

**PAKOMAN**  
ASSET  
MANAGEMENT  
MANAGEMENT  
V.2011

# BUDGET REVIEW 2012-13



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# Table of Contents

	Page No.
Pakistan Key Economic data	3
Budget 2012-13 Outlay	4
Budget Overview	5
Salient Features	6
Budgetary Measures for Salaried Class	7
Impact Assessment Summary	10
Capital market	11
Impact of Budgetary Measures on Different Sectors at a glance	12
AMC Sector	12
Banking Sector	13
Cement Sector	14
Fertilizer Sector	15
Auto Assembler Sector	15
Insurance Sector	16
Exploration & Production Sector	16
OMCs & Refineries	17
Power Sector	18
Textile Sector	18
Other General Information	19
Future Of Pakistan	22

## Pakistan Key Economic Data

Fiscal year runs from July to June	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12*
Nominal GDP (PKR Bn)	6,500	7,623	8,673	10,243	12,724	14,837	18,063	21,041
Nominal GDP (USD Bn)	110	127	143	164	159	178	211	238
Per Capita GDP (USD Bn)	709	807	887	995	944	1,035	1,201	1,333
Population (Mn)	154	158	161	165	168	172	175	179

Growth Indicators (% YoY)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12*
Real GDP	9.0	5.8	6.8	3.7	1.7	3.8	2.4	3.5
Agriculture	6.5	6.3	4.1	1.0	4.0	0.6	1.2	2.5
Industry	12.1	4.1	8.8	1.4	(0.10)	8.3	(0.10)	3.0
Services	8.5	6.5	7.0	6.0	1.7	2.9	4.1	4.2

Inflation Indicators (% YoY)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12*
CPI (Average %)	9.3	7.9	7.8	12.0	20.8	10.01	13.7	12.0
SBP (Discount Rate %)	9.0	9.0	9.5	12.0	14.0	12.5	14.0	12.0
Consolidated Fiscal Deficit (%)	3.3	4.3	4.4	7.6	5.3	6.3	6.6	5.1

Rupee Parity vs USD	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12*
Exchange Rate PKR/USD (Avg.)	59.36	59.86	60.63	62.55	80.15	83.48	85.80	90.00
% YoY	3.10	0.80	1.30	3.20	28.10	4.20	2.80	4.90
Exchange Rate PKR/USD (End Period)	59.7	60.2	60.4	68.4	81.5	85.5	86.1	90.4
% YoY	2.60	0.90	0.30	13.30	19.10	5.00	0.70	5.00

\* Estimated FY12

### Macro Economic Update

- Remittances at the end of 10MFY12 (July-April) stood at USD 10.88bn.
- Discount rate was slashed twice in last ten months in Monetary Policy statements to 12% from 14%.
- The average inflation of 11MFY12 (July-May) is recorded at 10.97% which is in line with the government's target of 12% for this fiscal year.
- The countries foreign exchange reserves stood at USD 16.31bn during the month of May 2012, against the reserves of USD 17.47b at the end of June 2011.
- The current account deficit for the period of 10MFY12 stood at USD 3.39bn.
- The exports of the country stood at USD 19.39bn during 10MFY12.

## Budget Outlay 2012-13

(PKR Bn)	FY12R	FY13B	% Chg.
Total Outlay	3,110	3,203	3.0
FBR Revenue	1,952	2,381	22.0
Direct Taxes	745	932	25.1
Indirect Taxes	1,207	1,449	20.0
Tax Revenue	2,025	2,504	23.7
Non-tax Revenue	512	730	42.6
Net Revenue	1,328	1,775	33.7
Current Expenditure	2,495	2,396	(4.0)
Debt Servicing	844	926	9.7
Defense	510	545	6.9
Subsidies	512	209	(59.2)
Federal PSDP	304	360	18.4
Fiscal Deficit	1,520	1,105	(27.3)
<b>% age of GDP</b>			
Total Revenue	12.3	13.7	
Tax Revenue	9.8	10.6	
Non Tax Revenue	2.5	3.1	
Current Expenditure	12.1	10.1	
Interest Payments	4.1	3.9	
Defense	2.5	2.3	
Subsidies	2.5	90.0	
Federal PSDP	1.5	1.5	
Budget Deficit	7.4	4.7	

