

**Beyond Financial Distress: The Emerging Strategic Dynamics of
Corporate Delisting on the Pakistan Stock Exchange**

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Abstract

This study examines the changing dynamics of corporate delisting on the Pakistan Stock Exchange (PSX) from a historical, financial, and governance perspective. It begins from the conventional understanding that firms typically exit public markets because of distress, insolvency, or regulatory failure, and then tests whether the contemporary Pakistani experience continues to fit that explanation. The paper argues that the logic of delisting in Pakistan has become more complex: financially weak firms still leave because they can no longer sustain listing obligations, but a growing set of comparatively healthy firms also choose to delist for strategic reasons such as tighter sponsor control, lower compliance burden, and dissatisfaction with public market valuation.

Methodologically, the study adopts a post-positivist and mixed-method design. It combines historical review, descriptive financial analysis, and case-based interpretation guided by hazard-model logic. A purposive sample of twelve companies delisted between 2018 and 2023 is examined using annual reports, PSX records, PIDE data, SBP financial statement material, and relevant regulatory and media documentation. Core analytical variables include earnings per share, firm size, liquidity, leverage, and asset efficiency, alongside a qualitative assessment of governance and disclosure conditions.

The analysis shows that involuntary delisting remains strongly associated with acute financial deterioration, particularly negative profitability, fragile liquidity, and capital structure stress. At the same time, selected voluntary delistings, especially buy-back cases, reveal a strategic pattern in which controlling shareholders withdraw firms from the market despite viable operations. This dual pattern has direct consequences for minority shareholder protection, transparency, price discovery, and overall market depth.

The study concludes that delisting in Pakistan should no longer be interpreted exclusively as a symptom of corporate collapse. It increasingly reflects a strategic governance choice whose implications extend beyond the exiting firm to the wider credibility of the capital market. Accordingly, the paper recommends more robust valuation safeguards, stronger disclosure discipline, and clearer regulatory mechanisms to protect minority investors during delisting transactions.

CHAPTER NO.1

INTRODUCTION

Capital markets perform a foundational economic function by channeling dispersed savings into organized corporate investment. A public listing traditionally symbolizes maturity, credibility, and access to long-term capital. In that classical view, admission to the stock exchange broadens the investor base, improves visibility, imposes disclosure discipline, and enhances the informational efficiency through which firms are valued in the market. Yet the global history of public markets shows that listing is not a permanent condition. Companies can and do leave exchanges, and the reasons for exit have become more varied over time (Doidge et al., 2017).

In developed markets, the contemporary decline in the number of listed firms has often been explained through the rise of private equity, the burden of regulatory compliance, and the desire of controlling shareholders to escape continuous disclosure obligations (Renneboog & Vansteenkiste, 2019; Leuz, 2023). In emerging markets, however, delisting has generally carried a more troubling meaning. It has commonly been associated with financial fragility, chronic losses, weak governance, non-compliance, or a collapse in business viability (Bhattacharya et al., 2022). That distinction matters because it shapes how investors, regulators, and scholars interpret an exit from the market.

The Pakistan Stock Exchange occupies a strategically important position within the national economy. It is expected to serve as a mechanism of corporate fundraising, public participation, and transparent price discovery. For this reason, the phenomenon of corporate delisting on the PSX is not a narrow technical issue. When companies leave the exchange, the consequences extend to market depth, investor confidence, regulatory credibility, and the broader attractiveness of public listing as a financing route. The issue becomes even more significant when the exiting firms are not uniformly distressed, but instead appear to be responding to strategic incentives embedded in the governance and valuation environment.

The existing Pakistani discussion on delisting often proceeds in two disconnected directions. One focuses on distressed firms that exit because they can no longer sustain the financial or regulatory demands of listing. The other arises from recent public controversies around voluntary buy-backs, where minority shareholders have questioned whether sponsor-led exits truly reflect fair market value. This research brings those two directions together. It studies delisting not merely as a terminal corporate event but as a diagnostic indicator of how capital markets reward, discipline, or fail to retain firms.

The title of this study, *From Distress to Strategy*, reflects this analytical shift. The paper

begins from the conventional presumption that delisting signals failure, but it then examines whether the PSX has entered a phase in which delisting also functions as a strategic response to low market liquidity, perceived undervaluation, and compliance burden. Such a shift would imply that the policy problem is no longer limited to preventing corporate collapse; it would also require protecting minority shareholders and preserving public market integrity when healthy or recoverable firms choose to leave.

Problem Statement

The core problem addressed by this research is that corporate delisting in Pakistan can no longer be understood through a single explanatory lens. A conventional reading treats delisting as the natural result of business failure, prolonged losses, or regulatory non-compliance. That interpretation remains valid for a segment of delisted firms on the PSX. However, the more recent pattern suggests that another logic is operating alongside it: the strategic delisting of firms through sponsor-led buy-back arrangements, often in environments where minority shareholders question valuation fairness and the long-term consequences for market transparency.

This duality creates a serious policy and analytical challenge. If all delisting is treated as evidence of distress, then regulators may overlook the strategic incentives that encourage sponsors to withdraw firms from public scrutiny. Conversely, if delisting is viewed only through the lens of privatization strategy, then the structural weaknesses of genuinely distressed firms may be understated. In both cases, investors are left with an incomplete framework for understanding risk. The market also receives conflicting signals about whether the public listing regime is failing to discipline weak firms, failing to retain strong firms, or both.

