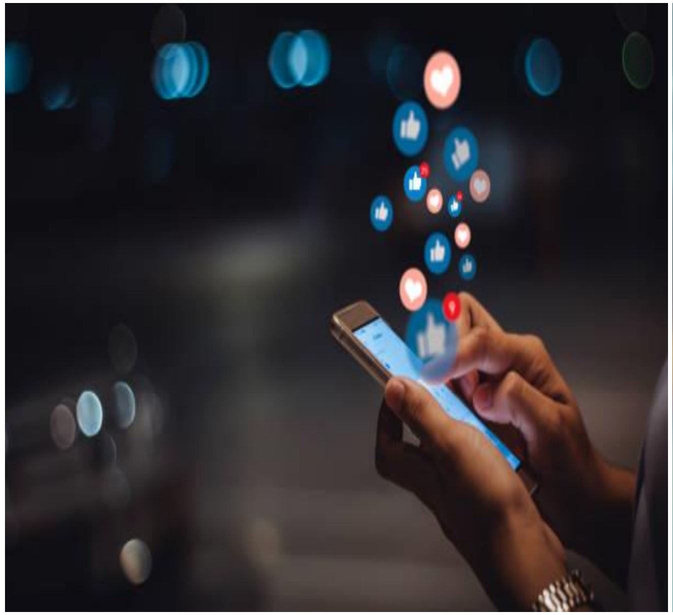
SECTOR STUDY | 13 JANUARY 2026

Together. Creating Value.

Mobile Phone & Allied Products



Research Team

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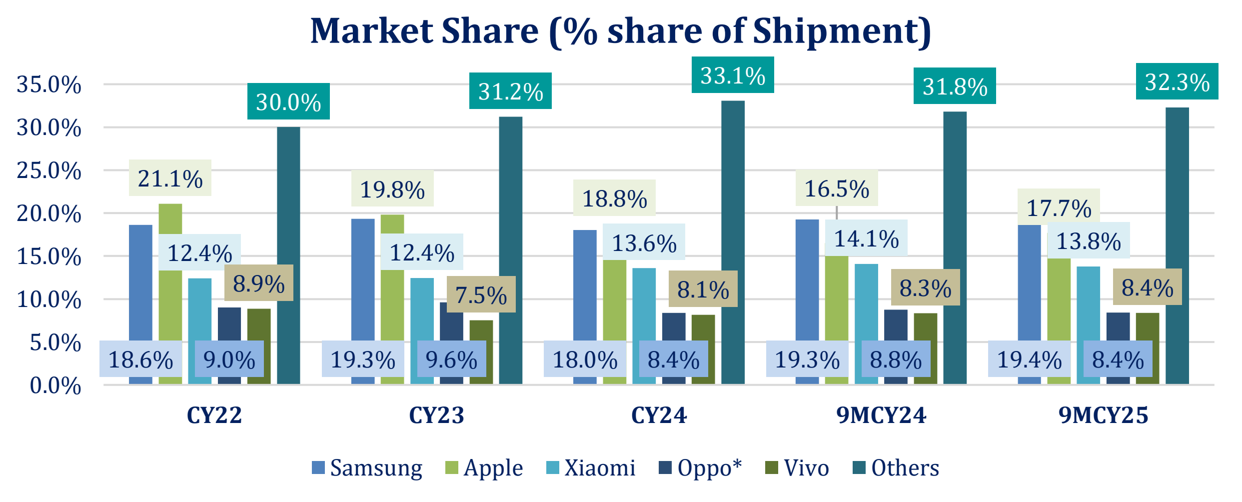
Global | Overview

- **Market structure:** The global mobile phone manufacturing industry comprises a large number of players but remains effectively oligopolistic, with the top three brands collectively accounting for ~51.0% of total shipment volume. Global smartphone shipments are projected to contract by ~0.9% in CY26, as elevated memory chip costs push up average selling prices and dampen unit demand.

- **Top Players:** During 9MCY25, the leading smartphone brands by shipment volume were Samsung, Apple, Xiaomi, OPPO and VIVO. Global shipments rose to ~925.8mln units, reflecting continued market recovery versus the prior year period. Samsung retained its leadership with a ~19.4% market share, followed by Apple at ~17.7% and Xiaomi at ~13.8%. OPPO, and VIVO each accounted for roughly ~8.4% of the market, underscoring their solid presence in the mid-tier and emerging-market segments.

- **Market size:** Global mobile phone shipments rose from ~893.5mln units in 9MCY24 to ~925.8mln units in 9MCY25, reflecting continued recovery driven by upgrade demand and normalizing replacement cycles. Worldwide smartphone shipments are forecast to grow ~1.5% in CY25 to ~1.25bln units, with Apple expected to ship a record ~247.0mln iPhones in CY25 (up ~6.1% YoY) before total shipments are projected to slip ~0.9% in CY26.

Global Smartphone Shipments (mln)					
Brands	CY22	CY23	CY24	9MCY24	9MCY25
Samsung	228.1	226.5	223.4	172	180.0
Apple	258.4	226.2	232.3	147.3	163.7
Xiaomi	152.2	145.9	168.6	125.9	127.7
OPPO*	110.5	108.5	104.0	78.2	77.8
VIVO	108.5	88.0	100.9	74.5	77.7
Others	367.7	376.1	409.8	284.1	299.0
Total	1,225.4	1,171.2	1,238.9	893.5	925.8



*OPPO includes OnePlus.

Source: International Data Corporation

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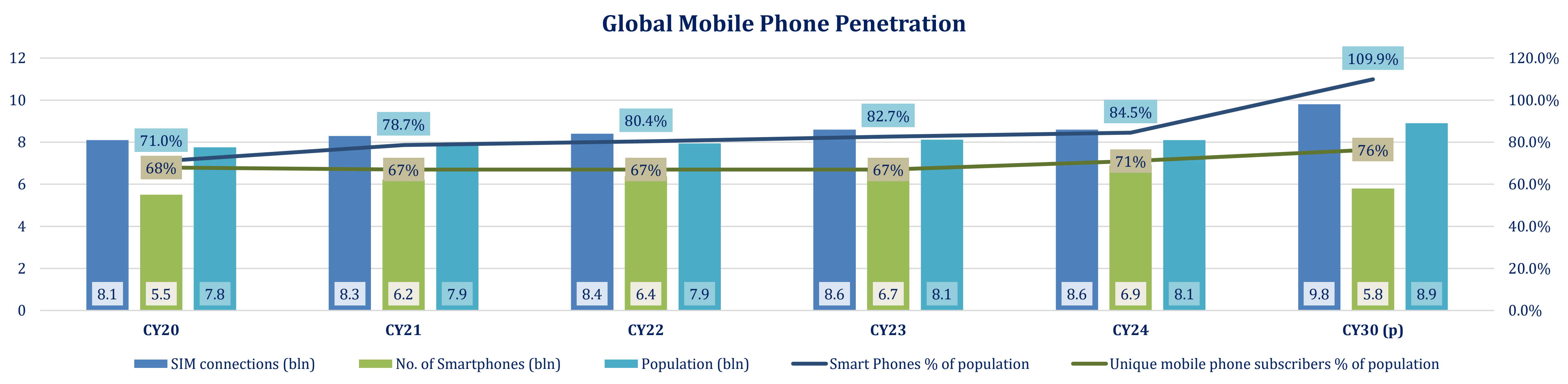
Global | Cellphone Penetration

- By the end of CY24, ~5.8bln people (~71.0% of the global population of ~8.1bln) were unique mobile subscribers, reflecting continued expansion from ~69.0% in CY23. This is projected to rise to ~5.9bln by the end of CY25.
- In CY24, SIM connections reached ~8.6bln, implying a SIM-to-subscriber ratio of ~1.5×, underscoring widespread multi-SIM, IoT, and enterprise connectivity. Smartphone users increased to ~6.9bln, up from ~6.7bln in CY23, reinforcing smartphones as the dominant mobile access device globally.
- As of CY24, 4G represented ~58.0% of total SIM connections, while 5G reached ~25.0%, reflecting accelerating adoption of next-generation networks.
- In CY24, North America led global smartphone adoption at ~89.0%, followed by Greater China (includes Hong Kong & Taiwan) at ~88.0% and Europe at ~81.0%.
- Excluding China, the rest of Asia-Pacific lags at ~70.0%, highlighting significant headroom for smartphone upgrades across emerging Asian markets.
- In CY24, mobile technologies and services contributed ~5.8% to global GDP, generating an economic value of USD~6.5trn and supporting ~24.0mln jobs worldwide.



