NBP

National Bank of Pakistan
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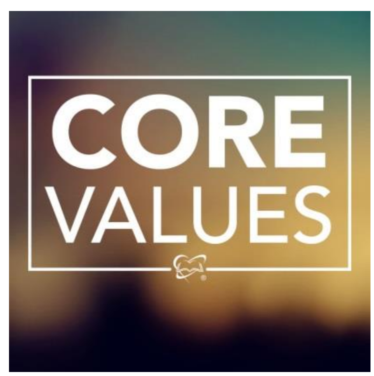
Research & Business Analytics Wing, Credit Risk Management Group

NBP

To be a leading bank for partnering in financial growth through innovation and service

To be a catalyst for economic growth, serving the nation through diversified product Offering, innovation, superior service quality, universal banking capabilities, Multiple delivery channels, investment in people and processes and Work towards sustainable higher returns for stake holders

People: we will continue to value our *people* and will reward performance
Service: our main focus will be on providing superior *service* quality through diversification and development.
Integrity: we will not compromise on *integrity*- zero tolerance for corruption and believe in doing the right thing
Respect: we *respect* our customers' needs, beliefs and values, working towards their benefit
Excellence: we will continue to strive for *excellence* in all that we do



BI-ANNUAL INDUSTRY RATINGS
DECEMBER - 2022

COMPARATIVE SECTORAL RESEARCH & RATINGS TO RANK INDUSTRY PERFORMANCE, OPPORTUNITIES & RISKS WITH RECOMMENDATIONS ON STRATEGIC SECTORAL POSTURING

Q4- 2022

A strategic tool to preempt increases in risk and proactive identification of opportunities.

RESEARCH & BUSINESS ANALYTICS WING
RISK MANAGEMNT GROUP (RMG)

CONTENTS

SCOPE & METHODOLOGY OF SECTORAL RATINGS

There is a need to comparatively rate and assess key sectors in terms of their relative *risk* and *attractiveness* for the bank. This then can be used in individual credit assessments as well as a broad-based strategic lending posture that is most appropriate for the bank. After considerable thought, and internal discussion, a concise, and easy to follow methodology was evolved to properly address this need without compromising on essential rating. The key aspects of this comparative industry rating and strategic positioning study are highlighted below.

The industrial sectors/ sub-sectors have been identified based on:

- Their significance for the bank in terms of the industry related exposure and
- Ready availability of data/ information

Ratings for these sectors will provide coverage to the bulk of our corporate/ commercial exposure (as of the last annual report)

Industry rating criteria & scorecard

Table # 1: The **SCORE CONVERSION EQUIVALENTS** applied are as follows:

RANK	% OF SCORE
1	100.0
2	70.0
3	40.0

"Subjective Significance Rank (1-3, 1 being most significant)"

INDUSTRY RATING CRITERIA & SCORECARD

TABLE # 2: The **SECTOR SCORING FORMULA**, which is weighted for each criterion is as follows:

CATEGORY	PERFORMANCE DRIVER	MAX SCORE
Business Environment:	Demand Volatility	4.0
	Supply Volatility	4.0
	Corporate Governance & Control Structure	2.0
	Strength of Competition	3.0
	Barriers to Entry	3.0
	Litigation	2.0
	Price Elasticity	3.0
	Exposure (FX Risk)	3.0
	Exposure (IR Risk)	3.0
Sub Total		**27.0**
Profitability & Financial Strength:	**Gearing:** *Interest Coverage* *Debt Coverage* *Debt/Equity*	 7.0 6.0 8.0
	Liquidity: *Current Ratio* *Quick Ratio*	 8.0 7.0

	Cash Ratio	4.0
	Profitability: *Net Profit Margin* *Total Asset Turnover* *Return on Assets* *Return on Equity*	 7.0 5.0 4.0 4.0
Subtotal		**60.0**
Business Lifecycle & Macro Environment	Industry/Business Lifecycle	30
	Correlation with GDP Growth	3.0
	Regulatory/ Govt. Support & Future Expectations	7.0
Sub Total		**13.0**
Total Score		**100.0**

Table # 3: **INDUSTRY RATINGS CLASSIFICATION**:

Category	Out of 100	Explanation (What the rating suggests)
POSITIVE	>80	Seek to Enter/ Expand Aggressively
STABLE	61-80	Enter/ Expand while mitigating/ addressing relevant industry risks
WATCH/HOLD	41-60	Active monitoring of current portfolio
DECLINING	<=40	Risks outweigh potential returns; Pursue exit or appropriate risk negation strategy

KEY POINTS REGARDING THE USE OF RATINGS

- **How should the ratings be viewed?** The ratings should be treated as general recommendations and should not be construed as definitive. For example, in case of a negative industry rating the feasibility of a given proposal may still be fairly good if the various individual aspects of the proposal overweigh its industry risk. However, it is expected that key risks & issues highlighted would be appropriately addressed & subsequently monitored.

- **Applicable time period of ratings:** the ratings are reflective of the medium-term outlook, at a particular point in time, and do not apply to short-term facilities/ products.

Ratings vs detailed sectoral reports. It needs to be pointed out that this study captures the gist of the risk-attractiveness profile of a given sector which would cover an in-depth sector assessment & analysis. Virtually all the aspects of the detailed study which includes: an overview, base financials, evaluation of critical success factors, assessment of threats & levels of preparedness are largely captured while focusing exclusively on the broad rating specific criteria. However, since the rating elements are largely same as are scored in the detailed studies, the essential relative ratings remain consistent, and thus address our needs for quantitative & qualitative sectoral assessments.

Treatment of any unrated sectors: due to data and/or other constraints, certain sectors may not be currently ratable. For such, unrated, sectors it would be best to consider them acceptable to enter, while addressing & mitigating industry specific risks.

KEY ASSUMPTIONS

Key macro-economic assumptions are consistent with the recently released SBP's Annual Report for FY 2021-22. real GDP growth came in at 5.97% in 2022. Pakistan's annual CPI inflation rate increased to 12.2% in 2022.

PRIMARY DATA AND INFORMATION SOURCES

The data has been sourced and compiled by relying on the following:

1. Trade/Industry Associations
2. Annual reports of companies listed at PSX
3. Economic survey
4. SBP annual reports
5. Various periodicals

INDUSTRIES INCLUDED

The following sectors were included on the basis of ready availability of data, from the sources noted above. These sectors by and large cover the bulk of bank's exposure. The sectors highlighted below are rated based on the qualitative/subjective criteria only due to the generic nature of the sector and/or non-availability of financial information.

1. **Agri Business**
2. Agro-Chemicals
3. Airline Aviation
4. Automotive - Assemblers/Manufacturers
5. Automotive - Parts & Accessories
6. **Carpets & Rugs**
7. Cement
8. Chemicals (inc. Plastic & Rubber Products)
9. **Construction**
10. Edible Oil
11. Energy - Gas Generation & Distribution
12. Energy - Oil & Gas Exploration
13. Energy - Oil (Petroleum Distribution/Marketing)
14. Energy - Oil (Petroleum Refining)
15. Energy - Power (Generation & Distribution)
16. Fertilizers
17. Financial Institutions
18. Food, Beverages & Consumer Products
19. Glass & Ceramics
20. Information Technology
21. Leather Products
22. **Logistics**
23. Machinery & Equipment
24. Metallic Products (Iron & Steel)
25. **Others**
26. Paper & Allied
27. Pharmaceuticals
28. **PSE-Commodity Operations**
29. **Services**
30. Sports Products
31. Sugar
32. **Surgical, Precision, Optical Equipment**
33. Telecommunications
34. Textiles – Composite
35. Textiles - Fabrics (Weaving)
36. Textiles - Knits & Knit Apparel
37. Textiles – Spinning
38. Textiles - Synthetic Fibers/Polyester
39. Textiles - Woven Apparel
40. **Textiles-Others**
41. Tobacco Products
42. **Trading**

INDUSTRY SYNOPSIS:

FINANCIALS, OPPORTUNITIES, THREATS/ISSUES & OUTLOOK

AGRI BUSINESS

During 2021-22, agriculture sector recorded a remarkable growth of 4.40% and surpassed the target of 3.50% and last year's growth of 3.48%. This growth is mainly driven by high yields, attractive output prices and supportive government policies, better availability of certified seeds, pesticides and agriculture credit. The crops sector outperformed and posted a growth of 6.58% during 2021-22 against 5.96% last year. Besides the sub-sector level, important crops, other crops and cotton ginning depicted a significant growth of 7.24%, 5.44% and 9.19%, respectively, against last year's growth of 5.83%, 8.27% and -13.08%.

The growth in production of important crops namely cotton, rice, sugarcane and maize are estimated at 17.90%, 10.70%, 9.40% and 19.0%, respectively. The cotton crop increased from 7.10 mln. bales reported last year to 8.30 mln. bales during 2021-22.

Meanwhile, the rice production increased from 8.40 mln. tons to 9.30 mln. tons, sugarcane production increased from 81.0 mln. tons to 88.70 mln. tons, maize production increased from 8.90 mln. tons to 10.60 mln. tons respectively.

While, wheat production in the country decreased from 27.50 mln. tons to 26.40 mln. tons. Other crops having a share of 13.86% in agriculture value addition and 3.14% in GDP, grew by 5.44% on the back of an increase in the production of pulses 29.82%, oil seeds 24.75%, vegetables 11.52%, fruits 1.53% and fodders 0.36%.

A new World Bank report says Pakistan's agricultural marketing is wasteful due to a number of constraints such as poor infrastructure, high market margins, poor post-harvest management and non-implementation of grades and standards.

There is a need to modernize and upgrade fresh produce marketing systems by removing these constraints, adopting market-oriented practices and improving business skills among all stakeholders, "Enhancing Smallholder Incomes by Linking to High-Value Markets in Pakistan's Punjab and Sindh Provinces".

The present agricultural marketing systems in the country involve numerous actors performing different functions along extended supply chains that add costs and inefficiencies before reaching the final consumer.

The current marketing systems in Pakistan have not been able to provide the consumer with a more diverse food supply, leading to suboptimal nutrition results, and depriving farmers of additional income opportunities. In turn, this inhibits agricultural growth. Pakistan needs innovation in its agricultural marketing in order to insert more dynamics into the sector.

AGROCHEMICALS

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	7		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	718,005		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	63,023		
C.	**Financial Charges**	**Act**/Est	21,629		
D.	**PAT**	**Act**/Est	49,273		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	322,456		
F.	***Current Assets***	**Act**/Est	90,708		
G.	***Cash & Bank Balances***	**Act**/Est	3,753		
H.	***Trade Debtors***	**Act**/Est	7,414		
I.	***Short Term Investments***	**Act**/Est	42,570		
J.	***Total Equity***	**Act**/Est	91,709		
K.	***Current Liabilities***	**Act**/Est	105,064		
L.	***Total Liabilities***	**Act**/Est	146,069		

AGRO-CHEMICALS

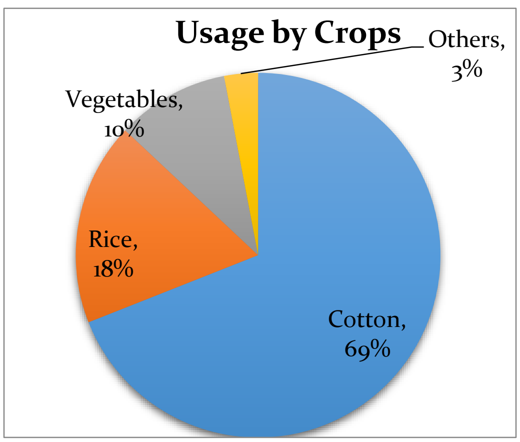
Sector Overview

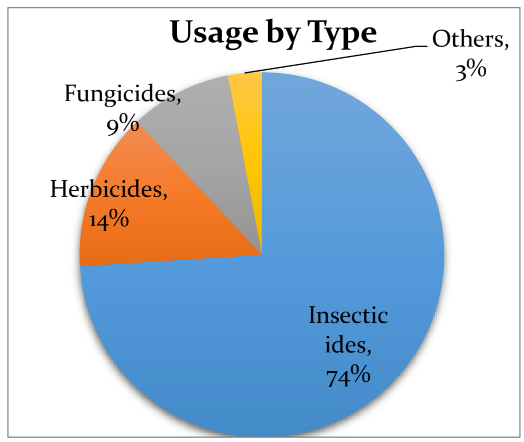
Global pesticides industry is valued over USD~77bln. with more than 40 different groups operating in the Industry. New entrants bring new modes/techniques. This is important for addressing resistant or mutating virus, weeds, and pests etc.

The pesticides industry is R&D intensive. Major companies across the globe invest around 7%-10% of their sales annually in research and development area. However, despite the high investment in innovation and development, the rate of new Pesticides Active Ingredients being introduced has remained sluggish due to stringent approval procedures.

To keep up with new safety regulations, many products have been withdrawn from the market over the years, either as a result of being banned due to impact on environment and health, or because they were not supported during re-registration process.

Agriculture is one of the significant sectors of Pakistan as it contributed ~24% to the country's GDP in FY21 (based on re-based data). Crops make up more than ~35% of the agriculture sector. Pesticides are an important ingredient for the crop sector along with fertilizers and seeds.





The sector is composed of many small players. As per the latest list of Department of Plant Protection, around 272 pesticides importers are registered in Pakistan. Local companies sell their products through dealers to end consumers. Considering the similar nature of the products, competition amongst the players is high.

Opportunities

- Pakistan's pesticides industry is estimated at USD~484mln. in FY22 (USD~422mln.) in FY21, with a YoY increase of ~15%, owing to the overall growth in crops sector. The growth is also led by rising prices of pesticide products.

- Demand of the pesticides products usually remains stable considering its importance in the crop protection market. However, pesticide application has been strongly associated with the production of cotton crop in the country.

Threats

- Pakistan largely depends upon imports to meet the local demand of the pesticides industry. During 7MFY22, the imports (in terms of value) were recorded at USD~103mln. (FY21: USD~95mln.), with a YoY increase of 8%. In PKR terms, the imports were recorded at PKR~17,587mln. (7MFY21: PKR~15,498mln.) a YoY increase of 13%. However, the quantity of imported products has reduced by 9% in 7MFY22, i.e., ~19mln. MT during 7MFY22 (7MFY21: ~21mln. MT) implying that the overall increase has come from rising international prices of pesticide products.

- The sector is highly dependent on imported chemical compounds to meet the local demand. Being highly dependent on imports, the inherent risk of supply chain disruption is high. The sector's costs are therefore subject to exchange rate volatility as well.

- Currently, China is the single largest exporter of pesticides to Pakistan as it accounts for more than ~90% of the total pesticides products and PAIs imports. Significant reliance on a single country increases the risk of supply chain disruptions. The risk is further amplified by the nature of the products, as prior registration and approval is required for the import of each pesticides product. In terms of chemical types, insecticides constitute a major portion of pesticides imports in Pakistan followed by herbicides and fungicides.

- One of the key risks persisting in the sector is the low value addition due to negligible investment in research and development by both local and multinational companies.

- Globally, the demand of bio pesticides is growing, as the sector is expected to grow with a CAGR of ~14.70% to reach USD~8.50bln. by CY25 from an estimated value of USD~4.90bln. CY21 (CY20: USD~4.30bln.). In Pakistan, bio pesticides have very low market share and considering the lack of local expertise for the product, the application of bio pesticides is expected to remain low in the coming periods as well.

Sector Outlook

Demand of the pesticides products usually remains stable considering its importance in the crop protection market. However, pesticide application has been strongly associated with the production of cotton crop in the country. With the decline in cotton output and introduction of BT crops, most of the pesticides manufacturers are now diversifying into bio-pesticides business, in order to keep their revenues from declining. **Outlook is Constraint.**

AIRLINE AVIATION

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	1		
			2021-22	**2020-2021**	
A.	**Industry Sales**	**Act**/Est	86,185		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	(49,764)		
C.	**Financial Charges**	**Act**/Est	27,390		
D.	**PAT**	**Act**/Est	(50,101)		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	146,366		
F.	***Current Assets***	**Act**/Est	452,094		
G.	***Cash & Bank Balances***	**Act**/Est	12,496		
H.	***Trade Debtors***	**Act**/Est	14,926		
I.	***Short Term Investments***	**Act**/Est	19		
J.	***Total Equity***	**Act**/Est	(497,464)		
K.	***Current Liabilities***	**Act**/Est	313,715		
L.	***Total Liabilities***	**Act**/Est	643,830		

AIRLINE AVIATION

Sector Overview

Pakistan has been an oligopolistic airline industry where Serene Air and Air Blue, as privately-owned airlines, compete against each other and the national carrier PIA. Last year, another airline company entered the Pakistani domestic market: Air Sial.

There is plenty of room to grow when it comes to the total market share of low-cost carriers in Pakistan. Their share is much smaller than some of Pakistan's neighbor countries like India. In pre-Covid-19 times (2019) there were fewer than 1.30 mln. low-cost seats departing from Pakistan. This represents 12.60% of the total capacity offered in the Pakistani market. In contrast to the country's current low-cost market, low-cost carriers in India account for about 34% of all international seats.

	PIA	Airblue	Serene Air	Air Sial	Fly Jinnah
Fleet Size	31	12	7	5	3
No. of Destinations	52	12	10	6	5

Opportunities

- Pakistani flag carrier Pakistan International Airlines (PIA) has welcomed the 3rd Airbus A320 to its fleet this year. The Airbus A320-200 (registration: AP-BMV) arrived in Islamabad on September 23rd following a short flight from Sharjah. The 10-year-old A320 entered service under Middle East Airlines (MEA) in 2012 before being withdrawn from use in March 2020. PIA's A320s are configured in an all-economy layout with 174 seats. The new aircraft would replace outgoing planes with expired leases and offer an improved travel experience for passengers.

- PIA has its plans to add another 5 wide body aircraft to its fleet. The airline hopes to conclude a dry leasing agreement for 5 planes with a capacity of between 250 and 320 passengers.

- PIA Engineering & Maintenance (E&M) capability was enhanced to handle state of art modern fleet including Boeing 787 Dreamliner and Airbus A350/A330/A320 NEO fleet.

- The Pakistani carrier is still undergoing the recertification process in Europe, which would offer a big boost to revenues should it prove successful. Upcoming audits by the International Aviation Safety Assessment (IASA) and the European Union Aviation Safety Agency (EASA) will determine whether PIA can return to European skies.

- Pakistan needs joint ventures (JVs) in the aviation sector, as these have become increasingly common and proven successful worldwide. The JVs can contribute significantly towards improving the quality of human capital, knowledge transfer, and development of local talent, bringing international expertise, experience and training standards into the local market.

- While there are still bottlenecks, the ease of doing business in the country has improved in recent years. Looking at the current macro-environment of Pakistan's aviation sector, structural reforms and economic policy adjustments are necessary to uplift the sector. The Qatar

Investment Authority has also expressed keen interest in the aviation sector due to the country's investment climate. Moreover, the recent joint venture between Air Arabia and the conglomerate Lakson Group is paving the way for a better and more sustainable future for the country's aviation industry.

- The government has released funds amounting to PKR1.50 bln., under the Public Sector Development Program (PSDP 2021-22) against total allocation of PKR3.50 bln. to advance 17 different projects and schemes to ensure improved services in the aviation sector. Out of the total disbursement of PKR1,575.06 mln., around PKR733.70 mln. have been spent on the aviation sector projects during the last fiscal year,

Threats

- In June, Simple Flying reported on PIA paying USD600,000 a month for two A320s stuck in Jakarta. These two A320s, not part of the AerCap deal, were leased back in 2015 from Asia Aviation Capital. Upon undergoing a third-party inspection in late 2021, a disagreement broke out between PIA and the lessor regarding the condition of the two aircrafts, which apparently had not undergone proper C-checks. The planes are reportedly still on the ground, and legal proceedings have been opened.

- PIA recently reported losses of PKR41.80 bln. (USD514 mln.) for the first half of 2022, amounting to more than double the airline's overall 2021 losses of USD244 mln.

- Despite Pakistan being the 5th most populous country across the globe, the country's domestic market performs poorly in terms of available domestic seats divided by the population – Pakistan has about 0.03 seats per person, in comparison with India (0.16), Nepal (0.11) and Bangladesh (0.04).

Sector Outlook

The outlook for local airline industry is blurred because of the continued loss accumulation in absence of any viable strategic option in PIA- the national flag carrier. **Outlook remains constraint**.

AUTOMOTIVES – ASSEMBLERS / MANUFACTURERS

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	12		
			2021-22	**2020-2021**	
A.	**Industry Sales**	**Act**/Est	801,793		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	56,088		
C.	**Financial Charges**	**Act**/Est	2,016		
D.	**PAT**	**Act**/Est	36,182		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	503,118		
F.	***Current Assets***	**Act**/Est	406,683		
G.	***Cash & Bank Balances***	**Act**/Est	70,061		
H.	***Trade Debtors***	**Act**/Est	7,978		
I.	***Short Term Investments***	**Act**/Est	156,877		
J.	***Total Equity***	**Act**/Est	149,269		
K.	***Current Liabilities***	**Act**/Est	340,938		
L.	***Total Liabilities***	**Act**/Est	353,850		

AUTOMOTIVE-ASSEMBLERS/MANUFACTURERS

Sector Overview

The local automobile sector comprises of total 12 assembling/importing brands which include Honda, Suzuki, Toyota Indus & Hyundai. Passenger cars market is largely structured with 3 major players i.e., Toyota Indus, Honda & Pak Suzuki, controlling the market historically. In the Jeeps & Pickups segment, the market is dominated by Toyota along with Ghandhara, Hyundai, Suzuki Ravi & Honda (BRV).

PASSENGER VAHICLE PRDUCTION & SALES DATA				
	9MFY-21		*9MFY-22*	
1300cc & Above	***Production***	***Sales***	***Production***	***Sales***
Toyota (Corolla + Yaris)	42,884	42,912	51,087	52,075
Honda (Civic + City)	22,101	22,450	31,644	31,776
Suzuki (Swift)	1,815	2,108	5,071	4,514
Hyundai (Elantra + Sonata)	730	585	5,833	5,701
BAIC D20	-	-	17	13
Sub Total	67,530	68,055	93,652	94,079
1000cc & Below				
Suzuki (Cultus + WagonR + Bolan + Alto)	66,110	71,558	110,371	116,554
Total Cars	***133,640***	***139,613***	***201,023***	***210,633***
Trucks & Buses	***3,725***	***3,942***	***5,838***	***5,909***
LCVs, Vans, Jeeps	***28,200***	***28,034***	***39,611***	***40,255***
Farm Tractors	***45,697***	***45,891***	***51,730***	***51,357***
Motorcycle & 3 Wheelers	***1,745,352***	***1,747,342***	***1,680,776***	***1,679,257***

Opportunities

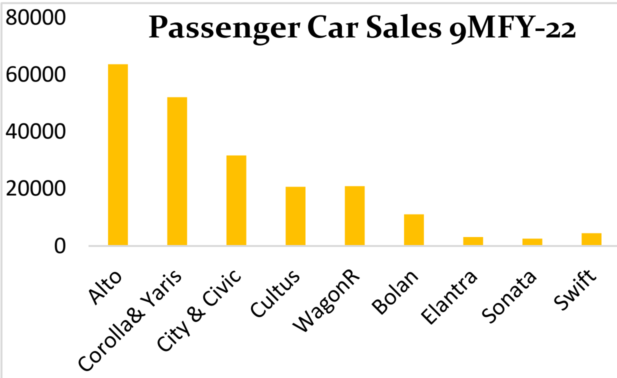
- Collective passenger vehicle sales growth experienced a growth of 52% YoY in 9MFY-22. The strongest growth came from the car segment which grew by 54%. Sales are expected to reach pre-pandemic levels in FY-22.

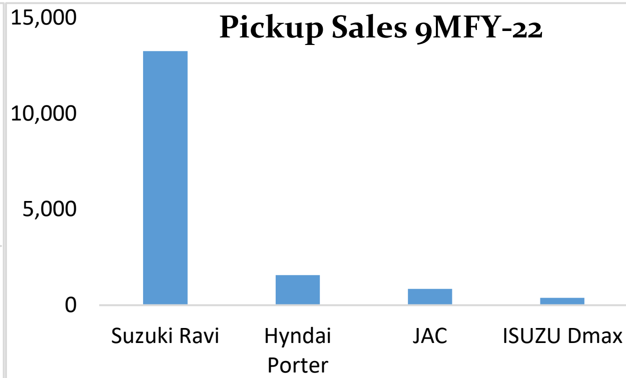
- The pickup in demand is mainly due to lower FED & lower tax incentives for below 100cc cars (Suzuki Bolan & Alto) which reported a massive YoY growth of 76% in 9MFY-22.

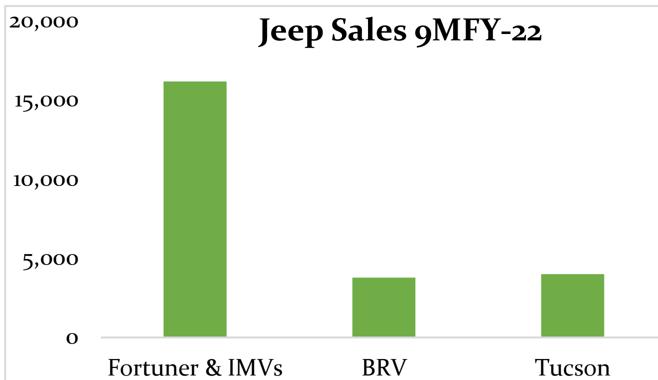
- The top selling car brand in 9MFY-22 is the 600cc Alto (9MFY-22 growth: 83%). Toyota Corolla (discontinued in Jan-22) & Yaris were the second most popular customer choice (9MFY-22 growth: 26%). Honda City & Civic are the third most popular choice (9MFY-22 growth: 43%). The top rankings are still dominated by historic OEMs models. Overall car sales managed to grow by 54%.

- Jeep market witnessed an increase of 42% in 9MFY-22. Toyota Fortuner & Toyota IMVs took the lead registering a 67% growth.

- Pickup sales grew by 51% in 9MFY-22 with Suzuki Ravi taking the lead, sales growth for Suzuki Pickup grew by 51% accounting for majority of growth in pickup sales.







- The Auto Policy 2016-21 offered tax incentives to investors seeking to set up their automobile manufacturing plants in Pakistan. This has resulted in several new Chinese & Korean investors entering into the market in CY-21 such as KIA Motors, DSKF Motor Co Ltd, Hyndai Motors, Changsha Foton Vehicle Technology Co. Ltd., Changan International Corporation Ltd.

Threats

- The State Bank of Pakistan has raised the policy rate to 12.25%& launched the following measures to restrain auto loan financing:
  - Increase of minimum down payment cap to 30% from 15%
  - Reduced loan repayment tenor from 7 to 5 years
  - Reduced debt burden ratio from 50% to 40%
  - Limited maximum auto loan to PKR 3 mln.

- The revised auto financing policy designed to curb a widening current account deficit, a depreciating PKR & the increase in the annual policy rate to 12.25% by the SBP will hurt the demand going forward as many buyers traditionally rely on auto financing for vehicle purchase.

- A revision in duties, tariffs & taxes will make vehicles more expensive going forward.
- On the supply side, global supply chain disruptions, soaring raw material & energy prices & semi-conductor chip shortages will continue to result in longer dealer delivery time s& increase vehicle prices since OEMs heavily rely on imported parts, this will hurt the demand for cars at

or below 1000cc which otherwise have posted an impressive growth. The demand for SUVs & larger sedans will not be as adversely affected because consumers for these segments are more affluent.

Sector Outlook

While car buying appears to be unfazed by the global supply chain shortages & booking suspensions for automobiles in the local market, sales growth is expected to remain stagnant due to higher interest rates, devaluation of PKR, rising freight charges & price hikes by dealers. **Outlook is Constraint.**

AUTOMOTIVES – PARTS & ACCESSORIES

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	6		
			2021-22	**2020-2021**	
A.	**Industry Sales**	**Act**/Est	107,067		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	8,780		
C.	**Financial Charges**	**Act**/Est	1,599		
D.	**PAT**	**Act**/Est	2,681		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	82,156		
F.	***Current Assets***	**Act**/Est	50,459		
G.	***Cash & Bank Balances***	**Act**/Est	3,184		
H.	***Trade Debtors***	**Act**/Est	10,569		
I.	***Short Term Investments***	**Act**/Est	2,033		
J.	***Total Equity***	**Act**/Est	47,666		
K.	***Current Liabilities***	**Act**/Est	28,936		
L.	***Total Liabilities***	**Act**/Est	38,139		

AUTOMOTIVE-PARTS & ACCESSORIES

Sector Overview

Pakistan's Automotive Parts industry is fairly fragmented with a large numbers of players. There are over 2,000 auto parts vendors in Pakistan, out of which ~400 vendors belong to Tier-1 category and are suppliers for the OEM market.

Demand in the local Automotive Parts industry emanates from three sources:

Original Equipment Manufacturers (OEMs)

- These are local assemblers of bikes, passenger cars, LCVs, buses, trucks and tractors. Major players include Pak Suzuki, Indus Motor, Honda Atlas and Millat Tractors.

Replacement Market

- This is the secondary market consisting of distributors, wholesalers and retailers of auto parts and accessories.

Export Market

- Only a limited number of auto parts manufacturers are catering to demand from the export market due to high quality standards and lack of cost competitiveness.

Remaining Demand

- Remaining demand of the OEM segment is met through imports. During FY21, Pakistan imported auto parts and accessories worth USD~405mln. (PKR~64,397mln.). Major import destinations include Thailand, Japan, China and Indonesia.

SECTOR OVERVIEW

Year	FY-2019	FY-2020	FY-2021
Estimated Market cap (PKR Mln.)	35,991	48,280	56,319
Estimated no. of players		>2,000	
Workforce		>140,000	
Import Value (USD Mln.)	514	263	405
Export Value (USD Mln.)	172	160	201
Industry Association	Pakistan Association of Automotive Parts & Accessories Manufacturers		

All the growing segments (Tractors, Trucks, Buses, 2 & 3 Wheelers) have been in favor of the Automotive Parts Industry. Going forward, though, the growth momentum is expected to dilute due to the key prevalent risks, the overall industry is expected to remain stable. The path of recovery would continue in the ongoing fiscal year on revival of economic activity and low interest rates led by introduction of new car models and showing up of the latent demand.

Opportunities

- Our country has a vibrant Auto industry with major global OEMs setting up their assembly plants in the country and using up to 90% local parts being supplied by a network of auto parts cottage industry vendors.

- We should be proud of the contributions made by the local vending industry to achieve local content of up to 70% in case of Passenger Cars & LCVs, 90% in case of Motorcycles & Tractors and 45% in case of Heavy Commercial Vehicles.

- Locally manufactured or assembled vehicles of up to 1000cc engine capacity as well as electric vehicles to promote clean energy have been exempted from the revised regulations. The SBP said that the financing of these two categories of vehicles would continue to be governed by the previous set of regulations. Relaxations under Roshan Apni Car have also not been changed to encourage Roshan Digital Accounts and facilitate overseas Pakistanis who have opened these accounts.

Threats

- Amidst grave uncertainty and severe pressure on sharply melting foreign exchange reserves, the government will have to include the locally made auto parts in the negative list, as the import bill of auto parts is as high as Completely Built Units (CBU) and completely Knocked Down Units' (CKD) Import Bill, which is not only dangerous for the local auto industry. halting import of auto parts in the country, as banning the import of those products which are being made locally can aid in averting the looming threat of default.

- The year was also marred with global semiconductor chips shortage, which also kept Pakistan companies from increasing sales despite high demand. Supply chain disruption and chips shortage also saw suspension of booking of many models during the year.

- Auto parts manufacturers are facing the worst crisis in history as small units in the industry are going bankrupt because of the domino effect of dollarization – spiraling inflation, rising freight rates, escalating utility tariffs, mounting bank interest, skyrocketing material cost and working capital crunch.

- Pakistan's auto industry is struggling to meet its scheduled delivery periods as restrictions have hindered the timely import of auto parts, prompting one assembler to offer refunds to its customers as well. The sector, highly dependent on imports, has also been caught in the midst of an exchange-rate crisis, as the SBP, after the unabated rupee devaluation, imposed restrictions on the opening of Letters of Credit (LCs).

- Many smaller parts manufacturers would go bankrupt if OEMs did not accept the higher proposed profit margins as many manufacturers could no longer sustain operations given the rising input costs. Increased industry bankruptcies would disadvantage both OEMs and the economy as it would lead to the need to import far costlier imported inputs for local car assembly. Automotive parts and accessories accounted for USD522,097,000 over FY 2021-22.

- Auto industry anticipates a 30% sales drop in 2022-23 in view of uncertainty after the increase in withholding tax on filers and non-filers, imposition of 1% capital value tax on vehicles exceeding 1,300cc, strict auto financing rules to compress demand & high interest rates.

- Pakistan's import bill for completely and semi-knocked down (CKD/SKD) kits for cars imported by local assemblers has crossed USD 1bln. in first eight months of 2021-22 which is significantly higher than the record high bill of USD 1.12bln. for the entire of FY21. (The 8MFY22 ended with USD 1.102bln. as compared to USD 557mln. in the same period last fiscal.) The low levels of localization by Chinese and Korean investors under Auto Policy 2016-2021 for 5 years as well as in the new models by existing assemblers have played a key role in boosting the import bill.

- As per data of the Pakistan Bureau of Statistics (PBS), the new and old entrants brought CKD/SKD kits worth USD 4.99bln. from 2016-2017 to July-February 2021-2022, thus nullifying claims of achieving higher localization. The new entrants have started rolling out vehicles from their assembly lines with a mere five per cent locally made parts which is insufficient to reduce the burden on the foreign exchange.

- Stakeholders had been trumpeting 70% localization in Suzuki Mehran which ruled the roads for over 30 years without significant model change. After the end of the iconic Mehran journey in 2018, the claim of achieving higher localization by stakeholders has now been confined to 55-60% in various existing Japanese models and 35-45% in new models.

Sector Outlook

The introduction of Auto Industry Development and Export Policy (AIDEP) 2021-26 is expected to strengthen the local automobile sector along with increasing the exports of auto accessories sector. The policy aims at providing high quality vehicles at lower costs. The industry still faces stiff competition from imported automotive parts and localization levels remain relatively low. This is one of the key concerns hindering the development of domestic sector. Inflation, interest rates and exchange rate stability are the key factors to gauge the growth and performance of the sector in the days to come. While headline inflation is expected to rise, changes in interest rates are expected to come gradual and informed. Meanwhile, exchange rate stability is vital for sustainable demand generation. **Outlook is Constraint**.

CARPETS & RUGS

Sector Overview

Carpets are an important element of Pakistan's cultural heritage. The history of Pakistani rugs dates back to the 11th century. Pakistani carpets are famous worldwide for their quality and fine appearance. Hand-woven carpets make one of the leading export products of Pakistan. According to a report on the Handmade carpet industry of Pakistan, more than 90% of carpets are exported to foreign countries. According to Pakistan Carpet Manufacturers and Exporters Association (PCMEA), the carpet industry has been lagging behind in the global carpet industry during the past few years, mainly due to the lack of support from the government. The export value of hand-made carpets has shrunk over the last 10 years. It has reduced from USD278 mln. in 2005-06 to USD67.7 mln. in 2019-20. Extensive labor and time go into manufacturing these hand-made carpets which is why carpet price is quite high.

According to PCMEA, the production of handmade carpets has declined over the past decades and so, it has been noted that new weavers were not introduced. New products were not brought due to non-availability of R&D. Afghan refugees went back who were main labor force for carpet industry and that our workers mainly only know kind of manufacturing technique of Persian techniques. New manufacturing techniques/ types of skills are required.

The country currently has around 150,000 – 200,000 carpet looms and employs around 200,000-250,000 weavers, while manufacturing single piece of carpet requires six months to a year's labor. Around 70% of the workforce in Pakistan's carpet industry is women who make carpets at home. Often these traditional workers lack proper training and the industry requires financing to complete the supply chain.

Industry Issues

- The exports of hand-knotted carpets are on the decline due to the dearth of skilled workforce, expensive raw materials and higher cost of doing business.

- Exports of hand-made carpets are continuously on the decline since touching the peak of USD350 mln. in the late 90s. The hand-knotted carpets export was below USD60 mln. in the last fiscal year. Since the last two to three years, carpet exports are hovering around USD50 to USD60 mln. Of the 150 plus exporters, 10 major players are getting more than 70% share of the total carpet exports.

- Despite earning huge money for almost two decades, many exporters made little or even no investment in bringing improvement in the life of the local artisans who mastered the art of weaving carpets from Persian designs.

- Exporters preferred Afghan refugees over the local artisans to cut labor costs. These Afghan refugees were experts in weaving Kazakh design carpets. Gradually the local artisans, mostly from Gujranwala, Faisalabad and Lahore divisions, sought employment in different industries due to preference of exporters for the Kazakh over the Persian designs.

- The carpet exports suffered a setback, as many Afghan artisans returned to their country after the Russians left Afghanistan. The exporters, however, established liaisons with the Afghan-based weavers, started providing thread and procuring unfinished/unwashed carpets.

- Now Kazakh design carpets weaved by artisans based in Afghanistan had 80% share in the total exports, while the remaining 20% share is for the Persian designs weaved by the locals.

- More than 100 units are manufacturing thread for carpets in Multan district. Around 70 to 80% wool imported from Saudi Arabia, Iraq and New Zealand is mixed with the local material for thread manufacturing.

- The main reason for the wool import is the quality, which varies from region to region. High quality imported wool is mixed with the local wool for getting superior quality thread.

- The global trend is changing. Machine-made carpets are now in huge demand. High-tech machine weaves are as good as knots made by an artisan.

Sector Outlook

The carpet industry is facing numerous challenges, including reliance on imported raw material, indifferent attitude of successive governments, duties on import of unwashed and unfinished carpets and no separate status, as at present, carpets fall under the textile sector as a subsector. **Outlook is Negative.**

CEMENT

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	19		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	545,106		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	87,203		
C.	**Financial Charges**	**Act**/Est	14,816		
D.	**PAT**	**Act**/Est	53,635		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	1,034,050		
F.	***Current Assets***	**Act**/Est	263,281		
G.	***Cash & Bank Balances***	**Act**/Est	16,129		
H.	***Trade Debtors***	**Act**/Est	18,243		
I.	***Short Term Investments***	**Act**/Est	29,121		
J.	***Total Equity***	**Act**/Est	550,301		
K.	***Current Liabilities***	**Act**/Est	277,949		
L.	***Total Liabilities***	**Act**/Est	520,934		

CEMENT

Sector Overview

Global Per Capita average Cement Consumption 575 Kgs

Pakistan Per Capita average Cement Consumption 185 Kgs

17 Manufacturing Plants with 50 Production Lines

Exports
2021: 9.30 mt
2020: 7.85 mt

Pakistan 10th largest exporter

Capacity Utilization
2021: 87%
2020: 65.72%

Production Capacity
2021: 66 mt
2020: 63.63 mt

Total Sales
2021: 57.43 mt
2020: 41.82 mt

Local Sales
2021: 48.13 mt
2020: 33.97 mt

Cement Industry-Domestic Overview

- Cement Sector is composed of 19 companies of which 16 companies are operational. The sector is divided into two regions; North and South, with North covering areas of Punjab, KPK and AJK and South including areas of Sindh and Baluchistan.

- The industry has a total installed capacity of ~66 m tons, of which ~76% is in the North Region (49.35 m tons) and remaining 24% (16.50 m tons) is in the South Region.

- Locally the industry operates under a marketing arrangement, which helps the industry players in maintaining prices and margins. As per the arrangement, a quota is assigned to each player based on installed capacity.

- Total exports recorded an increase of 18.70% during FY-21 (from 7.85 mmt to 9.31 mmt).

- Top players have announced expanding their production capacities, which would add approximately ~18mln. tons to the total cement production capacity of Pakistan, taking it up to approx. 87mln. tons. The expansions are expected to be completed by FY23-24.

Pakistan's Cement Manufacturing Capacity 2021 (000 tons)

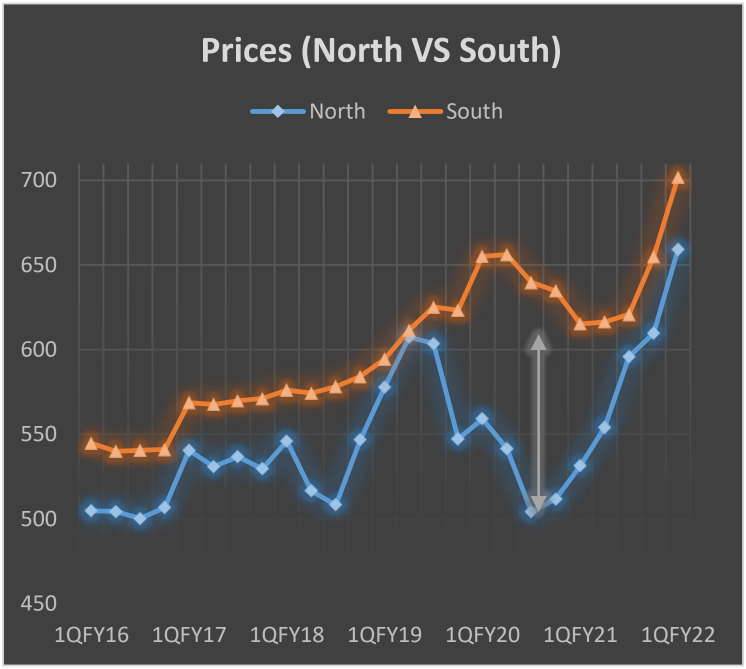
S. No.	Name of Unit	Symbol	Cement	Clinker	Announced Expansion	Post Expansion Capacity	Commencement Date
1	Lucky Cement	LCKY	12,150	11,542	3,150	15,300	FY-22
2	Bestway Cement	BWAY	9,383	10,158	2,160	12,318	FY-24
3	D.G. Khan Cement	DGK	6,780	6,720	-	-	-
4	Maple leaf Cement	MPL	5,400	5,585	2,100	7,770	FY-23
5	Pioneer Cement	PIO	5,194	4,550	-	-	-
6	Kohat Cement	KHT	4,778	4,913	2,670	6,320	FY-24
7	Cherat Cement	CRT	4,536	4,320	3,300	7,836	FY-24
8	Fauji Cement	FJI	3,559	3,433	2,050	5,609	FY-24
9	Power Cement	POW	3,370	3,210	-	-	-
10	Attock Cement	ATK	3,027	2,883	1,214	4,241	FY-23
11	Askari Cement	ASK	2,670	2,803	-	-	-
12	Gharibwal Cement	GBW	2,010	2,010	-	-	-
13	Dewan Cement	DWC	1,080	2,940	-	-	-
14	Fecto Cement	FEC	869	828	-	-	-
15	Flying Cement	FLY	720	686	-	-	-
16	Thatta Cement	THT	349	548	-	-	-
	Total Capacity		**65,875**		**16,644**	**82,519**	

Cement Market Price Dynamics

North

- With the addition of new capacities, the competition in North has increased, leading to a competitive pricing environment as witnessed in latter half of FY20. Prices of cement bags fell as low as PKR ~500/bag.

