

ANNUAL FEDERAL BUDGET 2021-22

Moving from *stabilization* to *growth*

Sunday, June 13, 2021



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EXECUTIVE SUMMARY

More than meets the eye

Sunday, June 13, 2021

Pakistan Tehreek-e-Insaaf (PTI) govt. presented its third Federal Budget for the year 2021-22 yesterday amidst the usual uproar by the opposition parties in the National Assembly (NA). The proposals put forth by PTI this time around were widely acknowledged as reformist in true sense of the word as a number of long-standing fiscal issues were addressed. Govt. opted to give the industries the *stick to catch the fish* rather than the *fish* itself. A growth-focused, export-oriented budget which sets the stage for a long-term sustainable growth in Pakistan. Barring a few measures which could feed inflation in the medium-term, overall budget is largely positive for economy and capital market in the country. The initiatives taken offer more than what meets the eye. We maintain our bullish stance on Pak Equities and see our Bull Case KSE-100 index target of 59,000pts materializing by the end of 2021. We are *overweight* on Banks, IT, Cements, Textiles, Pharmaceuticals, Steel and refineries.

Revenue targets seem consistent with GDP growth projections: The Federal budget FY22 marks the end of a tough 2 years long economic stabilization period which saw increases in public indebtedness, high interest rates and tough curbs on imports. Aided by a mix of tax reforms and incentives to the private sector, govt seeks to collect PKR 7,909Bn in taxes next, which reflects a growth of 20.3% YoY. Out of the total, PKR 5,829Bn is estimated to be generated via taxable revenue through FBR while the remainder is bridged by Non-tax revenue of PKR 2,080Bn. The surge in FBR revenue is expected to be fulfilled by increased income tax (up 22% YoY) whereas Non-tax revenue is estimated to be met by greater SBP profits and increased collection on energy products. However, in order for these collection targets to materialize, it is important that GDP grows in-line with govt's growth projections.

Focus now shifts to export-led growth & taxation reforms: Following a strong comeback in 2HFY21, GDP growth is expected to continue its robust momentum and climb to 3.9% in the current year, a huge improvement from an abysmal FY20. Moving forward, the government expects the up-turn to continue going into the next fiscal year with the GDP growth target set at 4.8% while in the medium term, it is expected to rise to 5-7%.

A sweet budget for capital market and listed sectors: All in all, the budget came as a welcome sign for the local bourse and listed sectors as an array of tax concessions, duty drawbacks and pro-growth/supportive policies were announced. Taking cue from the announcement, PSX related measures with notable ones being rationalization in CGT (down to 12.5% from 15.0% for filers), abolishment of CVT on buy/sell transactions and NCCPL advance tax would improve investor sentiments and enhance market participation, in our view. Key stocks benefitting from budgetary developments include; 1) ATRL; 2) PRL; 3) NRL; 4) BYCO; 5) LUCK; 6) DGKC; 7) MLCF; 8) KOHC; 9) NML; 10) GATM; 11) ASC; 12) TOMCL; 13) PSMC; 14) SYS; 15) HINOON; 16) GSKCH; 17) AGP; and 18) SEARLE; 19) ISL; 20) ASL; 21) MUGHAL; 22) ASTL; and 23) AGHA. Our top picks from BMA Universe include: 1) LUCK (TP: PKR 1,200); 2) MLCF (TP: PKR 85); 3) FLYNG (TP: PKR 46); 4) HBL (TP: PKR 160); 5) BAML (TP: PKR 112); 6) MUGHAL (TP: PKR 125); 7) SYS (TP: PKR 619); 8) IMAGE (TP: PKR 40); 9) ENGRO (TP: PKR 400); and 10) KAPCO (TP: PKR 45).

Table 1: Budget Summary

PKR Bn	FY21B	FY22B	% Chg.
Gross Revenue	6,573	7,909	20.3%
Tax Revenue	4,963	5,829	17.4%
Non-Tax Revenue	1,610	2,080	29.2%
Transfer to Provinces	-2,874	-3,412	18.7%
Net Revenue	3,700	4,497	21.5%
Total Expenditure	7,137	8,487	18.9%
Current Expenditure	6,346	7,523	18.6%
Dev. Exp. & Net Lending	792	964	21.7%
Fiscal Balance	-3,437	-3,990	16.1%
Provincial Surplus	242	570	135.5%
Cons. Fiscal Balance	-3,195	-3,420	7.0%
% of GDP	-7.0%	-6.3%	0.7%
Primary Balance	-249	-360	44.6%
% of GDP	-0.5%	-0.7%	-0.1%
GDP (PKR Bn)	45,567	53,867	18.2%

Source: Budget in Brief 2022

Table 2: Pakistan Govt. Macro Forecast

Description	FY21R	FY22B	FY23B
GDP (PKR Bn)	47,709	53,867	60,811
GDP Growth (% YoY)	3.9%	5.0%	5.7%
Inflation (% YoY)	9.0%	8.2%	7.2%
Federal Rev. (% GDP)	13.4%	14.7%	14.9%
Federal Exp. (% GDP)	15.4%	15.8%	14.6%
Fiscal Bal. (% of GDP)	-7.1%	-6.3%	-5.3%
Primary Bal. (% GDP)	-1.2%	-0.7%	0.2%
Public Debt (% GDP)	83.1%	81.8%	79.1%

Source: Annual Budget Statement 2021

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BUDGET IMPACT ON LISTED SECTORS & ECONOMY

Sector	Key Changes	Impact	Importance	Our View
Economy	Setting up of Special Technology Zones (STZ), offering incentives such as Income Tax exemptions for 10 years for IT services, IT enabled exports, IT enabled contracts and technical services firms. In addition, sales tax on raw material and machinery has also been abolished for these companies existing in these STZs.	Positive	High	An excellent initiative to spur IT exports in the country. Pakistan is taking a leap forward in the technological revolution age by incentivizing IT sector in the country. IT exports are expected to cross USD 2Bn in FY21 (↑48% YoY) and have the potential to cross USD 10Bn in the next 5 years.
	Formulation of an export facilitation scheme which shall supersede existing scheme (existing scheme to be phased out over the next two years). Benefits on export receipts will be automated and tax matters will be streamlined for exporters.	Positive	High	Enhanced focus on exports is a welcome sign as it will help ensure external account sustainability. Exports have shown some improvement during FY21 but more needs to be done to shift the tilt towards high-value added exports.
	Local supplies of raw materials/plant and machinery to registered exporters falling under Export Facilitation Scheme, 2021 will be zero-rated.	Positive	High	Will incentivize setting up of export-oriented industries in Pakistan. Encourage new investments by domestic and foreign players in high-value added export segments.
	Subsidized turnover tax of 1% (1.5% previously) on export of services, contracts and technical services carried outside Pakistan.	Positive	High	The concession is likely to boost services exports in the country.
	PSDP allocation increased to PKR 900Bn from PKR 650Bn last year.	Positive	High	Increased allocation will spur construction sector activity and employment of a large, young workforce in the country.
	PKR 30Bn allocated for Naya Pakistan Housing and PKR 3bn markup subsidy for Naya Pakistan Scheme. In addition, for people under the age of 30, PKR 0.3Mn subsidy will be given for small houses and PKR 2Mn worth of interest free loans will be provided under the Naya Pakistan Housing Scheme.	Positive	High	Given PM Imran Khan's emphasis on construction sector, we believe that this is a step in the right direction and will significantly boost construction sector credit and activity in the country going forward.
	Abolishment of 12 types of Withholding Taxes (WHT) on various types of transactions. Most notable of these is reduction in WHT on banking transactions.	Positive	High	This adjustment is likely to reduce dependence on indirect withholding taxes and will encourage fresh deposits into formal banking channels.
	Petroleum Levy (PL) budgetary allocation increased from PKR 450Bn to PKR 610Bn.	Negative	High	The measure will likely be inflationary in nature as increased PL will be directly passed into petroleum product prices.