Note: *Projected numbers for CY30*

Source: GSMA

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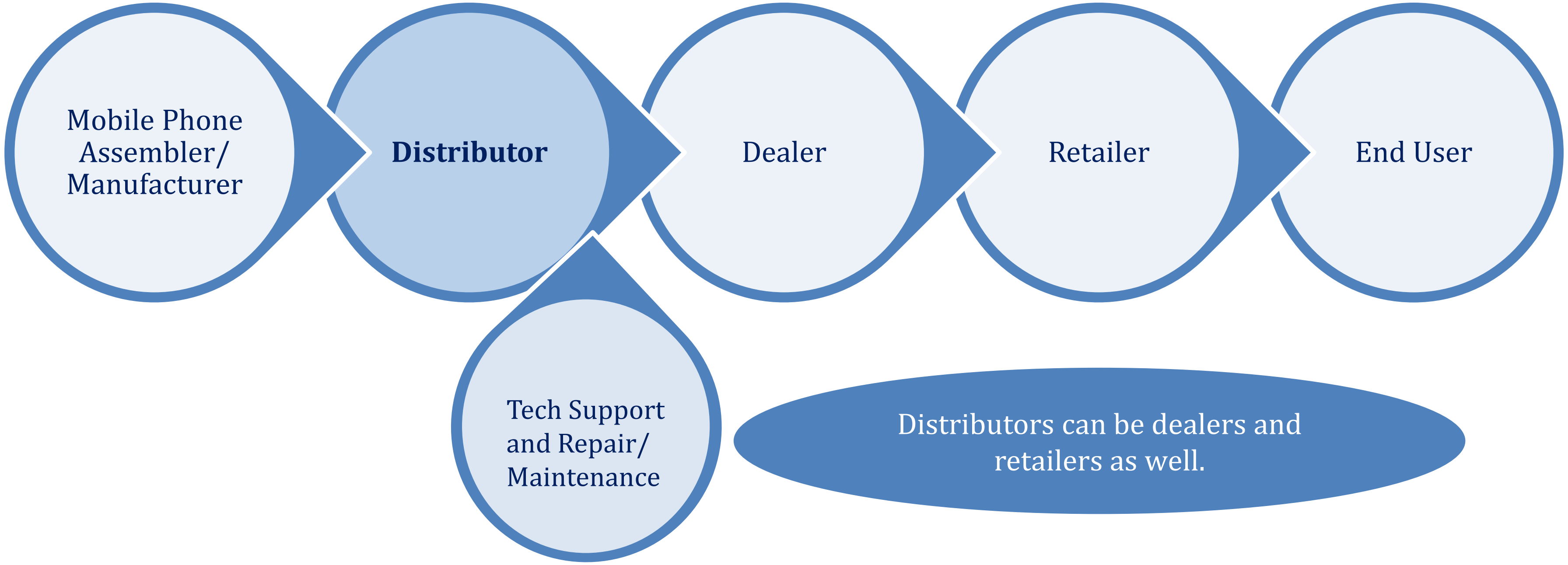
Supply Chain

- A Mobile Phone assembler is involved in the manufacturing and assembly of mobile phones. In contrast, a Mobile Phone distributor (or "distributor") purchases Mobile Phones and Allied products from the assemblers and sells them to customers either directly or through dealers and retailers.
- Most distributors also provide a range of allied services such as technical support, warranty, and after-sales services. In the Mobile Phone supply chain, distributors play a crucial role in helping assemblers reach markets that they could not otherwise access due to the high cost of distribution. Distributors are, therefore, responsible for selling the products and providing after-sales services to clients.
- Assemblers set the prices of their products, and all distributors and dealers are obliged to sell the phones at the predetermined prices. Competition in terms of price-setting among distributors and dealers is relatively low, primarily focused on the distribution margin.

The focus of this study shall pertain to the assembler and distributor segment of the Mobile Phone supply chain.



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Local | Overview

- Pakistan's economy showed signs of recovery, with real GDP growth of ~2.6% in FY25 and ~3.7% growth in 1QFY26, indicating stabilization and improvement in overall economic conditions.
- The Telecom Sector, which is closely linked to the Mobile Phone and Allied Sector, demonstrated resilience during FY25. Sector revenues surpassed the historic milestone of PKR~1.0tln, reflecting a YoY growth of ~4.5% (FY24: PKR~957.0bln).
- Pakistan's Mobile Phone market remains predominantly import-driven, particularly for high-end smartphones. However, the government continues to incentivize local manufacturing through supportive policy measures aimed at reducing reliance on imports.
- The market is supplied by leading global brands such as Samsung, Apple, Oppo, Huawei, Xiaomi, and other Chinese manufacturers, which distribute their products through authorized local distributors under contractual arrangements. Key distributors operating in Pakistan include Airlink Communication, M&P, Burque Corporation, Advance Telecom, and others, managing both international and locally assembled brands. Distribution agreements can be exclusive or non-exclusive, depending on the brand.
- To curtail import dependence, the Pakistan Telecommunication Authority (PTA) introduced Mobile Device Manufacturing (MDM) regulations in CY21, facilitating the establishment of local manufacturing and assembly plants.
- As of FY25, Pakistan has ~36 MDM authorization holders. Prominent contributors to local manufacturing include Airlink Communication Limited, Tecno Pak Electronics (Pvt.) Ltd., DB Link, United Communication (Pvt.) Ltd., and Inovi Telecom.
- During FY25, Mobile Phone imports declined by ~21.0% YoY in value terms. The decline is primarily attributable to an artificial spike in imports during FY24, driven by import restrictions in FY23, along with the subsequent replacement of imports through increased local manufacturing. However, import momentum rebounded in 5MFY26, with Mobile Phone imports increasing by ~41.0% YoY to USD~801.0mln (SPLY: USD~570.0mln).
- According to the Pakistan Telecommunication Authority (PTA), Pakistan imported ~2.0mln Mobile Phone units in CY25 (CY24: ~1.7mln units), while locally manufactured and assembled units stood at ~32.7mln (CY24: ~31.4mln units), highlighting the growing contribution of domestic production.

Industry Snapshot				
Particulars	**FY23**	**FY24**	**5MFY25**	**5MFY26**
Mobile Imports *(USD mln)*	570	1,899	570	801
Mobile Imports *(YoY % change)*	-71.2%	233.2%	-	41.0%
Mobile Imports* *(mln units)*	1.6	1.7	-	-
Mobile Devices Locally Manufactured* *(mln units)*	21.3	31.4	-	-
Market Structure	Oligopoly			
Top Manufacturing Brands	~6			
Top Mobile Phone Distributors	~4			
Regulator	Pakistan Telecommunication Authority (PTA)			

Local and import units of Mobile Phone data are based on CY.