- The North region is expected to remain under pressure in terms of prices as the competition for market share will not allow companies to increase prices going forward, due to subdued demand and further expansions.



South

- Prices in the South are relatively higher compared to the North, between PKR 640-650/bag currently. Whereas the cement prices in the North average at around PKR 525/bag. The discrepancy in prices can be attributed to fewer players competing in the South.

Opportunities

- Pakistan's 5 big cement manufacturers are in the process of raising total production capacity in the northern zone, targeting 73.60Mta by 2024 from 54.10Mta of 2021, expanding at an average annual growth of 12% to meet the expected robust demands in Punjab and NPK provinces. In addition, the extra capacity will benefit land export opportunities to Afghanistan and India.

- The north zones expansion plan includes Lucky Cement raising capacity at its Pezu facility to 9.80Mta from 6.64Mta, Maple Leaf Cement rising to 8.30Mta from 5.87Mta, DG Khan Cement moving to 7.40Mta from 4.20Mta, Kohat Cement climbing to 11.60Mt from 5.30Mt, and Fauji Cement Co expanding to 5.60Mt from 3.60Mt in 2021.

- Lucky Cement has announced a 3.15Mta brownfield expansion at its Pezu Plant in Khyber Pakhtunkhwa, which will increase company production capacity at a national level to 15Mta and maintain its position as the largest cement producer in Pakistan. The project has broken ground and the completion date is December 2022.

- Maple Leaf Cement (MLCF) has also announced a brownfield expansion that will help it increase its future market share by 2.43Mta.

- DG Khan Cement Co (DGKC) announced in a financial briefing that it would place its expansion plan on hold for now, and the priority will be to pay off debt by PKR6bln. (USD 33.90mln.) during FY22.

- Kohat Cement Co (KOHC) is planning to build an 8000-10,000tpd greenfield project, which is estimated to cost PKR25bln. (USD141.80mln.), of which PKR10bln. will be financed through internally generated equity while the remaining PKR15bln. will be funded through debt. The plant is expected to reach its commercial operation date (COD) in FY24. The company is also working on optimizing the pyro process of Line-3, which will reduce fuel and power costs. The total cost of the project is PKR1.20bln. and will be financed through a combination of debt and equity.

- Fauji Cement Co (FCCL) has announced a Greenfield expansion of 2.05Mt at DG Khan (Punjab). FCCL may potentially become the third largest cement player in the country with over 8Mta after the COD of the new plant.

- Attock Cement Pakistan (ACPL) announced a cement expansion of 4250tpd, which is expected to come online by 1QFY23. The total cost of development is estimated to be PKR15bln. and will be financed with a combination of debt and equity. The solar plant of 20MW is expected to come online by 2QFY22, reducing power costs.

- Gharibwal Cement Ltd (GWCL) has announced a 3Mta expansion. A contract has been signed with FLSmidth for the supply of the new pyro line. The PKR2bln. contract with FLSmidth is for design and engineering, while the equipment cost has not been finalized but could cost in the range of PKR8-10bln. Equity debt has not been completed yet. Civil works for the project will commence soon, and the project timeline is 2 years. Equipment will start arriving at the end of FY22.

- Pioneer Cement Ltd (PIOC) is evaluating a further plant expansion and location, but debt reduction is the primary focus at present, with the company set to retire PKR4.50bln. long-term debt in the FY22. PIOC has already received approval for the plant in DG Khan.

Threats

- The cement industry remained under pressure since the beginning of FY2022. This was largely attributed to a revival in construction activities in the second half of 2020 as COVID-19 lock downs were eased.

- The demand for cement was 'sluggish' due to inflation and high commodity prices. It also pinned its marked fall in exports because of political and economic instability in Afghanistan.

- Local cement sales by the industry stood at 2.90 mln. tons in August 2022, compared to 3.81 mln. tons in August 2021, showing a decline of 23.75%.

- Exports of cement suffered a decline of 25.70% as volumes shrank from 521,468 tons in August 2021 to 387,440 tons in August 2022.

- In August 2022, north-based cement mills sold 2.59 mln. tons, down 20.93% from sales of 3.28 mln. tons in the same month of last year. Mills based in the south dispatched 700,436 tons to markets, lower by 33.50% compared to 1.05 mln. tons last year.

- Cumulatively, in the first 2 months (July-August) of current fiscal year, total cement sales were 5.34 mln. tons, which were 35.20% lower than sales of 8.24 mln. tons in the corresponding period of last year.

- Domestic sales during the two-month period came in at 4.80 mln. tons against 7.26 mln. tons in the same period of last year, showing a fall of 33.95%. Export dispatches were 44.47% lower as volumes reduced to 540,957 tons in July-August 2022 compared to 974,245 tons last year.

- A massive reduction in cement demand is due to economic instability, soaring energy costs and currency devaluation. These are the factors that have serious implications for the industry.

- Construction activities in the country have undoubtedly slowdown owing to soaring inflation. Constructors and builders have experienced a rising cost of materials due to massive increases in prices of cement, steel and other essential commodities as well as transportation costs due to fuel price hikes. Heavy rains and floods have also curbed demand, though timely expenditure on rehabilitation may raise the demand for cement over the coming year if not immediately. On the other side, cement manufacturers are contending with rising cost of production due to higher fuel and energy prices too causing them to raise prices for end-users.

- Even with IMF back on board, the economy is in the trenches fighting an uphill battle. Together with political discord that is eroding business and investment confidence, tightening monetary and fiscal policies (interest rates and taxes are high, public sector spending is down) and persistently high inflation, construction industry is only one of the many that will continue to remain under pressure.

- Meanwhile, exports have been drying due to high freight for overseas shipping and poor economic and political conditions in neighboring markets such as Afghanistan and Sri Lanka. DG Khan Cement is selling cement to a far-off market such as the United States after signing a deal with a contractor in the US and will be sending 50,000 tons of cement twice every month which might keep cement exports from slipping too far down.

Sector Outlook

A major cause for concern for the sector in terms of cost is the recent global commodity price spiral that has pushed energy prices to all-time highs, with recent unrest in Eastern Europe acting as the plausible impetus to turn the spiral into a super cycle; as coal prices more than doubled since the start of the conflict. However even at its highest ever recorded price, energy output from bituminous coal is still ~44.40% cheaper than crude oil or its derivatives and local cement manufacturers also kept costs low by importing and blending much cheaper Afghan coal, but that too is not without availability issues and its price also saw an upward revision of ~29% in Feb'22 MoM. The sector's ability to pass on energy costs to the local consumers (which it has been able to in the recent HY) would be highly influential in determining industry margins, especially if the current commodity price spiral persists along with adverse movements in the value of PKR. **Outlook is Constarint**.

CHEMICALS (INC. PLASTIC & RUBBER PRODUCTS)

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

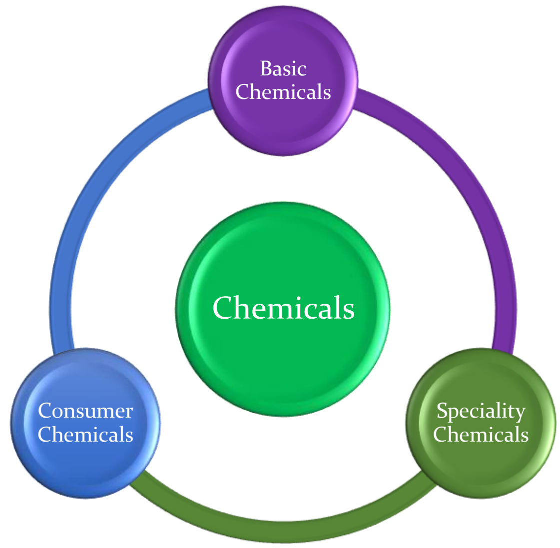
	No. of Companies	**Act**/Est	21		
			2021-22	**2020-2021**	
A.	**Industry Sales**	**Act**/Est	269,729		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	25,086		
C.	**Financial Charges**	**Act**/Est	1,343		
D.	**PAT**	**Act**/Est	16,001		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	207,422		
F.	***Current Assets***	**Act**/Est	107,591		
G.	***Cash & Bank Balances***	**Act**/Est	5,191		
H.	***Trade Debtors***	**Act**/Est	22,035		
I.	***Short Term Investments***	**Act**/Est	7,812		
J.	***Total Equity***	**Act**/Est	99,174		
K.	***Current Liabilities***	**Act**/Est	83,029		
L.	***Total Liabilities***	**Act**/Est	108,248		

CHEMICALS

Sector Overview

Chemical industry is an integral part of global economic landscape as the industry creates immense variety of products, which impinge virtually every aspect of our lives. While many of the products from the industry, such as detergents, soaps and perfumes, are purchased directly by the consumer, others are used as vital components in industrial manufacturing of various products and goods.

Chemical industry products can be divided into three categories:



Basic Chemicals: It includes petrochemicals, polymers and basic inorganics.

Specialty Chemicals: This category covers a wide variety of chemicals for crop protection, paints and inks, colorants (dyes and pigments).

Consumer Chemicals: These are sold directly to the public. They include, for example, detergents, soaps and other toiletries.

Chemical industry is one of the oldest industries in Pakistan; however, it merely constitutes 1.72% of weight in Large Scale Manufacturing (LSM). Pakistan meets only 10% of chemical needs through local production. There is a huge potential of growth in this sector to improve external trade statistics given agriculture and other chemicals group imports amounted to USD 9.30bln. in FY21 (FY20: USD 7.35bln.) with a share of around 16.49% in total import bill. There is a synergy between the petrochemical projects envisioned and the growth of the existing chemical industry. One of the main reasons for such a high volume of imports is mainly due to the lack of a Naphtha Cracker facility, from which most of the chemicals downstream. Establishment of Naphtha Cracker plant requires enormous investment of around USD 4bln. However, despite the lack of this basic requisite, the sector is contributing around USD 1.15bln. in the country's exports.

Opportunities

- The industry makes huge profits based on high demand of products and low competition, and profits are increasing as its earnings have grown 24% per year over last 3 years, and revenues 15% per year.

- Engro Polymer & Chemicals has commissioned another PVC plant in December 2021 thereby enhancing its PVC production capacity to 295,000 tons annually.

- Descon Oxychem's project for increasing production capacity of hydrogen peroxide at existing facilities has recently been completed, whereas Engro plans to enter into production of hydrogen peroxide.

- Nimir Industrial Chemicals is investing PKR 1.60bln. for upgrading and expanding its existing production units.

- It is projected that Pakistan market value of chemicals is expanding fast and could reach USD 20bln. As the domestic Large-Scale Manufacturing (LSM) sector grows, with an average growth of 7% on year-on-year basis, logically, market for industrial chemicals expands. There are promising prospects for increasing exports also.

- Pakistan plans to invest USD 249.62mln. in Chemical Processing Industry projects by 2022. Most of the investments are planned for agrochemicals, chlor-alkali, industrial inorganic chemicals, petrochemicals plastics/resins and other products. There are nine unit-addition and two grass root projects in total.

Threats

- With the exception of multinational players, the chemical industry has low level of production; unable to maintain consistency in production and quality, and most of products are low-value-addition items.

- The industry has not focused on diversification of products, particularly of industrial chemicals, and remains narrow-based, though due to various constraints. Its exports in the year 2020-21 were nominal at USD 1.15bln., to Afghanistan, Bangladesh, UAE, Vietnam, Turkey and other countries, which constituted 4.54% share in total national exports. Products exported included plastics materials, pharmaceutical products and other industrial chemicals.

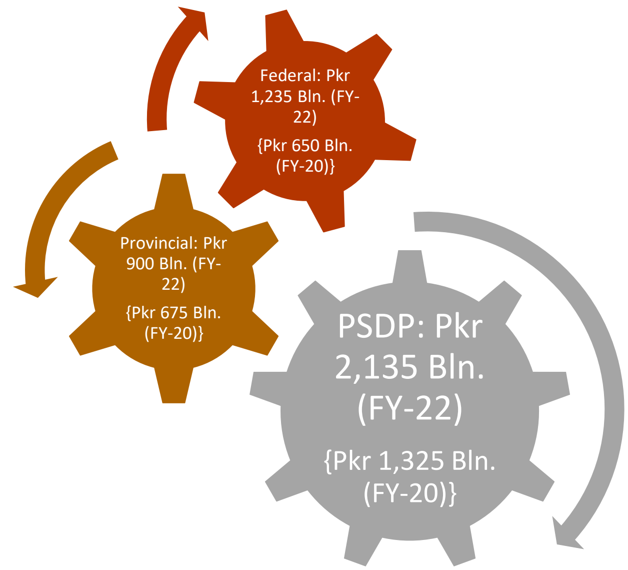
Sector Outlook

The chemical sector is essential for the production of multiple products which are used in various industries. The demand is highly linked to economic activity. On the back of a sharp economic recovery during FY21, the chemical sector has also performed well during the same period. The momentum continued in the earlier parts of FY22 as preliminary estimates suggest that Pakistan's GDP grew by ~5.97%. Going forward, the government has set a 5% GDP growth rate target for FY23 while IMF forecasts Pakistan's GDP growth at near the long-term trend rate of 4.2%; given that level of economic activity, the sector's risk profile can reasonably be **expected to remain Constraint**.

CONSTRUCTION

Sector Overview

The construction sector contributed almost PKR~1,409bln. to the Gross Domestic Product (GDP) of Pakistan in FY21 (FY20: PKR~1,231bln.), registering a growth of ~14.40% YoY basis; Contribution to GDP decreased since FY19 from ~3.20% to ~2.80% on average; Construction activity during FY21 increased by ~14.40% in the industrial sector due to an increase in government support and uptick in investment by private sector; the industry is expected to grow up to PKR~2,706bln. by FY29 at a CAGR of 11.80%.



Gross fixed capital formation (GFCF) in private sector grew by ~6.60% between FY20 and FY21; Private sector GFCF amounted over 72% of the total; By 8MFY22 construction financing stood at PKR~211bln. after recording a growth of ~70% YoY.

Construction sector absorbs ~7.61% of the total labor force and also provides stimulus to over 42 ancillary sectors including aluminum, brick, cables, cement, fixtures, glass, kitchen and bathroom fittings, marble, paint, steel, tiles, transportation, warehousing and wood.

Latest Developments:

- Construction of 4 Dams is underway with a cumulative capacity of ~8 MAF and a total cost of PKR~638bln.

- CEPC authority has currently under construction: -
  - ✓ 6 energy projects with cumulative generation capacity of 3,870 MW, of which 4 are thermal (Coal based) and 2 are hydropower.
  - ✓ 5 transport infrastructure projects with cumulative road length of 813 km and 6 projects of cumulative road length of ~2,989Kms in the pipeline.
  - ✓ 7 Gwadar development projects including road, power, healthcare, water resources and an airport, with 4 more similar projects in the pipeline.
  - ✓ 4 special economic zones under construction with 5 more in the pipeline.

- 9 Construction and rehabilitation of road and transit projects of cumulative road length of ~1,677kms are in the pipeline under Public Private Partnership.
- 71 projects related to health care are underway with a cumulative worth of PKR~121bln.

Opportunities

- The Federal Government announced an incentive package for the construction sector, fulfilling the longstanding demand of builders and developers for fixed income tax regime and declaration of the construction sector as an industry. With the declaration of the construction sector as an industry, the import of plants and machinery used in this sector would have the same incentives as enjoyed by other industries.

- Disclosure of source of investment is not required in case of construction of new residential/commercial building or first purchase of a newly constructed project. This will be very beneficial for the construction sector as a lot of investment would be done without the lengthy process of background checks and money trail.

- A fixed tax regime irrespective of the profit margins for developers and builders is underway. Furthermore, a new taxation system for builders has been offered to relief taxes. The builder will pay PKR~250 per square feet on units sold in commercial and residential buildings in Islamabad, Lahore, and Karachi, whereas builders engaged in the sale of property units in Peshawar, Rawalpindi, Hyderabad, Multan, Faisalabad, Gujranwala, Sukkur, and Sahiwal will pay PKR~230 per square feet. The rate for urban areas is PKR~210 per square feet.

- The growth of Pakistan's construction industry is well in line with the global industry that is expected to reach USD15.20 trn in 2022 that's ahead of the last year's numbers of USD13.60 trn.

- As reported, the industry plays a major role in contributing to gross domestic profit (GDP). In 2022, it is expected to reach 14.80% that's ahead of what it contributed in the last year of 14.30%.

Threats

- Over 10,000 firms are registered with the Pakistan Engineering Council as constructors/operators. However, only ~100 (1%) of them hold the prestigious CA category (no limit) license and High Carbon Steel Technology (HCS) which enables them to be on the prequalifying list of approved constructors.

- Construction is a capital intensive business requiring uninterrupted financial backing from banks. The nature of construction work is uneven wherein delays and prolonged deadlines are very common. These factors make construction sector high working capital consuming as well as long term debt based sector.

- The new taxes imposed by the government through the budget for 2022-23 on the real estate sector will badly affect the growth of construction industry and largely increase unemployment.

- The government in the new budget had proposed that the owners of more than one immovable property of above PKR25 mln. value in Pakistan shall be deemed to have received the rent equal to 5% of the fair market value of the immovable property and shall pay tax at the rate of 1% of the fair market value. the government had also imposed 15% tax on the capital gains of immovable property in the case of one-year holding period.

- The construction industry is currently facing difficulties in pricing its housing units as project-completion costs have soared massively, with steel prices skyrocketing 96% between January 2021 and June 2022 and cement price surging by over 72% in the same period, raising the overall expenditure by at least 40%.

- On the other hand, price of sand (Bajri) has jumped from Rs28 per cubic foot to PKR50 per cubic foot – showing an ascent of 78%. Crush used to cost PKR38 per cubic foot in January 2021 but it is now available at PKR75, recording an increase in price of 97%.

- The construction of a structure used to cost PKR1,500 per square foot in January 2021. Now, it amounts to around PKR2,350 per square foot. The cost of finishing work on a project has spiked 16% from PKR1,550 per square foot to PKR1,800 per square foot. The cost of higher-grade finishing work has increased by 36%, moving up from PKR3,050 per square foot to PKR4,150.

- With rupee depreciating massively, construction cost is likely to be higher in coming months.

- There is immense volatility and builders have also slowed down activities to wait for things to settle down.

- The volatility stems from a stuttering Pakistan economy that saw its currency endure its worst weekly fall in over two decades, with an over 8% loss to the dollar. At the same time, falling foreign exchange reserves have raised concerns over Pakistan's balance-of-payments' situation.

- Rupee, which ended at a record low of 228.37 to the dollar in the inter-bank market, is also likely to stay under pressure amid heightened political uncertainty.

Sector Outlook

Overall, 50% of the industry cost of goods sold comprises of raw material. Given the hikes in their prices, the industry margins are expected to shrink further going forward. **Outlook is Constraint.**

EDIBLE OIL

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	2		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	19,400		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	601		
C.	**Financial Charges**	**Act**/Est	263		
D.	**PAT**	**Act**/Est	287		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	8,661		
F.	***Current Assets***	**Act**/Est	5,454		
G.	***Cash & Bank Balances***	**Act**/Est	103		
H.	***Trade Debtors***	**Act**/Est	2,828		
I.	***Short Term Investments***	**Act**/Est	8,000		
J.	***Total Equity***	**Act**/Est	4,461		
K.	***Current Liabilities***	**Act**/Est	3,803		
L.	***Total Liabilities***	**Act**/Est	4,199		

EDIBLE OIL

Sector Overview

Pakistan's edible oil market was recorded at USD~9,28mln. in FY21 registering a YoY growth of ~10% (FY20: USD~8,413mln.). Local consumption was recorded at ~4.80mln. MTs in FY21 up ~1% YoY (FY20: ~4.7mln. MTs). This reflects that the growth in revenue was majorly contributed by a spike in prices (in dollar terms) of inputs (oil seeds). Average local price of edible oil during FY21 is recorded at PKR~345/kg as compared to PKR~275/kg during FY20 (YoY Growth: 25%). With a per capita consumption of 22kg, Pakistan is the world's 8th largest consumer of edible oil. The sector is highly dependent on imported oil seeds and refined palm oil to meet the local demand. Hence the exposure to exchange rate and international price fluctuations is high.

	FY-20	FY-21
Revenue (USD Mln.)	8,413	9,276
Growth rate	38%	10%
Revenue (PKR Bln.)	1,361	1,557
Per Capita Revenue	37	40
Per Capita Consumption (Kg)	22	22
Share to GDP	2.9%	3.5%
Oil Seed Import (000MT)	3,140	3,100
Palm Oil Import (000 MT)	3,275	3,450
Edible Oil Consumption (000MT)	4,712	4,768

Local edible oil demand is met through both crushing of oil seeds and import of cooking oil. Cottonseed is the principal oilseed crop grown in Pakistan, accounting for an average of ~87% of domestic oilseed production in the last 5 years. Cottonseed demand is met through local produce only. The local industry relies entirely on imports to meet its demand of soybean seed whereas rapeseed and sunflower seeds are both produced locally as well as imported.

Opportunities

- Edible oil consumption in Pakistan has increased significantly over the past few decades - from 0.70 to 4.70mln. tons between 1981 and 2020. The main demand drivers are rising population, dietary preferences and increase in per capita income.

- Cultivation-related measures are expected to yield another 2.80mln. tons of edible oil. This is expected to reduce import bill of edible oil by USD 584mln.

- The government has planned to increase the annual edible oil production up to 4.79mln. tons over the next 10 years in an effort to take the country towards self-sufficiency in food commodities, especially in edible oil.

Threats

- Pakistan is heavily dependent on import of oil seeds and edible oil to meet local consumption. Further, the exposure to exchange rate movement is also high. It is the market norm to pass in entirety the impact of increased cost of purchase to end consumers.

- Vegetable ghee and Cooking oil prices have increased with a CAGR of ~9% and ~25% respectively during the last 5 years (FY17-FY21). They are further expected to rise by ~25% and ~26% considering the international rising price trend. This is majorly because international stock of edible oil and oil seed is at historically low levels. Amid tight supplies post COVID-19, the prices of imported edible oil are also expected to increase further and hence the local prices of the products.

- The edible oil imports were 44% (or USD 1.1bln.) higher compared to USD 2.47bln. in the same 11 months of fiscal year 2020-21.

- Besides, the price of cooking oil shot up close to PKR550 per liter in the domestic market compared to around PKR200 per liter in January 2019.

- Pakistan's reliance on imports of edible oil and oilseed meals to meet domestic demand has been increasing over the past 2 decades. Some 86% of domestic edible oil consumption in 2020 came from imports, up from 77% in 2000.

Sector Outlook

In line with the international prices, the local prices of edible oil have been increasing sharply since Jan'20. With expected increase of short term demand and tightened international supplies, the local prices are expected to remain high. Due to non-availability of other alternative, the major burden of increase in international prices is borne by the end consumers which helps in sustaining the margins of local players. **Outlook is Constraint.**

ENERGY-GAS GENERATION & DISTRIBUTION

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	2		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	873,476		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	15,348		
C.	**Financial Charges**	**Act**/Est	43,357		
D.	**PAT**	**Act**/Est	8,737		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	1,551,823		
F.	***Current Assets***	**Act**/Est	1,161,387		
G.	***Cash & Bank Balances***	**Act**/Est	10,951		
H.	***Trade Debtors***	**Act**/Est	262,357		
I.	***Short Term Investments***	**Act**/Est	-		
J.	***Total Equity***	**Act**/Est	8,291		
K.	***Current Liabilities***	**Act**/Est	1,280,871		
L.	***Total Liabilities***	**Act**/Est	1,319,383		

ENERGY-GAS GENERATION & DISTRIBUTION

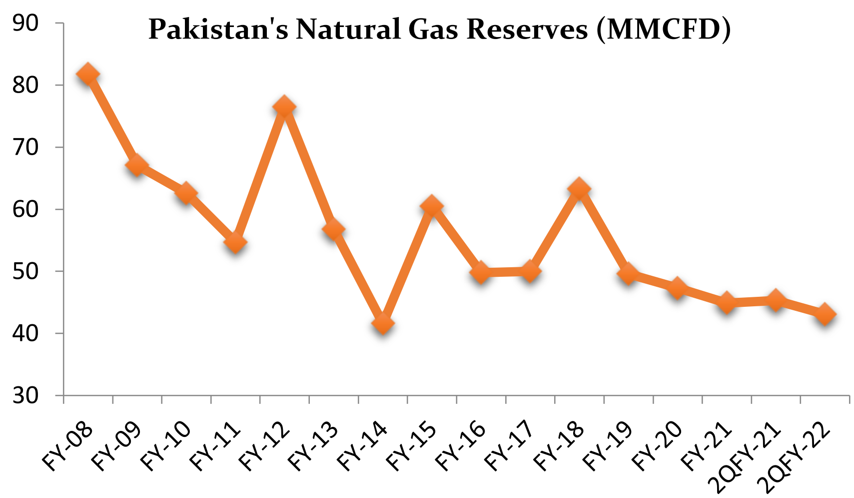
Sector Overview

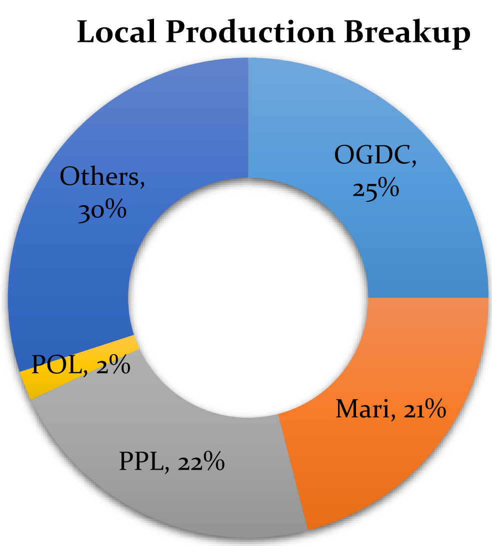
Pakistan has an extensive gas network of over ~13,513km transmission, ~155,679km distribution and ~41,231km services gas pipelines to cater for the requirement of more than ~10.70mln. connections across the country.

Production of natural gas from indigenous resources is decreasing. Thus, to bridge the supply demand gap, Pakistan's reliance on imported Re-gasified Liquefied Natural Gas (RLNG) has been increased in recent years. At present, the capacity of two Floating Storage Regasification Units (FSRU) for RLNG is more than 1,200MMCFD.

The average natural gas consumption during 9MFY22 was ~32.50mln. tons (SPLY: ~33.90mln. tons) including ~7.90mln. tons of RLNG (SPLY: ~ 8.70mln. tons). During FY21, the two gas utility companies (SNGPL & SSGCL) had laid a 67km gas transmission network, ~3,244km mains and ~829km services lines.

Pakistan's proven natural gas reserves have been on a decline owing to a lack of substantial discoveries. Between FY08 to FY21, natural gas reserves have declined by ~45%. Between 2QFY21 and 2QFY22, the decline in reserves was ~5%.



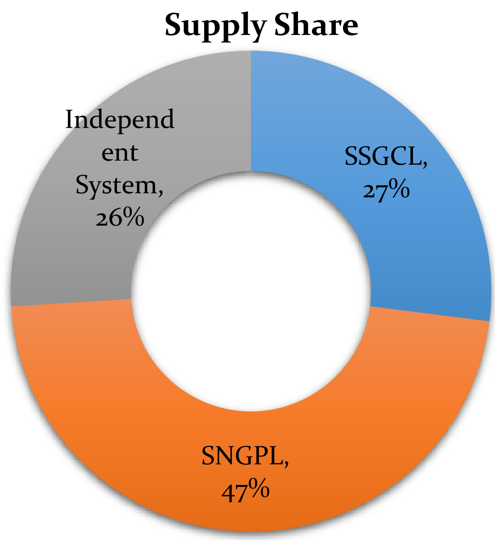


Local Gas Production

In the absence of big gas discoveries, the natural gas reserves of Pakistan are declining and estimated at ~43.10MMCFD as at 2QFY22. Local natural gas production is also declining. During 9MFY22, local natural gas production drastically reduced to ~3,376MMCFD from ~3,960MMCFD SPLY with a YoY decline of ~15% owing to depleting gas reserves from the existing fields. Moreover, the production during FY21 was recorded at ~3,505MMCFD (FY20: ~3,607MMCFD). In addition, local gas exploration firms have failed to announce any major discoveries in the past two years.

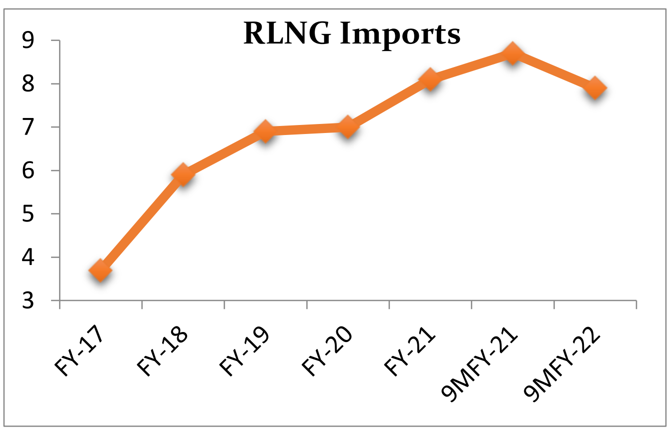
Gas Supply

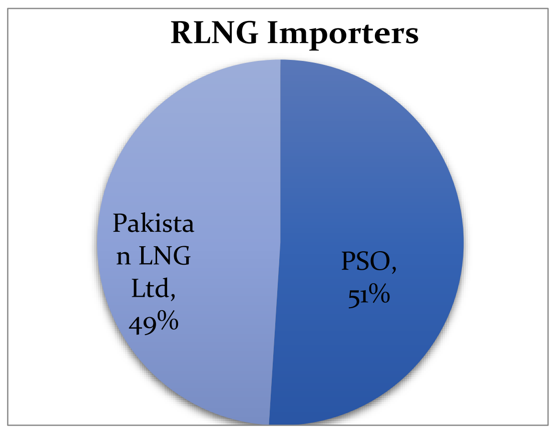
The two Government owned gas utilities, SNGPL and SSGC have a significant share of ~73% in total gas supply to consumers in the country. Meanwhile, independent system comprises consumers having direct arrangements with gas producing companies since they receive natural gas through dedicated pipelines or through virtual networks including containers.



RLNG Imports

Amid rising energy demand and low local production, Pakistan started RLNG imports in FY15 to bridge the rising supply and demand gap. RLNG import decreased by ~-9.20% in 9MFY22 compared to the SPLY. Moving forward, the import of RLNG is playing a crucial role Pakistan's energy sector. The demand is expected to increase further on the back of ever increasing demand of energy in the country. Due to low domestic capacity, imports are crucial to make up for the shortfall. PSO and Pakistan LNG have approximately equal market shares.



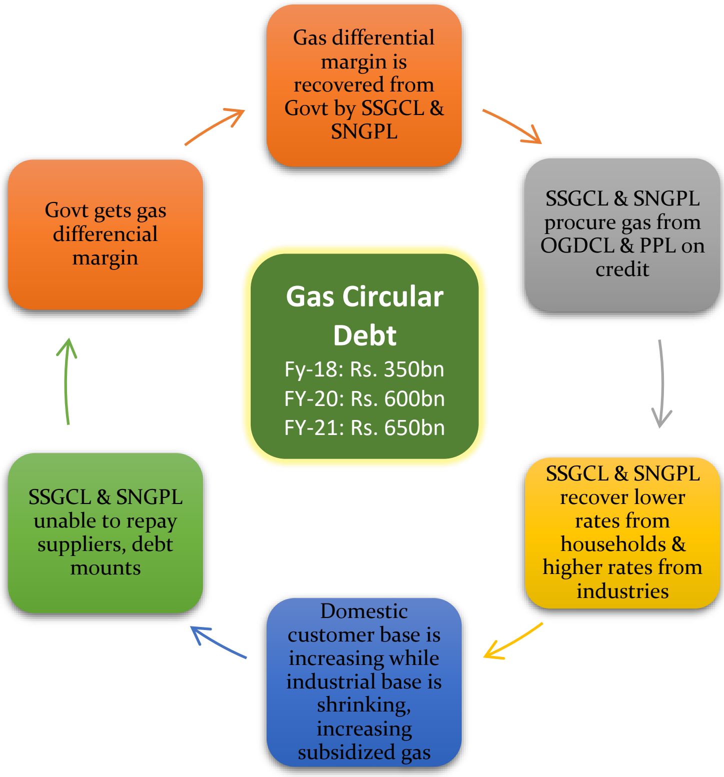


Gas Circular Debt

Gas circular debt is rising at an alarming pace and holds the potential to cause serious problems for an already fragile distribution gas sector. Initially, a major portion of debt was stemming from natural gas, however, lately the share of RLNG is building up as well. In turn, as of March 2022 the receivables of OGDC and PPL from the two gas utility companies were registered at PKR~513bln. – hindering prospective exploration of gas and oil.

Differential margin = Tariff approved by government - Tariff recommended by OGRA.

UFG and gas theft further increase the amount to be recoverable from the government. Costly RLNG is further adding to the circular debt as the commodity is used to make up for depleting indigenous gas reserves particularly in the peak winter months.



Opportunities

- Pakistan LNG Limited (LNG) had also floated a new tender for procurement of 10 Liquefied Natural Gas cargoes to get deliveries during July and September aimed at meeting the country's energy needs smoothly. Pakistan State Oil (PSO) and PLL were engaged in the import of LNG in the country, under the executed LNG supply contracts with Qatar-Petroleum/Qatar Energy, the PSO imports 5+2 LNG cargoes where the PLL is left with one LNG supply contract with ENI Italy as the other i.e. M/s Gunvor prematurely terminated the contract in April 2022 following a series of consistent default in the supply of cargoes since the year 2021.

- Starting from July 22, PSO had managed to secure one LNG cargo from Qatar delivery of which was scheduled for January, 2023.

- The spot purchasing of LNG was made from April to June 2022 for enhanced RLNG supplies to the power sector. The cost of LNG spot purchases during May to June 2022 was USD573 mln.

- Government is focused on developing new exploratory wells to increase the supply of national gas. In addition to that, LNG and piped gas are being imported. In the financial year 2021, around 373 mln. mmbtu of LNG gas worth around USD3.40 bln. was imported. This corresponds to around 30% of the total natural gas consumption in the country. During July-Feb financial year 2022, 75.64% gas is domestically produced, while 24.36% of gas is being imported.

Threats

- In the absence of big gas discoveries, the natural gas reserves of Pakistan are declining and estimated at ~43.10MMCFD as at 2QFY22. Local natural gas production is also declining. During 9MFY22, local natural gas production drastically reduced to ~3,38MMCFD from ~3,96MMCFD SPLY with a YoY decline of ~15% owing to depleting gas reserves from the existing fields. Moreover, the production during FY21 was recorded at ~3,51MMCFD (FY20: ~3,61MMCFD). In addition, local gas exploration firms have failed to announce any major discoveries in the past two years.

- Over the past three years, the stock of circular debt in gas sector has nearly doubled to PKR 650 bln. from PKR 350 bln. in 2018. The inappropriate response of the government created problems in the import of LNG by the private sector which led to gas crisis in the country, especially in winter.

- Production of natural gas stood at 28.20 mln. cubic meters and crude oil at 21.70 mln. barrels in the first nine months of current financial year against 27.25 mln. cubic meter gas and 20.77 mln. barrels in same period last year.

- The indigenous supply of natural gas still witnessed a decline of around 5% and its contribution recorded 33.10% in the total primary energy supply mix of the country. The number of consumers; however, has increased from 10.30 mln. to more than 10.70 mln. across the country.

- The average natural gas consumption has declined from 3,723 mmcfd to about 3,565 mmcfd during July-March financial year 2022. This also includes 863 mmcfd volume of RLNG during July-March 2022.

- The consumption of natural gas in power sector has reduced from 610 mmcfd to 560 mmcfd. The use of gas in domestic sector has also decreased to 907 mmcfd during July-March financial year 2022 from 915 mmcfd in the same period last year. Commercial sector witnessed a decline in the use of gas and its consumption registered at 62 mmcfd during July-March financial year 2021-22. Earlier it was 65 mmcfd during the first nine months of financial year 2021- 22.

- The use of gas (CNG) in the transport sector declined to 49 mmcfd from 63 mmcfd. The consumption of gas in fertilizer sector reduced from 687 mmcfd to 684 mmcfd while the consumption in general industry increased to 439 mmcfd from 433 mmcfd. However, total consumption of gas has reduced to 2,702 mmcfd during July-March financial year 2022 from 2,773 mmcfd during the same period in financial year 2021.

Sector Outlook

The supply of LNG remains at risk due to Pakistan losing out in a bidding war to Europe for LNG cargoes in June 2022. This was the third tender to be lost by the country since November 2021. Other risk factors include the Russian-Ukraine conflict suspending LNG supply, which is spiraling LNG prices upwards, rising crude oil prices, limited import sources due to the aforementioned conflict, dwindling forex reserves available for importing the costly LNG, and a depreciating PKR to USD increasing the projected cost of LNG imports (3QFY22: QoQ increase was ~3% and SPLY increase was ~69%). Amid an absence of any big discoveries in recent periods the overall gas reserves of the country have shrunk by ~45% from FY08 to FY21 and continue a downward path. The circular debt of the gas distribution sector is also increasing and, if not addressed, has the potential to significantly dent the sector's ability to deliver to its consumer which, in turn, will have a serious implication for the overall economic growth of the country. **Outlook is Constraint.**

ENERGY-OIL & GAS EXPLORATION

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

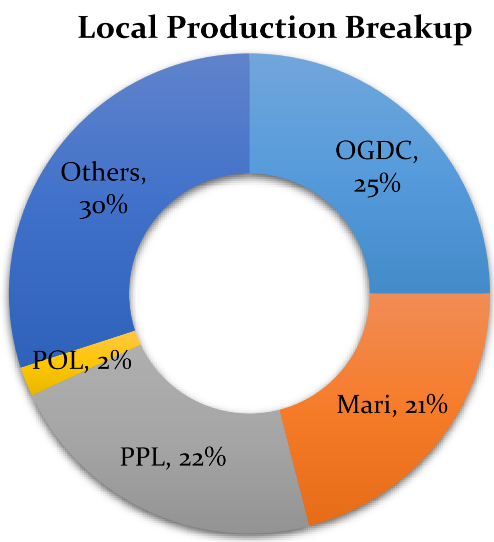
	No. of Companies	**Act**/Est	4		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	705,027		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	419,756		
C.	**Financial Charges**	**Act**/Est	13,621		
D.	**PAT**	**Act**/Est	246,328		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	2,058,122		
F.	***Current Assets***	**Act**/Est	1,399,805		
G.	***Cash & Bank Balances***	**Act**/Est	139,573		
H.	***Trade Debtors***	**Act**/Est	864,713		
I.	***Short Term Investments***	**Act**/Est	71,402		
J.	***Total Equity***	**Act**/Est	1,492,189		
K.	***Current Liabilities***	**Act**/Est	343,515		
L.	***Total Liabilities***	**Act**/Est	565,932		

ENERGY-OIL & GAS EXPLORATION

Sector Overview

During July-March FY2022, production of major minerals such as Coal, Natural Gas, Chromite, Crude Oil and Barytes witnessed the growth of 8.34%, 3.45%, 25.7%, 4.48% and 162.5%, respectively.

Mineral	Qty	2018-19	2019-20	2020-21	9MFY-21	9MFY-22	Growth
Natural Gas	000mcbm	40.68	37.29	36.22	27.25	28.2	3.45%
Crude Oil	M barrels	32.50	28.09	27.56	20.77	21.70	4.48%

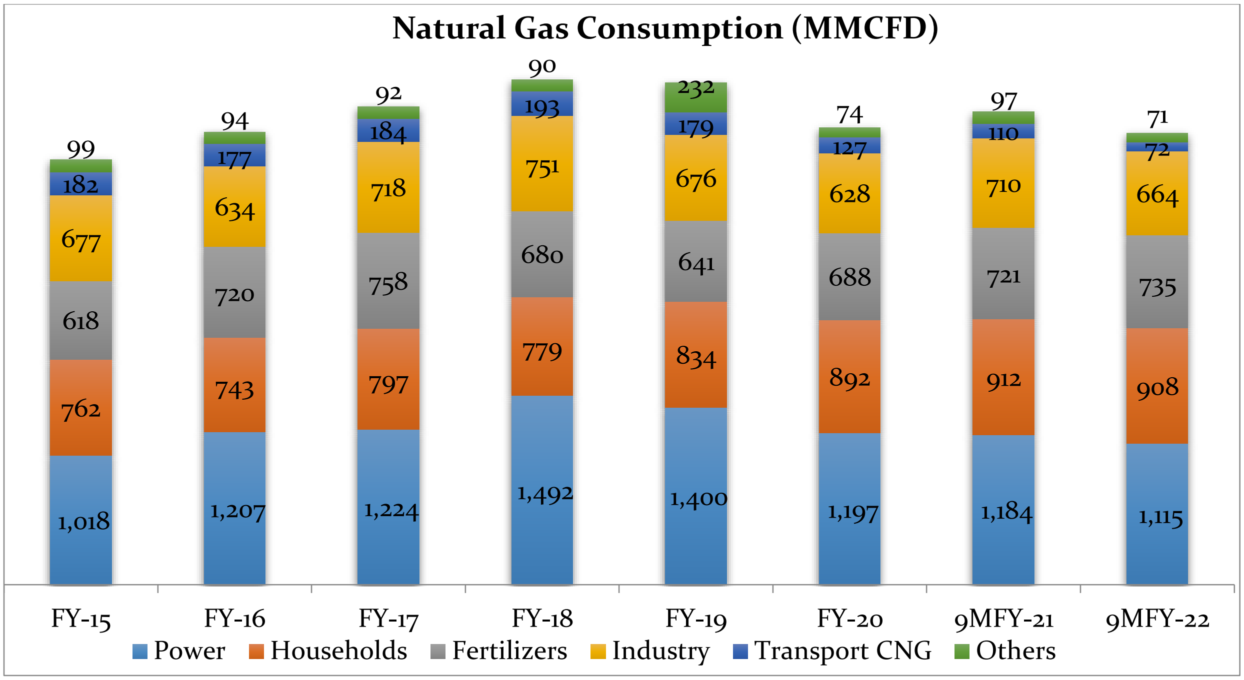


In the absence of big gas discoveries, the natural gas reserves of Pakistan are declining and estimated at ~43.10MMCFD as at 2QFY22. Local natural gas production is also declining. During 9MFY22, local natural gas production drastically reduced to ~3,38MMCFD from ~3,96MMCFD SPLY with a YoY decline of ~15% owing to depleting gas reserves from the existing fields. Moreover, the production during FY21 was recorded at ~3,51MMCFD (FY20: ~3,61MMCFD). In addition, local gas exploration firms have failed to announce any major discoveries in the past 2 years.

