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

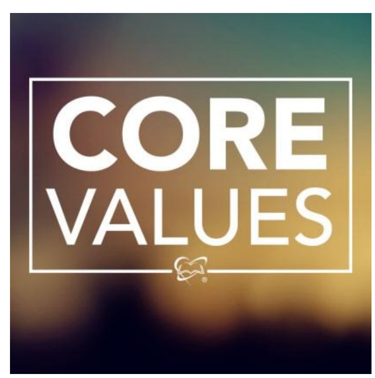
People: we will continue to value our *people* and will reward performance

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



INDUSTRY & ECONOMIC BULLETIN - 2018

QUARTERLY ECONOMIC UPDATE FOLLOWED BY COMPARATIVE SECTORAL RESEARCH & RATINGS TO RANK INDUSTRY PERFORMANCE, OPPORTUNITIES & RISKS WITH RECOMMENDATIONS ON STRATEGIC SECTORAL POSTURING

Q1- 2018

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

RESEARCH DIVISION
CREDIT MANAGEMENT GROUP (CMG), NBP

CONTENTS

ECONOMIC OUTLOOK

PAKISTAN'S MACROECONOMIC IMBALANCES

Meeting the Challenge

Pakistan's macroeconomic imbalances have significantly worsened in the past one year and these could increase our vulnerability to external and domestic shocks. While rising current account deficit are taking foreign exchange reserves to uncomfortable levels, an ever-present and growing fiscal deficit, low tax to GDP ratio, huge public debt, and low growth rates (except for the period 2004-2007 when IMF program was not operational) are hurting the economy.

Given below is a snapshot of major economic challenges faced by the country and the strategies being formulated and applied to meet them head-on:

1. THE TRADE EQUATION

Serious external account imbalances have surfaced in the election year, a year after the completion of the IMF Extended Fund arrangement. The current account deficit has widened to US$ 12.4 billion in FY17 from less than US$ 5 billion a year ago as the trade gap rose to an all-time high of US$ 26.6 billion on the back of a surge in imports and dip in exports. [Current a/c deficit Us$ 6.4 billion in Jul-Nov,FY18 as compared to US$ 3.4 billion in the comparable period last year.] The balance of payments pressure is largely due to a surge in imports of machinery and growing energy needs of the domestic manufacturing and consumer transport sector. SBP in its annual *State of the Economy* report for FY17 notes that the country will have to rely mainly on external borrowings and take stop gap measures to contain trade deficit, as the effort to increase exports, workers' remittances and foreign investment will take some time to materialize.

IMPORTS: In the first five months of FY18, there has been 23.4% growth in imports, as compared to the same period in FY17. With limited space of restraining imports – more than 85% of imports being non-maneuverable – the only viable strategy to reduce trade deficit is to boost exports.

- The government estimates that effect of CPEC-related imports on account of energy plants and machinery is now tapering off. (It peaked last year.)
- The imposition of regulatory duties would start showing results with a lag effect, making unnecessary imports expensive. However, this could lead to under-invoicing. Introducing a regime of minimum import price on a number of items might also be considered to cut down imports.
- The recent currency devaluation would also discourage and reduce import growth.

EXPORTS: Export growth is critical not only for the sustainability of external debt but also for raising economic growth rate. In the first five months of FY18, there has been 12% growth in exports (after declining for four years continuously), comparing to the same period last fiscal year.

- An export incentive package announced in January 2017 increased tax rebates on a number of exports. However, delay in the payment of rebates has affected the liquidity of exporters. One way to ensure timely repayment of rebates is their payment through commercial banks (rather than through FBR). The banks in turn can seek reimbursements from the SBP. Besides, the package needs to be substantially strengthened by extending it to more items and by offering bigger incentives for exports to emerging markets.

- The government expects a further pickup on the back of increasing growth prospects in the world, particularly in advanced countries – the chief market of our products, with a support from the ongoing currency adjustments.
- New markets need to be developed, especially in Central Asia, Iran and Turkey. Pakistan has already been granted GSP+ status by the EU. Besides, opportunities created by China-Pakistan Free Trade Agreement and South Asia Free Trade Area (SAFTA) agreement should be more proactively exploited.
- Surplus production capacities existing in the country is reflected by the fact that there is a gap of US$ 4.8 billion between the peak export performance in FY14 and the current export levels. Making our exports competitive can fill this gap and this can be attained by
    - Gradual rationalization of value of currency
    - Reduction in energy tariff for the industry and redirecting the subsidized natural gas to export sector
    - Withdrawal of import tariffs on the major inputs of top-200 export products
    - Immediate release of sales tax refunds at the time of realization of export proceeds
- The long term growth of exports however depends on structurally transforming the export architecture – integration into global value chains, market diversification, product sophistication, standardization, value addition and branding.