The problem is intensified by the implications for minority shareholder rights. In voluntary delisting cases, buy-back pricing may become the central site of conflict. When controlling shareholders possess superior information, influence over timing, and greater bargaining power, the exit process can create a perception—sometimes a reality—of unfair transfer of value. At the same time, repeated corporate exits reduce the breadth and depth of the exchange, weakening its attractiveness to future issuers and investors.

Accordingly, the present study seeks to explain how historical trends, firm-level financial indicators, and governance concerns intersect in the Pakistani delisting experience. The issue is not simply why companies leave the exchange, but what those exits reveal about the changing economics of being publicly listed in Pakistan.

Research Questions

How has the pattern of corporate delisting on the Pakistan Stock Exchange evolved over time, particularly in terms of frequency, exit type, and sectoral character?

What role do firm-level financial variables—especially earnings per share, profitability, liquidity, leverage, and size—play in explaining delisting risk?

To what extent do recent voluntary delistings reflect strategic governance and valuation considerations rather than pure financial distress?

What are the principal implications of delisting for minority shareholders, transparency,

market depth, and regulatory credibility in Pakistan?
What policy and managerial responses are necessary to balance legitimate corporate restructuring with investor protection and capital market development?

Research Objectives

To document and interpret the historical pattern of corporate delisting on the Pakistan Stock Exchange.

To examine the relationship between key firm-level financial indicators and the likelihood or character of delisting.

To distinguish analytically between distress-driven exits and strategy-driven sponsored delisting.

To evaluate the implications of delisting for governance, transparency, and minority shareholder protection.

To develop academically grounded recommendations for regulators, listed firms, and investors in the Pakistani market.

Significance of the Study

This study is significant at three interconnected levels. First, it contributes to the academic literature on exchange exits in emerging markets by reframing delisting in Pakistan as a hybrid phenomenon. Instead of assuming a uniform causal pattern, it shows why a meaningful distinction must be drawn between involuntary exits that arise from financial weakness and voluntary exits that arise from strategic governance considerations. That distinction deepens the interpretive value of financial indicators because the same variable may signal different things across different exit contexts.

Second, the study carries policy significance. The regulatory architecture governing public listing and delisting is ultimately designed to preserve fairness, transparency, and investor confidence. If strong firms can leave the market too easily, the exchange may lose quality issuers and reduce its public relevance. If weak firms remain in suspended or illiquid states for too long, investor capital is trapped in low-information environments. By highlighting both problems together, the study provides a more useful basis for regulatory reform.

Third, the research is significant for investors and market participants. Minority shareholders often bear the highest informational disadvantage during delisting episodes. A clearer understanding of the financial and governance signals associated with delisting can improve investment screening, sharpen expectations around sponsor behavior, and strengthen advocacy for better valuation safeguards.

Scope of the Study

This research focuses on corporate delisting on the Pakistan Stock Exchange, with historical attention to the broader period discussed in the literature and a closer analytical focus on a purposively selected sample of twelve firms delisted between 2018 and 2023. The study includes voluntary buy-back exits, involuntary delistings, and one special debt-led case in order to capture the diversity of exit patterns observable in the recent PSX environment.

The analytical scope of the study is intentionally bounded. The empirical discussion centers on firm-level financial indicators that are recoverable from annual reports and public records, including earnings per share, size, leverage, liquidity, and profitability measures. These variables are examined alongside qualitative governance themes such as disclosure asymmetry, valuation fairness, and sponsor incentives. Macroeconomic variables, broader political risk, and full econometric survival estimation are outside the strict operational scope of this paper, though they remain important contexts for future research.

Definition of Terms

Corporate delisting: The removal of a company's securities from the stock exchange, whether by regulatory action, corporate decision, or a restructuring process.

Voluntary delisting: A delisting initiated by the firm or its controlling shareholders, usually through a buy-back or similar exit mechanism.

Involuntary delisting: A forced or compliance-related exit, often associated with persistent financial weakness, regulatory default, or inability to meet listing obligations.

Liquidity: A firm's short-term ability to meet obligations, commonly proxied through the current ratio.

Leverage: The degree to which a firm relies on debt financing relative to its equity base.

Earnings per share (EPS): Net income attributable to ordinary shareholders divided by the number of outstanding shares; a commonly used equity-side profitability indicator.

Market depth: The breadth and resilience of trading opportunities within the exchange, reflecting the availability of investable securities and the efficiency of price formation.

CHAPTER NO.2

LITERATURE REVIEW

Evolution of Corporate Delisting in Capital Markets

The literature on corporate delisting initially developed around bankruptcy prediction and exchange survival models, especially in contexts where failure to satisfy listing standards was the dominant route to exit. In that tradition, delisting appears as a final stage in a process of deterioration. Firms become smaller, less profitable, less liquid, and progressively more vulnerable to covenant breaches, regulatory sanctions, or the market's withdrawal of confidence. This perspective remains highly relevant in emerging-market settings, where weak institutions and shallow market liquidity can amplify the path from financial stress to exit (Shumway, 2001; Bhattacharya et al., 2022).

