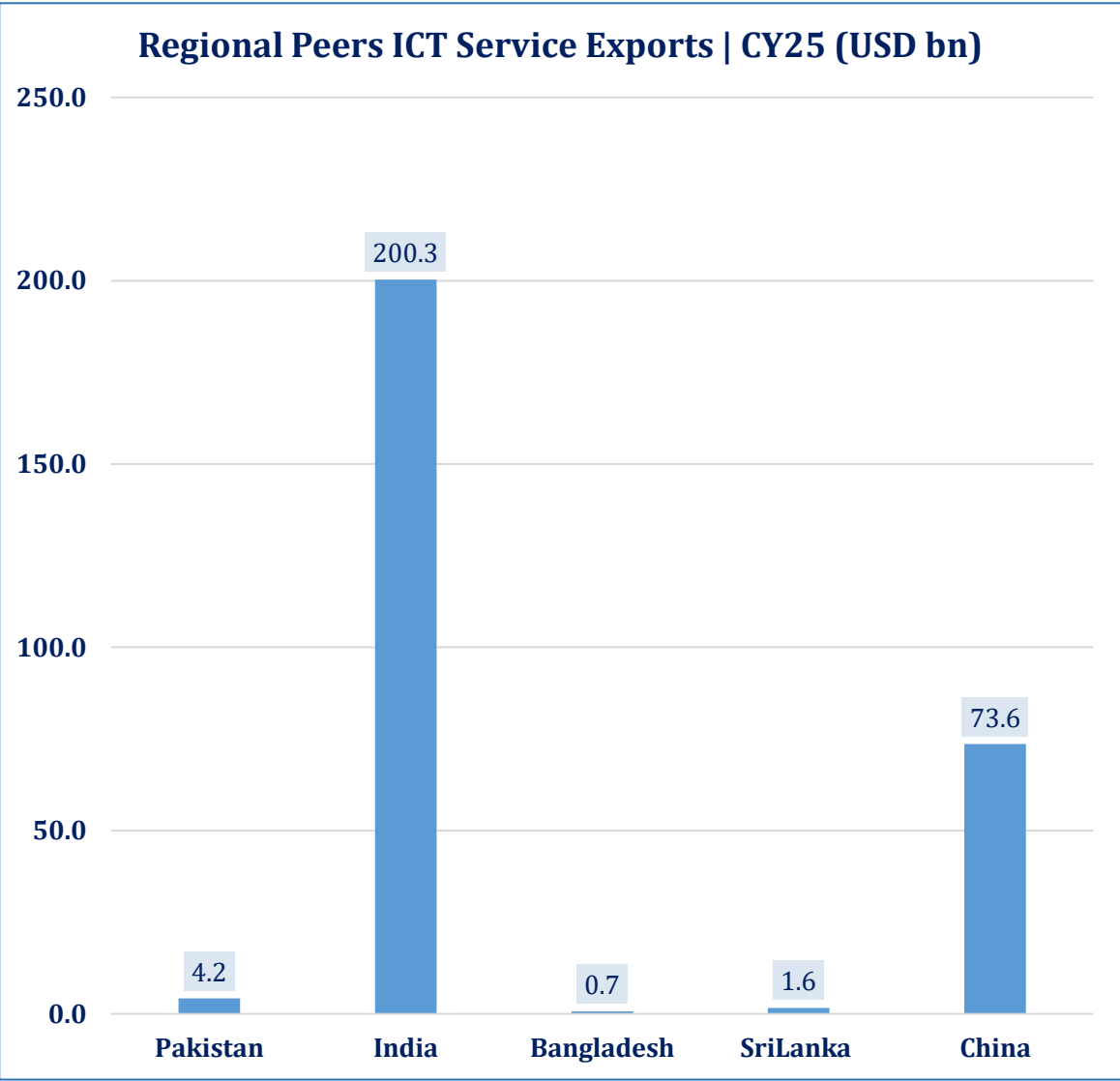


Note: CY26 & CY27* are forecasted based on internal assumptions*

Technology

Global | ICT Service Exports

- Pakistan's ICT service exports reached USD~4.2bn in CY25, trailing far behind regional peers, India (USD~200.3bn) and China (USD~73.6bn), though still ahead of Bangladesh (USD~0.7bn) and Sri Lanka (USD~1.6bn).
- Pakistan's exports are roughly 48x smaller than India's and 18x smaller than China's. However, Pakistan showed a larger increase YoY compared to China, at ~15.3% compared to ~7.4%.
- India's lead reflects decades of compounding advantage: an earlier policy focus on services exports, deeper FDI inflows, and a maturity curve that has progressed from outsourcing-led BPO work into globally competitive SaaS product companies.
- China's more modest export figure, despite its technological scale, reflects a domestically-oriented tech ecosystem that primarily services its own vast internal market rather than exporting.
- Bangladesh has a comparatively small base, despite a similarly sized workforce, with informal freelance earnings not captured through official channels.
- For Pakistan, the export base is growing but remains structurally shallow; product-led diversification and policy consistency are the levers most likely to narrow the gap with regional peers.



***Note:** The service exports figure in the graph is mentioned on a CY basis. The ICT service export numbers for FY26 released were cited at USD ~4.5bn*

Technology

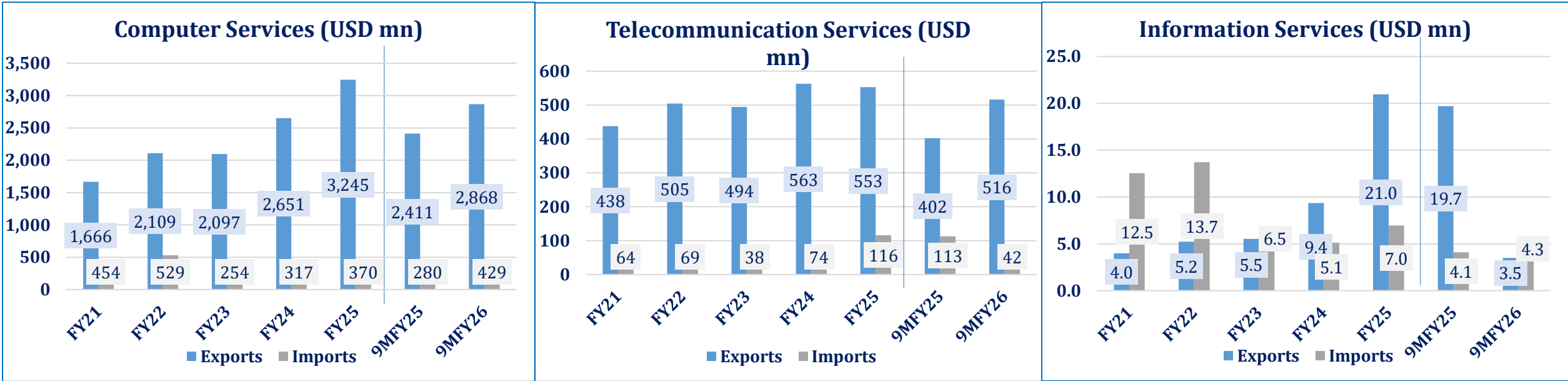
Local | Overview

- Pakistan's technology Sector contributed ~1.6% to the country's GDP in FY25 (FY24: ~1.6%), with market size recording at PKR~1,756bn in FY25, an increase of ~11.6% YoY. In 9MFY26, the Sector's contribution to GDP stood at 1.4%, with market size recorded at PKR~1,319bn. During FY25, exports of overall computer services increased to USD~3,245mn (FY24: USD~2,651mn), up ~22.4% YoY.
- In 9MFY26, computer services exports were recorded at USD~2,869mn. Telecommunication services exports stood at USD~516mn, while information services exports stood at USD~3.5mn.
- Total exports for the Sector stood at USD~3,819mn, up ~18.5% YoY in FY25. Meanwhile, during 9MFY26, total exports were recorded at USD~3,389mn, with an average exchange rate of PKR~281.0/USD prevailing during the period.
- As of March 2026, the number of registered companies was recorded at 34,420, with 729 new technology companies registered in January 2026 alone.
- The MoITT, through bodies such as the PSEB, has taken various steps, such as the establishment of Information Technology (IT) Parks and incubators to provide an enabling ecosystem for technology-related businesses, with the Pakistan Software Houses Association (PASHA) continuing to represent the Sector's interests.