Boosting exports – measures under government consideration:

- **Encourage cotton-polyester mix products.** US demand for cotton-only textile products has declined from 40% in 2011 to about 35% in 2016 which has been replaced by polyester. This is in line with trends in other places as well. Polyester use in finished products needs to be encouraged. More export rebates tilting towards cotton-polyester mix products can help increase finished textile goods exports. *(Potential: US$ 1-5 bn over 1-3 years)*

- **Exports of Halal products.** Total meat exports from Pakistan to Gulf is US$ 121.924 Million (July–Feb 2016-17). Decreased from US$ 171.888 Million (July-Feb 2015-16). Food imports value in the Gulf is around US$ 32 billion in 2017, out of which Pakistan food export comprise around 1% of total – around US$ 330 million. Here government to government level targets need to be negotiated, especially with Gulf countries, to support growth - as well as incentive packages for exporters of food products. *(Potential: US$ 1-5 bn over 1-3 years)*

- **Hospital / Medical Care.** Cheaper higher-end medical care facilities can be incentivized to be set up in the country to attract foreign patients given the preponderance of qualified doctors and surgeons in the country. *(Potential: US$ 1 bn over 3-5 years)*

The current strategic alignment with China offers significant opportunities for growth of the export sector that can be, and need to be, exploited prudently:

- **Developing CPEC Regional Value Chain: Strategic Chinese investments in Textile Spinning for exports to China** (via large economies of scale). To move away from being a competitor to Chinese textile industry towards being a strategic partner, Chinese economies of scale in the spinning sector in particular, can play a huge role in optimizing and significantly improving the exports of yarn. (An average Spinning plant in China is around 300,000 spindles compared to a large spinning plant here with around 40-50,000 spindles. Around 6 plants in China are more than 1 million spindles each.) A government to government agreement and facilitation of Chinese investments/ buyouts in the Spinning sector can lead to a drastic jump in yarn exports to China (and elsewhere) and also provide huge employment opportunities. *(Potential: US$ 4-7 bn over 2-5 years)*

- **Developing CPEC Regional Value Chain: Strategic Chinese involvement in Agro sector for exports to China.** Similarly a government to government exploration and negotiation needs to take place to enable a significant quantum of agro exports (including packaged/specialty foods) including non-basmati rice. Chinese companies/ advisors can be invited here to help organize the sector to boost its exports to China. *(Potential: US$ 3-5 bn over 2-5 years)*

- **IT Exports**. Pakistan's IT exports reached an all-time high for the outgoing financial year of 2016-17 with receipts of nearly US$ 1 billion received through the banking channel. Pakistan Software Export Board (PSEB), on the other hand, reported almost 3 times higher exports (US$ 2.81 billion) as compared to SBP's numbers through the input of companies/software houses. This discrepancy needs to be investigated and all proceeds routed through the banking channels. The estimation of PSEB suggested that exports of freelance software alone stand at much more than what the official proceeds have captured.

BREAKUP OF 'OFFICIAL' IT EXPORTS OF SERVICES AND PRODUCTS

Heads of IT Exports	Financial Year 2015-16	Financial Year 2016-17
Call Center	$72.824 million	$82.823 million
Telecommunication Services	$221.446 million	$281.917 million
Hardware Consultancy	$2.282 million	$3.443 million
Software Consultancy	$139.167 million	$227.437 million
Computer Repair/Maintenance	$0.663 million	$ 0.737 million
Export of Computer Software	$286.564 million	$264.065 million
News Agency Services	$0.981 million	$1.011 million
Information Services	$0.559 million	$0.539 million

IT industry has a huge potential with a capacity to expand itself internationally for exports of services. Needs a review of specific policies and tax incentives. *(Potential: US$ 1-3 bn over 1-3 years)*

- **Northern Areas Tourism Initiative.** Aggressive international promotion of Northern Areas tourism, alongside the planned opening of Islamabad's new airport. Places like Swat valley can be showcased as success stories given the successful turnaround of the terror menace in the country. This will also have synergistic advantages on other export sectors by showcasing the country in a new, positive light. *(Direct Potential: US$ 0.5-1 bn over 1-3 years; indirect potential could be significant across all export sectors)*

- **Fisheries Initiative.** Alongside the development of the coastal belt stretching all the way to Gawadar, new fishing townships and fishing harbor facilities can be put up along with rebate and other initiative to encourage more deep sea fishing and hence exports to Gulf countries, primarily. *(Potential: US$ 0.5-1 bn over 2-4 years)*

- **New Marketing Initiatives via PRGMEA** (the readymade garments association). *(Potential: US$ 0.5-1 bn over 1-2 years)*