Source: PBS, PTA, EDB

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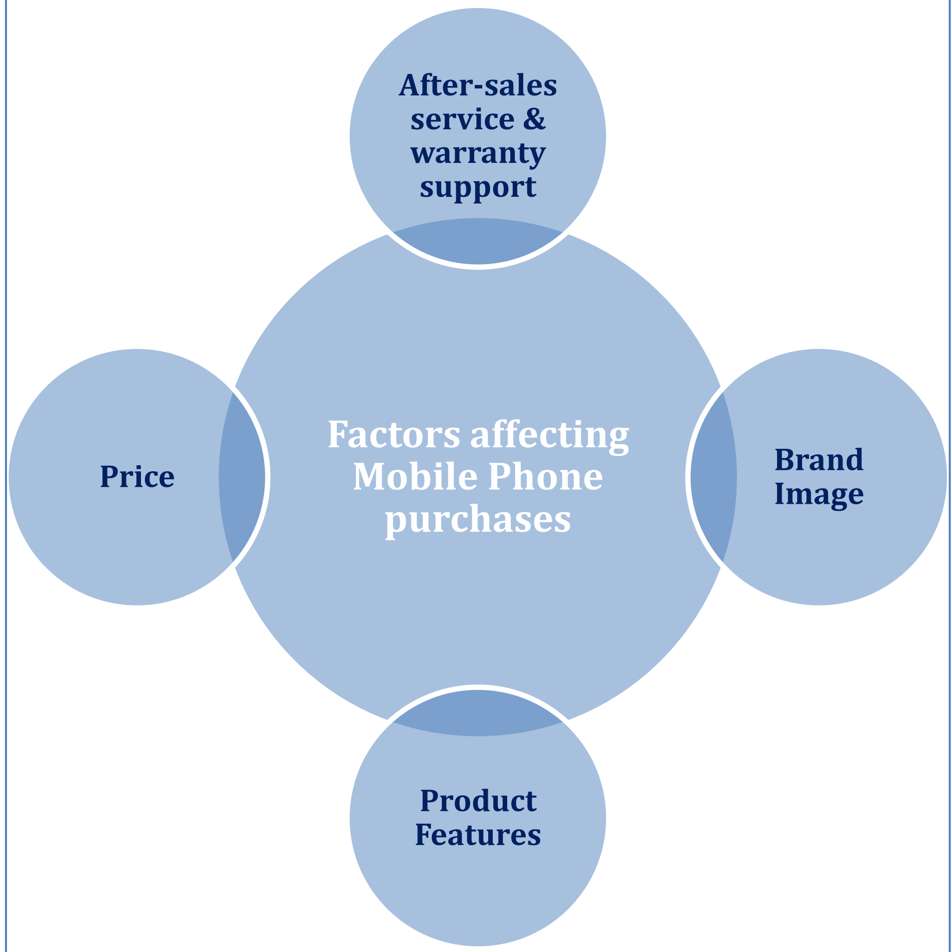
Local | Market Dynamics

- With growing internet coverage and a diverse population of ~250mln, Pakistan's market exhibits significant potential for mobile phone growth.
- This potential is evidenced by ~200.3mln telecom subscribers, with Mobile Phone tele-density reaching ~80.0%, and ~152.1mln (~60.8%) broadband subscribers, as at end-Nov'25.
- Moreover, the initiation of DIRBS (Device Identification, Registration and Blocking System) in CY19 by PTA continues to prove highly effective in curbing illegal import channels for Mobile Phone devices across the country.
- Pakistan has expanded its local manufacturing ecosystem through the MDM Regulation, 2021, which aimed at achieving three key targets: Import Substitution, Production, and Exports.
- By FY25, ~95.0% of all the mobile devices used on Pakistani networks were locally manufactured, which includes ~68.0% smartphones, reflecting a clear shift towards import substitution and industrial self-reliance. However, high-end phones (mainly Apple, Samsung & Google Pixel models are being imported.
- According to PTA, fiscal contribution includes PKR~83.0bln collected through individual-category mobile device registrations since CY19.



Source: PTA

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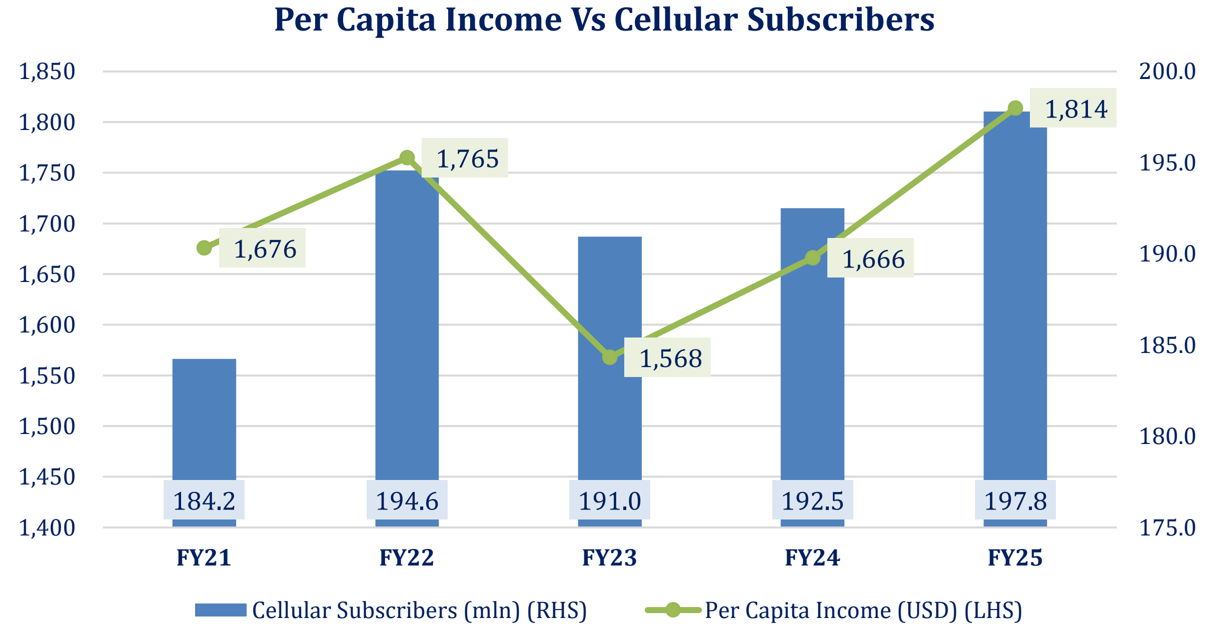
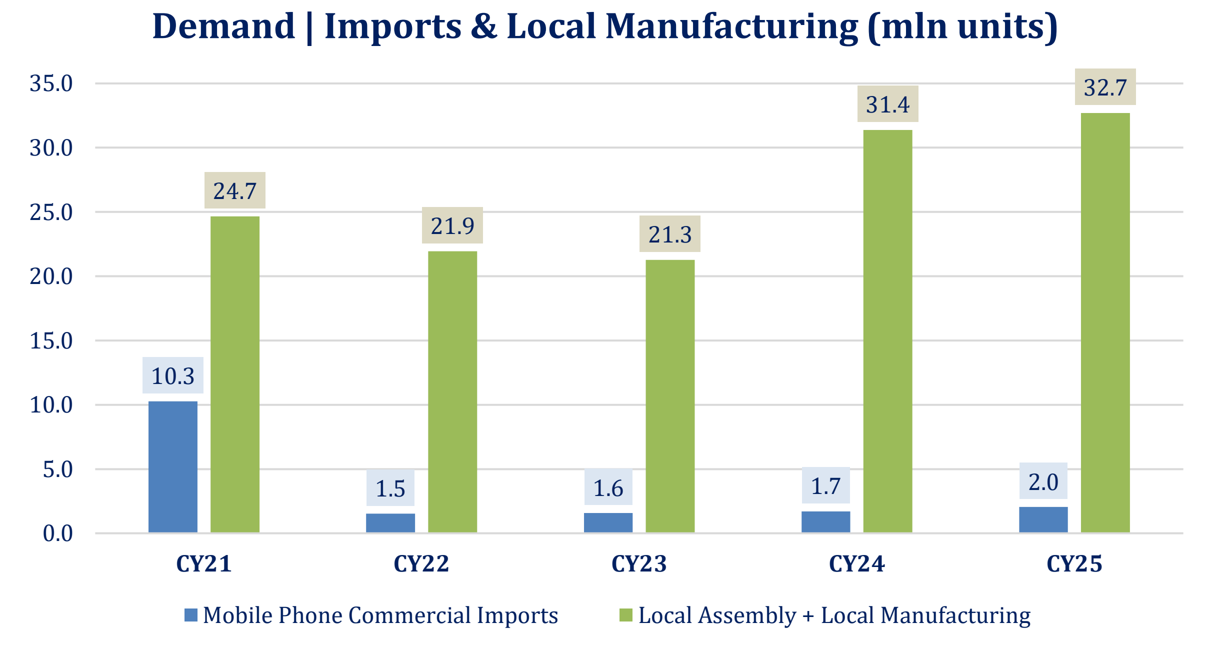
Local | Demand

