

June 14,
2021

Economy

With CGT cut, PSX gets major boost

Capital Market | Positive

Pakistan Stock Exchange (PSX) is expected to surge to an all-time high of 55,000 points by the end of December 2021 in the wake of acceptance of its longstanding demand for reducing capital gains tax (CGT) on sales of shares at the bourse. The announcement of a pro-growth budget for the next fiscal year starting July 1, 2021, which includes incentives and reduction in tax rates for different sectors of the economy, would extend much-needed support to the bourse and take the benchmark KSE-100 index to new highs. (ET) | [Click for more info.](#)

Pakistan, S Arabia relations warm up again

Economy | Positive

Pakistani and Saudi Arabian foreign ministers on Saturday held a telephonic conversation in what appears to be the latest sign of warming up of relations between the two countries –improvement in ties to be accompanied by a possible resumption of oil on deferred payment facility by Riyadh. (ET) | [Click for more info.](#)

IMF asked to allow extension of construction amnesty scheme

Economy | Positive

Finance Minister Shaukat Tarin has said the government has sought from the International Monetary Fund a six-month extension of the amnesty scheme launched under the prime minister's package for construction industry. (Dawn) | [Click for more info.](#)

Large-scale manufacturing expands by 68pc in April

Economy | Positive

Industrial output continued with the upward trend for the third consecutive month as Large-Scale Manufacturing (LSM) grew by a robust 68.07 per cent in April, reflecting phenomenal growth in industrial output, data released by the Pakistan Bureau of Statistics (PBS) showed on Saturday. (Dawn) | [Click for more info.](#)

Massive taxation relief to boost industrial growth

Economy | Positive

The third budget of the PTI government, announced on Friday, aims to reduce the input cost of several industries. It also plans on tapping online transactions and bring these under the Sales Tax (ST) net. The Budget 2021-22 offers unprecedented relief measures in Customs Duty (CD), ST and Income Tax (IT) for the industrial sector amid a proposed plan that explains how the government intends to meet the Rs1,129 billion hike in the Federal Board of Revenue (FBR) target. (Dawn) | [Click for more info.](#)

Around Rs506bn taxation measures unveiled

Economy | Negative

The government has taken measures of around Rs506 billion, including taxation measures of Rs264 billion and enforcement measures of Rs242 billion in the budget (2021-22) to meet annual target of Rs5,829 billion including 17 percent sales tax on crude oil, Federal Excise Duty (FED) on phone calls/SMS messages/internet data usage, 17 percent sales tax on silver/gold jewellery, and 7.5 percent withholding tax on monthly electricity bill of above Rs25,000 of domestic users. (BR) | [Click for more info.](#)

Rs252bn to be raised through sell-off proceeds

Economy | Neutral

The federal government has budgeted to generate Rs252 billion from privatization proceeds in financial year 2021-22, which is 152 percent higher than a target of Rs100 billion. (BR) | [Click for more info.](#)

Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	32,657.4	32,715.6	58.2	0.2%
KSE100	48,251.5	48,304.7	53.2	0.1%
KSE30	19,537.6	19,478.7	-58.9	-0.3%
KMI30	78,784.9	78,798.8	13.9	0.0%

Top Five Gainers

	Open	Close	Chg.	%
UPFL	16,500.0	16,800.0	300.0	1.8%
SAPT	837.0	898.9	61.9	7.4%
COLG	2,860.0	2,900.0	40.0	1.4%
GATI	485.9	522.2	36.3	7.5%
MTL	1,099.8	1,123.5	23.7	2.2%

Top Five Volume Leaders

	Open	Close	Chg.	Vol.
WTL	4.3	4.2	0.0	120.85
BYCO	11.3	11.8	0.5	96.96
AGL	6.9	7.2	0.4	59.65
PTC	13.1	13.8	0.8	51.55
PIAA	5.3	6.3	0.9	41.35

Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	0.10	-0.03	0.08
F-Corporates	2.09	-2.53	-0.44
O/S Pakistanies	9.41	-10.66	-1.25
Net	11.61	-13.22	-1.61
LIPI			
Individuals	147.83	-160.35	-12.52
Companies	14.67	-9.09	5.58
Comm. Banks	3.71	-3.57	0.14
NBFC	0.04	-0.03	0.01
Mutual Funds	8.17	-3.30	4.87
Other	0.98	-0.22	0.75
Brokers Proprietary	32.35	-30.02	2.33
Insurance	2.25	-1.80	0.45
Net	210.00	-208.39	1.61

Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	70.91	0.9%
Brent oil	USD/bbl.	72.69	0.2%
Gold	USD/t oz.	1877.53	-1.1%
Silver	USD/t oz.	27.92	-0.3%
Coal	USD/ton	115.65	0.0%
Steel Scrap (LME)	USD/ton	513.50	-0.3%
Steel Rebar (LME)	USD/ton	715.00	0.0%
USD/PKR	Interbank	155.97	0.0%

News Source: Local / Int'l Newspapers and websites

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REP-055

Subsidy allocation increased to Rs682 billion

Economy | Positive

The government has increased the amount of subsidies by 58% to Rs682 billion in the federal budget for next fiscal year 2021-22, beginning July, of which a major chunk will go to the power sector. With the FY22 subsidy allocation, the government expects to provide some cushion for consumers of electricity, metro bus, wheat operation and stocks, fertiliser plants, the Naya Pakistan Housing Authority and the Ramazan package. (ET) | [Click for more info.](#)

Rs2.747trn foreign assistance estimated for FY2021-22

Economy | Neutral

The government has estimated foreign assistance of Rs 2.747 trillion for the fiscal year 2021-2022 against Rs 2.222 trillion budgeted for the current fiscal year which was later revised upward to Rs 2.286 trillion. (BR) | [Click for more info.](#)

Interest payments to eat up Rs3.06tr

Economy | Negative

Pakistan's interest payments on foreign and domestic debt will further increase by 4.48% during next financial year 2021-22. The federal government has projected that it will spend Rs3.059 trillion on mark-up payments on domestic and foreign debt in the upcoming fiscal year. In the ongoing fiscal year 2020-21, it will spend Rs2.9 trillion on mark-up payments on domestic and foreign debt. (ET) | [Click for more info.](#)

Oil & Gas

Proposed reliance on PL to be raised by 22pc

Oil | Neutral

Reliance on petroleum levy (PL) has been proposed to be raised by 22 percent in federal budget 2021-22 from Rs 500 billion in the revised estimates of current financial year to Rs 610 billion next year to fetch additional revenue of Rs 110 billion. The budgeted target is Rs 3 billion higher than what is note in the International Monetary Fund second to fifth review documents. The government revised its PL collection target upward by 11.1 percent to Rs 500 billion against Rs 450 billion estimates for current financial year 2020-21 under miscellaneous receipts. The PL has been kept at Rs 30 per litre on all petroleum products, the maximum limit allowed under the Finance Bill 2018, for most of the fiscal year 2020-21. General sales tax, part of the FDP, on two products petrol and high speed diesel (HSD) have been kept at 17 percent. The government has also proposed a massive raise in Gas Infrastructure Development Cess (GIDC) collection by 420 percent and budgeted Rs 130 billion GIDC collections for 2021-22 against the revised target of Rs 25 billion in 2020-21. (BR) | [Click for more info.](#)

Power

Power subsidies raised by over 300pc

Power | Positive

The federal government has increased power sector subsidies by over 300 percent to Rs 510 billion for fiscal year 2021-22 as compared to Rs 124 billion allocated in budget for 2020-21, which was later revised upward to Rs 350 billion. Of this, an amount of Rs 136 billion has been earmarked for the Independent Power Producers (IPPs). (BR) | [Click for more info.](#)

Rs102bn earmarked for 97 power projects

Power | Neutral

The federal government has earmarked Rs 102 billion for 97 power sector projects/schemes for 2021-22 aimed at evacuating power from different power plants, improving distribution and transmission systems of the country. (BR) | [Click for more info.](#)

World Indices

	Last	Chg.	Chg. %
INDIA - SENSEX	52,474.8	174.29	0.33%
HK - Hang Seng	28,842.1	103.25	0.36%
KSA - Tadawul	10,897.5	101.14	0.94%
Taiwan - TWII	17,213.5	54.30	0.32%
PAK (KSE-100)	48,304.7	53.23	0.11%
PHILP - PSEi	6,907.8	32.08	0.47%
US - Dow 30	34,479.6	13.36	0.04%
US - S&P 500	4,247.4	8.26	0.19%
INDONESIA - IDX	6,095.5	-12.04	-0.20%
CHINA - Shanghai	3,589.8	-21.11	-0.58%