REMITTANCES: In the period Jul–Nov 2017, remittances showed 1.3% YoY growth. Full year remittances are officially estimated at US$ 20.7 billion. [In FY17, remittances fell for the first time in 13 years and recorded US$ 19.3 billion.] According to Pakistan **Remittance Initiative (PRI), a remittance-enhancing joint initiative of the SBP, Ministry of Finance, and Ministry of Overseas Pakistanis, a number of new policy initiatives are at final stages:**

- Increase in domestic and overseas outreach (in traditional and non-traditional corridors) to provide easy access to remitters and beneficiaries
- PRI/SBP also encouraging use of technology such as online transfers from sending corridors and direct account credit/ mobile wallets at receiving end
- New initiatives under consideration, viz. enhancing efficiency in the existing payment processes; new incentive schemes for different stakeholders; a marketing plan for creating awareness; and last but not the least, issuance of investment products and investment bond product (the Pakistan Development Fund).

FOREIGN DIRECT INVESTMENT (FDI): Though the net FDI in FY17 increased by 18% to US$ 2.7 billion, the level of FDI is well below Pakistan's potential and capacity. [In Jul–Nov 2017, FDI showed 57% YoY growth.] While short term loans entail serious implications in terms of rollover and re-pricing risk of the country's external debt, FDI can be much beneficial for tackling external account imbalances, as it helps create jobs, enhance productivity, ensure transfer of technology, boost competition in the market, and increase exports.

Business friendly policies, a fast growing consumer market for a large middle class, and the availability of relative low-cost skilled workforce would ensure FDI inflows on a scale similar to other emerging market economies like Indonesia, Vietnam, etc.

IMPROVING THE EQUATION: We now need to focus more on innovation, information technology, and contemporary global demand to improve our external account equation, as the buyers prefer quality over quantity. This can be achieved by bridging the gap between academia and industry. Further, for the trade ratio to increase, we must diversify our trade activities and pursue industries and exporters in this regard. Exploring new markets for locally produced products, encouraging huge diversifications, signing preferential trade agreements by safeguarding the interests of local businesses, involving small and medium businesses, and reducing export barriers can pull our trade out of the crisis.

2. FISCAL FRONT

The last fiscal year ended with a fiscal deficit of 5.8% of GDP, against the budgeted 3.8% and 4.6% recorded in FY16, the major drivers being an increase in development expenditures and sluggish growth in tax revenue. Tax revenue growth was 8% against the 20% growth trajectory maintained in the previous three years. Once again, Pakistan is unlikely to contain its fiscal deficit in the current fiscal year with the projected 4.1% of GDP. [Fiscal deficit is 1.2% of GDP for the period Jul-Sep 2017.] The government has planned consolidation on the following lines:

- According to Secretary Finance, FBR has to do more and a plan is being brought out to make it deliver more on top of the 19.5% revenue growth achieved in the first 5 months of FY18.
- Going forward, the government would continue with fiscal consolidation without taking steps to affect economic growth.
- Besides, the IMF assessment also indicates that Pakistan has the potential to achieve a tax-to-GDP ratio of 22% with the right policies and reforms.

3. IMF FACILITY – POST PROGRAM MONITORING

The recently concluded talks with the IMF under Post Program Monitoring (PPM) of US$ 6.2 billion Extended Fund Facility, completed in September last, identified the twin challenges of fiscal deficit and current account deficit as the major weaknesses in the economy. IMF advised Pakistan to act decisively and immediately on both fronts to protect hard-earned gains as the country moves towards general election, and also pursue structural reforms.

The IMF welcomed the recent depreciation of the rupee and favorable economic growth momentum supported by improved energy and security situation and infrastructure investments. It also noted that Pakistan's economic development had been decoupled from political uncertainty, and that the economy was growing at 5.6% compared to last year's 5.3% despite political uncertainty and real potential.

It, however, called for strengthening resilience, greater exchange rate flexibility, fiscal discipline and tight monetary policy exchange. It also expressed concern over the slow or negligible pace of structural reforms in Pakistan, with losses of public sector entities increasing, privatisation plan hitting a dead end, and revenue generation far lower than the country's peers and its real potential.

As confirmed by the Fund itself, the government did not seek or need another bailout from the IMF.

Work on the IMF recommended reforms relating to retarding imports has been started. The GoP has levied regulatory duty on import of around 300 non-essential items.

4. IMPACT OF RUPEE DEPRECIATION

In a volatile trading session on 8 December 2017, the rupee slumped to 109.50 per dollar at one point – after opening at 105.55 – and closing at 107 per dollar, in what appeared to be an effective devaluation by the central bank. The SBP termed it as a market-driven adjustment in the exchange rate to contain the imbalance in the external account and sustain higher growth trajectory, as a weaker currency would help the economy grow and contain BoP pressures. The currency has depreciated by around 5% in the last few trading days, and it is most likely that SBP would keep it around Rs 110-112 per US dollar for the time being and see the impact on macroeconomic variables, and decide accordingly.