## GDP Contributions (%)

Agriculture	21
Industrial	25
Services	54

## A Million Dollar Question: Financing of Fiscal Deficit?

(PKR Bn)	FY12				FY13		
	Budget	Revised	% Chg.	% of GDP	Budget	% Chg.	% of GDP
Financing of Fiscal Deficit	850.6	1,521.4	78.9	7.40	1,105.7	(27.3)	4.70
External Borrowing	64.1	226.2	252.9	1.10	60.5	(73.3)	0.30
Domestic Bank Borrowing	303.5	802.6	164.4	3.90	483.8	(39.7)	2.00
Domestic Non-bank Borrowing	412.6	492.6	19.4	2.40	487.0	(1.1)	2.10
Privatization	70.4	-	n/a	-	74.4	n/a	0.30

	KSE-100 Index	% Change
Jun-11	12,496	
Dec-11	11,348	(9.19)
Jan-12	11,875	4.64
Feb-12	12,878	8.45
Mar-12	13,762	6.86
Apr-12	13,990	1.66
May-12	13,787	(1.45)
FY12TD	13,758	10.10

Capital Market Statistics	
52 Week High	14,618
52 Week Low	9,516
Market Capitalization (USD Bn)	38
Mkt Cap (% of GDP)	17
Free Float (%)	25

Expected KSE-100 Index Range	
High	14,500
Low	12,500
Time	Jun-Oct 2012

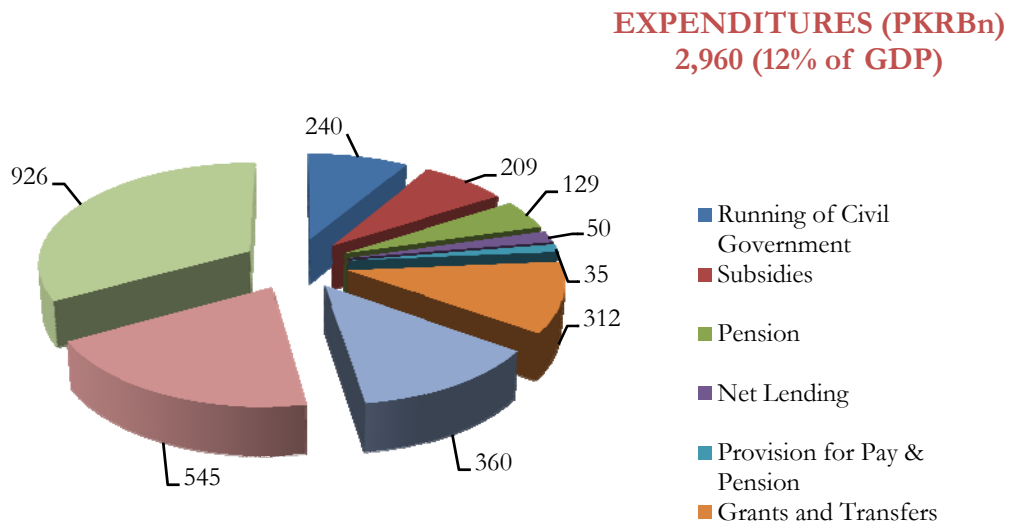
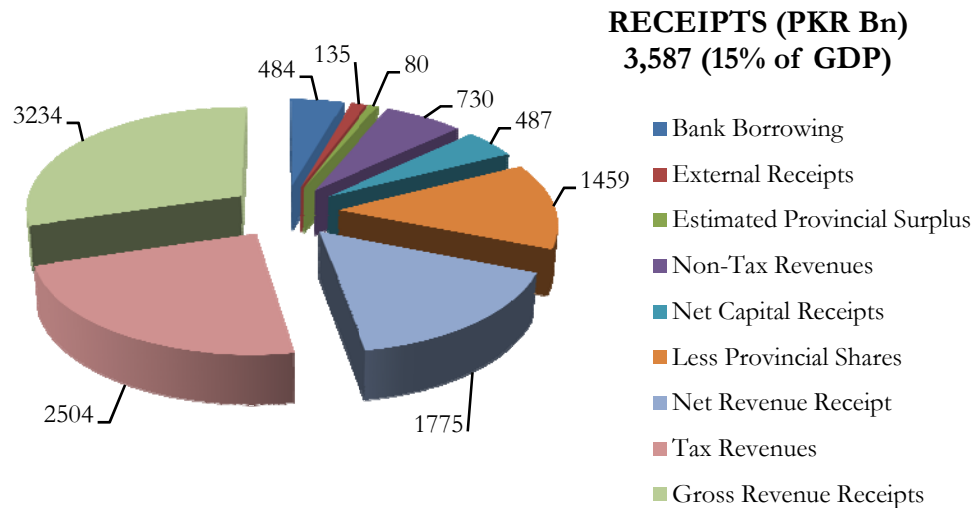
## KSE-100 Performance after the Budget

Post Budget	1-week	1-month
FY12	1.2%	2.0%
FY11	-1.7%	0.6%
FY10	-0.2%	6.3%

## Budget Overview

The federal budget for FY2012-13 was presented on Friday, June 01, 2012, a populist-based budget to balance the economic mess the government faces amid the critical election year. The budget marks history as being one of a kind as it's the first time that a democrat government has presented a budget for a fifth year in a row.