BUDGET IMPACT ON LISTED SECTORS & ECONOMY

Sector	Key Changes	Impact	Importance	Our View
Capital Market	Abolishment of Capital Value Tax (CVT). Previously, it was charged at 0.02% on purchase/sale value at the time of buying/selling.	Positive	High	Will likely boost trading activity at Pakistan Stock Exchange (PSX) and also enhance investor base in the country. Active investor accounts in the country have remained stagnant at 250k for over 5 years.
	Abolishment of NCCPL advance tax collection equating to 10% of profit/markup/interest earned by margin financier, member or securities lender.	Positive	High	Abolishment of advance tax will likely increase the use of leveraged products at PSX. An upward shift in the level of margin financing can be expected which currently stands at PKR 11.45Bn, down from its 1yr high of PKR 14.03Bn recorded in Feb'21.
	Tax credit on new listings at PSX has been abolished. Previously new companies listed on PSX could avail 20% tax credit for first two years and 10% for subsequent two years.	Negative	High	This change could discourage new entities from getting listed on PSX. New listings have remained chronically low at PSX historically due to multiple reasons. This adjustment could further slowdown IPO activity in the country.
	Capital Gains Tax (CGT) on shares trading reduced from 15% to 12.5% for tax return filers. CGT for non-filers remained unchanged at 30%.	Positive	High	A very positive development which will fuel trading activity at PSX. Reduction in CGT has been a key demand of PSX for a number of years.
Autos	Exemption from FED (previously 2.5%) on cars with engine capacity of up to 850cc. Sales tax on these cars is also reduced from 17% to 12.5%.	Positive	High	Will likely reduce prices of smaller cars in the country by up to PKR 113k and boost unit sales. PSMC is likely to be a key beneficiary of this development.
	AVT (AD-valorem tax) exemption of 3% for electric vehicles CKD kits/small cars up till Jun'26 while AVT exemption for 2-3 wheelers in CBU condition is available till Jun-25.	Neutral	Medium	Influx of electric vehicles in Pakistan will likely dent sales of existing auto manufacturers in the country in the medium-long term.
	New clause added in transfer of vehicle cost to penalize business of 'On' money. PKR 50,000, 100,000 and 200,000 imposed on transfer of vehicles below 1000cc, 2000cc and over 2000cc respectively.	Positive	Medium	This will likely discourage the prevailing 'on' money practices and reduce delivery time for consumers. The measure can likely boost <i>new</i> car sales of existing players such as HCAR, INDU, PSMC, KIA, HYUNDAI etc.

BUDGET IMPACT ON LISTED SECTORS & ECONOMY

Sector	Key Changes	Impact	Importance	Our View
Cements	Federal PSDP increased by 43% YoY from PKR 630Bn to PKR 900Bn while allocation for provinces has been budgeted at PKR 1.2Trn.	Positive	High	Highest ever PSDP announcement as the government's focus on growth bodes well for the cement sector as demand from the local end will continue to remain upwelling. We have a bullish stance on Pak Cements.
	PKR 30Bn subsidy for alleviation of Naya Pakistan Housing Scheme and another PKR 3Bn mark-up subsidy for low cost housing loans.	Positive	High	Continuing with the focus of providing low cost housing solutions to low-income groups, this development from the government will spur demand growth for the sector.
Refineries	Imposition of 10% custom duty on Motor Spirit (MS) and High Speed Diesel (HSD).	Positive	High	Additional revenue from this end will likely be utilized for expansion projects of refineries. Positive for all listed Refineries
	10 year tax holiday for new refineries and BMR projects for existing refineries.	Positive	High	The incentives being offered by the government will aid in attracting new investment into the refinery sector and likely spur domestic output. Positive for PRL, BYCO, ATRL.
	Abolishment of zero-rating on crude oil import.	Neutral	Low	As a result of this withdrawal, sales tax of 17% will now be charged on crude oil imports. Greater revenue from this end will aid the government in achieving its ambitious revenue targets.
Textile	Abolishment of custom and regulatory duties of 5% on the import of polyester yarn.	Positive	High	This is a positive development for all textile players as yarn is the basic raw material for textiles and will likely boost their gross margins.
	Increase in general sales tax on raw cotton and ginned cotton from 10% to 17%.	Negative	High	This will likely increase cotton prices which is another basic raw material used in the manufacturing process and shrink gross margins.
	Increase in GST on potassium chlorate which will now be imposed at PKR 90/kg from PKR 80/kg at a standard 17% rate.	Negative	Medium	This is a negative development for the sector as potassium chlorate is used in the fabrics dyeing process.
Steel	Imposition of 17% sales tax on the import of steel billets, ingots, ship plates and other long re-rolled items.	Positive	High	Imposition of GST on imported products will make it costlier for commercial importers thereby improving pricing power of local players. We see MUGHAL, AGHA, ITTEFAQ & ASTL to be major beneficiaries of this development.
	Abolishment of CD/ACD and reduction in RD on import of stainless steel and HRC	Positive	High	This will reduce production costs and improve gross margins for flat steel producers including ISL & ASL which currently only pay custom duty at 5% on imported HRC.
Banks	Removal of WHT tax (0.6% for non-filers) on banking transactions.	Positive	High	We expect this development to reduce Currency in Circulation (CIC) and improve flow into the formal channel. This will also reduce in cash based transactions in the economy and spur deposits growth.
Technology	Zero rated taxation regime for companies who bring back 80% of their export revenues into Pakistan through formal banking channels.	Positive	Medium	This is a non-event for listed tech sector. Current listed companies such as NETSOL and SYS are already availing this tax benefit. This only changes the nature of tax benefit whereby all companies now fall under zero-

BUDGET IMPACT ON LISTED SECTORS & ECONOMY

Sector	Key Changes	Impact	Importance	Our View
Pharma	Exemption of CD/ACD on more than 350 Active Pharmaceutical Ingredients (API's).	Positive	High	This development will drive down import prices for pharma companies thereby enhancing their gross margins.
	Concessionary borrowing on plant, machinery and equipment @ 5%.	Positive	High	This will incentivize the pharma sector and encourage them in enhancing their footprint.
	Abolishment of customs duty on 6 life saving drugs.	Positive	High	This will reduce cost burden on end consumer of life saving drugs.
Others	Tax on profit from debt set at uniform 15% across all income levels.	Neutral	Low	Reduced taxation will increase disposable income of individuals and increased spending.
	Tax credit offered for investment in Point of Sales (POS) machines.	Neutral	Low	The drive towards documentation of retailer continues. This will help in speeding documentation drive.
	Tax on rental income of PKR 200k, other than salary, has been imposed.	Negative	Low	
	Removal of Advance (5%) tax on extraction of minerals.	Neutral	Low	
	Sales tax of 2/2.5% of the gross amount payable by distributors of FMCG companies has now been abolished.	Positive	Medium	Reduction in sales tax will likely translate into lower prices of FMCG sector products and somewhat help ease core inflation in the country.
	Rate of tax collection will be 7.5% for domestic consumers if monthly electricity bill exceeds PKR 25k, otherwise.	Neutral	Low	
	Advance tax of 0.5% on certain petroleum products has been abolished.	Neutral	Low	Will result into lower petroleum prices and somewhat ease inflationary pressures
	1% Advance tax on amount remitted abroad through credit, debit or prepaid cards has been abolished.	Neutral	Low	Will increase the use of formal banking channels and help in documentation. In addition, increased transaction volumes will improve fee income of banks.
	Extension in tax exemptions for a person who books gains and profits on sale of immovable property to REITs till June, 2023.	Neutral	Low	
	Gains derived by venture capital firms up to Jun-24 will no more be tax exempted.	Negative	Medium	Will likely deter VC investments in Pakistan which have recently started to pick up.