- The demand for Mobile Phones is closely linked to the number of cellular subscribers (based on SIMs) and people needing or willing to upgrade. According to the PTA, the number of cellular subscribers increased by ~2.8% YoY in FY25, reaching ~197.8mln subscribers. The growth in subscriptions has stagnated as the market reaches saturation. However, rising digital adoption, relatively fewer 4G users, and better per capita income in the country, which increased by ~9.0% to reach USD~1,814 in FY25 (FY24: USD~1,666), continue to support expansion potential for Pakistan's Telecom Sector in the coming years.

- Pakistan's mobile phone demand increased in CY25 and was met through a combination of imports and local manufacturing/assembly. Import volumes rose by ~19.3% YoY to about 2.04mln units in 11MCY25 (CY24: ~1.71mln units), while local manufacturing and assembly totaled around ~32.7mln units during the same period, compared with ~31.4mln units in CY24.





Note: Data is available on CY basis only.

Source: PBS, PTA

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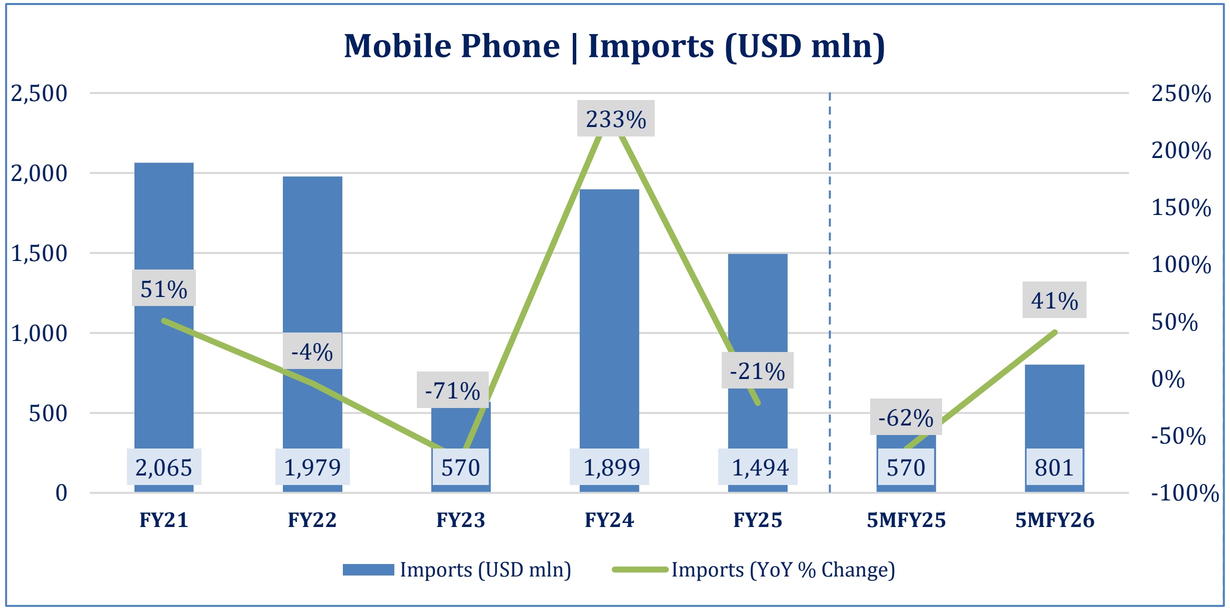
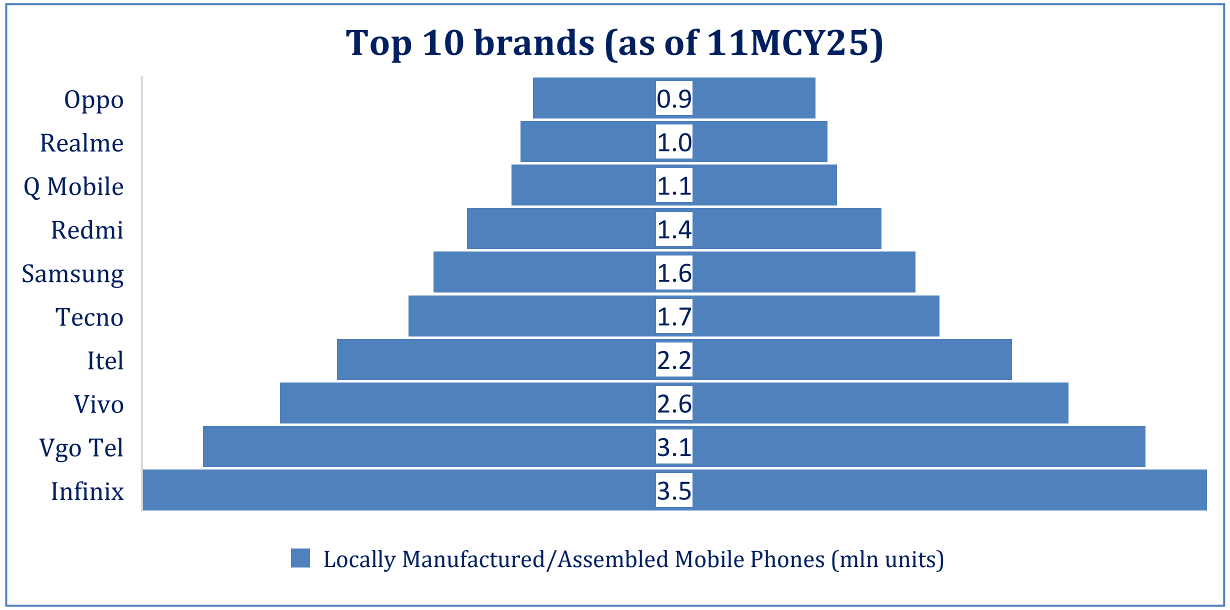
Local | Supply

- The supply of parts (CKD/SKD) for local manufacturing/assembly of Mobile Phones remains dependent on imports, as Pakistan's industry is still at a pre-mature stage and is not fully self-sufficient in producing Mobile Phone components, particularly for smartphones, thereby exerting pressure on the import bill.
- In FY25, Pakistan's import bill for Mobile Phones (including CKD/SKD) clocked in at USD~1,494mln, declining by ~21.0% YoY. However, in 5MFY26, imports rebounded, rising by ~41.0% YoY to USD~801.0mln (SPLY: USD~570.0mln).
- Among the top 10 brands engaged in local manufacturing/assembly, Infinix, Vgo Tel, Vivo, Itel, and Tecno collectively produced ~13.1mln units as of 11MCY25.