The goal of fiscal tightening would remain elusive given the slowdown in the economy and lack of industrial growth on the back of energy shortages.



## Salient Features (Relief & Revenue oriented Measures):

- The total amount allocated for PSDP is PKR 873bn, out of which federal share of PSDP is PKR 360bn and provincial share is PKR 513bn.
- 70bn will be allocated to Benazir Income Support program, PKR 20bn higher than the amount allocated in FY12.
- PKR 10bn will be allocated to Export Development Fund.
- Subsidy of PKR 183bn is allocated for power sector.
- The basic income tax exemption limit is increased from PKR 350,000 per annum to PKR 400,000 per annum for the salaried and business individuals.
- Tax slabs have been redesigned to 5 slabs from the previous 17 slabs.
- The amount received from investments of pension schemes upon retirement will be exempted from tax.
- Government has announced to issue Taxpayer honor Card for the regular taxpayers to allow them some concessions at some public and private forums.
- Minimum tax applicable on turnover of businesses is reduced from 1% to 0.5%.
- The rates of presumptive taxes are being reduced from 5% to 3% for commercial importers, 1% to 0.5% for exporters and 3.5% to 2.5% for suppliers.
- Withholding tax will be applicable on cash withdrawal of above PKR 50,000 per day as compared to PKR 25,000 in FY12.
- Investment in securities and insurance sector as a percentage of taxable income is increased from 15% to 20% and from PKR 500,000 to PKR 1mn whichever is lower. The required retention period is reduced from 3 years to 2 years.
- Dividends received by banks from money market and mutual funds will be taxed at 25% in FY13 and at 35% from FY14 onwards as compared to the rate of 10% in FY12.
- GST will be brought down to 16% for all the items on which higher GST is imposed.
- To continue the FED phase out reforms, the FED on 10 items is removed including livestock insurance and Asset Management Companies (AMCs).
- FED on cement sector is further reduced by PKR 100 per metric tons.
- Highest tariff for custom duty will be reduced to 30% from 35%.
- Customs duty on raw materials and components of printing will be abolished.
- Duty on rubber scrap is reduced from 20% to 10%
- Duty on raw materials of pharma sector is reduced from 15% to 10%.



## Budgetary Measures for Salaried Class

- The salaries of the government employees will be increased by 20%.
- Basic exemption limit is now being raised for salaried and business individuals to PKR 400,000.
- This will reduce effective tax rates thereby providing relief to all Association of persons (AOPs) in their tax burden.
- Tax slabs have been redesigned to 5 slabs from the previous 17 slabs. Slabs for salaries and non salaried taxpayers are given below. Slabs for non salaried individuals are also applicable to AOPs.

S.NO	Salaried Taxpayers	Rate
1	Upto PKR 400,000	Nil
2	400,001 to 750,000	5% of excess over PKR 400,000
3	750,001 to 1,500,000	PKR 17,500 + 10% of excess over 750,000
4	1,500,001 to 2,500,000	PKR 92,500 + 15% of excess over 1,500,000
5	over 2,500,000	PKR 242,500 + 20% of excess over 2,500,000