BUDGET IMPACT ON LISTED SECTORS & ECONOMY

Sector	Key Changes	Impact	Importance	Our View
	Advance tax exemption on profits derived by LNG terminal operators and terminal owners for a period of 5 years has been abolished.	Negative	Low	
	ACD exemption on the import of raw materials for the production of cables and optical fiber.	Positive	Medium	Positive for WTL . The company is in the process of acquiring new fiber optic lines to upgrade its existing infrastructure.
	Reduction/exemption in CD/ACD on raw materials for paint manufacturing.	Positive	Medium	Positive for BERG, BUXLY and other importers of paint raw materials.
	Removal of CD & ACD on 6 life-saving drugs.	Positive	Low	
	Reduction in RD on the import of cell phones.	Positive	Low	
	SEZs exempted from minimum turnover tax.	Positive	Medium	
	Warehouses for food preservation now exempt from taxes.	Positive	Medium	The measure will increase warehousing activity in the country and help towards ensuring food security and food price stability in the future.
	Removal of 5% advance tax and absolute advance tax on air tickets.	Positive	Low	
	Turnover tax on bike dealers increased from 0.3% to 0.5%.	Negative	Low	The measure could increase bike prices. However, the effect of price increase is unlikely to be material on 2 wheeler sales.
	Abolishment of customs duty on the import of plant and machinery for bagasse/biomass based Cogen projects.	Positive	Low	Likely a minor positive for sugar millers.
	Reduced duties on the import of raw materials and inputs for use in footwear industry.	Positive	Medium	Positive for BATA and SRVI , the two major listed footwear manufacturers in Pakistan.
	Imposition of sales tax on sales via online markets and channels.	Neutral	Low	
	Tax credit amendments previously offered to new industrial undertakings have now been removed.	Negative	Low	
	CGT on disposal of immovable property increased to 5.0% from 2.5% for gains up to PKR 5Mn.	Negative	Low	
	Sales tax on imported LNG for servicing CNG sector and local supplies have been reduced to 0% from previous 5%.	Positive	Low	

BUDGET IMPACT ON LISTED SECTORS & ECONOMY

Sector	Key Changes	Impact	Importance	Our View
	Sales tax on plant and machinery not manufactured locally and having no compatible local substitutes have been reduced to 0% from 10%.	Positive	Low	The measure could facilitate fixed capital investments in the country.
	Sales tax on Plant, machinery, and equipment used in production of biodiesel have been reduced to 0% from 5%.	Positive	Low	
	Sales tax on agriculture machinery used for harvesting, threshing and storage have been reduced to 0% from 5%.	Positive	Low	
	First year allowance has been removed for plant, machinery and equipment installed by any industrial undertaking set up in specified rural and under developed areas or engaged in the manufacturing of cellular mobile phones and qualifying for exemption.	Negative	Low	
	From now on, a person would be unable to take depreciation benefit on amount exceeding asset purchasing value.	Positive	Medium	Will result into lowering of speculative activity in the real estate sector.
	CNIC shall be the common identifier number for sales tax. For Companies, NTN shall be the common identifier number in addition to sales tax registration number.	Positive	Medium	This is a step in the right direction towards simplification of tax. Also, this will improve documentation of the economy going forward.
	Now a person can extend the sales tax file return by giving an application to the commissioner courtesy that the following reasons apply; (a) absence from Pakistan; (b) sickness or other misadventure; or (c) any other reasonable cause.	Neutral	Low	
	Local supplies of raw materials, components, parts and plant and machinery to registered exporters have been omitted from sales tax under Gwadar free zone.	Neutral	Low	
	Retailing of smuggled goods has been included in the definition of smuggling.	Positive	High	The measure will help in curbing smuggling and improve tax collection in the country. A positive for GTJR which continues to battle smuggled tyres in the replacement market.

KEY CUSTOMS DUTY CHANGES IN FY22 BUDGET

Table 3: Custom Duty changes

Commodities	Customs 2020	Customs 2021	Change	Impact	Impact on Companies
Energy					
Crude Oil	3.00%	2.50%	0.50%	Positive	Positive for BYCO, ATRL, NRL, PRL
MS	3.00%	10.00%	-7.00%	Positive	Positive for BYCO, ATRL, NRL, PRL
HSD	11.00%	10.00%	1.00%	Neutral	Positive for BYCO, ATRL, NRL, PRL
Textile					
Synthetic filament yarn polyester	11.00%	9.00%	2.00%	Positive	Negative for ICI, positive for textiles
Synthetic staple fiber of polyester	6.50%	7.00%	-0.50%	Neutral	Positive for textile companies
Basic dyes and preparations based thereon	3.00%	0.00%	3.00%	Positive	Textile companies
Steel					
HRC	5.00%	0.00%	5.00%	Positive	Flat steel (ISL, ASL, INIL)
Pharmaceutical API					
Cefixime	16.00%	0.00%	16.00%	Positive	Highnoon, Searl, Abbot, AGP

Source: Finance Bill, BMA Research

BUDGET AT A GLANCE

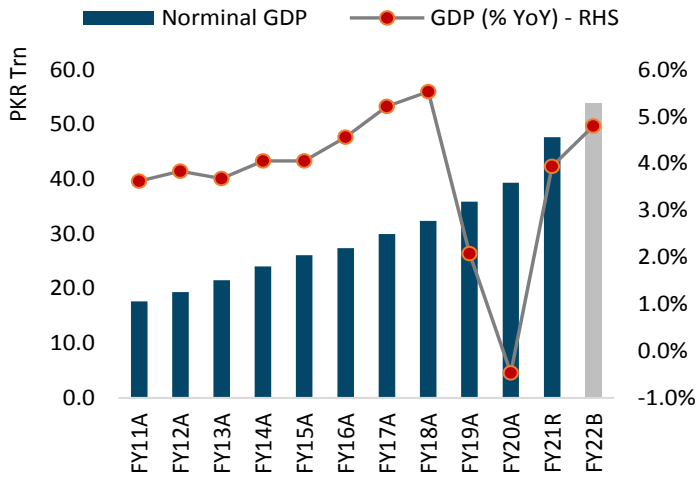
Table 4: FY22 Budget at a Glance

PKR Bn	FY19	FY20	FY21B	FY21R	% Chg.	FY22B	% YoY
Fiscal Revenue	4,436	5,782	6,573	6,395	-2.7%	7,909	23.7%
Tax Revenue	3,829	3,998	4,963	4,691	-5.5%	5,829	24.3%
Non-Tax Revenue	607	1,784	1,610	1,704	5.9%	2,080	22.0%
Fiscal Expenditure	5,982	7,248	7,137	7,341	2.9%	8,487	15.6%
Current Expenditure	4,804	6,093	6,343	6,561	3.4%	7,523	14.7%
Debt Servicing	2,091	2,620	2,946	2,851	-3.2%	3,060	7.3%
Defense Expenditures	1,147	1,213	1,286	1,295	0.7%	1,370	5.8%
Other Current Expenditures	1,566	2,260	2,110	2,415	14.5%	3,094	28.1%
Development Expenditure & Net Lending	1,178	1,155	794	780	-1.8%	964	23.6%
Provincial Transfers	2,398	2,504	2,874	2,704	-5.9%	3,412	26.2%
Net Revenue Receipts	2,038	3,278	3,700	3,691	-0.2%	4,497	21.8%
Overall Fiscal Balance	(3,944)	(3,970)	(3,437)	(3,650)	6.2%	(3,990)	9.3%
Provincial Surplus	499	594	242	242	0.0%	570	135.5%
Cons. Fiscal Balance	(3,445)	(3,376)	(3,195)	(3,408)	6.7%	(3,420)	0.4%
Total Fiscal Financing	-3,944	-3,970	-3,437	-3,650	6.2%	-3,990	9.3%
External Fiscal Financing	417	896	810	1,323	63.3%	1,246	-5.8%
Domestic Fiscal Financing	3,527	3,074	2,627	2,327	-11.4%	2,492	7.1%
Privatization Proceeds	0	0	0	0	N/A	252	N/A
Primary Fiscal Balance	-1,354	-756	-249	-557	123.8%	-360	-35.3%
GDP	38,086	41,556	45,567	47,709	4.7%	53,867	12.9%