A second stream of scholarship complicates this distress narrative by focusing on going-private decisions. In this literature, companies may delist not because they cannot survive, but because public status is no longer regarded as economically efficient. Scholars have argued that compliance cost, ownership concentration, undervaluation, and the strategic preference for control can make delisting attractive even for viable

firms (Leuz et al., 2008; Renneboog, 2023). The resulting tension between market discipline and private control is central to modern delisting debates.

The Pakistani market sits at the intersection of these two streams. On one hand, the PSX continues to host firms whose delisting is transparently linked with financial collapse or prolonged distress. On the other hand, contemporary public debate around sponsored exits has brought renewed attention to delisting as a governance choice. This coexistence makes Pakistan an analytically important case, because the same market contains both classical failure exits and strategic buy-back exits in a relatively compressed time frame.

Financial Determinants of Delisting

Financial determinants remain the most established explanatory variables in delisting research. Profitability is particularly important because prolonged losses weaken equity, reduce internal funding capacity, and increase the likelihood that the firm will fail to maintain both operational continuity and market credibility. Measures such as earnings per share and return on assets are therefore frequently treated as early warning indicators of exit risk (Mustafa et al., 2022; Khan et al., 2023).

Liquidity is equally central. The inability to cover current obligations constrains working capital management and often reveals deeper solvency stress. In distressed delisting cases, liquidity ratios frequently collapse before the formal exit occurs. Leverage adds a complementary dimension by indicating the extent to which the firm's capital structure has become dependent on debt. When debt burdens grow in the presence of declining earnings, the probability of an involuntary or restructuring-driven exit rises substantially (Choi, 2022).

Firm size and asset efficiency introduce more nuanced interpretations. Larger firms may enjoy greater resilience because they possess diversified operations, stronger banking relationships, and reputational buffers. Yet size alone does not guarantee continued listing; large firms may also delist voluntarily if sponsors conclude that public valuation no longer reflects intrinsic worth. Asset turnover and related efficiency indicators help distinguish between mere scale and productive scale. Where assets are large but operational returns are weak, the market may discount the company heavily, increasing both distress and strategic exit incentives.

The delisting literature therefore suggests that financial variables should not be treated as isolated technical ratios. Their meaning depends on the broader organizational and governance context in which they are observed. In a distressed firm, weak liquidity and negative profitability may forecast collapse. In a sponsor-controlled but profitable firm, strong earnings combined with perceived undervaluation may instead signal the feasibility of a strategic buy-back.

Governance, Transparency and Investor Protection

Delisting is never only a balance-sheet event; it is also a governance event. Once a company exits the public market, the regime of mandatory disclosure changes, the monitoring role of dispersed shareholders declines, and the informational environment narrows. This is why governance scholars emphasize that corporate exits affect not just

firm ownership but also the quality of public accountability. A market in which firms can easily leave public oversight may weaken the disciplining function of listing itself (Liao, 2024; Leuz, 2023).

Minority shareholder protection is especially relevant in voluntary delisting cases. Even where the exit complies formally with regulation, the substantive fairness of the process can remain contested. The sponsor usually enjoys superior access to firm information, can influence the timing of the exit, and may face stronger incentives to buy out minorities during periods of depressed market valuation. Research on going-private transactions has therefore given sustained attention to valuation fairness, independent review, and procedural safeguards (Chaplinsky, 2022; Sandner, 2023).

In Pakistan, these concerns are amplified by market concentration and episodic liquidity constraints. Where free float is limited and trading is thin, the market price may not fully capture the economic value of the firm. Under such circumstances, a buy-back price based narrowly on recent market behavior can be controversial. The public debate around major delisting cases has therefore become a wider debate about whether the PSX adequately protects outside investors when controlling shareholders choose to privatize.

Theories

Agency Cost Theory

Agency Cost Theory provides a powerful lens for understanding both the incentives and the conflicts embedded in delisting decisions. Jensen (1986) argues that concentrated control can create opportunities for managers or controlling shareholders to pursue private benefits at the expense of dispersed investors. In the delisting context, this insight helps explain why a sponsor may prefer private ownership when public investors are seen as constraining strategic freedom or demanding a valuation the sponsor considers inconvenient.

From this perspective, voluntary delisting can operate as an agency event. The crucial question is not simply whether the firm leaves the market, but whether the terms of exit distribute value fairly among all shareholders. Where governance safeguards are weak, delisting may become a mechanism through which information asymmetry and control concentration are converted into valuation advantage.

Undervaluation and Compliance Cost Perspectives

The undervaluation hypothesis suggests that firms may choose to delist when management or controlling shareholders believe the public market persistently underprices the company's intrinsic worth (Bessler et al., 2012). If market illiquidity, weak analyst coverage, or macro uncertainty depress share valuation, sponsors may regard a buy-back and re-privatization as rational. In such cases, delisting is not a signal of imminent failure but a judgment that the benefits of being public no longer exceed the costs.

The compliance cost perspective complements this view. Listing imposes recurring burdens: reporting requirements, governance disclosures, procedural obligations, and the reputational exposure of operating in a public arena. For smaller or closely held

firms, those obligations may appear disproportionate to the capital-market benefits actually received. Taken together, the undervaluation and compliance cost perspectives explain why some healthy firms exit not because they are weak, but because they regard private ownership as strategically superior.