Particulars	Units	FY23	FY24	FY25	9MFY26
Est. Market Size	PKR bn	1,315	1,574	1,756	1,319
Contribution to GDP	%	1.7%	1.6%	1.6%	1.4%
Computer Services Exports	USD mn	2,097	2,651	3,245	2,869
Telecommunication Services Exports	USD mn	494	563	553	516
Information Services Exports	USD mn	5.5	9.4	21.0	3.5
Total Exports	USD mn	2,597	3,223	3,819	3,389
Exports Growth	%	-0.8%	24.1%	18.5%	19.6%
Average Exchange Rate	USD/PKR	244.6	286.7	280.3	281.0
Registered Technology Companies	No.	20,000		34,420	
Regulator	Ministry of Information Technology & Telecommunication (MoITT), Pakistan Software Export Board (PSEB)				
Association	Pakistan Software Houses Association				

Technology

Local | Trade

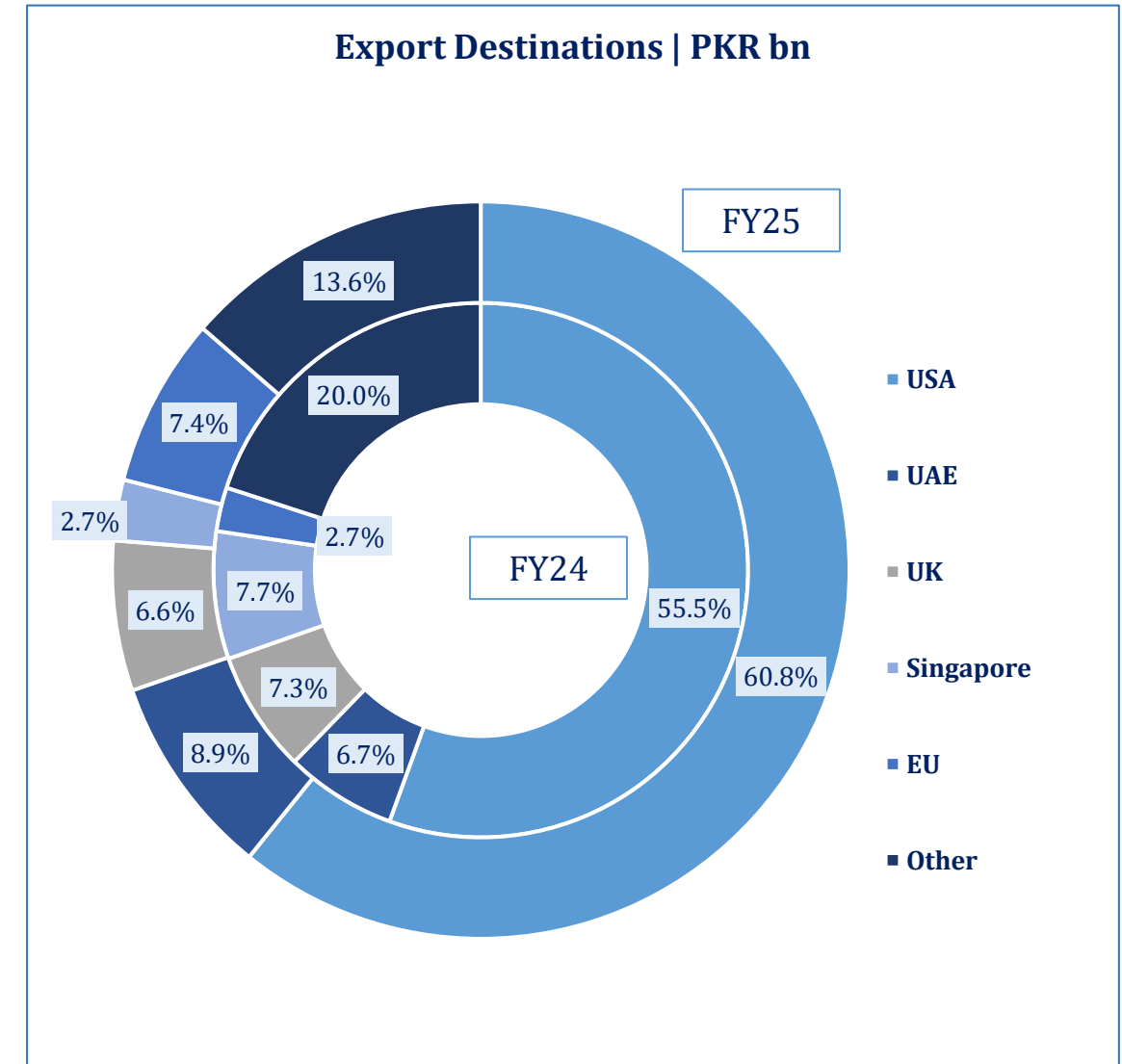


- Computer services exports climbed to USD~3,245mn in FY25, up ~22.4% YoY. Telecommunication services exports declined slightly to USD~554mn (down ~1.6% YoY), while information services, the smallest of the three, more than doubled to USD~21.0mn, up ~123.4% YoY. Much of this momentum traces back to favourable government policy, leaning on higher exports and remittances to shore up the trade balance.
- On the import side, computer services imports rose to USD~368mn in FY25, up ~16.1% YoY, while telecommunication and information services imports grew faster, up ~56.8% and ~37.3% to USD~116mn and USD~7.0mn, respectively, a reminder that Pakistan's IT Sector, even as it exports more, is also drawing more heavily on foreign services and infrastructure to do so.
- The trend has carried into FY26: over the first nine months, computer services exports reached USD~2,868mn (SPLY: USD~2,411mn), telecommunication exports jumped to USD~516mn (up ~28.4%), and information services exports reduced to USD~3.5mn, a ~82.2% YoY decline.
- Pakistan's broader import environment during this period was shaped by continued forex conservation and a policy push toward import substitution. On the telecom hardware side specifically, mobile phone imports fell 21.31% YoY to USD~1.494bn in FY25, as local manufacturing and assembly scaled up to meet the bulk of domestic demand, a policy-driven shift away from imported hardware that plausibly extends to telecom-related services procurement (international connectivity, technical consultancy, licensing) as well.