Board Meetings

Scrip	Day	Agenda	Time
HUMNL	Monday	ANN A/c 30-Jun-20	12:00 PM
ADAMS	Wednesday	HY A/c 31-Mar-20	2:30 PM

Source: PSX



Autos

Small cars to become cheaper

PSMC | Positive

The government's decision of reducing general sales tax (GST) on locally assembled cars up to 850cc to 12.5 per cent from 17pc in the budget 2021-22 followed by exemption of federal excise duty (FED) and value-added tax will augur well for small car buyers in terms of price relief. Pak Suzuki Motor Company Ltd (PSMCL) will enjoy the concession most as it rolls out Bolan and Alto 660cc in higher volumes whose sales remained upbeat with 65pc and 25pc rise in 11MFY21 to 8,009 and 36,504 units from 4,853 and 29,260 units in the same period FY20. (Dawn) | [Click for more info.](#)

Local tractor assembly grows by 65.26pc in 10 months

AGTL, MTL | Positive

Domestic tractor assembling witnessed about 65.26 percent growth during 10 months of current financial year as compared to the production of corresponding period last year. (BR) | [Click for more info.](#)

Disposal of cars prior to registration; Concept of additional tax to curb 'on money' introduced

Autos | Neutral

The Finance Bill 2021-22 has introduced the concept of additional tax on disposal of vehicles prior to its registration with the Excise and Taxation Department to discourage 'on money'. (BR) | [Click for more info.](#)

Tech & Communication

WHT rates reduced to 10pc; Industry status for telecom sector proposed

Tech. & Communication | Positive

The government has proposed the industrial status for telecom sector, reduced withholding tax rates from 12.5 percent to 10 percent for tax year 2022, and eight percent for onward for telephone user on account of mobile telephone and prepaid internet or telephone cards, reduced rate of federal excise duty on telecommunication from 17 percent to 16 percent, and three percent reduced rate of withholding tax. (BR) | [Click for more info.](#)

Miscellaneous

PIA slashes fares on domestic flights

PIAA | Neutral

Pakistan International Airlines (PIA) has reduced its fares for domestic flights by 40 per cent. The one-side fare from Karachi to Islamabad, Karachi to Lahore and Karachi to Peshawar has been reduced to Rs.6,950 whereas the new fares will come into effect immediately. (PT) | [Click for more info.](#)

Steps in the right direction

Banks | Positive

The government in federal budget 2021-22 has proposed to eliminate collection of withholding tax (WHT) on cash withdrawals and banking transactions, which was seen by analysts and bankers as the right step towards declining currency in circulation and boosting financial inclusion in the country. (The News) | [Click for more info.](#)



17pc GST on sales via online marketplace

Economy | Neutral

The sales of goods through an online marketplace have been subjected to 17 percent sales tax by incorporating the same under the Sales Tax Act, 1990. Through the Finance Bill (2021), the scope of sales tax is expanded to online sales using third-party platform. (BR) | [Click for more info.](#)

ACD cut on goods falling under 2,436 tariff lines; RD on 80 non-essential, luxury items increased

Economy | Positive

The Federal Board of Revenue (FBR) has increased the regulatory duties on the import of 80 non-essential/luxury items and reduced additional customs duty (ACD) from seven to six percent on goods falling under 2,436 tariff lines. (BR) | [Click for more info.](#)

Govt withdraws taxpayers profile condition

Economy | Neutral

Fearing backlash from taxpayers, the government has withdrawn mandatory requirement of filing taxpayers' profile with the return. Under Section 114 A of the Income Tax Ordinance 2001, the deadline for online submission or updating of taxpayers' profiles was Dec 31, 2020. However, it was extended until June 30, 2021. (Dawn) | [Click for more info.](#)

International News

Asia Stocks See Muted Trading With Focus on Fed: Markets Wrap

Asian stocks were mixed Monday in holiday-thinned trading as investors prepared for a key Federal Reserve meeting later in the week. (Bloomberg) | [Click for more info.](#)

Oil holds near multi-year highs amid demand recovery

Oil prices held near multi-year highs on Monday, underpinned by an improved outlook for demand as increased COVID-19 vaccinations help lift travel curbs. (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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