Natural Gas Consumption

Overall gas consumption has declined in 9MFY22 by ~4.50% from the SPLY. The greatest decline was felt by the transport CNG sector (~34.30%) followed by the general industry (~6.50%), and power sector (~5.80%). The power sector is the highest consumer of gas followed by the household sector in 9MFY22. The fertilizer sector is the only sector to experience a rise in consumption of ~1.90%. This is because the federal government had placed the domestic fertilizer sector in the gas supply priority list for three months till March FY22 to boost production.

Household consumers use expensive LPG during curtailed gas supplies, by national gas utility corporations, to fulfil their energy needs. Fertilizer sector's dependence on natural gas is significantly high as it is a key input feedstock making it difficult to switch to other forms of energy.



Opportunities

- Pakistan Petroleum Limited (PPL), the state-owned supplier of natural gas and petroleum products, has commissioned the recently installed Oil Handling Facilities (OHF) and commenced production from discovery well DS X-1 in Dhok Sultan Block, situated in the Province of Punjab. the company is an operator of the Dhok Sultan Block and holds 75% working interest in it, while Government Holdings (Private) Limited (GHPL) holds 25% working interest.

- The company added that gas production from this discovery is allocated to Sui Northern Gas Pipelines Limited while the oil production is allocated to Attock Refinery Limited.

- The Directorate General of Gas (Petroleum Division) has Annual Turnaround (ATA) of 15 gas processing plants producing around 390 MMCFD gas. The operators have been asked to proceed further accordingly while endeavoring to minimize the shutdown period to the extent possible in consultation with concerned gas utility company and ensuring that the tangible efforts would be made to deliver maximum quantity of deliverable gas, if any, during the ATA period.

- Moreover, all stakeholders have been directed to make sure that ATA's of the bigger fields are in shoulder (low demand) months and there is no overlapping in gas plants' ATA schedule with terminals' outage plan and no spillover of agreed schedule.

- Oil and Gas Development Ltd. (OGDCL), operator of the Kalchas exploration license, discovered gas at Kaleri Shum-01 in Rajanpur. Kaleri Shum-01 was spudded Dec. 31, 2021, to test the hydrocarbon potential of Pab, Fortmunro-Mughalkot, and Parh formations. The well was drilled to depth of 1,907 m. Based on the results of wireline logs interpretation, the operator conducted four drill stem tests (DST) in Parh, Fortmunro-Mughalkot, Pab, and Ranikot formations. OGDCL holds 50% in a partnership with Mari Petroleum Co. Ltd. holding the remaining 50%.

Threats

- The average production of crude went down for 5 years by an annual average of 4% to 76,739bpd in 2019-20. Similarly, natural gas production has been decreasing for 5 years at an annualized rate of 2.20%. It was 3,597mmcfd in 2019-20.

- Discovery size is very small compared with the international standard. This is despite the fact that the country has a drilling success rate that's notably higher than the international average. Every third drilling is successful here versus one-in-five internationally. We have a better success rate, but our challenge is the small size of discoveries.

- The overall reserve replenishment ratio is less than 100%. It means the country is failing to replenish its reserves at the same speed that it's consuming them. Oil reserves held by Pakistan Petroleum Ltd (PPL), OGDC and Pakistan Oilfields Ltd (POL) went down 24%, 14% and 28%, respectively, on an annual basis. Only MPCL showed a 7% increase in its oil reserves.

- As for gas reserves, OGDC, MPCL and POL reported an annual decline of 4%, 4% and 5%, respectively. Only PPL managed to increase its gas reserves by 1% year-on-year. As a result, the country's total hydrocarbon reserves have a life of 15 years.

- The average size of discoveries is expected to go down further with the passage of time. The most attractive prospects within a new field are always drilled first in the hope of a big discovery. Accordingly, the discovery size tends to go down as the drilling density goes up.

- It's unsurprising then that many foreign E&Ps have exited the Pakistani market altogether in recent years. Italian oil company Eni sold its E&P assets to a local player last year. BHP of Australia and OMV of Austria also divested their assets a few years ago.

Sector Outlook

Outlook remains Stable and growth oriented on anticipation of increased exploration and likely successes in drilling with consequent enhancements to local production.

ENERGY-OIL (PETROLEUM DISTRIBUTION/MARKETING)

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	5		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	1,982,989		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	36,448		
C.	**Financial Charges**	**Act**/Est	23,559		
D.	**PAT**	**Act**/Est	16,445		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	1,285,452		
F.	***Current Assets***	**Act**/Est	1,061,862		
G.	***Cash & Bank Balances***	**Act**/Est	96,532		
H.	***Trade Debtors***	**Act**/Est	461,578		
I.	***Short Term Investments***	**Act**/Est	3,370		
J.	***Total Equity***	**Act**/Est	255,633		
K.	***Current Liabilities***	**Act**/Est	1,421,419		
L.	***Total Liabilities***	**Act**/Est	1,029,819		

ENERGY-OIL (Petroleum Distribution/Marketing)

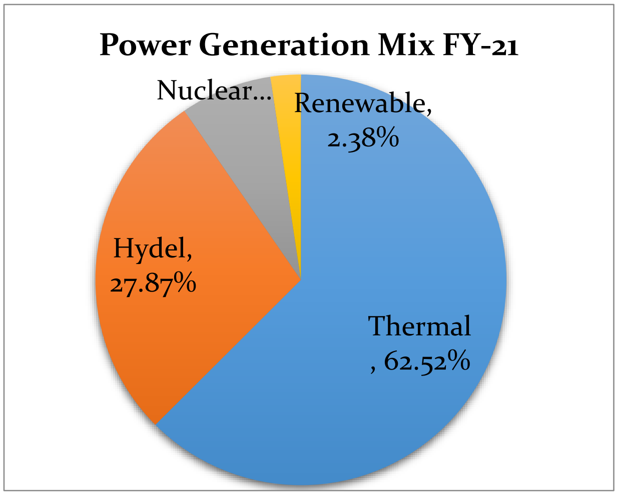
Sector Overview

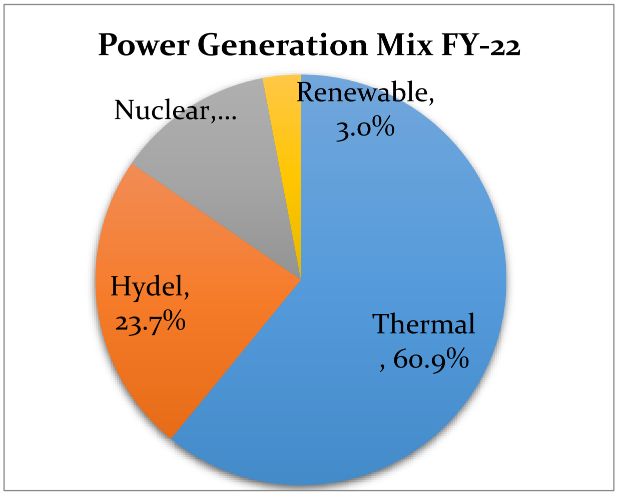
Pakistan relies significantly on imports to meet the demand of its energy products. During FY21, the country consumed ~19.80mln. MT of petroleum products (FY20: ~17.10mln. MT) up ~15.80% YOY. Owing to declining local oil reserves amid low new discoveries, the dependence on imported POL products is increasing with each passing year.

Currently, there are ~35 registered OMCs. There are 5 Listed OMCs operating in the country namely (i) Pakistan State Oil (PSO) (ii) Shell Pakistan (SHELL) (iii) Hascol Petroleum (HASCOL) (iv) HiTech Lubricants (HTL) and (v) Attock Petroleum (APL). The Sector is highly regulated with the prices of two major products, i.e., MOGAS and Diesel being determined by the Oil & Gas Regulatory Authority (OGRA) on a fortnightly basis.

OMCs generated an aggregate revenue of PKR~2,528bln. in FY21 (FY20: PKR~2,225bln.) with an annual GDP contribution of ~5.30% (FY20: 5.40%). The sector's revenue during FY21 registered a YOY growth of ~13.60% on account of increased consumption and rising petroleum products' prices.

For power generation, Pakistan is dependent upon thermal energy with a share of ~60% in total generation in FY22 (~62% in FY21). The share of RFO based power plants in total thermal energy generation increased to ~12% during FY21 (FY20: ~10%). This is due to the continuous depletion of local gas reserves and favorable rates of RFO during FY21. The uptick in RFO offtake also bodes well for the refineries. RFO sales continue its upward trend in FY22 as well and was recorded at ~878,000 tons during 2MFY22 (2MFY21: ~563,000 tons) with a YoY increase of ~56%.





In FY21 Pakistan locally produced ~11.30mln. MT (FY20: ~9.40mln. MT) POL products, of which ~10mln. MT (FY20: ~8.30mln. MT) were energy POL products and ~1.3mln. MT (FY20: 1.20mln. MT) were non-energy POL products. As local refineries lack cracking and cocking capabilities, therefore in FY21 RFO comprised ~25% (FY20: ~27%) of total locally produced energy POL products, while MOGAS share was ~25% (FY20: ~24%) and HSD share was ~47% (FY20: ~46%). POL product import for FY21 was recorded at ~14mln. MT (FY20: ~11 mln. MT), marking a growth 28.70% YoY. In FY21, POL import bill amounted to PKR ~822bln. (FY20: PKR ~745bln.) representing ~9.10% (FY20: 10.60%) share in total imports.

	FY-17	FY-18	FY-19	FY-20	FY-21
MOGAS	1.9	2.2	2.3	2.0	2.5
HSD	4.6	5.3	4.7	3.8	4.7
JP-1	0.2	0.2	0.2	0.2	0.2
Kerosene	0.1	0.1	0.1	0.1	0.1
RFO	3.0	3.3	2.9	2.2	2.5
Non-Energy Products	1.6	1.9	1.6	1.2	1.3
TOTAL	**11.3**	**12.9**	**11.8**	**9.4**	**11.3**

Transport sector is the highest consumer of petroleum products, as it constitutes ~78% of total POL products consumed in FY21 (~78% in FY20). POL consumption by industries is largely driven by LSM growth. The industrial consumption share increased to ~8% during FY21 (FY20: ~7%). Since FY15, power sector's oil consumption has reduced at a CAGR of ~18% due to shift from RFO to cheaper and environment friendly sources.

	Transport	Power	Industry	Other govt.	Household	Agriculture	Total
FY-17	14.6	8.5	2.0	0.37	0.08	0.01	**25.6**
FY-18	16.0	6.4	1.8	0.39	0.07	0.01	**24.7**
FY-19	14.7	2.8	1.3	0.41	0.06	0.02	**19.2**
FY-20	14.7	1.5	1.2	0..9	0.05	0.01	**17.9**
FY-21	15.2	2.4	1.5	0.30	0.03	0.01	**19.4**

TOP PLAYERS PER POL PRODUCTS					
	MS	HSD	KERO	FO	JP-1
PSO	42%	47%	62%	52%	94%
Total Parco	12%	10%	8%	3%	-
Shell	11%	8%	-	-	4%
Go	10%	10%	-	-	-
APL	7%	7%	30%	15%	3%
Hascol	4%	3%	-	-	-
Byco	4%	5%	-	16%	-
BE	3%	3%	-	1%	-
Puma	2%	2%	-	-	-
ZMOPL	1%	-	-	-	-
Others	5%	5%	-	-	-

Opportunities

- Pakistan oil sales increased by 6% MoM in Aug-2022 driven by High Speed Diesel (HSD) and Motor Spirit (MS) demand which improves by 12% and 7% MoM respectively. This rise is partly attributable to the resumption of economic activities in the first half of the month, but it is mostly due to a low base, with sales on Jul-2022 being the lowest since Feb-2021 due to the Monsoon session and Eid holidays.

- Amongst the listed companies, HASCOL sales recorded the highest increase of 30% MoM, (led by pickup in HSD sales by 74% MoM), followed by Shell Pakistan (SHELL) 10% MoM while

Attock Petroleum's (APL) and Pakistan State Oil's (PSO) sales increased by 8% MoM and 4% MoM, respectively.

- HASCOL share in MS recorded an increased from 1.20% in Aug-2021 to 2.70% Aug-2022, where Pakistan State Oil (PSO) and Shell Pakistan (SHELL) share decreased by 0.40% YoY in Aug-2022 in MS market share.

- The government has recently approved an increase in dealer margins up to Rs3 per litre, taking the total margins to Rs7 per litre.

Threats

- On YoY basis, oil sales fell by 22% in August owing to severe floods that hampered transportation and agriculture activities, resulting in significant economic losses. Sales of MS cumulatively for the whole industry have declined by 21% year on year, similarly the sales of HSD and FO have also declined by 30% and 23% respectively.

- Furnace oil (FO) sales went down by 35% YoY and 7% MoM which we believe due to lower FO based power generation during the month of Aug-2022. The widespread power outages in flood-affected regions caused by recent heavy rains and floods have decreased the overall power demand.

- Financing the cost of maintaining 20 days of stock cover and pipeline dead stock ate up around 70% of the current OMC margins. The turnover tax of 0.50% consumes around 30% of the OMC margins. This significantly diminishes the profitability for the OMCs. Delay in berthing of vessels due to port congestion has resulted in demurrages, which is also reducing the margins of OMCs. Apart from that, Letter of Credit confirmation charges have increased significantly and have severely impacted OMCs' profitability.

- The government changed the exchange rate formula from the last day of a fortnight to an average of two weeks, something that has irked both the OMCs and refineries, as the decision would lead to a loss of Rs9.80/liter on hi-speed diesel and Rs8.21/liter on mogas (petrol).

Sector Outlook

Overall demand of petroleum products is expected to increase during FY22. Moreover, due to significant increase in international RLNG prices, RFO based thermal generation would become relatively cheaper which is expected to stimulate FO demand during the period. The sector strategy of significant reliance on short term borrowing to finance working capital need, inherently has a high financial risk. However, comfort can be drawn from strong interest coverage ratio and moderate leverage of the sector. Any downward revision in oil prices, going forward, can result in inventory losses for the sector. However, the revisions are expected to be gradual and mild, particularly in comparison to the recent past. **Outlook is Constraint**.

ENERGY-OIL (PETROLEUM REFINING)

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	4		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	582,687		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	(23,417)		
C.	**Financial Charges**	**Act**/Est	(3,155)		
D.	**PAT**	**Act**/Est	(13,397)		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	483,992		
F.	***Current Assets***	**Act**/Est	273,322		
G.	***Cash & Bank Balances***	**Act**/Est	77,700		
H.	***Trade Debtors***	**Act**/Est	65,165		
I.	***Short Term Investments***	**Act**/Est			
J.	***Total Equity***	**Act**/Est	149,591		
K.	***Current Liabilities***	**Act**/Est	301,873		
L.	***Total Liabilities***	**Act**/Est	334,401		

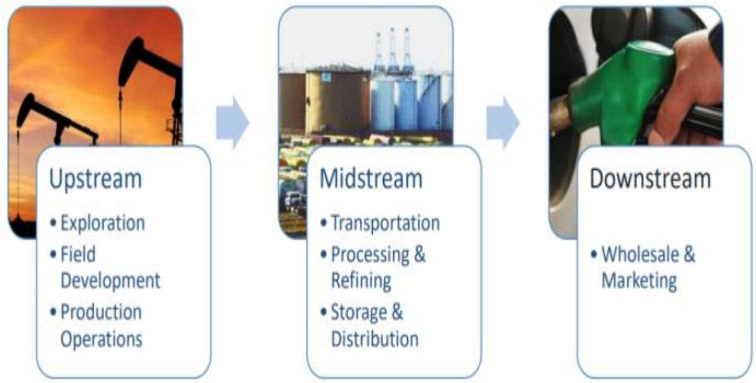
ENERGY-OIL (PETROLEUM REFINING)

Sector Overview

Oil sector is divided into Upstream, Midstream and Downstream segments.

Upstream Sector encompasses Exploration and Production of oil.

Midstream includes transporting oil from production sites to refineries via pipelines, trains, tankers, and trucks and production of refined products.



Downstream comprises marketing & distribution of refined petroleum products.

In the medium term global investments of USD~250bln. are expected to be made in the midstream and downstream sectors.

There are 4 major classifications of refineries based on the degree of complexity and the type of crude oil they can effectively refine:

Topping	These consist of a simple distillery that primarily separates crude oil into distillates (i.e. diesel, kerosene, Jet fuel and heating oil), naphtha (feedstock for motor gasoline blend), light gas, residual/heavy fuel oil. They lack the capacity to drive economically viable yields from low API gravity and high Sulphur crude oil (Heavy sour).
Hydro Skimming	In addition to the distilleries, these include hydrotreating, catalytic reforming and blending infrastructure. These can handle crude oil with low to medium API gravity and Sulphur content (Light sweet to Medium Sour). With additional infrastructure they can reform naphtha to motor gasoline up to specific octanes and desulphurize light products such as motor gasoline and diesel to meet regulatory requirements.
Conversion/ Cracking	In addition to all the Hydro skimming infrastructure, these include facilities for hydro and/or catalytic cracking. These processes allow heavy fractions such as gas oil to be converted into lighter refinery streams, yielding motor gasoline, jet fuel and other petrochemical feedstocks.
Deep Conv./ Cocking	These are a special class of refineries that can convert the heaviest fraction i.e. residual oil into lighter streams which can then further be processed lighter petroleum products. These refineries can handle with economic viability; all classes of crude oil (Light sweet to Heavy sour).

Pakistan relies significantly on imports to meet the demand of its energy products. During FY21, the country consumed ~19.80mln. MT of petroleum products (FY20:~17.10mln. MT) up ~15.80%

YOY. Owing to declining local oil reserves amid low new discoveries, the dependence on imported POL products is increasing with each passing year.

Currently, there are ~5 refineries operating in the country namely (i) Attock Refinery Limited (ATRL) (ii) Pakistan Refinery Limited (PRL) (iii) National Refinery Limited (NRL) (iv) Pak Arab Refinery Limited (PARCO) and (v) Byco Petroleum Pakistan Limited (BYCO).

The Sector is highly regulated with the prices of two major products, i.e, MOGAS and Diesel being determined by the Oil & Gas Regulatory Authority (OGRA) on fortnightly basis.

Pakistan's total refining capacity was recorded at ~19.80mln. MT per annum during FY21, (FY20: ~19.60mln. MT) with an increase of ~0.20mln. MT in FY21 owing to upgradation to Euro V diesel generation by NRL during the years. All refineries are committed to upgradation of their refinery facilities. However, timing of its announcement is largely dependent on the approval of the new refining policy that is under consideration.

Company	FY-20		FY-21	
	Capacity	Utilization	Capacity	Utilization
BYCO	7.6	26.4%	7.6	30.8%
PARCO	4.5	66.5%	4.5	83.6%
NRL	2.9	58.7%	3.1	63.3%
ATRL	2.5	69.5%	2.5	77.0%
PRL	2.1	59.3%	2.1	61.0%
Total	**19.6**	**49.4%**	**19.8**	**56.9%**

Opportunities

- Refineries generated an aggregate revenue of PKR~1,062bln. in FY21 (FY20: PKR~1,042bln.) with an annual GDP contribution of ~2.20% (FY20: 2.5%). The sector's revenue during FY21 registered a YOY growth of ~1.90% on account of increased consumption and rising petroleum products prices.

- The federal government has decided to offer a lucrative package of 5-year tax holidays to encourage the oil refineries to upgrade their infrastructure and revert to producing fuels compatible with the international standards. Under the proposed Pakistan Oil Refinery Policy 2021, the oil refineries were given the December 2021 deadline to come up with their respective up-gradation plans to take advantage of the incentives offered in the policy.

- The sprucing up of the existing refineries would help them reduce the furnace oil production to less than 20% and enhance the production of environment-friendly fuels like Euro-5 and Euro-6.

- The upgradation would also help cut imports of refined products substantially and save a net $5-6 per barrel on import substitution at local refineries.

- Under the proposed Pakistan Oil Refinery Policy 2021, tax would be enhanced on the imports of finished products, and the government would utilize this amount toward the refurbishment of the oil refineries on a 30-70 basis, meaning the government would contribute 30% of the total upgradation cost, while the rest would be borne by the refineries themselves.

- Byco, the single largest oil refinery in Pakistan with an installed processing capacity of 155,000 barrels per day of crude oil plans to invest USD800 mln. on restructuring with the addition of different types of 14 units to convert the out-of-demand furnace oil into the advanced quality of Euro-5 and Euro-6 petrol and diesel.

- Pakistan Refinery (PRL) has awarded a front end engineering design (FEED) contract, worth USD 1.20bln., to Wood Group UK for its refinery expansion and upgrade project (REUP). The REUP aims to double Pakistan Refinery's crude processing capacity from 50,000 barrels per day, to 100,000 barrels per day. As part of the upgrade project, the hydro skimming refinery is planned to be made into a deep conversion refinery to enable the production of High Speed Diesel (HSD) and motor spirit fuels that are EURO V compliant and environment-friendly. The conversion would significantly reduce the refinery's production of high Sulphur furnace oil.

Threats

- The oil refineries still produce 30% to 40% furnace oil while refining the crude oil, whereas the consumption of furnace oil saw has seen a big dip in Pakistan from 9.60 mln. tons in 2016-17 to less than 3 mln. tons in 2020-21. The refineries in Pakistan have configured their plants in a way to produce mainly diesel, furnace oil, and petrol. Four refineries are based on hydro-skimming technology, producing approximately 40% to 45% of diesel, 30% to 40% furnace oil, and 15% to 20% petrol, based on the type of crude they process. So, the sharp reduction in the demand for furnace oil used in the country has also constrained the local oil refineries to run at full capacity as the furnace oil storage capacity and its disposal has become a major issue for them.

- All the refineries are operating at around half of their installed capacity these days to cope with furnace oil production. The low output at domestic refineries has prompted the government and oil marketing companies (OMCs) like Pakistan State Oil (PSO) and others in the private sector to meet local demand of oil products through imports.

Sector Outlook

Profitability of the sector improved during FY21 on the back of increased offtake. Moreover, profitability will improve further with significant increase in crack spreads. On the contrary, the negative impact of rising interest rates will be apparent on sector's profitability sooner or later owing to significant proportion of short term borrowing in total liability mix. Any downward revision in oil prices, going forward, can result in inventory losses for the sector. However, the revisions are expected to be gradual and mild, particularly in comparison to the recent past. **Outlook is Constraint**.

ENERGY-POWER GENERATION & DISTRIBUTION (IPPs)

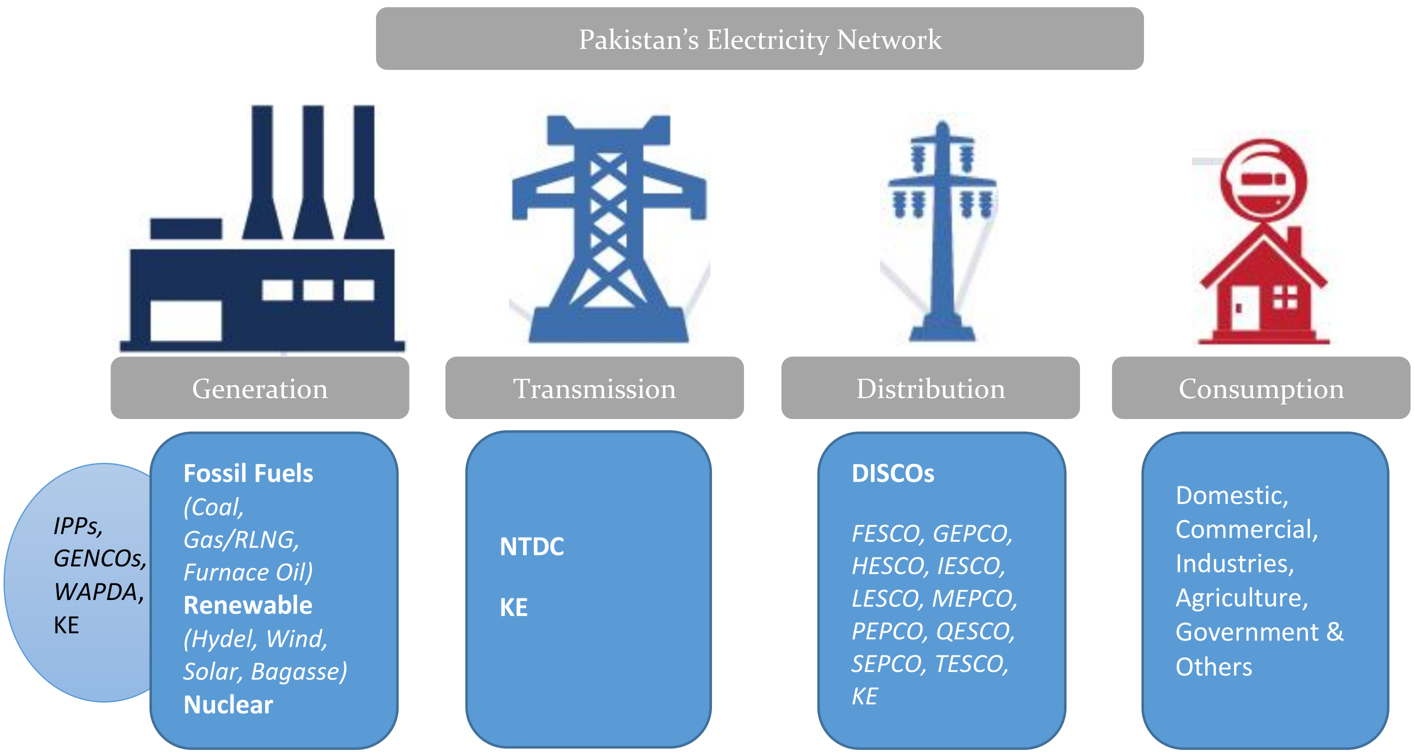
FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	17		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	675,580		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	61,873		
C.	**Financial Charges**	**Act**/Est	21,029		
D.	**PAT**	**Act**/Est	57,651		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	1,535,908		
F.	***Current Assets***	**Act**/Est	900,161		
G.	***Cash & Bank Balances***	**Act**/Est	13,063		
H.	***Trade Debtors***	**Act**/Est	336,597		
I.	***Short Term Investments***	**Act**/Est	15,564		
J.	***Total Equity***	**Act**/Est	506,439		
K.	***Current Liabilities***	**Act**/Est	812,473		
L.	***Total Liabilities***	**Act**/Est	1,058,426		

ENERGY-POWER GENERATION & DISTRIBUTION

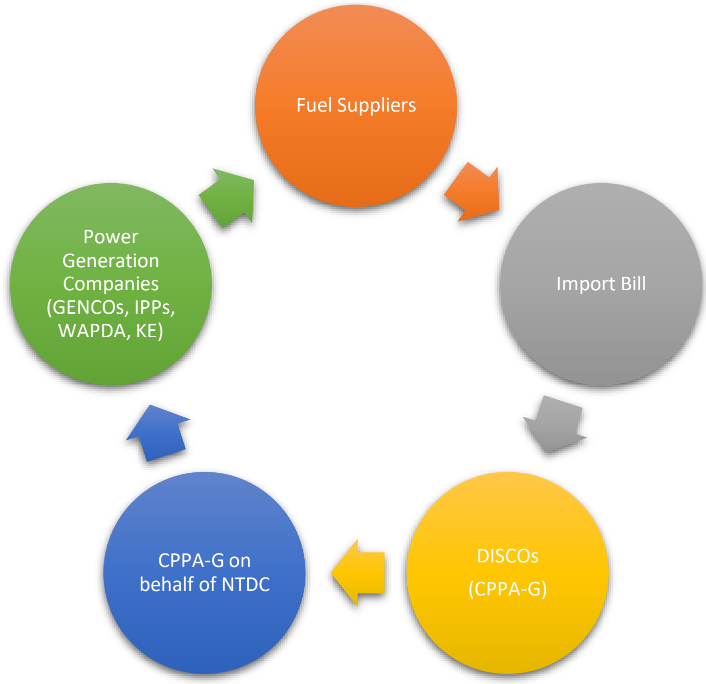
Sector Overview



Pakistan's primary energy supplies (forms of energy converted to final energy) comprise of oil, gas, coal, nuclear electricity and hydro-electricity net generation, while final energy products (converted from primary energy supplies) consist of gasoline, diesel, purified coal, purified gas, electricity and mechanical energy. The Country's Power Sector is classified into three verticals (i) Generation, (ii) Transmission and (iii) Distribution.

Pakistan's electricity generation system is divided into two baskets (i) CPPA-G Basket and (ii) K-Electric Basket. CPPA-G Basket covers all Power Generation Plants of the country except those falling in the ambit of K-Electric (KE). KE is responsible for the generation, transmission and distribution of electricity to all residential, commercial, industrial and agricultural areas of Karachi and its outskirts.

Circular Debt



The Power Generation Companies produce electric power which is sold to CPPA-G on behalf of DISCOs through the transmission Company – NTDC. The DISCOs supply the electric power to the end consumers.

The CPPA-G has to make payments to the power producing Companies and NTDC on behalf of DISCOs within a given timeframe.

The problem stems from the DISCOs being unable to make timely payments due to reasons including low recoveries from end consumers and T&D losses. This in turn hinders CPPA-G in making payments to power producing Companies and transmission Companies. The cycle goes on as the power producing Companies are unable to make payments to fuel suppliers. Under the PPAs, the delayed payments to power companies bears mark-up and increases financial liability.

Pakistan's total circular debt soared to PKR~2.40trn as at End-Oct'21 (up ~6% from End-June'21). The total amount of circular debt was recorded at PKR~2.30trn as at End-FY21, representing an increase of PKR~130bln., a monthly run rate of PKR~11bln. addition to the misnomer pile. This, although still large, is reflecting a slowdown in the accumulation of Circular debt, whose growth went exorbitantly high in FY19 by ~44% but then slowed to ~33% in FY20 and declined to just ~6% in FY21. The country's circular debt currently stood at PKR2.25 trn even after paying PKR564 bln. to power plants.

Opportunities

- Independent power producers (IPPs) are setting up five power projects that would have an accumulative capacity to generate up to 3,963 megawatts (MW) by this year. The projects include Thar Coal, RLNG, and hydel based power generation projects. They are likely to start commercial operation during the current year. Private Power Infrastructure Board (PPIB) was providing facilitation to these IPPs projects being set up in different parts of the country. The projects included 330 MW Thar Coal, 1,263 MW RLNG, 720 MW Karot hydropower, 330 MW Thar Coal Block-II, and 1,320 MW Thar Coal Block-I projects. Around 1,263 MW RLNG based power project being set up at Trimmu (Jhang) was already under testing and commissioning phase and likely to achieve commercial operation in July. Similarly, 1,320 MW Thar Coal based power project was financially closed and some projects were likely to complete in December. Moreover, 720 MW Karot hydropower project being set up at Jhelum River was also under construction and expected to start supply electricity in August.

- The Economic Coordination Committee (ECC) of the Cabinet has given the go-head to pay PKR96.13 bln. (60%) second installment to the Independent power producers (IPPs). The government last year paid PKR90 bln., against total PKR403 bln. payable, as first installment to 35 IPPs.

Threats

- The availability factor of gas/RLNG power plants is 92%, coal power plants is 85% and RFO power plants is 88%. Underutilization of efficient power plants increases the cost of electricity and also spikes the burden of capacity payments for un-utilized capacity. The efficiency of GENCO power plants has also deteriorated over time which increases burning of more fuel and thus cost of generation.

- RLNG is a cheaper source of fuel being imported in the country due to depleting gas reserves. Non-availability of RLNG to gas based plants results in under-utilization or non-utilization of power plants.

- Overloading of transmission lines, insufficient transformation capacity of transformers, outages and faults are a few of the constraints in transmission system.

- Transmission and Distribution (T&D) losses are not unusual in electrical power system but losses exceeding the acceptable limits increase the price of electricity unnecessarily for consumers.

- The government has decided that no power generation plants producing fuel-based electricity would be installed in the country going forward.
- Govt. has decided to make payments of Rs50 billion to four China-Pakistan Economic Corridor (CPEC) power plants early next week to save them from default. Despite making nearly 90% payments against the billed amount, Pakistan still owes PKR74 bln. to Sahiwal power plant, owned by Huaneng Shandong Ruyi group. Similarly, the government will have to make a total payment of PKR70 bln. to Port Qasim power plant and another PKR32 bln. to Engro Powergen plant. The outstanding amount in favor of Hub power plant stands at PKR65 bln. The payment of PKR50 bln. to the four plants will partially address their financial woes, as Pakistan has not yet been able to fulfill its promise of opening a bank account for saving the Chinese power plants from circular debt.

- The financial condition of the Chinese power plants has deteriorated significantly due to delay in clearance of their dues, largely on account of idle capacity payments and partially on account of power purchase cost. The government of Pakistan owes at least PKR269 bln. to 12 Chinese power plants.

Sector Outlook

Pakistan's Power Sector is confronting deep-routed issues since long. The key risks being weak financial discipline and inefficiencies in all three verticals of the System. The Sector is, however, considered the backbone of economy and the GoP is keen on developing long term sustainable solutions to the ingrained power issues. Apart from the rising circular debt, some positive developments have surfaced on the economic and power sector level in the recent times including development of first long term National Electricity Policy and the subsequent National Electricity Plan. **Outlook is Constraint.**

FERTILIZERS

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	7		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	741,595		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	159,413		
C.	**Financial Charges**	**Act**/Est	25,812		
D.	**PAT**	**Act**/Est	128,181		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	1,337,920		
F.	***Current Assets***	**Act**/Est	608,880		
G.	***Cash & Bank Balances***	**Act**/Est	86,693		
H.	***Trade Debtors***	**Act**/Est	72,297		
I.	***Short Term Investments***	**Act**/Est	223,359		
J.	***Total Equity***	**Act**/Est	510,568		
K.	***Current Liabilities***	**Act**/Est	477,595		
L.	***Total Liabilities***	**Act**/Est	827,352		

FERTILIZERS

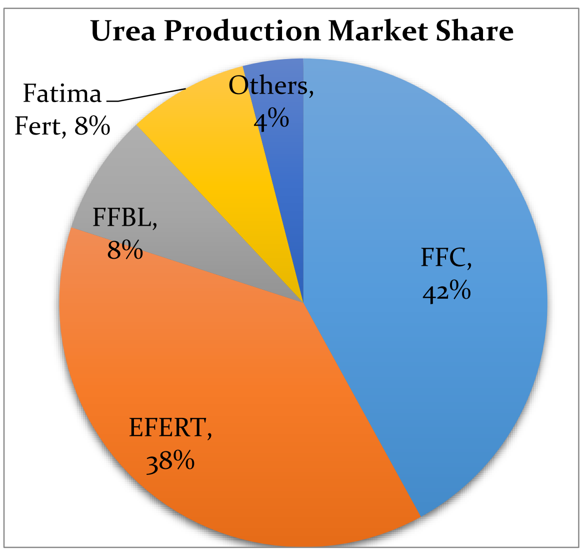
Sector Overview

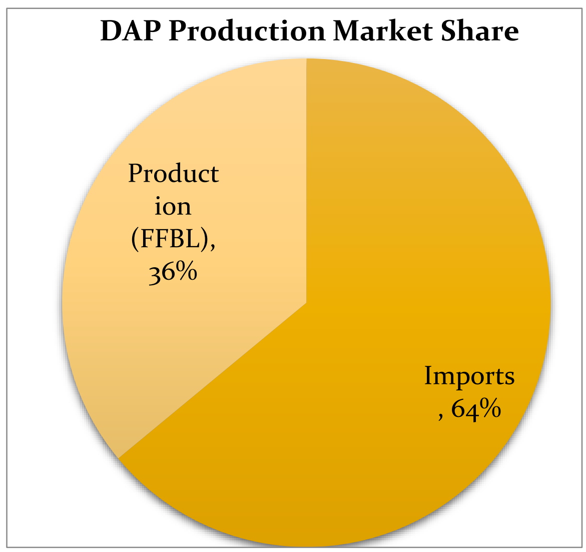
Fertilizers are nutrients essential for the growth of plants and crops. There are three main types of fertilizer used by the agricultural sector. These include Nitrogenous fertilizers such as Urea and CAN, Phosphorous fertilizer such as DAP and Potassium fertilizers including NPK and NP. The most common type of fertilizers are nitrogenous fertilizers (mainly Urea) due to their vital properties and lower prices as compared to other types of fertilizer.

The sector is dominated by 6 players which occupy almost ~95% of the market share. This makes the sector oligopolistic in nature. Out of these 6, 4 players are listed on the Pakistan Stock Exchange (PSX). These companies belong to the 3 Big Names of the Corporate Sector, Fauji, Engro and Fatima Group.

Due to agriculture sector's immense economic significance, the government has set out relief and subsidy programs, which leads to higher demand for fertilizers.

Urea accounts for ~70% of the country's fertilizer production. DAP contributes around 8 – 10 % of the country's fertilizer production because all sector players, except FFBL, are involved in import of DAP. Other fertilizers such as CAN, NPK, NP, SSP collectively account for 15 – 20% of the country's annual fertilizer production.





Urea is the most widely used fertilizer, belonging to the nitrogenous category, which accounts for 60-65% of the country's offtake on average. CY21 ended with low inventory levels, that is, ~0.17mln. MT, which reflects shortage for the remaining rabi season. One of the reasons attributed is the high delta between local and international price of urea which gave rise to speculations about hoarding issues (artificial shortage), as dealers (arti) are not willing to sell at given local price.

UREA Position

	2017	2018	2019	2020	2021
Opening Inventory	1,085	381	199	203	310
Production	5,653	5,602	6,113	6,137	6,115
Imports	-	-	-	-	-
Total	6,738	6,088	6,312	6,340	6,425
Sales	5,797	5,877	6,109	6,030	6,254
Exports	560	12	-	-	-
Closing Stock	381	199	203	310	172

DAP belongs to the phosphorous category of nutrients and is the second most widely used fertilizer in the country following urea. DAP is majorly imported except for Fauji Fertilizer Bin Qasim Limited (FFBL) which is the only local producer of DAP.

DAP is one of the most widely used fertilizers following urea. However, its inevitably higher prices result in its disproportionate application by farmers. Earlier in CY21, the GoP announced a subsidy of PKR~1,000 per bag of DAP, at the time per price per bag averaged around PKR~4,000. However, a sharp rise in the price afterwards has nullified the impact of subsidy to the farmers. Unlike urea, the locally produced DAP sells at a higher price than the imported DAP. This is majorly because of the high cost of raw material for DAP and exchange rate fluctuations. During CY21, the delta between imported and local price of DAP reduced to ~3% (CY20: ~6%).

DAP Position

	2017	2018	2019	2020	2021
Opening Inventory	82	237	255	580	116
Production	809	687	813	739	797
Imports	1,691	1,549	1,512	971	1,388
Total	2,582	2,473	2,580	2,290	2,301
Sales	2,345	2,218	2,000	2,174	1,854
Closing Stock	237	255	580	116	447

Opportunities

- The fertilizers output including potassium and nitrogen in the country during 11 months of fiscal year 2021-22 witnessed about 2.70% growth as compared to the manufacturing of corresponding period of last year.

- During the period from July-May, 2021-22, about 739,217 metric tons of potassium fertilizer was manufactured as compared to the manufacturing of 679,798 metric tons of same period last year (2020-21).

- Meanwhile, domestic production of nitrogen fertilizers witnessed about 1.97% increase as about 3.11 mln. tons of the commodity produced in order to meet local requirements of farming communities during current sowing season. The output of nitrogen fertilizers was recorded at 3.05 mln. tons in 11 months of fiscal year 2020, showing an increase of 1.97% during the period under review.

- The government is also intended to import about 200,000 tons of Urea fertilizer in order to ensure provision of the commodity on affordable rates for farmers during current season as well as for coming season. Besides, it was also taking special measures to stop its smuggling and hoarding for ensuring smooth supply throughout the season on sustainable prices across the country to save the farmers from any exploitation.

- The sector has been giving mixed signals about demand and supply in the financial year 2022-23. Moreover, heat and water stress have also pushed urea demand up. This trend might continue for the next few months. Also, cotton crop area has been set to increase in Punjab this year, and its nitrogen consumption would remain high, but on the other hand, hybrid rice and maize acreage could fall, requiring less urea.

Threats

- The fertilizer sector is passing on a benefit of PKR 900 bln. per annum to farmers through the provision of urea at significant discount to current global prices. Over the last 10 years, the industry is passed on benefit of over PKR 1.40 trn to the farmers through lower urea prices. This amount is 4 times higher the benefit that industry has received through gas pricing under the Fertilizer Policy 2001.