Technology

Local | Export Destinations

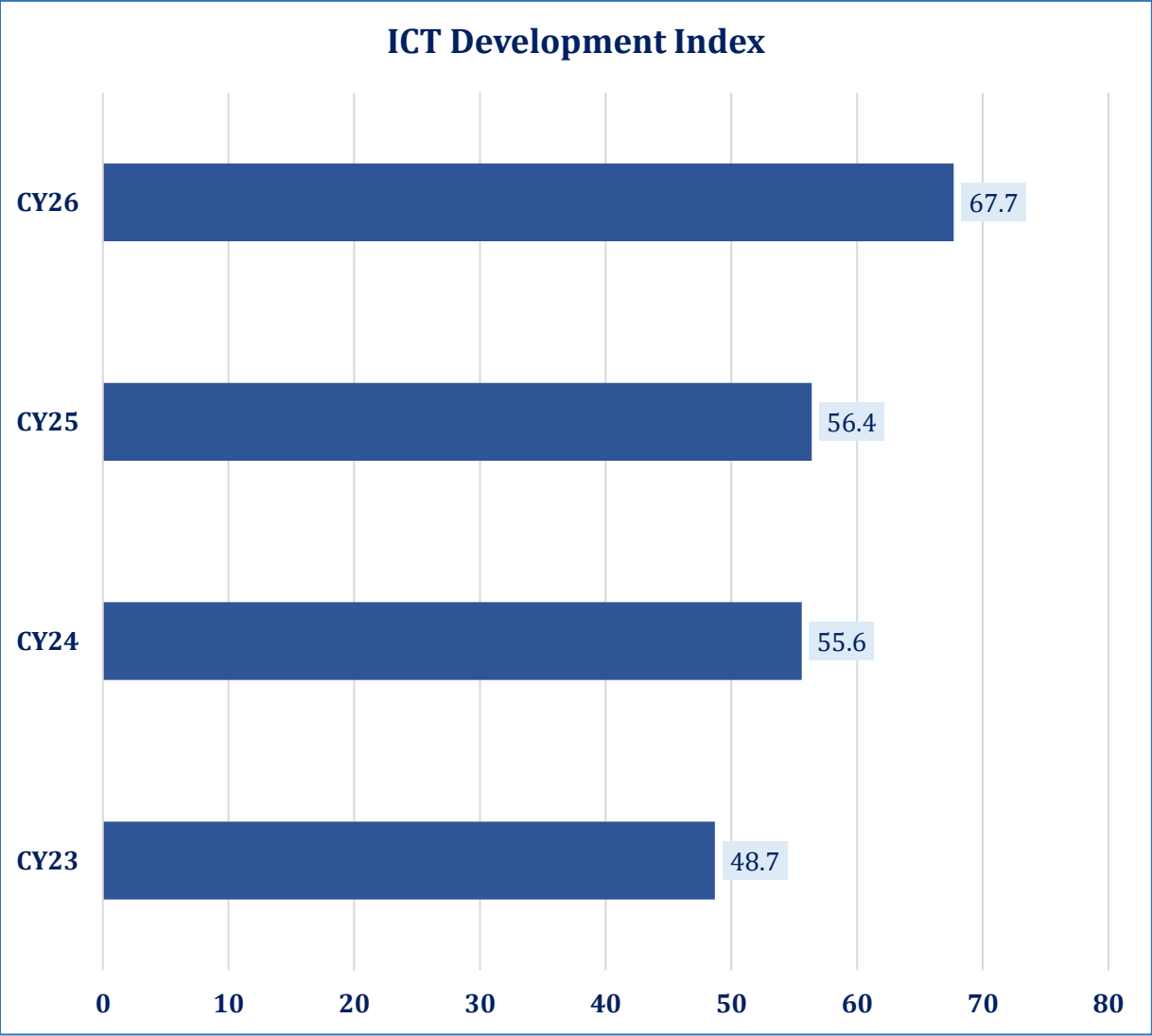
- During FY25, the country's overall technology exports clocked in at PKR 928.0bn (SPLY: PKR ~797.9bn), recording a YoY increase of ~16.3%.
- The USA was the top destination for exports, with value amounting to PKR 564.5bn during FY25 (SPLY: PKR~443.2bn), increasing ~27.4% YoY. Export value for UAE clocked in at PKR 82.6bn during FY25 (SPLY: PKR ~53.7bn), recording a ~53.8% increase, YoY.
- The UK was the third highest importer of Pakistan's technology services in FY25, as it imported services worth PKR 61.1bn during FY25 (SPLY: PKR ~58.6bn), recording a ~4.3% increase, YoY. European Union (EU) exports expanded significantly, reaching PKR 69.1bn in FY25 compared to PKR ~21.2bn in FY24. Pakistani tech and IT-enabled service firms actively expanded international participation at European trade expositions (such as London Tech Week and EU digital forums).
- Singapore registered a decline, with export value coming in at PKR ~24.7bn in FY25 (SPLY: PKR ~61.6bn), recording a drop of ~59.9% YoY. Under SBP's updated Equity Investment Abroad (EIA) framework introduced in FY25, export-oriented tech firms were allowed to hold foreign equity up to ~50.0% in holding companies in the GCC (e.g., UAE/Dubai). Consequently, many Pakistani exporters shifted their regional holding and invoicing hubs from Singapore to the GCC/UAE to leverage tax efficiency and closer proximity to Middle Eastern clients.



Technology

Local | ICT Development Index

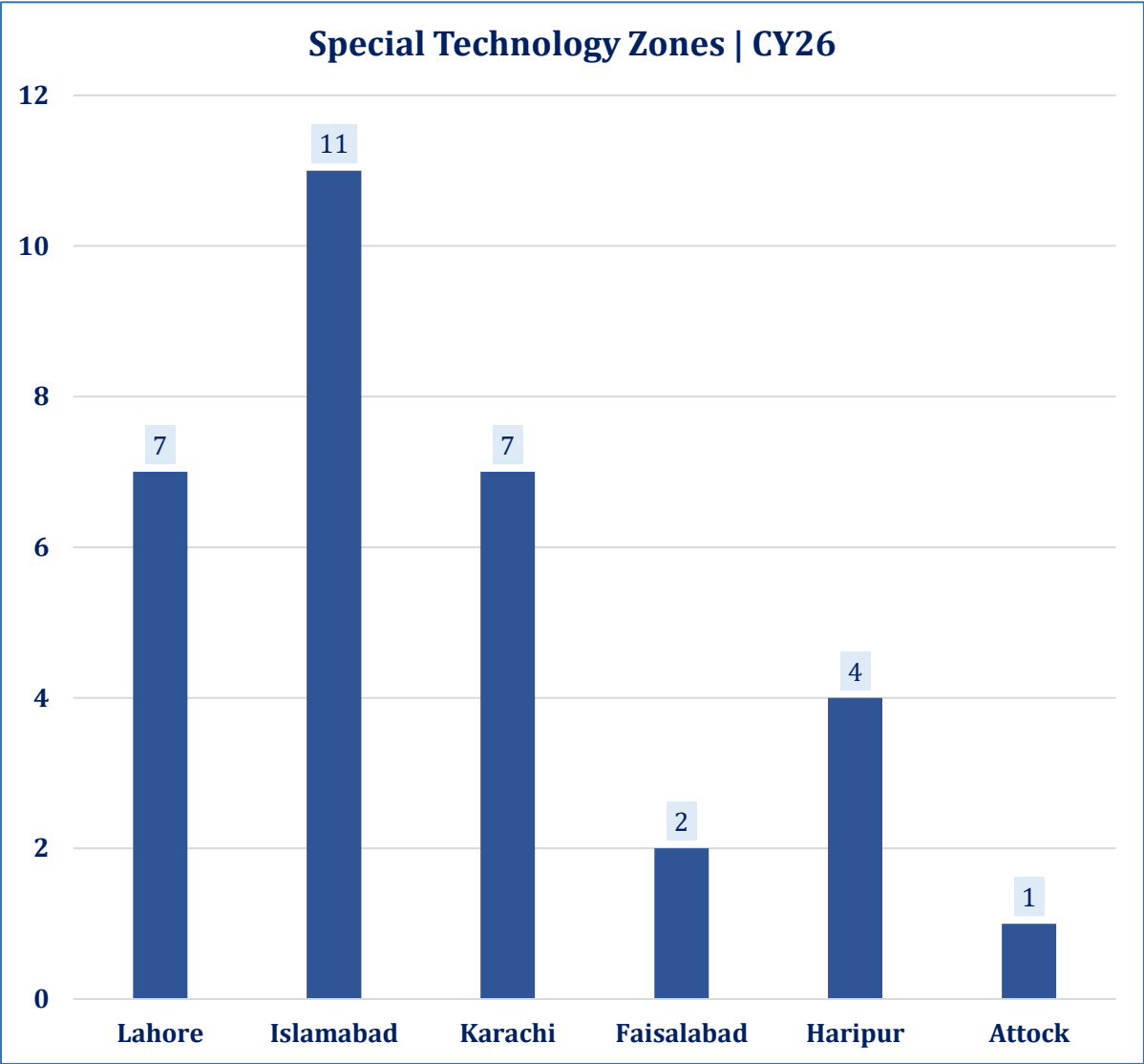
- Pakistan's ICT Development Index (IDI) score rose from 48.7 in CY23 to 67.7 in CY26, a cumulative gain of ~39.0% over three years.
- The trajectory has been uneven: growth was near-flat between CY24 and CY25 (55.6 to 56.4, up just ~1.4%), before accelerating sharply in the most recent period, with the score jumping ~20.0% YoY from CY25's 56.4 to CY26's 67.7.
- Based on a derived comparison of country scores, Pakistan's relative position improved by approximately 27 places.
- The ITU attributes the CY26 surge specifically to a 22.8-point improvement in the connectivity pillar and a Meaningful Connectivity score of 79, reflecting expanding mobile broadband access, device ownership, and data affordability.
- This aligns with domestic telecom data: Pakistan's telecom subscriptions reached 207.22mn by March 2026 (national tele-density of 82.6%), per the Pakistan Economic Survey 2025-26, a scale of network expansion large enough to plausibly explain a jump of this magnitude.