Research Gap

Although the broader literature on delisting is substantial, the Pakistani context remains underdeveloped in three respects. First, existing discussion often isolates either financial distress or voluntary buy-back controversy, without integrating both within a single explanatory framework. Second, many market commentaries identify governance concerns but do not connect them systematically to financial indicators. Third, local discussion frequently describes delisting events individually, yet offers limited comparative interpretation of what these cases reveal about the changing economics of public listing in Pakistan.

This study addresses that gap by combining historical perspective, firm-level financial profiling, and governance-based interpretation. Its contribution lies not in claiming a fully exhaustive econometric model, but in providing a more coherent framework through which recent PSX delisting cases can be understood as part of a structural transition from distress-dominated exits to a mixed regime where strategic privatization has become increasingly visible.

Conceptual Framework

The conceptual framework below integrates the financial and governance strands of the literature. It shows that firm-level financial determinants influence the delisting decision directly, while the regulatory and governance environment shapes both the manner of exit and the extent of its implications for market quality and minority protection.

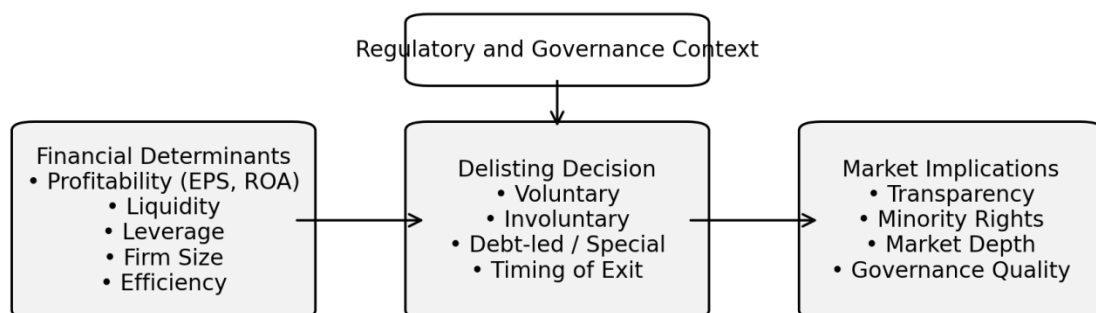


Figure (2.1) Conceptual Framework of the Study

Hypotheses

H1: Weak profitability, fragile liquidity, and stressed leverage are positively associated with the risk of distress-driven delisting on the Pakistan Stock Exchange.

H2: Recent voluntary delistings on the PSX are not explained solely by financial weakness; they are also shaped by strategic governance incentives, perceived undervaluation, and compliance-cost considerations.

H3: The increasing coexistence of distress-driven and strategy-driven exits has adverse implications for market depth, transparency, and minority shareholder protection.

CHAPTER NO.3

RESEARCH METHODOLOGY

Research Design

This study adopts a post-positivist research design that combines structured financial comparison with qualitative interpretive analysis. The design is appropriate because the research problem contains both measurable and institutional dimensions. Delisting can be observed as a discrete corporate event and examined through financial indicators, but the meaning of that event also depends on governance structure, sponsor incentives, and regulatory context. A mixed design therefore allows the study to preserve empirical discipline while remaining attentive to interpretation.

The analytical logic of the paper is influenced by hazard-model reasoning in the sense that firm characteristics are examined as factors associated with the likelihood and nature of exit. However, the study does not claim to estimate a full survival model with a large panel dataset. Instead, it uses recent delisted firms as a purposive analytical sample and evaluates the explanatory relevance of selected indicators in a comparative manner.

Population

The broader population relevant to the study consists of companies listed on the Pakistan Stock Exchange, particularly those that have been delisted over the period discussed in the literature on shrinking market depth and corporate exits. For the focused empirical component of the research, the effective population comprises recently delisted PSX firms for which sufficient annual-report and financial-statement material could be assembled.

Sampling Technique

A purposive sampling strategy was used because the study required analytically rich cases rather than a mechanically random selection. Firms were chosen to capture variation across exit type, year, and financial condition. This approach makes it possible to compare clearly distressed firms with sponsor-led buy-back cases and to observe whether the underlying explanatory logic differs between them.

Unit of Analysis

The primary unit of analysis is the individual firm. Each sampled company is treated as

a discrete observation through which delisting type, financial condition, and governance implications can be interpreted. At a secondary level, specific delisting cases are also treated as institutional episodes that reveal broader market patterns.

Sample Size

The analytical sample consists of twelve firms delisted between 2018 and 2023. This size is modest but adequate for the research objective, which is comparative interpretation rather than broad-sample causal estimation. The sample was selected to ensure representation of voluntary buy-back exits, involuntary delistings, and a special restructuring-oriented case.

Data Collection Methods

Data were collected from multiple documentary sources in order to strengthen reliability through triangulation. Annual reports of selected firms were used to retrieve core financial information such as earnings, assets, liabilities, equity position, liquidity, and share data. These materials were complemented by PSX records, PIDE delisting information, SBP documentation, and publicly available regulatory and news materials relevant to major delisting disputes.

A three-year observation logic informed the reading of recent delisting cases where data were available, though the present paper primarily reports the most analytically salient financial condition near the time of exit. This approach enabled the study to connect firm-level financial signals with the institutional circumstances of delisting.

