FINPARITY LEARN · INTRODUCTION TO PSX



Topic 1 · Part 1 | 10-minute lesson | Beginner

# What is a stock market?

Explained with biryani, phones and a little bit of maths

Educational content, not investment advice

THE PLAN

# Here's what we'll cover

### Shares
What you actually own when you buy one

### Why companies sell them
And how you can earn from them

### How the market works
New vs second-hand shares, and IPOs

### Meet PSX
Pakistan's stock exchange: history and size

A SHORT STORY

# Meet Ali and his biryani shop

Ali runs the most popular biryani shop on his street. Every evening, customers queue outside.

He wants to open **4 new branches**. The cost:

## Rs 10 million

He doesn't have that much. **What should he do?**

OPTION A

**Borrow from a bank**

OPTION B

**Sell pieces of the shop to partners**

Option B is exactly how the stock market works. Let's see why.

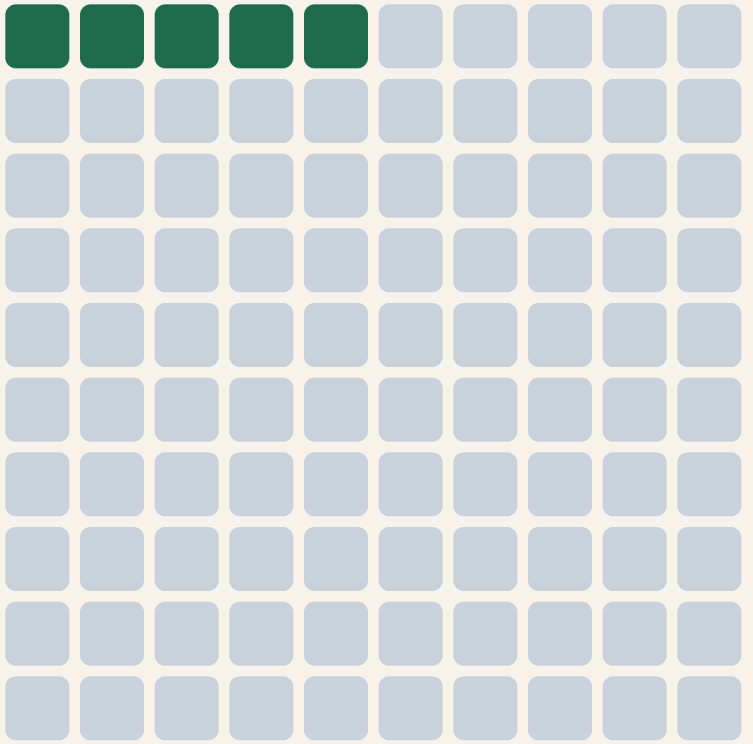
SHARES

# So... what is a share?

Ali splits his business into **100 equal pieces**. Each piece is called a **share** and costs Rs 100,000.

You buy **5 shares** for Rs 500,000. Now you're a **shareholder**: a part-owner of the shop!

**5%** of Ali's shop is yours, including 5% of its profits



WHY COMPANIES SELL SHARES

# Loan or partners?

## Bank loan

- Ali keeps 100% of the shop
- Must repay every month, with interest
- Even in a slow month!

## Selling shares

- No monthly repayments
- Partners bring money and ideas
- Profits and big decisions are shared

When a company sells its shares to the general public for the very first time, it's called an **IPO (Initial Public Offering)**. Anyone can buy in, and after the IPO the shares are bought and sold on the stock exchange every trading day.

HOW YOU EARN

# Two ways your shares can pay you

## 1. Capital gain

You buy a share for **Rs 100**. The shop gets busier, and a year later someone pays **Rs 130** for it.

**+ Rs 30**

profit when you sell

## 2. Dividend

Ali's shop has a great year and shares part of the profit: **Rs 10 for every share** you own.

**+ Rs 10**

per share, and you keep the share

⚠ Prices can fall too, which means a capital loss. Taxes and fees come in Topic 2.

THE STOCK MARKET

# A marketplace for shares, with rules

Picture a busy market, but instead of fruit or phones, people buy and sell small pieces of companies. It all happens online, and a regulator keeps it fair.

### A meeting place

Thousands of buyers and sellers, connected through brokers

### Prices in public

Everyone sees the same price, set by supply and demand

### Quick to sell

Need your money? You can usually sell on any trading day

### Rules for everyone

Companies must publish results, and a regulator watches

TWO MARKETS

# Brand-new vs second-hand shares

PRIMARY MARKET

## Like buying a new phone from the shop

Company ← You  Rs flows ←

The company creates new shares and gets your money to grow.

SECONDARY MARKET

## Like buying a used phone on OLX

Seller ← You  Rs flows ←

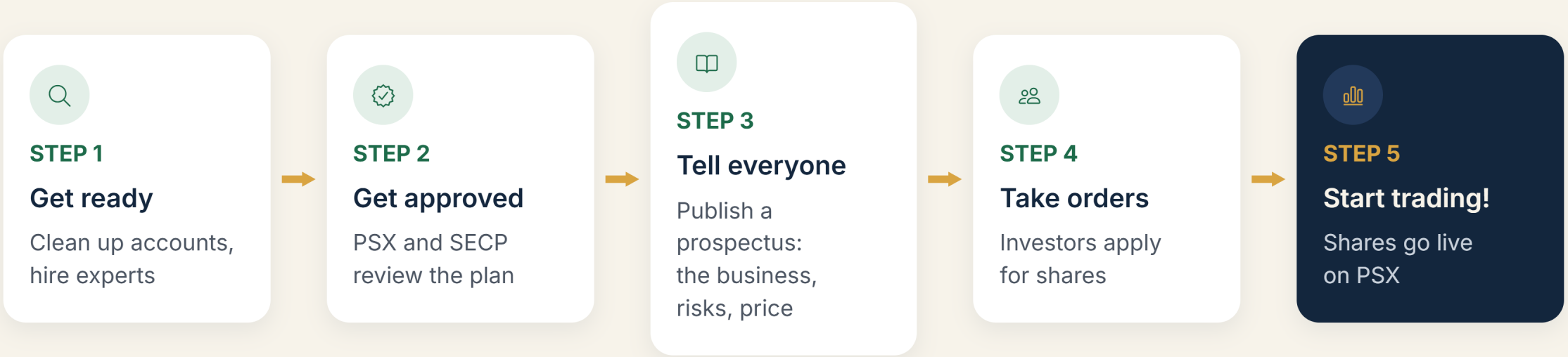
You buy from another investor. The company gets nothing.

