

Apr-2022: Relief rally needs clarity to gather steam

JS Research
research@js.com
+9221 111-574-111

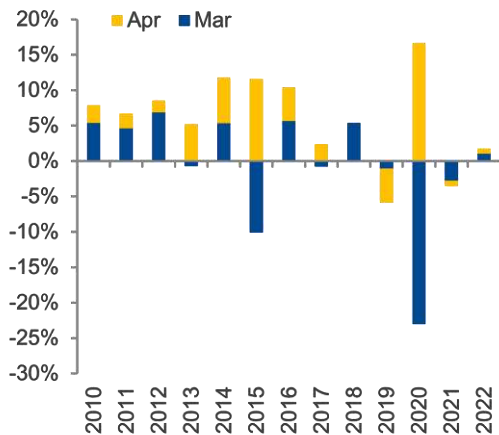
6 May 2022

JS Universe: Market Multiples

	2021	2022E	2023F
Earnings Growth	21%	20%	10%
PER (x)	5.5	4.6	4.1
PBV (x)	0.9	0.8	0.7
D/Y	8%	9%	10%
ROE	17%	18%	18%

Source: JS Research

Market performance



Source: PSX, JS Research

Initial Relief rally facing hiccups...

The change of guard on the political front led to an initial relief rally at PSX (up 3.7% for the month at one point), as this was expected to bring back much needed attention and ownership of macro policies which had been missing in last few weeks, amidst the political noise. The initial relief rally however faced hiccups as political noise failed to die down while macro policies also remained unclear, resulting in the KSE-100 closing +0.7% MoM in April-22, taking 4MCY22 performance to +1.5%. April however, witnessed better participation with higher average volumes in earlier sessions taking the average trading to 40% MoM.

... as clarity needed on policy matters

With PML-N now taking charge of the lower legislative house of Pakistan, the current government needs to show resolve and provide the market clarity on critical policy matters. Just before the government changed hands, the State Bank of Pakistan (SBP) raised [Policy Rate from 9.75% to 12.25%](#) (+250 bp), and had termed it 'decisive' to curb expectations of further hikes. The policy impasse has however meant that secondary market yields have continued to rise with KIBOR approaching 15% level in the last days of Apr-2022.

Immediate action needed on fiscal front...

The key fiscal challenge is rolling back subsidy on retail fuel prices announced by the outgoing government. While new government has stressed the need to remove these subsidies in a targeted manner, political compulsion and festive season constrained them from making a move as yet, resulting a subsidy of ~PKR30/litre on petrol vs an earlier commitment to IMF to collect PKR30/litre levy on the same. Swift action on the fiscal side is needed to keep rates and under control and also unlock respite on external front.

... which might pave way for external respite via IMF

Last month's [Balance of Payments took a huge toll on SBP's forex reserves](#), reducing by US\$4bn to a 2-year low level to US\$12bn over CAD of US\$1bn and delay in debt rollover from China. The depletion continued in Apr-2022 as SBP reserves reach US\$10.6bn, taking a toll on PKR movement against the US\$ declining to its all-time low at Rs188. The pressure can extend in coming months with recent Indonesian ban on palm oil exports and reported US\$4bn additional scheduled payments by SBP in coming months. Resumption of talks with IMF on their next visit to Pakistan in May-2022 has been welcomed with prospective extension of the program to Jun-2023 and enhancing it from US\$6bn to US\$8bn. In addition, friendly countries i.e. Saudi and UAE could also respond positively to the IMF program coming back on track. Sorting out the fiscal situation appears to be the first milestone to that end.

Corporate results reflect some stress

The result season for Mar-2022 quarter kicked off with improving results in the banking and OMC sectors, albeit flat/declining margin in the cement and steel sector. Sectors continue to feel the brunt of inflation and higher commodity prices as price increase announcements were witnessed in the Steel, Fertilizer

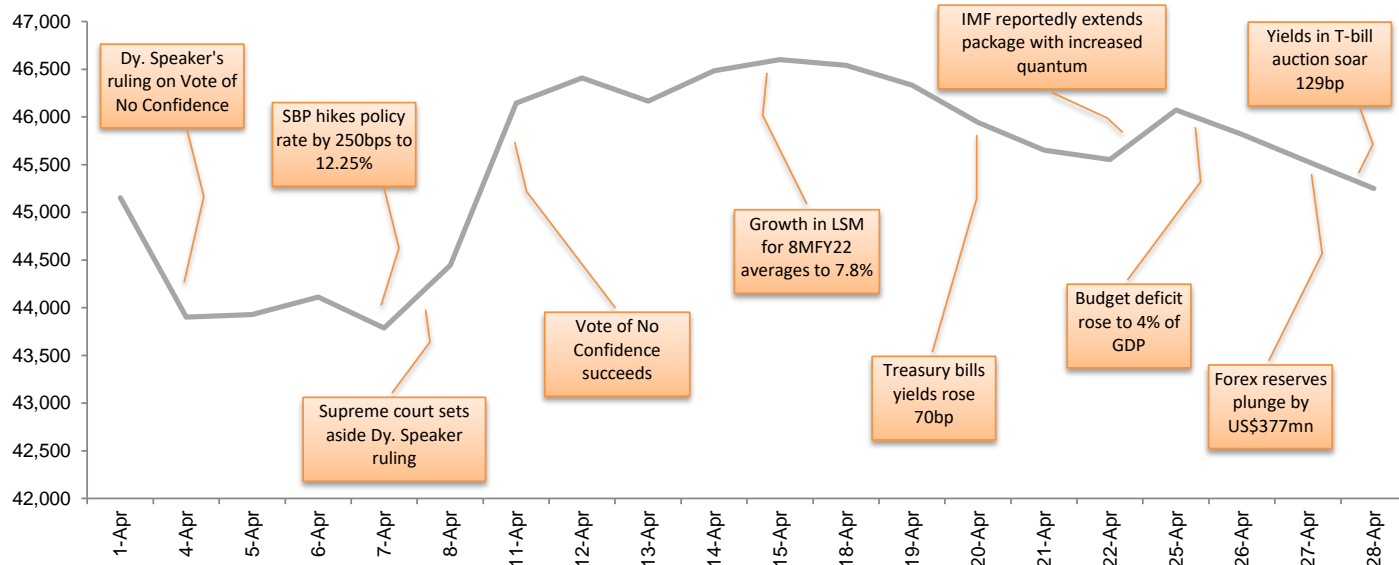
and Autos. To recall, price increases in these sectors were also reported in Mar-2022, in addition to Cement price increase.

Outlook

Though the fresh Cabinet formation is somewhat similar to the previous tenure of PML-N (2013-2018), the ongoing stress on key economic dials suggest the upcoming Budget should not necessarily be similar to PML-N's previous pro-growth Budgets. The market would be able to grasp a clearer picture of the incumbent government's economic policies in the Federal Budget FY23, which is reportedly to be announced in the first week of Jun-2022.

We believe valuations of Pakistan market at sub 5x PE would to unlock as attention to corrective economic measures surface and begin to implement, making cyclical rebound off the lows a matter of when and not if. We reiterate our liking for Banks, E&Ps and fertilizer where a combination of growth stories with dividend yields are on offer.

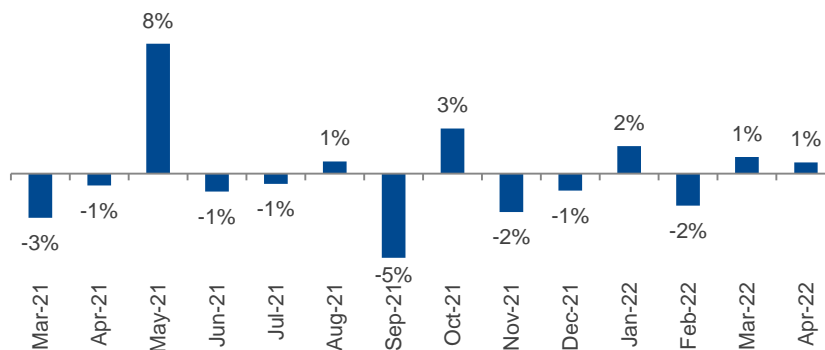
Apr-2022: Key events



Source: PSX, JS Research

Index Monthly Returns

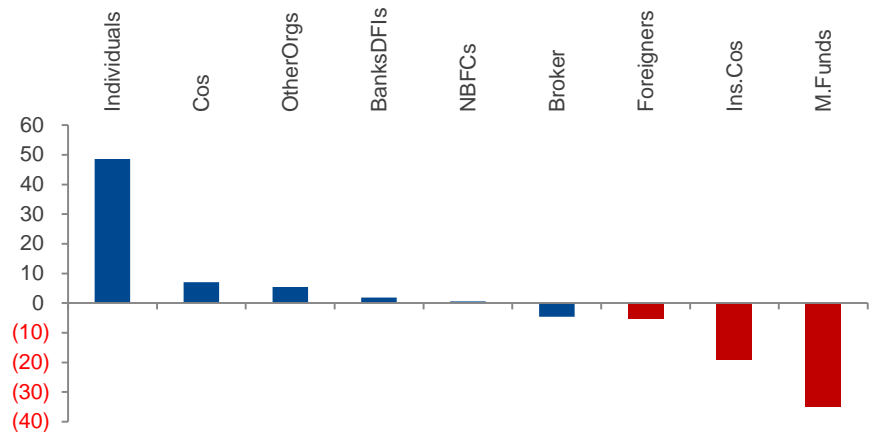
Apr-2022 gains bring 4MCY22 closing in green, making it the fifth month of FY22 to report a positive close so far.



