



# THE WEEK IN REVIEW

For the period  
July 12, 2021 – July 16, 2021

# Market review for the week

The index has been showcasing range bound activity between 47-48k pts since late May'21. The outgoing week has seen a similar trend as the index climbed back up from 47,563 pts to 47,834pts (↑0.6% WoW). The USD 1Bn Euro bond inflow, FATF amendment bill and PSGP helped the market perform despite investor concerns of rising covid cases and difficult geopolitical situation. The index hit a high of 47,890 pts and a low of 47,388 pts during the week, respectively. Moreover, the average trading volumes fell by 4% WoW to settle at 467Mn shares, while the traded value decreased by 10% WoW to average at USD 96Mn.

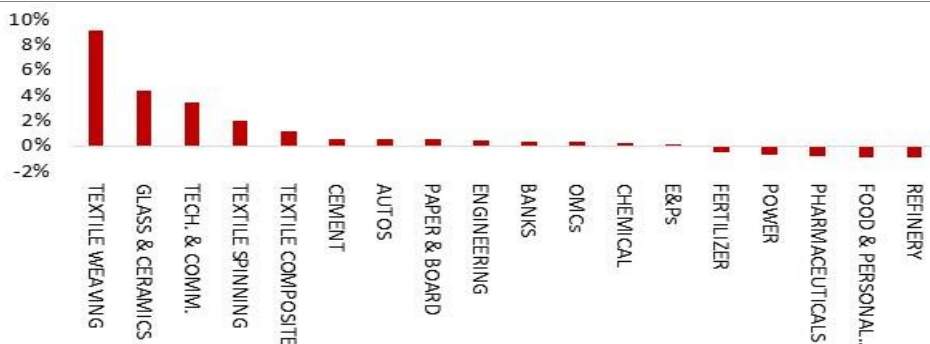
**Upbeat SBP reserves, FATF Mutual legal assistance bill and Pakistan Stream Gas Pipeline (PSGP) agreement were positive triggers during the week:** The news of foreign exchange reserves of Pakistan hitting nearly five-year high of USD 18.2Bn during the week, due to immense participation from international market in the USD 1Bn Euro bond issue, buoyed investors. This also helped the PKR stabilise momentarily against USD, which had been in free fall for the past two weeks. Additionally, the parliament passed an amendment relating to FATF Mutual Legal Assistance Bill, 2021, which fuelled investor sentiment of Pakistan exiting the grey list due to increased compliance. Further, the country signed Head of Terms with Russia on the Pakistan Stream Gas Pipeline project which had been in limbo since 2015 and will benefit RLNG infrastructure and supply from 2023 onwards.

**Rising Covid cases, closed Pak-Afghan border and higher petrol prices kept investors concerned during the week:** The covid positivity ratio (currently at 5.2%) saw major hike during the week which is alarming as the Eid festival gets closer, CM Sindh announced closure of public places and schools till the holiday. The requirement of covid vaccination has also been placed on domestic air travel as total cases rise to 42k. The departure of US forces from Afghanistan has placed the region in a tight spot on who will fill the vacuum left behind. As a by-product, the Chaman border trade route has been closed due to which several export-based businesses will be impacted negatively. In the biweekly POL price change, the government hiked prices by ~PKR 5.4 per litre. This should place pressure on inflation outlook. Internationally, Oil prices are expected to stabilise after the recent UAE-KSA deal which will lead to increased production of OPEC to match global demand.

**Data releases through the week which kept the market flowing included:** 1) Weekly SBP reserves, which declined by 0.14% WoW to USD 17.2Bn; 2) Petroleum production numbers for May'21, which increased by 4.15% YoY to 1.13Bn litres; 3) Auto sales (PC, LCV and SUV) for the month of Jun'21, which reached 13,750 units (↑40%/↓12% YoY/MoM); 4) Large Scale Manufacturing Index output for May'21, which improved 36.84% YoY but declined 3.93% MoM; and 5) Remittance inflows for Jun'21, which increased to USD 215Mn (↑9%/8% YoY/MoM). T-Bills auction result was also released during the week in which the government raised ~PKR 0.7Trn against impressive participation of ~PKR 1.7Trn (PKR 0.6/0.9 Trn in 3/6 month bills). With all bids for 12-month bills rejected, cut-off yields for 3/6 month bills were 7.26/7.54%, implying market expectations of a hike in interest rates in the medium-term.