- The latest crisis of urea price hike and its shortage was recorded in the first week of May when manufacturing plants were closed due to diversion of natural gas for power generation. Gas management later streamlined, but disruption and other factors like swelling transportation cost etc led to increasing cost of manufacturers, prompting producers to increase price.

- Punjab government warned that shortage could continue next fiscal primarily due to less availability of feedstock, and choking fertilizer supply chain especially in Rabi 2022-23. On account of persistent demand-supply friction, manufactures had demanded government support.

- The proposed increase in sales tax on fertilizer in the budget for fiscal year 2022-23 will make the commodity further expensive for the small and medium-sized farmers.

Sector Outlook

Overall, Pakistan's urea production capacity has achieved sufficiency in meeting the country's demand, however, indigenous gas supply is a major issue which time and again necessitates the need to either import urea or run RLNG based domestic plants to bridge the demand supply gap. During the current Rabi season of (Oct'21-Mar'22), urea inventory levels went lower than the buffer needed, due to which the GoP has again allowed import of urea. On January 6, 2022 a meeting of the Economic Coordination Committee (ECC) allowed import of 50,000 MT of urea on G2G basis from China on an urgent basis. Meanwhile, DAP Inventory levels remain sufficient to meet the country's demand for the upcoming season. **Outlook is Constraint**.

FINANCIAL INSTITUTIONS

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	19		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	994,441		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	452,694		
C.	**Financial Charges**	**Act**/Est			
D.	**PAT**	**Act**/Est	268,592		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	27,469,540		
F.	***Current Assets***	**Act**/Est	25,843,441		
G.	***Cash & Bank Balances***	**Act**/Est	2,275,158		
H.	***Trade Debtors***	**Act**/Est			
I.	***Short Term Investments***	**Act**/Est	13,208,309		
J.	***Total Equity***	**Act**/Est	1,749,716		
K.	***Current Liabilities***	**Act**/Est	24,445,355		
L.	***Total Liabilities***	**Act**/Est	25,719,825		

FINANCIAL INSTITUTIONS

The banking sector continues to flourish and enjoy high profitability in Pakistan, despite tough economic conditions. The banking sector weightage is approximately ~25% of the KSE 100 index.

Banking Assets
Mar-22: Pkr 30,455bn
Dec-21: Pkr 29,772bn
Dec-20: Pkr 25,124bn
Growth: 19%

Net Investments
Mar-22: Pkr 15,278bn
Dec-21: Pkr 14,464bn
Dec-20: Pkr 11,935bn
Growth: 21%

Gross Advances
Mar-22: Pkr 11,132bn
Dec-21: Pkr 10,905bn
Dec-20: Pkr 8,869bn
Growth: 23%

NPLs
Mar-22: Pkr 864bn
Dec-21: Pkr 860bn
Dec-20: Pkr 829bn
Growth: 4%

Closing Provisions
Mar-22: Pkr 790bn
Dec-21: Pkr 785bn
Dec-20: Pkr 732bn
Growth: 7%

Banking Deposits
Mar-22: Pkr 21,258bn
Dec-21: Pkr 21,664bn
Dec-20: Pkr 18,519bn
Growth: 17%

Net Interest Income
Mar-22: Pkr 235bn
Dec-21: Pkr 826bn
Dec-20: Pkr 852bn
Growth: (3%)

Banking Equity
Mar-22: Pkr 1,895bn
Dec-21: Pkr 1,877bn
Dec-20: Pkr 1,862bn
Growth: 0.8%

ADR
Mar-22: 49%, Dec-21: 47%, Dec-22: 45%
CAR
Mar-22: 16.4%, Dec-21: 16.7%, Dec-22: 18.2%

PBT
Mar-22: Pkr 139bn
Dec-21: Pkr 451bn
Dec-20: Pkr 411bn
Growth: 10%

PAT
Mar-22: Pkr 83bn
Dec-21: Pkr 267bn
Dec-20: Pkr 244bn
Growth: 9%

The asset base of the sector grew by ~19% to reach almost PKR~30trn in CY21 (CY20: PKR~26trn). Banks' advances posted a hefty growth of ~21% in CY21 and crossed PKR~10trn mark for the first time. The investments also increased by around 20% and stood at PKR~14.50trn. The increase in advances was mainly due to lower interest rates, various schemes and incentives launched by SBP and higher demand from manufacturing and consumer sectors. High commodity prices in the second half also led to higher advances. The recent hike in interest rates is expected to dampen this growth in advances and banks are expected to take higher exposure in government securities.

The deposits of the banking industry increased to PKR~21.60trn (YoY growth of 17%). The CASA ratio of the banking industry stood at an average of 75% in CY21. The NPL ratio of the industry improved to around ~8% in CY21 (CY20: ~9.20%) and recorded at PKR~860bln. (CY20: PKR~829bln.).

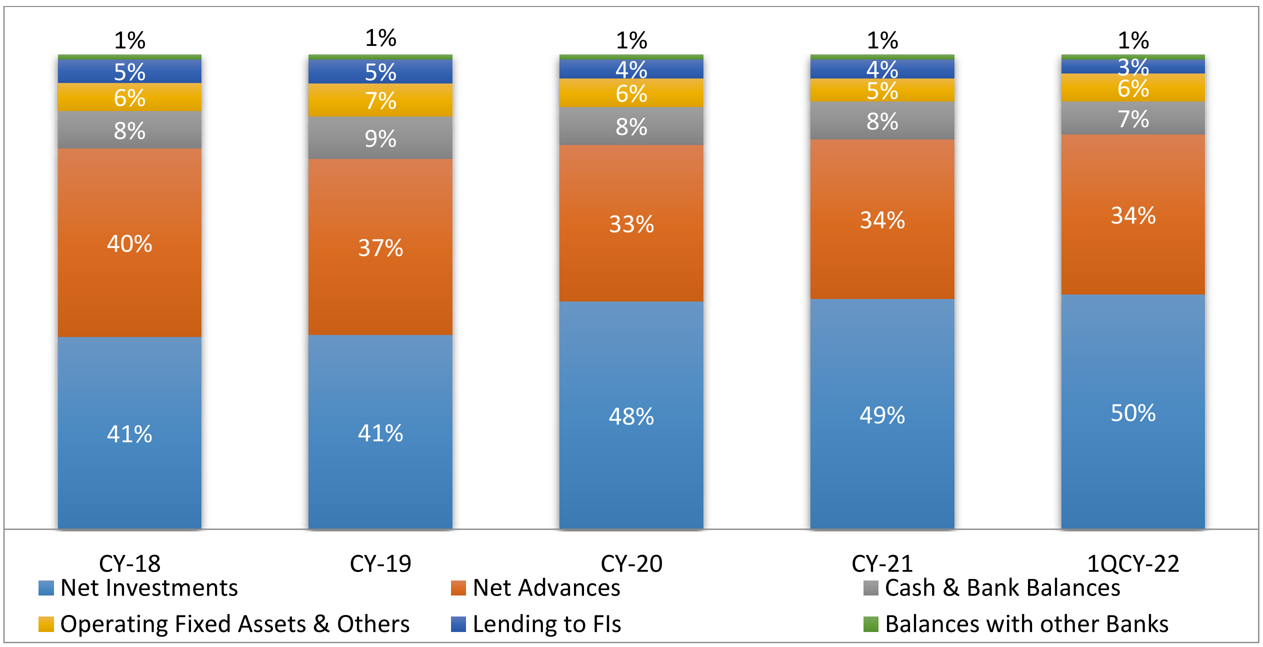
The reduction in NPLs is attributable to strong growth in advances and relatively lower infection ratio stemming from the textile sector. The lower NPL ratio signifies strong credit quality of the banks. This will be under duress now as interest rates have increased and cost will rise for sectors that are dependent on imported raw material. The NPL provision coverage has risen to ~91.20% showing little potential drag on the banking sector equity.

The overall equity base of the industry grew to over PKR~1.90trn in CY21. The CAR for the industry stood at ~16.70% in CY21 (CY20: ~18.20%). Although, the CAR dropped on YoY basis, it still remains well above the minimum regulatory requirement of ~12.50%.

The overall profitability of the banks increased to PKR~267bln. (CY20: PKR~244bln.). Although net interest income dropped in CY21 by 2%, lower provisioning expense and higher non-markup income led to better profitability. Non-markup income increased by over 8% in CY21 mainly because of 66% growth in dividend income and 59% increase in income from foreign currency transactions. The net interest income is expected to grow with rising interest rates. Banking spreads have already crossed 5%-mark, first time since 2QCY20.

Provisioning expense may also increase due to higher NPLs, but the banks are expected to have conservative lending approach. Meanwhile, banks having higher exposure in long tenured government securities may have to take hit if they reprice their portfolio.

Asset Analysis-Scheduled Banks:



Banking sectors assets posted an impressive growth of ~20% in CY21 while asset mix remained largely the same with investments comprising ~50% of total assets. Infection ratio decreased from ~9.20% in CY20 to ~7.90% in CY21 due higher advances and lower NPLs showing healthy credit quality. ADR registered a growth of 2% in CY21. However, with rising interest rates, this is expected to remain constrained. CAR shows a falling trend since CY20. CAR for 1QCY22 stood at ~16.40%, which hints the banks on improving their capital mix.

Deposit Analysis-Scheduled Banks:

Deposit Classification					
	CY-18	CY-19	CY-20	CY-21	1QCY-22
Customer Deposits	13,417	14,891	17,271	20,179	19,941
Financial Institutions	837	1,062	1,248	1,542	1,317
Total	**14,254**	**15,953**	**18,519**	**21,721**	**21,258**

Deposit Classification (By Currency)					
	CY-18	CY-19	CY-20	CY-21	1QCY-22
Local Currency	12,600	14,043	16,566	19,539	19,022
Foreign Currency	1,655	1,911	1,953	2,180	2,236
Total	**14,254**	**15,953**	**18,519**	**21,721**	**21,258**

Best Performers in Large Banks (CY21) with highest growth in total deposits are NBP (25%), Bank Alfalah (29%), Al Habib (19%) and HBL (19%). Market share of Extra Large Banks is >10%, Large Banks 5% - 10%, Medium Banks 2% - 5%, Small Banks <2%.

Segment Wise Loan Portfolio:

	CY-21				1QCY-22			
Segment Wise Exposure	**Gross Advances**	**NPL**	**Infection (%)**	**% Share**	**Gross Advances**	**NPL**	**Infection (%)**	**% Share**
Corporate Sector	**7,731**	**654**	**8.5%**	**71%**	**7,927**	**661**	**8.3%**	**71%**
Fixed Investment	3,459	308	8.9%	32%	3,619	316	8.7%	33%
Working capital	2,618	249	9.5%	24%	2,595	247	9.5%	23%
Trade Finance	1,654	98	5.9%	15%	1,713	98	5.7%	15%
SMEs	**519**	**77**	**14.8%**	**5%**	**488**	**76**	**15.5%**	**4%**
Fixed Investment	125	14	11.2%	1%	131	14	10.5%	1%
Working capital	352	56	16.1%	3%	316	56	17.7%	3%
Trade Finance	42	6	14.3%	0%	42	6	14.5%	0%
Agriculture	**405**	**62**	**15.3%**	**44%**	**406**	**54**	**14.0%**	**4%**
Consumer Financing	**821**	**30**	**3.7%**	**8%**	**863**	**31**	**3.6%**	**8%**
Credit Cards	65	3	4.0%	1%	69	3	3.8%	1%
Auto Loans	351	4	1.2%	3%	359	4	1.2%	3%
Consumer Durables	2	0	3.7%	0%	2	0	3.8%	0%
Mortgage Loans	148	10	6.7%	1%	174	10	5.6%	2%
Others	255	13	5.3%	2%	260	14	5.5%	2%
Commodity Finance	**991**	**8**	**0.8%**	**9%**	**979**	**8**	**0.9%**	**9%**
Cotton	44	1	2.1%	0%	36	2	4.8%	0%
Rice	27	2	9.0%	0%	27	2	8.4%	0%
Sugar	95	2	1.9%	1%	89	2	2.1%	1%
Wheat	804	1	0.1%	7%	772	0	0.1%	7%
Others	21	2	10.2%	0%	55	2	3.8%	0%
Staff Loans	**198**	**2**	**1.2%**	**2%**	**208**	**3**	**1.2%**	**2%**
Others	**241**	**27.9**	**11.3%**	**2%**	**259**	**28**	**10.8%**	**2%**
Total	**10,905**	**860**	**7.9%**	**100%**	**11,132**	**864**	**7.8%**	**100%**

The Banking Sector remained concentrated towards Corporate Sector (~71% share). Although NPLs decreased in percentage terms, they increased by PKR~50bln. in absolute terms on YoY basis for the Corporate Sector. Consumer financing increased from 7% to 8% in CY21 with mortgages and automobile loans leading the way. Total banking advances stands at PKR~11.10trn at the end of 1QCY22 which reflects a modest growth of ~2.10% from CY21.

Sector Wise Financing:

	CY-21				1QCY-22			
Sector Wise Financing	**Advances**	**NPL**	**Infection (%)**	**% Share**	**Advances**	**NPL**	**Infection (%)**	**% Share**
Energy	1,521	78	5%	13.9%	1,560	84	5%	14.0%
Textile	1,782	156	9%	16.3%	1,801	154	9%	16.2%
Individuals	1,072	63	6%	9.8%	1,108	63	6%	10.0%
Agribusiness	932	67	7%	8.5%	869	63	7%	7.8%
Pharma & Chemical	375	17	4%	3.4%	378	16	4%	3.4%
Sugar	251	59	23%	2.3%	401	58	15%	3.6%
Financial Sector	337	10	3%	3.1%	345	11	3%	3.1%
Cement	213	5	3%	2.0%	221	6	3%	2.0%
Automobile	195	17	9%	1.8%	200	17	9%	1.8%
Electronics	151	24	16%	1.4%	156	24	15%	1.4%
Shoes & Leather	44	5	13%	0.4%	48	6	12%	0.4%
Insurance	6	0	1%	0.1%	6	0	1%	0.1%
Others	4,027	358	9%	36.9%	4,040	362	9%	36.3%
Total	**10,905**	**860**		**100%**	**11,132**	**864**		**100%**

Textile sector has the largest share in banking credit (~16%) followed by Energy (~14%). In terms of NPLs Sugar (mainly Omni Group mills), Electronics and Leather remained in double figures. Textile NPLs reduced in absolute terms in CY21 to ~9% (~13% in CY20). However, Infection ratio of sugar sector has gone down by ~8% in 1QCY22 due to a ~60% increase in its advances.

FOOD, BEVERAGES & CONSUMER PRODUCTS

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

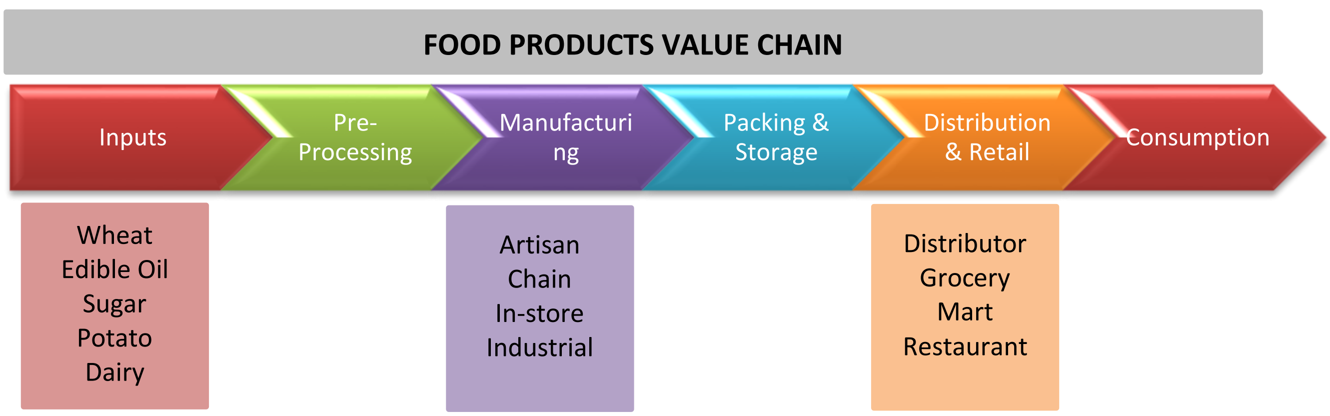
	No. of Companies	**Act**/Est	21		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	413,337		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	34,686		
C.	**Financial Charges**	**Act**/Est	(251)		
D.	**PAT**	**Act**/Est	25,396		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	315,234		
F.	***Current Assets***	**Act**/Est	140,982		
G.	***Cash & Bank Balances***	**Act**/Est	485,943		
H.	***Trade Debtors***	**Act**/Est	26,198		
I.	***Short Term Investments***	**Act**/Est	5,636		
J.	***Total Equity***	**Act**/Est	112,519		
K.	***Current Liabilities***	**Act**/Est	145,774		
L.	***Total Liabilities***	**Act**/Est	205,609		

FOOD, BEVERAGES & CONSUMER PRODUCTS

Sector Overview

Pakistan's food product market size was recorded at PKR~195bln. in FY21. Food products market is steadily growing, majorly because of inflation impact and consequent increase in food products prices. It does not seem to be largely affected by economic slowdown in last few years. Traditional occasions such as Religious and Wedding seasons result in significant increase in overall consumption. Local food product prices are largely dependent on major raw materials including Sugar, Wheat, Edible oil and Potatoes, whereas flavors and some other components are imported. Imported products are quite expensive in Pakistan with prices usually 50-100% more costly when compared on a per gram basis with local products.

By distribution channel, food products market is segmented into supermarkets/hypermarkets, convenience stores, specialty retailers, online retailers and others. The prices of individual products are highly variable in this segment and depend on numerous factors such as brand, quantity, packaging, region, scale of operations, etc.



Opportunities

- Sales and profits of food and fast-moving consumer goods (FMCG) companies have gone up substantially since 2019 despite Covid-19 and ever-increasing fuel costs, global freight charges and taxation.

- Sales of Unilever Pakistan Food Ltd for the calendar year 2021 soared to PKR 19.80bln., up from PKR 15.50bln. in 2020. Its net profit stood at PKR 5.17bln. in 2021, up from PKR 3.80bln. a year ago. Sales in the January-March quarter climbed to PKR 6.55bln. from PKR 5bln. a year ago while net profit soared to PKR 1.80bln. from PKR 1.45bln. in the same quarter of 2021.

- FrieslandCampina Engro Pakistan Ltd registered sales of PKR 52bln. in 2021 from the preceding year's PKR 44bln. Its net profit stood at PKR 1.80bln. against PKR 176mln. in 2020. Sales in the latest quarter surged to PKR 14bln. from PKR 11.50bln. a year ago. Quarterly profit for the period stood at PKR 664mln. versus PKR 547mln. in the year-ago period.

- Sales of Colgate Palmolive Pakistan Ltd in the year ending on June 30, 2021 stood at PKR 67bln. compared to PKR 57.80bln. in the preceding year. Its net profit surged to PKR 5.60bln. from PKR 4.80bln. over the same period.

- Sales of National Foods Ltd for the 9 months ending on March 31, 2022 grew to PKR 33bln. from PKR 25.50bln. in the year-ago period. Its net profit was PKR 2.21bln. in the latest 9 months versus PKR 1.56bln. in the comparable period of the preceding fiscal year.

- Gross sales of Ismail Industries Ltd for the 9 months ending on March 31, 2022 improved to PKR 49bln. versus PKR 35bln. in the same period of 2020-21. Its net profit grew to PKR 1.90bln. from PKR 1.50bln. in the same period.

- Nestle Pakistan Ltd has planned an investment of PKR 3bln. in 2022 to increase its operational reliability and capacity. It invested PKR 2.60bln. in expansion projects in 2021. The company grew its sales by 12.20% to PKR 133.30bln. in 2021 despite the challenges caused by the pandemic. Its net profit soared 43% to PKR 12.70bln. in 2021.

Threats

- Carbonated beverage industry has highlighted the discriminatory taxation regime and harsh narrative against the industry in Pakistan, despite paying 'Health Levy', in the form of high Federal Excise Duty (FED). Carbonated drinks are the only products within the massive food and beverage industry paying the Health Levy whereas no other sugar-based products have FED applied on them.

- The FED on carbonated drinks from 6% to 13% over the last few years. Carbonated beverage industry only uses 6% of the total sugar production in the country, however the rest of the 94% sugar consumers have no excise duty applied on them.

Sector Outlook

Food, beverages & consumer products is a highly competitive industry with influx of new players. Favorable demographic and consumer dynamics are expected to support the food products' demand. However, the sector is expected to face challenges due to increasing inflation. Most of the raw material is readily available at local level. An increase in raw material prices has a blanket impact on all industry players, therefore is directly passed on to the end consumers by both organized as well as unorganized segments. With an Export Oriented Approach, there exists significant potential of the food products exports in the international market especially to Asia Pacific and Middle East regions. However, this potential still remains untapped and unconsidered by the government. **Outlook is Constraint**.

GLASS & CERAMICS

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	7		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	79,755		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	14,085		
C.	**Financial Charges**	**Act**/Est	470		
D.	**PAT**	**Act**/Est	11,129		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	73,116		
F.	***Current Assets***	**Act**/Est	28,791		
G.	***Cash & Bank Balances***	**Act**/Est	2,765		
H.	***Trade Debtors***	**Act**/Est	6,013		
I.	***Short Term Investments***	**Act**/Est	1,522		
J.	***Total Equity***	**Act**/Est	44,535		
K.	***Current Liabilities***	**Act**/Est	22,804		
L.	***Total Liabilities***	**Act**/Est	31,641		

GLASS & CERAMICS

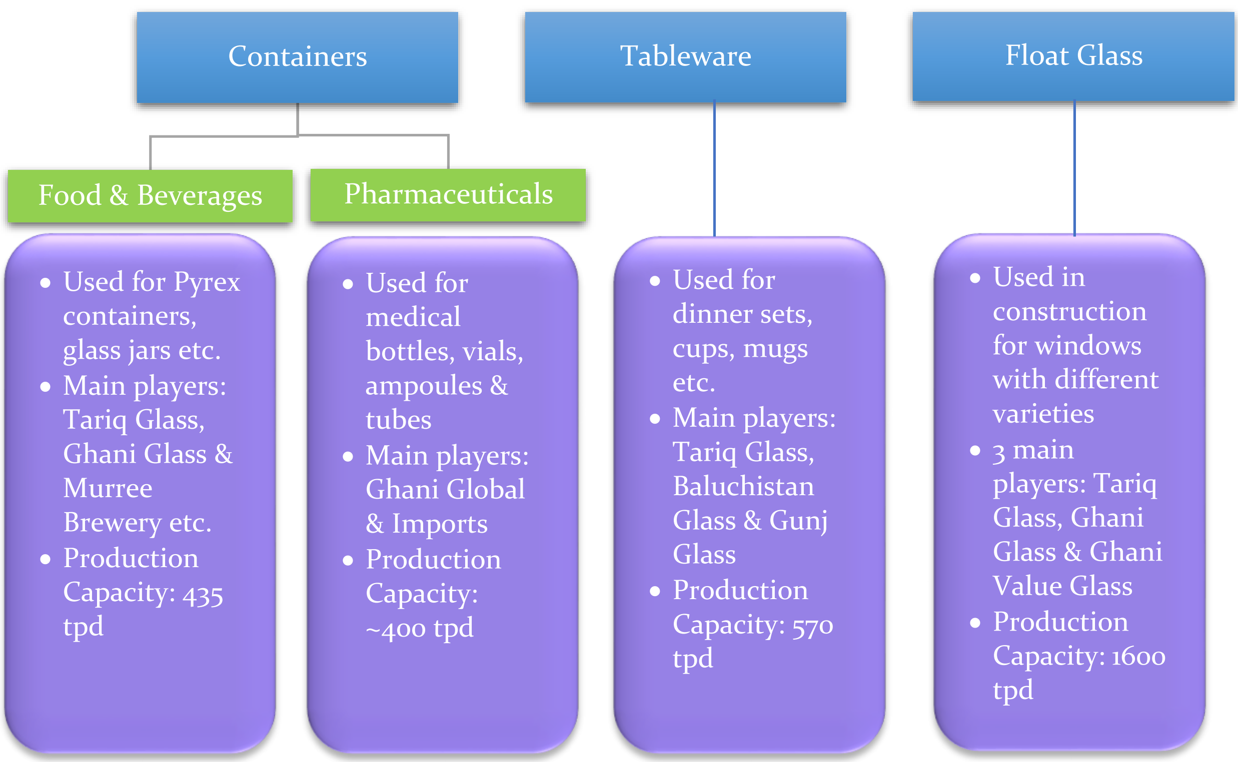
Sector Overview

Pakistan's glass manufacturing sector comprises of ~5-6 large players and a number of smaller players, competing across various product segments such as float glass, containers and tableware. The sector caters both direct consumers' demand as well as demand emanating from various industries such as construction, pharmaceuticals and food & beverages.

	FY-19	FY-20	FY-21
No. of Players	5-6 Large Players		
Production of Glass Plates & Sheets (000sq m)	19,876	17,146	12,424
Glass Exports (000 USD)	17,391	20,230	27,203
Glass Imports (000 USD)	97,706	81,259	108,311

The production of glass requires materials such as Silica Sand (Silicon Dioxide), Limestone (calcium carbonate), Soda Ash (sodium carbonate) and waste glass (obtained through recycling of used glass). Soda ash reduces the melting point of sand and thus reduces energy consumption. Meanwhile, limestone acts as a stabilizer which prevents the loss of chemical durability that occurs due to the use of soda ash. Soda lime glass accounts for ~90% of all manufactured glass.

Glass Market Segments & Capacities:



A significant share of the local demand is also met through imports which stood at USD~108mln. in FY21, as compared to USD~81mln. in FY20. The largest import segments are glass fibers (~29%) and glass tableware (~18%). Meanwhile, exports of glass products have been steadily increasing and stood at USD~27mln. in FY21 as compared to USD~20mln. in FY20. The largest export segment is float glass (~44%).

Opportunities

- The import of glass products has largely moved in contrast to local production, increasing in years where local production has declined and falling when local production rises. Meanwhile, glass exports have exhibited a consistent growth trend in recent years.

- Float glass makes the largest contribution to exports (~44%) followed by glass containers (~28%) and glass tableware (~18%).

- Meanwhile, for imports the largest segment is glass fibers (~29%) followed by glass tableware (~18%), containers (~15%) and float glass (~6%).

- CI Pakistan and Tariq Glass Industries have executed a joint venture agreement to set up a Greenfield state-of-the-art float glass manufacturing facility having a production capacity of up to 1,000 tons/day. The facility will be set up in two phases, each phase having a production capacity of 500 tons/day.

- Since 2018, with strong policy support, the ceramic tile industry, which used to be highly dependent on imports, began to turn to local production. Now, 80% of tiles in Pakistan are produced domestically, while the demand for Chinese and Spanish tiles, once 2 major import sources, drastically declined.

- Statistics from UN COMTRADE indicated that in 2020, Pakistan's import volume of ceramic goods reached USD 81.17 mln., the lowest in the past decade. Total import of goods in 2020 was USD 45bln., while ceramic goods accounted for 0.18% of the country's total import.

Threats

- Local production of glass plates and sheets has exhibited a declining trend in last 2 years. During FY19, production had increased significantly, ~77%, and stood at ~20mln. Sq M. This increase was likely due to the capacity expansion by one of the largest players in the glass sector.

- In the following 2 years the production declined with a drop of ~14% in FY20 and ~28% in FY21. The decline in FY20 was likely due to the COVID-19 pandemic which restricted operations across numerous industries.

- However, the decline during FY21 is more concerning as it occurred despite increase in construction activities during the period which as major driver of demand. The likely reason for decline in production during FY21 is that some players underwent maintenance and repair activities during the year as well as continued impact of COVID-19 restrictions at the start of the period.

- Keeping in view of instant increase in prices of RLNG (re-gasified liquefied natural gas – which the country imports), resulting into significant increase in cost of production coupled with other market pricing factors compelled Baluchistan glass to suspend its tableware glass operations located at Kot Abdul Malik (Unit-III) temporarily. During the first 2 quarters, supply of natural gas remained interrupted for the whole industry and curtailment of gas supply did not allow the company to achieve its targeted production level throughout the period.

Sector Outlook

The construction industry is a major source of demand for the glass sector and increase in budgeted PSDP as well as the incentive package announced by the government for the construction industry are expected to continue to bode well for demand, thus also providing a boost to the glass sector. The rising energy costs are a major concern to the glass sector as its manufacturing process is energy intensive. The rising oil prices in the international markets as well as rising prices of electricity and gas locally are likely to reduce the sector's margins, going forward. **Outlook is Constraint**.

INFORMATION TECHNOLOGY

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	14		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	106,843		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best	■		
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	15,886		
C.	**Financial Charges**	**Act**/Est	12,148		
D.	**PAT**	**Act**/Est	9,147		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best	■		
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	475,015		
F.	***Current Assets***	**Act**/Est	358,576		
G.	***Cash & Bank Balances***	**Act**/Est	6,506		
H.	***Trade Debtors***	**Act**/Est	38,021		
I.	***Short Term Investments***	**Act**/Est	83,345		
J.	***Total Equity***	**Act**/Est	290,027		
K.	***Current Liabilities***	**Act**/Est	273,620		
L.	***Total Liabilities***	**Act**/Est	217,604		

INFORMATION TECHNOLOGY

Sector Overview

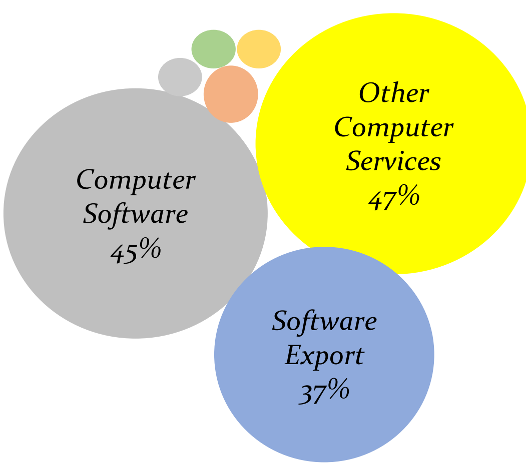
Pakistan's tech industry contributes ~1% to the national GDP and stood at approximately PKR~430bln. in FY21 (FY20: PKR~362bln.) with the domestic market size for technology products and services estimated to be PKR~163bln. in FY20 (FY21: PKR~187bln.); meanwhile, during FY21, exports of the total tech industry increased to PKR~267bln. (FY20: PKR~175bln.).

The industry comprises of over ~3,000 companies with this number expanding each year. These companies operate in a wide array of areas such as customized software development and Business Process Outsourcing (BPO) services.

The industry employs over 500,000 professionals, many of whom have expertise in latest and emerging IT products and technologies; in addition, around 25,000 IT graduates and engineers are being produced in the country each year.

In recent years, the government has increased its focus on the tech industry and recognized the potential for growth and investment that exists; The Ministry of Information Technology & Telecommunication (MoITT), through bodies such as the Pakistan Software Export Board (PSEB), has taken various steps such as the establishment of IT Parks and incubators to promote the industry and provide an enabling ecosystem for businesses and startups.

Breakdown of IT Exports



Export Value in 000 USD	
Other Computer Services	63,6665
Software Consultancy	62,940
Export of Software	51,150
Hardware Consultancy	322
Maintenance & Repair of Computer	153

Opportunities

- PSEB has established 22 IT Parks in various city centers of the country, with plans to increase the number to 40; they provide essential infrastructure to tech companies at lower costs; in addition, the government has also established a National Incubation Centre to develop and cultivate startups in the country. Moreover, there are several private incubators operating in the country as well with many having a focus on tech related products and services.

- Technology based start-ups and venture capital (VC) ecosystem in Pakistan have also started gaining traction; since CY15, start-ups have raised over USD~564mln. across 255 deals; while there was a consistent rise in funding, 438% YoY growth in funding in CY21 proved to be the inflection point as start-ups raised USD~352mln. across 83 deals reflecting 2/3rd of the total amounts raised since CY15.

- Since CY15, e-commerce sector raised the highest investments of USD~315mln.; followed by fintech start-ups which raised USD~113mln., of which USD~95mln. was raised in CY21 alone.

- Since FY17, Pakistan's exports of computer services have grown with a CAGR of ~35% and stood at PKR~267bln. during FY20 (FY19: PKR~175bln.); meanwhile, imports of computer services have also grown, albeit at a lower CAGR of 21% since FY17; during FY21, imports stood at PKR~73bln. (FY19: PKR~51bln.).

- During FY21, the largest contributor to exports at ~33% was software consultancy followed by the export of computer software, which contributed ~25% to total computer service exports.

- During 8MFY22, exports stood at PKR~231bln., exhibiting an increase of ~39% YoY. Meanwhile, imports during the period stood at PKR~64bln., a growth of ~42% from the comparative period.

- In the Fiscal Year 2022(FY22) Pakistani IT industry made a record-breaking remittance in the IT sector of USD2.62 bln., shattering the records of all the previous years. Last year revenue from the IT sector of Pakistan was USD2.11 bln., which has increased by 24% this year. The Government of Pakistan has set a target of USD5 bln. for the next year, FY23.

Threats

- Information Technology (IT) exports of Pakistan for August 2022 increased by 14% MoM to USD227mln. but remained flat when compared to same period last year (SPLY). It is also down 13% from its peak of USD260mln. seen in March 2022. The 2MFY23 IT exports were recorded at USD426mln., almost flat compared to the SPLY.

- IT spending is expected to grow by 3% in 2022 compared to 10% growth in 2021. Skilled labor shortage is causing IT service providers to offer competitive salaries thus increasing cost of IT services in an inflationary environment.

- In Pakistan, global phenomenon and domestic taxation measures is behind slowdown in Pakistan IT exports. To recall, government withdrew 100% tax credit regime with effect from July 1, 2022 from income of export of Software and IT services and had replaced it withholding tax of 0.25% of export proceeds in FY23 budget.

- For the month of August 2022, segment wise breakdown indicates that Telecom Services exports decreased by 32% YoY to USD 41.50mln. and Computer Services exports increased by 14% YoY to USD 185.1mln. % share of exports for Telecom services stands at 18% whereas share in Computer services stands at ~82% of total IT exports.

- Slowdown in startup funding is expected to continue in 3Q2022. Few of the recent prominent funding deals in 3Q2022 as per Crunch Base includes: One load (Series A – USD11mn), Price Oye (Seed Round – USD7.90mln.), Snap Retail (Pre Seed Round – USD2.50mln.), Neem (Seed Round – USD2.50mln.), and Mahaana (Pre Seed Round – USD2.10mln.).

- On QoQ basis, amount raised by startups dropped to USD88mln. in 1Q2022 vs USD172mln. in 1Q2021. This is in line with global trend where decline in startup funding has been seen due to rising inflation rates and fears of global recession.

- The information technology (IT) industry has refuted the claims of the government that the country's IT exports were on a growth path and instead said Pakistan will miss the export target by around USD1 bln. in the outgoing fiscal year.

Sector Outlook

The overall sector has posted a robust growth, alongside sector exports, which have also witnessed a phenomenal growth; as they grew with a 5 year (FY17-FY21) CAGR of ~24%; and export growth peaking at ~50% YoY in FY21. Pakistan's technology imports grew with a with a 5 year (FY17-FY21) CAGR of ~11% and imports growth peaking at ~41% YoY in FY21; while the net imports growth peaked at ~54% YoY in FY21. The industry continues to benefit from favorable government policies which are intended to spur the growth and attract investments in the industry from both domestic and foreign investors. **Outlook is Positive**.

LEATHER PRODUCTS

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

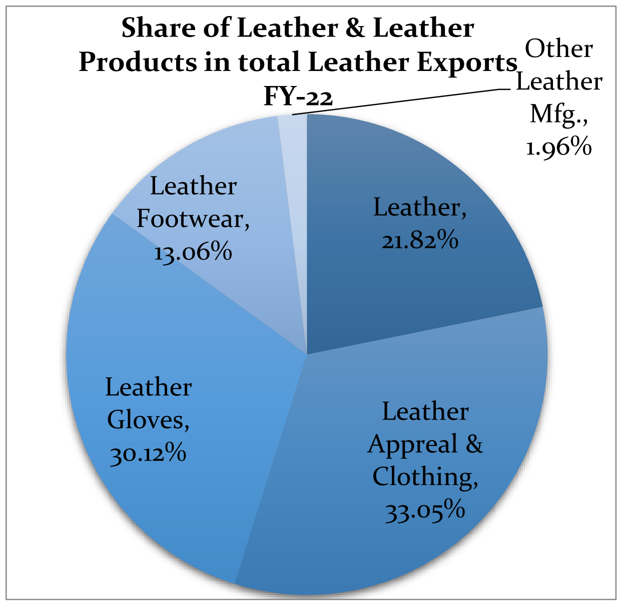
	No. of Companies	**Act**/Est	6		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	60,773		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	2,395		
C.	**Financial Charges**	**Act**/Est	2,438		
D.	**PAT**	**Act**/Est	1,526		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	82,984		
F.	***Current Assets***	**Act**/Est	40,614		
G.	***Cash & Bank Balances***	**Act**/Est	7,642		
H.	***Trade Debtors***	**Act**/Est	5,616		
I.	***Short Term Investments***	**Act**/Est	1,256		
J.	***Total Equity***	**Act**/Est	27,980		
K.	***Current Liabilities***	**Act**/Est	34,214		
L.	***Total Liabilities***	**Act**/Est	54,995		

LEATHER PRODUCTS

Sector Overview

Pakistan's leather industry earned a revenue of USD 953mln. in FY22, showing a growth of ~14% year-on-year (USD 833mln. in FY-21) as the international trade resumed in FY21 after the COVID-19 hit. According to the Pakistan Tanners Association (PTA), Pakistan leather industry is ~95% export-oriented. Exports clocked in at PKR~133bln. in FY21, up from PKR~120bln. in FY20, depicting a growth of ~11%. Leather industry exports account for almost ~3% of total country's exports.

The leather exports of the country observed this growth as there was a ~18% increase in the average unit price per square meter of tanned leather to USD~12.90 in FY21 (USD~10.90 in FY20). Moreover, export volumes also increased during the year. Volume of leather garments registered an increase of ~29% while gloves and footwear surged by ~37% and ~22% respectively. However, the sector has seen a declining trend in the last few years. Leather exports stood at PKR~131bln. in FY14 as compared to PKR~96bln. in FY17. The main reasons behind the decline were delays in collection of fresh hides and skins particularly during Eid-ul-Adha, combined with absence of modern preservation techniques to avoid spoilage. This trend reversed in FY18 due to the export-friendly government policies.



Leather Exports (in mln. USD)

Sub-Sectors	Q4 2021 v/s Q4 2022			YOY 2021 v/s YOY 2022			Q3 2022 v/s Q4 2022		
	Apr.-Jun 22	Apr.-Jun 21	% Change	Jul-Jun 22	Jul-Jun 21	% Change	Apr.-Jun 22	Jan-Mar 22	% Change
Leather Tanned	53.6	48.6	10%	208.1	161.9	28.5%	53	58	-8%
Leather Manufactured	157.2	134.2	17%	621.1	562.4	10.4%	157	144	9%
a) Leather Garments	78.1	66.3	18%	315.2	286.2	10.2%	78	69	13%
b) Leather Gloves	74.2	63.6	17%	287.2	259.7	10.6%	74	70	6%
c) Other Leather mfg.	4.79	4.3	11%	18.7	16.6	12.6%	4.8	4	20%
Leather Footwear	31.7	26.6	19%	124.5	108.5	14.8%	31	33	-4%

Opportunities

- During the period from July-June 2021-22, leather products worth USD621,081 mln were exported as compared to the exports of USD562,248 mln during the same period of the preceding fiscal year.

- Data shows that exports of leather garments increased by 10.15% to USD315,200 mln as compared to exports of USD286,153 mln during the same period of FY21.

- Meanwhile, there was an increase of 10.60% in the export of leather gloves during FY22, recorded at USD287,227 mln. as compared to the exports of USD259,710 mln. during the fiscal before.

- During the period under review, other leather exports increased by 12.60% to USD18,7 mln. as compared to the exports of USD16,565 mln. of FY21.

- In Pakistan, more than 800 tanneries are actively working to produce the highest-quality finished leather from cow, buffalo, sheep, and goat skins. Pakistan is known as a hub for producing high-grade leather and leather products.

- The leather sector in Pakistan values the best environmental practices. For example, the Pakistan Tannery Association has developed a Combined Effluent Treatment Plant (CETP) in Korangi Industrial Area (KIA) of Karachi. The plant not only treats the tanneries effluent, but also water for the general public. The plant attracts foreign buyers for its compliance with the National Environmental Quality Standards (NEQS).

Threats

- Rising inflation and declining purchasing power has led to a 25 to 30% drop in the supply of animal hides, sparking fear that the shortage might affect the rapidly growing local leather goods export industry.

- The number of hides of sacrificial animals brought to the market declined approximately by 175,000 for cow hides and 250,000 for goat's skins as compared to last year.

- On one hand, there is a shortage of sacrificial animal skins and on the other; prices of skins have gone up by 20 to 30%. Last year, 600,000 skins of large animals such as cows and camels were brought to the market while preliminary market data from this year suggests that the market was given 425,000 skins.

- Similarly, 900,000 skins of small animals were brought to the leather market last year. However, this year, with a decrease of 250,000, approximately 650,000 skins came to the leather market. If we talk about the prices of hides, cow skins are currently being sold for PKR3,000, goat skins for PKR400, lamb skins for PKR60, buffalo skins for PKR1,200 and camel skins for PKR600.

- The consumption of leather products in Pakistan is very low with 95% of locally produced leather and its products being exported.

- Pakistan is in competition with its neighbors like Bangladesh and India. The cost of hides is almost the same in all regions, but the cost of transformation from raw materials to the fine export quality leather is very different. Pakistan always remains behind its neighbors in terms of production cost. Other Asian countries do have competitive prices due to the availability of cheap labor, low cost, and uninterrupted supply of electricity.