Source: PSX, JS Research

Apr-2022: Investor segment break-up (US\$m)

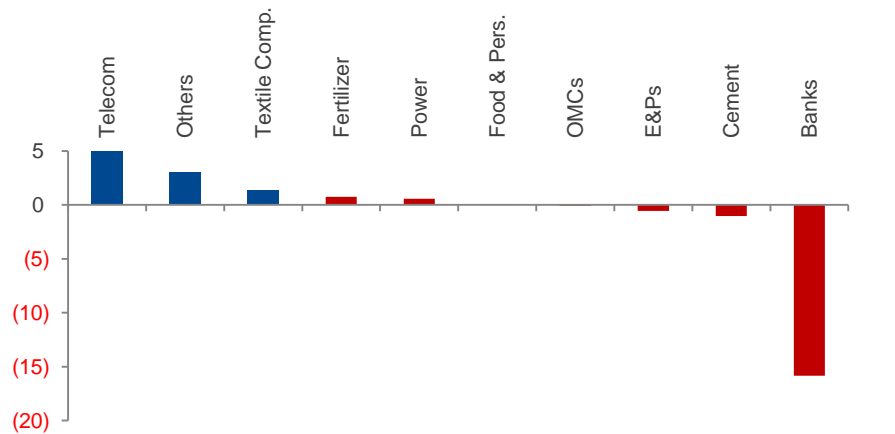
Selling by Mutual Funds and FIPI continues in Apr-2022, however absorbed by Cos. and Individuals this month



Source: NCCPL, JS Research

Apr-2022: Sector-wise foreign investor activity (US\$m)

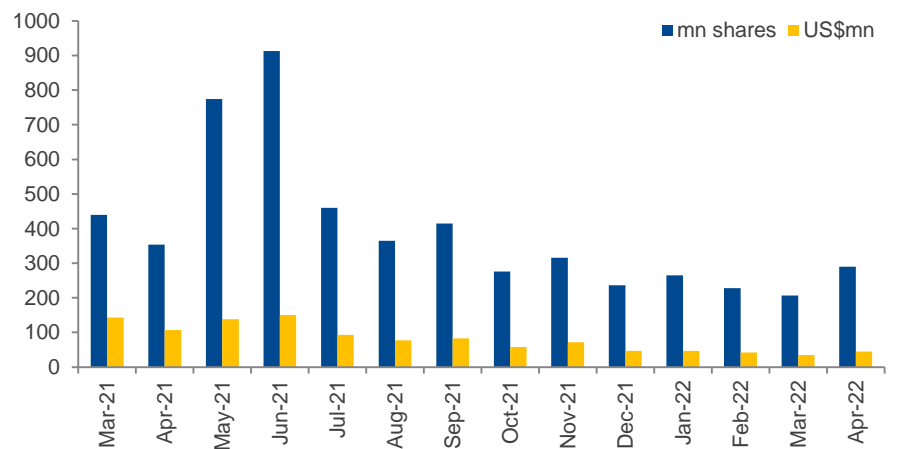
Largest selling by FIPI registered in the Banking sector. Telco, Textile and Other sectors attracted net inflows this month.



Source: NCCPL, JS Research

ADTO trend

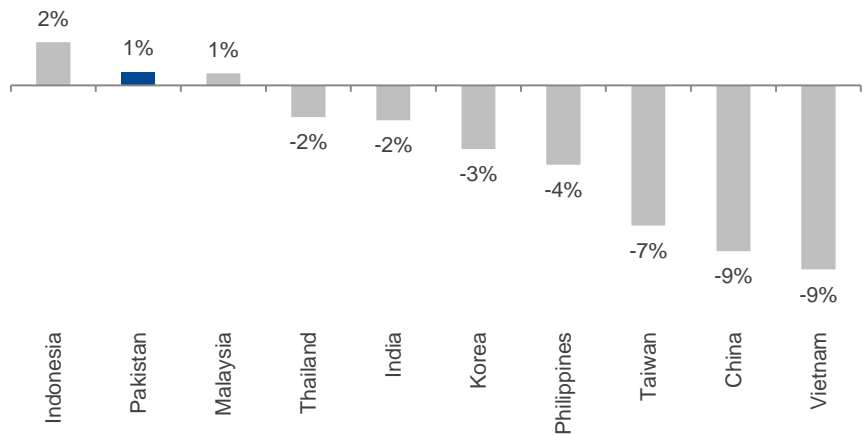
Average daily turnover depicted an increase in activity during the month.



Source: PSX, JS Research

Apr-2022: Regional Comparison

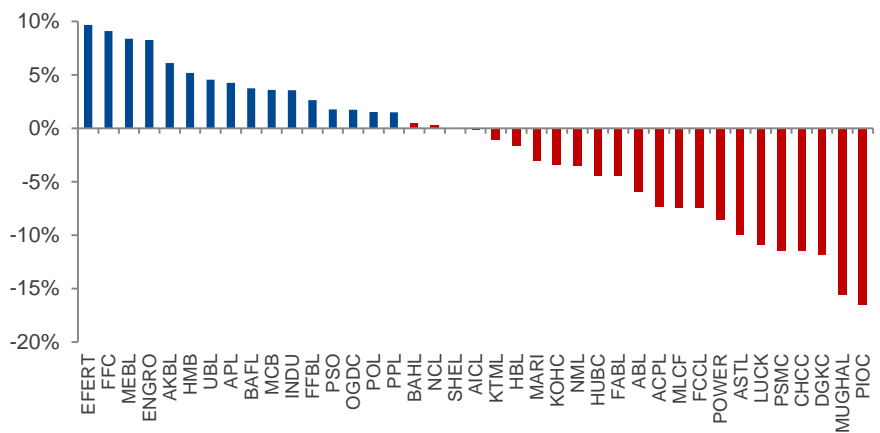
KSE100 Index performance remains subdued with minimal returns but better compared to the performance in regional markets this month.



Source: Bloomberg, PSX, JS Research

Apr-2022: JS Universe Stocks performance

Despite a positive close, most stocks among JS Universe report a negative return. Outperformers consisted mainly of banks and fertilizer sector stocks.



Source: PSX, JS Research

Market Technical Analysis

KSE-100 Index

	High	Low	Close	Return
Apr-22	46,970	43,752	45,249	0.7%
Mar-22	45,017	42,789	44,929	1.1%

Technical Indicators

	RSI	Stoch	MACD	CCI
Daily	49.4	28.5	318.3	(161.9)
Weekly	50.9	71.3	(65.6)	39.5
Monthly	55.3	46.2	1,392.5	(18.7)

Moving Averages

	30-DMA	50-DMA	100-DMA	200-DMA
Daily	44,927	44,657	44,824	45,489
Weekly	44,953	45,841	43,759	40,566
Monthly	42,286	40,842	38,775	25,598

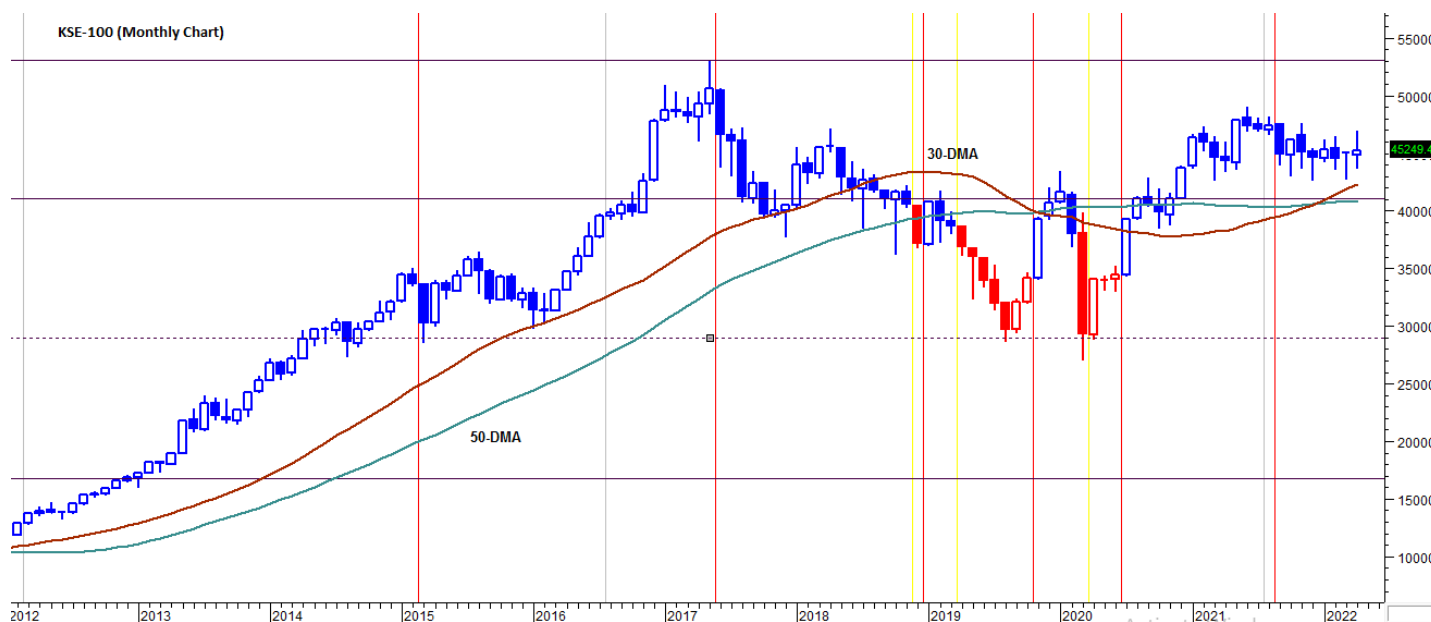
Bulls maintained their winning streak for the second consecutive month as KSE-100 gained 0.7% MoM to close at 45,249 level. Taking a clue from previous month closing, bullish momentum continued in the early half where KSE-100 touched a high of 46,970. However, the trend reversed and Bears took the control in the later half as KSE-100 took a tumble and went as low as 44,656, losing almost 5% from its month high. Healthy investors' participation was seen as the average market volume reflects a growth of 40% MoM.