**Outlook:** The next week will see volumes decline slightly as the market remains closed during major part of the week. In our opinion, the market will see strong activity in the following weeks as 4QFY21 results season comes in full swing. However, the fourth wave of Covid in July may further lead to investors fleeing the market despite impressive vaccination drives. We recommend investors to accumulate position in the Fertilizers, Banks, Autos, and Cement sector.

Chart 1: KSE-All share sector-wise performance during the week



Source: PSX, BMA Research

Table 1: PSX weekly snapshot

Index	16-Jul Pts	9-Jul Pts	WoW Pts	WoW %
KSE-100	47,834	47,563	271	0.6%
KSE-All sh.	32,565	32,542	22	0.1%
KSE-30	19,210	19,111	99	0.5%
KMI-30	77,692	76,967	726	0.9%
KMI-All Sh.	23,388	23,303	86	0.4%
Oil & Gas	12,555	12,571	-16	-0.1%
Banking	12,739	12,602	137	1.1%

Source: PSX

Table 2: PSX weekly trading activity

Index	16-Jul	9-Jul	WoW
<b>KSE-100</b>			
Avg. Vol. (Mn)	135	177	-24.0%
Avg. Val. (PKR Mn)	6,614	10,274	-35.6%
Value (USD Mn)	41	65	-35.9%
M.Cap (PKR Bn)	6,445	6,430	0.2%
M.Cap (USD Bn)	40	40	-0.4%
<b>KSE-All sh.</b>			
Avg. Vol. (Mn)	467	486	-3.9%
Avg. Val. (PKR Mn)	15,337	16,928	-9.4%
Value (USD Mn)	96	107	-9.8%
M.Cap (PKR Bn)	8,347	8,316	0.4%
M.Cap (USD Bn)	52	52	-0.3%

Source: PSX

Table 3: PSX other activity

Desc.	16-Jul	9-Jul	WoW
<b>Futures Activity</b>			
Avg. Vol (Mn)	72	74	-2.5%
Avg. Val (PKR Mn)	4,634	5,462	-15.2%
<b>NDM Transactions</b>			
Volume (Mn)	61	41	49.1%
Value (PKR Mn)	1,488	2,092	-28.9%
Value (USD Mn)	9	13	-28.9%

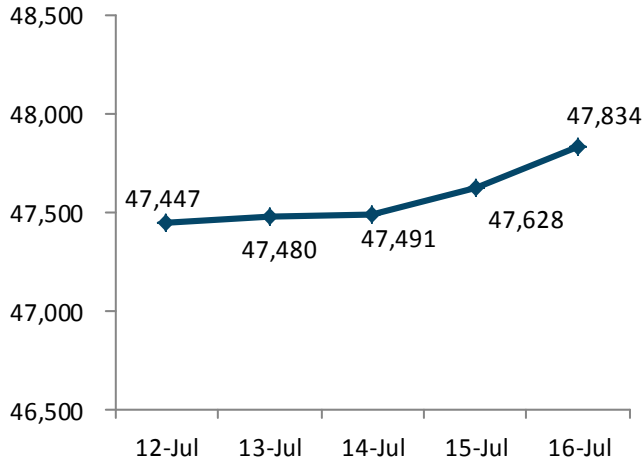
Source: PSX

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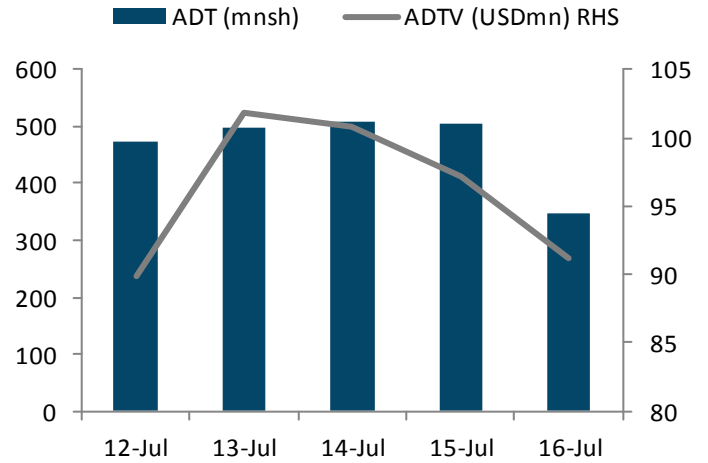
# Key market charts for the week