- The overall sales tax refund process is slow and fraught with complications, particularly historically. The exporters are unable to meet their obligations as a consequence of cash-flow problems since the government is taking too much time to settle the pending refund claims. High-priced energy inputs and blocked refund claims are adversely impacting the production and exports of this industry.

Sector Outlook

The continuous hike in policy rate has increased the finance costs for the industry. The inflation level in the country is also consistently rising. The inflation rate accelerated to ~13% in Jan'22 as compared to ~5% in same period last year (Jan'21), and the growth is expected to remain in double digits in the near future, negatively impacting the disposable incomes, and hence the demand for high-quality and high-cost leather products. **Outlook is Negative**.

MACHINERY & EQUIPMENT

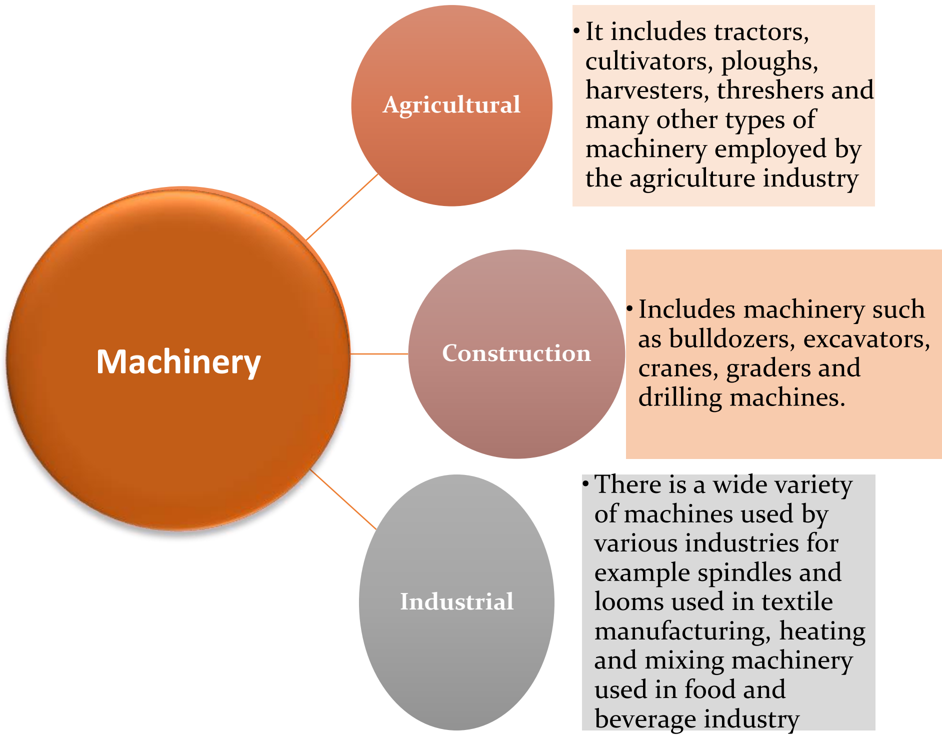
FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	4		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	26,670		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	1,890		
C.	**Financial Charges**	**Act**/Est	735		
D.	**PAT**	**Act**/Est	1,163		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	39,120		
F.	***Current Assets***	**Act**/Est	28,037		
G.	***Cash & Bank Balances***	**Act**/Est	2,562		
H.	***Trade Debtors***	**Act**/Est	17,215		
I.	***Short Term Investments***	**Act**/Est			
J.	***Total Equity***	**Act**/Est	16,178		
K.	***Current Liabilities***	**Act**/Est	20,543		
L.	***Total Liabilities***	**Act**/Est	22,942		

MACHINERY & EQUIPMENT

Sector Overview



Machinery manufacturing encompasses a wide number of segments broadly classified into agricultural machinery, construction and mining machinery and industrial machinery. Other categories include commercial and service industry machinery, metalworking machinery, heating & refrigeration equipment. It also includes engine, turbine and power transmission equipment manufacturing and other general-purpose machinery.

Pakistan's local machinery manufacturing sector is relatively small in size and a majority of the demand for machinery emanating from large industries such as construction, textile, energy etc are met through imports. In addition, there is a lack of investment in technology and R&D in Pakistan due to which the country's machinery sector lags behind the international market in terms of quality.

Imports of machinery have grown consistently in recent years and stood at PKR~1,617bln. in FY21. The recovery in economic activity in the aftermath of the COVID-19 pandemic has spurred growth during the current period.

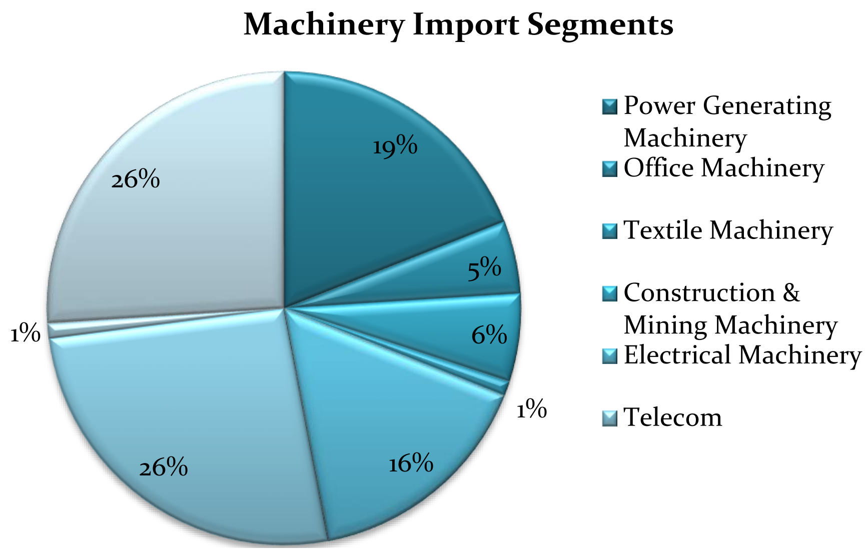
Local production of heavy machinery has declined in recent years. During FY21, production stood at only ~284 MTs, a decline of ~20% from ~357 MTs produced in FY20. Demand for locally produced machinery is low since imported machinery has more advanced technology and better quality.

Moreover, the government has given various incentives, such as sales tax and custom duty exemptions on imported machinery for the Special Technology Zones and Export Processing Zones to encourage investments and new ventures.

Machinery Import Segments

There are various segments that make up the machinery group imports.

The largest segment is telecom which accounts for ~26% of total machinery imports and stands at PKR~414bln. Mobile phone imports make up a significant portion of telecom machinery imports.



Another large segment is power generating machinery, which accounts for ~19% of total machinery imports. During FY21, this segment had the highest growth of ~40% and stood at PKR~306bln.

In addition, electrical machinery accounts for ~16% of total imports and stood at PKR~267bln. during FY21.

Opportunities

- In FY21, Pakistan earned just USD 226mln. through the export of engineering products. This amount was higher by 30% from USD 173mln. earned in FY20.

- The Agriculture Machinery sector, more specifically the tractor industry, is also promoting the development of SMEs in the engineering sector. Aside from a few big names, most of the manufacturers are small businesses that are successfully meeting the local demand. Some of these players have also established themselves in exports. They manufacture tools and implements that are attached with tractors such as front loaders etc. These implements are considered complementary parts of tractors and are essential for tillage and harvesting.

- In February 2022, Pakistan's tractors and agriculture machinery were in the limelight. The interest of foreign delegates could be gauged from the fact that two deals worth more than USD 200,000 were finalized on the spot. It is expected that Pakistan's tractor exports will grow in the near future.

- SMEDA is executing PSDP project sponsored by the Ministry of Commerce and Textile (Textile Division) to boost value addition in the field of textile garments by establishing industrial stitching units across the country. Under this project, 60% of grant in the form of machinery is funded by the project and 40% cost is borne by the owner/entrepreneur of the stitching unit.

The total cost of project is PKR 350.54mln. out of which PKR 100mln. has been allocated for FY2022.

- The estimated market size of pumps and valves segment was PKR~9.0bln. during CY20, with a slight decline of ~4% in market size from PKR~9.40bln. in CY19 due to the COVID-19 pandemic which caused hindrance to economic activities including in the form of delayed investments. The pumps and valves manufacturing segment receives significant demand from government departments such as Water and Sanitation Agency (WASA) and Karachi Water and Sewerage Board (KWSB). In addition, PSDP spending on various projects also spurs demand for these segments. The increase in budgeted federal PSDP from PKR~650bln. in FY21 to PKR~900bln. in FY22 should result in growth for sectors catering to the machinery demand from government departments and projects.

Threats

- Although majority of machinery demand is met through imports, there is some local production of agricultural and industrial machinery. However, the number of units produced has been declining since FY20 when the COVID-19 pandemic caused disruption to various industries. Agricultural machinery comprises of chaff cutters, sugarcane machinery and wheat thrashers. While industrial machinery includes power looms, electric motors, switch gears and electric transformers.

Local Production (No. of units)							
Category	**FY-16**	**FY-17**	**FY-18**	**FY-19**	**FY-20**	**FY-21**	**3MFY-22**
Industrial	19,609	15,800	13,609	16,911	13,878	11,450	2,738
Agricultural	53,511	58,852	86,285	93,250	65,034	65,690	15,249

- Due to the absence of a significant local machinery manufacturing industry, most of Pakistan's industrial segments rely on imported machinery. During FY21, import of machinery grew ~17% YoY and stood at PKR~1,617bln. The increase was due to the general increase in economic activity in the country. Moreover, SBP introduced Temporary Economic Refinance Facility (TERF) which offered discounted rates of borrowing for new plants, expansion and BMR activities in the aftermath of COVID-19. Due to this, investments and import of machinery increased during FY21.

- Furthermore, during 4MFY22 machinery imports amounted to PKR~616bln., increasing ~41% from the same period last year.

- During FY21, machinery imports accounted for ~18% of the country's total import bill. The share of machinery imports in the country's export bill has remained relatively stable in recent years.

- In comparison with the large size of imports, Pakistan's machinery exports remain minimal. During FY21, exports stood at PKR~25bln., an increase of ~33% from PKR~19bln. in FY20.

- While the international machinery industry makes continuous advances in terms of technology, particularly with rapid growth in areas such as Artificial Intelligence and Big Data Analytics, the local industry is significantly lagging behind. Most of the machines produced by local manufacturers are not consistent with the latest and most advanced technology adopted in the rest of the world.

- A significant portion of demand, particularly for the pumps and valves segment, is based on orders from government departments such as WASA and KWSB. While this provides a steady income stream for the manufacturers it can also create issues with regards to working capital as often receipt of payments from government organizations can be delayed.

- Demand for new machinery is linked to general economic conditions. During periods of growth and in low interest rate environment new investments are likely to increase. However, during periods of economic uncertainty or contraction, new investments are likely to slow down and government spending would also decrease. Thus reducing demand for the machinery manufacturing sector.

Sector Outlook

The government's increased Federal PSDP budget for FY22 at PKR~900bln. as compared to PKR~650bln. in the previous year is likely to boost demand for those machinery segments, such as pumps and valves, which receive significant demand from various government departments and projects. However, the continuous increase in interest rates and import restrictions will hamper the margins. **Outlook is Constraint**.

METALLIC PRODUCTS (IRON & STEEL)

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	14		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	293,285		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	16,107		
C.	**Financial Charges**	**Act**/Est	11,233		
D.	**PAT**	**Act**/Est	12,479		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	257,431		
F.	***Current Assets***	**Act**/Est	343,910		
G.	***Cash & Bank Balances***	**Act**/Est	7,393		
H.	***Trade Debtors***	**Act**/Est	36,215		
I.	***Short Term Investments***	**Act**/Est	428		
J.	***Total Equity***	**Act**/Est	98,749		
K.	***Current Liabilities***	**Act**/Est	129,191		
L.	***Total Liabilities***	**Act**/Est	173,937		

METALLIC PRODUCTS (IRON & STEEL)

Sector Overview

Steel Industry plays a pivotal role in the progress of an economy. With its permanent nature and recycling capabilities, the demand for steel continues to grow in significant industries such as infrastructure, construction, automotive, appliances, manufacturing and others.

Pakistan Steel Sector is largely competitive with 173 players registered with The Pakistan Steel Re-Rolling Mills Association. Key players in the Industry are, however, less than 20 in number, yet account for over ~40-50% production capacity of the sector. Out of these, 12 players are listed on the PSX.

Pakistan steel sector is majorly driven by private corporates. Pakistan Steel Mills (PSM) – a state owned giant with a capacity of 1.1mln. tons has been offline since June 2015. The country's annual steel products' demand hovers around ~13.50mln. tons (FY22).

Sector Valuation:
FY20: 72bn
FY21: 175 bn
9MFY22: 115 bn

Local Production:
FY20: 6.8mln. ton
FY21: 8.1mln. ton
9MFY22: 7.4mln. ton

Imports (qty):
FY20: 6.4mln. ton
FY21: 7.7mln. ton
9MFY22: 5.9mln. ton

Sector Growth:
FY20: -17.4%
FY21: 15.6%
9MFY22: 22.6%

Consumption:
FY20: 9.3mln. ton
FY21: 11.1mln. ton
9MFY22: 10.2mln. ton

Imports (value):
FY20: 482.9 bn
FY21: 609.6 bn
9MFY22: 695.5 bn

Billet/Ingot Growth:
FY20: -18.3%
FY21: 50.9%
9MFY22: 32.8%

Coil & Plate Growth:
FY20: -16.6%
FY21: -9.8%
9MFY22: 7.8%

Sector Structure:
listed on PSX: 12
registered with association: 173

Steel products are broadly classified into long & flat products and tubes & pipes. Almost ~73% of the country's demand is met through local production, while the remaining portion is imported. The major raw material used in steel industry is steel scrap. Pakistan is an importer of raw iron and steel scrap, although, the country produces iron ore (less than a mln. ton in a year). On the other hand, Pakistan also imports finished steel products (as stated above) to fulfill the country's demand.

LONG STEEL	
refers to the products made from billets & bloom,maily used in construction sector.	Long steel products include Rebar, Wire Rod, Merchant Bars, Rails & Sections

FLAT STEEL	
Products are rolled from slabs which are semifinished steel products. used in wide range of industries.	Flat steel products include Plates, Hot Rolled Sheets, Cold Rolled Sheets & Coated Sheets

TUBES & PIPES	
Commonly used to transport materials such as gas, oil & water & suitable for long term installation.	Products include Galvanized Iron Pipes, CRS Tubes, Pre-Galvanized Tools & Stainless Steel

Opportunities

- Production of billets was recorded at ~5.30mln. MT during 10MFY22 with YoY growth of ~32% (10MFY21: ~4.0mln. MT). For the same period H/C. R Sheets (Flat products) production stood at ~2.90mln. MT (10MFY21: ~2.70mln. MT), up ~8% YoY. Among billet manufacturers Amreli Steel, Mughal Iron & Steel and Agha Steel Industries are major listed companies. This segment of the industry is highly fragmented with scores of small players.

- Pakistan's total Steel Products' consumption was recorded at ~11.20mln. MT in 10MFY22 (10MFY21: ~9.30mln. MT) up ~20% YoY basis. The increase was majorly witnessed in billets/ingots local production from which long steel products are produced that is used in the construction sector. In 10MFY22 billet/ingot production increased by ~32% YoY. In 10MFY22 HRC/CRC sheets/strips production also grew by ~7.70% YoY (10MFY21: ~-14%) as production in the electrical and mechanical equipment segments picked up pace.

- The international flat steel rates to remain on the higher side in February 2022 because the global automobile sector was on path to recovery and European steel producers were mulling cuts in production volumes to support prices. It is pertinent to mention that the automobile sector uses steel in huge quantities for production cars and spare parts.

Threats

- Pakistan is an importer of steel raw materials, i.e., majorly steel scrap, although a small share of iron ore is locally procured too. Most of the raw materials used in steel production are imported from China. During 11MFY22, total iron and steel scrap imported was recorded around USD~2.20bln. (USD~1.70bln. in 11MFY21), a share of ~3% to the country's total imports. Total quantity of iron and steel scrap imported was recorded around ~3.60mln. MT down ~18% YoY (11MFY21: ~4.40mln. MT). High dependence on imported raw material exposes the sector to changes in international raw material prices and exchange rate fluctuations.

- Global prices of scrap and finished steel observed significant increase starting from Sep'20, amid increased construction activity and tightened supplies; HRC steel prices peaked out by 3QCY21 posting an increase of ~2.8x YoY.

- Since the start of the conflict in Eastern Europe in the beginning of CY22, steel scrap and rebar (long product) prices peaked by 1QCY22 end; posting an increase of ~46% and ~47% YoY respectively.

- Iron ore prices dipped to below USD100/MT by Nov'21 owing to both reduced steel production targets and lower demand, on the back of reduced real estate activity after the imposition of debt financing limits on the sector. However, in line with other ferrous commodity prices, iron ore prices rebounded at USD152/MT by 1QCY22 end.

- Manufacturers of long products are major importer of scrap steel in the local Market. Flat steel producing companies' imports hot rolled coil (HRC) as the major raw material for their final product are cold rolled coils (CRC). Amidst heightened global prices and prevalent macro-economic vulnerabilities in the local market; manufacturers' ability to pass on the price impacts may diminish.

- Majority of the construction revenue is from government contracts ranging from building of Infrastructure to Highways, Offices and Airports. The budgeted size of PSDP allocation for FY23(B) is PKR~1,967bln., down ~8% YoY from FY21 budget.

- The steel sector has made 6% net profit margin on average for the period 9M FY22 (Steel companies listed on PSX). Moreover, the unprecedented rise in the cost of energy and finance has wiped out the current profits of the steelmakers.

- The net margins of the steel sector shrunk during the last 5 years, and leading players declared losses during FY 2019-2020. Due to low margins, the banks are reluctant to extend lending to the steel sector. The steel sector came out of crisis during the years 2020-21 and 2021-22 for a brief span of time. However, the steel sector has once again landed into crisis after the drastic increase in interest rates during the first half of FY 2022 by the SBP.

Sector Outlook

The demand for Steel Sector is linked to a number of other essential sectors of the economy, the foremost being construction, automotive and electronics sectors. Prospects for the construction and automotive sectors are positive, therefore, demand for long steel products is expected to foster in the near future. However, flat products, which are majorly used in electronics production, may continue to witness a slowdown in the upcoming days, till the electronics segment revives. the trend of reducing iron ore prices in the global market would enable sector players to secure better margins in 1HFY23, and may also lead to further reduction in the product prices as is witnessed in the trend of lower rebar prices during Aug'22. **Outlook is Constraint**.

PAPER & ALLIED

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

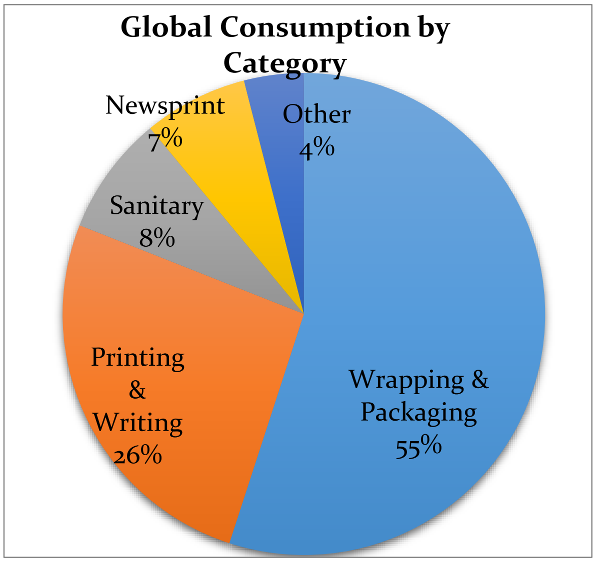
	No. of Companies	**Act**/Est	8		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	73,918		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	6,739		
C.	**Financial Charges**	**Act**/Est	1,656		
D.	**PAT**	**Act**/Est	8,355		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	124,808		
F.	***Current Assets***	**Act**/Est	45,489		
G.	***Cash & Bank Balances***	**Act**/Est	2,457		
H.	***Trade Debtors***	**Act**/Est	11,894		
I.	***Short Term Investments***	**Act**/Est	3,407		
J.	***Total Equity***	**Act**/Est	38,273		
K.	***Current Liabilities***	**Act**/Est	28,243		
L.	***Total Liabilities***	**Act**/Est	40,568		

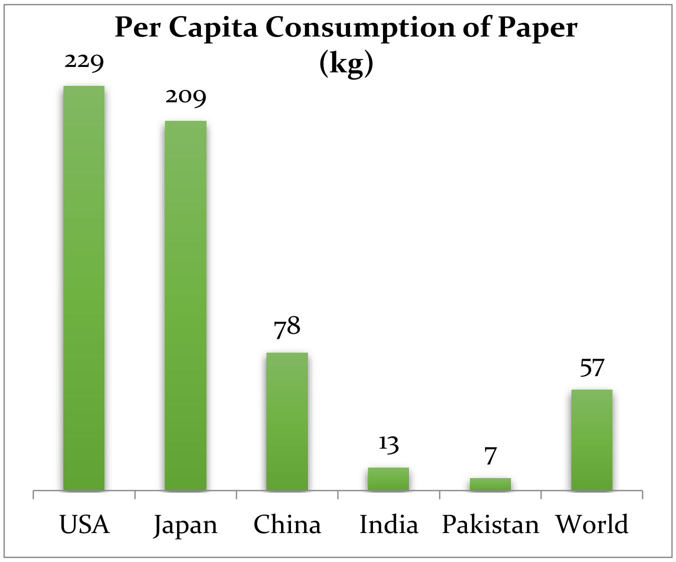
PAPER & ALLIED

Sector Overview

China & USA are the largest consumers of P&B products. More than half of world's paper is consumed in China, followed by Europe, USA & Japan.

7 of the 10 countries with largest per capita P&B are in Europe while 26 countries in the world have more than double the global average of per capita consumption.





Proportion of wrapping & packaging segment is expected to grow while printing, newsprint & writing paper demand would shrink given increasing trend towards digitization & paperless environment.

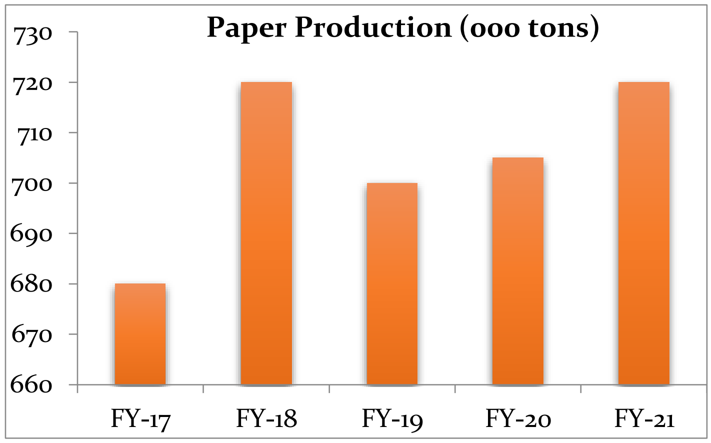
P&B industry is broadly segmented into coated & uncoated paperboard with both being used for packaging requirements of fast moving consumer goods (FMCG). FMCG sector, a major driver of packaging demand has historically seen double digit growth. Increase in awareness of hygiene & urbanization all boost demand for packaging. In addition, COVID-19 crisis has affected consumers' consumption patterns & health consciousness which is expected to favorably impact the packaging industry over medium to long term.

Chemical wood pulp is one of the main raw materials in production of paper packaging. The import of wood pulp increased by a mere ~1% YoY in CY20. However, they showed a growth of 56% during a 5-year period from CY16 to CY20. USA, Chile and Brazil are the countries which have the largest share in wood pulp imports. In CY20, the average import price for wood pulp amounted to USD~524 per ton. Overall, the most notable rise in import prices during the last 5 years was seen from USA.

Opportunities

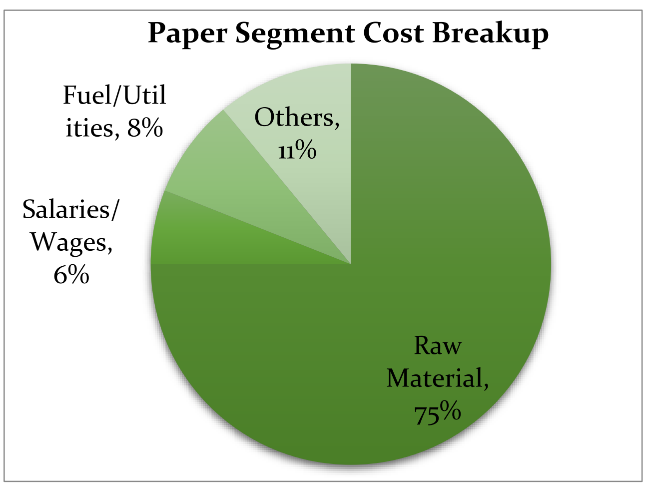
- Paper and Board production increased by 8.50% during July-March FY2022 as compared to dip of 0.60% last year.

- The paper packaging segment has remained relatively stable in recent years. Despite the economic slowdown caused by the COVID-19 pandemic, demand for the segment remained almost consistent as it falls in the supply chain of various essential products and industries. Moreover, ban on plastic bags in the country has also helped the demand. Paper packaging market is forecasted to grow at a CAGR of 3.50% from FY20 to FY26.



- The adjacent graph shows production level of paper for the last 5 years which has experienced a CAGR of ~2% in the period. Moreover, consistent levels of production can be observed since FY18. This reflects on the stability of paper packaging segment as it makes up a significant portion of overall paper and board production.

- The segment's direct costs consist largely of imported raw materials (~75%). Therefore, volatility in exchange rates and international price trends has an impact on costs. The average margins of the paper packaging industry have shown a positive trend since FY18, with average gross margins rising from 13% in FY18 to 17% in FY21. The growth in the latest year was due to the increasing demand of paper bags for cement packaging as the construction activities in the country resumed. The ban on plastic bags has also resulted in a demand shift towards paper bags. Moreover, reduction in interest rates has helped lift up the net margins.



- In FY21, although the market size of paper and paperboard reduced, consumption of the same continued to grow. But it was still lower than that seen in FY19. Demand for packaging board and corrugated boxes increased as online shopping was preferred during Covid-19.

Threats

- The imports of paper packaging grew consistently until CY19, before the COVID-19 pandemic hit the world. Resultantly, the imports declined by ~24% in CY20 and stood at USD~11mln. (PKR~1,781mln.) as compared to USD~14mln. (PKR~2,172mln.) in CY19. Overall, the imports experienced a CAGR of 2% during a 5-year period.

- Price of paper in the local market has more than doubled across all varieties over the last 12 months. Increase in price ranges from 100% to more than 170% for the 86-gram paper, on a per kg basis. Increase in prices has been witnessed for both local and imported paper. Increase in price of local paper can be attributed to higher raw material cost, as well as higher production cost given increase in fuel prices, among other commodities.

- Similarly, increase in price of imported paper can be attributed to increase in price of wood pulp by more than 20% during the last 12 months, followed by PKR depreciation of another 20%. Imposition of additional import duties further made imported paper more expensive. Due to imposition of additional taxes and duties on imported paper, local paper manufacturers also increased their prices bringing price of local paper largely in parity with imported paper after adjusting for quality differences.

Sector Outlook

Demand from essential industries and products have remained consistent. Margins are expected to remain intact. The recent increase in interest rates is expected to impact the bottom-line margins to some extent. Wood pulp prices have shown an increasing trend in the past few months but are expected to be stabilized in the near future. **Outlook is constraint**.

PHARMACEUTICALS

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

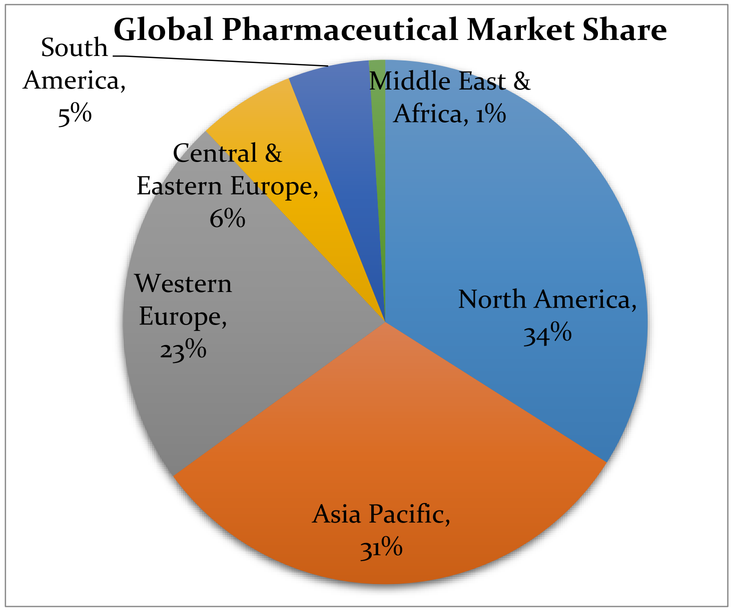
	No. of Companies	**Act**/Est	11		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	170,634		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	27,408		
C.	**Financial Charges**	**Act**/Est	2,612		
D.	**PAT**	**Act**/Est	19,745		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	158,168		
F.	***Current Assets***	**Act**/Est	93,589		
G.	***Cash & Bank Balances***	**Act**/Est	13,466		
H.	***Trade Debtors***	**Act**/Est	96,702		
I.	***Short Term Investments***	**Act**/Est	10,856		
J.	***Total Equity***	**Act**/Est	95,585		
K.	***Current Liabilities***	**Act**/Est	48,326		
L.	***Total Liabilities***	**Act**/Est	88,863		

PHARMACEUTICALS

Sector Overview

Global Overview

The pharmaceutical sector is responsible for the development, production, and marketing of branded and generic pharmaceuticals. Pharmaceutical companies mainly deal in generic, branded, branded generic and over the counter drugs. Firms may also engage in contract development or manufacturing, where a company provides comprehensive services from drug development through drug manufacturing to another firm.



The Global pharmaceutical industry is estimated to have grown to USD~1,250bln. in CY21 (CY20: USD~1,228bln.), posting a growth of ~1.80% YoY; the overall industry size is expected to reach to USD~1,700bln. by CY25 with a CAGR of ~8%.

Domestic Industry Snapshot

Pharmaceutical sector recorded a revenue of PKR~508bln. during FY21 with a YoY growth of ~12% (FY20: PKR~508bln.); while pharmaceutical manufacturing also grew by ~12% YoY in FY21.

Despite the large number of registered companies, the sector is dominated by the top local and Multinational Companies (MNCs). Top 100 companies hold ~97% of the total market share whereas, remaining more than 500 companies hold only ~3% market share. Moreover, top ~50 companies hold ~80% of market share.

Gross Revenue
CY-21: Pkr 508bn
CY-20: Pkr 453bn

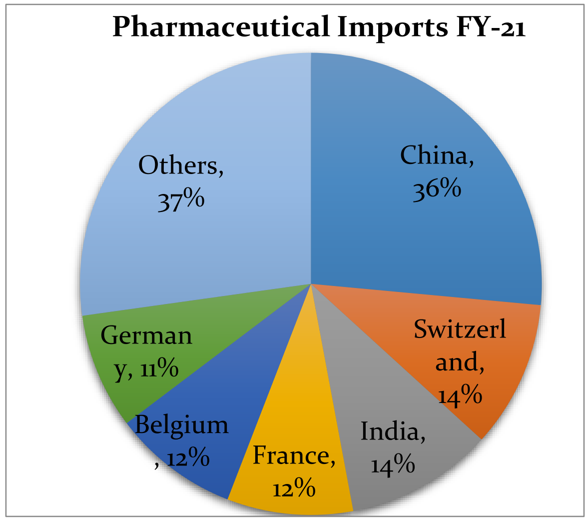
Contribution to GDP
CY-21: 1.13%
CY-20: 1.17%

Registered Manufacturers
CY-21: 620
CY-20: 620

Imports
CY-21: Pkr 221bn
CY-20: Pkr 158bn

Exports
CY-21: Pkr 43bn
CY-20: Pkr 33bn

Pharmaceutical sector is critically important for the health and lifestyle of any country and its population. The average world health expenditure per capita stands at USD~1,100/capita while the average health expenditure per capita in Pakistan is significantly lower standing at USD~43/capita.



China is the largest exporter of pharmaceutical products to Pakistan followed by Switzerland, India, France, Belgium and Germany; this significant reliance on imported raw material increases the inherent risk of supply chain disruption; however, non-reliance on any single country for imported APIs provides some comfort against potential disruptions in the supply chain.

Opportunities

- With rising population and increasing health issues, especially during the pandemic, the demand for pharmaceutical products remains stable; unaffected by harsh economic conditions, pharmaceutical industry is considered recession resistant.

- The export of pharmaceuticals goods from the country has witnessed an increase of 14.15% during the first 3 months of financial year (2022-23) as compared to the corresponding period of last year.

- Pakistan exported pharmaceutical products worth USD83.83 mln. during July-September (2022-23) as compared the export of USD73.438 mln. during July-September (2021-22), showing a growth of 14.15%.

- In term of quantity, the pharmaceutical goods export also rose by 44.80% from 7,665 metric ton to 11,099 metric ton, the data revealed. Meanwhile, year-on-year basis the pharmaceutical goods export increased by 12.75% during the month September 2022 as compared to the same month of last year.

Threats

- Pakistan pharmaceutical industry is only able to make up ~5% of its APIs locally whereas the rest of the ingredients are being imported. Low emphasis on Research and Development (R&D) by local companies is the major reason behind significant reliance on imported raw material. During FY21, pharmaceutical imports were recorded at PKR~221bln. (FY20: PKR~158bln.) with a YoY growth of ~40% and imports reached to PKR~642bln. during 9MFY22 (9MFY20: PKR~135bln.) up ~3.60x YoY due to vaccine imports, international price hikes and PKR devaluation.

- Overall production of the sector posted a negative growth of ~0.40% YoY in 9MFY22; the industry consists of both local players and MNCs. Although the number of total companies increased, the market share of MNCs has decreased; MNCs are reducing operations in local market due to inconsistent policies, depreciating exchange rate, and controlled drug prices.

- Pakistan is likely to see worsening medicine crisis after GlaxoSmithKline (GSK) Consumer Healthcare Pakistan announced to stop the production of all Panadol products, saying the company is facing heavy financial losses.

- The pharmaceutical company declared force majeure and stopped the production of Panadol tablets, Panadol Extra tablets and Children's Panadol Liquid range, citing losses in the production of the Panadol range due to an increase in the price of paracetamol raw ingredients.

- Pakistan is facing a serious crisis at the moment as many pharmaceutical companies are not manufacturing several essential drugs, including various brands of oral and injectable paracetamol, anti-psychotic and anticonvulsants due to the increase in the cost of production.

- The cost of medicines has increased by 38% due to an increase in the cost of raw materials, rupee devaluation, increase in the cost of utilities as well as transportation charges and are demanding immediate 40% increase in the prices of medicines across the board.

- Pakistan's pharmaceutical industry has warned that more manufacturers may be forced to suspend their production because the federal government has refused to hike the prices of the drugs. Those 34 drugs include various antibiotics, chemotherapy medications, anti-hypertension medicines, and several combinations of paracetamol, eye drops, and many other essential medicines.

Sector Outlook

An almost ~24% YoY currency devaluation was witnessed in May'22 along with a ~25% increase in ocean freight rates. This could result in exerting cost push pressures on the sector margins. During the current fiscal year, a slight decline in exports was witnessed, but a major chunk of sector revenue is driven from the local market. Continuous increase in interest rates, Rupee devaluation, import restrictions & sector's inability to pass-on the cost to end customers will negatively impact the margins going forward. **Outlook is Constraint**.

SPORTS PRODUCTS

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	2		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	238		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	197		
C.	**Financial Charges**	**Act**/Est	0.807		
D.	**PAT**	**Act**/Est	191		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	941		
F.	***Current Assets***	**Act**/Est	799		
G.	***Cash & Bank Balances***	**Act**/Est	100		
H.	***Trade Debtors***	**Act**/Est	414		
I.	***Short Term Investments***	**Act**/Est	10,856		
J.	***Total Equity***	**Act**/Est	868		
K.	***Current Liabilities***	**Act**/Est	73		
L.	***Total Liabilities***	**Act**/Est	73		

SPORTS PRODUCTS

Sector Overview

Pakistan is one of the top manufacturers and exporters of sports goods in the world. Sialkot is one of the most modern and economically booming cities of Pakistan, in manufacturing establishment, employment and export sectors of the industry. There is a huge potential for foreign investment in this sector, as it is clear that many multinationals have been outsourcing from Pakistan. Pakistan's sports goods have their identity in the export market. Major multinationals like Nike and Adidas are outsourcing from Pakistan. Pakistani exports of sports goods declined half a decade ago due to non-tariff barriers like ISO-9000, environmental issues and child labor. Pakistan has recently participated in the world's largest sports goods fair ISPO Summer, held in Munich. About 32 exporters of sports goods participated in that exhibition. Pakistan as a resource rich country, if exploited properly, can play a significant role in the world economy. Pakistan with its rich and hospitable culture welcomes foreign investors to come here to discover and utilize the vast untapped potential.

	Jul-Jun		Dec		Jul-Dec	
	2020	2021	2020	2021	2020	2021
Sports Goods	458,302	470,320	38,069	46,387	239,908	253,534
A) Foot Balls	183,013	157,664	12,555	16,540	89,521	87,611
B) Gloves	103,271	95,930	6,480	9,548	52,784	47,521
C) Others	172,018	216,726	19,035	20,298	97,604	118,402

Opportunities

- The export of sports goods from the country witnessed an increase of 35.23% during the first 3 quarters of fiscal year (2021-22) as compared to the export of corresponding quarters of last year (2020-21).

- The country exported sports goods worth USD259.85 mln. during July-March (2021-22) as compared to the export of USD192.16 mln. during July-March (2020-21), showing growth of 35.23%.

- Among the sports products, the exports of footballs also increased by 40.33% as it surges from USD94.73 mln. last year to USD132.94 mln. during the current year.

- The gloves exports rose by 16.36% by going up from USD48.73 mln. last year to USD56.70 mln. during the current year, the PBS data revealed.

- Likewise, the exports of all other sports goods also increased by 44.18% from USD48.70 mln. last year to USD70.21 mln. during the current year.

- Meanwhile, year-on-year basis the sports goods' export witnessed an increase of 21.74% in March 2022 as compared with the export of the same month of last year.

- The sport goods exports in March 2022 were recorded at USD31.45 mln. against exports of USD23.69 mln. in March 2021.

- During the period under review, the footballs and gloves exports also increased by 61.63 and 8.17% respectively whereas the exports of all other sports products increased by 4.15%.

- Meanwhile, on month-on-month basis, the exports of sports goods however decreased by 11.47% during March 2022, as compared to the exports of USD35.53 mln. in February 2022, the PBS data revealed.

- On month-on-month basis, the exports of footballs and other sports commodities decreased by 13.69% and 15.13% respectively while the exports of gloves however increased by 1.43%.

- A Chinese firm called Challenge has planned to invest USD 150mln. in setting up a textile industrial park in Lahore, which will house fabric units, dyeing facilities, and garment manufacturing units to enhance sportswear exports from Pakistan to America, Europe, Asia-Pacific, and other regions. Once the industrial park goes into operation, the company's sportswear exports from Pakistan will grow to USD120 mln. in the first year and then, to USD400 mln. over the next few years.

Threats

- Despite the booming sports goods industry in Sialkot, the industry is far from being a rosy undertaking.

- One of the major hurdles is a lack of large-scale mechanization. In Sialkot, most sporting goods are made by hand, with long production cycles and high production costs. In the case of cricket balls, a worker hand stitch one ball in 25 minutes and a machine is stitching 50 balls in 25 minutes.

- Sialkot is plagued by the absence of a material testing laboratory and state-of-the-art dyeing units and diversified product lines. To rev up the sports industry, SMEDA suggests bringing the latest technologies into Pakistan, building high-tech manufacturing units for composite-based material goods production and working closely with countries such as China and Korea.

Sector Outlook

Sports goods sector faced & overcome various issues in the past through collective measures taken by all stakeholders in general & exporters in particular. Increasing demand for Pakistani made sports goods for important international events is on the rise. **Outlook is Stable.**

SUGAR

FINANCIAL SNAPSHOT 2021-22

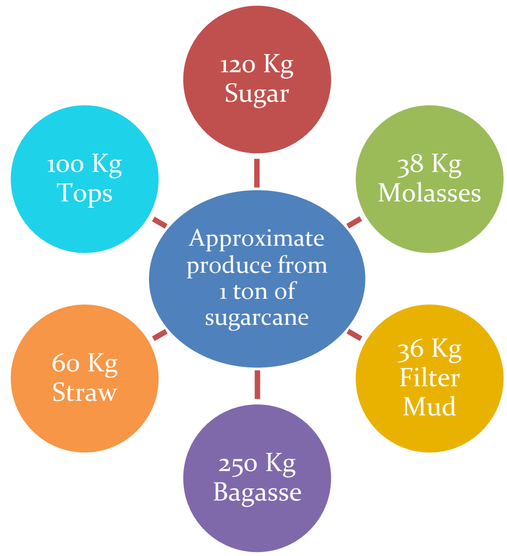
All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	24		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	212,565		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	9,269		
C.	**Financial Charges**	**Act**/Est	4,914		
D.	**PAT**	**Act**/Est	7,854		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	191,222		
F.	***Current Assets***	**Act**/Est	62,078		
G.	***Cash & Bank Balances***	**Act**/Est	2,719		
H.	***Trade Debtors***	**Act**/Est	9,337		
I.	***Short Term Investments***	**Act**/Est	7,961		
J.	***Total Equity***	**Act**/Est	91,647		
K.	***Current Liabilities***	**Act**/Est	64,241		
L.	***Total Liabilities***	**Act**/Est	145,704		

SUGAR

Sector Overview

Sugar Industry- Global Overview:



Sugarcane is a crop primarily grown in tropical countries. It serves as a source of food & is a key biofuel feedstock (ethanol). Sugarcane supplies nearly 86% of world's sugar (the remaining coming from beet) 75% of the sugarcane produced globally is consumed by the food manufacturing sector & the household, remaining is used in biofuel production. Sugarcane cultivation & processing currently provide employment for over 100 million people across the world.