Table (3.1) Selected Delisted PSX Companies in the Analytical Sample

Company	Year	Exit Type	Paid-up Capital (PKR M)
Ados Pakistan Limited	2023	Voluntary (Buy Back)	65.826
Wyeth Pakistan Limited	2022	Voluntary (Buy Back)	142.160
Japan Power Generation Limited	2022	Involuntary	1,560.376
Quality Steel Works Limited	2022	Involuntary	17.718
Extraction (Pakistan) Limited	2022	Involuntary	10.000
Morafco Industries Limited	2021	Involuntary	5.683
Pakistan Gum & Chemicals Ltd.	2020	Voluntary (Buy Back)	42.486
Ayesha Textile Mills Limited	2020	Voluntary (Buy Back)	14.000

Treet Corporation Limited (PTC)	2020	Debt Redemption	N/M
Sargodha Spinning Mills Ltd.	2019	Voluntary (Buy Back)	312.000
N. P. Spinning Mills Limited	2019	Voluntary (Buy Back)	147.000
Glamour Textile Mills Limited	2018	Voluntary (Buy Back)	266.400

Analytical Framework

The analytical framework combines financial profiling with case-based interpretation. Financial indicators were first examined to identify whether the firm resembled a distress-driven exit or a strategy-driven exit. The second step involved reading those financial patterns against the known circumstances of the delisting, including sponsor behavior, valuation concerns, and the broader regulatory environment. The combination allows the study to avoid a narrow ratio-based reading while still maintaining empirical grounding.

Variable Measurement

Selected variables were chosen because they recur consistently in the delisting literature and because they can be recovered with reasonable reliability from corporate financial statements. EPS and profitability measures help assess whether value creation for equity holders remained intact near the time of exit. Liquidity evaluates short-term solvency, while leverage reflects the degree of balance-sheet stress. Firm size captures scale and resilience, and asset-efficiency logic provides an indication of whether the firm's asset base remains economically productive.

Table (3.2) Variable Definitions and Measurement

Category	Variable	Operational Meaning
Dependent Variable	Delisting outcome	Binary outcome distinguishing delisted firms from non-delisted status in analytical logic; also interpreted by exit type.
Independent Variable	Earnings Per Share (EPS)	Net income divided by shares outstanding; used as an indicator of profitability available to equity holders.
Independent Variable	Firm Size	Natural log of total assets; captures scale and organizational resilience.
Independent Variable	Liquidity	Current assets divided by current liabilities; indicates short-term solvency.
Independent Variable	Leverage	Total debt divided by total equity; proxies capital structure stress.

Independent Variable	Asset Efficiency	Assessed through turnover logic and the ability of assets to generate sales and operating continuity.
Contextual Variable	Governance and disclosure environment	Used qualitatively to interpret strategic delisting decisions and investor protection outcomes.

Data Analysis Software and Statistical Method

The study relied primarily on documentary compilation, spreadsheet-based organization, and comparative analytical interpretation. Where appropriate, ratio logic and hazard-model reasoning were used to structure the analysis. The purpose of the method was not to present a false precision of advanced econometrics where the available sample does not justify it, but to produce a disciplined and transparent interpretation of the relationship between financial condition, delisting type, and governance consequence.

CHAPTER NO.4

DATA ANALYSIS AND RESULTS DISCUSSION

Historical Trend Analysis

The historical pattern of delisting in Pakistan reveals a market that has long struggled to retain issuers, but the meaning of those exits has changed over time. Earlier delisting episodes were more comfortably explained through the language of decline: non-compliance, suspension, weak fundamentals, and the eventual removal of companies no longer capable of sustaining public-market obligations. More recent years, however, have made visible a second and increasingly important trend—the sponsor-led withdrawal of firms through voluntary buy-back mechanisms.

This historical shift matters because it reframes the nature of market attrition. A market that loses firms because of failure has one type of policy problem; a market that also loses firms because public listing no longer appears worthwhile has another. The first points to weak corporate health. The second points to weak market incentives, valuation inefficiencies, and governance tensions.

Results

Descriptive Financial Profile of the Sample

The descriptive financial profile of the sampled firms shows a strong contrast between classic involuntary exits and several of the voluntary buy-back cases. Ados Pakistan and Wyeth Pakistan, for example, exhibited positive profitability, manageable leverage, and comfortable liquidity near the time of exit. These indicators do not resemble a conventional collapse narrative. Instead, they suggest firms whose sponsors could credibly implement a strategic withdrawal from the market.

By contrast, involuntary cases such as Extraction (Pakistan), Japan Power, Quality Steel, and Morafco display a markedly different pattern. Their returns on assets were sharply negative, liquidity ratios were critically weak, and leverage or equity stress was

pronounced. These are precisely the sorts of firm-level warning signals the literature associates with delisting risk in a distress framework.

The voluntary category itself, however, is not homogeneous. Some textile-sector buy-back cases displayed weak profitability and strained capital structure even though the formal route to exit was voluntary. This suggests that the voluntary label, by itself, does not imply financial strength. Rather, it indicates that the legal mechanism of exit may differ even when underlying business conditions are fragile. Consequently, classification by exit type should always be interpreted alongside financial condition.

Table (4.1) Distribution of Sample by Exit Type

Exit Type	Number of Firms	Interpretive Note
Voluntary / Buy-back	7	Mostly sponsor-led exits; includes both financially healthy and financially weak firms.
Involuntary	4	Characterized by severe distress, weak liquidity, and erosion of equity.
Debt-led / Special	1	Represents a restructuring-oriented exit rather than a classic buy-back or pure failure.