Source: PBS, PTA, Ministry of Finance

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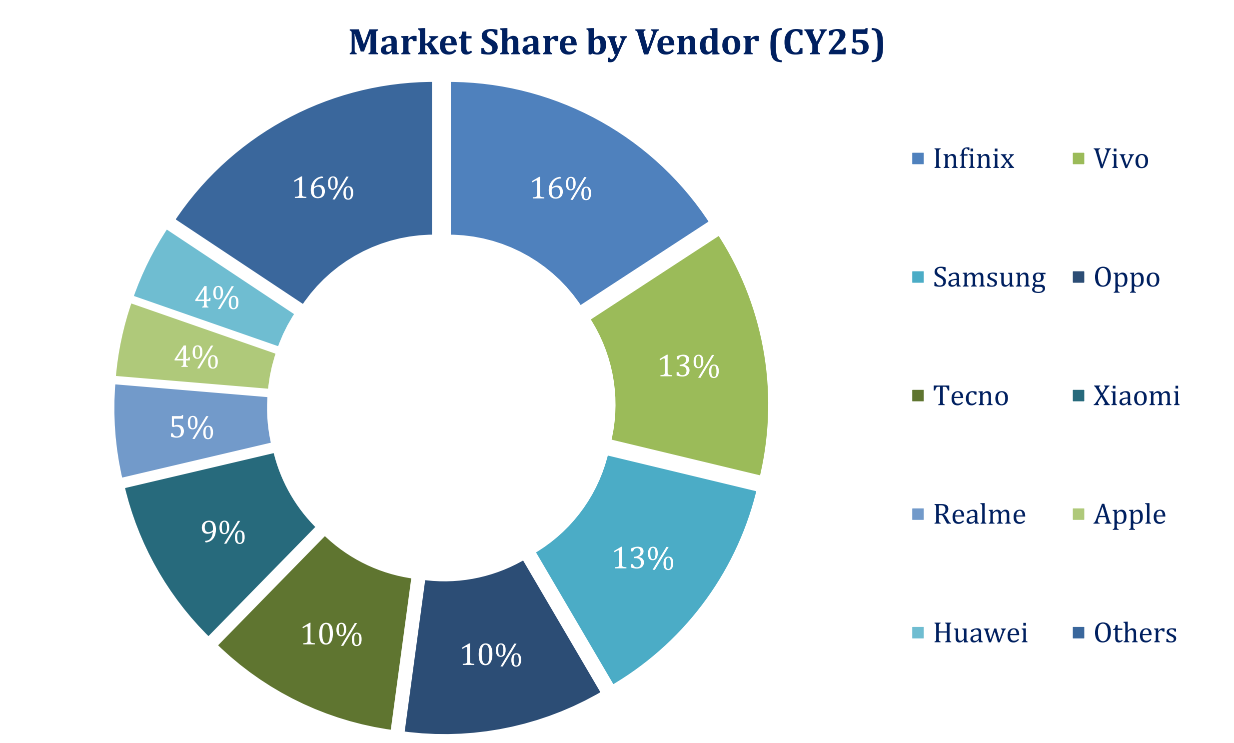
Local | Mobile Vendors

- As of CY25, Infinix led the Mobile Phone market in terms of units sold with a share of ~16.0% (CY24: ~16.5%).

- It is followed by other brands, including Vivo with ~13.0% (CY24: ~13.1%), Samsung with ~13.0% (CY24: ~15.4%), while Oppo and Tecno held a share of ~10.0% each in CY25 (CY24: ~11.7% & ~10.7% each, respectively).

- Brands such as Infinix, Vivo, Itel, Oppo, and Tecno have established mobile assembling units in Pakistan, which have significantly boosted their market shares.

- Samsung has also invested in local mobile assembling plants, playing a vital role in fostering the growth of the domestic Mobile Phone industry.



Source: statscounter, PACRA Database

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Local | Distributors

- At present, four major mobile distributors handle not only the distribution of international brands but also the assembly and distribution of local phones. Additionally, around seven smaller distribution partners focus on distributing local and Chinese mobile phones.

- Because distributors operate under pre-set contractual terms with international brands, including pricing, margins, and rebate structures, price competition is constrained and often occurs through indirect mechanisms (mainly authorized discounts and distributor margin) rather than open discounting. As a result, market outcomes are heavily shaped by long-standing relationships between brands and their authorized dealers.

- In FY25, among the top 4 distributing partners, Airlink had the highest overall market in terms of units sold and serves as an authorized distributor for Samsung, Huawei, TCL, Tecno, Itel, and Xiaomi. The company has agreed with Apple Authorized Distributor for Pakistan, Mercantile Pacific Asia Pte. Ltd., for the distribution of Apple products procured from MP in Pakistan.

- A few of the mobile manufacturing brands have set up their own distribution channels, including Oppo, Vivo, and QMobile.

Mobile Phone Distributors	
Distributors	**Associated Brands**
Airlink Communications	Xiaomi, Tecno, Samsung, Realme, Q-Mobile, TCL, Itel, Alcatel, Apple, Huawei
Muller and Phipps M&P	Samsung, Huawei, Realme, Nokia, Tecno
Burque Corporation	Samsung, Tecno
Advance Telecom	Nokia (Phones & Accessories), Itel (Phones& Accessories), Tecno