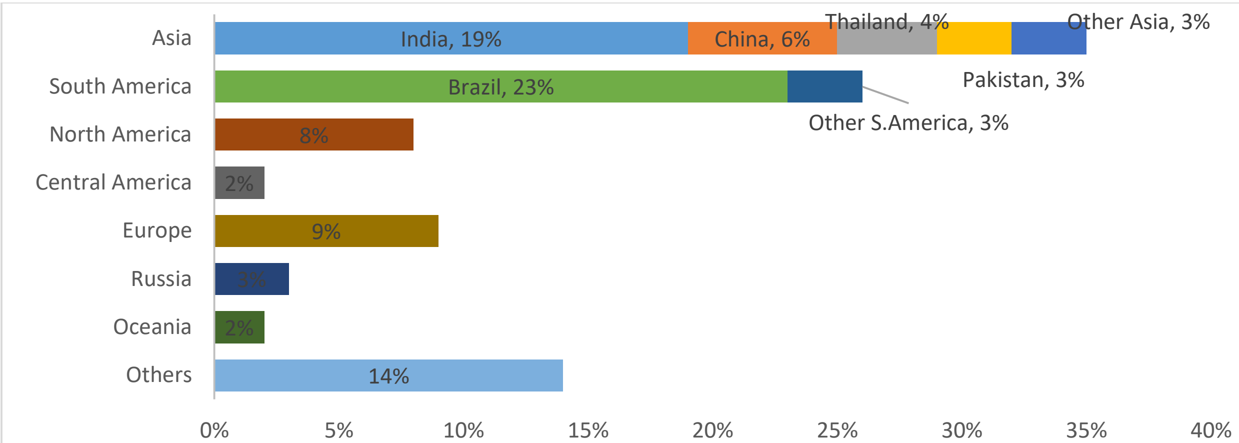
World Sugar Position

	MY-17	MY-18	MY-19	MY-20	MY-21
Opening Stock	44.0	46.5	51.9	53.2	48.1
Production	174.0	194.2	179.2	166.5	180.1
Imports	60.5	65.8	57.8	53.2	62.7
Total Supply	***278.5***	***306.5***	***288.9***	***272.9***	***290.9***
Exports	60.5	65.8	57.8	53.2	62.7
Consumption	171.5	188.8	177.9	171.6	179.4
Total Demand	**232.0**	**254.6**	**235.6**	**224.8**	**242.1**
Closing Stock	**46.5**	**51.9**	**53.2**	**48.1**	**48.8**

Regional Share in Sugar Production-2021

- In terms of Regions, Asia is the largest producer of sugar with a share of ~35.0% in 2021, followed by South America with a share of ~26.30%.

- On country level, India takes the highest share of ~19% in Asia, while Brazil takes the highest share in South American region as well as on the globe with a contribution of ~23% to world sugar production in 2021.



TOP 10 PRODUCERS	*TOP 10 CONSUMERS*	*TOP 10 EXPORTERS*	*TOP 10 IMPORTERS*
• Brazil (41.2)	• India (25.3)	• Brazil (30.6)	• China (5.9)
• India (30.7)	• EU (17.2)	• Thailand (6.1)	• Indonesia (5.8)
• EU (15.1)	• China (15.3)	• India (5.0)	• USA (3.4)
• China (10.1)	• Brazil (10.6)	• Australia (3.4)	• Bangladesh (2.4)
• USA (7.1)	• USA (10.4)	• Guatemala (1.7)	• Algeria (1.9)
• Thailand (6.9)	• Indonesia (6.9)	• Mexico (1.4)	• Malaysia (1.9)
• Russia (5.7)	• Russia (5.8)	• Russia (1.0)	• Sudan (1.6)
• Mexico (5.6)	• **Pakistan (5.2)**	• Eswatini (0.7)	• Korea (1.6)
• **Pakistan (4.9)**	• Mexixo (4.1)	• Cuba (0.6)	• Nigeria (1.50)
• Australia (4.3)	• Egypt (3.1)	• South Africa (0.5)	• Saudi Arabia (1.5)

Pakistan Sugar Statistics

Sugarcane

Contribution to GDP: **0.7%**

Area under cultivation: **1.2 mln. hec** (5.3% of total cropped area)

Production: **80.9 mmt**

Crushed: **58.6 mmt**

Yield: **72%**

Sugar

Total Mills: **90**

Operational: **77**

Recovery rate: **9.6%**

Opening Stock: **1.3 mmt**

Production: **5.6 mmt**

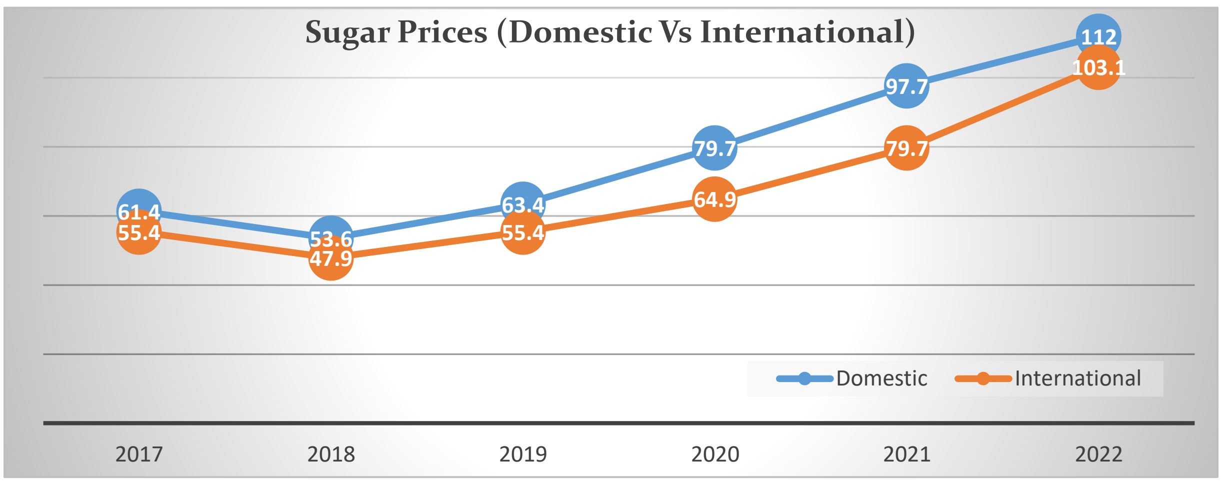
Imports: **0.4 mmt**

Consumption: **5.8 mmt**

Closing Stock: **1.5 mmt**

Sugar Price (Domestic Vs International)

- The global sugar prices have fluctuated in the range from USD~334/MT to USD~477/MT in the 5-year period from MY 17 to MY 21.
- Prices have been on a rising trend following MY 19 and have lately up surged to USD~525.70/MT in Mar' 22, a rise of 18% from MY 21. This is majorly on account of the rising crude oil market and concerns over sugar production in Brazil, which is the hub of global sugar production and trade. Sugar prices soared after the sugar cane crops in the Brazil were damaged due to unusually harsh frosts.
- Following the trend, sugar prices are expected to remain at historically high levels with limited scope for meaningful increases during MY22.
- The current average retail price of sugar in the country is around PKR~110-115/kg, whereas the international price is PKR~93.50/kg.



Opportunities

- Pakistan's annual sugar consumption has increased from ~5.10mln. MT in MY17 to ~5.80mln. MT in MY21 - a CAGR of ~2.40% from MY17 to MY21. Sugar consumption is expected to rise further to ~5.90mln. MT in MY22 as per USDA's forecast.

- Total supply of sugar in Pakistan stood at ~5.90mln. MT in MY21. Higher quantity of sugar was imported in the country during MY21 in an attempt to control price hike through increased participation and competition from international community.

- According to USDA's forecast, Pakistan's sugar supply will clock around ~6.80mln. MT (production + imports) in MY22, an increase of ~7% YoY, while domestic consumption would increase to ~5.90mln. MT, increasing by ~3% YoY leaving ~2.30mln. MT of closing stock of country's sugar.

Threats

- Instead of allowing export of 1.0 mln. tons to the sugar industry, the federal government should buy this quantity (1.0 mln. tons) for keeping strategic reserves out of surplus production during the 2021-22 crushing season. The major reason behind this notion is stated to be lower output of the crop in the next season, starting in October 2022. As per this projection, sugarcane crop has not only been sown on a lesser area this year but massive canal water shortage, lack of rains and record heatwave are likely to dent output of this water-guzzling crop badly.

- Despite sugar manufacturing of a relatively bigger size during the 2021-22 crushing season, some conservative estimates even point towards hardly meeting sugar demand in the current season. They claimed that out-of-book sale of sugar amounting to 1.2-1.4 mln. tons every year has finally been accounted for in the ongoing year due to the introduction of a track and trace system introduced by the federal government. Hence, the higher figures of sugar manufacturing essentially do not mean bigger stock of available sugar during the marketing year 2021-22.

- The area under sugarcane is going to shrink by around 13% and output by 18%, eventually the country may end up importing 1 mln. tons of sugar in the upcoming season. In such a scenario, sugar production of Punjab may hover around 4.50-4.70 mln. tons, which means a shortfall of around 0.5-7.0 mln. tons in 2022-23 against the demand in the province alone.

- While sugarcane is more resilient to flooding than other crops, the persistence of standing water and stalk lodging is expected to disrupt cane collection in Sindh province. As a result, estimated harvested area is reduced 4.70% to 1.23 mln. HA. Therefore, the forecast for 2022/23 sugarcane production is lowered to 82.40 mln. tons. Similarly, with the expected decline in cane output, the 2022/23 cane sugar production is lowered to 7.0 mln. tons.

- Cane collection and processing will begin in late October in Sindh province and then progress northward, with harvest activity in Punjab and Khyber Pakhtunkhwa beginning in earnest in mid-November. Due to higher input costs, farmers are requesting a minimum PKR 7500/ton (USD32/ton) support price for sugarcane. However, the government has yet to announce the minimum support price that mills must pay farmers for cane.

- The forecast for 2022/23 sugar consumption is unchanged. In line with population growth, but a more stagnant domestic food-processing sector, consumption is expected grow at about 1.50%. This is a reduction from the 2.50% growth estimated in 2021/22. More challenging economic conditions are expected to slow consumption growth in 2022/23.

Sector Outlook

The 2022/2023 sugarcane harvested area is slightly reduced due to the impacts of the recent flooding in key production areas. As a result, the 2022/23 cane sugar production forecast is lowered to 7.0 mln. tons. Despite the slight decline in output expected, there will still be an exportable surplus, and the 2022/23 export forecast remains 1.0 mln. tons. **Outlook is Stable**.

SURGICAL, PRECISION & OPTICAL EQUIPMENTS

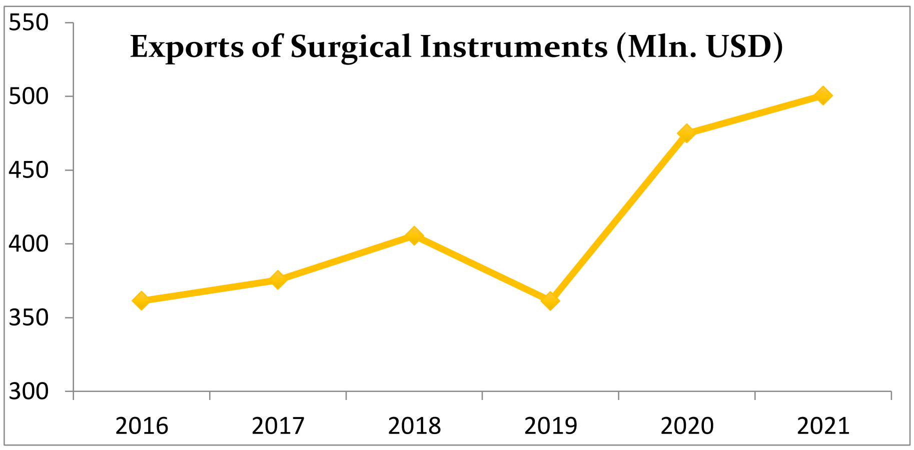
Sector Overview

The Surgical Instruments Industry of Pakistan holds a history of more than 100 years, when few British doctors got their surgical instruments repaired from the skilled workers of Sialkot and that was the foundation of Sialkot Surgical Industry.

The surgical instruments industry is mainly clustered in and around the skirts of Sialkot. Over 99% of the country's production is centered at Sialkot. The sector comprises over 3500+ companies.

Pakistan is one of the major countries in the world that is manufacturing and exporting hand-held quality surgical instruments throughout the world.

Top 10 buyers are the US, Germany, UK, France, Italy, UAE, Japan, Brazil, Mexico, and Russia. America is the largest market for disposable instruments, while a majority of reusable instruments are exported to the EU. Pakistan's direct export of surgical instruments to China is also on the rise.



Some international brands are reported to have shut down manufacturing facilities in their home countries as they get the best products from Pakistani world class artisans.

Opportunities

- The Pakistani surgical instruments are most economical in the world coupled with unconditional guarantee of finest quality besides world-renewed companies of surgical are entering into joint ventures with Pakistani companies.

- The Surgical Instruments industry of Pakistan is a highly fragmented industry, with a strong export orientation, operating in the city of Sialkot, in the Punjab province of Pakistan. The industry consists of a multitude of small and medium sized manufacturers with a few large units. The industry mostly operates on an OEM (Original Equipment Manufacturer) model. Orders and specifications are received from buyers, mostly in Germany, UK and the USA.

Threats

- The surgical sector is facing several problems. These range from marketing to adoption of new technology. Marketing is a basic problem owing to a failure to develop local brands. Energy supply is another major handicap. Neither industrialists nor the government allocates funds for

R&D to innovate new products in order to stay updated with changing patterns in medical sciences.

- There is no training institute to train human resources. As 95% of the surgical industry operates in the SME sector, there is a need for a common facility center to reduce the cost of production.

- Sialkot's position as a leading exporter of surgical instruments may also come under threat from upcoming competition from China and Mexico. These countries not only have cheap labor, but also use superior technology for innovation and better materials for manufacturing.

- The government has also failed to secure direct market access for these products under its so-called preferential trade agreements. Some industrialists say Germany has closed down its own industries and is now outsourcing manufacturing to Sialkot.

- The German SME surgical instrument manufacturers, who are the world leaders in surgical instruments, have mostly outsourced the lower technology intermediate and end products to the Sialkot cluster. While Pakistan's surgical instruments industry remains competitive in the low-tech end of the product scale, its exports are highly concentrated in a few geographical areas primarily because of established supply chains and the difficulties involved in entering new markets.

Sector Outlook

The Pakistani Surgical Instruments industry will face a new challenge in the form of the Medical Device Regulation (MDR) to be mandatorily introduced in the EU beginning 2024. All instruments destined for the EU will have to be compliant with the new European regulations on biocompatibility. The new regulations are expected, at least in the initial period to hinder exports of Surgical Instruments to the EU. **Outlook is Stable**.

TELECOMMUNICATIONS

FINANCIAL SNAPSHOT 2021-22

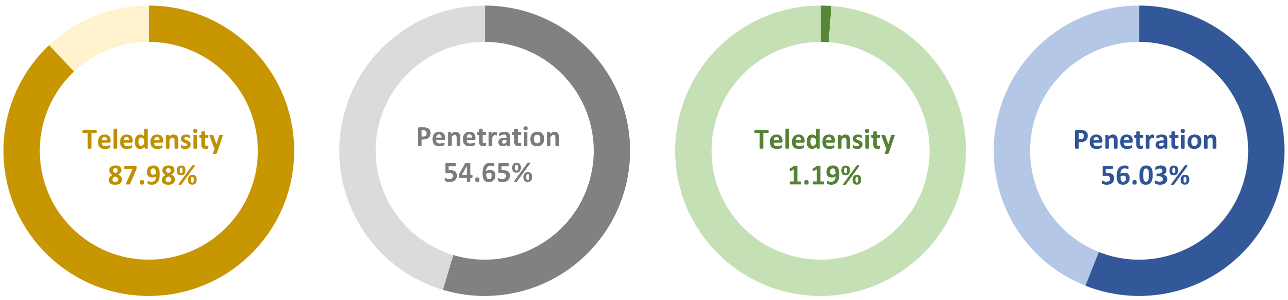
All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	3		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	79,118		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	8,232		
C.	**Financial Charges**	**Act**/Est	715		
D.	**PAT**	**Act**/Est	5,385		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	264,542		
F.	***Current Assets***	**Act**/Est	84,915		
G.	***Cash & Bank Balances***	**Act**/Est	2,594		
H.	***Trade Debtors***	**Act**/Est	28,440		
I.	***Short Term Investments***	**Act**/Est	54		
J.	***Total Equity***	**Act**/Est	105,296		
K.	***Current Liabilities***	**Act**/Est	113,405		
L.	***Total Liabilities***	**Act**/Est	158,114		

TELECOMMUNICATION

Sector Overview

194 *Million Cellular Subscribers*	121 *Million 3G/4G Subscribers*	2 *Million Basic Telephony Subscribers*	124 *Million Broadband Subscribers*

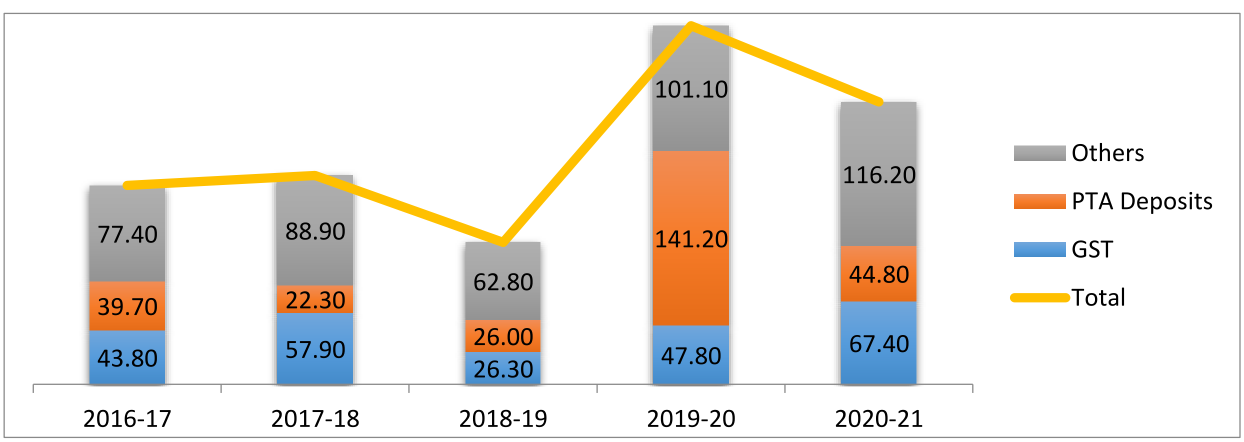


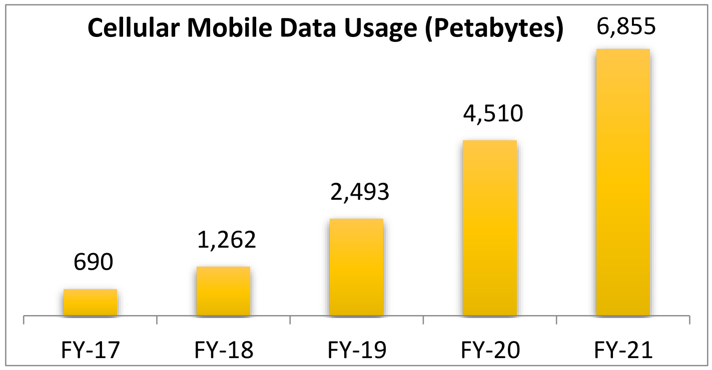
The Telecom sector's market size is estimated to reach at PKR~695bln. in FY22 (FY21: PKR~644bln.) with a YoY increase of 8%. The increase in market size can be associated with the expansion of 3G, 4G and 5G services in Pakistan, moreover in tandem with the impact of COVID-19, broadband data usage increased by 52% during FY21. Increased Internet usage also had a significant impact on the sector's financial outlook.

As per SECP, the principal line of business of the companies in telecommunication sector is to carry on all or any of the businesses of establishing, developing, expanding, enhancing, managing and operating telecommunication systems including systems signals, data or messages of any and all kinds.

Contribution to the Exchequer

The sector's contribution to the national exchequer decreased by ~21% (FY21: PKR~228bln.; FY21: PKR~290bln.) owing to lesser PTA deposits. PTA deposits include initial license fee, USF, R&D fund and other levies that amounted to PKR~45bln. in FY21 (FY20: PKR~141bln.). The total telecommunication sales taxes grew by ~40% and stood at PKR~67bln. in FY21 (PKR~48bln.).





In addition to the aforementioned taxes and contributions made by the telecommunication sector, the FBR also collects a huge amount against import of cellular mobile handsets, which allows only registered and tax-paid handsets to connect to telecom networks in Pakistan. During FY21, the telecom sector saw a huge demand surge from corporate set-ups and individuals alike to meet the social, educational, business, health-related, and economic requirements across the country.

Total data usage in the country during FY21 was recorded at 6,855 Petabytes (FY20: 4,498 Petabytes) with YoY growth of ~52%. The usage is expected to show a gradual increase in coming period as well due to change in working patterns and increased dependence on Telecommunication devices in every aspect of life.

In terms of data usage per subscriber, Zong data usage per subscribers is significantly higher than that of its competitors owing to cheap data packages and extensive market campaign by the company.

Opportunities

- Pakistan government is in the process of refining modalities for launch of 5G in the country. In addition, enhanced consumer welfare, innovative entrepreneurship, and startups in the ICT sector are also expected as well as economic growth in the ICT sector. However, some industry players were against the government's decision to expedite roll out of 5G technology because "Pakistan's infrastructure was not ready for it for at least the next 2 years.

- Telecom sector revenue during July-March fiscal year 2022 recoded at PKR 423 bln. as it has emerged as one of the vibrant sectors of Pakistan economy. Increasing revenues, growing investment and enhanced contributions to national exchequer are hallmark of the sector for many years now.

- During July 2018 to March 2022, telecom sector has attracted over USD6.10 bln. FDI (inflow) by telecom players in Pakistan. FDI (inflow) in telecom during July-February fiscal year 2022 were USD107.90 mln. Local investments made by telecom operators during July-December fiscal year 2021 reached to a significant amount of USD822.20 mln. The main driver behind this investment is the mobile sector which has invested USD605.20 mln. during the period. In terms of overall investment (FDI & Local) in the telecom sector during July-February fiscal year 2022 crossed USD930.10 mln.

- During FY21, CMOs collectively reached PKR462 bln. in revenues, returning 8% yearly growth (FY20: -5%). This helped lift industry spirits a bit in a tough operating year. At the top is Jazz, which is the market leader by quite some distance. The Veon subsidiary posted annual revenues of PKR195 bln. in FY21, jumping 12% year-on-year (FY20: -3%). Its formidable scale (especially post-Warid acquisition in 2016-17) and continued higher capital investments in its 4G sites expansion has helped Jazz reach a market share of 42% by sales during FY21, compared to the 39% average seen in the previous 5 years.

- Second in line was Zong, with revenues of PKR105 bln. in FY21, growing 10% year-on-year. (FY20: -5%). As a result, Zong's market share reached 23% in the last fiscal, compared to previous 5-year average of 19%. Telenor Pakistan wasn't far behind, with topline of PKR104 bln. showing yearly growth of 3% (FY20: -2%). The operator is now ranked 3rd in a 4-player national market, with its market share declining to 22% in FY21, compared to the previous 5-year average of 26%.
- Ufone came last among the four operators, with its FY21 revenues standing at PKR55 bln., up 3% year-on-year (FY20: -14%). Its market share is on a steady decline, having 12% share in sector revenues during FY21, down from 13% to 14% share usually seen in previous years. Besides Telenor Pakistan, Ufone is the only other operator whose topline is yet to exceed pre-pandemic levels. Ufone has recently acquired sizable new spectrum, which is expected to bolster its subscription revenues.

Threats

- The government wants to ensure high-quality mobile broadband to masses, however, it has only made one-third of the spectrum available to cellular mobile operators, making the local mobile industry one of the most spectrum deprived in the world. For operators, less spectrum means greater and at times avoidable investment, in putting more tower and radio infrastructure to enhance capacity in their networks. For users, it means reduced network coverage, and slower speeds.
- The price at which the spectrum is offered drains the operator's resources with hardly anything left to invest in enhancement of coverage, network quality and range of services.
- Although telecom was declared an industry by the government in 2004, and its industrial status has been validated by various ministries over the years including the Finance Bill 2021 approved by the parliament, its towers and data centers are still being subjected to commercial tariffs, in the same category as restaurants, salons, and cinemas.
- The telecom industry has been severely impacted due to an unprecedented rise in the cost of operations, primarily higher costs of fuel, electricity, interest rates, and constantly increasing dollar-pegged spectrum installments.

Sector Outlook

In Pakistan, teledensity has shown an exponential growth in the past years and has now reached an all-time high of ~87% as of Feburary-2022. The growth in broadband subscription is even more promising as the penetration was recorded at ~51% as of February 2022. The segment is all set to grow at good pace on the back of improving awareness and availability of more affordable devices. The sector registered a contribution of USD~623mln. to the country's net Foreign Direct Investment (FDI) constituting ~24% of the total FDI in the country. The sector is characterized by low financial risk as the local companies are not highly leveraged. Comfort is further drawn from the backing of international corporate sponsors, robust revenue streams and strong cash flow generation. **Outlook is Stable**.

TEXTILES-COMPOSITE

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	40		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	787,207		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best		■	
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	88,773		
C.	**Financial Charges**	**Act**/Est	20,534		
D.	**PAT**	**Act**/Est	73,399		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best		■	
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	798,585		
F.	***Current Assets***	**Act**/Est	465,585		
G.	***Cash & Bank Balances***	**Act**/Est	17,642		
H.	***Trade Debtors***	**Act**/Est	108,093		
I.	***Short Term Investments***	**Act**/Est	9,490		
J.	***Total Equity***	**Act**/Est	336,248		
K.	***Current Liabilities***	**Act**/Est	329,203		
L.	***Total Liabilities***	**Act**/Est	500,930		

TEXTILES-FABRICS (WEAVING)

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	6		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	29,492		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	1,358		
C.	**Financial Charges**	**Act**/Est	391		
D.	**PAT**	**Act**/Est	885		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	20,312		
F.	***Current Assets***	**Act**/Est	10,653		
G.	***Cash & Bank Balances***	**Act**/Est	174		
H.	***Trade Debtors***	**Act**/Est	3,163		
I.	***Short Term Investments***	**Act**/Est	62		
J.	***Total Equity***	**Act**/Est	7,649		
K.	***Current Liabilities***	**Act**/Est	8,631		
L.	***Total Liabilities***	**Act**/Est	15,228		

TEXTILES-KNITS & KNIT APPAREL

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	1		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	670,263		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	27,585		
C.	**Financial Charges**	**Act**/Est	14,412		
D.	**PAT**	**Act**/Est	22,085		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	416,058		
F.	***Current Assets***	**Act**/Est	339,017		
G.	***Cash & Bank Balances***	**Act**/Est	5,482		
H.	***Trade Debtors***	**Act**/Est	144,690		
I.	***Short Term Investments***	**Act**/Est	17,439		
J.	***Total Equity***	**Act**/Est	143,914		
K.	***Current Liabilities***	**Act**/Est	271,502		
L.	***Total Liabilities***	**Act**/Est	272,145		

TEXTILES-SPINNING

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	64		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	368,014		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	29,151		
C.	**Financial Charges**	**Act**/Est	3,334		
D.	**PAT**	**Act**/Est	22,453		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	471,557		
F.	***Current Assets***	**Act**/Est	185,234		
G.	***Cash & Bank Balances***	**Act**/Est	18,780		
H.	***Trade Debtors***	**Act**/Est	46,388		
I.	***Short Term Investments***	**Act**/Est	2,229		
J.	***Total Equity***	**Act**/Est	179,484		
K.	***Current Liabilities***	**Act**/Est	161,135		
L.	***Total Liabilities***	**Act**/Est	264,881		

TEXTILES-SYNTHETIC FIBRES/POLYESTER

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	7		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	98,178		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs.)*	Best Guess			
B.	**PBT**	**Act**/Est	11,117		
C.	**Financial Charges**	**Act**/Est	1,970		
D.	**PAT**	**Act**/Est	7,558		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs.)*	Best Guess			
	Total Assets	**Act**/Est	127,892		
F.	***Current Assets***	**Act**/Est	57,082		
G.	***Cash & Bank Balances***	**Act**/Est	519		
H.	***Trade Debtors***	**Act**/Est	10,189		
I.	***Short Term Investments***	**Act**/Est	173		
J.	***Total Equity***	**Act**/Est	54,941		
K.	***Current Liabilities***	**Act**/Est	56,117		
L.	***Total Liabilities***	**Act**/Est	72,952		

TEXTILES-WOVEN APPAREL

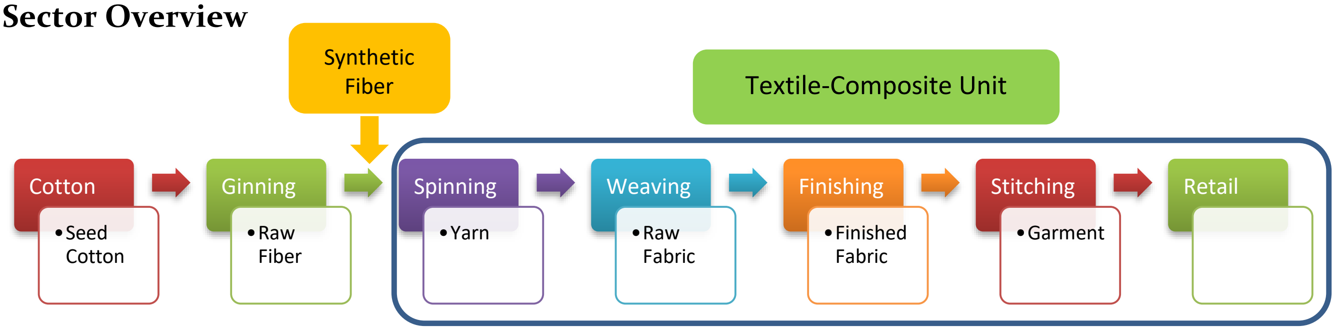
FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	1		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	970		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best		■	
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	(646)		
C.	**Financial Charges**	**Act**/Est	38		
D.	**PAT**	**Act**/Est	(662)		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best		■	
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	3,800		
F.	***Current Assets***	**Act**/Est	1,152		
G.	***Cash & Bank Balances***	**Act**/Est	31		
H.	***Trade Debtors***	**Act**/Est	229		
I.	***Short Term Investments***	**Act**/Est			
J.	***Total Equity***	**Act**/Est	2,893		
K.	***Current Liabilities***	**Act**/Est	547		
L.	***Total Liabilities***	**Act**/Est	707		

TEXTILE INDUSTRY-AN ANALYSIS

Sector Overview



Textile Spinning-Local Industry Overview

The spinning sector comprises ~477 spinning mills in the country and the sector is largely organized. The sector is at a mature stage and has a long operating history in the country. The market structure is competitive, with a large number of players making a relatively homogenous product.

During FY22, Pakistan's yarn production grew by a minor ~0.5% to ~3.5mln. MT. Yarn production was the same at ~3.5mln. MT in FY21. Yarn exports stood at ~336,000 MT, equivalent to PKR~214bln. in FY22 accounting for ~9.5% of total production. This export volume reflects a ~14.1% decrease in quantity from FY21 while the USD to PKR rate depreciated by ~29.8% indicating the growth in PKR revenue mainly due to favorable exchange rate movement. Geographically, there is significant export concentration with the majority of exports made to China.

	FY-20	FY-21	FY-22
No. of Players	~477 Spinning Mills		
Yarn Production (000MT)	3,060	3,442	3,459
Yarn Export Volume (000MT)	413	391	336
Yarn Export Value (PKR Bn)	123	127	214

The remaining ~90.5% of locally produced cotton yarn is used within the local textile value chain by the weaving sector. Demand from the local market marginally grew during the year as the entire textile value chain, particularly the spinning sector, as evidenced from the LSM, shows an annual ~0.5% increase in the production of yarn. Flat global and local demand is the principal reasons for the minor increase. As per the PCGA report for 15 September, 2022 the arrivals of bales to spinning factories was ~2.2mln. bales which is ~-18.6% lower than the previous year.

The estimated market size for cotton yarn, excluding blended and synthetic yarn, stood at PKR~1,340bln., a growth of ~44% as compared to PKR~927bln. in FY21. The growth came on the back of increase in prices of cotton yarn which experienced average increase of ~43% during FY22 while volumetric yarn production increased by a minor ~0.5% in FY22.

Textile Weaving-Local Industry Overview

The weaving sector is divided into two segments, i) Organized mill segment and ii) Unorganized mill segment. The unorganized segment accounts for approximately ~90% of the country's total weaving capacity.

The weaving sector has an approximate market capitalization PKR~3.3bln. as on 24- Aug-22 based on players listed on the PSX. The Sector's volumetric production (based on prorated results of 9MFY22) has remained almost the same during FY22 as compared to the previous year.

	FY-20	FY-21	FY-22
No. of Players	30 Organized Weaving Mills		
Production {Organized Mills} (Mn Sq m)	931	1,048	1,051
Total Production (Mn Sq m)	8,158	9,177	9,189
Yarn Export Volume (Mn Sq m)	2,328	2,545	2,642
Yarn Export Value (PKR Bn)	288	307	434

The weaving sector is at a mature stage and enjoys a rich operating history in the country. Overall, the sector is competitive, represented by many players of various sizes making a relatively homogenous product.

A significant portion of the sector's output is used within the local textile value chain to produce value added and finished goods such as garments and home textiles. The remaining portion, which amounts to ~30-35% of the total market, is exported.

The major exports destinations for the weaving sector are other South East Asian and South Asian countries such as Bangladesh, China and Turkey which have significant textile industries and use the fabric as an input for finished goods to be exported to European and North American markets.

Textile Composite-Local Industry Overview

Textile composite entities encompass the majority of processes within the textile value chain. These units have applied forwards or backwards integration in order to increase efficiencies. There are around 50 organized textile composite entities operating in the country, 30 of which are listed on the Pakistan Stock Exchange. The market capitalization of listed composite firms stood at PKR~310bln. as on 22nd Oct, 2021.

	FY-20	FY-21	FY-22
Textile Industry Size (PKR Bn)	3,051	3,345	3,816
Contribution to GDP	8.5% of GDP		
No. of Players	~50 Players		
Textile Export Value (PKR Bn)	1,813	1,972	2,461
Share of Total Country Exports	58%	59%	61%
Textile Imports Value (PKR Bn)	442	399	616

There is a high level of product differentiation achieved as a variety of finished goods are produced including knitwear, towels, home textiles and a range of readymade garments. Some units also sell yarn and unprocessed fabric.

Textile Polyester Staple Fiber (PSF)-Local Industry Overview

Pakistan produces natural as well as man-made fibers. Natural fibers include cotton, wool and silk among which cotton is the most common textile fiber. In synthetic/man-made fibers, polyester is the main fiber. Other man-made fibers include Viscose Rayon and Acrylic Staple Fibers which are produced on a limited scale.

Over ~70% of the Polyester Staple Fiber (PSF) is supplied to the textile value chain, i.e., the spinning sector. The remaining PSF is majorly supplied to the PET packaging Industry used in making plastic bottles. The mix of natural and synthetic fibers varies depending on the type of yarn produced.

Pakistan's polyester Industry was recorded at PKR~109bln. in FY21 (PKR~78bln. in FY20), a significant increase of ~40% YoY, owing to the recovery after a slowdown in demand from textile and PET bottling Industry amid the outspread of COVID-19 pandemic in FY20.

In volumetric terms, the production of polyester fibers increased by ~37% during FY21, almost aligned to the rise in value terms, depicting that price variations have also cast an impact on the market size during FY21.

	FY-20	FY-21
Revenue	77,828	108,788
Contribution to GDP	0.2%	0.2%
Annual Production (Tons)	352,815	483,401
Annual Imports (Tons)	9,585	19,082
No. of Players (Listed)	3	3
Installed Capacity (Tons)	534,950	534,950
Capacity Utilization	66%	90%

The structure of the Sector is Organized and Listed. The Sector is dominated by three (3) players capturing almost the entire share of the Local Sales in the Sector. In terms of product market segments, Textile Sector occupies the largest share of the polyester demand as polyester has now become the most dominant man-made fabric. Lately, with a gradual reduction in cotton production coupled with its increasing price trend, a room for energizing the demand for polyester segment is created.

Opportunities

- The government has set a cotton production target of ~10.5mln. bales for FY22 season. However, market sources estimate size of cotton crop to stand at ~8-9mln. bales. As per PCGA figures, arrivals for current season up till mid-October stand at ~5.2mln. bales as compared to ~2.7mln. bales at the same time last year. The increase has come on the back of favorable weather conditions and earlier sowing/harvest period.

- Pakistan's annual production of yarn and fabric has remained relatively stable in the past few years. During FY21, the production of both yarn and fabric grew by ~12% as there was recovery from the COVID-19 pandemic which had slowed down production in the previous year.

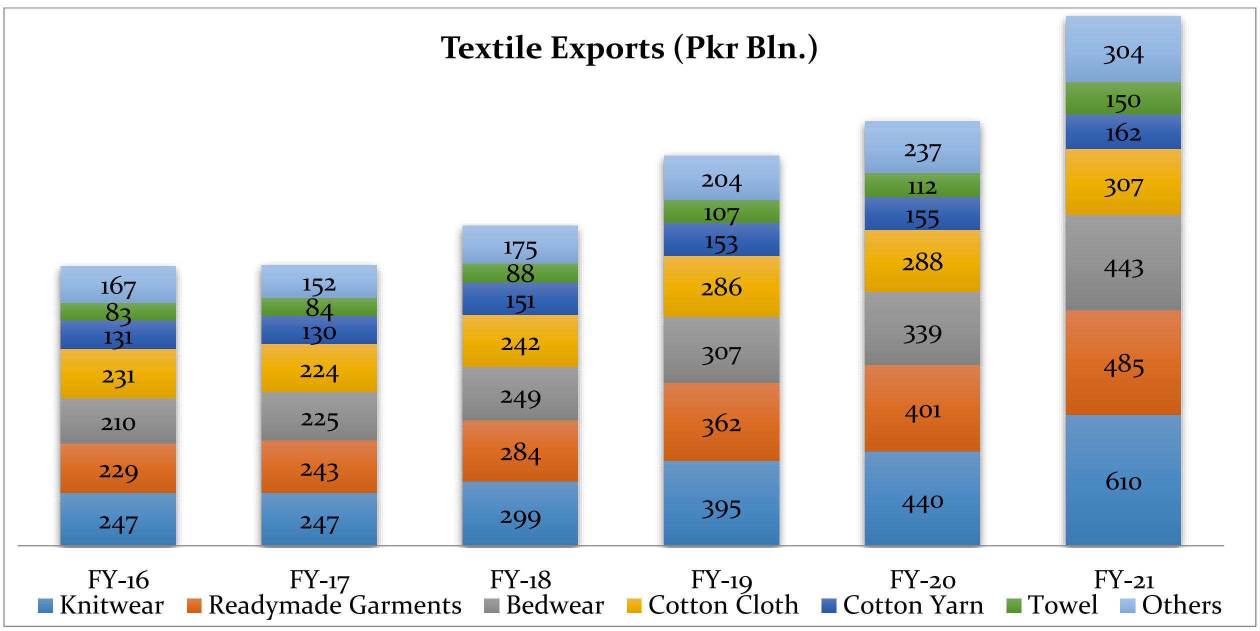
- Synthetic or blended yarn has the largest share of total yarn production. Moreover, there is greater production of coarse and medium type yarn as compared to fine cotton yarn. This has a negative impact on quality of fabric and finished goods as fine yarn is considered to be of a higher quality.

- Production of grey cloth has the greatest share in overall cloth production followed by dyed and printed cloth.

- Pakistan's textile exports stood at PKR~2,461bln. in FY21 as compared to PKR~1,971bln. in FY20, exhibiting phenomenal growth of ~25% during the period. The growth came on the back of volumetric increase in exports, particularly in the value added segments such as towels, knitwear and bed wear. For all other segments, growth was spurred by higher average export prices which increased in the aftermath of the COVID-19 pandemic due to higher raw material prices and supply constraints.

- The volumetric increase in value added exports was driven by a larger number of export orders diverted from regional competitors such as Bangladesh and Vietnam, where the pandemic resulted in relatively longer lockdowns and other restrictions which hindered production activities.

- The largest contribution to textile exports emanates from knitwear, ~25%, and readymade garments, ~20%. The four value added segments combine to contribute ~68% to total textile exports. Meanwhile, textile exports had a share of ~61% in the country's total exports during FY21. During 3MFY22, the country's total textile exports stood at PKR~725bln., growing ~25% from PKR~579bln. in 3MFY21.



Threats

- Pakistan's production of cotton declined significantly during FY21, from ~8.6mln. bales to ~5.6mln. bales, due to pest attacks and adverse climate events. Cotton is a pesticide hungry crop that requires considerable amount of pesticide in order to resist or prevent pest attacks. This, however, increases the input costs for farmers.