Source: Budget in Brief 2021-22, MoF, BMA Research

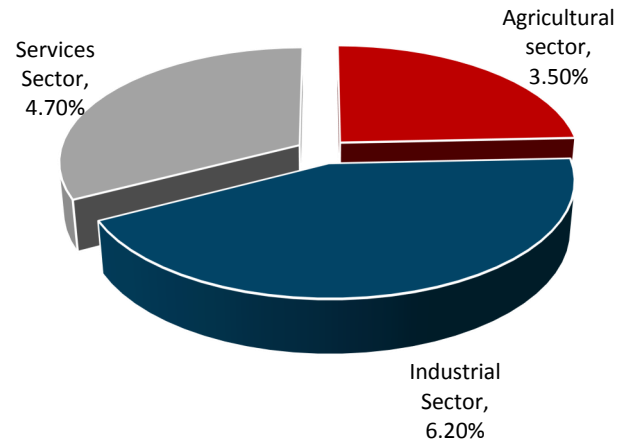
BUDGET FY22 FOCUS CHARTS

Chart 1: GDP growth to recover strong



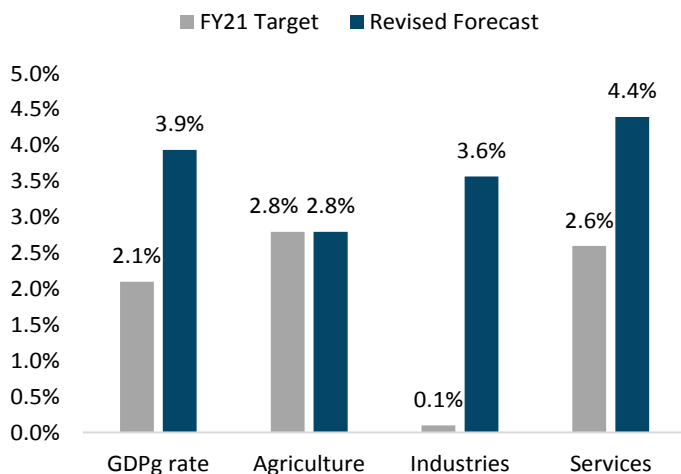
Source: MoF, BMA Research

Chart 2: Growth target for FY22



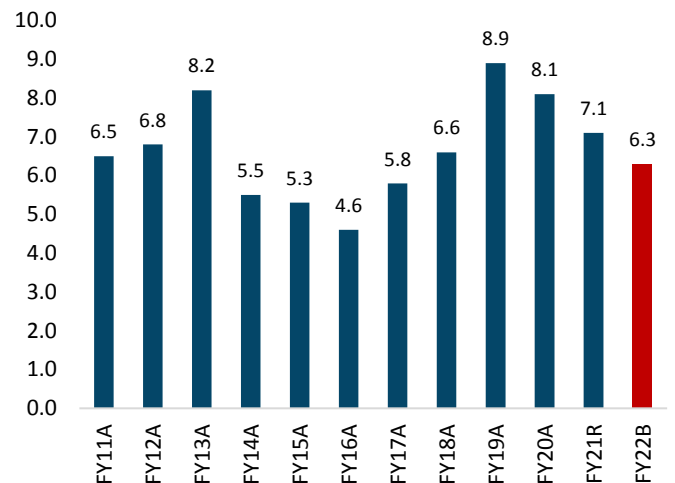
Source: SBP, BMA Research

Chart 3: Growth in FY21 remained better than expected



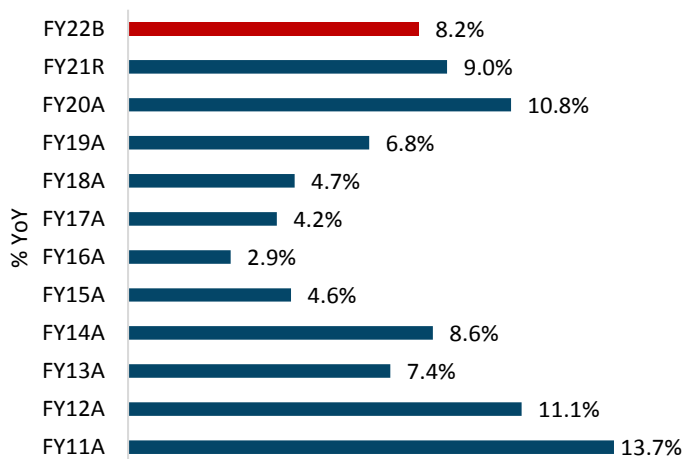
Source: SBP, BMA Research

Chart 4: Fiscal deficit (% of GDP)



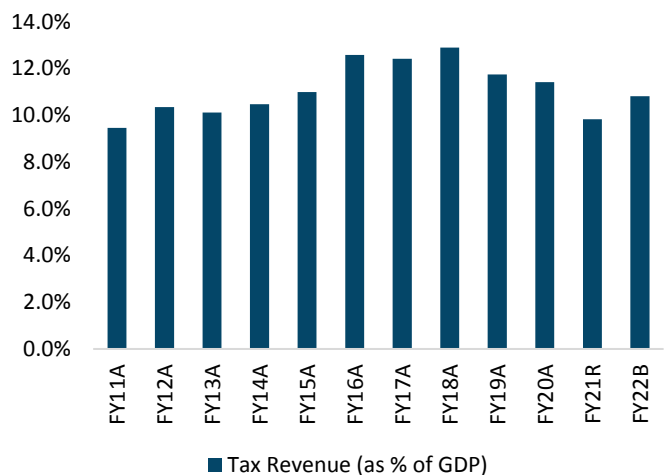
Source: MoF, BMA Research

Chart 5: Govt. inflation projections seem reasonable



Source: MoF, BMA Research

Chart 6: Aiming for higher tax collection next year



Source: PBS, BMA Research

Revenue targets for FY22 heavily depend on GDP forecasts

FBR tax collection budget to increase by 27% YoY: The government has envisaged total gross revenue outlay of PKR 7,909Bn for the upcoming fiscal year, up 26.7% from previous year revised estimates of PKR 6,395Bn. The government expects PKR 5,829Bn (up 17.4% YoY) of this target to be met via FBR revenue while the remainder is forecasted to be collected in the shape of non-tax revenue (PKR 2,080Bn, up 22.0% YoY).

How does the government expects FBR to contribute to its revenue target? The sizable jump in FBR revenue is expected to be met through an increase in both direct and indirect taxation to the tune of 22.0% YoY and 25.7% YoY respectively. In terms of direct taxes, primary impetus is expected to come from taxes on income that are expected to surge to PKR 2.17Trn (up 22.0% YoY). On the flip side, indirect taxes, the sum is forecasted to climb to PKR 3.6Trn with principal growth coming from Sales tax (up 30.0% YoY) to PKR 2.5Trn.

What contributions will be made from non-tax revenue? In terms of non-tax revenue, the 22.0% YoY growth is expected to be collected through higher petroleum levy (up PKR110Bn YoY) and increased GIDC (up PKR 105Bn YoY) being the primary changes from previous year revenue targets. Apart from these, profits from SBP, albeit lower by PKR 50Bn, are expected to continue a bulky chunk towards Non-Tax revenues.

Table 5: Revenue Receipts Target

PKR Bn	FY21B	FY21R	% Chg.	FY22B	% YoY
FBR Tax Revenues	4,963	4,691	-5.48%	5,829	24.26%
Direct Taxes	2,043	1,789	-12.43%	2,182	21.97%
Income Tax	2,033	1,780	-12.43%	2,172	22.02%
Others	10	9	-13.10%	10	11.97%
Indirect Taxes	2,920	2,902	-0.62%	3,647	25.67%
Custom Duties	640	700	9.38%	785	12.14%
Sales Tax	1,919	1,927	0.42%	2,506	30.05%
Federal Excise	361	275	-23.82%	356	29.45%
Non-Tax Revenues	1,610	1,704	5.85%	2,080	22.03%
Levies & Fees	26	18	-29.92%	30	60.07%
Fee Collected by ICT Admin	20	13	-34.55%	20	52.62%
Others	6	5	-13.65%	9	79.92%
Income from Property & Enterprise	211	177	-15.91%	266	50.03%
PTA (3G / 4G) Licences	2	2	20.95%	4	65.36%
Mark-up (Provinces)	27	25	-7.00%	36	42.34%
Mark-up (PSEs & others)	93	75	-19.65%	90	20.00%
PSE Dividends	61	40	-33.86%	90	124.07%
Others	28	34	25.18%	46	33.26%
Receipts from Civil Administration	646	728	12.69%	684	-5.97%
SBP Profit	620	700	12.90%	650	-7.14%
Others	26	28	7.45%	34	23.91%
Misc. Receipts	728	781	7.38%	1,101	40.86%
Petroleum Levy	450	500	11.11%	610	22.00%
GIDC	15	25	66.67%	130	420.00%
Royalty on Natural Gas	54	57	5.92%	65	14.04%
Royalty on Crude Oil	23	26	13.04%	35	34.62%
Others	186	173	-6.72%	261	50.33%
Total Fiscal Revenues	6,573	6,395	-2.7%	7,909	23.7%

