

October 3, 2022

# Morning Briefing

## Economy

### Army chief in US to rebuild relations

#### Economy | Neutral

Army chief General Qamar Javed Bajwa is in the United States on a five-day trip in yet another sign of stepped up efforts by both the sides to improve their fraught and difficult relations. (ET) | [Click for more info.](#)

### US defers repayment of \$132m debt

#### Economy | Positive

The United States on Friday approved providing \$132 million in US debt relief to Pakistan under G20 Debt Service Suspension Initiative (DSSI). (BR) | [Click for more info.](#)

### March 2023; \$2bn SAFE China deposits rollover sought

#### Economy | Neutral

Pakistan has sought rollover of SAFE China deposits of \$ 2 billion in March 2023. Nong Rong, ambassador of the People's Republic of China called on Federal Minister for Finance and Revenue Senator Ishaq Dar, here at the Finance Division. (BR) | [Click for more info.](#)

### Ministry sees uncertain economic outlook

#### Economy | Neutral

The Ministry of Finance is anticipating uncertain economic conditions with rising challenges of food insecurity, external account problems, high inflation and flood-related impacts. (Dawn) | [Click for more info.](#)

### Sept inflation eases to 23.2%

#### Economy | Positive

The inflation rate eased to 23.2% in September on the back of a surprising discovery made by the Pakistan Bureau of Statistics (PBS) in which they claimed that the cost of electricity was 31% less last month than a year ago. (ET) | [Click for more info.](#)

### Rupee makes second highest weekly recovery

#### Economy | Positive

Pakistani currency made the second-highest recovery of Rs11.20 in the week ended on Friday as it gained 0.52% (or Rs1.18) on a day-to-day basis, touching a new three-week high at Rs228.45 against the US dollar in inter-bank market. (ET) | [Click for more info.](#)

### Rupee to grow stronger in coming days: Dar

#### Economy | Neutral

Federal Finance Minister Ishaq Dar has predicted that the rupee is going to further strengthen in coming days. (Dawn) | [Click for more info.](#)

## Oil & Gas

### SSGC plans to start power production

#### SSGC | Positive

State-owned gas marketing firm Sui Southern Gas Company (SSGC) has decided to diversify its business, as the company has announced that it will start power production following a continuous drop in gas supplies from domestic fields. Its subsidiary company will also work on projects like producing gas from coal, biogas, bio-methane and hydrogen gas. "SSGC Alternate Energy (Pvt) Limited, a fully owned subsidiary of SSGC, has been incorporated as a private limited company under the Companies Act 2017," the company said in an announcement on Saturday. (ET) | [Click for more info.](#)

### Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	28,135.2	28,225.5	90.2	0.3%
KSE100	41,013.9	41,128.7	114.8	0.3%
KSE30	15,312.3	15,336.9	24.6	0.2%
KMI30	67,291.7	67,463.1	171.4	0.3%

### Top Five Gainers

	Open	Close	Chg.	%
BATA	2,289.0	2,395.0	106.0	4.6%
SAPL	1,149.0	1,198.0	49.0	4.3%
PAKT	849.0	889.0	40.0	4.7%
COLG	2,091.0	2,130.0	39.0	1.9%
MARI	1,540.8	1,564.8	24.0	1.6%

### Top Five Volume Leaders

	Open	Close	Chg.	Vol.
TRG	122.9	128.9	5.9	30.19
TPLP	20.9	20.8	0.0	18.65
KEL	3.0	3.0	0.0	15.65
PIBTL	5.4	5.7	0.4	10.27
CNERGY	4.9	4.9	0.0	7.72

### Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	1.08	-1.09	0.00
F-Corporates	6.56	-0.59	5.98
O/S Pakistanies	3.16	-2.53	0.63
<b>Net</b>	<b>10.80</b>	<b>-4.21</b>	<b>6.60</b>
LIPI			
Individuals	52.65	-54.33	-1.68
Companies	3.57	-7.03	-3.45
Comm. Banks	4.69	-4.57	0.12
NBFC	0.02	-0.02	0.01
Mutual Funds	2.38	-2.68	-0.30
Other	0.60	-0.62	-0.02
Brokers Proprietary	14.10	-14.59	-0.50
Insurance	0.28	-1.06	-0.78
<b>Net</b>	<b>78.29</b>	<b>-84.89</b>	<b>-6.60</b>

### Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	79.49	-2.7%
Brent oil	USD/bbl.	87.96	0.6%
Gold	USD/t oz.	1660.61	0.0%
Silver	USD/t oz.	19.03	1.1%
Coal	USD/ton	305.95	3.4%
Steel Scrap (LME)	USD/ton	364.15	0.0%
Steel Rebar (LME)	USD/ton	672.74	0.3%
USD/PKR	Interbank	6.04	-0.3%

News Source: Local / Int'l Newspapers and websites

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MORNING BRIEFING

## Ogra cuts LPG price

**BPL | Negative, Gas | Positive**

Oil and Gas Regulatory Authority (OGRA) on Friday issued a price-revision notification of liquefied petroleum gas (LPG) for October, decreasing the commodity price by Rs122.05 per 11.8-kilogramme cylinder. (Nation) | [Click for more info.](#)

## US ready to allow Russian oil trade

**Oil | Positive**

The United States (US) has reportedly showed willingness to allow trade of Russian oil at discounted rates for a specific period, well informed diplomatic sources told. (BR) | [Click for more info.](#)

## Petrol price cut by Rs12.63 per litre, diesel Rs12.13

**Oil | Positive**

Federal Finance Minister Ishaq Dar on Friday announced a reduction in POL prices — petrol by Rs12.63 per litre and High-Speed Diesel by Rs 12.13 per litre — with effect from October 1, 2022. The price of Kerosene oil was reduced by 10.19 per litre and Light Diesel Oil by Rs 10.78 per litre. (The News) | [Click for more info.](#)

## OCAC seeks hike in margins

**OMCs | Neutral**

The Oil Companies Advisory Council (OCAC) has approached Prime Minister Shehbaz Sharif, asking for a hike in margins of Oil Marketing Companies (OMCs). Earlier, the government had approved an increase in dealer margins by Rs3 per litre, taking the total margin to Rs7 per litre. However, the margins of OMCs had not been raised, stirring controversy in the oil industry. (ET) | [Click for more info.](#)

## Power

### Thar Energy's 330MW plant becomes operational

**HUBCO | Positive**

A coal-fired, mine-mouth power plant of 330 megawatts owned by Thar Energy Ltd — which is a subsidiary of the Hub Power Company Ltd (Hubco) with a 60 per cent shareholding — has been commissioned as its commercial operations date will take effect Oct 1 (today), a regulatory filing showed on Friday. (Dawn) | [Click for more info.](#)

### Dar-led ECC increases KE tariff by 51 paise

**KEL | Positive**

The first meeting of the Economic Coordination Committee (ECC) of the Cabinet presided over by Finance Minister Ishaq Dar on Friday approved 51 paise per unit increase in tariff for K-Electric consumers and allowed a clearance of import consignments during the banned period against payment of a surcharge. (Dawn) | [Click for more info.](#)

### Receivables of XWDiscos, KE jump to record high of Rs1.68 trillion in 2021-22

**KEL | Negative**

The government exchequer and the end electricity consumers had been burdened with an additional Rs1.4 trillion on account of capacity payments, T&D losses, underutilization of efficient power plants, fuel shortage etc during FY2021-22. The receivables of the Ex-WAPDA Distribution Companies (XWDiscos) and KE have also surged to record high of Rs1.680 trillion during 2021-22, said NEPRA. (Nation) | [Click for more info.](#)

## World Indices

	Last	Chg.	Chg. %
INDIA - SENSEX	57,426.9	1016.96	1.80%
KSA - Tadawul	11,405.3	235.24	2.11%
PAK (KSE-100)	41,128.7	114.81	0.28%
HK - Hang Seng	17,222.8	56.96	0.33%
INDONESIA - IDX	7,040.8	4.60	0.07%
CHINA - Shanghai	3,024.4	-16.82	-0.55%
US - S&P 500	3,585.6	-54.85	-1.51%
Taiwan - TWII	13,424.6	-109.68	-0.81%
PHILP - PSEi	5,741.1	-193.18	-3.26%
US - Dow 30	28,725.5	-500.10	-1.71%

