

# Post-Budget 2010-11

## 'Protect the recovery'



JS Global Capital Limited

The recently appointed Finance Minister, Dr. Hafeez Sheikh has announced a historic budget for FY11. Inline with our pre-budget thoughts the budget is based on transparency and realism to protect the nascent economic recovery witnessed through the stabilization program. Dr. Hafeez, in his landmark speech termed inflation as above a monetary phenomenon. He stressed on the need for fiscal discipline in order to curb government borrowing and ensuring more availability of funds for private sector borrowing. Overall, the theme of the budget is to 1) contain government expenses, 2) check inflation, 3) ensure self-reliance & resource mobilization, 4) protect the poor and 5) job creation. This is evident from the budgetary targets. MoF, has budgeted a 4.0% fiscal deficit for FY11, vis a vis to 5.3% estimated in FY10.

### Key budget highlights

As was widely expected the government has decided to defer the imposition of Value Added Tax till 2QFY11, to try and build consensus among stake holders.

- **Sales tax:** To mitigate the likely losses caused from non-implementation of the VAT, it was proposed to raise the sales tax by 1ppt on all existing slabs.
- **Income taxes:** WHT on all imports has been further raised by 1ppt to 5%. Finally, CGT on securities trading at the stock exchanges, has been implemented with a view to discourage speculation and to broaden the tax base.
- **Expenditures:** Subsidies have been withdrawn to a quantum of Rs102bn, while the development expenditure has increased to Rs663bn from Rs510bn.

### FY11 budget in short

The key to the federal budget FY11 is the 20% higher tax revenue target of Rs1.66trn, while the total budgetary outlay is estimated at Rs3.26trn (up 11%YoY). The deficit for FY11 is estimated at Rs684bn (or 4% of GDP), compared to 5.3% in FY10. Interestingly, the government plans to raise Rs386bn from external sources, down from Rs577bn in FY10. The flow from Tokyo pledges has been toned down to Rs82bn in FY11, compared to a whopping Rs191bn budgeted in FY10. However, for the first time, the government has estimated to receive Rs52bn worth of grant under the Kerry-Lugar bill. Overall, 27% of the deficit will be financed through external sources while the remaining will be funded through domestic sources.

### Market outlook: Positive

The government (GoP) has refrained from increasing the corporate tax on the profitable banks, while nothing has been disclosed about the Single Treasury Account. Similarly, the GoP has maintained the status quo for Autos and ruled out the relaxation of rules on imported vehicles. The reduction in FED on the telecom sector and an increase in excise duty on cement have also failed to materialize in the budget FY11. Moreover, imposition of Capital gains tax has already been priced in. Hence, we see the budget as neutral for the equity market and remain upbeat on the local bourse on grounds of macro economic recovery. Relatively speaking, the Pakistani market is the cheapest in the region trading at 2011F PE of 6.8x, a steep discount of 44% to its regional peers.

### Budget at glance (Rs bn)

	FY11F
<b>Revenue receipts</b>	<b>2,580</b>
FBR revenue	1,634
Non-tax revenue	632
<b>Total expenditures</b>	<b>3,259</b>
current expenditures	2,512
Development expenditures	747
<b>Budget deficit</b>	<b>685</b>
<b>Financing</b>	<b>685</b>
Domestic	499
External	186

Source: MoF

### Macro economic indicators

	FY08A	FY09A	FY10E
GDP growth (%)	4.1	2.0	3.5-4.0
C/A deficit (% of GDP)	8.4%	5.6%	3.8%
CPI (%)	12.0	20.8	11.0
M2 growth (%)	14.0	7.2	13.0
FX Reserves (US\$bn)	11.3	11.8	16.5
Ext. Debt (US\$bn)	44.5	51.1	55.5
Fiscal deficit (% of GDP)	7.4%	4.2%	5.3%

Source: JS Research, SBP, FBS, IMF

### Pakistan Market - Key Statistics

	FY10E	FY11F	FY12F
Growth (%)	18%	21%	11%
PE (x)	8.2	6.8	6.1
Div. yield (%)	6.7%	8.5%	9.4%
PBV (x)	1.5	1.4	1.3
ROE (%)	18%	20%	21%

Source: JS Research

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## Dr. Sheikh's debut budget

Dr. Hafeez Sheikh announced a historic budget on Saturday. His speech sounded confident and he critically evaluated the performance of the current government and the state of economy. He used some important terms, which clearly highlighted the policy direction of the current incumbent. He began by marking the outgoing year as '**the beginning of turn around**' led by the stabilization program. Further, he re-iterated the importance of recovery and urged '**to protect the recovery**' through economic & fiscal austerity. Dr. Sheikh explained inflation as "**above a monetary phenomenon**" and can only be curbed through fiscal discipline. The key to achieving this is through 1) containment of GoP expenses, and 2) resource mobilization. In his speech, he criticized the electricity subsidy and the performance of the Public Sector Enterprise (PSE). While addressing the power crisis, the Finance Minister highlighted that '**problems are the sources of economic opportunities**'. Additionally, he re-emphasized on the government's role of '**policy making**' rather than running business as usual. In midst of the speech, he appreciated the Parliament's role in resolving issues like the NFC and the 18th amendment. He requested for similar support from the parliament on energy and economic related issues (particularly related to the loss making PSE's). We believe, the speech delivered by the Finance Minister won hearts of the business community, the general public and importantly, the media. Additionally, barring the imposition of CGT, the budget does not carry any major negative news flow related to the sectors listed in the stock markets and this should help send positive vibes across the bourse.

### Key budgetary highlights

#### Regulatory & Tax Levies

A combination of new taxes and hikes has been proposed along with various relief measures. Key measures announced include:

#### Tax Levies:

- To increase tax revenue, while VAT has been postponed to Oct 1, 2010 the GoP has raised GST by 1% across all slabs.
- Imposition of CGT on stocks/shares/securities with a 10% on holding period less than 6 months and 7.5% for 6-12 months holding period.
- Advance tax in the range of 1.5-2.0% on capital gains with a submission of quarterly returns by companies and Association of Persons (AOPs).
- Advance tax deductible on imports by commercial importers is to be raised to 5% from 4% earlier.
- Broadening the 0.3% withholding tax on cash withdrawals exceeding Rs25,000 to include modes such as demand draft, pay order, online transfer, telegraphic transfer etc.
- Withholding tax on gross value of Inland Air tickets has been proposed at 5%.
- Turnover tax on loss making entities is proposed to be enhanced to 1%.
- Increase in FED on natural gas from Rs5.09 per mmbtu to Rs10.
- Levy of 10% FED on electricity intensive home appliances which include air conditioners and refrigerators.
- Upward revision of FED structure on cigarettes, along with a levy of FED @ Rs1 per filter rod on cigarettes.

## Relief Measures:

- The limit of basic exemption for Salaried and business taxpayers has been raised to Rs300,000 from Rs200,000 currently. The same for Non-Salaried taxpayers has been raised to Rs300,000 from Rs100,000 previously.
- Reduction of duty to 5% on pharmaceutical raw material and drugs.
- A 10% tax credit for BMR costs incurred by an industrial company in the year of its occurrence.
- 5% tax credit for a private company in the year of enlistment at a registered stock exchange.
- Reduction of duty on equipment for dedicated use of renewable energy so as to encourage its use.
- Advance Income tax deductible on monthly electricity bills has been reduced from 10% to 5% for Industrial & commercial consumers.
- Various amendments in Income Tax Law relating to Khyber Pakhtun khwa, FATA and PATA, which includes a one year exemption on advance tax on electricity, waiver of default surcharge, et al. However, these concessions will not be available to manufacturers of cement, sugar, beverages and cigarettes.