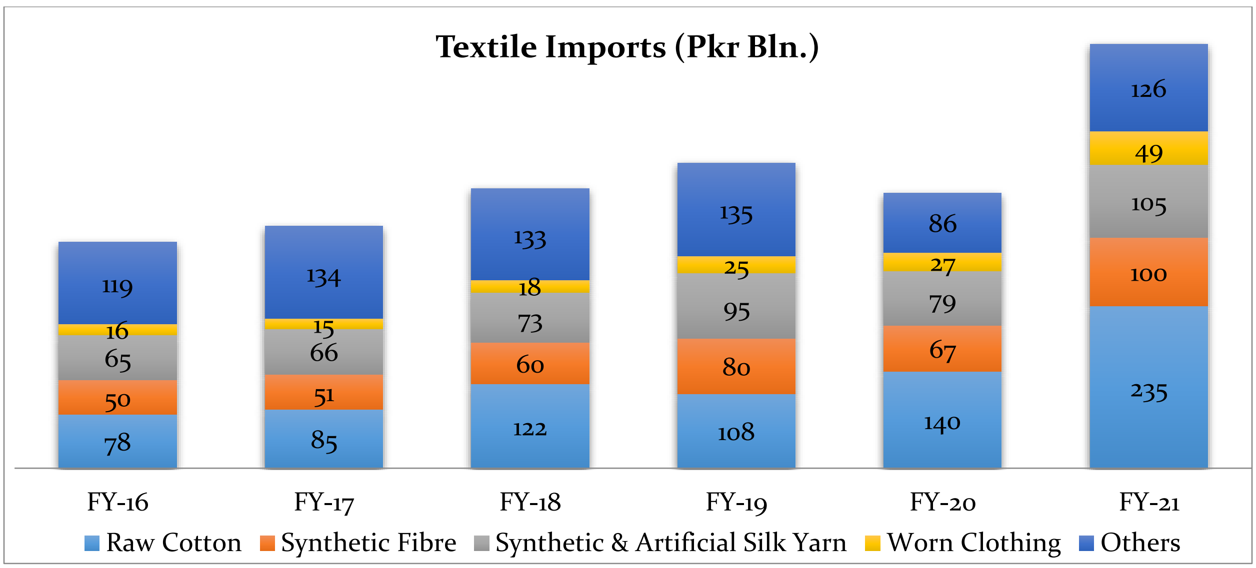
- In addition, the cotton seed used in Pakistan is of a relatively lower quality and more vulnerable to pest attacks, resulting in lower yield.

- Other prevailing factors that have continued to hamper cotton production is lack of support from government and adverse climatic conditions. These factors ultimately result in lower area sown as farmers switch to more profitable Kharif season crops such as sugarcane and maize.

- The decline in local production has increased reliance on imports growing by ~64% during FY21, from 523,000 MT in FY20 to 857,000 MT in FY21.

- In addition to the increased imports of raw cotton due decline in local production, the imports of synthetic fibers, silk yarn, worn clothing and other textile items have all increased during FY21. Textile imports exhibited an overall ~54% increase during FY21.

- The total textile imports stood at PKR~616bln. in FY21 as compared to PKR~399bln. in FY20. The largest component was import of raw cotton which stood at PKR~235bln. in FY21. During 3MFY22, textile imports stood at PKR~195bln. as compared to PKR~113bln. during 3MFY21.



- The majority of locally produced yarn, approximately ~90% in FY22, is used as raw material for the weaving sector. The production of yarn increased by a meagre ~1% in FY22 following a much successful FY21 (growth: ~12.4%). Production has considerably slowed down owing to a decline in export demand in FY22 of ~-13.8% (FY21: ~5.6%); this is attributable to global recession. This indicates that yarn is being used to majorly meet the demand for the local weaving industry. In FY22, local demand increased by a small ~2.3% compared to a healthy growth figure of ~15.2% in FY21. Local demand also dropped due to inflation and rising interest rates and this is evident from a slowdown in the textile sector growth in 11MFY22 compared to the SPLY (~4.1% vs. ~18.3%, respectively).

- Textile and garment exports from Pakistan amounted to US$21bn in the fiscal year 2021-22, but now, due to the devastation caused by flooding, industry there is a probable fear of cancellation of many export orders by international brands.

- With more than 40% cotton production in Sindh province, southern parts of the Punjab province and parts of Balochistan inundated, the textile and garment exports may fall from shrinking production and increased costs, this will hit the government's vision to achieve the export volume of US$50bn in the coming years.

- Around 60 percent of the textile industry has closed down or is on the verge of closure due to the prevalent liquidity crunch and requires saving. The liquidity crisis has occurred due to demand destruction at the onset of a recession in export destinations, abandonment of the FASTER system commitment to pay refunds within 72 hours, and foreign buyers extending their payment period against shipments. approximately Rs. 300 billion of the industry's funds remained with the Federal Board of Revenue (FBR) at all times as a result of the collection and refund mechanism, as the production chain takes 6 to 9 months before the final export and refund claim.

Sector Outlook

The clothing and textile sector in Pakistan is anticipating a drop of at least 30% in the value of exports after the recent floods wiped out much of the country's usually plentiful cotton crop, and the sector is seeking out strategies to buy cheaper cotton abroad. Global recession following interest rate hikes has dampened the demand for textile exports and this reduced demand trend is expected to persist in the near-term. On the domestic front, high inflation (which peaked at ~27% in July-22) has curbed domestic demand. This trend is likely to persist for the foreseeable future. Interruptions in gas supply during the end of FY22 meant that the spinning sector lost out on some export orders. However, this issue has since been resolved. **Outlook is Constraint**.

TOBACCO PRODUCTS

FINANCIAL SNAPSHOT 2021-22

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	3		
			2021-22	**2020-21**	
A.	**Industry Sales**	**Act**/Est	219,392		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs.)	Guess			
B.	**PBT**	**Act**/Est	29,961		
C.	**Financial Charges**	**Act**/Est	472		
D.	**PAT**	**Act**/Est	21,484		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs.)	Guess			
	Total Assets	**Act**/Est	79,435		
F.	***Current Assets***	**Act**/Est	54,126		
G.	***Cash & Bank Balances***	**Act**/Est	9,916		
H.	***Trade Debtors***	**Act**/Est	771		
I.	***Short Term Investments***	**Act**/Est	9403		
J.	***Total Equity***	**Act**/Est	153,452		
K.	***Current Liabilities***	**Act**/Est	43,531		
L.	***Total Liabilities***	**Act**/Est	46,356		

TOBACCO PRODUCTS

Sector Overview

Though tobacco is grown on around 0.23% of total irrigated land of Pakistan, the crop plays an important role in Pakistan's economy by generating income and employment in the tobacco farming, manufacturing, distribution and retailing.

There are 50,000 tobacco growers producing tobacco all over Pakistan. Out of these 23,964 growers are located in Khyber Pakhtunkhwa producing 98% of Flue Cured Virginia over an area of 27,036 hectares in the districts of Swabi, Mardan, Charsadda, Buner and Mansehra. On average 70-75 mln. kg of FCV, which is the main ingredient of cigarettes, is produced by growers of these districts every year. The sector is also one of the main contributors to the Government exchequer and sourced more than PKR124 bln. in Federal Excise Duty/ Sales Tax in FY 2019-20.

Area Under Cultivation (Hectares)					
	FCV	**DAC**	**Rustica**	**WP**	**Burley**
2017-18	24,527	1,367	19,025	1,366	47
2018-19	24,790	740	17,702	630	56
2019-20	27,639	896	21,201	1,003	50
2020-21	27,150	591.6	10,956	1,190	50
2021-22	23,159	586	8,166	1,106	50
Production (Mln. Kgs)					
2017-18	67.18	3.92	30.67	3.92	0.08
2018-19	67.08	1.81	41.05	1.89	0.09
2019-20	69.31	2.20	39.04	3.02	0.07
2020-21	74.54	1.59	39.23	3.49	0.07
2021-22	64.71	1.69	33.56	3.42	0.07
Weighted Average Price					
2017-18	180.34 (P*), 237.4 (S-M**)	107.03	-	96.90	140.67
2018-19	193.44 (P*), 242.9 (S-M**)	114.03	-	99.43	-
2019-20	205.84 (P*), 248.1 (S-M**)	116.75	-	99.56	-
2020-21	215.39 (P*), 259.3 (S-M**)	121.72	-	125.04	-

**Plain, **Sub-Mountains*

Cigarettes in Pakistan are taxed in two different price tiers: low-price and high-price. A specific excise tax (the Federal Excise Duty–FED) is levied on cigarettes sold in the country, which accounts for approximately 42.60% and 59.80% of the printed retail price of low-price and high-price brands, respectively, resulting in a significant excise tax burden difference between the two tiers. Because low-taxed cigarettes represent the majority of the market (about 88%), the average excise tax share is 44.70% of the retail price, which is significantly lower than the widely accepted benchmark of 70% of the retail price.

Tobacco Exports (Top 5 Countries)

	Tobacco		Cigarettes		Total	
	Qty (000Kg)	Value ($000)	Qty (mln. sticks)	Value ($000)	Qty (000Kg)	Value ($000)
Yemen	3,449	26,574	-	-	3,449	26,574
UAE	5,193	10,003	119	923	5,193	10,926
Indonesia	2,549	5,668	-	-	2,549	5,668
S. Arabia	12	24	800	5,149	12	5,173
Bahrain	1.6	3,074	604	4,536	1.6	4,539
Others	11,185.4	19,929	214	1,456	11,185.4	24,457
Total	22,390	65,272	1,737	12,064	22,390	77,337

Illicit Trade

The year 2021 was an unprecedented year for illicit sector in terms of enforcement and policies to support the legitimate industry. The government introduced legislation to curb illicit trade in Pakistan with the introduction of a brand licensing regime to ensure that illicit players do not launch new brands frequently to evade attention of Law Enforcement Agencies (LEAs). Additionally, it was also introduced to ensure that manufacturers in Azad Jammu & Kashmir (AJK) do not manufacture brands being manufactured in Pakistan to evade taxes. Similarly, the government also issued an amendment to destroy seized contraband cigarettes rather than auctioning them to be sold in the market again. FBR also took up the issue of sale of contraband cigarettes at Petro-Marts and wrote to the heads of Oil Marketing Companies to discourage this practice. The largest ever seizure in Pakistan was carried out by Pakistan Customs when a large quantity of tipping paper was seized in Karachi, equivalent to over 800 mln. sticks of cigarettes. Such initiatives coupled with strict enforcement led to seizures of approximately 1.0 bln. sticks worth of raw material and cigarettes.

Federal Board of Revenue awarded the license for the supply of a Track and Trace System for Tobacco, to a consortium led by Authentix. The system has been rolled out in the sugar industry and is in the process of being rolled out in the tobacco industry. Recently, a tripartite agreement was signed between FBR, Authentix and PTC. It is believed that the implementation of a Track & Trace System at all cigarette factories coupled with effective enforcement will be a game changer in curbing illicit trade in Pakistan, especially Duty Not Paid (DNP) cigarettes, which currently stand at over 30 percent of the total market.

The implementation of a Track & Trace System for the cigarette industry, in true letter and spirit will help in curtailing the spread of illicit trade in the cigarette industry. The success of the Track and Trace System hinges on effective and across the board enforcement against illicit cigarettes, not just at the manufacturer's facility but also through the distribution channels and at the retail level. The benefit of this system will be clearly visible by the increase in the revenues of the government and simultaneously contribute to the provision of a level playing field for the legitimate industry.

Opportunities

- The document industry contributed the highest revenue during the last two years. The revenue jumped from PKR 117 bln. in 2019-20 to PKR 134 bln. in 2020-21. The expected revenue in 2021-22 has been estimated at around PKR 150 bln. by the end of the current fiscal year.

- In FY 2020-21 budget, the Government did not change the excise rates. This helped in ensuring the price differential between Duty Not Paid (DNP) and legitimate brands did not increase. Furthermore, this had a positive outcome as it provided consumer price stability in the tobacco sector and helped in curbing the increasing illicit market, leading to a drop in illicit market share of 0.90% vs SPLY. Moreover, due to excise stability, government revenues significantly increased by PKR 22.30 bln. from FY 2020.

Threats

- The share of illicit cigarettes has increased up to 40% in Pakistan, which is alarming. The illicit cigarettes by evading both excise and sales taxes become affordable compared to legal, tax-paid alternatives causing the consumers to down trade.

- All existing and new manufacturers are required to register the brand of each product under the FBR's sales tax general order. Out of 211 brands, only 16 brands have applied for the license. The remaining 195 brands have yet not been registered with the FBR. The enforcement is key for easy confiscation of unregistered brands.

- The FBR's track and trace system would only be successful if it is implemented across the board. Only three companies are in the process of implementing the track and trace. Three Tobacco Manufacturers have signed the Tri-Partite Agreement, whereas four local manufacturers have obtained a restraining order from the Peshawar High Court to stop the FBR from forcing them to sign the TPA. They informed that the regularizing Green Leaf Threshing Units is necessary to check the illicit trade of cigarettes. The GLT's Across Pakistan is a source of basic raw material for tobacco manufacturers.

- The illicit cigarettes market share is nearly 37.60% which is causing almost PKR 78 bln. of revenue loss to the national exchequer. IPSOS report regarding tax evasion in Pakistan in five major industries quoted that almost 40% market share has been captured by the illegal cigarettes mafia by violating minimum tax and minimum price criteria.

- Pakistan Tobacco Company (PTC), the largest cigarette manufacturer in the country, has declared a 10% decline in half year profit ended on June 30, 2022 mainly attributed to about 100% increase in payment of taxes. The company declared profit after tax (PAT) at PKR8.51 bln. for the half year ended on June 30, 2022 as compared with PKR9.45 bln. in the same half of the last year.

- The sharp decline in net profit may be attributed may be attributed to significant rise in the payment of taxes. The company paid an amount of PKR7.20 bln. as taxes during the half year ended June 30, 2022 as compared with PKR3.68 bln. in the same half of the last year, showing an increase of 95.70%.

Sector Outlook

With growing share of illicit cigarettes, Govt.'s focus on enforcement is of utmost importance. Though the Govt. has recently introduced the Track & Trace system, the success of this however can be predicted on its across-the-board implementation & enforcement at the point of sale so that the illicit sector is brought into tax net. **Outlook is Positive**.

INDUSTRIES RATED

RANKING BY BUSINESS ENVIRONMENT

BY DEMAND VOLATILITY

Sector ranking by demand volatility (the variable is a representation of the level of certainty/ uncertainty & is mainly concerned with the expected/unexpected volatility (seasonality) of the demand) is as follows:
Rank 1: Demand is largely steady
Rank 3: Highly volatile demand which fluctuates tremendously

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Agro-Chemicals	1	100	4	4.0
2	Edible Oil	1	100	4	4.0
3	Energy - Oil & Gas Exploration	1	100	4	4.0
4	Financial Institutions	1	100	4	4.0
5	Food, Beverages & Consumer Products	1	100	4	4.0
6	Information Technology	1	100	4	4.0
7	Sugar	1	100	4	4.0
8	Surgical, Precision, Optical Equipment	1	100	4	4.0
9	Telecommunications	1	100	4	4.0
10	Trading	1	100	4	4.0
11	Agri Business	2	70	4	2.8
12	Construction	2	70	4	2.8
13	Energy - Oil (Petroleum Refining)	2	70	4	2.8
14	Energy - Power (Generation & Distribution)	2	70	4	2.8
15	Others	2	70	4	2.8
16	PSE-Commodity Operations	2	70	4	2.8
17	Services	2	70	4	2.8
18	Tobacco Products	2	70	4	2.8
19	Airline Aviation	3	40	4	1.6
20	Automotive - Assemblers/Manufacturers	3	40	4	1.6
21	Automotive - Parts & Accessories	3	40	4	1.6
22	Carpets & Rugs	3	40	4	1.6
23	Cement	3	40	4	1.6
24	Chemicals (inc. Plastic & Rubber Products)	3	40	4	1.6
25	Energy - Gas Generation & Distribution	3	40	4	1.6
26	Energy - Oil (Petroleum	3	40	4	1.6
27	Fertilizers	3	40	4	1.6
28	Glass & Ceramics	3	40	4	1.6
29	Leather Products	3	40	4	1.6
30	Logistics	3	40	4	1.6
31	Machinery & Equipment	3	40	4	1.6
32	Metallic Products (Iron & Steel)	3	40	4	1.6
33	Paper & Allied	3	40	4	1.6
34	Pharmaceuticals	3	40	4	1.6
35	Sports Products	3	40	4	1.6
36	Textiles – Composite	3	40	4	1.6
37	Textiles - Fabrics (Weaving)	3	40	4	1.6
38	Textiles - Knits & Knit Apparel	3	40	4	1.6
39	Textiles – Spinning	3	40	4	1.6
40	Textiles - Synthetic Fibers/Polyester	3	40	4	1.6
41	Textiles - Woven Apparel	3	40	4	1.6
42	Textiles-Others	3	40	4	1.6

BY SUPPLY VOLATILITY

Sector ranking by supply volatility (the variable is a representation of the level of certainty/ uncertainty in the supply of the key materials) is as follows:
Rank 1: Supply is largely steady
Rank 3: Highly volatile supply which fluctuates tremendously

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Agri Business	1	100	4	4.0
2	Agro-Chemicals	1	100	4	4.0
3	Energy - Oil & Gas Exploration	1	100	4	4.0
4	Energy - Oil (Petroleum	1	100	4	4.0
5	Information Technology	1	100	4	4.0
6	PSE-Commodity Operations	1	100	4	4.0
7	Services	1	100	4	4.0
8	Telecommunications	1	100	4	4.0
9	Tobacco Products	1	100	4	4.0
10	Trading	1	100	4	4.0
11	Airline Aviation	2	70	4	2.8
12	Cement	2	70	4	2.8
13	Construction	2	70	4	2.8
14	Edible Oil	2	70	4	2.8
15	Energy - Oil (Petroleum Refining)	2	70	4	2.8
16	Energy - Power (Generation &	2	70	4	2.8
17	Financial Institutions	2	70	4	2.8
18	Glass & Ceramics	2	70	4	2.8
19	Metallic Products (Iron & Steel)	2	70	4	2.8
20	Others	2	70	4	2.8
21	Sports Products	2	70	4	2.8
22	Sugar	2	70	4	2.8
23	Surgical, Precision, Optical Equipment	2	70	4	2.8
24	Automotive - Assemblers/Manufacturers	3	40	4	1.6
25	Automotive - Parts & Accessories	3	40	4	1.6
26	Carpets & Rugs	3	40	4	1.6
27	Chemicals (inc. Plastic & Rubber	3	40	4	1.6
28	Energy - Gas Generation & Distribution	3	40	4	1.6
29	Fertilizers	3	40	4	1.6
30	Food, Beverages & Consumer Products	3	40	4	1.6
31	Leather Products	3	40	4	1.6
32	Logistics	3	40	4	1.6
33	Machinery & Equipment	3	40	4	1.6
34	Paper & Allied	3	40	4	1.6
35	Pharmaceuticals	3	40	4	1.6
36	Textiles – Composite	3	40	4	1.6
37	Textiles - Fabrics (Weaving)	3	40	4	1.6
38	Textiles - Knits & Knit Apparel	3	40	4	1.6
39	Textiles – Spinning	3	40	4	1.6
40	Textiles - Synthetic Fibers/Polyester	3	40	4	1.6
41	Textiles - Woven Apparel	3	40	4	1.6
42	Textiles-Others	3	40	4	1.6

BY CORPORATE GOVERNANCE & CONTROL STRUCTURE

Sector ranking by corporate governance & control structure (this variable assesses the extent of overall corporate governance & control structure & quality of compliance with generally accepted operating standards in the industry being a combination of certain factors) is as follows:

Rank 1: Enhanced standards of corporate governance & control structure required

Rank 3: Relatively informal governance & control structures required

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Airline Aviation	1	100	2	2.0
2	Energy - Gas Generation & Distribution	1	100	2	2.0
3	Energy - Oil & Gas Exploration	1	100	2	2.0
4	Energy - Oil (Petroleum	1	100	2	2.0
5	Energy - Oil (Petroleum Refining)	1	100	2	2.0
6	Energy - Power (Generation &	1	100	2	2.0
7	Financial Institutions	1	100	2	2.0
8	Information Technology	1	100	2	2.0
9	Sugar	1	100	2	2.0
10	Telecommunications	1	100	2	2.0
11	Cement	2	70	2	1.4
12	Construction	2	70	2	1.4
13	Fertilizers	2	70	2	1.4
14	Food, Beverages & Consumer Products	2	70	2	1.4
15	Machinery & Equipment	2	70	2	1.4
16	Metallic Products (Iron & Steel)	2	70	2	1.4
17	Others	2	70	2	1.4
18	Pharmaceuticals	2	70	2	1.4
19	PSE-Commodity Operations	2	70	2	1.4
20	Services	2	70	2	1.4
21	Sports Products	2	70	2	1.4
22	Surgical, Precision, Optical Equipment	2	70	2	1.4
23	Textiles - Fabrics (Weaving)	2	70	2	1.4
24	Textiles - Synthetic Fibers/Polyester	2	70	2	1.4
25	Tobacco Products	2	70	2	1.4
26	Trading	2	70	2	1.4
27	Agri Business	3	40	2	0.8
28	Agro-Chemicals	3	40	2	0.8
29	Automotive - Assemblers/Manufacturers	3	40	2	0.8
30	Automotive - Parts & Accessories	3	40	2	0.8
31	Carpets & Rugs	3	40	2	0.8
32	Chemicals (inc. Plastic & Rubber Products)	3	40	2	0.8
33	Edible Oil	3	40	2	0.8
34	Glass & Ceramics	3	40	2	0.8
35	Leather Products	3	40	2	0.8
36	Logistics	3	40	2	0.8
37	Paper & Allied	3	40	2	0.8
38	Textiles – Composite	3	40	2	0.8
39	Textiles - Knits & Knit Apparel	3	40	2	0.8
40	Textiles – Spinning	3	40	2	0.8
41	Textiles - Woven Apparel	3	40	2	0.8
42	Textiles-Others	3	40	2	0.8

BY STRENGTH OF COMPETITION

Sector ranking by strength of competition (this factor assesses the strength of competition; number & size of players within the industry sector) is as follows:

Rank 1: Strength of competition is low

Rank 3: Strength of competition is high

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Energy - Gas Generation & Distribution	1	100	3	3.0
2	Energy - Oil & Gas Exploration	1	100	3	3.0
3	Tobacco Products	1	100	3	3.0
4	Agro-Chemicals	2	70	3	2.1
5	Airline Aviation	2	70	3	2.1
6	Automotive - Parts & Accessories	2	70	3	2.1
7	Energy - Oil (Petroleum	2	70	3	2.1
8	Energy - Power (Generation & Distribution)	2	70	3	2.1
9	Fertilizers	2	70	3	2.1
10	Information Technology	2	70	3	2.1
11	Others	2	70	3	2.1
12	PSE-Commodity Operations	2	70	3	2.1
13	Sugar	2	70	3	2.1
14	Agri Business	3	40	3	1.2
15	Automotive - Assemblers/Manufacturers	3	40	3	1.2
16	Carpets & Rugs	3	40	3	1.2
17	Cement	3	40	3	1.2
18	Chemicals (inc. Plastic & Rubber Products)	3	40	3	1.2
19	Construction	3	40	3	1.2
20	Edible Oil	3	40	3	1.2
21	Energy - Oil (Petroleum Refining)	3	40	3	1.2
22	Financial Institutions	3	40	3	1.2
23	Food, Beverages & Consumer Products	3	40	3	1.2
24	Glass & Ceramics	3	40	3	1.2
25	Leather Products	3	40	3	1.2
26	Logistics	3	40	3	1.2
27	Machinery & Equipment	3	40	3	1.2
28	Metallic Products (Iron & Steel)	3	40	3	1.2
29	Paper & Allied	3	40	3	1.2
30	Pharmaceuticals	3	40	3	1.2
31	Services	3	40	3	1.2
32	Sports Products	3	40	3	1.2
33	Surgical, Precision, Optical Equipment	3	40	3	1.2
34	Telecommunications	3	40	3	1.2
35	Textiles – Composite	3	40	3	1.2
36	Textiles - Fabrics (Weaving)	3	40	3	1.2
37	Textiles - Knits & Knit Apparel	3	40	3	1.2
38	Textiles – Spinning	3	40	3	1.2
39	Textiles - Synthetic Fibers/Polyester	3	40	3	1.2
40	Textiles - Woven Apparel	3	40	3	1.2
41	Textiles-Others	3	40	3	1.2
42	Trading	3	40	3	1.2

BY BARRIERS TO ENTRY

Sector ranking by barriers to entry (this variable assesses the possibility/likelihood of entry by new participants in the industry taking in to account the capital-extensive nature & extent of legal, constructive & technological barriers to the entry. this factor generally defines the dynamics of competition within the industry) is as follows:

Rank 1: High barriers to entry

Rank 3: Low barriers to entry

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Airline Aviation	1	100	3	3.0
2	Cement	1	100	3	3.0
3	Energy - Gas Generation & Distribution	1	100	3	3.0
4	Energy - Oil & Gas Exploration	1	100	3	3.0
5	Energy - Oil (Petroleum	1	100	3	3.0
6	Energy - Oil (Petroleum Refining)	1	100	3	3.0
7	Energy - Power (Generation &	1	100	3	3.0
8	Financial Institutions	1	100	3	3.0
9	Metallic Products (Iron & Steel)	1	100	3	3.0
10	Sugar	1	100	3	3.0
11	Telecommunications	1	100	3	3.0
12	Agro-Chemicals	2	70	3	2.1
13	Automotive - Assemblers/Manufacturers	2	70	3	2.1
14	Automotive - Parts & Accessories	2	70	3	2.1
15	Edible Oil	2	70	3	2.1
16	Fertilizers	2	70	3	2.1
17	Information Technology	2	70	3	2.1
18	Tobacco Products	2	70	3	2.1
19	Agri Business	3	40	3	1.2
20	Carpets & Rugs	3	40	3	1.2
21	Chemicals (inc. Plastic & Rubber Products)	3	40	3	1.2
22	Construction	3	40	3	1.2
23	Food, Beverages & Consumer Products	3	40	3	1.2
24	Glass & Ceramics	3	40	3	1.2
25	Leather Products	3	40	3	1.2
26	Logistics	3	40	3	1.2
27	Machinery & Equipment	3	40	3	1.2
28	Others	3	40	3	1.2
29	Paper & Allied	3	40	3	1.2
30	Pharmaceuticals	3	40	3	1.2
31	PSE-Commodity Operations	3	40	3	1.2
32	Services	3	40	3	1.2
33	Sports Products	3	40	3	1.2
34	Surgical, Precision, Optical Equipment	3	40	3	1.2
35	Textiles – Composite	3	40	3	1.2
36	Textiles - Fabrics (Weaving)	3	40	3	1.2
37	Textiles - Knits & Knit Apparel	3	40	3	1.2
38	Textiles – Spinning	3	40	3	1.2
39	Textiles - Synthetic Fibers/Polyester	3	40	3	1.2
40	Textiles - Woven Apparel	3	40	3	1.2
41	Textiles-Others	3	40	3	1.2
42	Trading	3	40	3	1.2

BY LITIGATION

Sector ranking by litigation is as follows:

Rank 1: Likelihood of litigation is low

Rank 3: Likelihood of litigation is high

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Agri Business	1	100	2	2.0
2	Agro-Chemicals	1	100	2	2.0
3	Automotive - Parts & Accessories	1	100	2	2.0
4	Cement	1	100	2	2.0
5	Edible Oil	1	100	2	2.0
6	Energy - Gas Generation & Distribution	1	100	2	2.0
7	Energy - Oil & Gas Exploration	1	100	2	2.0
8	Energy - Oil (Petroleum Refining)	1	100	2	2.0
9	Information Technology	1	100	2	2.0
10	Machinery & Equipment	1	100	2	2.0
11	Paper & Allied	1	100	2	2.0
12	PSE-Commodity Operations	1	100	2	2.0
13	Sports Products	1	100	2	2.0
14	Surgical, Precision, Optical Equipment	1	100	2	2.0
15	Telecommunications	1	100	2	2.0
16	Textiles - Fabrics (Weaving)	1	100	2	2.0
17	Textiles - Knits & Knit Apparel	1	100	2	2.0
18	Textiles – Spinning	1	100	2	2.0
19	Textiles - Synthetic Fibers/Polyester	1	100	2	2.0
20	Textiles - Woven Apparel	1	100	2	2.0
21	Airline Aviation	2	70	2	1.4
22	Chemicals (inc. Plastic & Rubber Products)	2	70	2	1.4
23	Energy - Oil (Petroleum	2	70	2	1.4
24	Fertilizers	2	70	2	1.4
25	Financial Institutions	2	70	2	1.4
26	Glass & Ceramics	2	70	2	1.4
27	Metallic Products (Iron & Steel)	2	70	2	1.4
28	Others	2	70	2	1.4
29	Services	2	70	2	1.4
30	Sugar	2	70	2	1.4
31	Textiles – Composite	2	70	2	1.4
32	Tobacco Products	2	70	2	1.4
33	Trading	2	70	2	1.4
34	Automotive - Assemblers/Manufacturers	3	40	2	0.8
35	Carpets & Rugs	3	40	2	0.8
36	Construction	3	40	2	0.8
37	Energy - Power (Generation &	3	40	2	0.8
38	Food, Beverages & Consumer Products	3	40	2	0.8
39	Leather Products	3	40	2	0.8
40	Logistics	3	40	2	0.8
41	Pharmaceuticals	3	40	2	0.8
42	Textiles-Others	3	40	2	0.8

BY PRICE ELASTICITY

Sector ranking by price elasticity (the variable represents the impact of price changes on the demand of the output) is as follows:

Rank 1: Low impact of price changes on the demand of output

Rank 3: High impact of price changes on the demand of output

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Energy - Gas Generation & Distribution	1	100	3	3.0
2	Information Technology	1	100	3	3.0
3	Sugar	1	100	3	3.0
4	Agro-Chemicals	2	70	3	2.1
5	Automotive - Parts & Accessories	2	70	3	2.1
6	Cement	2	70	3	2.1
7	Edible Oil	2	70	3	2.1
8	Energy - Oil (Petroleum	2	70	3	2.1
9	Energy - Oil (Petroleum Refining)	2	70	3	2.1
10	Energy - Power (Generation & Distribution)	2	70	3	2.1
11	Machinery & Equipment	2	70	3	2.1
12	Metallic Products (Iron & Steel)	2	70	3	2.1
13	Others	2	70	3	2.1
14	Paper & Allied	2	70	3	2.1
15	PSE-Commodity Operations	2	70	3	2.1
16	Surgical, Precision, Optical Equipment	2	70	3	2.1
17	Telecommunications	2	70	3	2.1
18	Textiles - Fabrics (Weaving)	2	70	3	2.1
19	Textiles - Knits & Knit Apparel	2	70	3	2.1
20	Textiles – Spinning	2	70	3	2.1
21	Textiles - Woven Apparel	2	70	3	2.1
22	Trading	2	70	3	2.1
23	Agri Business	3	40	3	1.2
24	Airline Aviation	3	40	3	1.2
25	Automotive - Assemblers/Manufacturers	3	40	3	1.2
26	Carpets & Rugs	3	40	3	1.2
27	Chemicals (inc. Plastic & Rubber Products)	3	40	3	1.2
28	Construction	3	40	3	1.2
29	Energy - Oil & Gas Exploration	3	40	3	1.2
30	Fertilizers	3	40	3	1.2
31	Financial Institutions	3	40	3	1.2
32	Food, Beverages & Consumer Products	3	40	3	1.2
33	Glass & Ceramics	3	40	3	1.2
34	Leather Products	3	40	3	1.2
35	Logistics	3	40	3	1.2
36	Pharmaceuticals	3	40	3	1.2
37	Services	3	40	3	1.2
38	Sports Products	3	40	3	1.2
39	Textiles – Composite	3	40	3	1.2
40	Textiles - Synthetic Fibers/Polyester	3	40	3	1.2
41	Textiles-Others	3	40	3	1.2
42	Tobacco Products	3	40	3	1.2

BY EXPOSURE (Foreign Exchange Risk)

Sector ranking by the FX risk (this is an assessment of the risk associated with the foreign exchange movements resulting in cash flow/earnings risks) is as follows:

Rank 1: Low risk associated with foreign exchange movements

Rank 3: High risk associated with foreign exchange movements

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Construction	1	100	3	3.0
2	Food, Beverages & Consumer Products	1	100	3	3.0
3	Information Technology	1	100	3	3.0
4	Sugar	1	100	3	3.0
5	Surgical, Precision, Optical Equipment	1	100	3	3.0
6	Telecommunications	1	100	3	3.0
7	Tobacco Products	1	100	3	3.0
8	Agro-Chemicals	2	70	3	2.1
9	Cement	2	70	3	2.1
10	Energy - Gas Generation & Distribution	2	70	3	2.1
11	Financial Institutions	2	70	3	2.1
12	Glass & Ceramics	2	70	3	2.1
13	Machinery & Equipment	2	70	3	2.1
14	Metallic Products (Iron & Steel)	2	70	3	2.1
15	Services	2	70	3	2.1
16	Sports Products	2	70	3	2.1
17	Textiles - Knits & Knit Apparel	2	70	3	2.1
18	Textiles-Others	2	70	3	2.1
19	Textiles – Spinning	2	70	3	2.1
20	Textiles - Synthetic Fibers/Polyester	2	70	3	2.1
21	Agri Business	3	40	3	1.2
22	Airline Aviation	3	40	3	1.2
23	Automotive - Assemblers/Manufacturers	3	40	3	1.2
24	Automotive - Parts & Accessories	3	40	3	1.2
25	Carpets & Rugs	3	40	3	1.2
26	Chemicals (inc. Plastic & Rubber Products)	3	40	3	1.2
27	Edible Oil	3	40	3	1.2
28	Energy - Oil & Gas Exploration	3	40	3	1.2
29	Energy - Oil (Petroleum	3	40	3	1.2
30	Energy - Oil (Petroleum Refining)	3	40	3	1.2
31	Energy - Power (Generation & Distribution)	3	40	3	1.2
32	Fertilizers	3	40	3	1.2
33	Leather Products	3	40	3	1.2
34	Logistics	3	40	3	1.2
35	Others	3	40	3	1.2
36	Paper & Allied	3	40	3	1.2
37	Pharmaceuticals	3	40	3	1.2
38	PSE-Commodity Operations	3	40	3	1.2
39	Textiles – Composite	3	40	3	1.2
40	Textiles - Fabrics (Weaving)	3	40	3	1.2
41	Textiles - Woven Apparel	3	40	3	1.2
42	Trading	3	40	3	1.2

BY EXPOSURE (Interest Rate Risk)

Sector ranking by IR Risk (this is an assessment of the risk associated with the rate fluctuations resulting in cash flow/ earnings risk. Highly leveraged industries face a higher interest rate risk; links to Debt/Equity ratio. Higher D/E ratio means higher debt & high interest rate risk) is as follows:
Rank 1: Low risk associated with interest rate movements
Rank 3: High risk associated with interest rate movements

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Information Technology	1	100	3	3.0
2	Textiles - Knits & Knit Apparel	1	100	3	3.0
3	Agri Business	2	70	3	2.1
4	Agro-Chemicals	2	70	3	2.1
5	Construction	2	70	3	2.1
6	Energy - Gas Generation & Distribution	2	70	3	2.1
7	Energy - Oil (Petroleum	2	70	3	2.1
8	Energy - Oil (Petroleum Refining)	2	70	3	2.1
9	Food, Beverages & Consumer Products	2	70	3	2.1
10	Logistics	2	70	3	2.1
11	Machinery & Equipment	2	70	3	2.1
12	Metallic Products (Iron & Steel)	2	70	3	2.1
13	Others	2	70	3	2.1
14	PSE-Commodity Operations	2	70	3	2.1
15	Services	2	70	3	2.1
16	Sports Products	2	70	3	2.1
17	Sugar	2	70	3	2.1
18	Surgical, Precision, Optical Equipment	2	70	3	2.1
19	Telecommunications	2	70	3	2.1
20	Textiles – Composite	2	70	3	2.1
21	Textiles - Synthetic Fibers/Polyester	2	70	3	2.1
22	Tobacco Products	2	70	3	2.1
23	Trading	2	70	3	2.1
24	Airline Aviation	3	40	3	1.2
25	Automotive - Assemblers/Manufacturers	3	40	3	1.2
26	Automotive - Parts & Accessories	3	40	3	1.2
27	Carpets & Rugs	3	40	3	1.2
28	Cement	3	40	3	1.2
29	Chemicals (inc. Plastic & Rubber Products)	3	40	3	1.2
30	Edible Oil	3	40	3	1.2
31	Energy - Oil & Gas Exploration	3	40	3	1.2
32	Energy - Power (Generation & Distribution)	3	40	3	1.2
33	Fertilizers	3	40	3	1.2
34	Financial Institutions	3	40	3	1.2
35	Glass & Ceramics	3	40	3	1.2
36	Leather Products	3	40	3	1.2
37	Paper & Allied	3	40	3	1.2
38	Pharmaceuticals	3	40	3	1.2
39	Textiles - Fabrics (Weaving)	3	40	3	1.2
40	Textiles – Spinning	3	40	3	1.2
41	Textiles - Woven Apparel	3	40	3	1.2
42	Textiles-Others	3	40	3	1.2

COMPOSITE RANKING BY BUSINESS ENVIRONMENT

Composite ranking by the business environment is as follows:

S. No.	Sector	Maximum Score	Score
1	Information Technology	27	25.2
2	Sugar	27	23.4
3	Telecommunications	27	23.4
4	Energy - Oil & Gas Exploration	27	21.6
5	Agro-Chemicals	27	21.3
6	Tobacco Products	27	21.0
7	Energy - Gas Generation & Distribution	27	20.4
8	Surgical, Precision, Optical Equipment	27	19.8
9	Energy - Oil (Petroleum	27	19.5
10	Energy - Oil (Petroleum Refining)	27	19.2
11	Financial Institutions	27	18.9
12	PSE-Commodity Operations	27	18.9
13	Trading	27	18.6
14	Energy - Power (Generation & Distribution)	27	18.0
15	Metallic Products (Iron & Steel)	27	17.7
16	Cement	27	17.4
17	Edible Oil	27	17.4
18	Services	27	17.4
19	Others	27	17.1
20	Agri Business	27	16.5
21	Airline Aviation	27	16.5
22	Construction	27	16.5
23	Food, Beverages & Consumer Products	27	16.5
24	Sports Products	27	15.6
25	Textiles - Knits & Knit Apparel	27	15.6
26	Machinery & Equipment	27	15.3
27	Automotive - Parts & Accessories	27	14.7
28	Textiles - Synthetic Fibers/Polyester	27	14.4
29	Textiles – Spinning	27	13.8
30	Fertilizers	27	13.8
31	Glass & Ceramics	27	13.5
32	Textiles - Fabrics (Weaving)	27	13.5
33	Paper & Allied	27	12.9
34	Textiles - Woven Apparel	27	12.9
35	Textiles – Composite	27	12.3
36	Logistics	27	11.7
37	Automotive - Assemblers/Manufacturers	27	11.7
38	Textiles-Others	27	11.7
39	Chemicals (inc. Plastic & Rubber Products)	27	11.4
40	Pharmaceuticals	27	11.4
41	Carpets & Rugs	27	10.8
42	Leather Products	27	10.8

RANKING BY PROFITABILITY & FINANCIAL STRENGTH

BY GEARING

BY INTEREST COVERAGE (EBIT/Interest Expense)

Rank 1: High ability to pay off interest expense

Rank 3: less ability to pay off interest expense

S. No	Sectors	EBIT	Interest Expense	Interest Coverage	Rank	%age	Max Score	Score
1	Sports Products	197	1	244.11	1	100	7	7.0
2	Tobacco Products	30,432	471	64.61	1	100	7	7.0
3	Energy-Oil & Gas Expl.	433,376	13,620	31.82	1	100	7	7.0
4	Glass & Ceramics	14,555	470	30.97	1	100	7	7.0
5	Automobile-assemblers & manufacturers	58,104	2,016	28.82	1	100	7	7.0
6	Chemicals	26,408	1,341	19.69	1	100	7	7.0
7	Telecommunications	8,947	714	12.53	1	100	7	7.0
8	Pharmaceuticals	30,019	2,611	11.50	2	70	7	4.9
9	Textiles-Spinning	32,484	3,334	9.74	2	70	7	4.9
10	Fertilizers	185,224	25,811	7.18	2	70	7	4.9
11	Cement	102,018	14,815	6.89	2	70	7	4.9
12	Textiles-Synthetic Fibers/PSF	13,087	1,970	6.64	2	70	7	4.9
13	Automobile-parts & accessories	10,379	1,599	6.49	2	70	7	4.9
14	Textiles-Composite	109,360	20,533	5.33	2	70	7	4.9
15	Paper & Allied	8,395	1,656	5.07	2	70	7	4.9
16	Information Technology	11,776	2,527	4.66	2	70	7	4.9
17	Textiles-Fabrics (Weaving)	1,748	390	4.48	2	70	7	4.9
18	Energy-Power (Gen. & Dist.)	82,902	21,029	3.94	2	70	7	4.9
19	Machinery & Equipment	2,624	734	3.57	2	70	7	4.9
20	Edible Oil	863	263	3.28	2	70	7	4.9
21	Textiles-Knits& Knit Apparel	41,997	14,412	2.91	2	70	7	4.9
22	Energy-Oil(Petroleum Dist. & Mkt.)	60,007	23,559	2.55	3	40	7	2.8
23	Metallic Products (Iron & Steel)	27,340	11,232	2.43	3	40	7	2.8
24	Sugar	16,977	7,845	2.16	3	40	7	2.8
25	Leather Products	4,832	2,437	1.98	3	40	7	2.8
26	Energy-Gas Gen. & Dist.	58,704	43,356	1.35	3	40	7	2.8
27	Agro Chemicals	(192)	2,806	-0.07	3	40	7	2.8
28	Airline Aviation	(22,373)	27,390	-0.82	3	40	7	2.8
29	Energy-Oil(Petroleum Refining)	(15,428)	7,988	-1.93	3	40	7	2.8
30	Textiles-Woven Apparel	(608)	37	-16.43	3	40	7	2.8
31	Food, Beverages & Cons. Prod.	34,435	(251)	-137.19	3	40	7	2.8
32	Financial Institutions	446,057	-	#DIV/0!	0	0	7	0

BY DEBT COVERAGE (EBIT/Debt)

