

January 23, 2023

Morning Briefing

Economy

Ministry plans virtual talks with IMF for staff-level agreement

Economy | Positive

In a bid to break the stalemate, the Ministry of Finance has shared the basic contours of negotiations with the IMF high-ups with the expectation that both sides will kick-start virtual talks from next week for making renewed efforts to strike a staff-level agreement. (The News) | [Click for more info.](#)

Gov't indecision on tax measures fuels uncertainty

Economy | Neutral

Pakistan's economic team is indecisive over the quantum of revenue measures in a bid to end the uncertainty that has stemmed from the delay in the 9th review under the International Monetary Fund programme. Tax officials' initial estimates show a generation of Rs100 billion from raising various tax rates, while the government expects another Rs100bn from the proposed flood levy. (Dawn) | [Click for more info.](#)

Market foresees 100-200bps policy rate hike

Economy | Neutral

After the complete surrender by the PMLN-led coalition government to meeting the IMF conditions for the revival of the programme, the financial market looks firm that the State Bank of Pakistan (SBP) would increase the interest rate in the range of 150 to 200 basis points in the next monetary policy to be announced on Monday. (Dawn) | [Click for more info.](#)

NPC profit raised by up to 150bps

Economy | Neutral

The government has increased the rates of returns on Naya Pakistan Certificates (NPCs) after most investments in these certificates have been withdrawn in the past nine months amid political unrest. According to a notification issued by the Ministry of Finance on Friday, the returns on NPCs have been increased by up to 150 basis points (bps) for different tenors. (Dawn) | [Click for more info.](#)

Rs3.2 trillion spent on just debt servicing, defence

Economy | Negative

Amid reluctance to opt for debt restructuring, interest expenses have shot-up significantly to Rs2.57 trillion during the first half of this fiscal year. This equals to 65% of the annual debt servicing budget and is forcing the government to cut out its other expenses – except those on defence. Sources in the Ministry of Finance told that during the July-December period of the current fiscal year, there was an alarming increase of 77% in the cost of interest on the federal government debt stock. (ET) | [Click for more info.](#)

Single returns portal; Failure to make portal functional for GST officials irks WB

Economy | Neutral

The World Bank (WB) has expressed concerns that the single returns portal has not yet become fully functional for provincial general sales tax (GST) authorities and is pending agreement on the GST harmonisation agenda. (BR) | [Click for more info.](#)

Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	26,189.1	25,995.2	-193.9	-0.7%
KSE100	38,831.6	38,408.0	-423.6	-1.1%
KSE30	14,399.6	14,222.8	-176.8	-1.2%
KMI30	66,459.0	65,586.0	-872.9	-1.3%

Top Five Gainers

	Open	Close	Chg.	%
BHAT	1,095.0	1,177.0	82.0	7.5%
NESTLE	5,260.0	5,310.0	50.0	1.0%
COLG	1,865.0	1,890.0	25.0	1.3%
TICL	271.0	291.0	20.0	7.4%
JSGCL	173.3	186.3	13.0	7.5%

Top Five Volume Leaders

	Open	Close	Chg.	Vol.
PPL	74.1	72.9	-1.2	8.31
WTL	1.1	1.1	0.0	5.65
GCILB	7.2	6.7	-0.5	5.05
CNERGY	3.7	3.6	-0.1	4.17
TRG	102.4	98.1	-4.3	3.92

Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	0.00	0.00	0.00
F-Corporates	0.73	-0.38	0.34
O/S Pakistanians	2.50	-1.92	0.58
Net	3.23	-2.31	0.92
LIPI			
Individuals	16.79	-16.05	0.75
Companies	0.65	-0.86	-0.21
Comm. Banks	0.84	-0.29	0.56
NBFC	0.16	-0.14	0.02
Mutual Funds	0.88	-2.36	-1.49
Other	0.20	-0.18	0.02
Brokers Proprietary	5.24	-5.26	-0.02
Insurance	0.44	-0.98	-0.54
Net	25.20	-26.12	-0.92

Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	81.31	0.9%
Brent oil	USD/bbl.	87.63	1.5%
Gold	USD/t oz.	1926.08	-0.3%
Silver	USD/t oz.	23.93	0.4%
Coal	USD/ton	169.50	-1.0%
Steel Scrap (LME)	USD/ton	408.00	-1.0%
Steel Rebar (LME)	USD/ton	685.00	-0.8%
USD/PKR	Interbank	6.99	-0.3%