Technology

Local | Special Technology Zones

- The Special Technology Zones Authority (STZA), established under the STZA Act 2021 and operating under the Cabinet Division, regulates special technology zones nationwide, offering tax holidays, duty-free imports, and dedicated infrastructure to attract investment and drive tech-led growth.
- STZA's footprint has grown to 32 zones nationwide as of CY26, with Islamabad/ Rawalpindi leading at 11 zones (over a third of the total), followed by Lahore and Karachi at 7 each.
- Haripur (4), Faisalabad (2), and Attock (1) round out the footprint, reflecting STZA's push to extend the ecosystem into secondary cities beyond the traditional Lahore-Karachi-Islamabad corridor.
- The expansion reflects a staged rollout, with a medium-term plan to add ~10 more zones and PKR~100bn in largely private investment.
- Lahore’s technology ecosystem is anchored by flagship projects like the 800-acre Lahore Technopolis and CODE STP's 36-story "The Mark" tower.



Technology

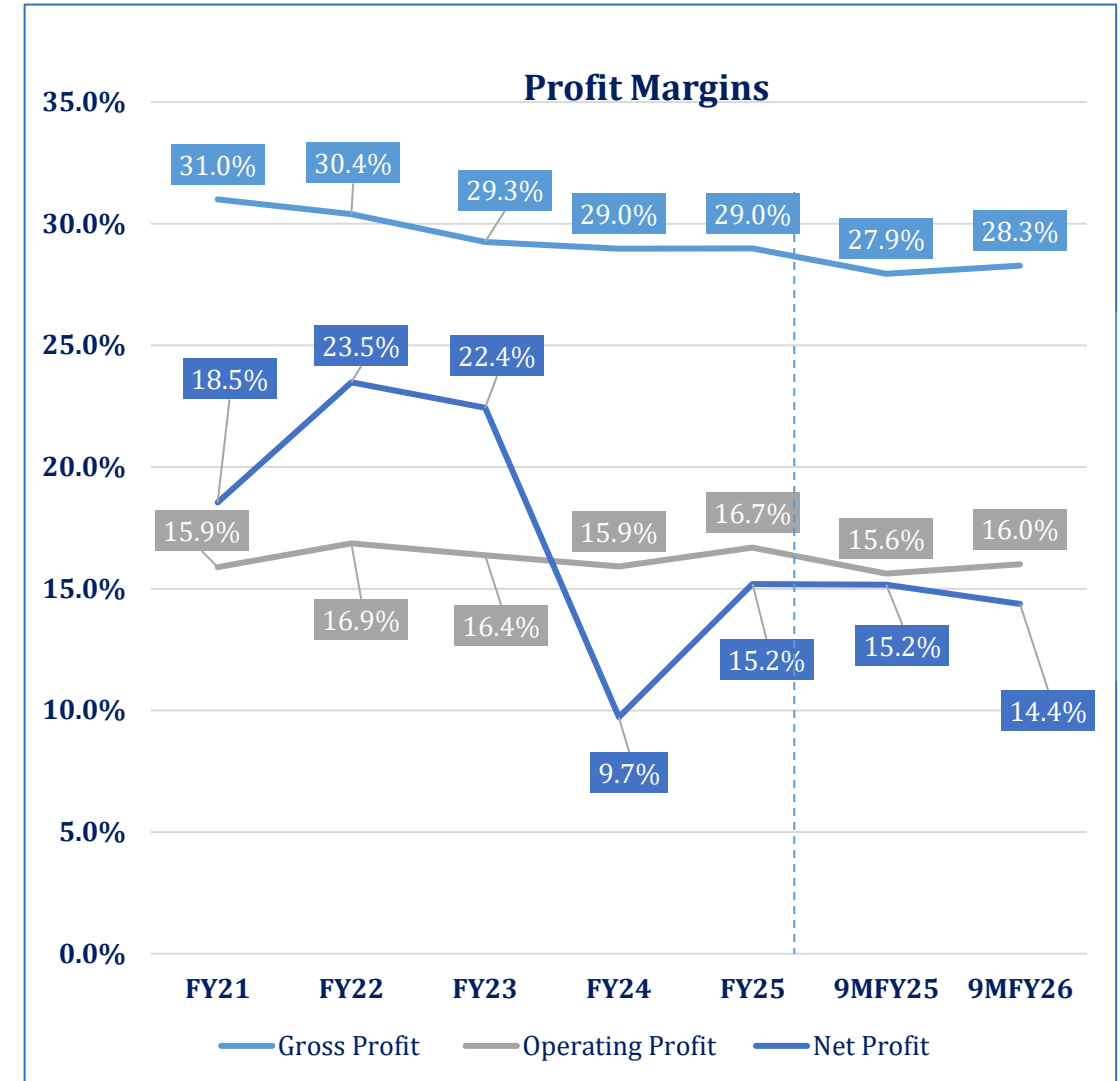
Business Risk

- **Fast-paced Growth:** The technology Sector is among the fastest-growing industries worldwide, with new technologies continuously introduced. Local players must keep pace or risk losing competitive advantage and becoming obsolete, a pressure intensified by the global shift toward AI and cloud services.
- **B2B Model:** Many Sector players provide services to other businesses, so their demand depends on conditions in client industries. If the economy or any client Sector underperforms, demand for technology services weakens.
- **Digital Literacy:** Pakistan remains one of the fastest-growing cellular markets globally, with cellular subscribers reaching ~207mn and mobile tele density ~82% by May'26. Broadband connections have crossed 150mn, with penetration above 60% and telecom coverage exceeding 92%, evidencing deepening digital adoption.
- **Labor Dynamics:** 4G now covers ~95% of cellular networks as 2G declines, yet the ratio of IT graduates remains a small fraction of the population, leaving the Sector's talent potential largely untapped. In Mar'26, Pakistan concluded its long-awaited 5G spectrum auction, raising USD 507mn and nearly tripling assigned spectrum to ~754 MHz, with 5G rollout in major cities to follow. Such initiatives should lift demand for technology graduates and related programs.
- **Infrastructure:** Software companies face cyber-attack and data-breach risks that threaten sensitive information and reputation, while sudden internet shutdowns dent performance in the global market. A key constraint is fiber backhaul: only ~18% of mobile sites were fiber-connected in early 2026 against an 80% target for 2029, meaning newly acquired spectrum risks delivering theoretical rather than real capacity gains.