Source: Budget in Brief FY22, MoF

Markup payments to eat up most of the budget

Focus on providing relief to the masses: The government expects total current expenditure for the next fiscal year to climb to PKR 7,523Bn (up 18.6% YoY). Breaking it up, the major changes are expected in terms of subsidy pay-outs that have been scaled up from PKR 209Bn in FY21 to PKR 682Bn in the next fiscal year and PKR 100Bn for COVID relief fund. The sizable increase in subsidies primarily relate to grants allocated to the power sector. Of these, PKR 266Bn are to be allocated to Power Holdings Private Limited (PHPL) and IPPs. PKR 245Bn subsidy for WAPDA/PEPCO and PKR 85Bn have been set aside for KEL. Continuing with its focus on low cost housing for the lesser privileged, the government has allotted PKR 30Bn with regards to the Naya Pakistan Housing Scheme and PKR 3Bn for concessionary housing loans. Furthermore, PSDP allocation has been pushed up to a record PKR 2.1Trn, up by a sizable 61% YoY. Federal PSDP has been increased to PKR 900Bn from PKR 630Bn while provincial PSDP has been increased to PKR 1,235Bn (up 83% YoY).

Table 6: Current Expenditures

PKR Bn	FY21B	FY21R	% Chg.	FY22B	% YoY.
Mark-up Payment	2,946	2,851	-3.24%	3,060	7.33%
Mark-up on Domestic Debt	2,631	2,611	-0.76%	2,757	5.59%
Mark-up on Foreign Debt	315	240	-23.98%	303	26.27%
Pension	470	470	0.00%	480	2.13%
Military	359	359	0.00%	360	0.28%
Civil	111	111	0.00%	120	8.11%
Defence Affairs & Services	1,286	1,295	0.68%	1,370	5.79%
Grants & Transfers	905	932	3.07%	1,168	25.22%
Grants to Provinces	85	85	0.00%	106	25.00%
Grants to Others	820	847	3.39%	1,061	25.24%
Subsidies	209	430	105.74%	682	58.60%
Pay & Pension	0	0	N/A	160	N/A
Provision for Contingencies	50	0	N/A	25	N/A
Running of Civil Government	477	488	2.37%	479	-1.81%
Provision for Disaster / Covid	0	95	N/A	100	5.26%
Total Current Expenditures	6,343	6,561	3.44%	7,523	14.67%

Source: Budget in Brief FY22, MoF

Table 7: Development Expenditure & Net Lending

PKR Bn	FY21B	FY21R	% Change	FY22B	% Change
Dev. Expend. & Net Lending	794	780	-1.8%	964	23.6%
Total PSDP	1,324	1,304	-1.5%	2,135	63.7%
Federal	650	630	-3.1%	900	42.9%
Provincial	674	674	0.0%	1,235	83.2%
Net Lending	72	72	0.0%	64	-11.1%

Source: Budget in Brief FY22, MoF

General public service to take the lion's share: On the other hand, mark-up payments are expected to increase by a marginal 3.9% YoY to PKR 3,060Bn. Similarly, defense spending has been increased by ~6% YoY to PKR 1.37Trn. In terms of functions, general public service will take the lion's share with PKR 5.4Trn, up 22.7% YoY from last year's allotment.

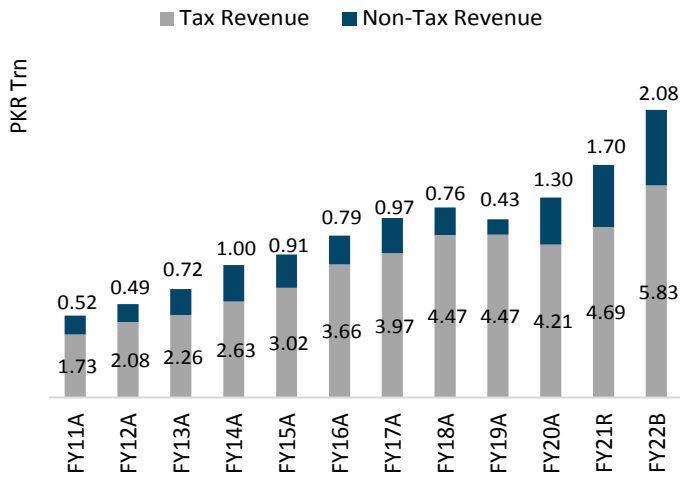
Table 8: Subsidies

PKR Bn	FY21B	FY21R	% Chg.	FY22B	% YoY.
WAPDA/PEPCO	124	350	182.54%	511	45.85%
KESC	16	16	3.23%	85	431.25%
Petroleum	10	12	20.00%	20	66.67%
PASSCO	7	7	0.00%	7	0.00%
Utility Stores Corporation	3	8	166.67%	6	-25.00%
Others	50	37	-25.96%	53	44.61%
Total Subsidies	209	430	105.74%	682	58.60%