Chart 2: KSE-100 weekly trend (closing index)



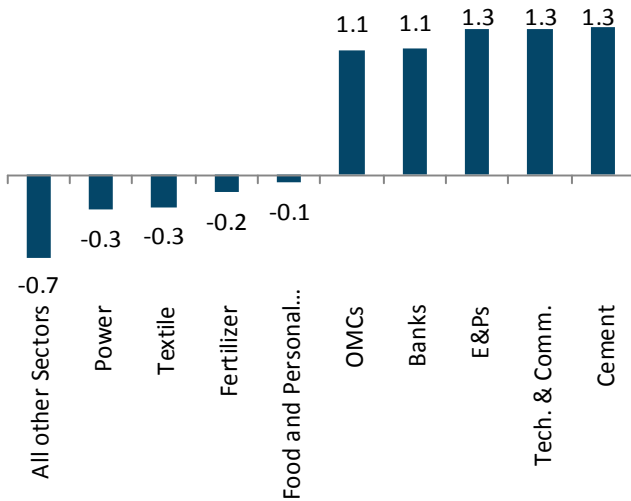
Source: PSX, BMA Research

Chart 3: KSE-All sh. market participation



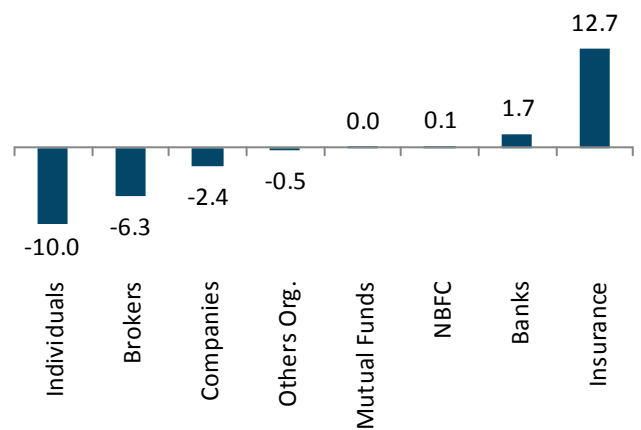
Source: PSX, BMA Research

Chart 4: FIPI Sector-wise flows (USD Mn)



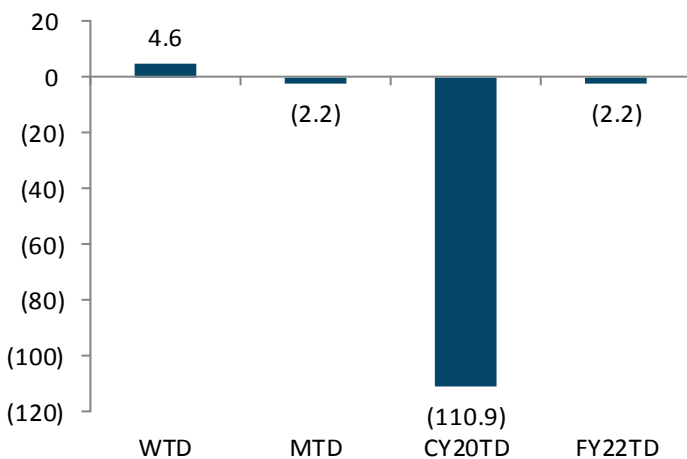
Source: PSX, BMA Research

Chart 5: LIPI net flows (USD Mn)



Source: PSX, BMA Research

Chart 6: Net FIPI position (USD Mn)