## Impact of change in tax rate in tax year 2013 for Salaried Individuals

Salary per month	Salary per annum	Tax incidence		Increase/decrease in tax incidence	
		Before amendment	After amendment	PKR	% age
30,000	360,000	2,000	-	(2,000)	(100.00)
40,000	480,000	16,800	4,000	(12,800)	(76.19)
50,000	600,000	27,000	10,000	(17,000)	(62.96)
60,000	720,000	43,200	16,000	(27,200)	(62.96)
70,000	840,000	63,000	26,500	(36,500)	(57.94)
80,000	960,000	85,500	38,500	(47,000)	(54.97)
90,000	1,080,000	106,500	50,500	(56,000)	(52.58)
100,000	1,200,000	120,000	62,500	(57,500)	(47.92)
125,000	1,500,000	179,500	92,500	(87,000)	(48.47)
150,000	1,800,000	252,000	137,500	(114,500)	(45.44)
175,000	2,100,000	315,000	182,500	(132,500)	(42.06)
200,000	2,400,000	384,000	227,500	(156,500)	(40.76)
225,000	2,700,000	432,000	282,500	(149,500)	(34.61)
250,000	3,000,000	525,000	342,500	(182,500)	(34.76)
275,000	3,300,000	577,500	402,500	(175,000)	(30.30)
300,000	3,600,000	646,250	462,500	(183,750)	(28.43)
400,000	4,800,000	960,000	702,500	(257,500)	(26.82)
500,000	6,000,000	1,200,000	942,500	(257,500)	(21.46)
750,000	9,000,000	1,800,000	1,542,500	(257,500)	(14.31)
1,000,000	12,000,000	2,400,000	2,142,500	(257,500)	(10.73)
1,200,000	14,400,000	2,880,000	2,622,500	(257,500)	(8.94)

## Budgetary Measures for Non-Salaried Class

S.NO	Non-Salaried Taxpayers	Rate
1	Upto PKR 400,000	Nil
2	400,001 to 750,000	10% of excess over PKR 400,000
3	750,001 to 1,500,000	PKR 35,000 + 15% of excess over 750,000
4	1,500,001 to 2,500,000	PKR 147,500 + 20% of excess over 1,500,000
5	over 2,500,000	PKR 347,500 + 25% of excess over 2,500,000

## Impact of change in tax rate in tax year 2013 for Non-Salaried Individuals

Taxable income per annum	Tax incidence		Increase/decrease in tax incidence	
	Before amendment	After amendment	PKR	% age
400,000	30,000	-	(30,000)	(100.00)
450,000	33,750	5,000	(28,750)	(85.19)
500,000	37,500	10,000	(27,500)	(73.33)
600,000	60,000	20,000	(40,000)	(66.67)
700,000	70,000	30,000	(40,000)	(57.14)
800,000	120,000	42,500	(77,500)	(64.58)
1,000,000	150,000	72,500	(77,500)	(51.67)
1,250,000	250,000	110,000	(140,000)	(56.00)
1,500,000	300,000	147,500	(152,500)	(50.83)
2,000,000	500,000	247,500	(252,500)	(50.50)
2,500,000	625,000	347,500	(277,500)	(44.40)
3,000,000	750,000	472,500	(277,500)	(37.00)
3,500,000	875,000	597,500	(277,500)	(31.71)
5,000,000	1,250,000	972,500	(277,500)	(22.20)



### Impact of change in tax rate in tax year 2013 for Association of People

Taxable income per annum	Tax incidence		Increase/decrease in tax incidence	
	Before amendment	After amendment	PKR	% age
400,000	100,000	-	(100,000)	(100.00)
450,000	112,500	5,000	(107,500)	(95.56)
500,000	125,000	10,000	(115,000)	(92.00)
600,000	150,000	20,000	(130,000)	(86.67)
700,000	175,000	30,000	(145,000)	(82.86)
800,000	200,000	42,500	(157,500)	(78.75)
1,000,000	250,000	72,500	(177,500)	(71.00)
1,250,000	312,500	110,000	(202,500)	(64.80)
1,500,000	375,000	147,500	(227,500)	(60.67)
2,000,000	500,000	247,500	(252,500)	(50.50)
2,500,000	625,000	347,500	(277,500)	(44.40)
3,000,000	750,000	472,500	(277,500)	(37.00)
3,500,000	875,000	597,500	(277,500)	(31.71)
5,000,000	1,250,000	972,500	(277,500)	(22.20)

### Rate of tax for retailers

The rate of tax applicable for the tax year 2013 on a retailer is proposed to be reduced from the present 1% to 0.50% of the turnover, in case his declared turnover is Rs.5 million or less.

### Rate of Tax for Companies

- For public, private and banking companies, the rate of tax remains unchanged at 35% for tax year 2013.
- A co-operative and finance society is taxed at the income tax rate applicable to a company.
- The rate of tax for a “small company” remains at 25% for the tax year 2013.

### Rate of Tax on Dividend Income

The rate of tax on dividend received by all taxpayers continues at 10% and the rate of tax on the dividend received by a banking company from its asset management company, continues at 20%.