Source: Budget in Brief FY22, MoF

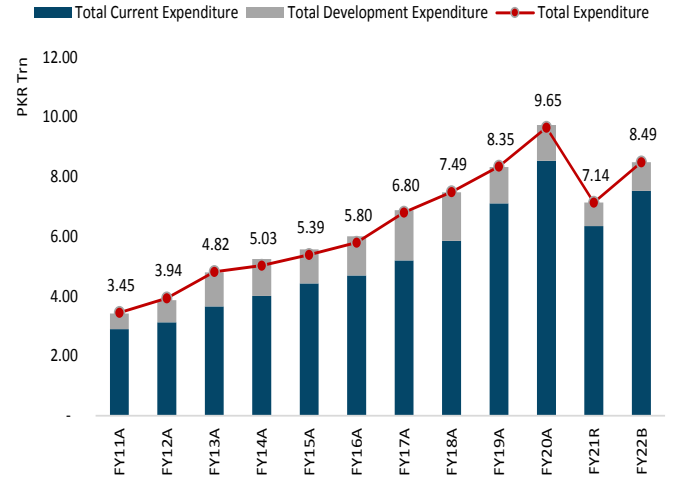
BUDGET FY22 BUDGET BREAKDOWN

Chart 7: Tax Target Breakdown



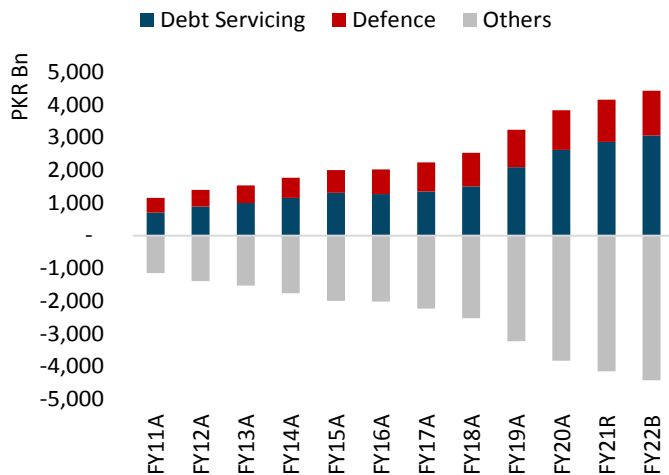
Source: MoF, BMA Research

Chart 8: Expenditures Breakdown



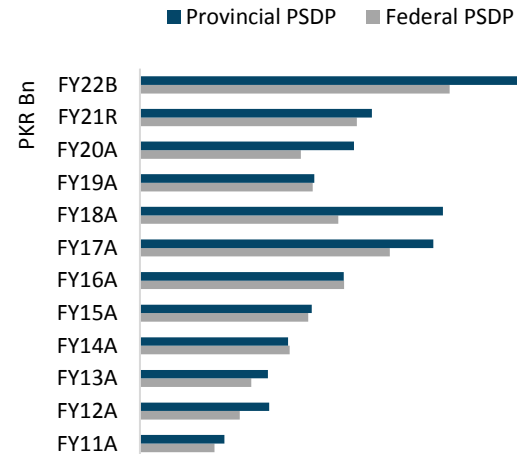
Source: MoF, BMA Research

Chart 9: Budgeted Expenditures at a Glance



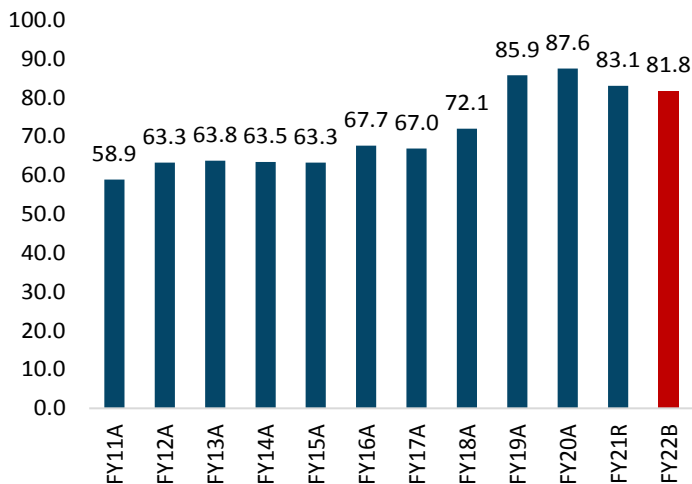
Source: MoF, BMA Research

Chart 10: Federal PSDP is the Highest Ever this Year



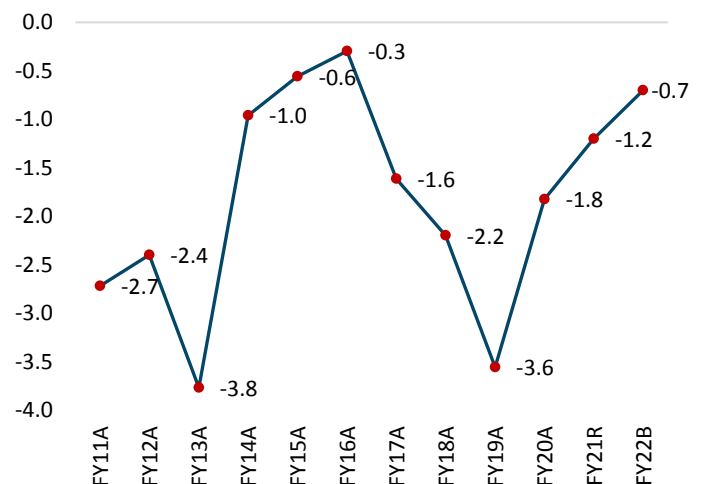
Source: MoF, BMA Research

Chart 11: Public Debt (% of GDP)



Source: MoF, BMA Research

Chart 12: Primary Balance (% of GDP)



Source: MoF, BMA Research

KSE-100 likely to extend its rally as Pakistan enters a new era

Discounted valuations & improving macroeconomic backdrop: At our 2022E Universe P/E of 6.2x, valuations look incredibly cheap at current levels. Pak Equities continue to trade at a steep discount to MSCI EM trading multiples. We believe that emerging improvements in macroeconomic fundamentals are grossly underestimated and this seems like an opportune time to invest in the country. We retain our bullish stance and expect our bull case Dec'21 KSE-100 index target of 59,000 points to materialize.

Table 9: Sector-wise valuation snapshot

Sectors	P/E (x)		D/Y (%)		P/B (x)		ROE (%)	
	2021E	2022F	2021E	2022F	2021E	2022F	2021E	2022F
Commercial Banks	5.8	5.0	8.0%	8.8%	0.8	0.7	13.5%	14.5%
E&Ps	5.3	5.3	5.9%	5.9%	0.7	0.7	14.8%	13.3%
Fertilizer	6.1	6.9	10.5%	9.2%	1.1	1.0	19.0%	15.0%
Cement	17.4	9.8	1.8%	3.0%	1.9	1.7	11.4%	18.3%
Food	29.1	21.9	0.8%	1.0%	6.1	5.0	22.9%	25.1%
Chemical	4.9	6.1	5.9%	4.9%	1.3	1.1	28.5%	19.2%
Auto Assemblers	11.0	8.2	4.3%	6.8%	2.5	2.2	24.2%	28.9%
Pharmaceuticals	15.1	13.7	3.4%	3.4%	4.5	3.8	32.3%	30.3%
Textile Composite	8.0	5.7	3.7%	5.3%	0.5	0.5	6.1%	8.2%
Power Gen. & Dist.	3.1	3.2	9.3%	11.2%	0.7	0.6	24.4%	20.5%
Oil & Gas Marketing	7.6	7.3	3.8%	4.6%	1.0	0.9	13.5%	12.9%
Tech. & Comm.	24.8	16.7	0.8%	1.2%	6.8	5.1	30.7%	35.0%
Engineering	9.6	9.7	3.7%	3.5%	2.1	1.8	24.8%	20.0%
Transport	13.0	12.2	0.0%	0.0%	1.3	1.2	10.3%	9.9%
BMA Universe	6.7	6.2	6.1%	6.5%	1.0	0.9	15.3%	15.2%

Recommendations: We like Banks, IT, Cements, Textiles, Pharmaceuticals, Steel and refineries sector at current levels. Key stocks benefitting from budgetary developments include; 1) ATRL; 2) PRL; 3) NRL; 4) BYCO; 5) LUCK; 6) DGKC; 7) MLCF; 8) KOHC; 9) NML; 10) GATM; 11) ASC; 12) TOMCL; 13) PSMC; 14) SYS; 15) HINOON; 16) GSKCH; 17) AGP; and 18) SEARLE; 19) ISL; 20) ASL; 21) MUGHAL; 22) ASTL; and 23) AGHA. Our top picks from BMA Universe include: 1) LUCK (TP: PKR 1,200); 2) MLCF (TP: PKR 85); 3) FLYNG (TP: PKR 46); 4) HBL (TP: PKR 160); 5) BAML (TP: PKR 112); 6) MUGHAL (TP: PKR 125); 7) SYS (TP: PKR 619); 8) IMAGE (TP: PKR 40); 9) ENGRO (TP: PKR 400); and 10) KAPCO (TP: PKR 45).

Summary of FY22 budget

- The Finance Minister Shaukat Tareen announced a pro-growth budget with a total outlay of PKR 8.5Trn, up ~19% from FY21 revised estimates. The aim from the government was clear as it aims to build on the strong economic revival seen in 2HFY21 without compromising on revenue targets.
- The government expects GDP growth of 4.8% in FY22 from 3.9% in FY21, while in the medium term they expect it to rise to 5-7%.
- Total tax revenue target for FY22 has been set at an ambitious PKR7.9Trn of which PKR5.8Trn pertains to FBR revenue while the remainder is related to non-tax revenue. The government expects surge in FBR revenue target to be met by increased income tax (up 22.0% YoY) and greater sales tax collection (up 30.0% budgeted).
- Fiscal deficit for the upcoming fiscal year has been targeted at 6.3% of GDP against 7.1% for the current year while primary deficit is expected to shrink to 0.7% compared to 1.2% this year.
- Budget deficit for the upcoming fiscal year is projected at PKR 3,990Bn compared to PKR 3,437Bn for FY21.
- Subsidy allocations for the next fiscal year have been increased to PKR 682Bn, up from PKR 430Bn last year. The increase primarily stems from grants allocated to the power sector. Breaking it up, PKR 266Bn are to be allocated to Power Holdings Private Limited (PHPL) and IPPs. PKR 245Bn subsidy for WAPDA/PEPCO and PKR 85Bn have been set aside for KEL. Continuing with its focus on low cost housing for the lesser privileged, the government has allotted PKR 30Bn with regards to the Naya Pakistan Housing Scheme and PKR 3Bn for concessionary housing loans.
- PSDP allocation has been scaled up to a record PKR 2.1Trn, up by a sizable 61% YoY. Breaking it up, federal PSDP has been increased to PKR 900Bn from PKR 630Bn while provincial PSDP has shot up to PKR 1,235Bn (up 83% YoY).
- The government seeks to continue with the rigorous COVID-19 vaccination drive and has allocated PKR 100Bn for the purpose with an aim of vaccinating 100Mn people by the end of the next fiscal year.
- Debt repayment for the upcoming year has been projected at PKR 3,060Bn.
- Defence budget is targeted at PKR 1.4Trn, an increase estimate of 6% YoY.
- Currently, exports stand at 8% of GDP which is considerably low compared to regional peers, the government has a vision to scale them up to 20% of GDP over the next 5 years.
- The government has taken initiatives to facilitate IT sector through the introduction of special technology economic zones (STEZs). Under the STEZs, the companies can avail 10 year tax break on exports of IT services. Moreover, the STEZs will be facilitated through reduced custom duty on the import of raw material on plant and machinery.
- The government has also taken initiatives to support textile sector by lowering duties on the import of basic raw material such as polyester yarn. This will help the textile companies to improve their profitability.
- The govt. has also supported the auto industry by reducing/abolishing duties applicable on the auto sector to facilitate the low income segment while also formulating the “Meri Gari Scheme”.
- The Telecom sector is now been granted the status of an industry.
- To curb the smuggling of goods into the country, the govt. has now put retailing of smuggled goods into the same category as smuggling.
- The govt. has abolished CD/ACD on more than 350 Active Pharmaceutical Ingredients (API's) as well as exemptions of duties on life saving drugs. In addition, the govt. has also encouraged the pharma companies to expand via import plant and machinery at reduced rate of 5%.