News Source: Local / Int'l Newspapers and websites

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Oil & Gas

OGDCL finds 3.29 bcf of gas reserves in Guddu
OGDC | Positive

Oil and Gas Development Company Limited (OGDCL) has discovered a hydrocarbon-rich field in Sindh having estimated reserves of 3.292 billion cubic feet (bcf) of gas. Commercial production from the new discovery is poised to start in June this year. However, the company is seeking a one-year extension in the testing phase for the Umair SE-1 Guddu discovery. (ET) | [Click for more info.](#)

MPCL completes SGPC phase-II facilities
MARI | Positive

Mari Petroleum Company Limited (MPCL) has successfully completed the construction of SGPC Phase-II facilities to process low Btu gas from Goru-B reservoir of Mari Gas Field, Daharki, Sindh. (BR) | [Click for more info.](#)

PSO sounds alarm over limited stocks of POL products
PSO | Negative

Pakistan State Oil (PSO) has warned the government of limited stocks of POL products amid non-opening of letters of credit (LCs) for cargoes, arguing the prevailing situation could lead to a dry-out, an industry official told. (The News) | [Click for more info.](#)

Govt finalises plan to deal with Rs1.64tr gas circular debt
SNGP, SSGC | Neutral

In order to deal with the circular debt of Rs1,640 billion of gas sector, the government has given final shape to a comprehensive plan, including securing dividends of two gas utilities -- SNGPL and SSGCL -- of Rs800-850 billion, hiking tariff and bringing changes in existing slabs in order to protect the lower slabs from a hike in gas tariff (The News) | [Click for more info.](#)

Gas crisis to worsen as supplier backs out of cargo
Gas | Negative

The gas crisis is set to worsen in February as ENI, an LNG trading company, has backed out of the LNG cargo which was scheduled to arrive on February 6-7, 2023. (BR) | [Click for more info.](#)

Ogra takes notice of artificial increase in LPG prices
BPL | Neutral

The Oil and Gas Regulatory Authority (Ogra) has finally taken serious notice of the artificial increase in Liquefied Petroleum Gas (LPG) prices by the LPG marketing companies, distributors and retailers on receiving various complaints across the country. (BR) | [Click for more info.](#)

Pakistan, Russia to sign oil supply agreement in March
Oil | Neutral

Pakistan and Russia decided on Friday to address all technical issues — insurance, transportation and payment mechanism — to sign an agreement by late March this year for the supply of Russian oil and other petroleum products at discounted rates. (Dawn) | [Click for more info.](#)

World Indices

	Last	Chg.	Chg. %
HK - Hang Seng	22,044.7	393.67	1.82%
US - Dow 30	33,375.5	330.93	1.00%
US - S&P 500	3,972.6	73.76	1.89%
INDONESIA - IDX	6,874.9	55.02	0.81%
CHINA - Shanghai	3,264.8	24.53	0.76%
KSA - Tadawul	10,682.0	17.97	0.17%
Taiwan - TWII	14,932.9	5.92	0.04%
PHILP - PSEi	7,056.6	-5.39	-0.08%
INDIA - SENSEX	60,621.8	-236.66	-0.39%
PAK (KSE-100)	38,408.0	-423.60	-1.09%

Board Meetings

Scrip	Day	Agenda	Time
QUET	Monday	Other Matters	11:00 AM
PAKOXY	Monday	Other Matters	3:00 PM
KOHC	Tuesday	Other Matters	11:00 AM
SHSML	Tuesday	.st Qtr. A/c as of 31Dec22	11:00 AM
JSCL	Tuesday	Other Matters	12:00 PM
SASML	Wednesday	.st Qtr. A/c as of 31Dec22	11:00 AM
LCI	Wednesday	H/Y A/c of 31Dec22	3:00 PM
PCAL	Thursday	H/Y A/c of 31Dec22	10:00 AM
HCAR	Thursday	3rd Qtr. A/c as of 31Dec22	11:00 AM
ARPL	Thursday	.st Qtr. A/c as of 31Dec22	12:15 PM
ISL	Friday	H/Y A/c of 31Dec22	9:00 AM
ALNRS	Friday	.st Qtr. A/c as of 31Dec22	10:30 AM
FFBL	Friday	Ann. A/c as of 31Dec22	11:00 AM
MIRKS	Friday	.st Qtr. A/c as of 31Dec22	11:00 AM
OML	Friday	Other Matters	11:00 AM
TCORP	Saturday	.st Qtr. A/c as of 31Dec22	2:30 PM
INIL	Tuesday	H/Y A/c of 31Dec22	9:00 AM

Source: PSX

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Local refineries likely to witness huge losses in 2HFY23: report**Refinery | Negative**