Technology

Business Risk | Margins

- During 9MFY26, the sector's gross margin improved slightly to ~28.3% from ~27.9%, as revenue growth marginally outpaced direct costs and higher volumes improved cost absorption.
- The operating margin increased to ~16.0% from ~15.6%, supported by stronger scale and better use of the existing operating base. However, higher salaries, administrative costs, and expansion expenses limited the improvement.
- The net margin declined to ~14.4% from ~15.2%, mainly because lower investment and deposit income, along with foreign-exchange losses, reduced support from other income.
- During FY25, the gross margin remained stable at ~29.0%, as the increase in direct costs broadly matched the movement in sector revenue.
- The operating margin improved to ~16.7% from ~15.9%, reflecting better procurement, improved operating efficiency and tighter control over administrative expenses.
- The net margin rose sharply to ~15.2% from ~9.7%, supported by higher foreign-exchange gains, returns on bank deposits and gains on short-term investments.
- Lower finance costs in parts of the sector provided further support to FY25 profitability, allowing a larger portion of operating earnings and other income to flow to the bottom line.
- The sector's margins remain relatively low because its cost base is heavy. Software licenses, salaries, and wages account for a large share of direct costs, while imported hardware, inflation, and expansion-related expenses further increase service-delivery and operating costs. As these costs rise alongside revenue, only a limited portion of sales translates into operating and net profit.

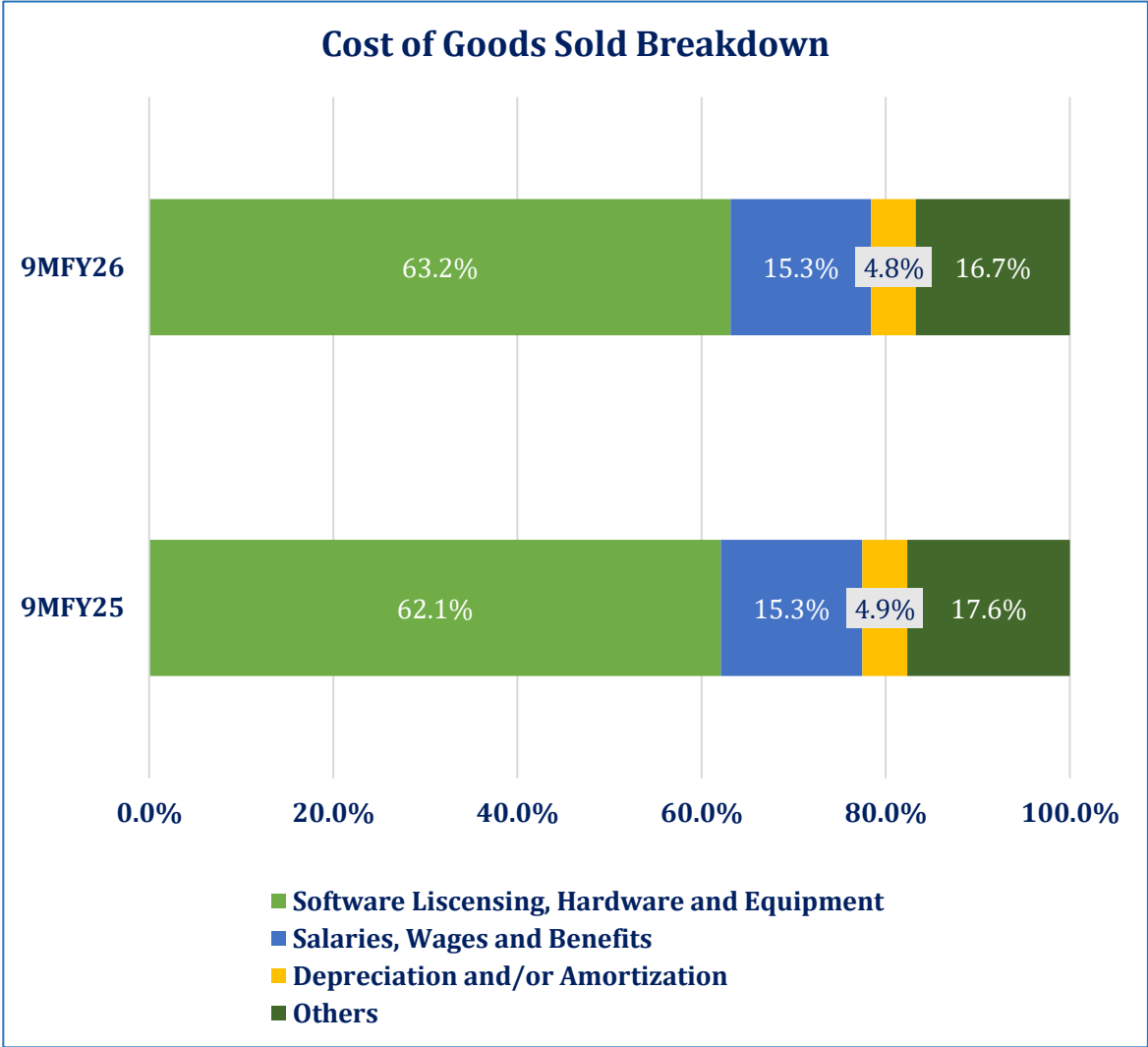


Note: Data pertains to ~10 PACRA-rated/ listed players. *Cost of revenue comprises all direct costs and directly attributable overheads incurred in the delivery of the Company's services.

Technology

Business Risk | Cost Breakdown

- During 9MFY26, software licensing, hardware and equipment remained the largest cost component, increasing to ~63.2% of COGS from ~62.1% in 9MFY25.
- The increase reflects a greater share of hardware, servers, specialized equipment and software licenses required to deliver technology solutions. These inputs are also largely imported, which keeps procurement costs high.
- Salaries, wages and benefits remained stable at ~15.3% in both periods. This indicates that employee costs moved broadly in line with total direct costs, as service delivery continues to require skilled technical and project-based staff.
- Depreciation and amortization decreased marginally to ~4.8% from ~4.9%. The slight decline indicates that these expenses grew more slowly than overall COGS, particularly as spending on software, hardware, and equipment formed a larger share of the cost base.
- Other costs declined to ~16.7% from ~17.6%. These mainly include travelling, communication, utilities, repairs, maintenance, and related service-delivery expenses. Their share fell because core software, hardware, and equipment costs absorbed a larger portion of total COGS.
- Overall, the sector’s cost structure remained heavily procurement-driven. Consequently, sector margins remain sensitive to changes in imported hardware and software prices, exchange rates, vendor pricing, and the mix between equipment-based and service-based projects.