## Capital Gains Tax– widely expected but Advance tax is an irritant

The widely expected capital gains tax (CGT) has finally been announced. The mechanism is broadly in line with the modalities agreed between the KSE and GoP finalized in Feb 2010 and thus has already been priced in by the market. That said, imposition of advance tax on capital gains on a quarterly basis has been a major surprise in the budget. To ensure timely documentation and regular collection of the capital gains tax, Sec 147 of the Income Tax Ordinance 2001 has been amended to include capital gains in the list of income sources subject to the advance tax regime.

Resultantly, an advance tax of 2% would be charged on realized profits of companies/Association of Persons (AOPs) for holding periods less than 6 months, while 1.5% advance tax would be charged for 6-12 months holding period. The advance tax would be payable to the tax dept within seven days after the close of each quarter. We believe, the imposition of advance tax bears slightly negative for equity markets as a large number of institutions would now have to submit their capital returns on a quarterly basis instead of an annual basis as anticipated earlier.

## Stock market related measures

### Banks: Neutral

A notable development was the 0.3% cash withdrawal charge (on amounts exceeding Rs25,000) being extended to other payment modes relating to cash such as demand draft, pay order, online transfer and telegraphic transfer, et al. This is not likely to have any major impact on banks, as it is expected to be passed on to customers. Certain adjustments were also made to the provision schedule, with the most prominent being an increase in tax deductibility from 1% to 5% on provisions relating to consumer & SME lending. This would not have any major impact on profits as banks already account for the timing difference

### Advance tax on capital gains

Less than 6 months	2%
6-12 months	1.5%
More than 12 months	NIL

Source: MoF

\* Advance tax shall be payable by the taxpayer to the Commissioner within 7-days after close of each quarter

between accounting and tax treatment through defer tax. However, it would be positive from a cash flow perspective.

### **Oil and Gas Exploration: Neutral**

With no surprises in the budget, we maintain our earnings estimates and valuations for the E&P sector reiterating our 'Over-weight' stance on the sector with a 'Buy' call on PPL and POL.

### **Fertilizer: Neutral**

Although, no direct measures were announced for the fertilizer sector, but measures like tax credit for BMR and incentives for listing at the local bourse (a particular beneficiary could be Engro, as subsidiaries are expected to get listed in the future) could be positive for the sector as a whole. We retain our 'Over-weight' stance on the sector.

### **OMC: Neutral**

The budget remained a non event for Oil Marketing Companies, as the government neither announced any mechanism to settle the circular debt nor has imposed further levies on petroleum products sales. We remain 'Market-weight' on the sector and have a 'Buy' recommendation on PSO and APL.

### **Telecom: Neutral**

The budget remained relatively muted for the telecom sector with the FED continued to be charged at 19.5%. This regime is expected to be in place for another three months, with the new taxation system expected to come in place from Oct 1, 2010. Expectedly, no updates regarding SIM activation tax were mentioned.

### **Cement: Neutral**

Though an increase of 3% in PSDP allocation is slightly positive for the sector, increase in turnover tax by 0.5% on loss making companies along with higher FED passed through by gas distribution companies will bode negative for the sector on the whole. Nevertheless, with the sector underperforming the market by 5% since May 2010, we maintain our Over-Weight stance on the sector with Lucky and DG Khan Cement being our top picks.

### **Auto: Positive**

We believe the budget announcement was largely positive for the automobile sector. Deferment of AIDP and no relaxation in auto import policy were reasons to cheer for the automobile assemblers. We maintain our 'Market-Weight' stance on the sector with 'Hold' recommendations on both Indus Motor (INDU) and Pak Suzuki Motor (PSMC).

### **Textile & Chemicals: Neutral**

The budget remained broadly neutral for the textile and chemical sectors. Duty protection for PTA is still intact at 7.5%, whereas no major measures have been announced for the textile sector which could materially impact our the two companies under our coverage. We maintain our 'Over-weight' stance on the Textile sector.

### **Dividend expectations from key listed companies**

The GoP has outlined dividend expectations from key listed companies shows its reliance on the Oil and Gas sector (see table) led by OGDC (Rs29bn or Rs7.9 per share) and PPL (Rs6.5bn i.e. Rs10/share). The dividend target of Rs5.5bn (Rs1.7 per share) has been set for PTCL as against Rs1.75 per share announced in

FY10. The dividend targets are broadly in line with last year's revised target while dividend income of Rs670mn and Rs194mn has been budgeted from SSGC and SNGPL respectively in FY11.

#### Dividend Expectations (Rs mn)

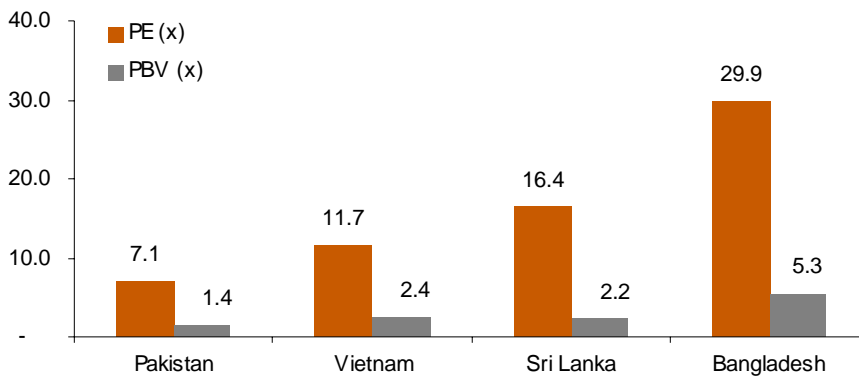
Company	Budget 2009-2010	Revised 2009-2010	Budget 2010-2011	Dividend per share (Rs)
National Bank	20	20	24	6.9
United Bank Limited	10	10	11	4.0
Habib Bank Limited	27	27	52	6.1
Fauji Fertilizer Company	37	45	46	8.5
Oil & Gas Development	36,000	29,000	29,000	7.9
Pakistan Petroleum Limited	6,506	6,506	6,506	10.0
Pakistan State Oil	765	385	770	17.6
Pakistan Telecom	6,200	5,457	5,457	1.7
Sui Northern Gas	692	-	670	3.4
Sui Southern Gas	200	-	194	0.5

Source: MoF

#### Market outlook: Positive

The budget popped up no major surprises, as the Federal government avoided increasing corporate taxes on the banking sector while maintaining status quo for the Auto assemblers. The pre-budget speculation over the reduction in FED on the telecom sector along with the raise in excise duty on the cement sector also failed to materialize. Though the CGT has been imposed on the stock market, we believe the market had already priced in this development. Moreover, the Finance Minister Hafeez Sheikh in his historic budget speech has highlighted the bad management of PSEs indicating that role of government should be primarily that of facilitating investment. This entails that a privatization theme could be on the cards with public sector entities such as OGDC and PPL already in talks to issue convertible bonds worth US\$750mn and US\$500mn, respectively.

#### MSCI Frontier Asian Markets one year forward multiples



Source: JS Research, Reuters

From the valuation perspective, the KSE 100 Index is trading at a one year forward looking PE discount of 44% to the region. The discount is significantly larger when compared to Sri Lanka (58%) and Bangladesh (77%), the two countries having broadly the similar macro and structural issues. On the back of macro economic recovery, government's commitment towards macro stability and

higher PSDP utilization, we remain upbeat on the Oil, Telecom, Fertilizer, Power and Textile sectors. We flag PPL, POL, PSO, PTC, ENGRO, HUBCO and NML as potential outperformers.