Source: PSX, BMA Research

Table 4: KSE-100 top 5 gainers & losers

Gainers	
GADT	23.9%
PSX	13.6%
SYS	7.3%
GATM	6.0%
PIBTL	6.0%
Losers	
HASCOL	-5.0%
HGFA	-4.0%
SCBPL	-3.9%
NESTLE	-3.1%
ATLH	-2.9%

Source: PSX, BMA Research

# Key market news for the week

## [FATF-MLA \(Amend\) Bill: Senate panel passes amendment Act with majority vote \(Positive\)](#)

A parliamentary body Friday passed an amendment Act relating to the Financial Action Task Force (FATF)-Mutual Legal Assistance (Criminal Matter) (Amendment) Bill, 2021, with a majority vote amid observations raised by the members of the...[read more](#)

## [No duty, taxes on imports for exports sector from Aug 14 \(Positive\)](#)

The government will exempt raw material and other imports intended for manufacturing of exportable goods from duty and taxes from next month under the new export facilitation scheme, the Federal Board of Revenue (FBR) said...[read more](#)

## [Investment by Islamic banking industry rises by 23pc \(Positive\)](#)

The Islamic Banking Industry (IBI) invested 23 per cent more than the deposit growth during Jan-March 2021 (3QFY21) indicating the presence of large liquidity, the State Bank of Pakistan (SBP) said on Friday...[read more](#)

## [Remittances hit all-time high of \\$29.4bn \(Positive\)](#)

Inflows of workers' remittances rose to a historic level of \$29.4 billion during the last fiscal year (FY21) supported by the government's proactive policy measures...[read more](#)

## [July-May 2020-21: Output of LSMI increases by 14.57pc \(Positive\)](#)

The overall output of Large Scale Manufacturing Industries (LSMI) increased by 14.57 percent for July-May 2020-21 compared to July-May 2019-20, as most of the major manufacturing sectors posted growth, the data released by the Pakistan Bureau...[read more](#)

## [Khan's Construction Bet Sees Cement Firms Boosting Investment \(Neutral\)](#)

The National Command and Operation Centre (NCOC) Tuesday decided to call the army for implementing the mandatory coronavirus Standard Operating Procedures (SOPs)...[read more](#)

## [Car sales accelerate 57pc to 151,182 units in FY2021 \(Positive\)](#)

Car sales increased 57 percent to 151,182 units during the last fiscal year of 2020/21, the industry's data showed on Tuesday, with the growth mainly attributed to muted demand in the previous Covid-addled year...[read more](#)

## [\\$1bn takes SBP reserves to five-year high \(Positive\)](#)

The State Bank of Pakistan (SBP) has received \$1 billion against the issuance of Eurobonds which took the foreign exchange reserves of the central bank to a five-year high of \$18.2bn...[read more](#)

## [Pakistan well-positioned for growth: Citibank officials \(Positive\)](#)

Pakistan is well-positioned for growth but concerns around inflation, global protectionism, and US monetary tightening will continue to be concerns for the South Asian economy, said Citibank officials...[read more](#)

## [Pakistan to host a special conference on Afghanistan: Fawad \(Neutral\)](#)

Amid rising violence in Afghanistan as the Taliban rapidly advancing soon after the US forces' pullout, Pakistan on Wednesday said that it would host an exclusive conference on the crisis being faced by the war-torn country, Information and Broadcasting Minister Fawad Chaudhry said...[read more](#)

## [Govt increases petrol price by Rs5.40 per litre \(Negative\)](#)

Prime Minister Imran Khan has approved an increase in the price of petrol by Rs5.40 per litre in addition to LPG exceeding the official rate of Rs160 per kg after a hike of Rs5 per kg...[read more](#)

## [Country sees alarming rise in Covid-19 cases \(Negative\)](#)

Chairman of the National Command and Operation Center (NCOC) Asad Umar Thursday said the Covid-19 cases in the country and the number of patients being admitted in hospitals were increasing rapidly...[read more](#)