Source: PACRA Database, Company Websites

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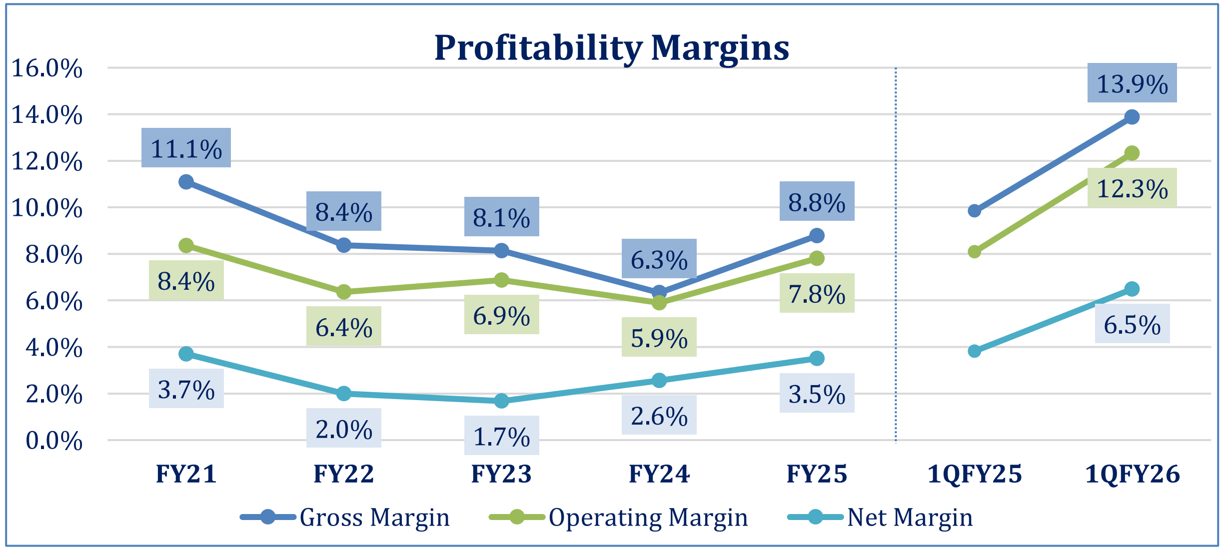
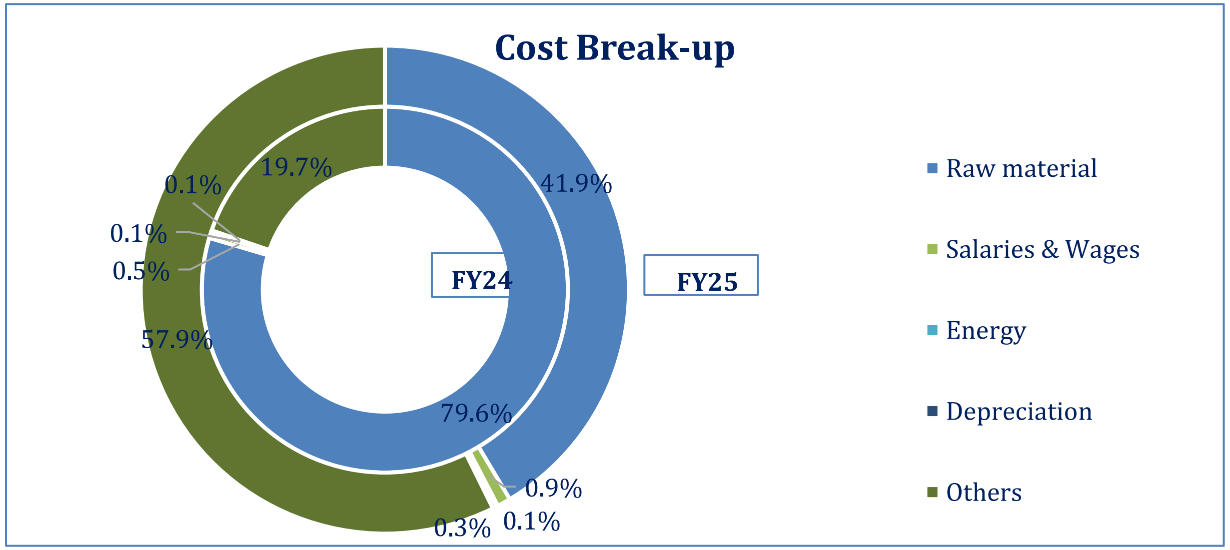
Business Risk | Margins

- In FY25, the Sector's topline was recorded at PKR~142,795mln (FY24: PKR~181,567mln), down ~21.4% YoY. The decline in revenue is primarily attributable to the implementation of a ~18.0% sales tax on Mobile Phones by the GoP in FY25, along with the normalization of the abnormal demand observed in FY24 following the lifting of import restrictions.
- Despite a contraction in revenue in FY25, the Sector was able to improve its profitability profile through significant cost reductions and operational efficiencies. The decline in the cost of goods sold helped lift gross profitability, even as topline pressures persisted. Meanwhile, operating expenses were managed alongside broader cost optimization initiatives, including supply chain enhancements and benefits from currency appreciation. In FY25, gross and operating margins were recorded at ~8.8% and ~7.8%, respectively (FY24: ~6.3% and ~5.9%, respectively). Consequently, the Sector's net margin improved marginally to ~3.5% in FY25, compared to ~2.6% in FY24.
- The largest component of the cost is raw material, which comprises imported components (CKD/SKD), declined by ~59.6% due The cost share of imported components declined in FY25 due to higher local value-addition and improved manufacturing efficiency in smartphone assembly, as better process control and lower wastage enabled more units to be produced from the same volume of imported inputs.
- Despite this decline, raw material remained the largest cost component in FY25, accounting for a share of ~41.9% (FY24: ~79.6%). Other costs (including regulatory duty and clearing charges) accounted for ~57.9% of the total direct cost in FY25 (FY24: ~79.6%).





***Note**: Calculations are based on ~3 listed/rated players as of FY25 and ~2 sector players for the 1st Quarter.*

Source: PACRA database

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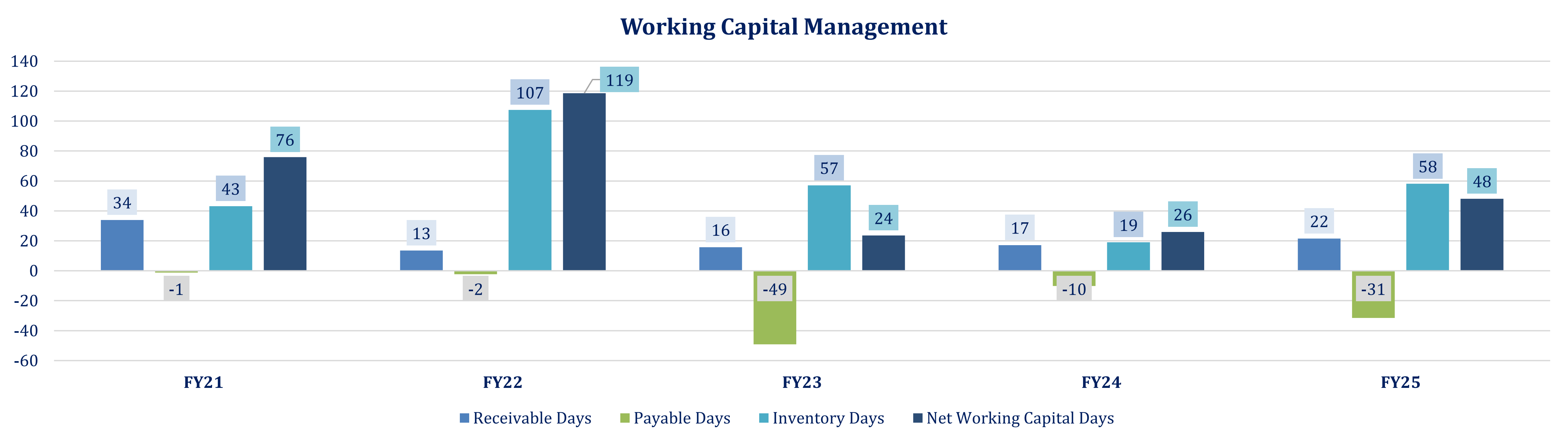
Financial Risk | Working Capital Management

- The Sector's receivables are generally structured around a standard 30-day payment agreement, as reflected in the industry's payment patterns. To encourage early payments, companies often offer incentives such as discounts or vouchers to retailers.