**IMPACT OF BUDGETARY MEASURES ON VARIOUS SECTORS AT  
A GLANCE**

Sector	Major Policy Measures	Impact		
		Negative	Neutral	Positive
Capital Market	Rules for computation of CGT is now part of finance bill			
AMCs	Tax rebate on taxable income has increased to 20%			
Banking	Increase in tax to 25% on dividend from funds			
Cement	Cut in FED and lower import duty on alternative fuel			
Fertilizers	Hike in gas cess and GST rationalization			
Auto Assemblers	No change in rates of CKD & CBU			
Insurance	Tax rebate on taxable income has increased to 20%			
E&P	Privatization proceeds of PKR 74bn from PPL			
OMCs & Refineries	Abolishment of FED gas development surcharge			
Power	targeted subsidy of PKR 185bn			
Textile	Reduction of turnover tax rate to 0.5% & increase in gas cess			

## Capital Market

- The changes made through the Finance (Amendment) Ordinance, 2012 are being incorporated into the statute through the Finance Bill 2012. This will provide assurance to the capital market that the Government is committed to its sustainability and growth.
- To promote investment in capital markets through asset management companies, FED on services of these companies has been abolished.
- Investment in securities as a percentage of taxable income is increased from 15% to 20% and from PKR 500,000 to PKR 1mn whichever is lower. The required retention period is reduced from 3 years to 2 years.

### Impact: (Neutral to Positive)

- The impact of the amendment in CGT ordinance was already witnessed by the KSE-100 index in the first five months of the current year. However it will ensure investors about some tax issues.
- New investors might be attracted due to increase in the tax rebate limit for equity investors.

Rate of tax on capital gains on securities (%)		
Holding Period of a security		
Year	< 6 Months	> 6 Months, < 12 Months
2011	10.0	7.5
2012	10.0	8.0
2013	10.0	8.0
2014	10.0	8.0
2015	17.5	9.5
2016	*	10.0

\* Normal Tax rate will apply

If the holding period of a security is 12 Months or more, the applicable rate will be 0%

	KSE-100 Index	% Change
Jun-11	12,496	-
Dec-11	11,348	(9.19)
Jan-12	11,875	4.64
Feb-12	12,878	8.45
Mar-12	13,762	6.86
Apr-12	13,990	1.66
May-12	13,787	(1.45)
FY12TD	13,758	10.10

### Expected KSE-100 Index Range

High	14,500
Low	12,500
Time	Jun-Oct 2012

### Strategy

Target specific scripts

Policy of investment cum trading should be adopted

Underline view: Sell on strength

## IMPACT OF BUDGET ON DIFFERENT SECTORS

### AMC Sector

- Government has announced to abolish FED on services provided by Asset Management Companies (AMCs). (Positive)
- Investment in securities as a percentage of taxable income is increased from 15% to 20% and from PKR 500,000 to PKR 1mn whichever is lower. The required retention period is reduced from 3 years to 2 years. (Positive)
- The tax arbitrage for banks has been reduced as dividends earned from mutual funds will be taxed at 25% in FY13 instead of 10% in FY12. (Negative)
- The amount received from investments of pension schemes upon retirement will be exempted from tax. (Positive)

AMC Industry		
Categories	Fund Size (PKR Mn)	Weightage (%)
Open End Funds	361,494	94.1
Closed End Funds	19,431	5.1
Pension Funds	3,393	0.9
Total	384,318	100.0

Open End Fund Comparison		
Categories	Fund Size (PKR Mn)	Weightage (%)
Cash/MM Funds	134,313	37.2
Government Securities	83,761	23.2
Equity Fund	52,130	14.4
Income Funds	42,337	11.7
Islamic Income	9,980	2.8
Islamic Cash/ MM Funds	9,286	2.6
Others	29,688	8.2
Total	361,494	100.0

### Banking Sector

- Withholding tax will be applicable on cash withdrawal of above PKR 50,000 per day as compared to PKR 25,000 in FY12.
- Dividends received by banks from money market and mutual funds will be taxed at 25% in FY13 and at 35% from FY14 onwards as compared to rate of 10% in FY12.
- Reliance on bank and non bank borrowing will keep interest rate high with no major growth expected in private sector credit.

### Impact (Neutral to Negative)

- Banks will have to maintain higher liquidity position as a result of Increase in daily tax free withdrawal limit, which will have a slightly downward impact on the size of bank's investment portfolio.
- Increase in tax rate applicable on dividends received from mutual funds will not cast any significant impact on banks as it will reduce the other income of banks from 1% to 4%.