## [Heads of Terms of PSGP project signed \(Positive\)](#)

Pakistan and Russia on Thursday signed Heads of Terms to construct \$ 2.5 billion Pakistan-Stream Gas Pipeline (PSGP) project of 1040 kilometers from Port Qasim to Kasur, to be completed by 2023...[read more](#)

## Our research notes this week

### **Pak Fertilizer Sector: 2QCY21 - Earnings Preview**

BMA Fertilizer universe is expected to report a surge in profitability by 30% YoY to ~PKR 16.0Bn in 2QCY21 mainly on account of elevated Urea and DAP margins. Company-wise, EFERT is likely to post earnings growth of 32% YoY to PKR 3.83/sh, whereas FFBL is expected to continue setting new records with EPS of PKR 1.54 in 2QCY21 as against LPS of PKR 0.90 in SPLY...[read more](#)

### **Pakistan Automobile Sector : Annual sales up 62% as the sector shifts gears**

The Auto sector is back on track after a lackluster FY20 with total sales for FY21 climbing to 181,397 units (↑62% YoY). However, monthly sales (PC, LCV, SUV) continued their declining trend from high of 20,813 units seen in Mar'21 to 13,750 units (↓12% MoM) in Jun'21 due to increased vehicle delivery times...[read more](#)



## BMA Universe

	O/S Share	M. Cap	M. Cap	Weight	TP	Upside	ETR %	Stance	EPS (PKR)	DPS (PKR)	P/E (x)	D/Y (%)	P/B (%)	ROE (%)							
	Price	Mn.	PKR Mn	USD Mn	%	Dec'21	%	2021	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E					
<b>Commercial Banks</b>																					
MCB	157	1,185	186,090	1,179	4.1%	195	24.2%	36.9%	Buy	23.0	25.1	20.0	20.0	6.8	6.2	12.7%	12.7%	1.0	1.0	15.5%	16.1%
HBL	130	1,467	190,646	1,208	5.2%	160	23.1%	29.3%	Buy	19.6	22.9	8.0	8.0	6.6	5.7	6.2%	6.2%	0.8	0.7	12.4%	13.4%
UBL	127	1,224	155,029	982	3.3%	150	18.4%	27.9%	Buy	18.3	21.6	12.0	12.0	6.9	5.9	9.5%	9.5%	0.9	0.8	12.3%	14.3%
MEBL	123	1,415	173,996	1,102	1.9%	120	-2.4%	3.3%	Hold	14.7	18.4	7.0	9.0	8.3	6.7	5.7%	7.3%	2.1	1.8	27.6%	29.5%
ABL	72	1,145	82,308	521	0.8%	108	50.0%	62.5%	Buy	14.9	18.0	9.0	11.5	4.8	4.0	12.5%	16.0%	0.6	0.6	12.7%	14.9%
NBP	36	2,128	75,846	480	1.2%	50	40.3%	40.3%	Buy	13.0	15.0	0.0	0.0	2.8	2.4	0.0%	0.0%	0.3	0.2	9.6%	10.1%
BAHL	70	1,111	77,655	492	2.8%	112	59.9%	65.6%	Buy	14.1	16.4	4.0	6.5	5.0	4.3	5.7%	9.3%	0.9	0.7	18.4%	18.5%
BAFL	34	1,777	59,908	379	1.3%	40	18.7%	30.5%	Buy	5.9	6.8	4.0	4.5	5.7	5.0	11.9%	13.3%	0.6	0.6	11.5%	12.8%
HMB	40	1,048	41,651	264	1.0%	45	13.2%	20.3%	Buy	6.9	7.2	2.8	2.8	5.7	5.5	7.1%	7.1%	0.7	0.6	12.5%	12.1%
BOP	8	2,644	22,022	139	0.6%	12	44.1%	53.0%	Buy	2.9	2.9	0.7	0.7	2.8	2.8	8.9%	8.9%	0.4	0.4	15.7%	14.0%