Table (4.2) Indicative Financial Profile of Selected Delisted Firms

Company	Status	ROA (%)	Ln(Size)	Leverage	Liquidity	EPS
Ados Pakistan	Voluntary	10.33	13.20	0.05	3.42	8.47
Wyeth Pakistan	Voluntary	6.39	14.43	0.09	2.67	83.25
Extraction (Pak)	Involuntary	-26.67	10.71	-2.13	0.06	-12.00
Japan Power	Involuntary	-20.24	15.25	-1.79	0.02	-5.45
Quality Steel	Involuntary	-40.91	11.61	-1.65	0.04	-25.41
Morafco	Involuntary	-25.00	11.38	-1.10	0.01	-38.73
Pakistan Gum & Chemicals	Voluntary	8.67	12.25	0.27	2.36	4.42
Ayesha Textile	Voluntary	-47.72	13.91	-2.47	0.24	-375.00
Treet Corp.	Debt-led / Special	-0.19	16.73	2.03	1.23	-0.20

Sargodha Spinning	Voluntary	-6.22	13.01	-3.65	0.17	-5.28
N.P. Spinning	Voluntary	-8.42	12.85	-3.92	0.17	-18.50
Glamour Textile	Voluntary	-6.82	12.30	-2.83	0.18	-2.34

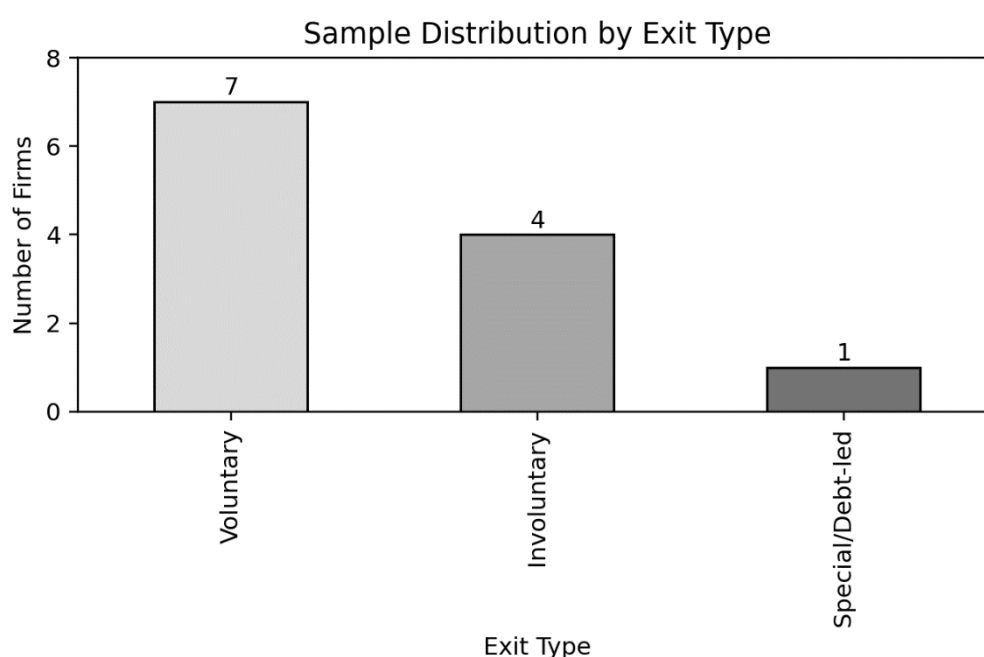


Figure (4.1) Sample Distribution by Exit Type

Comparative Analysis of Exit Types

When the sample is compared by exit type, the most striking distinction lies in the coexistence of two very different delisting logics. Involuntary exits are dominated by balance-sheet weakness and near-exhausted liquidity. Voluntary exits, meanwhile, range from clearly strategic buy-backs by viable firms to sponsor-led withdrawals of firms whose public-market relevance had already diminished. The PSX therefore exhibits a hybrid delisting environment rather than a single causal model.

The bar chart of sample distribution reinforces this point at the categorical level, while the indicative financial comparison highlights the severity of distress within involuntary cases. Even without claiming formal statistical generalization from the sample, the directional pattern is sufficiently clear to support the study's core argument: a meaningful portion of recent PSX delisting activity cannot be read solely as corporate failure.

Table (4.3) Comparative Interpretation of Voluntary and Involuntary Delisting

Dimension	Voluntary / Strategic Pattern	Involuntary / Distress Pattern
Profitability	Often mixed, but at least some firms remained profitable and cash-generative.	Consistently weak or negative, with persistent losses preceding exit.
Liquidity	Generally stronger in strategic exits such as Ados and Wyeth; weak in some textile cases.	Extremely weak current ratios, indicating short-term solvency stress.
Leverage / Equity Position	Not uniform; some firms had modest leverage while others displayed stressed capital structures.	Frequently associated with debt overhang, negative equity, or unsustainable liabilities.
Likely Motive	Reduction of compliance burden, tighter sponsor control, or dissatisfaction with public market valuation.	Financial collapse, regulatory breach, or inability to sustain listing requirements.
Investor Protection Risk	High valuation risk for minority shareholders during buy-backs and exit pricing.	High loss of market value and weak recoverability for existing investors.