PIVOT Analysis

S2	S1	PIVOT	R1	R2
42,105	43,677	45,324	46,896	48,542

A tug of war between the Bulls and the Bears is expected in the upcoming month as KSE-100 seems to be trapped in a range. Though, the current scenario on the daily chart for a short term favours the bearish momentum as the index has just dropped below its key support of 200-DMA that currently stands at the 45,490 level. However, in a broader perspective, we still maintain our positive stance as KSE-100 is maintaining its 21-EMA on monthly chart for the last 6-months and this at 44,000 mark stands as a key threshold for any bearish momentum shift.

The levels between 44,650 to 44,850, coinciding with 50-DMA and 100-DMA on daily chart stands as an immediate protective shield, though any violation below the said range will push the index down to 43,750 to 44,000 levels which seem to be the bottom of the upcoming month. On the upside, the resistance lies at 45,490 (200-DMA), followed by 46,000 to 46,200 range. The break beyond the said range will refresh the bullish momentum with 46,970 and 47,850 as the next target levels.



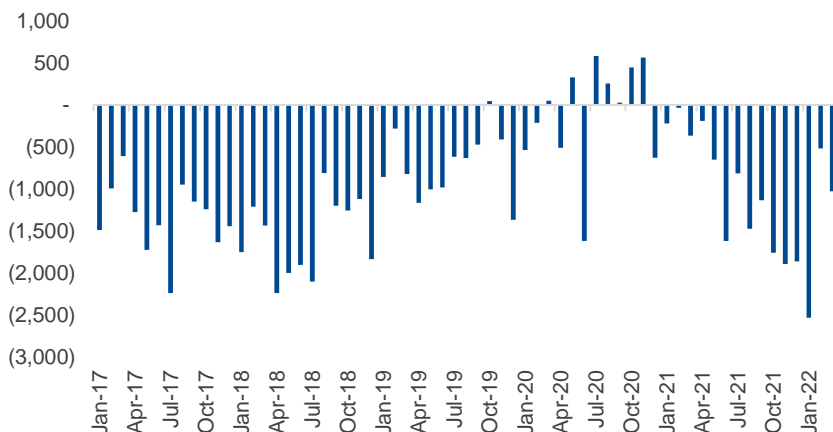
Valuation Snapshot

Company Name	Ticker	Price 28-Apr	Rating	Target Price	EPS (Rs)		EPS Growth		PER (x)		Price/BV (x)		DY	
					FY22F/ CY22F	FY23F/ CY23F	FY22F/ CY22F	FY23F/ CY23F	FY22F/ CY22F	FY23F/ CY23F	FY22F/ CY22F	FY23F/ CY23F	FY22F/ CY22F	FY23F/ CY23F
							25%	5%	4.37	4.16	0.80	0.74	9%	10%
Banks							8%	28%	4.81	3.75	0.78	0.71	10%	14%
Habib Bank	HBL	108.85	Buy	160	23.63	35.94	-1%	52%	4.61	3.03	0.51	0.46	6%	8%
United Bank	UBL	137.39	Buy	185	23.25	32.52	-6%	40%	5.91	4.23	0.78	0.74	13%	18%
MCB Bank	MCB	150.89	Buy	200	26.01	34.82	-1%	34%	5.80	4.33	0.95	0.89	13%	16%
Allied Bank	ABL	79.80	Buy	100	16.24	17.71	6%	9%	4.91	4.51	0.65	0.61	10%	11%
Bank Al-Falah	BAFL	35.19	Buy	65	10.04	11.93	26%	19%	3.50	2.95	0.62	0.57	14%	21%
Bank Al-Habib	BAHL	68.24	Buy	135	19.00	19.96	13%	5%	3.59	3.42	0.73	0.64	10%	10%
Habib Metro	HMB	46.80	Buy	75	16.61	16.39	29%	-1%	2.82	2.86	0.66	0.58	13%	15%
Askari Bank	AKBL	20.00	Buy	40	6.46	10.61	-16%	64%	3.09	1.88	0.42	0.38	13%	26%
Faysal Bank	FABL	25.14	Buy	35	5.02	7.06	-7%	41%	5.01	3.56	0.57	0.53	12%	17%
Meezan Bank	MEBL	140.15	Buy	215	24.00	29.80	38%	24%	5.84	4.70	1.98	1.63	7%	11%
Insurance							-29%	5%	5.01	4.79	0.44	0.42	10%	10%
Adamjee Insurance	AICL	31.94	Buy	66	6.38	6.67	-29%	5%	5.01	4.79	0.44	0.42	10%	10%
Oil & Gas Exploration							25%	-10%	3.81	4.24	0.62	0.57	10%	10%
Oil & Gas Dev. Co	OGDC	84.56	Buy	169	25.85	22.44	21%	-13%	3.27	3.77	0.43	0.41	12%	11%
Pakistan Oilfields	POL	378.36	Buy	410	71.55	55.44	52%	-23%	5.29	6.83	2.59	2.48	17%	13%
Pakistan Petroelum	PPL	73.88	Buy	146	23.94	20.52	24%	-14%	3.09	3.60	0.45	0.41	5%	5%
Oil & Gas Marketing							NM	-47%	1.56	2.93	0.72	0.61	3%	7%
Pakistan State Oil	PSO	169.59	Buy	275	162.00	74.00	NM	-54%	1.05	2.29	0.56	0.46	0%	6%
Attock Petroleum	APL	314.43	Buy	365	49.20	57.99	0%	18%	6.39	5.42	1.24	1.11	6%	10%
Shell Pakistan	SHEL	116.04	Buy	220	27.07	27.17	-17%	0%	4.29	4.27	1.25	1.07	10%	10%
Power Generation							-10%	24%	2.94	2.36	0.72	0.59	16%	21%
Hub Power	HUBC	68.41	Buy	130	23.25	28.95	-10%	24%	2.94	2.36	0.72	0.59	16%	21%
Cement							-4%	64%	7.43	4.53	1.04	0.92	0%	0%
Lucky Cement	LUCK	566.77	Buy	896	63.73	123.90	-27%	94%	8.89	4.57	1.50	1.35	0%	0%
DG Khan Cement	DGKC	67.05	Buy	100	9.42	16.64	11%	77%	7.12	4.03	0.40	0.37	0%	0%
Fauji Cement	FCCL	16.77	Buy	27	3.30	3.62	31%	10%	5.08	4.63	0.85	0.74	0%	0%
Maple Leaf Cement	MLCF	33.37	Buy	45	4.40	6.50	-23%	48%	7.58	5.13	0.90	0.80	0%	0%
Cherat Cement	CHCC	124.74	Buy	180	22.62	32.01	37%	42%	5.51	3.90	1.36	0.98	0%	0%
Pioneer Cement	PIOC	67.24	Buy	118	12.00	20.20	38%	68%	5.60	3.33	0.99	0.78	0%	0%
Attock Cement	ACPL	117.21	Buy	140	10.50	15.00	30%	43%	11.16	7.81	0.86	0.81	0%	0%
Kohat Cement	KOHC	166.00	Buy	240	29.00	35.00	67%	21%	5.72	4.74	1.29	1.07	0%	0%
Iron & Steel							72%	19%	4.20	3.52	0.85	0.70	7%	8%
Amreli Steels	ASTL	29.43	Buy	60	8.50	10.00	85%	18%	3.46	2.94	0.52	0.42	7%	10%
Mughal Iron & Steels	MUGHAL	76.98	Buy	144	17.00	20.40	66%	20%	4.53	3.77	1.08	0.90	7%	7%
Textile							13%	-23%	3.70	4.81	0.50	3.30	6%	6%
Nishat Mills	NML	82.66	Buy	140	17.20	18.06	2%	NM	4.81	NM	0.37	NM	5%	5%
Nishat Chunian	NCL	52.10	Buy	65	28.21	10.74	21%	-62%	1.85	4.85	0.62	0.69	7%	6%
Auto Assemblers							38%	10%	6.26	5.68	1.42	1.27	9%	10%
Indus Motors	INDU	1,352.13	Hold	1,480	224.90	236.89	38%	5%	6.01	5.71	1.93	1.71	11%	12%
Pak Suzuki Motors	PSMC	194.14	Buy	295	36.66	40.28	13%	10%	5.30	4.82	0.53	0.48	2%	2%
Honda Atlas Cars	HCAR	192.99	Buy	270	22.64	30.97	80%	37%	8.52	6.23	1.39	1.23	4%	6%
Fertilizer							0%	-1%	6.08	6.11	1.45	1.38	11%	11%
Fauji Fertilizer	FFC	120.30	Buy	140	18.64	19.79	8%	6%	6.46	6.08	3.24	2.91	11%	12%
Engro Corporation	ENGRO	277.75	Buy	366	50.26	51.77	4%	3%	5.53	5.37	0.79	0.79	11%	12%
Fauji Fertilizer Bin Qasim	FFBL	23.18	Buy	35	5.67	5.58	15%	-2%	4.09	4.16	0.99	0.79	7%	7%
Engro Fertilizers	EFERT	95.15	Buy	107	13.00	11.00	-18%	-15%	7.32	8.65	2.84	2.79	12%	10%

