

June 6,  
2022

## Economy

### Cabinet approves terms for \$2.4bn loan from China

#### Economy | Positive

The Finance Ministry has obtained approval from the federal cabinet for a syndicated loan facility of \$2.4 billion from the China Development Bank and its consortium for a three-year period at six-month SHIBOR (Shanghai Inter-Bank Offered Rates) plus 1.5 percent margin. (The News) | [Click for more info.](#)

### Pakistan to repay \$23bn foreign debt in next fiscal year

#### Economy | Neutral

Pakistan's total foreign debt servicing is projected to dimb up to \$23 billion for the upcoming budget 2022-23 as repayment of commercial loans has now assumed a major chunk of the outstanding amount of \$6 billion out of the total obligations. (The News) | [Click for more info.](#)

### Railways to make fresh request to China for undertaking ML-I project

#### Economy | Neutral

Pakistan Railways said that it was planning to make a fresh request to China for undertaking the \$US 6.8 billion Mainline-I (ML-I) project under China Pakistan Economic Corridor (CPEC). (Pa kobserver) | [Click for more info.](#)

### Green bonds, gender bonds: tax incentives proposed

#### Economy | Neutral

The Federal Board of Revenue (FBR) is expected to incorporate a budget proposal of the Securities and Exchange Commission of Pakistan (SECP) in the Finance Bill, 2022 to grant tax incentives on the issuance of Green Bonds and Gender Bonds from the next fiscal year (2022-23). (BR) | [Click for more info.](#)

### Pakistan's shadow economy accounts for 40pc of GDP, says study

#### Economy | Neutral

As the authorities and key government figures have been drawing attention to the economic losses due to illegal trade, the country's shadow economy accounts for about 40 per cent of GDP, while 6pc of the gross domestic product is being stolen every year, according to a study on tax evasion in five sectors, including tea, tobacco, tyres & auto lubricants, pharmaceuticals, and real estate. (Dawn) | [Click for more info.](#)

### Economic growth target set at 5pc with Rs800bn PSDP for next fiscal year

#### Economy | Neutral

The Annual Plan Coordination Committee (APCC) on Saturday finalised Rs800 billion worth of the Public Sector Development Programme (PSDP) to achieve an economic growth rate of 5 per cent in 2022-23 (Dawn) | [Click for more info.](#)

### Inflation records highest spike in 64 weeks

#### Economy | Negative

Inflation measured by the Sensitive Price Index (SPI) increased by two per cent from the previous week, the highest increase in 64 weeks, due to increases in energy and food prices. The year-on-year increase in SPI was 20.04pc during the week under review. (Dawn) | [Click for more info.](#)

### Inflation to stay in double digits

#### Economy | Negative

The federal government on Saturday approved 5% economic growth and 11.5% inflation targets for the next fiscal year as it faces the challenge of striking balance between growth and economic viability. Annual Plan Coordination Committee (APCC) set the current account deficit target for fiscal year 2022-23 at 2.2% of gross domestic product (GDP), or over \$10 billion. (ET) | [Click for more info.](#)

### Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	28,926.3	28,470.3	-456.0	-1.6%
KSE100	42,237.9	41,314.9	-923.0	-2.2%
KSE30	16,108.4	15,733.8	-374.6	-2.3%
KMI30	68,661.7	66,851.2	-1810.5	-2.6%

### Top Five Gainers

	Open	Close	Chg.	%
SAPT	1,120.0	1,189.5	69.5	6.2%
MEHT	870.0	933.0	63.0	7.2%
INDU	1,192.5	1,253.4	60.9	5.1%
COLG	2,099.5	2,144.0	44.5	2.1%
SAPL	837.0	850.0	13.0	1.6%

### Top Five Volume Leaders

	Open	Close	Chg.	Vol.
KEL	2.6	2.5	-0.2	30.04
PRL	18.0	17.4	-0.6	21.52
CNERGY	5.4	5.2	-0.2	20.26
PAEL	16.3	15.3	-1.0	9.99
PIBTL	6.4	5.9	-0.5	8.54

### Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	5.99	-9.94	-3.95
F-Corporates	101.04	-97.09	3.95
O/S Pakistanies	1.77	-1.60	0.17
<b>Net</b>	<b>2.45</b>	<b>-3.68</b>	<b>-1.23</b>
<b>LIPI</b>			
Individuals	27.96	-26.94	1.01
Companies	1.66	-1.66	0.01
Comm. Banks	3.81	-1.09	2.72
NBFC	0.01	-0.01	0.00
Mutual Funds	0.95	-3.13	-2.17
Other	0.33	-0.42	-0.09
Brokers Proprietary	8.15	-8.16	-0.01
Insurance	0.06	-0.29	-0.23
<b>Net</b>	<b>42.93</b>	<b>-41.70</b>	<b>1.23</b>

### Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	118.87	1.7%
Brent oil	USD/bbl.	119.72	1.8%
Gold	USD/t oz.	1851.19	-0.9%
Silver	USD/t oz.	21.93	-1.7%
Coal	USD/ton	324.75	0.0%
Steel Scrap (LME)	USD/ton	440.00	0.0%
Steel Rebar (LME)	USD/ton	740.00	0.0%
USD/PKR	Interbank	197.92	0.2%

News Source: Local / Int'l Newspapers and websites

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REP-055

## Oil & Gas

**Crude cargoes hit snags on Moody's outlook action**

**Oil | Negative**

An international trade credit insurer that provides financial safety net for exports and imports pulled back from covering a crude oil cargo booked by a local refinery after rating agency Moody's downgraded Pakistan's outlook to negative from stable, sources said on Friday. (The News) | [Click for more info.](#)

**Ogra raises gas prices up to 45pc**

**SSGC, SNGP | Positive**

The Oil and Gas Regulatory Authority (Ogra) has allowed late Friday night a raise in gas prices up to 45 percent in order to meet the revenue shortfall of both gas utilities - SNGPL and SSGC. (BR) | [Click for more info.](#)

**SNGPL, SSGC project UfGs contrary to Ogra benchmark**

**SSGC, SNGP | Neutral**

The gas utilities – Sui Northern Gas Pipelines Limited (SNGPL) and the Sui Southern Gas Company (SSGC) - have projected UfGs at 8.24 percent and 13.86 percent, respectively for the financial year 2022-23, against the Oil and Gas Regulatory Authority's benchmark of 6.5 percent at distribution system. (BR) | [Click for more info.](#)

**Gross refinery margins rise to \$37/bbl in May**

**Refinery | Positive**

The gross refinery margins (GRMs) of the oil industry have risen sharply to \$37/barrel in May 2022 against \$24/barrel in April of this year, the latest data showed. (The News) | [Click for more info.](#)

**ECC imposes 10pc RD on MS import**

**Oil | Neutral**

The Economic Coordination Committee (ECC) of the Cabinet has removed a customs anomaly on the import of Motor Spirit (MS) by imposing 10 percent regulatory duty (RD) on its import in cases where 10 percent customs duty is not paid on its import. (BR) | [Click for more info.](#)

**Pakistan disqualifies two LNG bids**

**Gas | Neutral**

Pakistan LNG Ltd (PLL) said on Friday it had disqualified for technical reasons the two bids it received for a tender seeking one spot cargo of liquefied natural gas (LNG) for delivery in early July. (Dawn) | [Click for more info.](#)

## Power

**Rs113bn impact to be shifted to KE consumers by way of surcharge**

**KEL | Neutral**

Power Division and Finance Division have reportedly evolved consensus to pass on Quarterly Tariff Adjustment (QTA) notification impact of Rs 113.1 billion to the consumers of K-Electric (KE) by way of surcharge of Rs 2.35/ unit to be recovered in three years. (BR) | [Click for more info.](#)

**KE warns of rise in loadshedding**

**KEL | Neutral**

K-Electric (KE) on Saturday cautioned about extended loadshedding in Karachi, saying upsurge of fuel costs in global markets was impacting its capacity to purchase and generate power for the city and its outskirts. (The News) | [Click for more info.](#)

### World Indices

	Last	Chg.	Chg. %
PHILP - PSEI	6,741.4	54.57	0.82%
INDONESIA - IDX	7,183.0	34.24	0.48%
CHINA - Shanghai	3,195.5	13.30	0.42%
INDIA - SENSEX	55,769.2	-48.88	-0.09%
US - S&P 500	4,108.5	-68.28	-1.63%
Taiwan - TWII	16,552.6	-122.52	-0.73%
KSA - Tadawul	12,605.0	-161.46	-1.26%
HK - Hang Seng	21,082.1	-212.81	-1.00%
US - Dow 30	32,899.7	-348.58	-1.05%
PAK (KSE-100)	41,314.9	-923.03	-2.19%

### Board Meetings

Scrip	Day	Agenda	Time
CLVL	Monday	Other than fin. results	11:00 AM
PNSC	Monday	Other than fin. results	11:45 AM
FRSM	Monday	Other than fin. results	12:00 PM
FHAM	Monday	Other than fin. results	12:00 PM
HMM	Monday	Other than fin. results	12:00 PM
MRNS	Tuesday	Other than fin. results	2:00 PM
SILK	Wednesday	ANN A/C 31Dec20	12:00 PM
PHDL	Wednesday	Other than fin. results	2:00 PM
AICL	Thursday	Other than fin. results	2:30 PM
UDPL	Thursday	Other than fin. results	3:00 PM
BHAT	Friday	Other than fin. results	11:00 AM
SRVI	Friday	Other than fin. results	11:00 AM
MFFL	Friday	Other than fin. results	3:00 PM