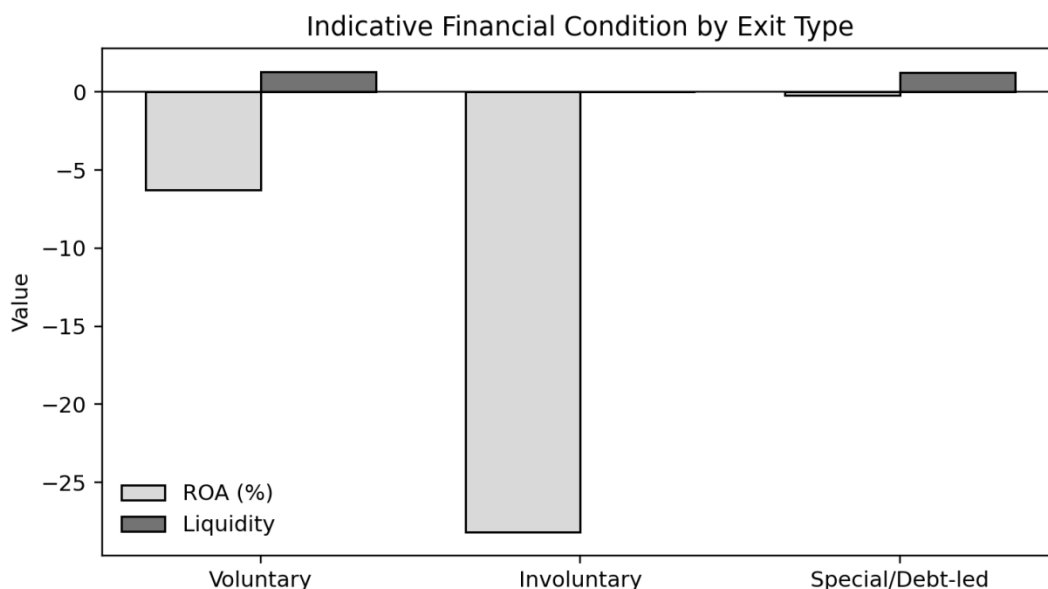


Figure (4.2) Indicative Financial Condition by Exit Type

Case-Based Analytical Discussion

Case-based interpretation sharpens the analysis because the meaning of financial

indicators changes when read alongside ownership and valuation context. The Akzo Nobel episode, frequently discussed in relation to valuation sensitivity, demonstrates how a firm with operational strength may still be withdrawn from the market where sponsors perceive public listing as inefficient or unnecessarily constraining. Similar debates around major automotive and multinational cases further reveal that minority shareholders increasingly view delisting as a site of distributive conflict rather than a neutral technical process.

In contrast, distressed cases such as Japan Power or Quality Steel fit the more traditional account of delisting. Their financial signals leave little ambiguity: weak earnings, weak liquidity, and capital deterioration jointly point toward exit under pressure. The contrast between these two groups confirms that PSX delisting has become analytically bifurcated. One group exits because it cannot remain public; another exits because it no longer wishes to remain public.

Synthesis of Findings

Taken together, the sampled cases support the central thesis of this paper. Delisting on the PSX is no longer reducible to a purely distress-based event. The evidence instead suggests a continuum: at one end are firms whose financial deterioration makes exit almost inevitable; at the other are firms for which delisting is a strategic governance choice facilitated by concentrated ownership and imperfect market pricing. Between these poles lie firms whose formal exit route may be voluntary, but whose financial condition is already weak enough to make continued listing unattractive.

Market and Governance Implications

The market-level consequences of this pattern are substantial. Repeated corporate exits reduce the investable universe of the exchange and weaken the signaling function of a public listing. If financially viable firms can exit with relative ease, the market loses quality issuers. If distressed firms remain trapped in prolonged uncertainty before removal, investors face capital lock-in and information decay. Either outcome undermines trust in the exchange as a stable public institution.

The governance implications are equally significant. Delisting controversies expose weaknesses in valuation procedure, disclosure symmetry, and the practical ability of minority shareholders to contest unfair terms. Where buy-back pricing is perceived as opportunistic, the problem extends beyond the exiting company. It affects the reputation of the entire market and shapes how future investors interpret sponsor behavior.

Table (4.4) Governance and Investor Protection Themes

Theme	Interpretive Implication
Valuation fairness	Buy-back exits may allow controlling shareholders to capitalize on temporary undervaluation, creating disputes over fair exit price.

Disclosure asymmetry	The information advantage of sponsors becomes more consequential when minority holders must decide whether to tender or resist.
Market depth erosion	Repeated exits reduce investable diversity and weaken the PSX's role in capital formation and price discovery.
Regulatory credibility	If strong firms leave with limited resistance while distressed firms linger, the exchange sends mixed signals to investors.

Integrated Discussion

The integrated discussion of findings confirms that financial indicators remain indispensable, but they are no longer sufficient as stand-alone explanations of delisting in Pakistan. Profitability, liquidity, and leverage clearly identify distress. Yet the recent market experience also shows that strong or moderately healthy firms may delist when governance incentives, ownership concentration, and valuation disputes make private control more attractive than public status.

Accordingly, the study does not reject the distress narrative; it relocates it within a broader framework. The PSX today appears to exhibit a layered delisting problem composed of corporate weakness, market undervaluation, and incomplete investor protection. Effective reform must therefore address all three dimensions simultaneously.