BIPL	11	1,109	11,797	75	0.0%	15	36.3%	36.3%	Buy	2.0	2.3	0.0	0.0	5.4	4.7	0.0%	0.0%	0.6	0.5	10.6%	11.5%
<b>Oil &amp; Gas Exploration</b>																					
OGDC	96	4,301	411,942	2,609	3.6%	141	47.2%	54.9%	Buy	21.3	23.8	7.4	8.0	4.5	4.0	7.7%	8.4%	0.5	0.5	12.6%	12.8%
PPL	86	2,721	233,105	1,477	3.2%	117	36.6%	43.0%	Buy	17.8	19.2	5.5	6.0	4.8	4.5	6.4%	7.0%	0.6	0.6	13.3%	13.0%
MARI	1,512	133	201,662	1,277	1.9%	1,906	26.1%	35.7%	Buy	227.1	252.9	146.0	160.0	6.7	6.0	9.7%	10.6%	1.8	1.7	29.2%	28.7%
POL	389	284	110,327	699	2.8%	514	32.2%	45.1%	Buy	47.1	54.5	50.0	50.0	8.3	7.1	12.9%	12.9%	2.8	2.7	33.5%	38.6%
<b>Fertilizer</b>																					
ENGRO	296	576	170,630	1,081	5.2%	393	32.7%	42.3%	Buy	47.8	44.3	28.5	26.6	6.2	6.7	9.6%	9.0%	0.7	0.6	11.6%	9.5%
FFC	107	1,272	135,926	861	4.1%	135	26.4%	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	1,335	96,114	609	2.0%	75	4.8%	21.4%	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	28	2,100	59,325	376	0.5%	44	55.8%	62.8%	Buy	6.2	5.8	2.0	1.8	4.5	4.9	7.1%	6.2%	0.6	0.6	14.3%	12.2%
FFBL	28	1,291	35,606	226	0.4%	35	26.9%	30.5%	Buy	4.0	2.1	1.0	1.0	6.9	12.9	3.6%	3.6%	1.9	1.8	31.6%	14.2%
<b>Cement</b>																					
LUCK	912	323	294,761	1,867	4.7%	1,200	31.6%	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	115	438	50,510	320	1.3%	165	43.1%	44.4%	Buy	5.9	14.3	1.5	4.3	19.5	8.1	1.3%	3.7%	0.7	0.6	3.7%	8.3%
MLCF	47	1,098	51,084	324	1.1%	86	84.0%	86.2%	Buy	2.8	5.6	1.0	2.2	16.4	8.3	2.2%	4.8%	1.5	1.4	9.7%	17.6%
KOHC	215	201	43,165	273	0.7%	235	9.4%	11.1%	Hold	13.2	21.5	3.8	6.9	16.3	10.0	1.8%	3.2%	2.0	1.7	13.1%	18.4%
FCCL	23	1,380	31,556	200	0.9%	36	57.0%	63.5%	Buy	2.6	3.7	1.5	2.3	8.8	6.2	6.6%	9.8%	1.3	1.3	16.7%	21.0%
CHCC	173	194	33,616	213	0.8%	180	4.0%	5.5%	Hold	6.2	13.9	2.5	5.5	28.1	12.4	1.4%	3.2%	3.1	2.7	11.5%	23.3%
PIOC	126	227	28,722	182	0.6%	125	-1.1%	-0.5%	Sell	2.1	9.7	0.8	4.0	60.1	13.0	0.7%	3.2%	2.5	2.3	4.4%	18.3%
ACPL	179	137	24,635	156	0.0%	175	-2.4%	-0.2%	Sell	13.8	17.0	4.0	5.3	13.0	10.5	2.2%	2.9%	1.3	1.2	10.8%	12.1%
<b>Food &amp; Personal Care Products</b>																					
FCEPL	111	767	84,724	537	0.3%	91	-17.7%	-17.7%	Sell	2.2	3.1	0.0	0.0	49.7	35.2	0.0%	0.0%	8.3	6.7	18.1%	21.0%
NATF	231	186	42,992	272	0.6%	298	29.3%	31.4%	Buy	10.6	13.4	4.8	6.0	21.7	17.3	2.1%	2.6%	5.9	4.9	29.5%	31.0%
<b>Chemicals</b>																					
EPCL	52	909	47,264	299	0.8%	67	28.8%	34.1%	Buy	13.8	9.4	2.7	1.7	3.8	5.5	5.3%	3.4%	1.3	1.1	39.3%	20.7%
LOTCEM	16	1,514	23,970	152	0.3%	21	33.7%	43.2%	Buy	2.9	2.2	1.5	1.3	5.5	7.3	9.5%	7.9%	1.2	1.2	23.1%	16.3%