Macros

Monthly CAD (US\$mn)

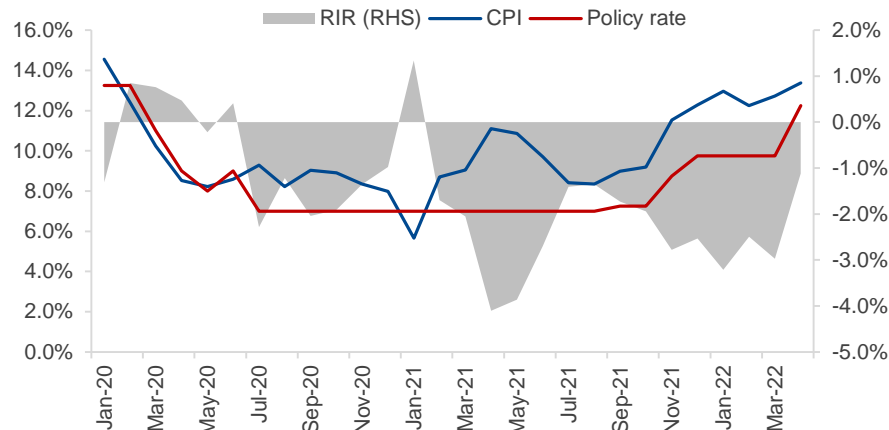
Pakistan's current account deficit (CAD) swelled to US\$1.03bn in Mar-2022, twice that of Feb-2022, as the trade deficit expanded by 41% MoM owing to rise in 21% MoM rise in imports. However, it is c.30% lower than the average monthly CAD of US\$1.44bn for 9MFY22, notwithstanding a 28% MoM jump in remittances to US\$2.8bn.



Source: SBP, JS Research

SBP made a decisive policy rate hike of 250bp in an emergency meeting to bring certainty to an otherwise volatile money market. Two additional monetary adjustments include 1) enhancing the item list for 100% cash margin requirement and 2) increasing the Export Refinance Scheme rate from 3% to 5.5%. These 3 action points will likely enable the SBP to limit the slippage in CAD whilst providing much needed traction to external stability. However, another rate hike looms as unwinding of Relief Package has increased inflationary expectations while Apr-2022 print clocked in at 13.4%, higher than market expectations.

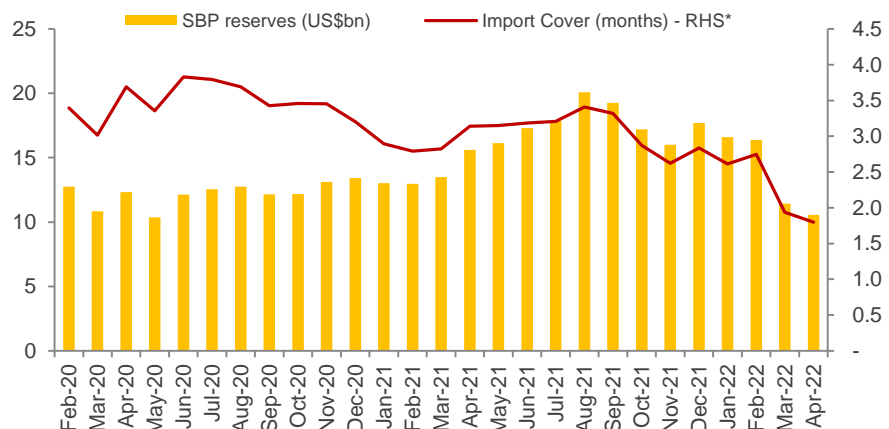
Inflation and Real Interest Rate (RIR)



Source: SBP, JS Research

Import cover stoops to an alarming level

SBP FX Reserves have dropped to the lowest levels since Jun-2020, despite reaching an all-time high of US\$20.1bn in Aug-2021, primarily owing to debt maturities and import bill pressure from high commodity prices. Aiming to re-build reserves and maintain a healthy import cover continues to remain a key challenge for Pakistan, more specifically with US\$14.0bn short-term currency drains and a magnified currency risk.



Source: SBP, JS Research, Import cover based on 3MMA

Consolidated accounts (Rsbn)	3QFY22	2QFY22	QoQ	3QFY21	YoY	9MFY22	9MFY21	YoY
Total Revenue	1,918	2,147	-11%	1,641	17%	5,874	4,993	18%
Tax Revenue	1,631	1,658	-2%	1,309	25%	4,822	3,765	28%
FBR Taxes	1,464	1,522	-4%	951	54%	4,384	3,044	44%
Direct Taxes	559	538	4%	362	55%	1,579	1,146	38%
Indirect Taxes	905	984	-8%	589	54%	2,805	1,898	48%
<i>Cutoms Duties</i>	234	259	-10%	146	61%	715	474	51%
<i>Sales Tax</i>	592	650	-9%	384	54%	1,866	1,242	50%
<i>Federal Excise</i>	79	75	5%	60	32%	224	182	23%
Non-tax revenue	287	489	-41%	332	-14%	1,052	1,228	-14%
<i>Surplus profit by SBP</i>	94	271	-65%	125	-25%	474	498	-5%
<i>Petroleum Levy</i>	56	57	-2%	94	-41%	126	369	-66%
<i>GIDC</i>	3	5	-33%	6	-47%	14	15	-7%
Total Expenditure	3,112	3,081	1%	2,156	44%	8,440	6,645	27%
Current Expenditure	2,702	2,708	0%	2,056	31%	7,378	6,085	21%
Mark-up Payments	666	830	-20%	629	6%	2,118	2,104	1%
Defence	361	259	40%	297	22%	882	784	12%
Development Expenditure	480	307	56%	265	81%	1,051	723	45%
PSDP	467	303	54%	251	86%	1,033	654	58%
Federal	109	91	19%	88	23%	309	264	17%
Provincial	358	212	69%	162	121%	724	390	86%
<i>Statistical discrepancy</i>	(70)	66	-205%	(166)	-58%	11	(164)	NM
Budget deficit	(1,194)	(933)	28%	(514)	132%	(2,566)	(1,652)	55%
Primary balance	(528)	(103)	NM	115	NM	(447)	452	NM
Financing	1,194	933	28%	514	132%	2,566	1,652	55%
External	(44)	560	NM	108	NM	981	562	75%
Domestic	1,238	374	231%	406	205%	1,584	1,090	45%
Non-bank	456	(31)	NM	160	185%	532	292	82%
Bank	782	405	93%	246	217%	1,052	798	32%

Source: MoF, JS Research

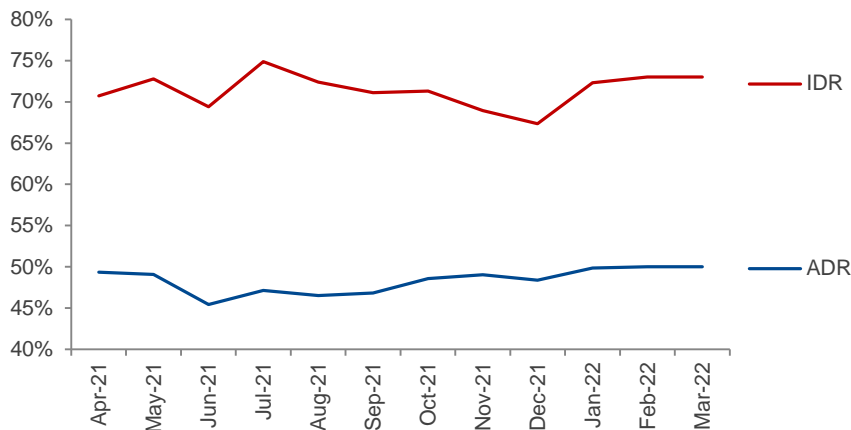
The fiscal deficit of Pakistan for 9MFY22 stands at 4.0% of GDP against 3.0% of GDP in the same period last year. This is despite significant growth of 28% in tax collection and provincial surplus of Rs599bn. Record growth of FBR tax collection was witnessed during the year where duties and sales tax grew by c.50% each. Fiscal consolidation is expected post IMF program resumption.

Banks

ADR remains close to 50%, IDR increases in Jan

Despite higher tax charge on lower ADR, the banking sector's ADR increase remains muted, with focus on expanding government securities on the sector's books. IDR remained flat at 73% in Mar-2022.

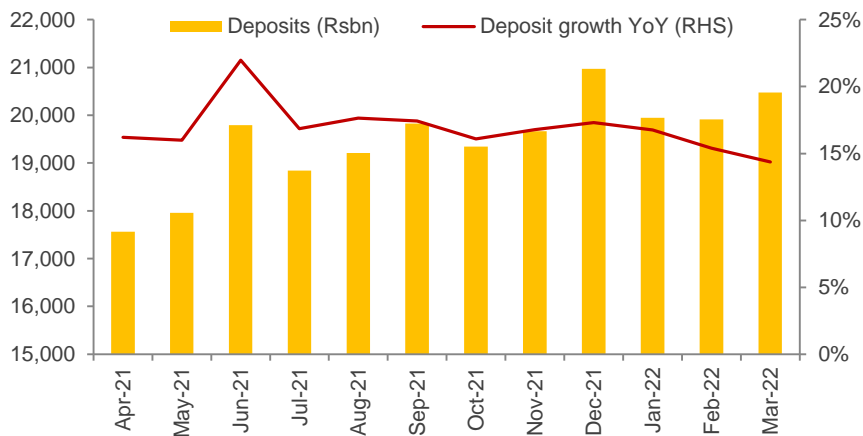
ADR may gradually increase during CY22 as banks target to comply with minimum ADR requirement to keep effective tax rate lower.