CHAPTER NO.5

CONCLUSION, DISCUSSION AND RECOMMENDATIONS

Discussion

The discussion of this study returns to its central question: what does delisting now mean in the context of the Pakistan Stock Exchange? The answer emerging from the analysis is that delisting has become a dual indicator. It still reflects weakness in many firms, especially where prolonged losses, depleted liquidity, and unsustainable leverage make continued listing unrealistic. But it also reflects the limits of the market itself, particularly when viable or strategically valuable firms conclude that the public exchange no longer serves their interests.

This dual meaning is important because it changes the way regulators and investors should respond. A purely compliance-based solution will not address the strategic logic of sponsor-led exits. Likewise, a framework focused only on valuation fairness will not solve the problem of structurally distressed listed firms. The PSX therefore requires a differentiated delisting policy architecture that distinguishes among failure, restructuring, and strategic privatization.

Conclusion

This paper set out to rewrite the story of delisting on the Pakistan Stock Exchange from a more mature and integrated perspective. It has shown that the delisting experience in Pakistan cannot be explained adequately through a single narrative of corporate decline.

Instead, the recent record points to a transition from distress-dominated exits toward a mixed environment in which delisting may also function as a strategic choice shaped by ownership concentration, market undervaluation, and compliance-cost considerations.

The study concludes that any credible response to delisting in Pakistan must therefore balance two objectives: maintaining an orderly mechanism for removing genuinely unviable firms, and strengthening procedural fairness where sponsors seek to withdraw viable firms from the public market. Without that balance, the exchange risks losing both investor confidence and issuer quality.

Practical Implications and Recommendations

For regulators, the most immediate implication is the need for stronger valuation safeguards in voluntary delisting. Exit pricing should not depend exclusively on thin market quotations where liquidity is poor and sponsor influence is high. Greater use of independent valuation review, mandatory explanatory disclosure, and stronger procedural rights for minority shareholders would help restore confidence in buy-back exits.

For listed companies and corporate boards, the findings suggest that delisting should be treated as a governance decision with broad reputational consequences. Even where privatization is legally permissible, the manner in which it is undertaken affects long-term perceptions of fairness and board integrity. Sponsors seeking delisting should therefore provide fuller justification, clearer valuation logic, and more transparent communication with outside investors.

For investors, the study underscores the importance of monitoring not only balance-sheet indicators but also ownership concentration, free-float weakness, and sponsor behavior. Firms that appear financially stable may still become delisting candidates if the strategic benefits of private control rise. Minority investors, in particular, should evaluate the institutional context of a firm rather than relying only on short-term profitability signals.

More broadly, Pakistan's capital-market authorities should treat the retention of quality listings as a strategic objective. A market that continuously loses both weak firms and viable firms risks becoming thinner, less liquid, and less attractive to future issuers. Delisting reform is therefore not merely an investor-protection issue; it is also a market-development issue.

Limitations and Future Study Directions

This study has several limitations. The sample is purposive and relatively small, which means the analysis is better suited to disciplined interpretation than to broad statistical generalization. The research also relies heavily on publicly available corporate and regulatory material, which may not fully capture internal sponsor motivations or non-public valuation assumptions. In addition, the study focuses primarily on firm-level financial indicators and governance interpretation, leaving macroeconomic and cross-country institutional variables for future work.

Future studies could extend this work in several directions. A larger panel dataset could

support formal survival analysis or logistic estimation across listed and delisted firms over a longer period. Researchers could also examine sector-specific dynamics, compare Pakistan with other South Asian markets, or conduct interview-based work with regulators, minority investors, and corporate insiders. Such extensions would deepen understanding of why firms leave public markets and how regulatory design can better distinguish legitimate restructuring from value-transfer risk.

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APPENDIX

Appendix A provides the sampled delisted firms and their exit classification as used in the analytical discussion.

Appendix B records the principal ratio formulas applied conceptually in the study.

Appendix A: Sample Firms and Exit Classification

Appendix Table A.1 Delisted Firms Included in the Study

Company	Year	Exit Type	Paid-up Capital (PKR M)
Ados Pakistan Limited	2023	Voluntary (Buy Back)	65.826
Wyeth Pakistan Limited	2022	Voluntary (Buy Back)	142.160
Japan Power Generation Limited	2022	Involuntary	1,560.376
Quality Steel Works Limited	2022	Involuntary	17.718

Extraction (Pakistan) Limited	2022	Involuntary	10.000
Morafco Industries Limited	2021	Involuntary	5.683
Pakistan Gum & Chemicals Ltd.	2020	Voluntary (Buy Back)	42.486
Ayesha Textile Mills Limited	2020	Voluntary (Buy Back)	14.000
Treet Corporation Limited (PTC)	2020	Debt Redemption	N/M
Sargodha Spinning Mills Ltd.	2019	Voluntary (Buy Back)	312.000
N. P. Spinning Mills Limited	2019	Voluntary (Buy Back)	147.000
Glamour Textile Mills Limited	2018	Voluntary (Buy Back)	266.400

Appendix B: Conceptual Formula Sheet

ROA: Net Income / Total Assets

Firm Size: Ln (Total Assets)

Leverage: Total Debt / Total Equity

Liquidity: Current Assets / Current Liabilities

EPS: Net Income / Shares Outstanding