- In FY25, the Mobile Phone Sector's net working capital days increased by ~22 days and were calculated at ~48 days (FY24: ~26 days). The rise in net working capital was primarily driven by an increase in inventory days, which rose by ~39 days and were recorded at ~58 days in FY25 (FY24: ~19 days), as inventories were replenished after disruptions faced in FY23 and FY24. Receivable days increased to ~22 days, while payable days rose by ~21 days to ~31 days in FY25 (FY24: ~10 days).



__Note__: Calculations are based on ~3 listed/rated players as of FY25.

Source: PACRA Database

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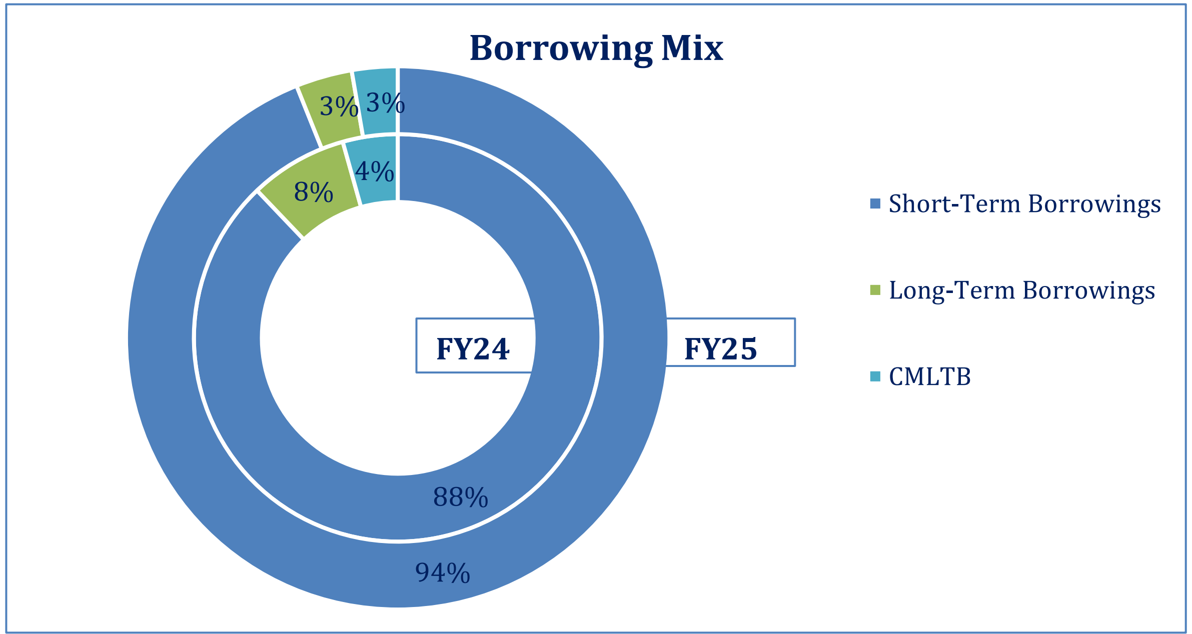
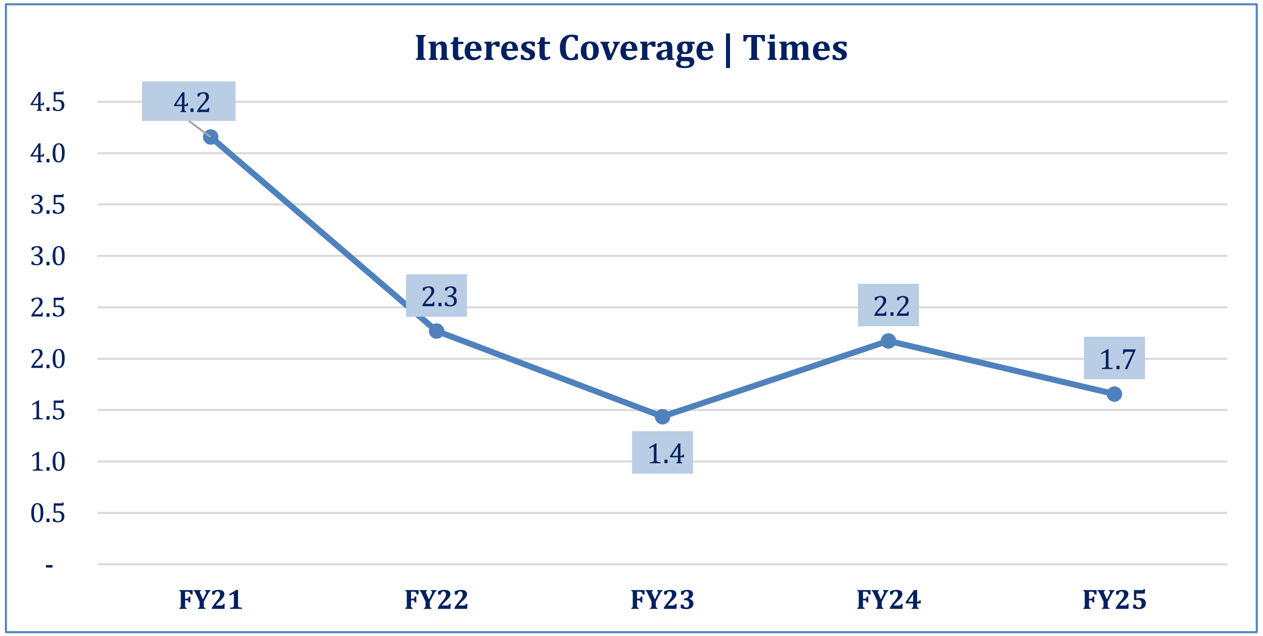
Financial Risk | Borrowing

- The Sector's total borrowing in FY25 stood at PKR~36,282mln, up ~69.9% YoY (FY24: PKR~21,359mln). The largest component of the Sector's debt mix comprised Short-Term Borrowings (STBs), which are primarily utilized to finance Working Capital requirements. In FY25, STBs amounted to PKR~34,079mln (FY24: PKR~18,769mln) and represented ~94.0% of the total borrowing mix during the year (FY24: ~88.0%). The ~79% increase in STB during FY25, when compared to FY24, can be attributable to an increase in import stage funding needs due to the upfront 18% sales tax on mobile phones and longer credit across distribution and retail networks.

- Long-Term Borrowings (LTBs) stood at PKR~1,217mln, down ~26.7%, and accounted for a share of ~3.0% of the total borrowing mix (FY24: PKR~1,661mln). Meanwhile, the Current Maturity of Long-Term Borrowings (CMLTB) was recorded at PKR~986.0mln, up ~6.1% in FY25 (FY24: PKR~929.0mln) and represented ~3.0% in the total borrowings mix.

- Interest coverage of the Sector declined to ~1.7x in FY25 (FY24: ~2.2x), despite a decline in interest rates during the period, as the sharp increase in the quantum of borrowings led to a ~17.4% rise in finance costs in FY25.





***Note**: Calculations are based on ~3 listed/rated players as of FY25.*
CMLTB is short for the current maturity of a long-term loan.

Source: PACRA Database

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Regulatory Framework

- The GoP has prepared a new Mobile and Electronic Devices Manufacturing Policy 2026-33 with local mobile phone manufacturers targeting global brands, export-led growth through local production in line with other countries such as India, Vietnam, and Bangladesh.

- The primary objective of the new policy framework is to create employment opportunities at the local level and to strengthen Pakistan's industrial base.