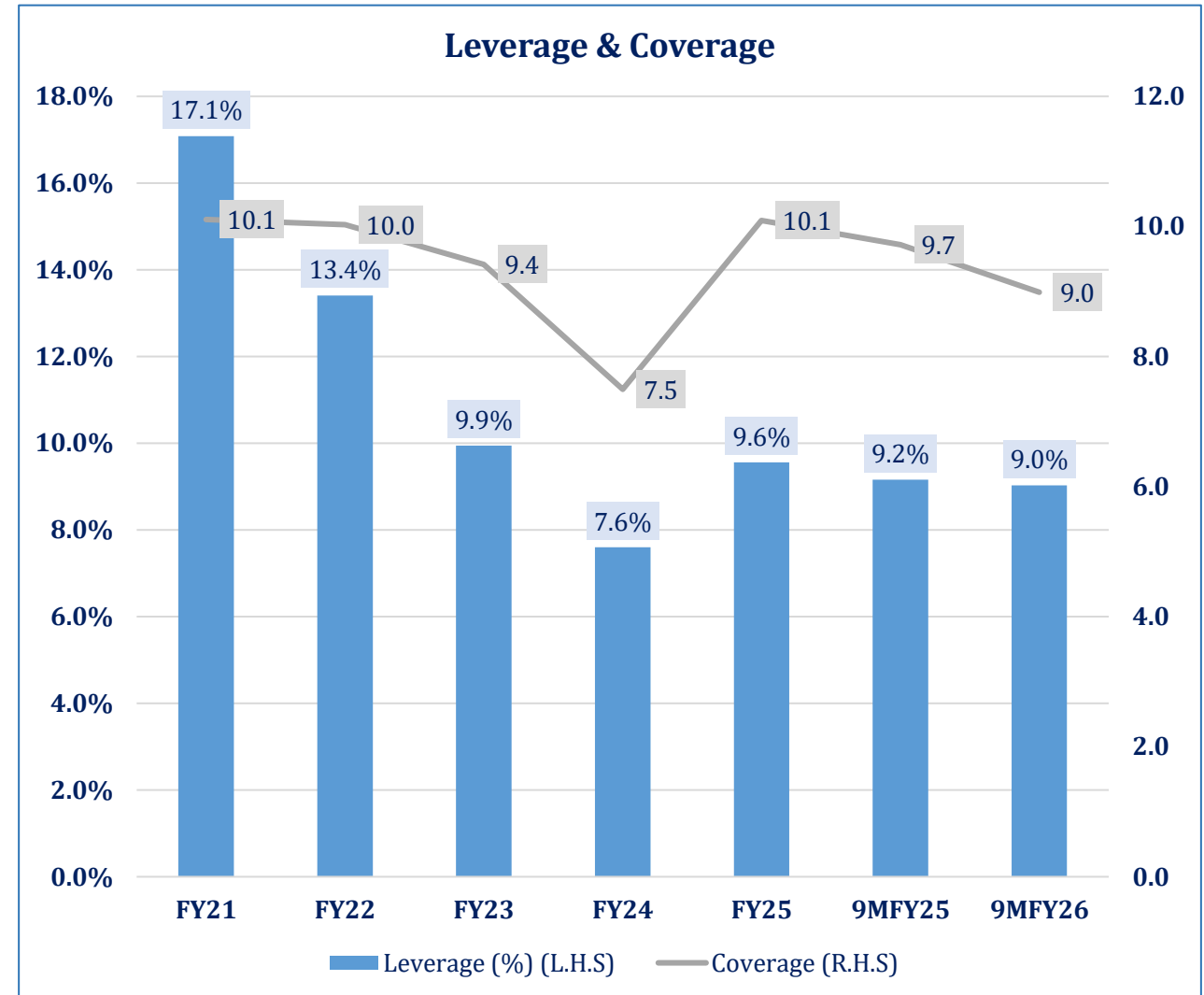


Note: Data pertains to ~10 PACRA-rated/ listed players.

Technology

Financial Risk | Leverage and Coverage

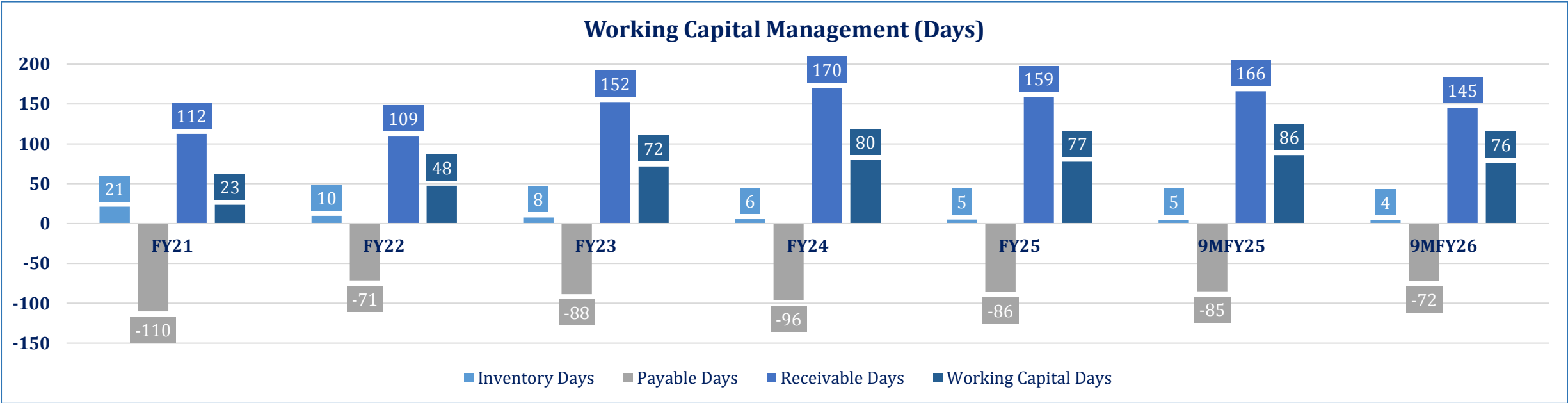
- During 9MFY26, leverage declined slightly to ~9.0% from ~9.2% in 9MFY25. The sector's equity base grew through retained profits and higher reserves, while borrowings remained stable or increased at a slower pace across much of the sample. This reduced debt as a share of total capital.
- Coverage eased to ~9.0x from ~9.7x during the same period because finance costs increased faster than cash earnings available for interest payments. This was linked to higher average use of short-term facilities and lease-related financing across parts of the sector. Since finance cost is recorded over the full period, coverage can decline even when closing leverage is slightly lower.
- During FY25, leverage increased to ~9.6% from ~7.6% in FY24, and coverage improved to ~10.1x from ~7.5x in FY24. This was because of stronger operating cash generation and lower financing costs across key parts of the sector, which improved debt-servicing capacity.
- Overall leverage remains low because much of the sector follows an asset-light software and services model. Limited fixed-asset requirements, recurring income, and internal cash generation reduce the need for heavy external borrowing.



Technology

Financial Risk | Working Capital Management

- During 9MFY26, the sector’s working capital cycle improved to ~76 days from ~86 days in 9MFY25. This was mainly due to receivable days declining to ~145 days from ~166 days, which indicates faster customer collections.
- Inventory days also reduced to ~4 days from ~5 days. Payable days fell to ~72 days from ~85 days, meaning the sector paid suppliers sooner; however, the stronger reduction in receivable days resulted in an overall improvement in working capital.
- Receivable days remain high because the sector largely operates through long-term and project-based contracts. Revenue may be recorded as work progresses, while invoicing and collections occur after agreed-upon project milestones. In contrast, inventory days remain low because software and service-based businesses require limited physical stock. As a result, the sector’s working capital cycle is mainly driven by receivables and payables.