**Stock market key statistics**

	2006A	2007A	2008A	2009A	2010E	2011F	2012F
Profit growth (%)	18%	-1%	1%	-3%	18%	21%	11%
PER	11.4	13.2	12.0	10.5	8.2	6.8	6.1
Dividend yield (%)	5.4%	4.2%	5.0%	6.3%	6.7%	8.5%	9.4%
Price/Book value	3.2	3.1	2.6	1.9	1.5	1.4	1.3
Return on equity	28%	23%	22%	18%	18%	20%	21%

*\* Based on JS universe companies*

*\* Avg prices for 2006 to 2009 taken, for 2010-2012 prices are as of Jun 04, 2010*

## Economy–fiscal–financing

The annual development (2010-11) plan has disclosed estimates for next year, keeping the fiscal constraints and the ongoing global recession in mind. According to details, GDP growth is projected to be around 4.5% led by the commodity producing sector at 4.4%. The agriculture sector is expected to grow by 3.8% in FY11 while services and manufacturing sectors are expected to post growth of 4.7% and 5.6%, respectively. The gap between savings and income is projected at 3.4%, due to a mere flat growth expected from exports at US\$19.9bn and imports at US\$31.7bn. However, the net reserves position is likely to remain flat at US\$14.6bn. The fiscal frame work for FY10 is designed to keep the fiscal deficit within a sustainable limit through tax reforms. Thus additional sources should be directed towards development projects in order to bridge the infrastructure deficit. This can be validated from the Rs663bn funds set aside for development projects alone in FY11, up 30% from last year.

### Budget FY11 at a glance

The key to the federal budget FY11 is a 20% higher tax revenue target of Rs1.66trn, while the total budgetary outlay is estimated at 3.26trn (up 11% YoY). The deficit for FY11 is estimated at Rs685bn (or 4% of GDP), compared to 5.3% in FY10. Interestingly, the government has projected it will raise Rs386bn from external sources down from Rs577bn. The expected flow from the Tokyo pledges was toned down to Rs82bn in FY11, compared to a whopping Rs191bn budgeted in FY10. However, for the first time the government has forecasted to receive Rs52bn worth in grants under the Kerry-Lugar bill. Overall, 27% of the deficit will be financed through external sources and the remaining will be funded via domestic sources.

#### Budget at glance (Rs bn)

	FY11F
<b>Revenue receipts</b>	<b>2,580</b>
FBR revenue	1,634
Non-tax revenue	632
<b>Total expenditures</b>	<b>3,259</b>
current expenditures	2,512
Development expenditures	747
Less operational shortfall	20
less province self financing	342
<b>Budget deficit</b>	<b>685</b>
<b>Financing</b>	<b>685</b>
<b>Domestic</b>	<b>499</b>
Bank	167
non-bank	333
<b>External</b>	<b>186</b>

Source: MoF

### Tax target

Inline with the IMF recommendations, tax collection target for next fiscal has been fixed at Rs1.66trn compared to Rs1.38trn, up 20% YoY. Interestingly, the GoP has not changed the FBR target despite failing to execute VAT on the July 1, 2010 deadline. To mitigate the losses, FBR has raised the Sales Tax rate by 1% on all existing slabs, in addition to increasing the WHT on imports to 5%, up by 1%. Besides imposing CGT on stock trading, the government has further

#### Subsidies (Rs mn)

Classification	Revised 2009-2010	Budget 2010-2011
WAPDA	147,005	84,000
KESC	32,521	3,317
TCP	30,000	17,130
USC	4,200	4,200
Others	15,266	18,036
Total	228,992	126,683

Source: MoF

extended the list of banking services for 0.3% WHT is applicable. We believe that the tighter tax compliance & improved economic activity will help FBR achieve its set target.

#### Tax Revenue (Rs mn)

Classification	Revised 2009-2010	Budget 2010-2011
Tax Revenue	1,483,046	1,778,715
Direct Taxes	540,400	657,700
Income Tax	520,400	633,000
Capital Value Tax	4,400	4,700
Indirect Tax	942,646	1,121,015
Custom	164,900	180,800
Sales Tax	540,300	674,900
Federal Excise	134,400	153,600
Petroleum Levy	101,546	110,000

Source: MoF

#### Expenditures

Inline with IMF's directions, the size of subsidies has been substantially reduced to Rs126bn in the new budget from last year's Rs228bn. This should stem the higher current expenditure growth witnessed last year. In the upcoming year, the bulk of the PSDP is expected to be incurred by the provincial governments, as the federal government is expected to share 57.5% of its tax revenue with the provinces.

#### Federal Current Expenditure (Rs mn)

Classification	Revised 2009-2010	Budget 2010-2011
General public services	1,471,743	1,387,664
Defence affairs & services	378,135	442,173
Public order & safety affairs	37,385	51,263
Economic affairs	80,608	66,897
Environment protection	415	448
Housing & community amenities	1,801	1,842
Health affairs & services	6,743	7,283
Recreational, cultural & religion	4,506	4,359
Education affairs & services	31,535	34,500
Social protection	4,384	1,463
<b>Total</b>	<b>2,017,255</b>	<b>1,997,892</b>

Source: MoF

#### Development expenditure salient features

The total development expenditure for FY11 is Rs767bn of which the PSDP is Rs663bn. The federal share has been curtailed at Rs290bn which is in line with our pre-budget expectations. For the first time, under the provisions of the 7th NFC award; the provinces are to receive a higher share (56%) from the PSDP allocation, in comparison to the federal. The primary focus of the PSDP's objectives is the development of infrastructure particularly power plant, dams and other water management projects.

#### PSDP (Rs mn)

Classification	Revised 2009-2010	Budget 2010-2011
<b>Federal PSDP</b>	300,000	280,000
Fed. Ministries/ Divisions	190,450	167,578
Corporations	50,850	56,671
Special Programme	35,000	30,000
Special	23,700	25,751
<b>ERRA</b>	10,000	10,000
<b>Fed. PSDP with ERRA</b>	310,000	290,000
<b>Provincial PSDP</b>	200,000	373,000
<b>Total</b>	<b>510,000</b>	<b>663,000</b>

Source: MoF

The PSDP's allocation for the social sector and infrastructure is 48% each while 4% has been placed for production supporting sectors, mainly agriculture and industry & minerals.

The salient features for the allocation of PSDP are:

- The water sector has been allocated Rs35bn which comes to 12.6% of the total federal program.
- Rs118bn for power generation and conservation to overcome the energy shortage.
- Basha Diamer Dam remains the mega project of the GoP and WAPDA.
- Nuclear power generation projects costing Rs190bn are being set up.
- Transport and Communication sectors have been allocated Rs69bn, of which Rs45bn up for NHA and Rs14bn for Railways.
- Higher Education has been given a share of 7.6% (Rs21bn) in the federal program.
- Allocation for special program is Rs30bn for the upheaval of less developed areas.

### Financing the budget deficit

Carrying forth the previous year's trend, majority of the financing for the deficit is expected to be met from domestic sources. The majority of the domestic financing 48% is expected to be met through non-bank borrowing, mainly through saving schemes. The external sources are expected to finance only 27% of the total deficit.

#### Overall Fiscal Deficit 2010-11 (Rs mn)

	Budget Estimate 2010-2011
<b>Gross External financing</b>	386,620
<b>Less Repayments of Foreign Debts</b>	200,829
Long Term	174,369
Short Term	26,460
<b>i) Net External Financing</b>	185,791
<b>ii) Non-Bank Financing</b>	332,574
Public debt	116,430
Public Account	216,144
<b>iii) Bank Financing</b>	166,543
<b>Overall Fiscal Deficit</b>	684,908
<b>Say (Rs bn)</b>	685
	<b>(4.0 % of GDP)</b>

Source: MoF

## Budgetary Measures

### Banks – Neutral

**Extension of 0.3% cash withdrawal charge:** The key development in Budget FY11 was the extension of 0.3% cash withdrawal charge on transactions exceeding Rs25,000 in a single day to include other modes (relating to cash) such as demand draft, pay order, online transfer, telegraphic transfer, TDR, CDR, STDR and RTC. This measure aims to address major loopholes in the system.

For instance, cash payment for pay order was previously not considered as cash withdrawal. Moreover, banks were also not charging any WHT on excess amounts for pay orders settled using cash. Although this comes as an unwelcoming measure for customers, it is unlikely to make any significant impact on the business as a whole.