#### Banks - Key Statistics

	2012E	2013F	2014F
Growth (%)	15.0	9.0	8.0
PE (x)	5.8	5.3	4.9
Div. Yield (%)	8.7	9.1	9.6
PBV (x)	1.0	0.9	0.8
ROE (%)	18.0	16.0	16.0

#### Banks - Key Statistics

Scheduled Banks	(PKR bn)
Deposits	5,404
Advances	3,340
Investments	2,955
Spread (%)	7.67

Countries	Interest Rate (%)
Bangladesh	13.0
Pakistan	12.0
Srilanka	9.3
India	8.0
China	6.6
Singapore	5.4
Phillipines	4.0
Thailand	3.0
France	1.0
Germany	1.0
Canada	1.0
United Kingdom	0.5
Newyork	0.3
Japan	0.1

## Cement Sector

- The government has reduced FED on cements by PKR 100 per ton in budget FY13, thereby fixing the applicable FED at PKR 400 per ton.
- Customs duty on scrap of rubber / shredded tyres has been reduced from 20% to 10% to encourage its use as a substitute fuel for the cement industry.
- Increase in PSDP by 20% from last year.

## Impact: (Positive)

- Reduction in FED will result in saving PKR 5 per bag, it will improve the profits of companies if the impact is not passed on to consumers, however, if it is passed to consumers, it will have neutral impact for the sectors.
- Reduction in duty on scrap rubber will save the cost for those manufacturers who are using scrap rubber as an alternate fuel for energy.
- Higher allocation for PSDP will boost the construction activity during the upcoming year, which will significantly increase the demand for cement.

### Cement - Key Statistics

	2012E	2013F	2014F
Growth (%)	12.0	12.0	10.0
PE (x)	6.6	6.7	6.0
Div. Yield (%)	2.6	3.1	3.5
PBV (x)	0.9	0.8	0.7
ROE (%)	12.0	12.0	12.0

### Public Sector Development Program 2012-13

	PKR Bn
Breakup of PSDP	
Federal PSDP	350.00
Allocation for Punjab	206.00
Allocation for Sindh	188.00
Allocation for Khayber Pakhtunkhuwa	78.00
Allocation for Balochistan Earthquake Rehabilitation Authority	41.00
	10.00
<b>Total</b>	<b>873.00</b>

## Fertilizer Sector

- Gas Cess has been increased to PKR 300/mmbtu for all fertilizer plants except Engro's new plant and Fatima Fertilizer. This raises cost of production of urea by PKR130/bag.

### Impact: (Negative)

- The sector may face difficulty in passing on the increased cost to the consumers in order to remain competitive with cheaper imported urea amid inventory oversupply situation in urea market, thus the situation bodes negative for all players except Fatima fertilizer, which enjoys locked gas prices till 2021.

## Auto Assemblers Sector

- No change has been made in the CKD import duty structure.
- No amendment has been made in the duty structure of used and new cars.
- Rate of duty on Hybrid Electric Vehicles (HEV) and their batteries has been reduced by 25% to encourage import of HEV at reasonable prices.
- Advance tax on purchase of 1300cc to 1600cc locally assembled cars has been increased to PKR 25,000 from PKR 16,875.

### Impact: Neutral

- Budgetary measures will not pose any negative impact on the sector as no major relaxation has given on the import of used cars. Moreover, relaxation on HEV will not cascade any major impact on local car assemblers.

Fertilizer - Key Statistics

	2012E	2013F	2014F
Growth (%)	-1.0	6.0	12.0
PE (x)	6.2	5.9	5.3
Div. Yield (%)	11.4	12.1	12.4
PBV (x)	2.2	1.8	1.6
ROE (%)	35.0	31.0	30.0

Auto Assemblers - Key Statistics

	2012E	2013F	2014F
Growth (%)	45.0	-15.0	5.0
PE (x)	5.5	6.2	5.9
Div. Yield (%)	7.1	5.9	5.9
PBV (x)	1.4	0.8	0.8
ROE (%)	26.0	14.0	14.0

Capacity of Engine	Amount of Tax (PKR)
Upto 850cc	7,500
851cc to 1000cc	10,500
1001cc to 1300cc	16,875
1301cc to 1600cc	16,875
1601cc to 1800cc	22,500
1801cc to 2000cc	25,000
Above 2000cc	50,000



## Insurance Sector

- Abolishment of FED of 16% on live stock insurance.
- CGT on shares has been reduced from 15% to 12% if holding is less than 6 months, while from 9% to 8.5% if holding is more than 6 months but less than 1 year.
- Increased tax credit on life insurance from 15% (or PKR 0.5mn whichever is less) to 20% (or PKR 1mn whichever is less). In addition to this, holding period for tax rebate is also reduced from 3 to 2 years.