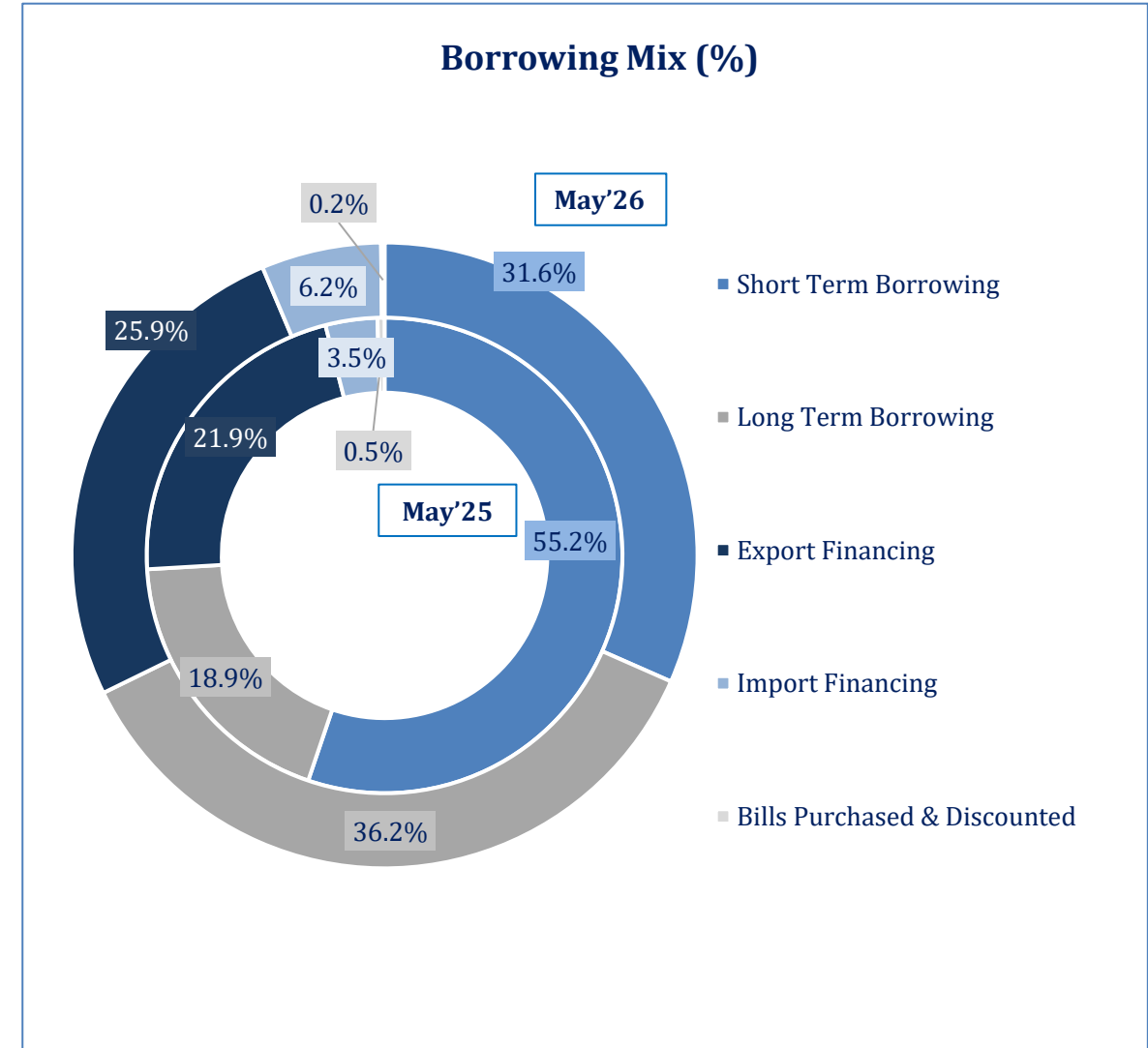


Note: The working capital management pertains to ~10 PACRA-rated/ listed Sector players.

Technology

Financial Risk | Borrowing Mix

- By May'26, the share of short-term borrowing declined to ~31.6% from ~55.2% in May'25. This reflects a change in the financing mix, as long-term and trade-linked facilities grew faster.
- The improvement in the sector's working capital cycle also reduced the need for general short-term financing.
- Long-term borrowing increased to ~36.2% from ~18.9%. This was mainly linked to funding for infrastructure, equipment, and longer-term technology projects. Longer-tenor financing allows repayment periods to be better aligned with the cash flows generated from these investments.
- Export financing rose to ~25.9% from ~21.9%, supported by continued growth in technology exports. As export projects often involve a gap between service delivery, invoicing, and collection, higher overseas business has increased the need for export-related working capital facilities.
- Import financing increased to ~6.2% from ~3.5%, reflecting higher financing needs for imported hardware, servers, specialized components and software licenses.
- Meanwhile, bills purchased and discounted remained negligible at ~0.2%, indicating limited reliance on bill-discounting facilities.



Technology

Regulatory Framework

- The technology Sector is overseen by the Ministry of Information Technology and Telecommunications (MoITT), which introduced the Digital Pakistan Policy in CY18 to accelerate digitization and foster a knowledge-based economy. Its objectives remain promoting innovation and entrepreneurship, boosting software exports and IT remittances, expanding digital inclusion, and attracting investment. To this end, IT Parks, Special Technology Zones (STZs), and National Incubation Centers have been established, equipped with modern ICT infrastructure.
- The Pakistan Software Houses Association continues to represent the Sector, advising on policy and legislation, including its formal Federal Budget 2026-27 recommendations. The Special Technology Zones Authority's footprint has expanded to 32 zones as at CY26, concentrated across Lahore, Islamabad, Karachi, Faisalabad, Haripur and Attock.
- In the FY27 budget (presented Jun'26), the Ministry proposed an IT development budget of PKR~71.84bn, a substantial step-up from FY26, aimed at 20 PSDP projects (12 ongoing, 8 new) spanning the digital economy, telecom network, startup ecosystem and advanced technology.
- The Sector has sustained record growth: IT exports reached ~USD3.8bn in FY25 (up ~18% YoY) and rose further to ~USD4.5bn in FY26 (~USD3.81bn in 10MFY26, up ~21% YoY per SBP), with monthly proceeds consistently above USD350mn and a record USD437mn in Dec'25. This tracks against the government's revised "Uraan Pakistan" target of USD 10 bn by FY29.
- Key incentives were reinforced in the FY27 budget: the 0.25% Final Tax Regime on export receipts for PSEB-registered exporters, previously due to expire in June 2026, was extended through Tax Year 2029, and advance tax on foreign card payments was cut from 5% to 0.5%, lowering the cost of international software licenses, cloud services and SaaS for tech companies and freelancers. Tax exemptions within Special Economic Zones (including STZs) remain in place, though the government has signalled a gradual phase-out of profit-based incentives in line with broader fiscal reform.