Source: SBP, JS Research

Banking sector deposits (Rs bn)

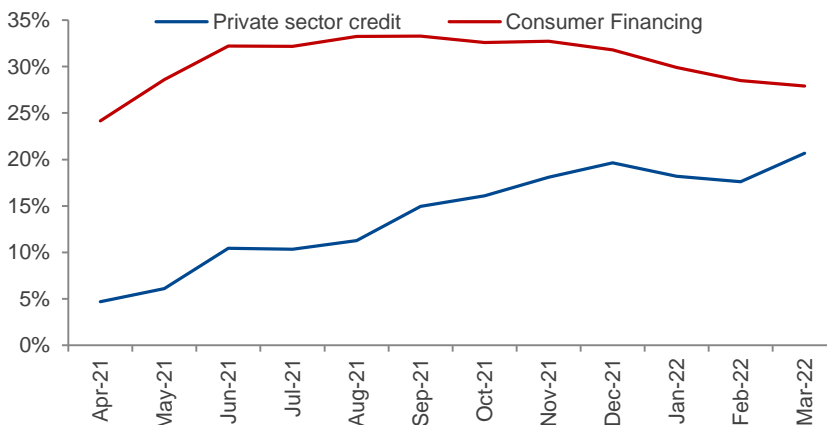
Deposit growth remains in mid-teens, reflecting similar pattern of M2 growth, with mix shifting towards zero-cost deposits. Deposit growth is expected to soften to 12%-15% during CY22 over priority of increasing ADR to keep effective tax rate lower.



Source: SBP, JS Research

Growth in private sector credit remains upbeat

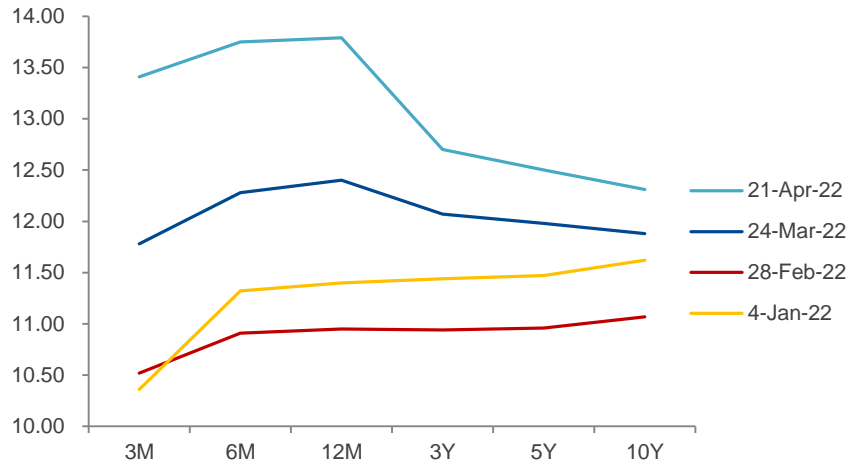
Growth in lending to private sector maintains an upward trajectory. During the same period, after a robust growth trend in consumer financing, the pace has started to decline over recent SBP steps that discourage auto loan and higher interest rates.



Source: PSBP JS Research

Yield Curve (%)

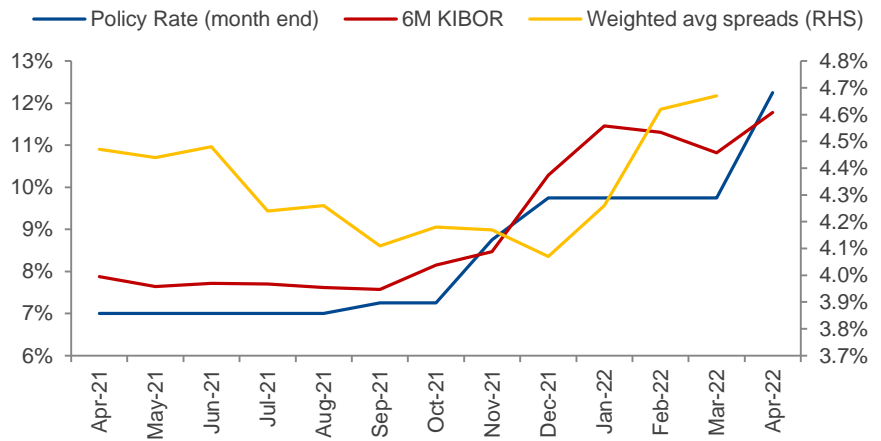
The humped yield curve continues in Apr-2022 over anticipation of spike in CPI in the medium term. Longer tenor bond yields are now lower than the shorter tenor yields.



Source: MUFAP, JS Research

Policy Rate pushes spreads

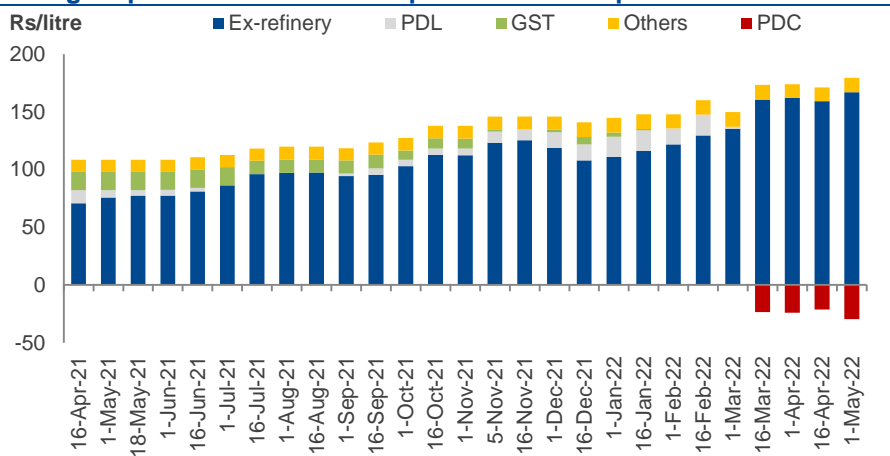
Mar-2022 banking spreads continue it's upwards trajectory, where we expect the pace to further increase in the remaining of 2QCY22.



Source: SBP, JS Research

Oil Marketing Companies

Rising oil prices continue to seep into retail fuel prices



The Relief Package continues to keep a lid on retail fuel prices while OMC's continue to be negatively impacted in terms of working capital requirements.

Source: OCAC, JS Research

OMC sales for Mar-2022 recovered to 1.82mnMT, rising by 23% YoY and 19% MoM as sales, that witnessed a dip in previous month of Feb-2022, recovered in nearly all POL items. Key contributing factors are 1) higher FO offtake for power generation in face of slowdown in RLNG imports, 2) Relief Package induced demand from capped MS and HSD prices. 9MFY22 OMC sales now stand at 16.27mnMT, higher by 15% from last year. OMC's continue to be negatively impacted by Price Differential Claims (PDC).

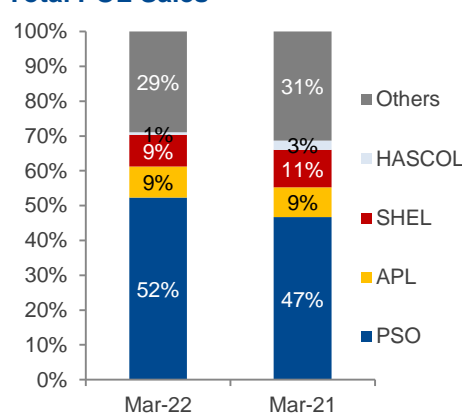
OMC Industry Sales ('000 MT)

	Mar-22	Feb-22	MoM	Mar-21	YoY	9MFY22	9MFY21	YoY
PSO	953	742	28%	693	38%	8,142	6,538	25%
APL	162	149	9%	127	27%	1,521	1,279	19%
SHEL	167	135	23%	160	4%	1,450	1,451	0%
HASCOL	13	26	-50%	40	-68%	236	634	-63%
Total	1,823	1,537	19%	1,486	23%	16,272	14,153	15%

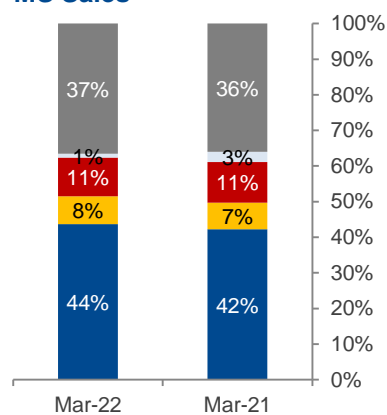
Source: OCAC, JS Research

OMC Market Share

Total POL Sales



MS Sales

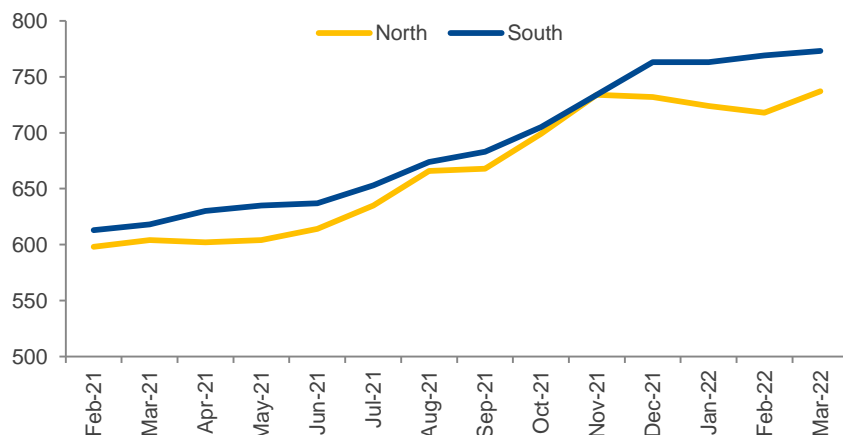


Source: OCAC, JS Research

Cements

Cement prices (Rs/bag)