Source: PSX

## Rs5/unit relief on electricity bills may end next month

**Discos | Neutral**

The government is likely to withdraw subsidy of Rs.5 per unit from June 1, 2022 extended to electricity consumers using 700 units monthly across the country sans ToU (Time of Use) meters, under former Prime Minister Imran Khan's Relief Package on the pressure of International Monetary Fund (IMF) and World Bank. (BR) | [Click for more info.](#)

## Moody's lowers Wapda's rating to negative

**Power | Negative**

Moody's Investors Service has revised Pakistan Water and Power Development Authority (Wapda)'s outlook to negative from stable. At the same time, Moody's has affirmed the company's B3 corporate family rating (CFR) and its B3 Baseline Credit Assessment (BCA). (BR) | [Click for more info.](#)

## Autos

### Auto sector fears production shutdown amid import curbs

**Autos | Negative**

The introduction of a mechanism for prior approval from the State Bank of Pakistan (SBP) for the import of goods has created hurdles in the arrival of completely knocked down (CKD) kits of vehicles and all major auto sector imports. (Dawn) | [Click for more info.](#)

## Textile

### Textile exports rise 28pc to \$17.67bn in July-Mar

**Textile | Positive**

Pakistan's textile exports surged 28 percent to \$17.67 billion in July-May of this fiscal, the highest ever for the period under review, compared to \$13.76 billion in the same months of last, the industry reported on Friday, warning the severe energy constraints were a major risk to the future growth of the sector. (The News) | [Click for more info.](#)

### ECC approved release of more than Rs 40 billion, mainly for Textile sector

**Textile | Positive**

Economic Corodination Committee (ECC) approved disbursement of Rs. 40.5 billion for Ministry of Commerce for payment daims deared by SBP, under previous government's duty drawbacks schemes (DLTL/LTLD) of textiles and non-textiles sectors. (Augaf) | [Click for more info.](#)

## Steel

### Steel bars; Senate panel concerned at increase in ADD

**Steel | Neutral**

The Senate Standing Committee on Commerce Friday expressed concern over the increase in anti-dumping duty (ADD) on steel bars which resulted in an increase in the price of steel bars in the country. (BR) | [Click for more info.](#)

## Food

### Water shortages may shrink rice crop in FY2023

**Food | Negative**

Water scarcity has emerged as the single biggest factor that may shrivel the paddy crop in fiscal year 2022-23 as the sowing area is shrinking. (The News) | [Click for more info.](#)

### Govt to explore potential of barter trade with Russia

**Food, Economy | Neutral**

The government has decided to initiate an independent proposal for barter trade with the Russian Federation without affecting urgent import of 0.3 million tons of wheat, well informed sources told. (BR) | [Click for more info.](#)

## Dairy sector to face trouble keeping pace with milk demand in 2022-23

**Food | Neutral**

Marred by low productivity and weak supply chain, dairy sector's trouble and toil in keeping pace with milk demand may continue in 2022-23, thanks to government's failure in creating an enabling environment based on innovative cost-cutting initiatives. (The News) | [Click for more info.](#)

## Miscellaneous

### Import of oxygen gas, cylinders: ST exemption announced

**PAKOXY | Neutral**

The Federal Board of Revenue (FBR) has exempted sales tax on the import of oxygen gas, cylinders (for oxygen gas) and cryogenic tanks (for oxygen gas) from November 9, 2021 to June 30, 2022. (BR) | [Click for more info.](#)

### Medicine prices increase by 20pc within week

**Pharmaceutical | Positive**

The pharmaceutical companies have increased the prices of medicines for diabetes, eye disorders, blood pressure and other diseases by 20 per cent within a week, it was reported on Friday. (PT) | [Click for more info.](#)

### Govt considering imposing Rs300 FED on tobacco at GLT stage

**Tobacco | Neutral**

The government is considering a budget proposal of the documented tobacco industry to impose Rs300 advance adjustable FED on tobacco, at the green leaf threshing stage, in the coming budget (2022-23). (BR) | [Click for more info.](#)

### Industry faces double whammy of power and gas outages

**Economy | Negative**

After snapping of gas supplies to dedicated power plants feeding industrial sector, the twin energy crisis started spreading its tentacles, as power distribution companies partially withdrew industry's exemption from power outages Friday. (The News) | [Click for more info.](#)

## International News

### Stocks Face Rates Pressure After Jobs; Oil Gains: Markets Wrap

Stocks are poised to start the week under pressure after a robust US jobs report left the door open for the Federal Reserve to maintain an assertive stance on inflation. Oil rose. (Bloomberg) | [Click for more info.](#)

### Oil jumps after Saudi Arabia hikes crude prices

Oil prices rose more than \$2 in early trade on Monday after Saudi Arabia raised prices sharply for its crude sales in July, an indicator of how tight supply is even after OPEC+ agreed to accelerate its output increases over the next two months. (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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