**Amendments relating to provisioning made in the Seventh Schedule:** Minor amendments have been made in the Seventh Schedule of the Income Tax Ordinance relating to provisions. Tax allowable expense for provision specific to consumer and SME segment's has been raised to 5% from 1% previously, while it remains at 1% for all other categories. Given the higher quantum of provisions in the SME and consumer sector, the above measure is likely to provide a benefit from a cash flow perspective in terms of lower tax payable. However, there would be no impact on reported earnings as banks already recognize a deferred tax asset to account for the accounting and tax differences. Moreover, certain other provisions have been brought in the Seventh Schedule, the clarifications for which were previously available in Section 29.

### Outlook: 'Market Weight'

Non materialization of hike in corporation tax for highly profitable banks was a positive development as there had been some anxiety in the run up to the Budget. Moreover, we did not see any announcement regarding the Single Treasury Account (STA); however we expect news flow on the same this month. The recently released IMF review did point towards progress on the matter, with June end mentioned as a target completion date. Encouragingly, government has mentioned that it will ensure liquidity of the system is not affected.

Although we remain 'Market-Weight' on the sector, we see big banks as an attractive proposition – especially after the sector lost 12% since start of May. Our preferred picks include UBL, MCB, ABL and NBP.

### Insurance – Neutral

**Capital gain tax (CGT):** As a major portion of their income is derived from investment income imposition of CGT will have a negative impact on the profitability of insurance companies. However, as this was already anticipated the imposition of CGT did not come as a surprise to the investors. Nevertheless, advance tax on capital gains on a quarterly basis has been a major surprise in the Budget FY11. We believe, the imposition of advance tax would mean that insurance companies will now have to submit their capital returns on a quarterly basis instead of an annualized basis anticipated earlier.

**10% withholding tax on debt instruments made final tax:** On the positive side, tax deducted on profit from debt instruments, government securities and PIBs has been made the final tax compared to a 10% withholding tax earlier. Given exposure to government securities this measure bodes well for the insurance companies as they would only pay a final tax of 10%.

### Banks - Key Statistics

	2010E	2011F	2012F
Growth (%)	10%	14%	13%
PE (x)	6.7	5.9	5.0
Div. yield (%)	6.8%	7.3%	8.1%
PBV (x)	1.0	0.9	0.8
ROE (%)	16%	16%	16%

Source: JS Research

At current levels, we recommend 'Buy' on Adamjee Insurance which trades at an 2011F PE of 5.2x.

### Oil & Gas Exploration – Neutral

**Dividend forecast from OGDC and PPL:** In FY11 Federal Budget, the government has forecasted to receive dividend income of Rs29bn (Rs7.8 per share) and Rs6.5bn (Rs8.3 per share) from OGDC and PPL, respectively. We believe the target is slightly on the conservative side as we have forecasted FY11 dividend income of Rs10.5 per share and Rs22 per share for OGDC and PPL, respectively. Our estimates are mainly based on the assumption of improved circular debt situation going forward.

**Tax benefit on decommissioning cost allowed to E&Ps:** In this budget, tax deductibility on commissioning cost has been allowed to the E&P companies for a period of 10 year or the remaining life of the asset, which ever is less. This move will have no impact on the sector's profitability, however it would accelerate the recognition of decommissioning expense for tax purposes.

### Outlook: 'Over-weight' maintained

We believe the budget was a neutral event for the E&P sector; however, we remain upbeat on Pakistan E&Ps mainly on the back of solid sector fundamental and attractive company valuations. At current levels, we maintain our 'Over-weight' stance on the sector with 'Buy' call on PPL and POL.

### Power – Neutral

**Power Subsidy:** The government has set the power subsidy target of Rs87.3bn for FY11. Out of this, Rs84bn is allocated for WAPDA and the remaining Rs3.3bn would be used to subsidize generation and distribution costs of KESC. Compared to the revised target of Rs179.5bn, the current allocation is significantly lower suggesting another round of power tariff hikes in the country.

**Energy Development Fund:** The Finance Minister in his speech announced setting up of Rs20bn energy development fund with the aim of promoting the use of alternative energy in the country.

### Outlook: 'Over-weight' maintained

With no details unveiled regarding mechanism of circular debt resolution, the budget remained a non event for the IPPs. Currently, we are 'Over-weight' on IPPs with a 'Buy' recommendation on Hubco.

### Fertilizer – Neutral

No direct measures for the fertilizer sector were announced however, some budgetary measures which are likely to affect the sector are:

**Fertilizer subsidy:** Government has allocated Rs185mn as subsidy for FFBL while did not announce any subsidy on urea imports for FY11. We believe, the government would meet the kharif urea requirement through imports until June while post commissioning of Engro's new plant in the 2H2010 the urea demand for the Rabi season is likely to be met through domestic production.

**Tax credit for BMR costs at 10%:** As witnessed in the past fertilizer manufacturers have often carried out BMR to enhance their production capacities. With Agritech Limited being the latest beneficiary of a BMR during last year, we could see other manufacturers taking advantage of this new tax credit facility. However, given urea excess capacities beyond 2010, no major BMRs are

#### Oil & Gas Exploration - Key Statistics

	FY10E	FY11F	FY12F
Growth (%)	0%	23%	6%
PE (x)	9.2	7.5	7.1
Div. yield (%)	6.1%	8.9%	9.8%
PBV (x)	3.1	2.8	2.5
ROE (%)	34%	37%	35%

Source: JS Research

#### Power - Key Statistics

	FY10E	FY11F	FY12F
Growth (%)	9%	13%	9%
PE (x)	7.3	6.4	5.9
Div. yield (%)	12.9%	14.9%	16.3%
PBV (x)	1.4	1.4	1.4
ROE (%)	19%	22%	23%

Source: JS Research

#### Fertilizer - Key Statistics

	2010E	2011F	2012F
Growth (%)	12%	26%	10%
PE (x)	9.9	7.8	7.1
Div. yield (%)	7.9%	9.0%	9.6%
PBV (x)	2.3	2.1	1.9
ROE (%)	23%	27%	27%

Source: JS Research

expected in the next couple of years. The concession has been proposed to be admissible for a period of four years from FY11-15.

**5% tax credit facility for listing at the bourse:** To encourage enlistment of the corporate sector, the government has taken an initiative to provide a 5% tax credit facility to a company for its enlistment at the local bourse. Engro Corporation's long term vision of going public with its Fertilizer and Foods arm could be the major beneficiary of such a facility. Moreover, we can see other fertilizer manufacturers like Pak Arab exploiting such a facility in the future.

**FED on natural gas raised to Rs10 per mmbtu:** FED on natural gas has been increased by Rs4.9 per mmbtu to Rs10 per mmbtu. We believe, due to the pricing power we do not see any significant earnings impact of this increase in FED.

### Outlook: 'Over-weight' maintained

With no major announcement directly impacting the sector we remain 'Over-weight' on the fertilizer sector due to compelling valuations and defensive natures of the stock (especially FFC and FFBL). Moreover, Engro's long term investment in the power and Foods business remain major growth triggers for the company. At current levels, we maintain our 'Buy' call on FFC, Engro and FFBL.

### Oil & Gas Marketing – Neutral

**Petroleum Levy target:** Contrary to market rumors, the government has kept Petroleum Levy on products unchanged and has set an overall collection target of Rs110bn for FY11. This is around Rs9bn higher compared to FY10 revised target of Rs101bn.

**GDS:** In FY11 budget, the government has kept the Development Surcharge on Gas (GDS) target unchanged at Rs29.9bn.

**Turnover tax increased to 1%:** Turnover tax for loss making entities has been increased to 1% from 0.5% earlier. We believe this would be negative for SSGC as the company follows the turnover tax regime and after running into losses due to soaring UFG losses and circular debt.

**Dividend expectation:** Government has estimated dividends of Rs770mn, Rs670mn and Rs194mn from PSO, SNGP and SSGC, respectively. For FY10, the revised dividend target from PSO stood at Rs385mn whereas the two gas marketing companies so far have not announced any dividends.