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Uraan Pakistan

- Uraan Pakistan, officially titled the National Economic Transformation Plan 2024–29, was launched by PM Shehbaz Sharif on December 31, 2024, overseen by the Ministry of Planning, Development & Special Initiatives, and structured around the "5Es" framework: Exports, E-Pakistan, Environment, Energy & Infrastructure, and Equity, Ethics & Empowerment.
- Under the "E-Pakistan" pillar specifically, the plan targets digital transformation by boosting ICT exports, expanding the freelancing industry from ~USD 1bn to at least USD 5bn, and establishing a "Quantum Valley," alongside broader plans for AI framework development and expanded mobile broadband connectivity.
- The Ministry of IT & Telecommunications has separately introduced an "IT and IT-enabled Services Export Strategy" under this plan, targeting IT/ITeS export revenues of USD 10-15bn by 2029, a significantly more specific Sector-level target than the economy-wide export goal.
- At the macro level, Uraan Pakistan's overarching target is to double annual exports to ~USD 60bn by FY2029, achieve 6% sustainable GDP growth by 2028, secure USD 10bn in additional private investment annually, and create one million additional jobs per year, with IT and digital transformation positioned as a central pillar of that export-led growth strategy.

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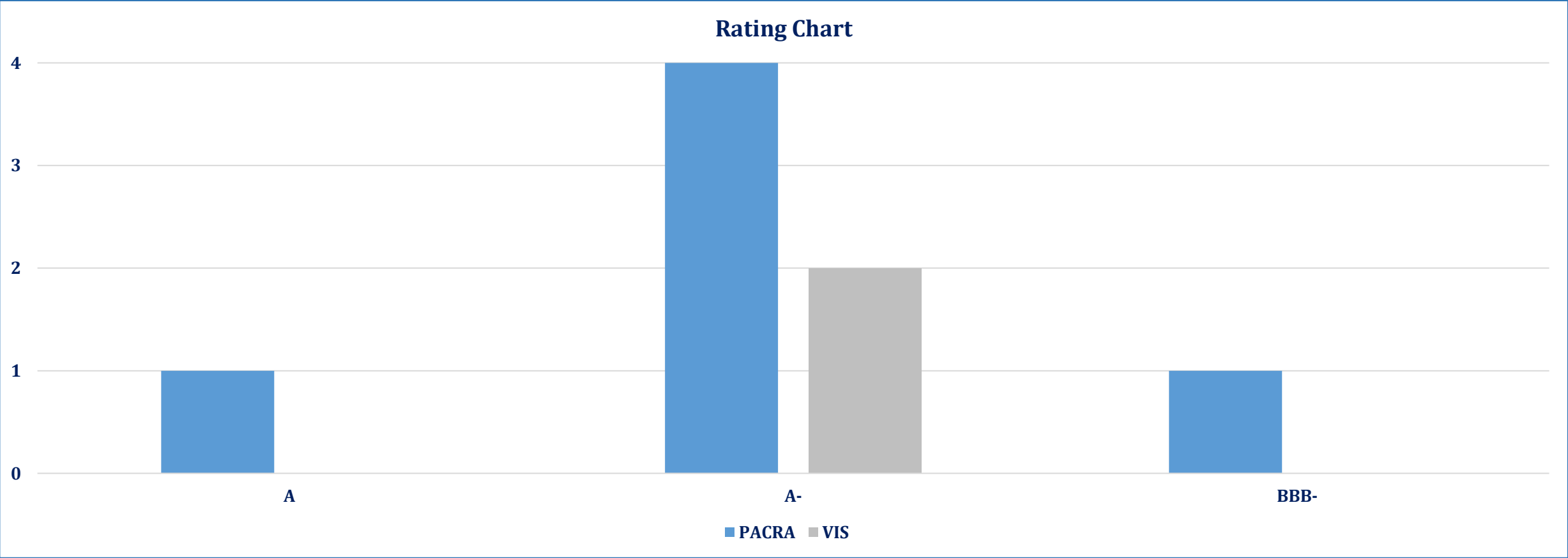
Duty Structure

- The Sector falls under the Minimum Tax Regime.

HS Code	Description	Custom Duty		Additional Custom Duty		Income Tax		Sales Tax	
		FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
8471.3010	Laptop Computers, Notebooks Whether Or Not Incorporating Multi Media Kit	3%	0%	2%	0%	12%	12%	18%	18%
8471.3020	Personal Computers	3%	0%	2%	0%	12%	12%	18%	18%
8471.3090, 8471.6090	Other	3%	0%	2%	0%	2%	12%	18%	18%
8471.4120	Large Or Main Frame	3%	0%	2%	0%	12%	12%	18%	18%
8471.5000	Processing Units Other Than Those Of Sub-heading 8471.41 Or 8471.49,	3%	0%	2%	0%	12%	12%	18%	18%
8471.6010	Key Boards	3%	0%	2%	0%	12%	12%	18%	18%

Rating Curve

- PACRA rates 6 entities in the Sector, with long-term rating bandwidth of A to BBB-. PACRA also rates one debt instrument with a long term rating of AA.



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SWOT Analysis

- Regulatory structure supports the local Sector and encourages exports.
- Conducive environment due to the presence of IT Parks, Tech SEZs and Start-Up Incubators.
- Relatively lower income tax compared to other Sectors.
- Asset-light model keeps leverage low and coverage strong.
- Large, low-cost talent pool and the world's fourth-largest freelance market.

- Ever-changing technological platforms and evolving technologies.
- Easier to shift operations abroad as the cost of switching is minimal.
- Gradual phase-out of SEZ/STZ tax incentives over time.
- Concentration risk from reliance on freelancing and the US market.
- Cyber-attack, data-breach and internet-disruption risks.



- Service-related players are dependent on conditions in client industries and Sectors.
- Low availability of skilled labor graduating from top universities.
- Heavy reliance on imported hardware and software, keeping margins thin.
- Export base remains cost-driven with limited high-value product work.

- Significant investment incentives have been provided for local and foreign investors.
- Growing urbanization and digital literacy to create demand in the long term.
- Focus on automation in the local industry
- 5G rollout and fiberization to unlock demand and higher-value services.
- Export diversification into the EU, UK and GCC markets.
- Rising global demand for AI, cloud and cybersecurity services.

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Outlook: Stable

- Pakistan's IT and telecom export remittances were recorded at USD~4.5bn in FY26, compared with USD~3.8bn in FY25, a change of ~18.1% YoY. This is in line with the government's stated FY26 target range of USD 4.5–4.6bn referenced in the deck.
- During FY25, computer services exports stood at USD~3,245mn, telecommunication services exports at USD~553mn, and information services exports at USD~21.0mn, taking total Sector exports to USD~3,819mn. Monthly export proceeds remained above USD 400mn throughout FY26, reaching a high of USD 437mn in December 2025.
- Freelancer export earnings were reported above USD 1bn in FY26, contributing around a quarter of total IT exports, with the registered freelancer base placing Pakistan among the larger freelance markets globally. This represents a growing share of exports concentrated within a single channel.
- Export destinations broadened during the period, with the USA remaining the largest market at ~60.8% of exports in FY25, alongside rising shares for the EU, UK and GCC/UAE, as noted in the export-destination data.
- The March 2026 spectrum auction raised USD~507mn and increased assigned spectrum to ~754 MHz, with 5G rollout in major cities to follow. Fiber connectivity stood at ~16–18% of mobile sites in early 2026, against a stated three-year target of ~60%.
- The FY27 budget extended the 0.25% Final Tax Regime for PSEB-registered exporters through Tax Year 2029 and reduced advance tax on foreign card payments from 5% to 0.5%. A PKR~71.84bn IT development budget was proposed for 20 PSDP projects. The government has indicated a gradual phase-out of SEZ/STZ profit-based incentives.
- The outlook is Stable, reflecting recorded export growth, an improving working capital position, and extended policy support, alongside ongoing developments in fiberization, export-market mix, and the transition toward higher-value work as incentives are gradually adjusted

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