## Board Meetings

Scrip	Day	Agenda	Time
LEUL	Monday	ANN A/c for 30Jun22	10:00 AM
CWSM	Monday	ANN A/c for 30Jun22	11:00 AM
CLVL	Monday	ANN A/c for 30Jun22	11:00 AM
FLYNG	Monday	ANN A/c for 30Jun22	11:00 AM
GAMON	Monday	ANN A/c for 30Jun22	11:00 AM
HMIM	Monday	ANN A/c for 30Jun22	11:00 AM
MUBT	Monday	ANN A/c for 30Jun22	11:00 AM
DSL	Monday	ANN A/c for 30Jun22	11:30 AM
SEL	Monday	ANN A/c for 30Jun22	12:00 PM
SEARL	Monday	ANN A/c for 30Jun22	12:00 PM
AATM	Monday	ANN A/c for 30Jun22	2:00 PM
GGGL	Monday	ANN A/c for 30Jun22	2:00 PM
STPL	Monday	ANN A/c for 30Jun22	3:00 PM
QUET	Monday	ANN A/c for 30Jun22	3:30 PM
GHNI	Tuesday	ANN A/c for 30Jun22	10:00 AM
ARPAK	Tuesday	ANN A/c for 30Jun22	11:00 AM
CJPL	Tuesday	ANN A/c for 30Jun22	11:00 AM
GHGL	Tuesday	ANN A/c for 30Jun22	11:00 AM
IML	Tuesday	ANN A/c for 30Jun22	11:00 AM
MSCL	Tuesday	ANN A/c for 30Jun22	11:00 AM
MODAM	Tuesday	ANN A/c for 30Jun22	11:00 AM
OML	Tuesday	ANN A/c for 30Jun22	11:00 AM
PRET	Tuesday	ANN A/c for 30Jun22	11:00 AM
REDCO	Tuesday	ANN A/c for 30Jun22	11:00 AM
SSOM	Tuesday	ANN A/c for 30Jun22	11:00 AM
ZAHID	Tuesday	ANN A/c for 30Jun22	11:00 AM
AWTX	Tuesday	ANN A/c for 30Jun22	11:30 AM
GTECH	Tuesday	ANN A/c for 30Jun22	11:30 AM
GHNL	Tuesday	ANN A/c for 30Jun22	11:30 AM
AIRLINK	Tuesday	ANN A/c for 30Jun22	12:00 PM

Source: PSX

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**Delay in commissioning of KE's Bin-Qasim Power Station-III causing loss of billions of rupees, Nepra reports****KEL | Negative**

National Electric Power Regulatory Authority (NEPRA) noted that delay in commissioning of K-Electric's (KE) Bin-Qasim Power Station-III has caused loss of billions of rupees. (Nation) | [Click for more info.](#)

**Efficient power plants' utilisation stands low****Power | Negative**

The inefficiency of power distribution companies is a challenge and their performance is questionable that not only leads to higher tariffs for end-consumers but also increases the circular debt that reached Rs2.253 trillion by June 2022, according to an industry report. (ET) | [Click for more info.](#)

**Inefficient power plants; Nepra accuses MoE of passing on Rs30bn burden to consumers****Power | Negative**

National Electric Power Regulatory Authority (Nepra) has reportedly accused Ministry of Energy of passing "unjustified" financial burden of Rs 30 billion to consumers by not supplying required RLNG or operating of inefficient/ expensive power plants during the last two years, well informed sources in Nepra told. (BR) | [Click for more info.](#)

**Nepra sees surplus power production in five years****Power | Neutral**

Even without taking into account the fresh aggressive campaign for induction of 10,000 megawatts of renewable energy by the coalition government, the National Electric Power Regulatory Authority (Nepra) is expecting a surplus power production capacity of more than 12,670MW within five years owing to generation projects currently in construction phase. (Dawn) | [Click for more info.](#)

**WB may allow 22-month extension of NTMP-1 closing date****Power | Neutral**

World Bank (WB) is likely to allow 22 months extension in closing date of \$425 million National Transmission Modernization I project (NTMP-1) to regulate delays on different accounts. (BR) | [Click for more info.](#)

**Autos****Release of vehicles at port approved****Autos | Neutral**

A cabinet body on Friday deferred a proposal to purchase 150 computers for the federal cabinet members in relaxation of the rules while also modifying an earlier decision about the release of around 700 vehicles stuck at ports in a bid to charge higher taxes. (ET) | [Click for more info.](#)