Local refineries might witness net losses during the second half of this fiscal amid expected decline in oil due to ongoing global economic slowdown, resulting in inventory losses. (The News) | [Click for more info.](#)

G7 agrees to review level of price cap on Russian oil in March**Oil | Neutral**

Group of Seven officials have agreed to review the level of the price cap on exports of Russian oil in March, later than originally planned in order to give time to assess the market after more caps are placed on oil products from Russia, the U.S. Treasury said. (The News) | [Click for more info.](#)

Power**Thar power supply to be 'suspended' if LCs not opened****Power | Negative**

The Sindh Engro Coal Mining Company (SECMC) has urged the energy ministry to open letters of credit (LCs) pending since April 2022, fearing that power supply from the Thar plant might get suspended if required machinery and equipment are not cleared. (ET) | [Click for more info.](#)

Wapda may delay issuance of 2nd \$500m Eurobond**Power | Negative**

The Water and Power Development Authority (Wapda) is likely to delay issuance of its second \$ 500 million green Eurobond for the time being in connection with the construction of Diamer-Basha Dam, said sources close to the authority. (BR) | [Click for more info.](#)

PPIB to exempt big hydropower projects from fees, charges**Power | Neutral**

The Private Power & Infrastructure Board (PPIB) has decided to exempt 500 or above MW hydropower projects of strategic nature involving foreign direct investment from fee and charges being imposed due to delays attributable to government entities or beyond reasonable control of the power companies, well informed sources in PPIB told. (BR) | [Click for more info.](#)

Tarbela 5th Extension Hydel Power Station Project to start generation by July 2025**Power | Neutral**

Tarbela 5th Extension Hydel Power Station Project (T5) will start electricity generation by July 2025. This was told to Chairman WAPDA Engineer Lt Gen (r) Sajjad Ghani who visited Tarbela 4th & 5th Extension Hydel Power Station (T4&T5) on Friday. (Nation) | [Click for more info.](#)

Autos**\$1.2bn spent on import of cars, other vehicles in six months despite crisis****Autos | Negative**

Pakistan which is battling to save precious foreign exchange reserves by limiting imports has spent \$1.2 billion (or Rs259 billion) on the imports of transportation items including luxury cars, high-end electric vehicles, and their parts during the last six months. (The News) | [Click for more info.](#)

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MORNING BRIEFING

Steel

Steel price hits new peak despite demand slump**Steel | Neutral**

The ex-factory price of steel bars has crossed the Rs250,000 per tonne threshold for the first time amid claims by stakeholders regarding thin demand for steel products on account of a slowdown in construction activities. The manufacturers have attributed the price hike to unexpected shortages of raw materials, the non-opening of letters of credit, rising cost of production and unfavourable economic conditions. (Dawn) | [Click for more info.](#)

LC issue: PALSP threatens to shut down steel units**Steel | Negative**

The documented steel sector will be forced to close down its units for an indefinite period in case the issue of Letters of Credit (LCs) is not resolved within the next four days. (BR) | [Click for more info.](#)

Fertilizer

Two fertiliser plants: PD seeks Rs25.6bn for RLNG supply**FATIMA, AGL | Neutral**

Petroleum Division has sought Rs 25.6 billion from Finance Division against supply of subsidized Regasified Liquefied Natural Gas (RLNG) to two fertiliser plants on the instructions of the Economic Coordination Committee (ECC) of the cabinet, official sources told. Petroleum Division has given a reference to the decision of the ECC of the Cabinet whereby the forum approved extension in operations of M/s Fatimafert and M/s Agritech plants at subsidised RLNG for another period of three months i.e. from October 2022 to December 2022. (BR) | [Click for more info.](#)

Tech. & Communication

Despite ambitious goals, IT exports shrink 2%**Technology | Neutral**

Despite the government's ambitious goal of increasing information technology exports to \$15 billion in the next few years, Pakistan's IT exports dropped by 2% year-on-year and reached \$246 million in December 2022. (ET) | [Click for more info.](#)

Telcos, ISPs directed to shift to IPv6**Telecom | Neutral**

The Pakistan Telecommunication Authority (PTA) has directed telecom operators and internet service providers (ISPs) to upgrade their internet protocols to IPv6 technology. However, the telecom sector regulator has not set any deadline for shifting to Internet Protocol version 6 (IPv6), which is used to identify devices on a network and route traffic between them. (Dawn) | [Click for more info.](#)