- The policy proposed includes:
    I. Setting mandatory export targets that are counterproductive.
    II. Quality certification should be made mandatory on exports.
    III. GoP will facilitate the local setup of labs.
    IV. Penalties on performance targets should be imposed, and the Engineering Development Board (EDB) must define the minimum number of parts in a (Semi-knocked down) SKD kit for smartphones, 40 parts per SKD kit, and for feature phones, 15 parts per SKD kit.
    V. To avoid under-invoicing, Completely Built Units (CBUs), as well as locally manufactured mobile phones, are recommended to be placed in the 3rd schedule of sales tax.
    VI. Export targets should be directly linked with Tax Increment Financing (TIF) implementation.
    VII. Tariff gap between CBU and SKD should be a minimum of 30%.
    VIII. Tax Increment Financing Levy may be applicable on CBU as well as SKD imports.
    IX. E-Waste management is a complex subject and must be discussed further.

- Under the new policy, special emphasis will be placed on the local manufacturing of key components, including motherboards, Printed Circuit Boards (PCBs), electronic parts, and display components.

Source: EDB

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Duty Structure

Mobile Phones Duty & Taxes Summary FY26							
Sr. No	**HS code**	**Description**	**Customs Duty**	**Additional Customs Duty**	**Regulatory Duty**	**Sales Tax**	**Income Tax**
1	**8517.1310**	Smartphones in the CKD/SKD condition	PKR 250.0 per 1 Tariff Unit	6.0%	5.0%	18.0%	12.0%
2	**8517.1390**	Other	PKR 250.0 per 1 Tariff Unit	6.0%	0.0%	18.0%	12.0%
3	**8517.1411**	Cellular mobile phone in CKD/SKD condition	PKR 250.0 per 1 Tariff Unit	6.0%	5.0%	18.0%	12.0%
4	**8517.1419**	Other	PKR 250.0 per 1 Tariff Unit	6.0%	0.0%	18.0%	12.0%

Source: Finance Act 2025

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SWOT

- Brand Loyalty
- Increase in 3G/4G subscribers
- Strong dealership and distribution network
- The greater demand for smartphones due to increased smartphone penetration.

- Inventory obsolesce/management due to consistent upgrades in models and technology
- Super Tax on high-end models
- Regulated by the government.

- Low barriers to entry for distributors
- Preference for different business models and competition on margins
- Forward Integration by the principles in the Distribution segment.

- Fast-growing market
- Supportive Mobile Manufacturing Policy and Tax incentives
- Local assembling of handsets
- Expansion of distribution channel
- Potential 5G market

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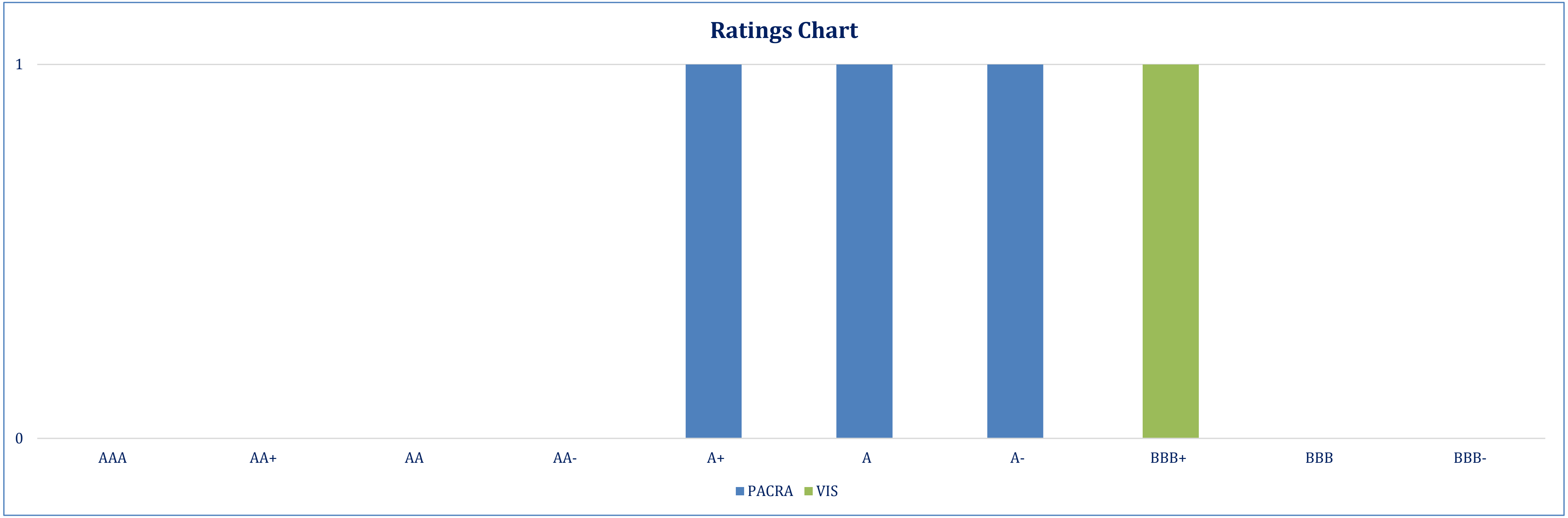
Rating Curve

PACRA rates three players in the Mobile Phone and Allied Products Sector, with a long-term rating between A+ and A-.



Source: PACRA Database

Mobile Phone & Allied Products

Outlook: Stable

- In FY25, Pakistan's nominal GDP clocked in at PKR ~113.7trn (FY24: PKR~105.2trn), growing by ~2.7% YoY in real terms (FY24: ~2.4%).
- Industrial activities contributed ~18.1% to the GDP, with manufacturing accounting for ~65.3% of the total value addition in the sector.
- In 11MCY25, average CPI inflation edged up to ~6.1%, compared to 4.9% a year earlier. In its latest MPC meeting, the SBP announced a 50-basis-point cut in the policy rate to ~10.5%, effective December 16, 2025.
- During 1QFY26, the GDP growth was recorded at ~3.71%, while the Large-scale manufacturing registered a growth of ~5.02% during 4MFY26.
- Pakistan's cellular market has expanded rapidly over the past two decades, with tele-density increasing from ~6.0% in FY04 to ~81% in FY25. Yet, in FY25, this growth contrasted with weaker domestic performance. Mobile imports amounted to USD ~1.5bln, while the topline of local distributors shrank by 21.4% YoY to PKR ~142.8bln.
- Despite pressure on revenues, the Sector's gross margins improved to ~8.8% in FY25 (FY24: ~6.3%) and operating margins to ~7.8% (FY24: ~5.9%), supported by lower cost of goods sold and tight control over operating expenses. Consequently, net margins also strengthened to ~3.5%, up from ~2.6% in FY24.
- Average net working capital days increased significantly to ~48 days in FY25, up from ~26 days in FY24, primarily due to a buildup in inventory during the period.
- Pakistan's mobile device sector is supported by a structurally expanding subscriber base, with telecom users exceeding ~200mln and broadband subscribers at ~150mln, underpinning sustained demand for smartphones and allied devices.
- Local manufacturing continues to strengthen, with ~32.7mln devices produced domestically in FY25, exceeding commercial imports of ~1.7mln units, reflecting improving import substitution and Sector resilience.
- While localization has improved, value addition remains limited, as a significant share of domestic production is based on assembly-led models, constraining margins and export competitiveness in the near term.
- The introduction of the MVNO licensing regime is expected to support Sector growth by lowering barriers to entry and enabling service-led competition without requiring incremental spectrum or network investment, thereby preserving industry capital efficiency while expanding consumer choice.
- The sector is supported by rising digital usage, increasing data consumption, and the planned transition towards 5G-enabled devices, which should gradually spur demand for smartphones.

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