### Outlook: 'Market-weight' maintained

Contrary to our expectations, the government did not discuss any framework to resolve the circular debt in the energy chain; hence Budget FY11 remains a non-event for the sector. At current levels, we maintain our 'Market-weight' stance on the sector with 'Buy' call on PSO and APL.

### Telecom – Neutral

**As VAT implementation has been delayed for a period of three months,** FED on telecom services will continue to be charged at 19.5%.

**Dividend target from PTCL** for FY11 has been set at Rs5.5bn (DPS Rs1.72). Target for last year has been revised to down to Rs5.5bn (DPS Rs1.72) from Rs6.2bn (Rs1.95) earlier.

### Outlook: 'Over Weight'

Although the budget did not carry any major news flow relating to the telecom sector, delay of VAT is likely to allow operators time to get their systems in place

#### Oil & Gas Marketing - Key Statistics

	FY10E	FY11F	FY12F
Growth (%)	NM	21%	10%
PE (x)	6.7	5.6	5.1
Div. yield (%)	7.3%	9.0%	9.5%
PBV (x)	1.5	1.3	1.4
ROE (%)	22%	23%	28%

Source: JS Research

#### Telecom - Key Statistics

	FY10E	FY11F	FY12F
Growth (%)	11%	7%	13%
PE (x)	10.0	9.3	8.2
Div. yield (%)	8.8%	9.6%	10.1%
PBV (x)	1.0	1.0	1.0
ROE (%)	10%	11%	12%

Source: JS Research

for the new tax regime. The announced hike in minimum wage would have a marginal impact on the salary bill. However, we continue to like PTCL, based on its attractive valuations with FY11 EV/EBITDA of 3.1x.

**Cement – Neutral**

**PSDP expenditure:** The government has set a Public Sector Development Program (PSDP) of Rs663bn for the upcoming year, up 3% from last year. However, utilization of the said amount remains a concern as only 79% of the last year’s PSDP target was utilized. However, on the back of improved fiscal space amid higher tax revenue and expectation of foreign inflows, we expect utilization to remain on the higher side which in turn should boost demand for local cement manufacturers. We expect local cement sales to arrive at 24mn tons, up a ~13%YoY.

**FED maintained at Rs35/bag:** In contradiction to pre-budget market rumors, FED has been maintained at Rs35 per bag of cement (Rs700 per ton).

**FED increased to Rs10/mmbtu on gas charges:** Government has raised FED on gas to Rs10/mmbtu from Rs5.09/mmbtu earlier, which in turn will slightly squeeze margins for the cement manufacturers.

**Turnover tax on loss making companies raised to 1%:** With intentions of collecting higher revenues through taxes, the government has raised the turnover tax on loss making companies from 0.5% to 1%. Amongst our in-coverage cement companies, Maple Leaf and Lafarge Cement fall under this ambit.

**Outlook: ‘Over-weight’**

We believe, improved local demand on the back of governments focus on infrastructure development and identification of new export markets by local companies, to improve industry’s utilization going forward. However, slower than expected recovery in local prices remains a major concern for the manufacturers. With Lucky Cement (LUCK) currently trading at an FY11F PE of 4.5x and DG Khan Cement (DGKC) available at an FY11F PBV of 0.3x, we maintain our ‘Buy’ stance on both the scrips.

**Autos – Positive**

**AIDP deferred for another year:** Just like last year’s budget, the government has decided to defer the Auto Industry Development Plan (AIDP). As per the schedule, the auto manufacturers would have been required to pay an additional duty of 15% on certain parts, in case of imports, which in turn would have raised costs by an approximate 6-7%.

**GST raised by 1ppt:** Though the increase in GST to 17% from 16% earlier will raise automobile prices, we believe it not to have any major impact on its demand. We say this on the premise that if a car currently costs Rs1mn, will have its price raised by only ~9k.

**WHT on imports of vehicles raised by 1ppt while maintained for auto parts:** WHT on import of vehicles have been raised by 1ppt to 5% while status quo has been maintained for auto parts import at 3%. Though not substantial, we believe this bodes positive for the local auto assemblers.

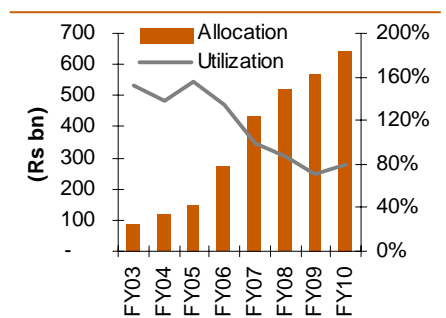
**CBUs age limit maintained at 3 years:** Prior to the announcement of the budget, rumors circulated with regards to increase in the age limit of CBU imports to 5 years from 3. However, the age limit has been maintained by the government, a further sigh of relief for the local auto assemblers.

**Cement - Key Statistics**

	FY10E	FY11F	FY12F
Growth (%)	-58%	192%	49%
PE (x)	6.6	5.0	4.4
Div. yield (%)	2.1%	4.5%	5.7%
PBV (x)	0.5	0.5	0.4
ROE (%)	2%	6%	9%

Source: JS Research

**PSDP allocation & utilization**



Source: MoF

**Auto Assemblers - Key Statistics**

	FY10E	FY11F	FY12F
Growth (%)	126%	14%	8%
PE (x)	7.3	6.4	6.0
Div. yield (%)	5.6%	6.3%	7.4%
PBV (x)	1.0	0.9	0.8
ROE (%)	14%	14%	14%

Source: JS Research

**Parts which would have attracted 50% custom duty as per AIDP**

Alternator	Air cleaner assembly
Starter motor	Seat recliner
Water pump	Power steering
Fuel pump	Engine
Fuel Filter	Transmission

Source: AIDP

## Outlook: 'Over-weight'

We believe the budget was largely positive for the automobile sector, despite no direct measures being announced. Deferment of AIDP and no relaxation in import policy, contrary to pre-budget market expectations bodes positive for the sector, in principle. With Indus Motor (INDU) surging by 10% (17% market out-performance) since May 2010, we downgrade our stance on the scrip to 'Hold' from 'Buy' earlier with a target price of Rs279. Moreover, our 'Hold' stance is maintained on Pak Suzuki which currently trades at 2010E PE of 8.5x.

## Textile & Chemicals – Neutral

**Minimum wage increased to Rs7,000 per month:** In line with our expectation the minimum wage level has been increased to Rs7,000 per month from Rs6,000 earlier. Textile industry, being highly labour intensive would register increased costs on account of this rise which will affect the sector's earnings. However, large scale textile units like NML and NCL will not bear any significant impact of this cost hike as their minimum wage rates are already in excess of Rs7,000.

**GST increased by 1ppt:** The government has increased the GST by 1% in the federal budget until the VAT is implemented. We believe this would not have a significant earnings impact on export oriented textile units due to zero rated GST regime.

**Increase in FED on gas to Rs10 per mmbtu:** Rise in FED on gas by Rs4.9 per mmbtu would somewhat increase the cost of power generation through gas, affecting the margins of the textile manufacturers.

**Duty protection on PTA remains intact:** Contrary to the general expectations, the government has maintained the duty protection on PTA at 7.5% maintaining the status quo.

## Outlook: 'Over-weight' maintained on textile

The rise in GST by 1% and FED on gas supplies will have some dampening on the sector's profitability. However, we remain 'Over-weight' on our JS universe textile sector on the back of their exposure in the power business. At current levels, we maintain our 'Buy' call on NML and NCL.