**SBP import curbs hit arrival of auto kits****Autos | Negative**

The arrival of completely knocked down (CKD) kits fell to \$119 million in July-August from \$236m in the same period a year ago. Quoting the State Bank of Pakistan's data, an assembler attributed this decline to restrictions imposed by the central bank on May 19 to curb imports of auto parts. (Dawn) | [Click for more info.](#)

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## Fertilizer

**Govt shelves plan to regulate DAP imports****Fertilizer | Neutral**

Apparently under pressure from the fertiliser industry, the federal government has reversed its decision of regulating the import of diammonium phosphate (DAP) by linking it with the approval of the Trading Corporation of Pakistan (TCP). (ET) | [Click for more info.](#)

**DTP of imported urea at Rs2,150/bag approved by ECC****Fertilizer | Neutral**

The Economic Coordination Committee (ECC) of the Cabinet on Friday approved Dealer Transfer Price (DTP) of 50-kg imported urea bag at Rs2,150/bag and incidental charges at Rs620.47/bag with sharing subsidy on imported urea at 50:50 basis with the provinces. (BR) | [Click for more info.](#)

## Pharmaceutical

**Pharmaceutical companies warn of price hike****Pharmaceutical | Neutral**

Pharmaceutical companies have forewarned the government that if the relevant authorities do not seriously consider the increased input cost of medicines, they will increase prices of their own accord. PPMA Chairman, Qazi Mansoor Dilawar said "The price of medicines was fixed when the dollar was at parity of Rs150. However, a 60% hike in the dollar does not leave their business viable." (ET) | [Click for more info.](#)

## Miscellaneous

**FBR finds it hard to defend 10% super tax in courts****SRVI, IBFL, HINOON, LOTTEE | Neutral**

The Lahore High Court (LHC) on Thursday conditionally suspended up to 10% super tax for companies, whose accounting year closed in December last year but were still required to pay it, exposing the half-baked policies that were denting the government's image. The court provided interim relief to only those companies whose tax year closed in December 2021. (ET) | [Click for more info.](#)

**Discounted tariff****Textile Spinning | Negative**

Abrupt withdrawal of power subsidy for exporting industries came as a shock particularly for the spinners as the industry is globally in trouble because orders have dried up due to global recession and high yarn rates. The government has withdrawn subsidies on electricity from October 1. The subsidy was granted to five exporting sectors of which spinners were the main beneficiary. (The News) | [Click for more info.](#)

**Insurance grows 22pc but penetration remains minuscule****Insurance | Neutral**

The insurance sector grew nearly 22 per cent last year even though its penetration — the ratio of premiums to GDP — stayed at a paltry 0.91pc, a new report showed on Friday. (Dawn) | [Click for more info.](#)

**Housing for flood-hit people; Sindh, WB agree on Rs110bn project**  
**Economy | Neutral**

Sindh government with the assistance of the World Bank has decided to launch a Rs 110 billion housing project for the flood-affected people for which a special unit would be established under the chief secretary. (BR) | [Click for more info.](#)

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**Exim Bank starts formal operations**Economy | **Positive**

The Exim Bank of Pakistan on Saturday formally started its operations after the Senate approved and ratified the bill seeking its establishment for the promotion of international trade. (Dawn) | [Click for more info.](#)

**Startup funding drops 46.2pc to \$55.4m**Economy | **Negative**

Pakistani start-ups raised a total of \$55.4 million in 18 deals in the July-September quarter, down 46.2 per cent from the preceding quarter when the flows amounted to \$102.9m. (Dawn) | [Click for more info.](#)

**International News****Stocks Struggle, US Futures Fall Amid Subdued Mood: Markets Wrap**

Stocks in Asia struggled to make headway and US equity futures fell as negative sentiment persisted in markets amid fear that global central banks will keep hiking rates until inflation is tamed, raising the risk of a recession. (Bloomberg) | [Click for more info.](#)

**Oil falls but notches weekly gain as OPEC+ considers output cut**

Oil prices dipped on Friday in choppy trading but notched their first weekly gain in five on Friday, underpinned by the possibility that OPEC+ will agree to cut crude output when it meets on Oct. 5. (Reuters) | [Click for more info.](#)

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**Rating** - Expected Total Return

**Buy** - Greater than 10%

**Hold** - Neither Buy nor Sell

**Sell** - Less than and equal to -10%

## Valuation Methodology

To arrive at our 12-months Price Target, ABA Ali Habib Research uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology. In this report, our PT is founded on FCFF based DCF methodology.

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