DOL	27	175	4,735	30	0.0%	36	33.8%	36.6%	Buy	1.8	2.5	0.8	1.0	15.0	10.7	2.8%	3.7%	2.5	2.2	16.4%	21.4%
SPL	28	55	1,546	10	0.0%	31	11.4%	11.4%	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%
<b>Automobile Assemblers</b>																					
INDU	1,318	79	103,574	656	0.9%	1,587	20.4%	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	56	62,980	399	1.3%	1,183	5.3%	11.2%	Hold	91.9	102.9	66.1	90.0	12.2	10.9	5.9%	8.0%	10.3	8.8	101%	87.0%
HCAR	377	143	53,881	341	0.5%	388	2.8%	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	82	27,363	173	0.3%	450	35.3%	39.2%	Buy	42.8	50.5	13.0	17.5	7.8	6.6	3.9%	5.3%	1.0	0.9	13.5%	14.1%
<b>Pharmaceuticals</b>																					
HINOON	584	35	20,212	128	0.4%	850	45.5%	49.1%	Buy	40.7	44.8	20.7	20.7	14.4	13.0	3.6%	3.6%	4.3	3.7	32.3%	30.3%
<b>Textiles</b>																					
NML	97	352	33,935	215	0.8%	130	34.7%	38.6%	Buy	12.6	17.8	3.8	5.3	7.7	5.4	3.9%	5.5%	0.5	0.4	6.1%	8.2%
<b>Power Generation &amp; Distribution</b>																					
HUBC	79	1,297	102,034	646	4.0%	110	39.8%	47.8%	Buy	23.3	22.9	6.3	7.5	3.4	3.4	7.9%	9.5%	1.0	0.8	31.8%	25.6%
NPL	19	354	6,887	44	0.0%	42	115.9%	141.6%	Buy	7.9	6.9	5.0	6.0	2.5	2.8	25.7%	30.8%	0.3	0.3	11.6%	9.8%
PKGPK	24	372	8,800	56	0.0%	35	48.0%	54.3%	Buy	11.5	11.8	1.5	1.5	2.0	2.0	6.3%	6.3%	0.4	0.3	20.7%	17.8%
NCPL	16	367	5,793	37	0.0%	28	77.6%	104.5%	Buy	5.9	4.7	4.2	5.5	2.7	3.4	26.9%	34.9%	0.3	0.3	11.3%	8.9%
LPL	18	380	6,792	43	0.0%	31	73.4%	79.0%	Buy	8.9	9.4	1.0	1.2	2.0	1.9	5.6%	7.0%	0.4	0.3	21.0%	18.5%
<b>Oil &amp; Gas Marketing</b>																					
PSO	228	469	107,091	678	2.4%	282	23.4%	27.4%	Buy	30.7	32.1	9.2	10.0	7.4	7.1	4.0%	4.4%	0.9	0.8	12.2%	11.7%
APL	329	100	32,696	207	0.5%	374	13.9%	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%
<b>Technology &amp; Communication</b>																					
SYS	610	137	83,553	529	1.6%	619	1.5%	2.2%	Hold	20.4	30.3	4.1	6.1	29.9	20.1	0.7%	1.0%	8.2	6.2	30.7%	35.0%
<b>Engineering</b>																					
ISL	91	435	39,798	252	0.7%	116	26.8%	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	292	33,660	213	0.0%	135	17.1%	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	297	13,639	86	0.0%	55	19.8%	21.4%	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	766	20,126	127	0.0%	30	14.1%	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%
<b>Transport</b>																					
PIBTL	12	1,786	21,094	134	0.6%	15	22.8%	22.8%	Buy	0.8	0.9	0.0	0.0	13.9	13.0	0.0%	0.0%	1.4	1.2	10.3%	9.9%

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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.)