### Textile - Key Statistics

	FY10E	FY11F	FY12F
Growth (%)	141%	10%	37%
PE (x)	5.5	5.0	3.6
Div. yield (%)	5.9%	5.9%	7.9%
PBV (x)	0.7	0.6	0.6
ROE (%)	13%	13%	17%

Source: JS Research

## Valuation Snapshot

## Sector Wise Performance

Company Name	Rating	Index Weightage	Price 4-Jun	Mkt. Cap Rs bn	Paid-up Cap Rs mn	Price performance %			Diluted EPS (Rs)			PER (x)		
						1 mth	2 mth	3 mth	FY10E	FY11F	FY12F	FY10E	FY11F	FY12F
<b>Banks</b>														
Allied Bank Limited	Hold	1.8%	57.80	45.21	7,821.01	-11.0%	-5.2%	-6.7%	10.51	11.62	13.00	5.50	4.98	4.45
Askari Bank	Hold	0.4%	16.22	10.43	6,427.44	-11.8%	-20.7%	-35.2%	1.88	2.10	2.31	8.63	7.71	7.01
Bank Al-Falah	Hold	0.5%	9.16	12.36	13,491.56	-17.5%	-26.7%	-25.0%	0.70	1.58	1.84	13.05	5.79	4.98
Faysal Bank	Hold	0.4%	16.02	9.76	6,090.91	-8.5%	-8.8%	9.6%	3.45	1.44	1.81	4.64	11.11	8.85
Habib Bank Limited	Hold	3.9%	95.88	96.06	10,018.80	-12.5%	-13.6%	-22.1%	15.16	16.95	19.02	6.32	5.66	5.04
MCB Bank	Buy	5.9%	192.31	146.20	7,602.15	-11.7%	-10.6%	-10.4%	23.15	25.75	28.20	8.31	7.47	6.82
National Bank of Pakistan	Buy	3.4%	63.17	84.99	13,454.63	-15.6%	-10.5%	-31.7%	12.37	14.41	16.80	5.11	4.38	3.76
NIB Bank	Hold	0.6%	3.49	14.11	40,437.27	-20.9%	-17.1%	-23.0%	0.08	0.10	0.18	43.17	35.87	19.03
United Bank Limited	Buy	2.7%	54.05	66.17	12,241.80	-10.5%	-11.5%	-15.8%	8.60	10.51	11.83	6.28	5.14	4.57
<b>JS Banking Sector</b>	<b>MW</b>	<b>19.6%</b>		<b>485.28</b>	<b>117,585.57</b>							<b>6.67</b>	<b>5.87</b>	<b>5.04</b>
<b>Cement</b>														
Lafarge Pakistan Cement	Hold	0.2%	2.95	3.87	13,126.44	-24.7%	-38.3%	-11.7%	(0.72)	(0.31)	0.05	NM	NM	NM
DG Khan Cement	Buy	0.3%	22.96	8.38	3,650.99	-16.5%	-27.4%	-17.2%	2.19	3.51	4.36	10.50	6.54	5.27
Fauji Cement	Hold	0.1%	4.67	3.24	6,932.90	-24.3%	-29.5%	-22.8%	0.43	0.84	0.97	10.76	5.58	4.79
Lucky Cement	Buy	0.8%	63.65	20.58	3,233.75	-11.4%	-23.7%	-10.6%	11.71	14.05	15.41	5.44	4.53	4.13
Maple Leaf Cement	Hold	0.0%	3.47	1.29	3,722.63	-19.9%	-25.5%	-6.0%	(6.15)	(3.18)	(0.33)	NM	NM	NM
<b>JS Cement Sector</b>	<b>OW</b>	<b>1.5%</b>		<b>37.37</b>	<b>30,666.72</b>							<b>6.59</b>	<b>5.03</b>	<b>4.44</b>
<b>Refinery</b>														
Attock Refinery	Hold	0.3%	90.03	7.68	852.93	-21.6%	-25.7%	-12.6%	7.52	10.76	17.41	11.98	8.37	5.17
Pakistan Refinery	Hold	0.1%	81.03	2.84	350.00	-27.8%	-28.6%	-14.6%	(48.12)	(23.31)	(26.55)	NM	NM	NM
National Refinery	Buy	0.5%	169.25	13.53	799.67	-11.7%	-8.6%	4.2%	34.46	40.68	44.89	4.91	4.16	3.77
<b>JS Refinery Sector</b>	<b>MW</b>	<b>1.0%</b>		<b>24.05</b>	<b>2,002.60</b>							<b>14.04</b>	<b>7.17</b>	<b>5.80</b>
<b>Power Generation</b>														
Hub Power Co.	Buy	1.5%	33.05	38.24	11,571.54	-5.7%	-3.9%	-1.7%	4.72	5.53	6.13	7.00	5.97	5.39
KAPCO	Hold	1.5%	41.89	36.87	8,802.53	-4.6%	-10.4%	-5.8%	5.50	6.00	6.40	7.62	6.98	6.55
<b>JS Power Sector</b>	<b>OW</b>	<b>3.0%</b>		<b>75.12</b>	<b>20,374.08</b>							<b>7.29</b>	<b>6.43</b>	<b>5.90</b>
<b>Oil &amp; Gas Marketing</b>														
Attock Petroleum	Buy	0.7%	298.08	17.17	576.00	-14.4%	-18.7%	-15.5%	54.31	61.34	64.66	5.49	4.86	4.61
Pakistan State Oil	Buy	1.9%	270.76	46.44	1,715.20	-13.8%	-15.4%	-8.7%	52.15	60.84	62.80	5.19	4.45	4.31
Shell Pakistan	Buy	0.7%	238.84	16.36	684.88	-6.7%	-22.3%	-12.5%	24.30	27.56	28.43	9.83	8.67	8.40
Sui Northern Gas	UR	0.7%	30.17	16.57	5,491.05	-8.0%	-12.6%	16.3%	UR	UR	UR	UR	UR	UR
Sui Southern Gas	Sell	0.5%	17.79	11.94	6,711.74	-17.0%	-23.6%	7.8%	(0.12)	0.60	0.86	NM	29.65	20.75
<b>JS OGM Sector</b>	<b>MW</b>	<b>4.4%</b>		<b>108.47</b>	<b>15,178.87</b>							<b>6.72</b>	<b>5.57</b>	<b>5.08</b>
<b>Oil &amp; Gas Exploration</b>														
Oil & Gas Devp. Co.	Hold	23.5%	134.98	580.54	43,009.28	0.8%	2.1%	15.8%	13.10	15.22	15.78	10.30	8.87	8.55
Pakistan Oilfields	Buy	2.1%	220.98	52.27	2,365.46	-9.8%	-9.8%	-4.4%	32.29	40.87	48.58	6.84	5.41	4.55
Pakistan Petroleum	Buy	7.5%	186.27	185.49	9,958.15	-5.2%	-7.1%	-1.1%	24.77	33.75	35.69	7.52	5.52	5.22
<b>JS E&amp;P Sector</b>	<b>OW</b>	<b>33.1%</b>		<b>818.30</b>	<b>55,332.89</b>							<b>9.23</b>	<b>7.53</b>	<b>7.12</b>
<b>Auto Assembler</b>														
Indus Motors	Hold	0.8%	260.74	20.49	786.00	8.5%	23.8%	28.4%	37.25	39.30	40.05	7.00	6.64	6.51
Pak Suzuki Motors	Hold	0.3%	80.02	6.59	823.00	-10.1%	-3.3%	-2.2%	9.42	13.69	16.88	8.49	5.85	4.74
<b>JS Auto Assembler Sect</b>	<b>MW</b>	<b>1.1%</b>		<b>27.08</b>	<b>1,609.00</b>							<b>7.31</b>	<b>6.42</b>	<b>5.97</b>
<b>Technology &amp; Comm.</b>														
P.T.C.L.	Buy	3.0%	19.87	74.99	37,740.00	-8.2%	-6.8%	0.9%	1.99	2.13	2.42	9.98	9.33	8.23
<b>JS Telecom Sector</b>	<b>OW</b>	<b>3.0%</b>		<b>74.99</b>	<b>37,740.00</b>							<b>9.98</b>	<b>9.33</b>	<b>8.23</b>
<b>Fertilizer</b>														
Engro Corporation	Buy	2.4%	181.54	59.50	3,277.37	-10.1%	-13.5%	1.3%	16.76	22.71	26.49	10.83	7.99	6.85
Fauji Fertilizer Co.	Buy	2.9%	105.18	71.37	6,785.27	-7.1%	-7.1%	1.1%	13.78	14.14	14.53	7.63	7.44	7.24
Fauji Fertilizer Bin Qasim	Buy	1.0%	27.38	25.58	9,341.10	-8.9%	-15.3%	-12.0%	3.46	3.95	4.20	7.91	6.93	6.51
Fatima Fertilizer	Buy	0.0%	11.36	22.72	20,000.00	-7.0%	-10.5%	-12.3%	0.05	1.06	1.34	NM	10.77	8.50
<b>JS Fertilizer Sector</b>	<b>OW</b>	<b>7.3%</b>		<b>179.16</b>	<b>39,403.74</b>							<b>9.85</b>	<b>7.84</b>	<b>7.13</b>
<b>Textile</b>														
Nishat Chunian Limited	Buy	0.0%	16.39	2.03	1,240.81	-21.9%	-17.6%	-5.6%	5.69	4.18	6.09	2.88	3.92	2.69
Nishat Mills	Buy	0.6%	45.50	16.00	3,516.00	-18.6%	-19.5%	-17.7%	7.39	8.84	12.02	6.16	5.15	3.79
<b>JS Textile Sector</b>	<b>OW</b>	<b>0.7%</b>		<b>18.03</b>	<b>4,756.81</b>							<b>5.46</b>	<b>4.97</b>	<b>3.62</b>
<b>Miscellaneous</b>														
Adamjee Insurance	Buy	0.4%	85.88	10.62	1,237.05	-17.5%	-31.7%	-26.4%	12.83	16.46	20.04	6.69	5.22	4.29
Engro Polymer	Hold	0.3%	11.87	7.88	6,634.69	-16.9%	-22.3%	-20.8%	0.14	2.41	3.47	NM	4.93	3.42
ICI Pakistan	Buy	0.7%	132.66	18.41	1,388.02	-9.8%	-20.2%	-15.8%	16.60	17.69	20.56	7.99	7.50	6.45
Lotte Pakistan PTA Ltd.	Hold	0.6%	9.07	13.73	15,142.07	-18.4%	-18.8%	-7.9%	1.96	1.76	1.69	4.62	5.15	5.35
Packages Ltd.	Buy	0.4%	125.81	10.62	843.80	-3.8%	-8.2%	0.1%	7.10	10.72	12.46	17.73	11.74	10.10
<b>JS Miscellaneous Sector</b>	<b>MW</b>	<b>2.5%</b>		<b>61.26</b>	<b>25,245.62</b>							<b>8.11</b>	<b>6.34</b>	<b>5.44</b>
<b>JS UNIVERSE</b>		<b>76.2%</b>		<b>1,883.06</b>	<b>345,139.08</b>							<b>8.25</b>	<b>6.84</b>	<b>6.13</b>