Sugar

SBP announces sugar export mechanism**Sugar | Neutral**

While announcing the sugar export mechanism, the State Bank of Pakistan (SBP) has made it mandatory for the sugar mills to bring the sugar export proceeds into Pakistan within 60 days of opening of Letter of Credit (LC). Accordingly, the SBP has advised the banks to process the export of sugar quota allocation cases, as per state bank mechanism. (BR) | [Click for more info.](#)

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Sales tax calculation: Not fixing minimum value of sugar to affect FBR revenue**Sugar | Neutral**

The Federal Board of Revenue (FBR)'s decision of not fixing the minimum value on the supply of sugar for sales tax calculation would have revenue implications during 2022-23. Sources told Business Recorder here on Friday that the FBR has yet not fixed the domestic price of sugar, which is usually considerably below the actual market price of the commodity for sales tax assessment. (BR) | [Click for more info.](#)

Miscellaneous**FPCCI and SBP form a committee to resolve LC issue****Economy | Neutral**

The Federation of Pakistan Chambers of Commerce & Industry (FPCCI) and the State Bank of Pakistan (SBP) have announced a joint committee for the resolution of the huge backlog of letters of credit (LCs). (Dawn) | [Click for more info.](#)

UNITY: Profits drastically fall by 35% YoY in FY22**UNITY | Neutral**

UNITY Foods Limited (UNITY) has unveiled its financial results for the year ended June 2022, whereby it declared net profits of Rs2.18 billion (EPS: Rs2.03), 35% YoY lower than net profits of Rs3.34bn (EPS: Rs3.73) recorded in the corresponding period last year. (Mettis) | [Click for more info.](#)

P2P payments exceed Rs1 trillion in 11 months**Banks | Neutral**

The Raast person-to-person (P2P) payment system has processed over Rs1 trillion in transactions in just 11 months, showing that more people have been using digital channels for their payment needs. (The News) | [Click for more info.](#)

Nishat Mills nears \$4.5m deal to acquire Danish firm**NML | Positive**

Pakistan's textile giant Nishat Mills Limited (NML) is set to buy 100 percent stake in a Denmark's fabrics manufacturer Wernerfelt A/S, against a settlement of \$4.5 million, according to an announcement made on Friday. (The News) | [Click for more info.](#)

Shipping lines may stop Pakistan operations, warns PSAA**Transportation | Negative**

The ship agents have forewarned the government that all export cargoes could come to a halt as foreign shipping lines are considering stopping their services for Pakistan after banks stopped remitting freight charges to them for lack of dollar availability. (Dawn) | [Click for more info.](#)

KCCI seeks urgent release of 2,500 containers**Economy | Neutral**

In compliance with the State Bank of Pakistan's directive, the Karachi Chamber of Commerce and Industry (KCCI) on Friday submitted details of 2,500 stuck-up containers at ports out of a total of 5,700 for speedy clearance. Chairman Businessmen Group (BMG) Zubair Motiwalla told Dawn that the details of stuck-up containers carrying industrial raw materials and essential food items are being compiled as per the format provided by the SBP for digital filing. (Dawn) | [Click for more info.](#)

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Political News

General elections in October, says minister

Minister for Planning and Development Ahsan Iqbal said on Saturday the general elections would be held in October this year after completion of the population census and subsequent delimitation of the constituencies. (BR) | [Click for more info.](#)

ECP receives Rs18bn for elections

The Election Commission of Pakistan (ECP) has received Rs18 billion for general election. Sources said on Saturday that the amount of Rs18 billion has been provided to the ECP for pre-election expenditures. It is worth mentioning here that the ECP had earlier estimated election expenditures at Rs47 billion which mount to Rs57 billion due to separate elections in two assemblies. (BR) | [Click for more info.](#)

Chaudhry Nisar to contest polls as independent candidate

Former leader of Pakistan Muslim League-Nawaz (PMLN) Chaudhry Nisar Ali Khan on Friday said he would contest the upcoming elections for the national and provincial assemblies as an independent candidate. (The News) | [Click for more info.](#)

International News

Dollar Falls, Japan Stocks Rise in Subdued Trading: Markets Wrap

The dollar weakened against its Group-of-10 counterparts and Japanese stocks climbed amid subdued trading on Monday, with many major centers in Asia closed for Lunar New Year celebrations. (Bloomberg) | [Click for more info.](#)

Oil prices fall but remain buoyed by China outlook

Oil prices drifted lower in early trade on Monday, thinned by the Lunar New Year holiday in east Asia, but held on to most of last week's gains on the prospect of an economic recovery in top oil importer China this year. (Reuters) | [Click for more info.](#)

MORNING BRIEFING

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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 FCFF based DCF methodology.

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