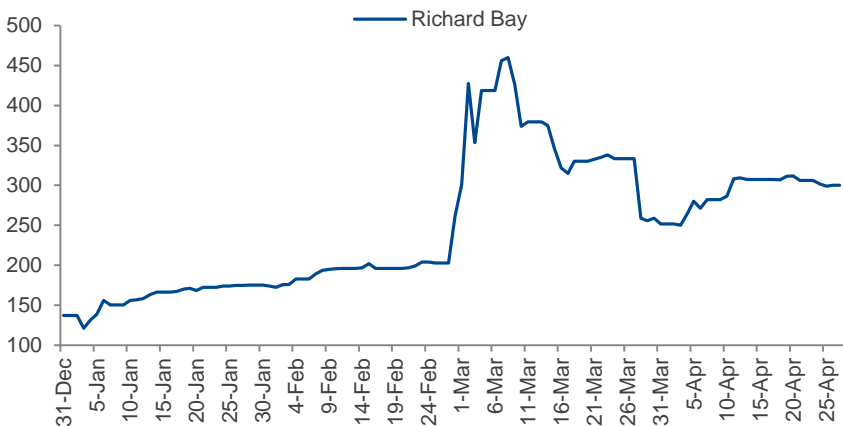
Rising coal prices led to the procurement of coal at higher rates by cement manufacturers, requiring them to raise cement prices by Rs115/bag during the previous month. Domestic cement prices have increased 40% (Rs~250/bag) in the last on year and may further increase to pass on the impact of the recent coal price hikes.



Source: PBS, JS Research

Coal prices (US\$/ton)

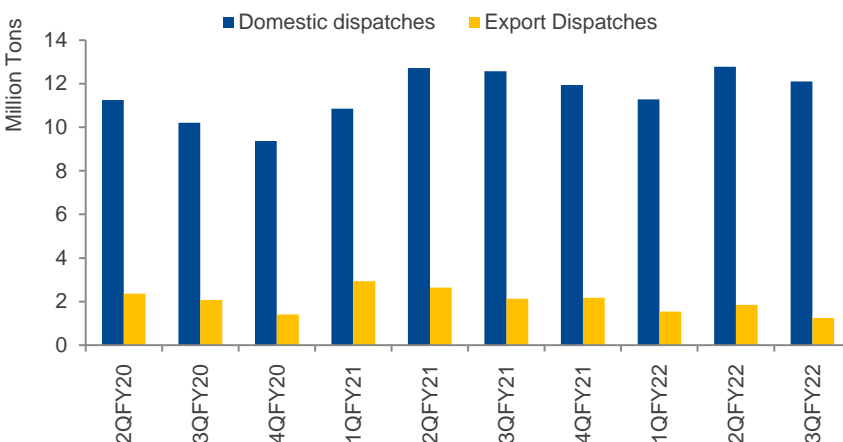
Coal prices have increased significantly since the start of CY22, where the Richard Bay price quote has risen 1.2x during the period. Primary reasons for the increase in Coal prices have been the ban on exports from Indonesia and the gas supply disruption amid the Ukraine-Russia spat. Russia and Indonesia are among the largest exporters of coal.



Source: Bloomberg, JS Research

Cement dispatches

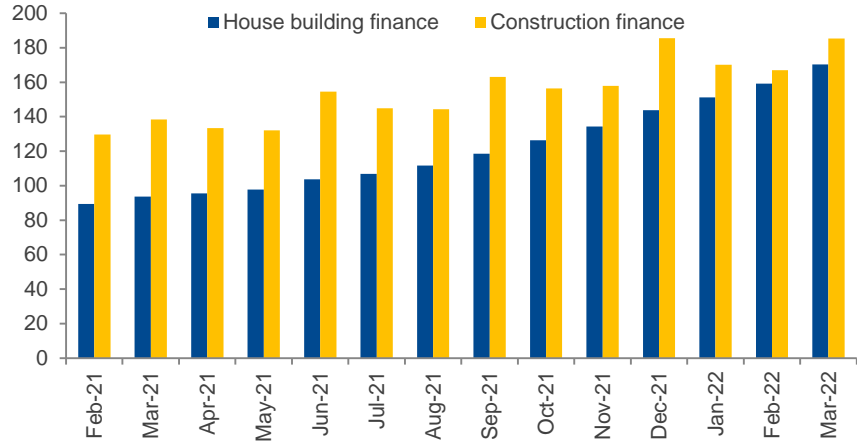
Cement dispatches for March stood at 5.0mn tons, taking cumulative dispatches for 9MFY22 to 40.8mn tons, down 6% YoY. The primary reason for the decline is higher base during same period last year. Dispatches were impacted due to slowdown in construction activities owing to winter season and rainfall across the country.



Source: APCMA, JS Research

Government has stressed on provision of housing to the masses and taken several measures to enhance construction activity which adds to the cement demand. However, due to higher cement prices, construction costs have escalated significantly, having a negative bearing on housing demand, resulting in a 6% YoY decline in cement dispatches during FY22TD.

Outstanding House building & Construction Finance (Rs bn)

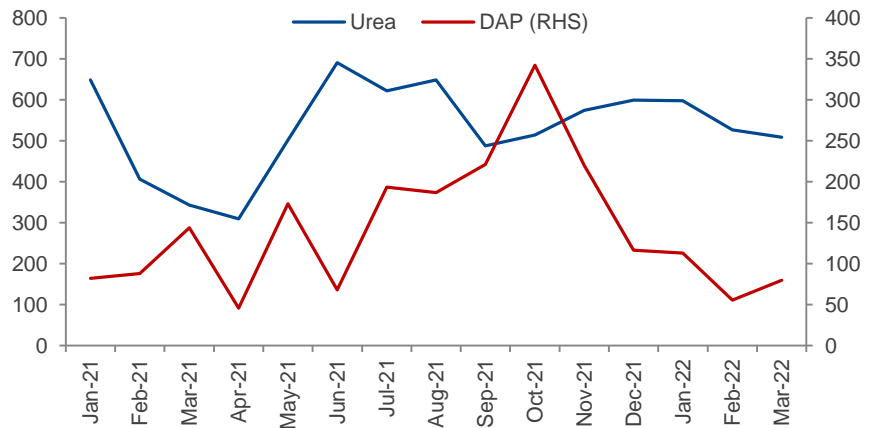


Source: SBP, JS Research

Fertilizers

Fertilizer offtake ('000 tons)

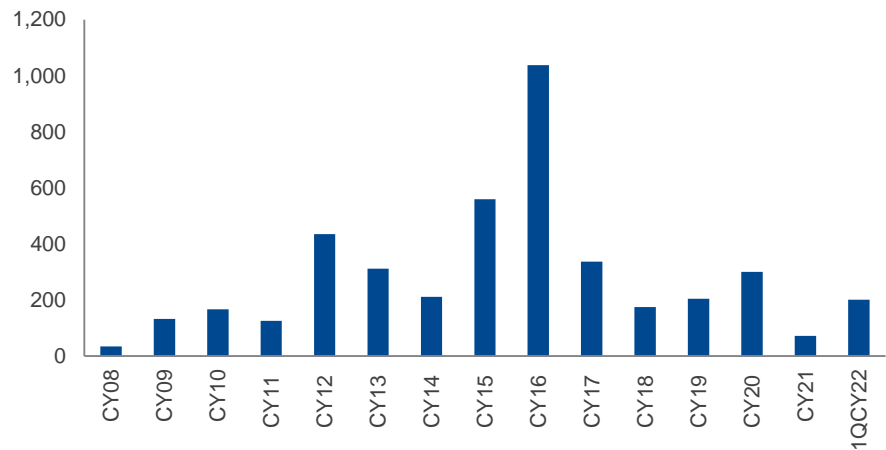
Urea sales in Mar-2022 clocked in at 509k tons, an increase of 48% YoY whereas DAP offtake for the month of March clocked in at 79k tons vs. 144k tons in SPLY depicting a decrease of 45% YoY.



Source: NFDC, JS Research

Urea closing inventory

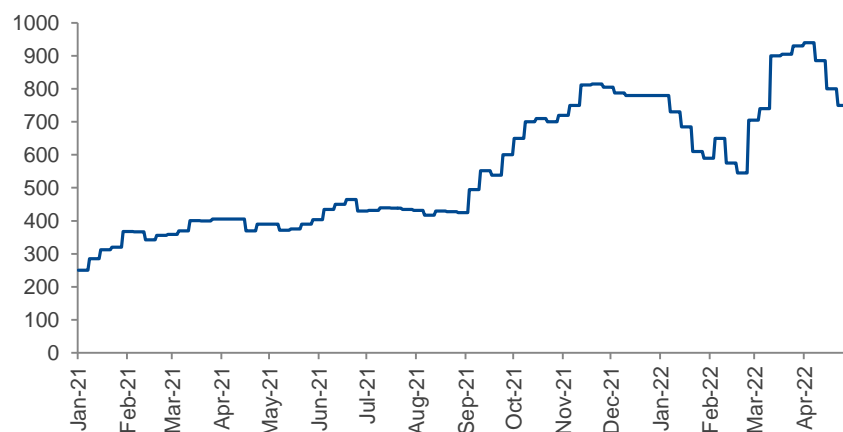
Urea production on the other hand registered at 596k tons for the month which took closing inventory for Mar-2022 to 200k tons. We highlight that the import of 100k tons during February and March have provided support to the worryingly low levels of inventory. DAP had a decent closing inventory of 276k tons for Mar-2022 on the other hand.