Notes: Price performance is of June 04, 2010 and based on actual prices not adjusted for corporate actions

Outliers adjusted wherever required

OW = Over Weight      UR = Under Review      NL = Not Listed  
 MW = Market Weight      NA = Not Applicable      ACC = Accumulate  
 UW = Under Weight      NM = Not Meaningful

## Valuation Snapshot

													Sector Wise Performance		
Earnings Growth (%)			Price/BV (x)			Dividend Yield			ROE			Price	Rating	Company Name	
FY10E	FY11F	FY12F	FY10E	FY11F	FY12F	FY10E	FY11F	FY12F	FY10E	FY11F	FY12F	4-Jun			
<b>Banks</b>															
15%	11%	12%	1.27	1.10	0.96	7.8%	8.7%	9.5%	23.1%	22.2%	21.6%	57.80	Hold	Allied Bank Limited	
9%	12%	10%	0.66	0.62	0.59	3.1%	4.6%	4.6%	7.6%	8.1%	8.4%	16.22	Hold	Askari Bank	
6%	125%	16%	0.58	0.54	0.51	5.5%	5.5%	8.2%	4.4%	9.4%	10.2%	9.16	Hold	Bank Al-Falah	
75%	-58%	26%	0.67	0.64	0.61	3.1%	3.1%	3.1%	14.4%	5.8%	6.9%	16.02	Hold	Faysal Bank	
24%	12%	12%	1.09	0.98	0.87	6.8%	7.3%	7.8%	17.3%	17.3%	17.3%	95.88	Hold	Habib Bank Limited	
14%	11%	10%	1.84	1.62	1.42	5.7%	6.0%	6.2%	22.2%	21.7%	20.9%	192.31	Buy	MCB Bank	
-9%	17%	17%	0.67	0.62	0.57	11.1%	11.9%	12.7%	13.1%	14.2%	15.1%	63.17	Buy	National Bank of Pakistan	
-53%	20%	89%	0.35	0.34	0.34	0.0%	0.0%	0.0%	0.8%	1.0%	1.8%	3.49	Hold	NIB Bank	
15%	22%	13%	0.95	0.84	0.74	5.6%	6.5%	6.9%	15.2%	16.4%	16.3%	54.05	Buy	United Bank Limited	
<b>10%</b>	<b>14%</b>	<b>13%</b>	<b>0.99</b>	<b>0.90</b>	<b>0.79</b>	<b>6.8%</b>	<b>7.3%</b>	<b>8.1%</b>	<b>15.6%</b>	<b>16.0%</b>	<b>16.4%</b>		<b>MW</b>	<b>JS Banking Sector</b>	
<b>Cement</b>															
NM	NM	NM	0.51	0.54	0.53	0.0%	0.0%	0.0%	-12.5%	-5.7%	0.9%	2.95	Hold	Lafarge Pakistan Cement	
52%	60%	24%	0.29	0.27	0.27	1.1%	4.4%	6.5%	2.8%	4.1%	5.1%	22.96	Buy	DG Khan Cement	
-70%	93%	16%	0.31	0.31	0.31	0.0%	0.0%	4.3%	2.8%	5.5%	6.4%	4.67	Hold	Fauji Cement	
-18%	20%	10%	0.82	0.73	0.65	3.3%	6.3%	7.0%	15.1%	16.1%	15.6%	63.65	Buy	Lucky Cement	
NM	NM	NM	0.26	0.37	0.46	0.0%	0.0%	0.0%	-45.2%	-33.7%	-4.3%	3.47	Hold	Maple Leaf Cement	
<b>-58%</b>	<b>182%</b>	<b>49%</b>	<b>0.49</b>	<b>0.46</b>	<b>0.45</b>	<b>2.1%</b>	<b>4.5%</b>	<b>5.7%</b>	<b>2.1%</b>	<b>6.0%</b>	<b>8.6%</b>		<b>OW</b>	<b>JS Cement Sector</b>	
<b>Refinery</b>															
-37%	43%	62%	0.61	0.59	0.55	2.2%	5.6%	7.8%	5.1%	7.0%	10.7%	90.03	Hold	Attock Refinery	
NM	NM	NM	0.73	0.93	1.34	0.0%	0.0%	0.0%	-43.6%	-26.8%	-43.9%	81.03	Hold	Pakistan Refinery	
80%	18%	10%	0.72	0.66	0.62	8.9%	13.0%	14.8%	14.6%	15.9%	16.3%	169.25	Buy	National Refinery	
<b>-185%</b>	<b>96%</b>	<b>24%</b>	<b>0.68</b>	<b>0.66</b>	<b>0.63</b>	<b>5.7%</b>	<b>9.1%</b>	<b>10.8%</b>	<b>4.8%</b>	<b>9.2%</b>	<b>10.9%</b>		<b>MW</b>	<b>JS Refinery Sector</b>	
<b>Power Generation</b>															
45%	17%	11%	1.30	1.28	1.27	14.4%	15.8%	17.5%	18.5%	21.4%	23.5%	33.05	Buy	Hub Power Co.	
-15%	9%	7%	1.55	1.54	1.54	11.3%	13.8%	15.0%	20.4%	22.1%	23.5%	41.89	Hold	KAPCO	
<b>9%</b>	<b>13%</b>	<b>9%</b>	<b>1.41</b>	<b>1.40</b>	<b>1.39</b>	<b>12.9%</b>	<b>14.9%</b>	<b>16.3%</b>	<b>19.4%</b>	<b>21.7%</b>	<b>23.5%</b>		<b>OW</b>	<b>JS Power Sector</b>	
<b>Oil &amp; Gas Marketing</b>															
1%	13%	5%	1.98	1.64	1.39	8.7%	10.3%	10.8%	36.0%	33.8%	30.2%	298.08	Buy	Attock Petroleum	
NM	17%	3%	1.77	1.43	1.19	7.8%	8.9%	9.2%	34.1%	32.1%	27.6%	270.76	Buy	Pakistan State Oil	
-35%	13%	3%	2.39	2.33	1.15	8.4%	10.5%	10.5%	24.3%	26.9%	13.7%	238.84	Buy	Shell Pakistan	