**Almost all daily trading on PSX is "second-hand" (secondary market) trading.**

THE IPO

# What is an IPO?

**IPO** stands for **Initial Public Offering**: the first time a company offers its shares to the general public. Before the IPO, only the owners and a few partners own the company. After it, anyone can buy its shares on PSX. Here's how **Ali Foods Ltd** (Ali's shop, now a big company) does it:



MEET PSX

# Three exchanges walked into a merger...

## 1947

**Karachi Stock Exchange**

Pakistan's first exchange, set up soon after independence

## 1970

**Lahore Stock Exchange**

Opened for investors in Punjab

## 1989

**Islamabad Stock Exchange**

Set up in the federal capital

## 2016

**Pakistan Stock Exchange**

On 11 January, all three merged into one

**Result: one national exchange, so a share costs the same in Karachi, Lahore or Islamabad.**

MEET PSX

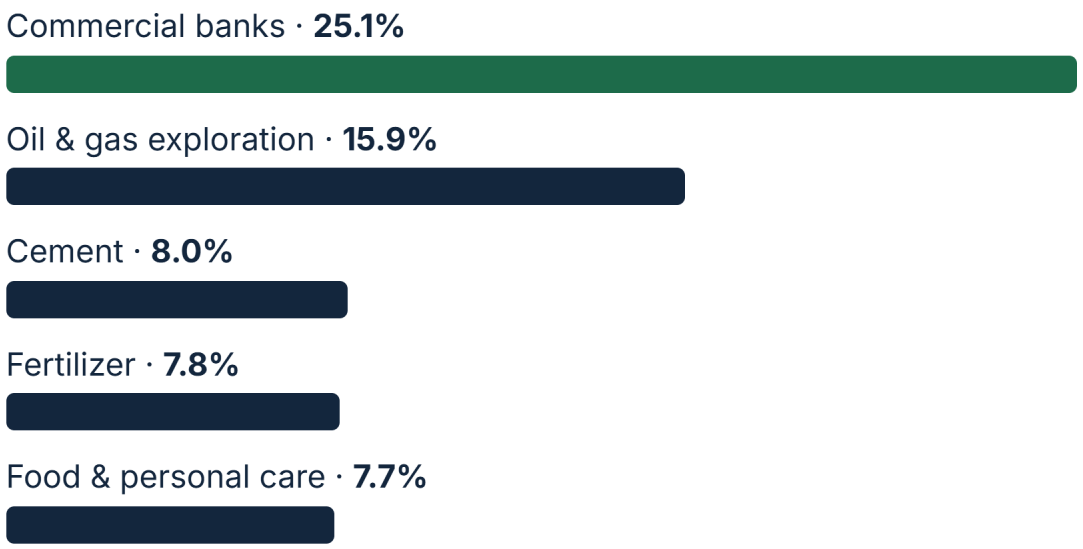
# PSX in numbers

**537**
listed companies

**Rs 20.2 tn**
total market value (about US$72.6 bn)

**37**
sectors

## Biggest sectors (share of market value)




**Did you know? Banks are about a quarter of the whole market!**

Sources: PSX (30 Jun 2026); Pakistan Economic Survey 2025-26 (sectors, 31 Mar 2026)

BEFORE YOU START

# Stocks aren't a lottery ticket. Three golden rules:

1

### Prices go up AND down

Company news, the economy, even rumours move prices every day

2

### Dividends aren't promised

In a bad year, a company can cut them or skip them

3

### Play the long game

Invest money you won't need for years, and spread it across several companies

RECAP

# Your new vocabulary

### Share
A small piece of ownership in a company

### Shareholder
Anyone who owns shares. That could be you!

### IPO
A company's first sale of shares to the public

### Dividend
Profit a company shares with its owners

### Capital gain
Profit from selling for more than you paid

### Market cap
Share price × number of shares: what the market thinks a company is worth

QUICK QUIZ

# 4 questions. No pressure!

**Q1.** You own 5 of a company's 100 shares. How much of it is yours?

A) 50% B) 5% C) 95%

**Q2.** In an IPO, who gets the money investors pay?

A) The exchange B) The company C) Other investors

**Q3.** Which of these is a way to earn from shares?

A) Dividends B) Prize bonds C) Bank profit

**Q4.** When did KSE, LSE and ISE merge into PSX?

A) 2016 B) 1947 C) 2024

Answers: 1-B · 2-B · 3-A · 4-A. Flip your screen to check!

PART 1 COMPLETE

# Nice work! Up next: the team behind the market

In Part 2: who keeps PSX running, who keeps your shares safe, and what happens after you press "Buy"

SECP | PSX | CDC | NCCPL | Brokers | Settlement

For education only, not investment advice. Speak to a licensed adviser before investing.