Rank 1: High ability to pay off debt

Rank 3: less ability to pay off debt

S. No.	Sectors	EBIT	Debt	Debt Coverage	Rank	%age	Max Score	Score
1	Energy-Oil & Gas Expl.	433,376	752	576.30	1	100	6	6.0
2	Tobacco Products	30,432	2,300	13.23	1	100	6	6.0
3	Telecommunications	8,947	1,614	5.54	1	100	6	6.0
4	Automobile-assemblers & manufacturers	58,104	20,702	2.81	2	70	6	4.2
5	Pharmaceuticals	30,019	19,056	1.58	2	70	6	4.2
6	Fertilizers	185,224	129,279	1.43	2	70	6	4.2
7	Energy-Gas Gen. & Dist.	58,704	54,496	1.08	2	70	6	4.2
8	Information Technology	11,776	12,007	0.98	2	70	6	4.2
9	Automobile-parts & accessories	10,379	12,248	0.85	2	70	6	4.2
10	Glass & Ceramics	14,555	22,476	0.65	2	70	6	4.2
11	Chemicals	26,408	56,700	0.47	2	70	6	4.2
12	Textiles-Composite	109,360	239,167	0.46	2	70	6	4.2
13	Cement	102,018	235,552	0.43	2	70	6	4.2
14	Paper & Allied	8,395	20,550	0.41	2	70	6	4.2
15	Edible Oil	863	2,317	0.37	2	70	6	4.2
16	Textiles-Synthetic Fibers/PSF	13,087	38,771	0.34	2	70	6	4.2
17	Machinery & Equipment	2,624	7,774	0.34	2	70	6	4.2
18	Sugar	16,977	56,707	0.30	2	70	6	4.2
19	Textiles-Knits& Knit Apparel	41,997	152,477	0.28	2	70	6	4.2
20	Energy-Power (Gen. & Dist.)	82,902	333,409	0.25	2	70	6	4.2
21	Metallic Products (Iron & Steel)	27,340	111,521	0.25	2	70	6	4.2
22	Textiles-Fabrics (Weaving)	1,748	9,678	0.18	2	70	6	4.2
23	Leather Products	4,832	30,529	0.16	3	40	6	2.4
24	Energy-Oil(Petroleum Dist. & Mkt.)	60,007	419,783	0.14	3	40	6	2.4
25	Textiles-Spinning	32,484	244,635	0.13	3	40	6	2.4
26	Food, Beverages & Cons. Prod.	34,435	493,491	0.07	3	40	6	2.4
27	Agro Chemicals	(192)	22,787	-0.01	3	40	6	2.4
28	Airline Aviation	(22,373)	370,746	-0.06	3	40	6	2.4
29	Energy-Oil(Petroleum Refining)	(15,428)	66,584	-0.23	3	40	6	2.4
30	Textiles-Woven Apparel	(608)	377	-1.61	3	40	6	2.4
31	Financial Institutions	446,057	-	#DIV/0!	0	0	6	0
32	Sports Products	197	-	#DIV/0!	0	0	6	0

BY DEBT/EQUITY

Sector ranking by Debt/Equity (measures industry's average gearing level) is as follows:

Rank 1: Gearing level is low

Rank 3: Gearing level is high

S. No.	Sectors	Debt	Equity	Debt/ Equity	Rank	%age	Max Score	Score
1	Financial Institutions	0	1,731,071	0.00	1	100	8	8
2	Sports Products	0	867	0.00	1	100	8	8
3	Energy-Oil & Gas Expl.	752	1,492,189	0.00	1	100	8	8
4	Tobacco Products	2,300	153,452	0.01	1	100	8	8
5	Telecommunications	1,614	105,295	0.02	1	100	8	8
6	Textiles-Woven Apparel	377	2,893	0.13	1	100	8	8
7	Automobile-assemblers & manufacturers	20,702	149,268	0.14	2	70	8	5.6
8	Pharmaceuticals	19,056	95,584	0.20	2	70	8	5.6
9	Fertilizers	129,279	510,568	0.25	2	70	8	5.6
10	Automobile-parts & accessories	12,248	47,666	0.26	2	70	8	5.6
11	Information Technology	12,007	41,778	0.29	2	70	8	5.6
12	Cement	235,552	550,300	0.43	2	70	8	5.6
13	Energy-Oil(Petroleum Refining)	66,584	149,591	0.45	2	70	8	5.6
14	Machinery & Equipment	7,774	16,178	0.48	2	70	8	5.6
15	Glass & Ceramics	22,476	44,534	0.50	2	70	8	5.6
16	Edible Oil	2,317	4,461	0.52	2	70	8	5.6
17	Paper & Allied	20,550	38,272	0.54	2	70	8	5.6
18	Chemicals	56,700	99,002	0.57	2	70	8	5.6
19	Sugar	56,707	90,807	0.62	2	70	8	5.6
20	Energy-Power (Gen. & Dist.)	333,409	506,438	0.66	2	70	8	5.6
21	Textiles-Composite	239,167	339,002	0.71	2	70	8	5.6
22	Textiles-Synthetic Fibers/PSF	38,771	54,941	0.71	2	70	8	5.6
23	Textiles-Knits& Knit Apparel	152,477	143,913	1.06	3	40	8	3.2
24	Leather Products	30,529	27,979	1.09	3	40	8	3.2
25	Metallic Products (Iron & Steel)	111,521	98,748	1.13	3	40	8	3.2
26	Textiles-Fabrics (Weaving)	9,678	7,649	1.27	3	40	8	3.2
27	Textiles-Spinning	244,635	179,483	1.36	3	40	8	3.2
28	Energy-Oil(Petroleum Dist. & Mkt.)	419,783	255,633	1.64	3	40	8	3.2
29	Food, Beverages & Cons. Prod.	493,491	112,518	4.39	3	40	8	3.2
30	Agro Chemicals	22,787	3,926	5.80	3	40	8	3.2
31	Energy-Gas Gen. & Dist.	54,496	8,291	6.57	3	40	8	3.2
32	Airline Aviation	370,746	(497,463)	-0.75	3	40	8	3.2

BY LIQUIDITY

BY CURRENT RATIO (Current Assets/Current Liabilities)

Sector ranking by current ratio (assesses the industry's average measures of liquidity) is as follows:

Rank 1: Industry's average measure of liquidity is high

Rank 3: Industry's average measure of liquidity is high

S. No.	Sectors	Current Assets	Current Liabilities	Current Ratio	Rank	%age	Max Score	Score
1	Sports Products	799	73	10.95	1	100	8	8
2	Energy-Oil & Gas Expl.	1,399,805	343,514	4.07	1	100	8	8
3	Metallic Products (Iron & Steel)	343,910	129,191	2.66	1	100	8	8
4	Information Technology	44,015	19,385	2.27	1	100	8	8
5	Textiles-Woven Apparel	1,152	547	2.11	1	100	8	8
6	Pharmaceuticals	93,588	48,326	1.94	2	70	8	5.6
7	Automobile-parts & accessories	50,459	28,935	1.74	2	70	8	5.6
8	Paper & Allied	45,488	28,242	1.61	2	70	8	5.6
9	Airline Aviation	452,093	313,715	1.44	2	70	8	5.6
10	Edible Oil	5,454	3,803	1.43	2	70	8	5.6
11	Textiles-Composite	465,339	325,793	1.43	2	70	8	5.6
12	Machinery & Equipment	28,037	20,542	1.36	2	70	8	5.6
13	Chemicals	107,450	83,004	1.29	2	70	8	5.6
14	Fertilizers	608,880	477,594	1.27	2	70	8	5.6
15	Glass & Ceramics	28,791	22,804	1.26	2	70	8	5.6
16	Textiles-Knits& Knit Apparel	339,016	271,502	1.25	2	70	8	5.6
17	Tobacco Products	54,125	43,531	1.24	2	70	8	5.6
18	Textiles-Fabrics (Weaving)	10,653	8,630	1.23	2	70	8	5.6
19	Automobile-assemblers & manufacturers	406,682	340,937	1.19	3	40	8	3.2
20	Leather Products	40,614	34,213	1.19	3	40	8	3.2
21	Textiles-Spinning	185,233	161,135	1.15	3	40	8	3.2
22	Energy-Power (Gen. & Dist.)	900,161	812,472	1.11	3	40	8	3.2
23	Financial Institutions	25,843,440	24,445,354	1.06	3	40	8	3.2
24	Textiles-Synthetic Fibers/PSF	57,082	56,116	1.02	3	40	8	3.2
25	Food, Beverages & Cons. Prod.	140,982	145,774	0.97	3	40	8	3.2
26	Sugar	61,338	63,916	0.96	3	40	8	3.2
27	Cement	263,280	277,948	0.95	3	40	8	3.2
28	Energy-Gas Gen. & Dist.	1,161,387	1,280,871	0.91	3	40	8	3.2
29	Energy-Oil(Petroleum Refining)	273,322	301,873	0.91	3	40	8	3.2
30	Telecommunications	84,915	113,404	0.75	3	40	8	3.2
31	Energy-Oil(Petroleum Dist. & Mkt.)	1,061,862	1,421,418	0.75	3	40	8	3.2
32	Agro Chemicals	7,752	52,297	0.15	3	40	8	3.2

BY QUICK RATIO (Cash & Bank Balances(C&BB) + Short Term Investments (STI) + Trade Debts (TD)/Current Liabilities

Sector ranking by quick ratio (assesses the industry's average measures of liquidity) is as follows:

Rank 1: Industry's average measure of liquidity is high

Rank 3: Industry's average measure of liquidity is high

S. No.	Sector	C&BB	TD	STI	Current Liab.	Ratio	Rank	%age	Score
1	Sports Products	100	414	0	73	7.04	1	100	7
2	Food, Beverages & Cons. Prod.	485,942	26,198	5,635	145,774	3.55	1	100	7
3	Energy-Oil & Gas Expl.	139,573	864,712	71,402	343,514	3.13	2	70	4.9
4	Edible Oil	102	2,827	8,000	3,803	2.87	2	70	4.9
5	Pharmaceuticals	13,465	96,702	10,855	48,326	2.50	2	70	4.9
6	Information Technology	7,515	13,551	6,319	19,385	1.41	2	70	4.9
7	Machinery & Equipment	2,562	17,214	0	20,542	0.96	2	70	4.9
8	Fertilizers	86,963	72,297	223,359	477,594	0.80	2	70	4.9
9	Automobile-assemblers & manufacturers	70,061	7,977	156,877	340,937	0.69	2	70	4.9
10	Paper & Allied	2,457	11,893	3,407	28,242	0.63	2	70	4.9
11	Textiles-Knits& Knit Apparel	5,481	144,689	17,439	271,502	0.62	2	70	4.9
12	Financial Institutions	2,245,670		12,733,536	24,445,354	0.61	2	70	4.9
13	Automobile-parts & accessories	3,184	10,569	2,033	28,935	0.55	2	70	4.9
14	Textiles-Woven Apparel	31	229	0	547	0.48	2	70	4.9
15	Energy-Oil(Petroleum Refining)	77,700	65,165		301,873	0.47	2	70	4.9
16	Tobacco Products	9,916	770	9,402	43,531	0.46	2	70	4.9
17	Glass & Ceramics	2,765	6,012	1,522	22,804	0.45	3	40	2.8
18	Energy-Power (Gen. & Dist.)	13,063	336,596	15,564	812,472	0.45	3	40	2.8
19	Leather Products	7,642	5,616	1,255	34,213	0.42	3	40	2.8
20	Chemicals	5,175	21,978	7,812	83,004	0.42	3	40	2.8
21	Textiles-Spinning	18,780	46,387	2,228	161,135	0.42	3	40	2.8
22	Textiles-Composite	17,632	108,075	9,490	325,793	0.41	3	40	2.8
23	Energy-Oil(Petroleum Dist. & Mkt.)	96,532	461,578	3,370	1,421,418	0.40	3	40	2.8
24	Textiles-Fabrics (Weaving)	173	3,163	62	8,630	0.39	3	40	2.8
25	Metallic Products (Iron & Steel)	7,392	36,214	428	129,191	0.34	3	40	2.8
26	Sugar	2,568	9,213	7,810	63,916	0.31	3	40	2.8
27	Telecommunications	2,593	28,439	54	113,404	0.27	3	40	2.8
28	Cement	16,128	18,243	29,120	277,948	0.23	3	40	2.8
29	Energy-Gas Gen. & Dist.	10,951	262,356	0	1,280,871	0.21	3	40	2.8
30	Textiles-Synthetic Fibers/PSF	519	10,189	172	56,116	0.19	3	40	2.8
31	Airline Aviation	12,496	14,925	19	313,715	0.09	3	40	2.8
32	Agro Chemicals	1,098	144	104	52,297	0.03	3	40	2.8

BY CASH RATIO (Cash & Bank Balances / Current Liabilities)

Sector ranking by quick ratio (assesses the industry's average measures of liquidity) is as follows:
Rank 1: Industry's average measure of liquidity is high
Rank 3: Industry's average measure of liquidity is high

S. No.	Sector	C&BB	Current Liabilities	Cash Ratio	Rank	%age	Max Score	Score
1	Food, Beverages & Cons. Prod.	485,942	145,774	3.33	1	100	4	4.0
2	Sports Products	100	73	1.37	1	100	4	4.0
3	Energy-Oil & Gas Expl.	139,573	343,514	0.41	2	70	4	2.8
4	Information Technology	7,515	19,385	0.39	2	70	4	2.8
5	Pharmaceuticals	13,465	48,326	0.28	2	70	4	2.8
6	Energy-Oil(Petroleum Refining)	77,700	301,873	0.26	2	70	4	2.8
7	Tobacco Products	9,916	43,531	0.23	2	70	4	2.8
8	Leather Products	7,642	34,213	0.22	3	40	4	1.6
9	Automobile-assemblers & manufacturers	70,061	340,937	0.21	3	40	4	1.6
10	Fertilizers	86,963	477,594	0.18	3	40	4	1.6
11	Machinery & Equipment	2,562	20,542	0.12	3	40	4	1.6
12	Glass & Ceramics	2,765	22,804	0.12	3	40	4	1.6
13	Textiles-Spinning	18,780	161,135	0.12	3	40	4	1.6
14	Automobile-parts & accessories	3,184	28,935	0.11	3	40	4	1.6
15	Financial Institutions	2,245,670	24,445,354	0.09	3	40	4	1.6
16	Paper & Allied	2,457	28,242	0.09	3	40	4	1.6
17	Energy-Oil(Petroleum Dist. & Mkt.)	96,532	1,421,418	0.07	3	40	4	1.6
18	Chemicals	5,175	83,004	0.06	3	40	4	1.6
19	Cement	16,128	277,948	0.06	3	40	4	1.6
20	Metallic Products (Iron & Steel)	7,392	129,191	0.06	3	40	4	1.6
21	Textiles-Woven Apparel	31	547	0.06	3	40	4	1.6
22	Textiles-Composite	17,632	325,793	0.05	3	40	4	1.6
23	Sugar	2,568	63,916	0.04	3	40	4	1.6
24	Airline Aviation	12,496	313,715	0.04	3	40	4	1.6
25	Edible Oil	102	3,803	0.03	3	40	4	1.6
26	Telecommunications	2,593	113,404	0.02	3	40	4	1.6
27	Agro Chemicals	1,098	52,297	0.02	3	40	4	1.6
28	Textiles-Knits& Knit Apparel	5,481	271,502	0.02	3	40	4	1.6
29	Textiles-Fabrics (Weaving)	173	8,630	0.02	3	40	4	1.6
30	Energy-Power (Gen. & Dist.)	13,063	812,472	0.02	3	40	4	1.6
31	Textiles-Synthetic Fibers/PSF	519	56,116	0.01	3	40	4	1.6
32	Energy-Gas Gen. & Dist.	10,951	1,280,871	0.01	3	40	4	1.6

BY PROFITABILITY

BY NET PROFIT MARGIN

Sector ranking by Net profit margin (profit margin & analysis of its stability & growth is important when deciding whether the sector will sustain its status as a going concern) is as follows:

Rank 1: High profit margins

Rank 3: Low profit margins

S. No.	Sector	Net Profit	Sales	Net Profit Margin	Rank	%age	Max Score	Score
1	Sports Products	191	238	80%	1	100	7	7.0
2	Energy-Oil & Gas Expl.	246,328	705,026	35%	1	100	7	7.0
3	Financial Institutions	271,143	1,000,113	27%	1	100	7	7.0
4	Fertilizers	128,180	741,594	17%	2	70	7	4.9
5	Glass & Ceramics	11,128	79,754	14%	2	70	7	4.9
6	Pharmaceuticals	19,745	170,634	12%	2	70	7	4.9
7	Paper & Allied	8,355	73,918	11%	2	70	7	4.9
8	Information Technology	7,975	71,483	11%	2	70	7	4.9
9	Tobacco Products	21,484	219,392	10%	2	70	7	4.9
10	Cement	52,635	545,106	10%	2	70	7	4.9
11	Textiles-Composite	73,445	787,206	9%	2	70	7	4.9
12	Energy-Power (Gen. & Dist.)	57,651	675,579	9%	2	70	7	4.9
13	Textiles-Synthetic Fibers/PSF	7,558	98,178	8%	2	70	7	4.9
14	Telecommunications	5,384	79,118	7%	2	70	7	4.9
15	Food, Beverages & Cons. Prod.	25,396	413,337	6%	2	70	7	4.9
16	Textiles-Spinning	22,452	368,014	6%	2	70	7	4.9
17	Chemicals	15,998	269,526	6%	2	70	7	4.9
18	Automobile-assemblers & manufacturers	36,181	801,793	5%	2	70	7	4.9
19	Machinery & Equipment	1,163	26,670	4%	3	40	7	2.8
20	Metallic Products (Iron & Steel)	12,478	293,285	4%	3	40	7	2.8
21	Sugar	7,731	211,002	4%	3	40	7	2.8
22	Textiles-Knits& Knit Apparel	22,084	670,262	3%	3	40	7	2.8
23	Textiles-Fabrics (Weaving)	885	29,491	3%	3	40	7	2.8
24	Leather Products	1,526	60,772	3%	3	40	7	2.8
25	Automobile-parts & accessories	2,680	107,067	3%	3	40	7	2.8
26	Edible Oil	287	19,400	1%	3	40	7	2.8
27	Energy-Gas Gen. & Dist.	8,736	873,476	1%	3	40	7	2.8
28	Energy-Oil(Petroleum Dist. & Mkt.)	16,445	1,982,988	1%	3	40	7	2.8
29	Energy-Oil(Petroleum Refining)	(13,396)	582,687	-2%	3	40	7	2.8
30	Agro Chemicals	(2,678)	10,303	-26%	3	40	7	2.8
31	Airline Aviation	(50,101)	86,185	-58%	3	40	7	2.8
32	Textiles-Woven Apparel	(662)	969	-68%	3	40	7	2.8

BY TOTAL ASSET TURNOVER

Sector ranking by total asset turnover (assesses the industry's average turnover) is as follows:
Rank 1: The industry is sufficiently using its assets to generate revenues
Rank 3: The industry is inefficient in generating revenues

S. No.	Sector	Net Profit	Total Assets	Asset Turnover	Rank	%age	Max Score	Score
1	Tobacco Products	21,484	79,435	27%	1	100	5	5.0
2	Sports Products	191	940	20%	1	100	5	5.0
3	Glass & Ceramics	11,128	73,116	15%	2	70	5	3.5
4	Pharmaceuticals	19,745	158,167	12%	2	70	5	3.5
5	Information Technology	7,975	64,271	12%	2	70	5	3.5
6	Energy-Oil & Gas Expl.	246,328	2,058,122	12%	2	70	5	3.5
7	Fertilizers	128,180	1,337,919	10%	2	70	5	3.5
8	Textiles-Composite	73,445	796,676	9%	2	70	5	3.5
9	Food, Beverages & Cons. Prod.	25,396	315,233	8%	2	70	5	3.5
10	Chemicals	15,998	207,165	8%	2	70	5	3.5
11	Automobile-assemblers & manufacturers	36,181	503,118	7%	3	40	5	2.0
12	Paper & Allied	8,355	124,807	7%	3	40	5	2.0
13	Textiles-Synthetic Fibers/PSF	7,558	127,892	6%	3	40	5	2.0
14	Textiles-Knits& Knit Apparel	22,084	416,058	5%	3	40	5	2.0
15	Cement	52,635	1,034,050	5%	3	40	5	2.0
16	Metallic Products (Iron & Steel)	12,478	257,431	5%	3	40	5	2.0
17	Textiles-Spinning	22,452	471,557	5%	3	40	5	2.0
18	Textiles-Fabrics (Weaving)	885	20,311	4%	3	40	5	2.0
19	Sugar	7,731	190,057	4%	3	40	5	2.0
20	Energy-Power (Gen. & Dist.)	57,651	1,535,908	4%	3	40	5	2.0
21	Edible Oil	287	8,660	3%	3	40	5	2.0
22	Automobile-parts & accessories	2,680	82,155	3%	3	40	5	2.0
23	Machinery & Equipment	1,163	39,120	3%	3	40	5	2.0
24	Telecommunications	5,384	264,541	2%	3	40	5	2.0
25	Leather Products	1,526	82,983	2%	3	40	5	2.0
26	Energy-Oil(Petroleum Dist. & Mkt.)	16,445	1,285,451	1%	3	40	5	2.0
27	Financial Institutions	271,143	26,631,382	1%	3	40	5	2.0
28	Energy-Gas Gen. & Dist.	8,736	1,551,823	1%	3	40	5	2.0
29	Energy-Oil(Petroleum Refining)	(13,396)	483,992	-3%	3	40	5	2.0
30	Agro Chemicals	(2,678)	67,473	-4%	3	40	5	2.0
31	Textiles-Woven Apparel	(662)	3,800	-17%	3	40	5	2.0
32	Airline Aviation	(50,101)	146,366	-34%	3	40	5	2.0

BY ROA & ROE

Sector ranking by ROA/ROE (assesses the industry's average measures of profitability) is as follows:

Rank 1: Industry's average measure of profitability is high

Rank 5: Industry's average measure of profitability is low

S. No.	Sector	Net Profit	Total Assets	ROA	Rank	%age	Max Score	Score
1	Tobacco Products	21,484	79,435	27%	1	100	4	4.0
2	Sports Products	191	940	20%	1	100	4	4.0
3	Glass & Ceramics	11,128	73,116	15%	2	70	4	2.8
4	Pharmaceuticals	19,745	158,167	12%	2	70	4	2.8
5	Information Technology	7,975	64,271	12%	2	70	4	2.8
6	Energy-Oil & Gas Expl.	246,328	2,058,122	12%	2	70	4	2.8
7	Fertilizers	128,180	1,337,919	10%	2	70	4	2.8
8	Textiles-Composite	73,445	796,676	9%	2	70	4	2.8
9	Food, Beverages & Cons. Prod.	25,396	315,233	8%	2	70	4	2.8
10	Chemicals	15,998	207,165	8%	2	70	4	2.8
11	Automobile-assemblers & manufacturers	36,181	503,118	7%	2	70	4	2.8
12	Paper & Allied	8,355	124,807	7%	2	70	4	2.8
13	Textiles-Synthetic Fibers/PSF	7,558	127,892	6%	2	70	4	2.8
14	Textiles-Knits& Knit Apparel	22,084	416,058	5%	2	70	4	2.8
15	Cement	52,635	1,034,050	5%	2	70	4	2.8
16	Metallic Products (Iron & Steel)	12,478	257,431	5%	2	70	4	2.8
17	Textiles-Spinning	22,452	471,557	5%	2	70	4	2.8
18	Textiles-Fabrics (Weaving)	885	20,311	4%	3	40	4	1.6
19	Sugar	7,731	190,057	4%	3	40	4	1.6
20	Energy-Power (Gen. & Dist.)	57,651	1,535,908	4%	3	40	4	1.6
21	Edible Oil	287	8,660	3%	3	40	4	1.6
22	Automobile-parts & accessories	2,680	82,155	3%	3	40	4	1.6
23	Machinery & Equipment	1,163	39,120	3%	3	40	4	1.6
24	Telecommunications	5,384	264,541	2%	3	40	4	1.6
25	Leather Products	1,526	82,983	2%	3	40	4	1.6
26	Energy-Oil(Petroleum Dist. & Mkt.)	16,445	1,285,451	1%	3	40	4	1.6
27	Financial Institutions	271,143	26,631,382	1%	3	40	4	1.6
28	Energy-Gas Gen. & Dist.	8,736	1,551,823	1%	3	40	4	1.6
29	Energy-Oil(Petroleum Refining)	(13,396)	483,992	-3%	3	40	4	1.6
30	Agro Chemicals	(2,678)	67,473	-4%	3	40	4	1.6
31	Textiles-Woven Apparel	(662)	3,800	-17%	3	40	4	1.6
32	Airline Aviation	(50,101)	146,366	-34%	3	40	4	1.6

BY ROA & ROE

Sector ranking by ROA/ROE (assesses the industry's average measures of profitability) is as follows:

Rank 1: Industry's average measure of profitability is high

Rank 5: Industry's average measure of profitability is low

S. No.	Sector	Net Profit	Equity	ROE	Rank	%age	Max Score	Score
1	Energy-Gas Gen. & Dist.	8,736	8,291	105%	1	100	4	4.0
2	Fertilizers	128,180	510,568	25%	2	70	4	2.8
3	Glass & Ceramics	11,128	44,534	25%	2	70	4	2.8
4	Automobile-assemblers & manufacturers	36,181	149,268	24%	2	70	4	2.8
5	Food, Beverages & Cons. Prod.	25,396	112,518	23%	2	70	4	2.8
6	Sports Products	191	867	22%	2	70	4	2.8
7	Paper & Allied	8,355	38,272	22%	2	70	4	2.8
8	Textiles-Composite	73,445	339,002	22%	2	70	4	2.8
9	Pharmaceuticals	19,745	95,584	21%	2	70	4	2.8
10	Information Technology	7,975	41,778	19%	2	70	4	2.8
11	Energy-Oil & Gas Expl.	246,328	1,492,189	17%	2	70	4	2.8
12	Chemicals	15,998	99,002	16%	2	70	4	2.8
13	Financial Institutions	271,143	1,731,071	16%	2	70	4	2.8
14	Textiles-Knits& Knit Apparel	22,084	143,913	15%	2	70	4	2.8
15	Tobacco Products	21,484	153,452	14%	2	70	4	2.8
16	Textiles-Synthetic Fibers/PSF	7,558	54,941	14%	2	70	4	2.8
17	Metallic Products (Iron & Steel)	12,478	98,748	13%	2	70	4	2.8
18	Textiles-Spinning	22,452	179,483	13%	2	70	4	2.8
19	Textiles-Fabrics (Weaving)	885	7,649	12%	2	70	4	2.8
20	Energy-Power (Gen. & Dist.)	57,651	506,438	11%	2	70	4	2.8
21	Airline Aviation	(50,101)	(497,463)	10%	2	70	4	2.8
22	Cement	52,635	550,300	10%	2	70	4	2.8
23	Sugar	7,731	90,807	9%	3	40	4	1.6
24	Machinery & Equipment	1,163	16,178	7%	3	40	4	1.6
25	Edible Oil	287	4,461	6%	3	40	4	1.6
26	Energy-Oil(Petroleum Dist. & Mkt.)	16,445	255,633	6%	3	40	4	1.6
27	Automobile-parts & accessories	2,680	47,666	6%	3	40	4	1.6
28	Leather Products	1,526	27,979	5%	3	40	4	1.6
29	Telecommunications	5,384	105,295	5%	3	40	4	1.6
30	Energy-Oil(Petroleum Refining)	(13,396)	149,591	-9%	3	40	4	1.6
31	Textiles-Woven Apparel	(662)	2,893	-23%	3	40	4	1.6
32	Agro Chemicals	(2,678)	3,926	-68%	3	40	4	1.6

COMPOSITE RANKING BY PROFITABILITY/FINANCIAL STRENGTH

S. No.	Sector	Maximum Score	Score
1	Sports Products	60	52.8
2	Energy-Oil & Gas Expl.	60	52.8
3	Tobacco Products	60	51.0
4	Information Technology	60	44.4
5	Pharmaceuticals	60	42.0
6	Chemicals	60	40.8
7	Glass & Ceramics	60	40.8
8	Fertilizers	60	40.8
9	Paper & Allied	60	39.3
10	Automobile-assemblers & manufacturers	60	39.0
11	Telecommunications	60	38.7
12	Textiles-Composite	60	38.7
13	Food, Beverages & Cons. Prod.	60	36.6
14	Textiles-Woven Apparel	60	35.7
15	Automobile-parts & accessories	60	34.8
16	Cement	60	34.8
17	Edible Oil	60	34.8
18	Machinery & Equipment	60	34.8
19	Textiles-Knits& Knit Apparel	60	34.8
20	Textiles-Synthetic Fibers/PSF	60	34.8
21	Energy-Power (Gen. & Dist.)	60	33.6
22	Metallic Products (Iron & Steel)	60	33.0
23	Textiles-Fabrics (Weaving)	60	31.5
24	Financial Institutions	60	31.1
25	Textiles-Spinning	60	30.6
26	Energy-Oil(Petroleum Refining)	60	29.7
27	Sugar	60	28.2
28	Energy-Gas Gen. & Dist.	60	28.2
29	Airline Aviation	60	27.6
30	Energy-Oil(Petroleum Dist. & Mkt.)	60	24.0
31	Leather Products	60	24.0
32	Agro Chemicals	60	24.0

RANKING BY BUSINESS LIFECYCLE & MACROENVIRONMENT

BY INDUSTRY/ BUSINESS LIFECYCLE

Sector ranking by industry/ business lifecycle (the factor is an assessment of the stage of lifecycle of the industry. This is critical to evaluate the business future growth, stability or decline) is as follows:

Rank 1: Business lifecycle is largely steady

Rank 3: Business lifecycle is unsteady

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Information Technology	1	100	3	3.0
2	Surgical, Precision, Optical Equipment	1	100	3	3.0
3	Tobacco Products	1	100	3	3.0
4	Agri Business	2	70	3	2.1
5	Airline Aviation	2	70	3	2.1
6	PSE-Commodity Operations	2	70	3	2.1
7	Textiles - Fabrics (Weaving)	2	70	3	2.1
8	Textiles - Woven Apparel	2	70	3	2.1
9	Agro-Chemicals	3	40	3	1.2
10	Automotive - Assemblers/Manufacturers	3	40	3	1.2
11	Automotive - Parts & Accessories	3	40	3	1.2
12	Carpets & Rugs	3	40	3	1.2
13	Cement	3	40	3	1.2
14	Chemicals (inc. Plastic & Rubber Products)	3	40	3	1.2
15	Construction	3	40	3	1.2
16	Edible Oil	3	40	3	1.2
17	Energy - Gas Generation & Distribution	3	40	3	1.2
18	Energy - Oil & Gas Exploration	3	40	3	1.2
19	Energy - Oil (Petroleum	3	40	3	1.2
20	Energy - Oil (Petroleum Refining)	3	40	3	1.2
21	Energy - Power (Generation &	3	40	3	1.2
22	Fertilizers	3	40	3	1.2
23	Financial Institutions	3	40	3	1.2
24	Food, Beverages & Consumer Products	3	40	3	1.2
25	Glass & Ceramics	3	40	3	1.2
26	Leather Products	3	40	3	1.2
27	Logistics	3	40	3	1.2
28	Machinery & Equipment	3	40	3	1.2
29	Metallic Products (Iron & Steel)	3	40	3	1.2
30	Others	3	40	3	1.2
31	Paper & Allied	3	40	3	1.2
32	Pharmaceuticals	3	40	3	1.2
33	Services	3	40	3	1.2
34	Sports Products	3	40	3	1.2
35	Sugar	3	40	3	1.2
36	Telecommunications	3	40	3	1.2
37	Textiles – Composite	3	40	3	1.2
38	Textiles - Knits & Knit Apparel	3	40	3	1.2
39	Textiles – Spinning	3	40	3	1.2
40	Textiles - Synthetic Fibers/Polyester	3	40	3	1.2
41	Textiles-Others	3	40	3	1.2
42	Trading	3	40	3	1.2

BY CORRELATION WITH GDP

Sector ranking, by Correlation with GDP Growth (represents the relationship of sector's performance with the performance of the overall economy) is as follows:

Rank 1: Less correlated with GDP growth

Rank 3: Highly correlated with GDP growth

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Information Technology	1	100	3	3.0
2	PSE-Commodity Operations	1	100	3	3.0
3	Surgical, Precision, Optical Equipment	1	100	3	3.0
4	Tobacco Products	1	100	3	3.0
5	Energy - Gas Generation & Distribution	2	70	3	2.1
6	Energy - Oil (Petroleum Refining)	2	70	3	2.1
7	Metallic Products (Iron & Steel)	2	70	3	2.1
8	Sugar	2	70	3	2.1
9	Textiles - Fabrics (Weaving)	2	70	3	2.1
10	Textiles - Woven Apparel	2	70	3	2.1
11	Agri Business	3	40	3	1.2
12	Agro-Chemicals	3	40	3	1.2
13	Airline Aviation	3	40	3	1.2
14	Automotive - Assemblers/Manufacturers	3	40	3	1.2
15	Automotive - Parts & Accessories	3	40	3	1.2
16	Carpets & Rugs	3	40	3	1.2
17	Cement	3	40	3	1.2
18	Chemicals (inc. Plastic & Rubber Products)	3	40	3	1.2
19	Construction	3	40	3	1.2
20	Edible Oil	3	40	3	1.2
21	Energy - Oil & Gas Exploration	3	40	3	1.2
22	Energy - Oil (Petroleum	3	40	3	1.2
23	Energy - Power (Generation &	3	40	3	1.2
24	Fertilizers	3	40	3	1.2
25	Financial Institutions	3	40	3	1.2
26	Food, Beverages & Consumer Products	3	40	3	1.2
27	Glass & Ceramics	3	40	3	1.2
28	Leather Products	3	40	3	1.2
29	Logistics	3	40	3	1.2
30	Machinery & Equipment	3	40	3	1.2
31	Others	3	40	3	1.2
32	Paper & Allied	3	40	3	1.2
33	Pharmaceuticals	3	40	3	1.2
34	Services	3	40	3	1.2
35	Sports Products	3	40	3	1.2
36	Telecommunications	3	40	3	1.2
37	Textiles – Composite	3	40	3	1.2
38	Textiles - Knits & Knit Apparel	3	40	3	1.2
39	Textiles – Spinning	3	40	3	1.2
40	Textiles - Synthetic Fibers/Polyester	3	40	3	1.2
41	Textiles-Others	3	40	3	1.2
42	Trading	3	40	3	1.2

BY REGULATORY/GOVT. SUPPORT- FUTURE EXPECTATIONS

Sector ranking, by Regulatory/Govt. Support-Future Expectations (this factor reflects the future expectations/ likelihood in the upcoming financial year for a particular sector to avail significant support from the government. This factor takes into account the regulatory policy direction reflected through subsidies, tax rebates, government guarantees, and sectoral development initiatives etc.) is as follows:
Rank 1: High future expectations to avail significant support from government
Rank 3: Low future expectations to avail significant support from government

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Agri Business	1	100	7	7.0
2	Information Technology	1	100	7	7.0
3	Sugar	1	100	7	7.0
4	Airline Aviation	2	70	7	4.9
5	PSE-Commodity Operations	2	70	7	4.9
6	Agro-Chemicals	3	40	7	2.8
7	Automotive - Assemblers/Manufacturers	3	40	7	2.8
8	Automotive - Parts & Accessories	3	40	7	2.8
9	Carpets & Rugs	3	40	7	2.8
10	Cement	3	40	7	2.8
11	Chemicals (inc. Plastic & Rubber Products)	3	40	7	2.8
12	Construction	3	40	7	2.8
13	Edible Oil	3	40	7	2.8
14	Energy - Gas Generation & Distribution	3	40	7	2.8
15	Energy - Oil & Gas Exploration	3	40	7	2.8
16	Energy - Oil (Petroleum	3	40	7	2.8
17	Energy - Oil (Petroleum Refining)	3	40	7	2.8
18	Energy - Power (Generation &	3	40	7	2.8
19	Fertilizers	3	40	7	2.8
20	Financial Institutions	3	40	7	2.8
21	Food, Beverages & Consumer Products	3	40	7	2.8
22	Glass & Ceramics	3	40	7	2.8
23	Leather Products	3	40	7	2.8
24	Logistics	3	40	7	2.8
25	Machinery & Equipment	3	40	7	2.8
26	Metallic Products (Iron & Steel)	3	40	7	2.8
27	Others	3	40	7	2.8
28	Paper & Allied	3	40	7	2.8
29	Pharmaceuticals	3	40	7	2.8
30	Services	3	40	7	2.8
31	Sports Products	3	40	7	2.8
32	Surgical, Precision, Optical Equipment	3	40	7	2.8
33	Telecommunications	3	40	7	2.8
34	Textiles – Composite	3	40	7	2.8
35	Textiles - Knits & Knit Apparel	3	40	7	2.8
36	Textiles – Spinning	3	40	7	2.8
37	Textiles - Synthetic Fibers/Polyester	3	40	7	2.8
38	Textiles - Fabrics (Weaving)	3	40	7	2.8
39	Textiles - Woven Apparel	3	40	7	2.8
40	Textiles-Others	3	40	7	2.8
41	Tobacco Products	3	40	7	2.8
42	Trading	3	40	7	2.8

COMPOSITE RANKING BY BUSINESS LIFECYCLE & MACROENVIRONMENT

Composite ranking by business lifecycle & macro environment is as follows:

S. No.	Sector	Maximum Score	Score
1	Information Technology	13	13.0
2	Agri Business	13	10.3
3	Sugar	13	10.3
4	PSE-Commodity Operations	13	10.0
5	Surgical, Precision, Optical Equipment	13	8.8
6	Tobacco Products	13	8.8
7	Airline Aviation	13	8.2
8	Textiles - Fabrics (Weaving)	13	7.0
9	Textiles - Woven Apparel	13	7.0
10	Energy - Gas Generation & Distribution	13	6.1
11	Energy - Oil (Petroleum Refining)	13	6.1
12	Metallic Products (Iron & Steel)	13	6.1
13	Agro-Chemicals	13	5.2
14	Automotive - Assemblers/Manufacturers	13	5.2
15	Automotive - Parts & Accessories	13	5.2
16	Carpets & Rugs	13	5.2
17	Cement	13	5.2
18	Chemicals (inc. Plastic & Rubber Products)	13	5.2
19	Construction	13	5.2
20	Edible Oil	13	5.2
21	Energy - Oil & Gas Exploration	13	5.2
22	Energy - Oil (Petroleum	13	5.2
23	Energy - Power (Generation &	13	5.2
24	Fertilizers	13	5.2
25	Financial Institutions	13	5.2
26	Food, Beverages & Consumer Products	13	5.2
27	Glass & Ceramics	13	5.2
28	Leather Products	13	5.2
29	Logistics	13	5.2
30	Machinery & Equipment	13	5.2
31	Others	13	5.2
32	Paper & Allied	13	5.2
33	Pharmaceuticals	13	5.2
34	Services	13	5.2
35	Sports Products	13	5.2
36	Telecommunications	13	5.2
37	Textiles – Composite	13	5.2
38	Textiles - Knits & Knit Apparel	13	5.2
39	Textiles – Spinning	13	5.2
40	Textiles - Synthetic Fibers/Polyester	13	5.2
41	Textiles-Others	13	5.2
42	Trading	13	5.2

COMPOSITE INDUSTRY RANKINGS- DEC 2022

S. No.	Sector	Score	% of Score	Category
1	Information Technology	82.6	83%	Positive
2	Tobacco Products	80.8	81%	Positive
3	Energy - Oil & Gas Exploration	79.6	80%	Stable
4	Sports Products	73.6	74%	Stable
5	PSE-Commodity Operations	28.9	72%	Stable
6	Surgical, Precision, Optical Equipment	28.6	72%	Stable
7	Telecommunications	67.3	67%	Stable
8	Agri Business	26.8	67%	Stable
9	Sugar	61.9	62%	Stable
10	Fertilizers	59.8	60%	Watch/Hold
11	Trading	23.8	60%	Watch/Hold
12	Glass & Ceramics	59.5	60%	Watch/Hold
13	Pharmaceuticals	58.6	59%	Watch/Hold
14	Food, Beverages & Consumer Products	58.3	58%	Watch/Hold
15	Cement	57.4	57%	Watch/Hold
16	Chemicals (inc. Plastic & Rubber Products)	57.4	57%	Watch/Hold
17	Edible Oil	57.4	57%	Watch/Hold
18	Paper & Allied	57.4	57%	Watch/Hold
19	Energy - Power (Generation & Distribution)	56.8	57%	Watch/Hold
20	Metallic Products (Iron & Steel)	56.8	57%	Watch/Hold
21	Services	22.6	57%	Watch/Hold
22	Textiles – Composite	56.2	56%	Watch/Hold
23	Automotive - Assemblers/Manufacturers	55.9	56%	Watch/Hold
24	Others	22.3	56%	Watch/Hold
25	Textiles - Knits & Knit Apparel	55.6	56%	Watch/Hold
26	Textiles - Woven Apparel	55.6	56%	Watch/Hold
27	Machinery & Equipment	55.3	55%	Watch/Hold
28	Financial Institutions	55.2	55%	Watch/Hold
29	Energy - Oil (Petroleum Refining)	55.0	55%	Watch/Hold
30	Automotive - Parts & Accessories	54.7	55%	Watch/Hold
31	Energy - Gas Generation & Distribution	54.7	55%	Watch/Hold
32	Textiles - Synthetic Fibers/Polyester	54.4	54%	Watch/Hold
33	Construction	21.7	54%	Watch/Hold
34	Airline Aviation	52.3	52%	Watch/Hold
35	Textiles - Fabrics (Weaving)	52.0	52%	Watch/Hold
36	Agro-Chemicals	50.5	51%	Watch/Hold
37	Textiles – Spinning	49.6	50%	Watch/Hold
38	Energy - Oil (Petroleum Distribution/Marketing)	48.7	49%	Watch/Hold
39	Logistics	16.9	42%	Watch/Hold
40	Textiles-Others	16.9	42%	Watch/Hold
41	Leather Products	40.0	40%	Declining
42	Carpets & Rugs	16.0	40%	Declining

Industry Ratings-2022

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