UR	UR	UR	UR	UR	UR	UR	UR	UR	UR	UR	UR	30.17	UR	Sui Northern Gas	
NM	NM	43%	1.24	1.23	1.21	0.0%	2.2%	3.9%	-0.9%	4.1%	5.8%	17.79	Sell	Sui Southern Gas	
<b>NM</b>	<b>21%</b>	<b>10%</b>	<b>1.47</b>	<b>1.30</b>	<b>1.44</b>	<b>7.3%</b>	<b>9.0%</b>	<b>9.5%</b>	<b>22.0%</b>	<b>23.4%</b>	<b>28.3%</b>		<b>MW</b>	<b>JS OGM Sector</b>	
<b>Oil &amp; Gas Exploration</b>															
1%	16%	4%	4.00	3.53	3.14	5.2%	7.8%	8.3%	38.8%	39.7%	36.7%	134.98	Hold	Oil & Gas Devp. Co.	
36%	27%	19%	1.80	1.58	1.41	8.6%	11.1%	13.1%	26.3%	29.3%	30.9%	220.98	Buy	Pakistan Oilfields	
-11%	36%	6%	2.12	1.87	1.69	8.1%	11.8%	13.4%	28.2%	33.9%	32.4%	186.27	Buy	Pakistan Petroleum	
<b>0%</b>	<b>23%</b>	<b>6%</b>	<b>3.13</b>	<b>2.76</b>	<b>2.46</b>	<b>6.1%</b>	<b>8.9%</b>	<b>9.8%</b>	<b>33.9%</b>	<b>36.6%</b>	<b>34.6%</b>		<b>OW</b>	<b>JS E&amp;P Sector</b>	
<b>Auto Assembler</b>															
111%	5%	2%	1.70	1.48	1.31	5.8%	6.1%	6.9%	24.3%	22.3%	20.2%	260.74	Hold	Indus Motors	
204%	45%	23%	0.43	0.42	0.40	5.0%	6.9%	8.7%	5.1%	7.1%	8.3%	80.02	Hold	Pak Suzuki Motors	
<b>126%</b>	<b>14%</b>	<b>8%</b>	<b>1.00</b>	<b>0.91</b>	<b>0.84</b>	<b>5.6%</b>	<b>6.3%</b>	<b>7.4%</b>	<b>13.6%</b>	<b>14.2%</b>	<b>14.1%</b>		<b>MW</b>	<b>JS Auto Assembler Sector</b>	
<b>Technology &amp; Comm.</b>															
11%	7%	13%	1.01	0.99	0.96	8.8%	9.6%	10.1%	10.1%	10.6%	11.6%	19.87	Buy	P.T.C.L.	
<b>11%</b>	<b>7%</b>	<b>13%</b>	<b>1.01</b>	<b>0.99</b>	<b>0.96</b>	<b>8.8%</b>	<b>9.6%</b>	<b>10.1%</b>	<b>10.1%</b>	<b>10.6%</b>	<b>11.6%</b>		<b>OW</b>	<b>JS Telecom Sector</b>	
<b>Fertilizer</b>															
48%	35%	17%	2.01	1.79	1.60	3.3%	5.5%	6.6%	18.5%	22.4%	23.4%	181.54	Buy	Engro Corporation	
6%	3%	3%	5.06	4.71	4.40	12.8%	13.2%	13.5%	66.3%	63.3%	60.7%	105.18	Buy	Fauji Fertilizer Co.	
-15%	14%	6%	2.30	2.16	2.07	11.7%	13.1%	14.2%	29.1%	31.3%	31.8%	27.38	Buy	Fauji Fertilizer Bin Qasim	
NM	NM	27%	0.97	0.91	0.84	0.0%	0.0%	0.0%	0.4%	8.4%	9.8%	11.36	Buy	Fatima Fertilizer	
<b>12%</b>	<b>28%</b>	<b>10%</b>	<b>2.29</b>	<b>2.10</b>	<b>1.93</b>	<b>7.9%</b>	<b>9.0%</b>	<b>9.6%</b>	<b>23.2%</b>	<b>26.8%</b>	<b>27.1%</b>		<b>OW</b>	<b>JS Fertilizer Sector</b>	
<b>Textile</b>															
583%	-26%	46%	0.50	0.45	0.42	6.1%	6.1%	7.6%	17.5%	11.4%	15.5%	16.39	Buy	Nishat Chunian Limited	
105%	20%	36%	0.72	0.69	0.65	5.9%	5.8%	7.9%	11.8%	13.3%	17.3%	45.50	Buy	Nishat Mills	
<b>141%</b>	<b>10%</b>	<b>37%</b>	<b>0.69</b>	<b>0.65</b>	<b>0.61</b>	<b>5.9%</b>	<b>5.9%</b>	<b>7.9%</b>	<b>12.6%</b>	<b>13.0%</b>	<b>17.0%</b>		<b>OW</b>	<b>JS Textile Sector</b>	
<b>Miscellaneous</b>															
-43%	28%	22%	0.88	0.77	0.67	2.3%	2.3%	2.3%	13.1%	14.7%	15.5%	85.88	Buy	Adamjee Insurance	
Hold	NM	44%	1.23	1.17	1.02	0.0%	2.1%	8.4%	1.4%	23.7%	29.8%	11.87	Hold	Engro Polymer	
13%	7%	16%	1.12	1.01	0.85	7.1%	7.9%	10.9%	14.1%	13.5%	13.2%	132.66	Buy	ICI Pakistan	
NM	-10%	-4%	1.42	1.19	1.03	5.5%	5.5%	5.5%	30.8%	23.0%	19.2%	9.07	Hold	Lotte Pakistan PTA Ltd.	
-85%	51%	16%	0.44	0.42	0.41	3.2%	4.0%	4.8%	2.5%	3.6%	4.0%	125.81	Buy	Packages Ltd.	
<b>NM</b>	<b>28%</b>	<b>16%</b>	<b>0.89</b>	<b>0.81</b>	<b>0.72</b>	<b>4.3%</b>	<b>5.0%</b>	<b>6.8%</b>	<b>11.0%</b>	<b>12.8%</b>	<b>13.3%</b>		<b>MW</b>	<b>JS Miscellaneous Sector</b>	
<b>18%</b>	<b>21%</b>	<b>11%</b>	<b>1.51</b>	<b>1.38</b>	<b>1.26</b>	<b>6.7%</b>	<b>8.5%</b>	<b>9.4%</b>	<b>18.3%</b>	<b>20.1%</b>	<b>20.6%</b>			<b>JS UNIVERSE</b>	

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