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Code	Price	TP	ETR (%)	Stance	EPS (PKR)		DPS (PKR)		P/E (x)		D/Y (%)		P/B (x)		ROE (%)	
	11-Jun-21	(Jun'22)	2022E		2021E	2022F	2021E	2022F	2021E	2022F	2021E	2022F	2021E	2022F	2021E	2022F
Commercial Banks																
MCB	165	195	30.3%	Buy	23.0	25.1	20.0	20.0	7.2	6.6	12.1%	12.1%	1.1	1.0	15.5%	16.1%
HBL	135	160	24.4%	Buy	19.6	22.9	8.0	8.0	6.9	5.9	5.9%	5.9%	0.8	0.8	12.4%	13.4%
UBL	131	150	23.3%	Buy	18.3	21.6	12.0	12.0	7.2	6.1	9.1%	9.1%	0.9	0.8	12.3%	14.3%
MEBL	113	120	12.5%	Hold	14.7	18.4	7.0	9.0	7.7	6.1	6.2%	8.0%	2.0	1.7	27.6%	29.5%
ABL	71	108	64.5%	Buy	14.9	18.0	9.0	11.5	4.8	3.9	12.7%	16.2%	0.6	0.6	12.7%	14.9%
NBP	37	50	34.3%	Buy	13.0	15.0	0.0	0.0	2.9	2.5	0.0%	0.0%	0.3	0.2	9.6%	10.1%
BAHL	73	112	58.7%	Buy	14.1	16.4	4.0	6.5	5.2	4.5	5.5%	8.9%	0.9	0.8	18.4%	18.5%
BAFL	32	40	35.6%	Buy	5.9	6.8	4.0	4.5	5.5	4.8	12.3%	13.9%	0.6	0.6	11.5%	12.8%
HMB	42	45	14.8%	Hold	6.9	7.2	2.8	2.8	6.0	5.8	6.8%	6.8%	0.7	0.7	12.5%	12.1%
BOP	8	12	55.6%	Buy	2.9	2.9	0.7	0.7	2.8	2.8	9.1%	9.1%	0.4	0.4	15.7%	14.0%
BIPL	11	15	31.6%	Buy	2.0	2.3	0.0	0.0	5.6	4.9	0.0%	0.0%	0.6	0.5	10.6%	11.5%
Oil & Gas Exploration																
OGDC	93	162	83.3%	Buy	20.1	19.7	8.0	8.0	4.6	4.7	8.6%	8.6%	0.5	0.5	12.0%	10.9%
PPL	90	131	49.1%	Buy	19.0	19.0	3.3	3.5	4.7	4.7	3.6%	3.9%	0.6	0.6	14.2%	12.7%
MARI	1,550	1,857	20.2%	Buy	213.3	216.2	6.0	6.0	7.3	7.2	0.4%	0.4%	1.7	1.4	26.6%	21.4%
POL	380	499	43.2%	Buy	52.3	52.0	45.0	40.0	7.3	7.3	11.8%	10.5%	3.2	2.9	40.1%	41.6%
Fertilizer																
ENGRO	306	400	37.8%	Buy	47.8	44.3	28.5	26.6	6.4	6.9	9.3%	8.7%	0.7	0.6	11.6%	9.5%
FFC	107	135	37.4%	Buy	15.6	14.8	11.8	11.0	6.9	7.2	11.0%	10.3%	2.9	2.7	44.3%	38.6%
EFERT	72	75	21.3%	Buy	13.0	10.1	12.0	9.0	5.6	7.1	16.7%	12.5%	2.0	1.9	36.5%	27.7%
FATIMA	29	44	57.8%	Buy	6.2	5.8	2.0	1.8	4.7	5.0	6.9%	6.0%	0.6	0.6	14.3%	12.2%
FFBL	28	35	29.1%	Buy	4.0	2.1	1.0	1.0	6.9	13.0	3.6%	3.6%	1.9	1.8	31.6%	14.2%
Cement																
LUCK	912	1,200	33.2%	Buy	52.9	89.3	14.0	17.0	17.2	10.2	1.5%	1.9%	2.7	2.5	16.3%	25.0%
DGKC	126	165	32.0%	Buy	5.9	14.3	1.5	4.3	21.3	8.8	1.2%	3.4%	0.8	0.7	3.7%	8.3%
MLCF	47	86	84.9%	Buy	2.8	5.6	1.0	2.2	16.5	8.4	2.1%	4.8%	1.6	1.4	9.7%	17.6%
KOHC	210	235	13.6%	Hold	13.2	21.5	3.8	6.9	15.9	9.8	1.8%	3.3%	1.9	1.7	13.1%	18.4%
FCCL	24	36	55.6%	Buy	2.6	3.7	1.5	2.3	9.2	6.5	6.2%	9.4%	1.4	1.3	16.7%	21.0%
CHCC	187	180	-2.3%	Sell	6.2	13.9	2.5	5.5	30.3	13.4	1.3%	2.9%	3.4	2.9	11.5%	23.3%
PIOC	132	125	-4.8%	Sell	2.1	9.7	0.8	4.0	62.8	13.6	0.6%	3.0%	2.6	2.4	4.4%	18.3%
ACPL	177	175	1.0%	Hold	13.8	17.0	4.0	5.3	12.8	10.4	2.3%	3.0%	1.3	1.2	10.8%	12.1%
Food & Personal Care Products																
FCEPL	86	91	6.2%	Hold	2.2	3.1	0.0	0.0	38.5	27.3	0.0%	0.0%	6.4	5.2	18.1%	21.0%
NATF	223	298	35.6%	Buy	10.6	13.4	4.8	6.0	21.1	16.7	2.1%	2.7%	5.7	4.8	29.5%	31.0%

