

February 7, 2023

Morning Briefing

Economy

Policy-level talks with IMF begin today

Economy | Neutral

Technical level talks between Pakistan and the International Monetary Fund (IMF) team are said to have concluded on Monday while policy-level discussions will start from Tuesday (Feb 7). Sources on condition of anonymity said the power sector's untariffed subsidies were a major concern for the Fund as it wants to make the subsidies targeted. They added that according to the IMF, primary deficit was considerably higher compared to the government estimates. (BR) | [Click for more info.](#)

PM okays Rs180bn taxes, hike in gas & power tariffs, GST

Economy | Negative

In a last-ditch effort to break the deadlock with IMF, Prime Minister Shehbaz Sharif approved raising the electricity tariff ranging from Rs4 to Rs10 per unit, increasing the gas tariff and jacking up the GST rate by 1 percent from 17 to 18 percent. The government has also approved additional taxation of Rs 180 billion increasing FBR's annual tax target to Rs.7,650billion. With a one percent hike in GST rate, the FBR estimates to fetch Rs55billion in the remaining five months. (The News) | [Click for more info.](#)

Deposit 50pc super tax in seven days, SC orders

Economy | Negative

The Supreme Court on Monday modified an interim order of the Lahore High Court (LHC) and directed wealthy taxpayers to deposit their 50 per cent due super tax directly with the Federal Board of Revenue (FBR) within one week. (Dawn) | [Click for more info.](#)

Rupee up 0.46%, ends day at 275.30 against US dollar

Economy | Neutral

As per the State Bank of Pakistan (SBP), the currency settled at 275.30 against the US dollar, an improvement of Rs1.28. In the open market, the PKR lost one rupee for buying while remaining unchanged for selling against USD, closing at 281 and 283, respectively. (BR) | [Click for more info.](#)

Oil & Gas

Govt Plans to Inject Rs. 543 Billion Into SNGPL, SSGC to Reduce Circular Debt

SSGC, SNGP | Positive

The federal government has prepared a plan to inject Rs. 543 billion into Sui Southern Gas Company Limited (SSGC) and Sui Northern Gas Pipelines Limited (SNGPL) to reduce the oil and gas sector's circular debt. Sources told that the Ministry of Finance, on the direction of the International Monetary Fund (IMF), has prepared a plan to reduce the oil and gas sector's circular debt. (Proppakistani) | [Click for more info.](#)

PRL expansion plan hits snag on dollar shortage

PRL | Negative

Pakistan Refinery Limited's (PRL) expansion project has hit a snag on account of dollar shortage, which delayed the payment to Wood Group UK Limited (Wood). Around \$25 million are to be paid to Wood for the refinery expansion and upgrade project (REUP), but the payment could not be made for the last several months due to scarcity of dollars in the country, sources disclosed. (The News) | [Click for more info.](#)

Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	26,973.9	27,432.2	458.4	1.7%
KSE100	40,471.2	41,193.6	722.5	1.8%
KSE30	15,162.6	15,494.0	331.4	2.2%
KMI30	69,348.4	71,161.7	1813.4	2.6%

Top Five Gainers

	Open	Close	Chg.	%
RMPL	8,000.0	8,299.0	299.0	3.7%
SAPT	1,020.0	1,096.5	76.5	7.5%
MARI	1,459.7	1,503.9	44.2	3.0%
PAKT	813.0	841.4	28.4	3.5%
POL	418.7	444.5	25.8	6.2%

Top Five Volume Leaders

	Open	Close	Chg.	Vol.
PPL	74.6	80.2	5.6	21.83
SNGP	40.4	43.5	3.0	13.44
OGDC	85.9	92.4	6.4	10.55
KEL	2.2	2.3	0.1	8.98
SSGC	10.5	11.4	1.0	7.75

Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	0.00	-0.04	-0.04
F-Corporates	1.59	-1.70	-0.11
O/S Pakistanies	1.85	-1.79	0.06
Net	3.44	-3.53	-0.09
LIPI			
Individuals	26.78	-24.94	1.84
Companies	2.02	-1.44	0.58
Comm. Banks	0.78	-1.82	-1.04
NBFC	0.01	-0.02	-0.01
Mutual Funds	2.34	-3.26	-0.92
Other	0.18	-0.23	-0.05
Brokers Proprietary	7.11	-7.38	-0.27
Insurance	1.07	-1.12	-0.05
Net	40.29	-40.21	0.09

Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	74.52	1.5%
Brent oil	USD/bbl.	81.41	1.8%
Gold	USD/t oz.	1868.62	0.2%
Silver	USD/t oz.	22.29	-0.3%
Coal	USD/ton	157.00	4.4%
Steel Scrap (LME)	USD/ton	415.00	-3.9%
Steel Rebar (LME)	USD/ton	704.00	-1.0%
USD/PKR	Interbank	8.22	-2.7%

News Source: Local / Int'l Newspapers and websites

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Oilboy Energy acquires new petrol pump on lease for 15 years

OBOY | Positive

The Oilboy Energy Limited (OBOY) has obtained a petrol pump on lease for a period of 15 years in line with the memorandum of association of the company, a notice issued by the company showed. (Mettis) | [Click for more info.](#)

Rs22.52bn cross-subsidy for LPG air mix supply declined

Gas | Neutral

Federal government has declined a request of gas companies- Sui Northern Gas Pipeline Limited (SNGPL) and Sui Southern Gas Company Limited (SSGCL) for Rs22.52 billion cross-subsidy for LPG air mix supply to consumers in selected areas where natural gas is not available. The two gas companies have been given the task to set up 30 liquefied petroleum gas (LPG) air mix plants to cater to domestic gas needs. (BR) | [Click for more info.](#)

Power

Govt has Achilles heel somewhere, IMF finds it

Power | Negative

Circular debt's unexpected growth, subsidy to untargeted domestic consumers and five zero-rated sectors have reportedly irritated the visiting International Money Fund (IMF) Mission, which has suggested an increase of over Rs 5 per unit and withdrawal of subsidies, well-informed sources told. The country's circular debt is now over Rs 2.5 trillion due to a dismal performance of power sector. (BR) | [Click for more info.](#)

Fuel charge adjustments in power bills illegal: LHC

Power | Positive

Lahore High Court (LHC) judge Justice Ali Baqar Najafi Monday declared fuel charge adjustments (FCA) in electricity bills as illegal, and directed the government to give subsidy up to 500 units to the domestic consumers. (The News) | [Click for more info.](#)

KE, Chinese giant sign MoU for clean energy

KEL | Positive

Three Gorges Group of China and K-Electric on Monday signed a memorandum of understanding (MoU) to collaborate in the development of about 1,000MW of renewable energy and hydropower projects across the country including Azad Jammu & Kashmir. Under the MoU, the two sides agreed to collaborate on exploring renewable energy including hydro projects across the country. Both companies will also work to develop a roadmap for the installation of grid-scale Battery Energy Storage Systems into KE's network. (Dawn) | [Click for more info.](#)

Receivables/payables; Former AG to help mediate govt-KE dispute

KEL | Neutral

The government has reportedly shown willingness to resolve dispute on outstanding receivables/payables with K-Electric through mediation by one of the former three Attorney Generals. The two key foreign investors' groups of KE have given one-month deadline to Islamabad for withdrawal of all litigation, clearance of outstanding payments and signing of three long-awaited pacts or face litigation at international forum. (BR) | [Click for more info.](#)

World Indices

	Last	Chg.	Chg. %
PAK (KSE-100)	41,190.8	719.61	1.78%
KSA - Tadawul	10,555.7	-2.87	-0.03%
CHINA - Shanghai	3,238.7	-24.71	-0.76%
US - S&P 500	4,111.1	-25.40	-0.61%
US - Dow 30	33,891.0	-34.99	-0.10%
INDONESIA - IDX	6,873.8	-37.94	-0.55%
PHILP - PSEi	6,936.6	-90.77	-1.29%
Taiwan - TWII	15,392.8	-209.84	-1.34%
INDIA - SENSEX	60,506.9	-334.98	-0.55%
HK - Hang Seng	21,222.2	-438.31	-2.02%