### Impact: Positive

- Abolishment of FED on live stocks insurance and reduction in CGT on shares will be positive for the sector.
- Increase in tax rebate will support life insurance penetration in Pakistan.

## Exploration & Production Sector

- The government has announced a target of PKR 74bn from privatization proceeds, which implies government intention of conducting PPL's secondary public offerings in FY13.

### Impact: Neutral

- For E&P sector, budget remained as a non-event as no major development or devastation was announced for this sector.

Year	Holding Period of a security	
	< 6 Months	> 6 Months, < 12 Months
2012	15.0	9.0
2013	12.0	8.5

PPL - Key Statistics	
Book Value/Share	89.6
Government Holding (%)	70.7
Free Float (%)	21.0
EPS (PKR) 9MFY12	24.6
Paid-up Capital (PKR mn)	11,949.9
Div. Yield (%)	6.6
Expected Offering Price (PKR)	190.0

## OMC & Refineries

- The government has decided to eliminate FED on various lubricant oils like Base Lube Oil, lubricating oil manufactured from reclaimed oil, lubricating oil in bulk, lubricating oil manufactured from sludge and lubricating oil manufactured from sediment in the budget FY13.
- FED of 10% of retail price is applicable on lubricating oil, PKR 7.15 per liter on Base Lube oil and PKR 2.0 per liter is applied to lubricating oil manufactured from reclaimed oils or sludge or sediment.
- GIDC on CNG is increased by PKR 159/mmbtu to PKR 300/mmbtu in region one (KPK, Baluchistan and Potohar) while GIDC is increased by PKR 121/mmbtu to PKR 200/mmbtu in the second region (Sind & Punjab).

### Impact: (Neutral)

- Abolition of FED on lubes will result in reduction of price and hence increase in demand of lubricants.
- Abolishment of FED of PKR 7.15/litre on base oil for refineries will have a positive impact on refineries if the impact is not passed on to the customers.
- Increase in CNG price will result in reduction of petrol/CNG price differential and positively impact the demand of petrol.

OMCs - Key Statistics

	2012E	2013F	2014F
Growth (%)	-7.0	12.0	2.0
PE (x)	4.8	4.3	4.2
Div. Yield (%)	7.8	8.7	9.4
PBV (x)	1.0	0.9	0.9
ROE (%)	21.0	21.0	21.0

## Power Sector

- The government has announced the total target subsidy on electricity is PKR 185bn against revised allocation of PKR 464bn in the outgoing year.

### Impact: (Neutral to Negative)

- The current differential in electricity tariff and cost is 20-25% and due to the political pressures arising from election year, government would not be able to reduce this gap much and subsidy on electricity is expected to be much more than the government targeted amount which will erode liquidity of the sector.

## Textile Sector

- Government has announced the reduction in turnover tax to 0.5% from 1% for companies with tax losses.
- Lower tax rates are being offered to commercial importers, exporters and suppliers to encourage normal tax regime and phasing out of Presumptive Tax Regime (PTR) in three years.
- Increase in gas cess by PKR 87/mmmbtu on captive power plants.

### Impact: Neutral to Positive

- Reduction in turnover taxes will be beneficial for the companies to achieve positive earnings rapidly that are currently in losses. Moreover, the decrease in export duties will improve textile manufacturer's earnings. Conversely, increase in gas cess will be slightly negative for the sector.

### Power - Key Statistics

	2012E	2013F	2014F
Growth (%)	6.0	6.0	19.0
PE (x)	6.7	6.3	5.3
Div. Yield (%)	14.4	15.6	18.3
PBV (x)	1.6	1.6	1.6
ROE (%)	24.0	25.0	29.0

### Textile Industry - Key Statistics

Market Capitalization (PKR Bn)	132
Paid up capital (PKR Bn)	48
No of Companies	396
Installed units (Mn)	464