Source: NFDC, JS Research

Urea US Gulf (US\$/ton)

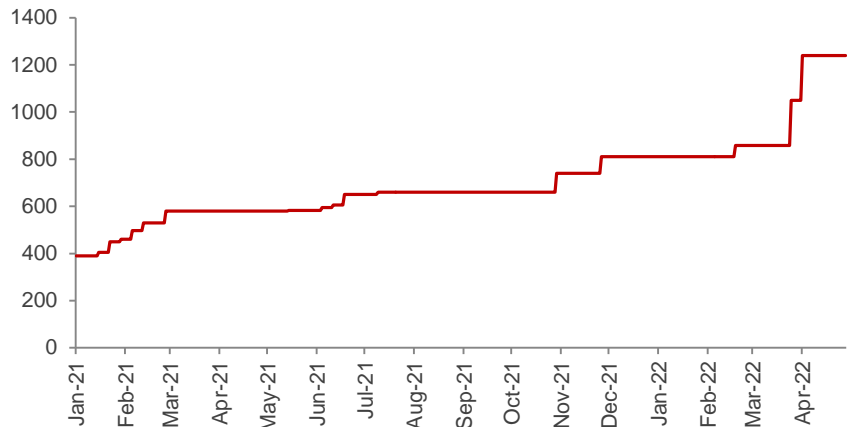
Global fertilizer prices have been triggered due to Russian fertilizer exports facing higher risks of disruption owing to sanctions imposed by western nations on Russia. Global fertilizer market was already facing shortages before the Russia-Ukraine tensions emerged but this tussle exacerbated the food security issue as it caused gas prices to rise globally which in turn forced regional players to reduce production of fertilizers prompting higher food inflation.



Source: Bloomberg, JS Research

DAP US Gulf (US\$/ton)

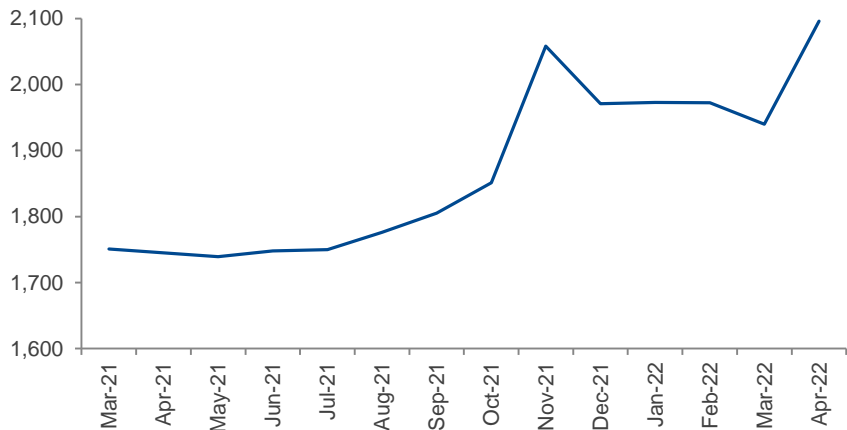
DAP prices have been rising since the past one year and have gained around 2x in the last 12 months. The recent uncertainty over the Russia-Ukraine issue has led to a delay in booking of cargoes creating a significant potential supply crunch.



Source: Bloomberg, JS Research

Local Urea prices (Rs/bag)

Domestic Urea prices have increased by Rs150-200/bag during 4MCY22 to pass on the impact of inflationary pressures. Domestic urea is still at an ~80% discount to international prices. The prices chart on the right shows SPI numbers based on price prevalent in the retail market, prices were elevated during Rabi season due to shortage of the commodity.

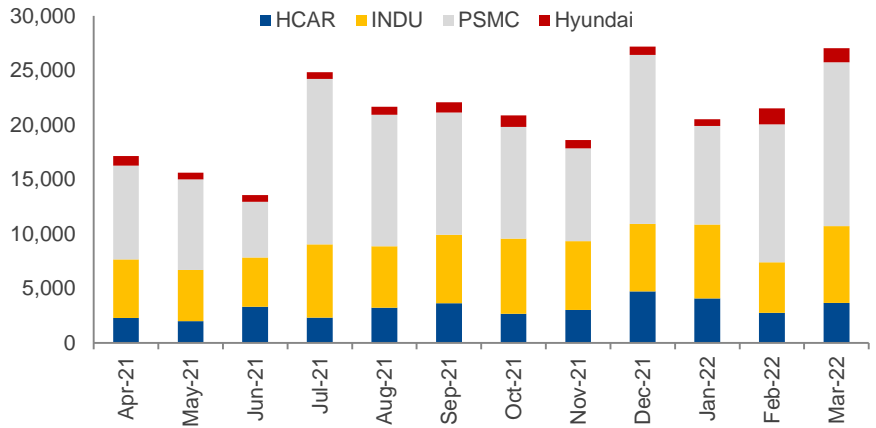


Source: PBS, JS Research

Autos

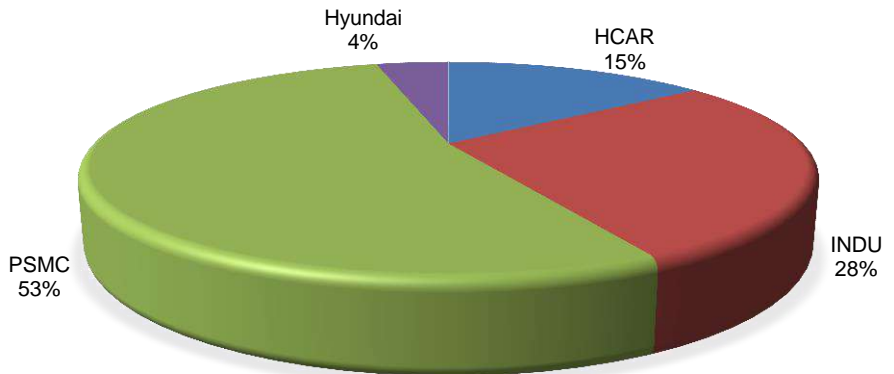
Auto sales – last 12 months

As per PAMA numbers (excluding KIA), PSMC held the largest market share (53%) in the PCs+LCVs segment during 9MFY22 followed by INDU (28%), HCAR (15%) and Hyundai (4%). PSMC remained the key beneficiary of the Budget relief measures announced in June 2021.



Source: PAMA, JS Research

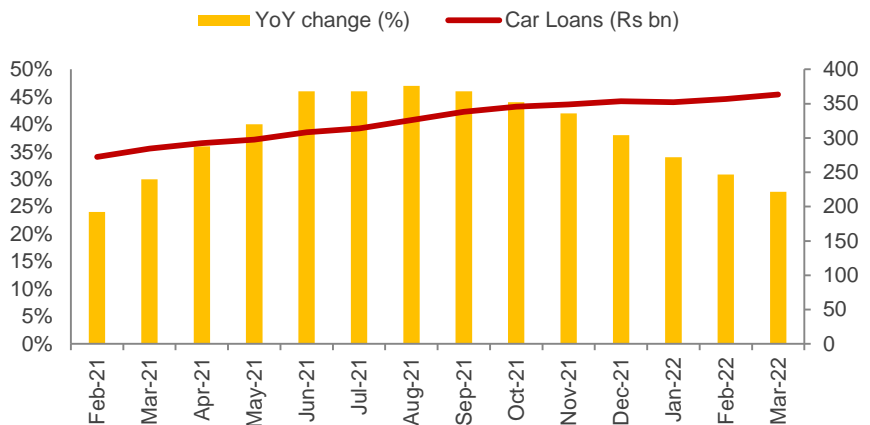
9MFY22: Market share



Source: PAMA, JS Research

Outstanding Auto Loans

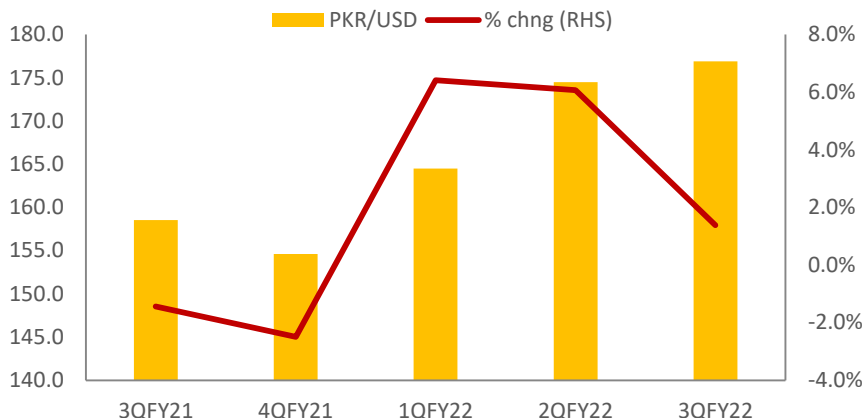
Auto financing posted a marginal growth of 1.9% MoM during Mar2021 to Rs364bn as per data released by the SBP despite rising interest rates, however, on a YoY basis, growth momentum continued to slow down.