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Code	Price	TP	ETR (%)	Stance	EPS (PKR)		DPS (PKR)		P/E (x)		D/Y (%)		P/B (x)		ROE (%)	
	11-Jun-21	(Jun'22)	2022E		2021E	2022F	2021E	2022F	2021E	2022F	2021E	2022F	2021E	2022F	2021E	2022F
Chemicals																
EPCL	48	67	45.1%	Buy	11.5	9.1	2.2	1.7	4.1	5.2	4.7%	3.7%	1.2	1.0	34.0%	21.3%
LOTCHEM	16	21	38.0%	Buy	2.9	2.2	1.5	1.3	5.7	7.5	9.1%	7.6%	1.3	1.2	23.1%	16.3%
DOL	29	36	28.9%	Buy	1.8	2.5	0.8	1.0	15.9	11.4	2.6%	3.5%	2.6	2.3	16.4%	21.4%
SPL	28	31	11.0%	Hold	2.6	3.2	0.0	0.0	10.8	8.7	0.0%	0.0%	0.7	0.7	6.8%	7.9%
Automobile Assemblers																
INDU	1,318	1,587	27.4%	Buy	145.1	171.2	91.7	102.7	9.1	7.7	7.0%	7.8%	2.2	2.1	25.9%	27.7%
MTL	1,123	1,183	11.2%	Hold	91.9	102.9	66.1	90.0	12.2	10.9	5.9%	8.0%	10.3	8.8	101.3%	87.0%
HCAR	377	388	4.0%	Hold	12.6	28.4	4.5	4.5	30.0	13.3	1.2%	1.2%	3.0	2.6	10.3%	20.7%
PSMC	333	350	9.5%	Hold	46.2	58.5	14.0	17.5	7.2	5.7	4.2%	5.3%	1.0	0.9	14.5%	16.1%
Pharmaceuticals																
HINOON	614	850	41.8%	Buy	40.7	44.8	20.7	20.7	15.1	13.7	3.4%	3.4%	4.5	3.8	32.3%	30.3%
Textiles																
NML	101	130	32.3%	Buy	13.5	17.8	4.0	5.3	7.5	5.7	3.7%	5.3%	0.5	0.5	6.1%	8.2%
Power Generation & Distribution																
HUBC	78	110	48.2%	Buy	23.3	22.9	6.3	7.5	3.4	3.4	8.0%	9.6%	1.0	0.8	31.8%	25.6%
NPL	20	42	132.4%	Buy	7.9	6.9	5.0	6.0	2.6	2.9	24.7%	29.7%	0.3	0.3	11.6%	9.8%
PKGP	29	35	23.9%	Buy	11.5	11.8	1.5	1.5	2.6	2.5	5.1%	5.1%	0.5	0.4	20.7%	17.8%
NCPL	16	28	99.7%	Buy	5.9	4.7	4.2	5.5	2.7	3.4	26.3%	34.1%	0.3	0.3	11.3%	8.9%
LPL	19	31	71.1%	Buy	8.9	9.4	1.0	1.2	2.1	2.0	5.3%	6.7%	0.4	0.3	21.0%	18.5%
Oil & Gas Marketing																
PSO	233	282	24.9%	Buy	30.7	32.1	9.2	10.0	7.6	7.2	4.0%	4.3%	0.9	0.8	12.2%	11.7%
APL	329	374	17.1%	Buy	42.2	44.7	10.8	18.0	7.8	7.4	3.3%	5.5%	1.5	1.3	21.0%	19.4%
Technology & Communication																
SYS	506	619	23.1%	Buy	20.4	30.3	4.1	6.1	24.8	16.7	0.8%	1.2%	6.8	5.1	30.7%	35.0%
Engineering																
ISL	91	116	35.0%	Buy	17.3	11.8	7.5	4.8	5.3	7.8	8.2%	5.2%	2.1	1.9	47.6%	25.5%
MUGHAL	115	135	21.0%	Buy	12.6	18.8	4.5	6.5	9.2	6.1	3.9%	5.6%	2.1	1.7	30.7%	30.8%
ASTL	46	55	21.1%	Buy	3.6	4.0	0.8	0.8	12.7	11.5	1.6%	1.6%	1.1	1.1	9.3%	9.5%
ASL	26	30	17.0%	Buy	8.9	5.9	0.8	1.3	3.0	4.5	2.9%	4.8%	1.4	1.1	59.1%	26.8%
Transport																
PIBTL	11	15	31.2%	Buy	0.8	0.9	0.0	0.0	13.0	12.2	0.0%	0.0%	1.3	1.2	10.3%	9.9%

Abbreviations

ADR	Advances Deposit Ratio	FYTD	Fiscal year to date	OMCs	Oil Marketing Companies
APCMA	All Pakistan Cement Manufacturers Association	FY	Fiscal Year	OPEC	Oil Producing and Exporting Countries
Avg.	Average	GBP	Great Britain Pound	p.a.	Per annum
BN	Billion	GDPg	GDP growth	PAT	Profit After Tax
BBL	Barrel	GDP	Gross Domestic Product	PBS	Pakistan Bureau of Statistic
BCF	Billion Cubic Feet	GENCOs	Power Generation Companies	P/B	Price to Book Value
BoE	Barrels of Oil Equivalent	GIDC	Gas Infrastructure Development Cess	P/E	Price Earning
BoP	Balance of Payment	GHPL	Government Holdings (Pvt) Ltd.	PER	Price Earning Ratio
BPD	barrels per day	Gov't	Government	PIB	Pakistan Investment Bonds
Bps	Basis Points	GST	General Sales Tax	PKR	Pakistan Rupee
B/Y	Bond Yield	HSD	High Speed Diesel	POL	Petroleum Products Prices
CAD	Current Account Deficit	IDR	Investment Deposit Ratio	PP	Petroleum Policy
CAGR	Compounded Annual Growth Rate	IMF	International Monetary Fund	PPA	Power Purchase Agreement
CAR	Capital Adequacy Ratio	IPPs	Independent Power Producers	PPIS	Pakistan Petroleum Information Service
CASA	Current Account Saving Account	JPY	Japanese Yen	PR	Policy Rate
1Q	First Quarter	KO	Kerosene Oil	PSDP	Public Sector Development Program
CKD	Complete Knock Down	9M	9 Months	PSM	Pakistan Steel Mills
CNG	Compressed Natural Gas	LHS	Left hand side	PSX	Pakistan Stock Exchange
CNIC	Computerized National Identity Card	LNG	Liquified Natural Gas	PTI	Pakistan Tehreek-e-Insaf
COD	Commercial Operations Date	LPS	Loss Per Share	QR	Quick Response
CPEC	China Pakistan Economic Corridor	LSM	Large Scale Manufacturing	RDs	Regulatory Duties
CPI	Consumer Price Index	LTFE	Long Term Financing Facility	REER	Real Effective Exchange Rate
CPP	Capacity Purchase Price	mn	Million	RFO	Residue Fuel Oil
CPPA	Central Power Purchase Agency	mb/d	Million barrels per day	RHS	Right hand side
CYTD	Calendar year to date	ME	March End	RLNG	Regassified Liquified Natural Gas
CY	Calendar Year	MEPCO	Multan Electric Power Company	ROA	Return on Assets
DAP	Di-ammonium Phosphate	mmbtu	Metric Million British Thermal Unit	ROE	Return on Equity
DISCOS	Distribution Companies	mmcf/d	Million Cubic Feet Per Day	RRR	Reserve Replacement Ratio
DCF	Discounted Cash Flow	MoU	Memorandum of understanding	SBP	State Bank of Pakistan
DPS	Dividend Per Share	MPS	Monetary Policy Statement	SECMC	Sindh Engro Coal Mining Company
DR	Discount rate	MS	Motor Spirit	SME	Small Medium Enterprises
D/Y	Dividend Yield	MSCI	Morgan Stanley Composite Index	SOE	State-Owned Enterprises
E&P	Exploration & Production	MVA	Moving Average	SoTP	Sum of the parts
EBITDA	Earning Before Interest, Taxes & Amortization	MW	Mega Watts	SPLY	Same period last year
EFF	Extended Fund Facility	NCCPL	National Clearing Company of Pakistan Limited TD	TD	To Date
EM	Emerging Markets	NEPRA	National Electric Power Regulatory Authority	T&D	Transmission & Distribution
ER	Expected Return	NFA	Net Domestic Assets	TPA	Tonnes Per Annum
EPS	Earnings Per Share	NFC	National Finance Commission	Tn	Trillion
EV	Enterprise Value	NHA	National Highway Authority	UFG	Unaccounted for Gas
Ex.	Excluding	NII	Net Interest Income	US	United States
FATF	Financial Action Task Force	NIM	Net Interest Margins	UK	United Kingdom
FBR	Federal Board of Revenue	NIR	Net International Reserve	USD	US Dollar
FIPI	Foreign Investor Portfolio Investment	NPL	Non Performing Loans	WAP-DA	Water & Power Development Authority
FM	Frontier Markets	NSS	National Saving Scheme	YTD	Year-to-date
FO	Furnace Oil	NTDC	National Transmission & Despatch Company	YoY	Year-on-Year
OEM	Original Equipment Manufacturer	O&M	Operations & Maintenance	1H	First Half

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Buy	>15% expected total return
Hold	10%-15% expected total return
Underperform	<10% expected total return
*Total stock return = capital gain + dividend yield	

Old rating system

Overweight	Total sector return > expected market return
Marketweight	Expected market return
Underweight	Total stock return < expected market return

Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)