Board Meetings

Scrip	Day	Agenda	Time
EPQL	Wednesday	Ann. A/c as of 31-Dec-22	10:00 AM
MCB	Wednesday	Ann. A/c as of 31-Dec-22	11:00 AM
FCEPL	Wednesday	Ann. A/c as of 31-Dec-22	2:00 PM
TRIPF	Wednesday	Ann. A/c as of 31-Dec-22	2:30 PM
JGICL	Thursday	Ann. A/c as of 31-Dec-22	10:00 AM
EFERT	Thursday	Ann. A/c as of 31-Dec-22	10:30 AM
LOTCEM	Friday	Ann. A/c as of 31-Dec-22	10:00 AM
INDU	Friday	HY A/c as of 31-Dec-22	4:00 PM

Source: PSX

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Gwadar to get 100MW more from Iran shortly**Power | Positive**

National Transmission and Despatch Company Ltd (NTDC) has completed a 29km long double-circuit transmission line from Polan, Iran to Gwadar. With the construction of the transmission line, Pakistan's transmission system has become capable to evacuate an additional 100MW of Iranian electricity to various parts of Balochistan. (Dawn) | [Click for more info.](#)

Two RLNG-based power plants: Govt considers selling own 30pc equity**Power, Economy | Negative**

The government is considering fetching \$600 million by selling out two RLNG-based power plants — Haveli Bahadur Shah and Balloki. Minister for Finance Ishaq Dar on Monday chaired an in-house meeting to explore different options for selling out two RLNG based Power Plants to Qatar or any other bilateral county on G2G basis. (The News) | [Click for more info.](#)

Miscellaneous**Pharmaceutical companies seek 'inflationary adjustments' in medicine prices****Pharma | Neutral**

Around 70 pharmaceutical companies on Monday wrote a letter to the government authorities seeking an increase in the medicine prices in Pakistan owing to significant rupee depreciation and surging inflation in the country. (BR) | [Click for more info.](#)

Cars get costlier amid uncertain delivery dates**HCAR | Positive**

Amid an uncertain vehicle delivery situation, Honda Atlas Cars Ltd (HACL) on Monday again raised prices of various models by Rs260,000-550,000 in less than two weeks. Some 12 days back, HACL had increased the rate by Rs300,000-550,000 due to the rupee devaluation, uncertain economic conditions and high inflation. (Dawn) | [Click for more info.](#)

AVN boosts paid-up capital through Employee Share Option Scheme**AVN | Positive**

Avanceon Limited (AVN) has increased its paid-up capital to 327,215,522 shares after the Central Depository Company (CDC) allotted 2,514,891 shares to eligible employees who exercised their share options under an employee share option scheme, according to a notice from PSX. (Mettis) | [Click for more info.](#)

Kohinoor Textile to buy back 10pc of outstanding shares**KTML | Neutral**

Kohinoor Textile Mills Limited (KTML) on Monday announced that its board of directors has approved to buy back 30 million issued ordinary shares of the company, in a bid to improve its earnings per share and future dividends. (The News) | [Click for more info.](#)

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Political News

APC will now be held on 9th

The All Parties' Conference (APC), called by Prime Minister Shehbaz Sharif, which was scheduled to be held today (Tuesday), got postponed and it will be held on February 9 (Thursday) with a view to ensure participation of all the political forces, including Pakistan Tehreek-e-Insaf (PTI) to take a unanimous stance with regard to countering terrorism, besides dealing with the economic challenges. (BR) | [Click for more info.](#)

International News

Asian Stocks Edge Higher as Investors Await Powell: Markets Wrap

US and European equity futures and Asian stocks made small gains as investors awaited commentary from Federal Reserve Chair Jerome Powell later Tuesday. (Bloomberg) | [Click for more info.](#)

Oil rises on supply concerns, China demand outlook brightens

Oil prices rose for a second day on Tuesday on supply concerns after an earthquake shuttered a major export terminal in Turkey and a field in the North Sea shut unexpectedly, while demand in China, the world's biggest importer, looks set to increase. (Reuters) | [Click for more info.](#)

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Rating Criteria

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 FCF based DCF methodology.

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