Source: SBP, JS Research

With multiple rounds of PKR devaluation over the past few quarters, margins for Auto assemblers have been under consistent pressure. During 3QFY22, with the help of price increase in Nov2021, INDU managed to maintain its gross margin on a QoQ basis while PSMC saw its gross margin slide further despite the price increase.

PKR/USD



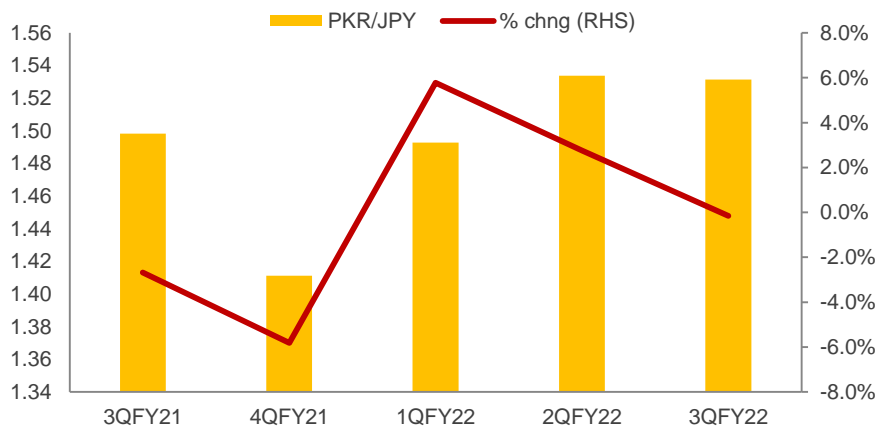
Source: Bloomberg, JS Research

Gross margins

	4QFY21	1QFY22	2QFY22	3QFY22
INDU	12.3%	10.8%	7.6%	7.7%
HCAR	7.3%	6.9%	2.7%	NA
PSMC	5.8%	5.3%	3.6%	2.8%
PKR/USD	154.6	164.5	174.5	176.9
% change	-2.5%	6.4%	6.1%	1.4%
PKR/JPY	1.4	1.5	1.5	1.5
% change	-5.8%	5.8%	2.7%	-0.2%

Source: Company accounts, JS Research

PKR/JPY

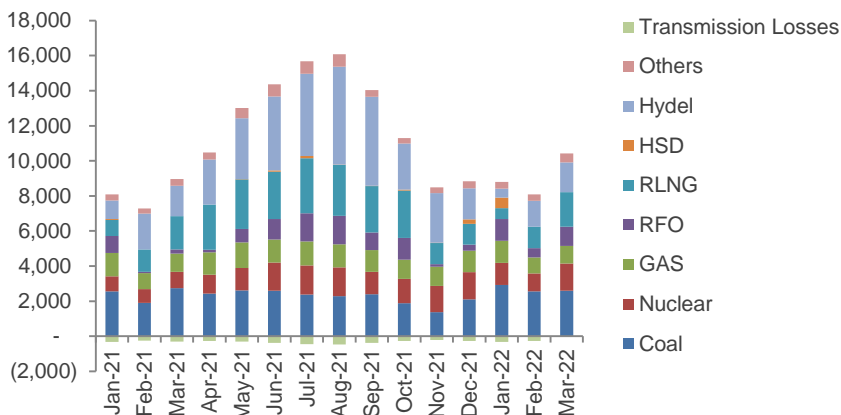


Source: Bloomberg, JS Research

Power

Fuel-wise power generation

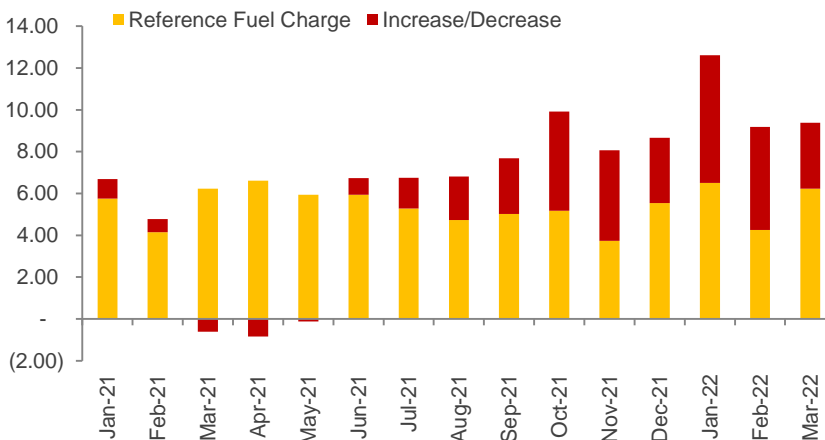
Summer approaching, power demand picked in Mar-2022, increasing reliance on RFO and RLNG. The quantum of generation on expensive source of fuel increased despite 16% higher generation through hydel sources over higher demand.



Source: NEPRA, JS Research

Actual monthly generation and distribution cost (Rs/unit)

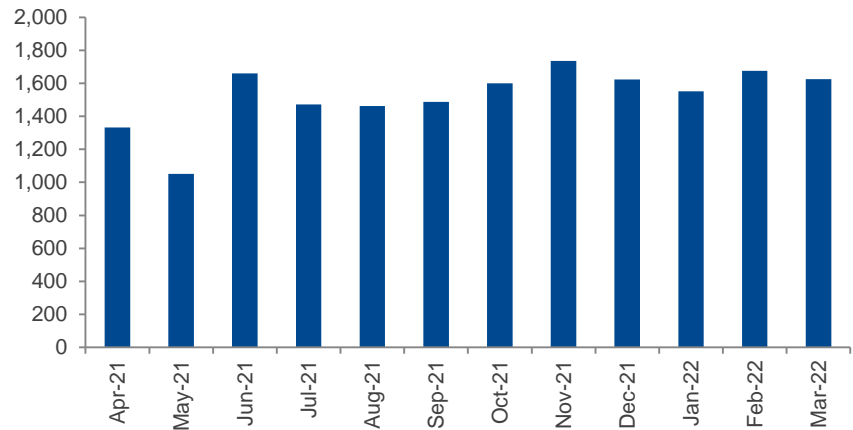
Higher demand led to increasing power generation sourced by RFO and RLNG, increasing reference charge in Mar-2022 as higher international oil and RLNG prices take a toll on electricity prices.



Source: NEPRA, JS Research

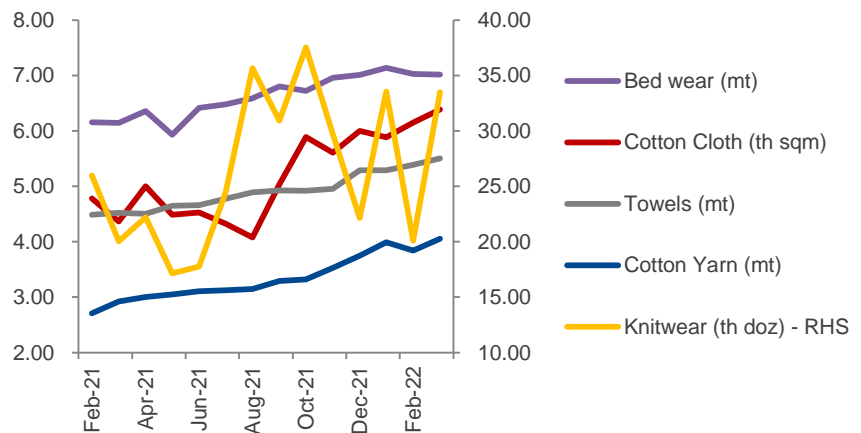
Textiles

Textile exports (US\$ mn)



Source: PBS, JS Research

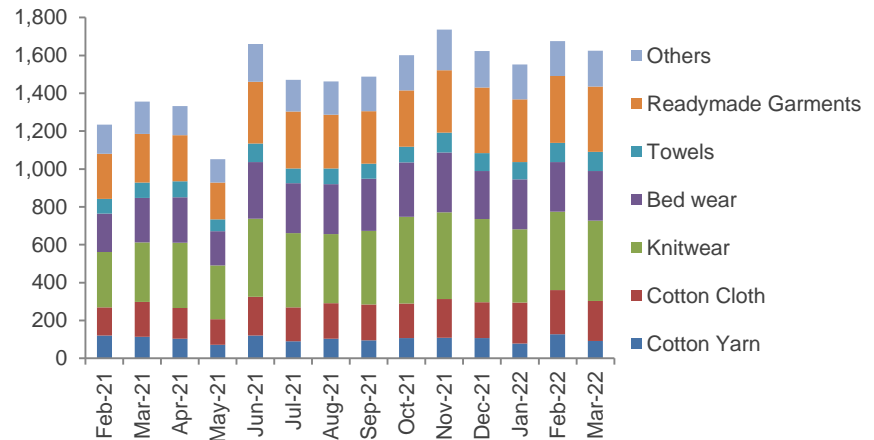
Major textile export prices report uptrend



Source: PBS, JS Research

Higher prices in textile exports continue to benefit exporters. Prices of some segments increase by 20% - 40% on a YoY basis, while PKR continues to depreciate against US\$.

Segment-wise textile exports (US\$mn)



Source: PBS, JS Research

Textile exports report consistent growth as compared to the preceding year, contributing more than 50% to the country's total exports. Mar-2022 exports increase by 20% YoY, where value added exports contributed 70% to total textile exports.

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