## OTHER GENERAL INFORMATION

### The World's 30 largest banks by market capitalization (2011)

Rank	Company	Country	Market cap. (USD Bn)
1	Industrial and Commercial Bank of China (ICBC)	China	240.95
2	China Construction Bank (CCB)	China	195.85
3	Wells Fargo	USA	161.05
4	HSBC	UK	150.9
5	Agricultural Bank of China (ABC)	China	141.73
6	JP Morgan Chase	USA	140.95
7	Bank of China (BOC)	China	128.8
8	Itaú Unibanco	Brazil	88.17
9	Citigroup Inc.	USA	86.67
10	Commonwealth Bank of Australia	Australia	82.62
11	Royal Bank of Canada (RBC)	Canada	76.56
12	Bank of America (BoA)	USA	71.77
13	Toronto Dominion Bank (TD Bank)	Canada	70.53
14	Banco Santander	Spain	67.32
15	Westpac	Australia	65.77
16	Mitsubishi UFJ	Japan	64.25
17	Banco Bradesco	Brazil	63.91
18	Sberbank	Russia	59.36
19	ANZ Banking Group	Australia	58.48
20	Scotiabank	Canada	58.16
21	Standard Chartered Bank	UK	57.68
22	National Australia Bank	Australia	56.04
23	U.S. Bancorp	USA	54.85
24	BNP Paribas	France	54.21
25	Goldman Sachs	USA	53.53
26	UBS AG	Switzerland	52
27	Bank of Communications	China	48.11
28	China Merchants Bank	China	45.15
29	Sumitomo Mitsui Banking Corp.	Japan	43.62
30	BBVA	Spain	42.98
Total:			2,581.97

### Country Wise Top Ten Highest Unemployment Data

S.No.	Country	Unemployment Rate (%)
1	Zimbabwe	95
2	Nauru	90
3	Liberia	85
4	Burkina Faso	77
5	Turkmenistan	60
6	Cocos (Keeling) Islands	60
7	Djibouti	59
8	Namibia	51
9	Senegal	48
10	Nepal	46

### Country wise Top Ten Lowest Unemployment Data

S.No.	Country	Unemployment Rate (%)
1	Papua New Guinea	1.8
2	Vanuatu	1.7
3	Liechtenstein	1.5
4	Thailand	1.2
5	Uzbekistan	1.1
6	Belarus	1.0
7	Azerbaijan	0.9
8	Guernsey	0.9
9	Qatar	0.5
10	Monaco	0.0

## Major Countries Unemployment Data

S.No.	Country	Unemployment Rate (%)
1	Afghanistan	35.0
2	South Africa	23.3
3	Spain	20.0
4	Iraq	15.3
5	Oman	15.0
6	Pakistan	15.0
7	Bahrain	15.0
8	Iran	14.6
9	Maldives	14.5
10	Ireland	13.7
11	Jordan	13.4
12	Turkey	12.4
13	Greece	12.0
14	India	10.8
15	Portugal	10.7
16	United States	9.7
17	France	9.5
18	Belgium	8.5
19	Finland	8.4
20	Italy	8.4
21	Iceland	8.3
22	United Kingdom	7.9
23	Russia	7.6
24	Germany	7.4
25	Philippines	7.3
26	Indonesia	7.1
27	Israel	6.4
28	Australia	5.1
29	China	4.3
30	Hongkong	4.3
31	Bhutan	4.0
32	Switzerland	3.9
33	San Marino	3.8
34	Norway	3.6
35	Malaysia	3.5
36	United Arab Emirates	2.4
37	Kuwait	2.2
38	Singapore	2.1

## **FUTURE OF PAKISTAN**

**Right now Pakistan is at War like Situation; yes we mean economic war. On One hand there are Macro issues and challenges like, Global Financial Melt down and Crises, after Europe, Asia is also facing threat especially Indian Rupee devaluation almost 25% decline in a year which Shocked everyone.**

**USA-PAK relationship which is almost at the Verge of Collapse and so far heading towards no where due to lack of political and public consensus in Pakistan.**

**On the Micro Front, Pakistan is facing a huge list of challenges and threats which comprises of:**

- **Trade, Fiscal and Current account Deficits**
- **Rupee Devaluation and Depreciation**
- **Economic and financial aid deficiencies**
- **Political Chaos**
- **Shortage of major cost of doing business elements like: Electricity , Gas and Water**
- **Flood damages remain a threat in future also**
- **And above all terrorism acts and failure in controlling them internally and externally.**

**Inspite of all above issues and challenges Pakistan is surviving since 1947 and Insha Allah will remain intact and independent. What we need is a Good Leadership with Good Governance Skills and will to perform and prosper and to eradicate corruption.**

**Now is the time to wake up. It's better to be late than never. We all have to unite and contribute our role and part... When there is a will there is a way!**





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