However, as a result of currency depreciation, an economy can move from low inflation and high growth to high inflation and low growth. This in turn effects employment generation and affordability of goods and prices. Besides, it could also hamper fiscal balance by increase in debt servicing – both on foreign and domestic debt by subsequent higher interest rates.

It is said that the impact of depreciation would not be too inflationary this time as domestic prices are already higher than global averages, and would not bring much of the imported inflation. However, it would not curtail import of essential items unless petroleum prices are revised up. And as imported constituents are also used to make our exportable products, it could also hurt exports.

Thus, there should be a comprehensive and well-thought out plan for devaluation and a set policy for exports and imports, and its impact on all segments of the economy should be considered.

5. YUAN MAY REPLACE DOLLAR IN PAK–CHINA TRADE

The government is examining a proposal initiated from the Chinese side to replace the US dollar with the Chinese currency – known as Renminbi (RMB) or Yuan – for trade between China and Pakistan. According to the proposal that may take up to three years to implement, RMB could be used in bilateral trade but not inside Pakistan. More detailed and precise arrangements are being looked into and would be worked out in due course. The swap arrangement already in place between China and Pakistan is to facilitate trade in rupee and RMB but as per the usual practice – that is, in dollar dominated/ priced trade – without needing to fall back on this arrangement.

It is hoped that the use of Chinese currency as the second international currency in place of US dollar will benefit Pakistan and reduce our reliance on the US dollar, with significant positive impact on the country's BoP position.

6. PAKISTAN AUCTIONS EURO AND SUKUK BONDS

Pakistan successfully executed US$ 1.0 billion five-year Sukuk and US$ 1.5 billion ten-years Eurobond transactions in November 2017 at a profit rate of 5.625% and 6.875% respectively. It is the first time that Pakistan has executed multiple tranche transactions worth US$ 2.5 billion simultaneously. Besides, no 10-year bond has ever been sold at a cheaper rate than 6.875% rate by Pakistan in international market.

Another international capital market transaction imminent: To manage external-sector vulnerabilities, Pakistan plans to launch another international bond – 5, 7, 10 or 30-year tenure depending on the market situation – in mid-January or February 2018, as informed by Secretary Finance, GoP. According to him, the bond launching team had the mandate from the federal cabinet to raise up to US$ 3 billion from the international market.

WORLD BANK REPORT: PAKISTAN DEVELOPMENT UPDATE, NOV 2017

In its report titled *Managing Risks for Sustained Growth* under its biannual Pakistan Development Update, November 2017, the World Bank has warned that Pakistan's growth trajectory is now at risk given the scale of macroeconomic imbalances growing within it. According to the report, while the real sector is growing, Pakistan will need to continue with economic reforms and pursue policies that make the country compete better in global markets. While election spending could boost the growth rate of the economy – even if temporarily – the fiscal deficit could jump up to 6% of GDP in the process, meaning rising level of debt to pay for the gap. There is thus the need for efforts to improve revenue collection and improve and automate tax collection system in order to broaden the extremely narrow tax base.

The report notes that Pakistan's domestic debt composition has undergone a structural shift, with an increase in the proportion of short-term borrowing, which could pose refinancing and re-pricing risks.

The report forecasts that by the end of FY18, current account deficit will rise to 4% of GDP – slightly lower than FY17 but still at an unsustainable high level – given the relative paucity of forex inflows.

As the report warns, timely corrective measures are required to avert an abrupt slowdown – the longer these steps are delayed, the harder it will be to say what exactly they should entail.

Conclusion

We need to take strong and multiple actions to secure our balance of payments position without any further delay. With the risk of growing protectionism all over the world and a rising wave of anti-globalization, it will soon become even more difficult to increase exports. Immediate action is required on both the export and import fronts so that the reserves do not fall below safe levels in the next few months. A strategic and vigorous trade policy is the need of the hour so that the trade gap is brought down to a sane and manageable level.

Pakistan's ability to withstand external shocks would be compromised with declining reserves and elevated debt burdens unless short term measures are combined with long term policies and reforms. It is also necessary to adopt prudent policies to eliminate losses in public enterprises and to address the chronic issue of circular debt.

Given the concerted moves in the above-mentioned direction, backed by concrete steps and national determination, the balances can be managed fairly effectively.

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EXECUTIVE SUMMARY

Long Term Plan for CPEC: 2017-2030

GOALS

By 2020: China–Pakistan Economic Corridor (CPECo takes the initial shape. Major bottlenecks to Pakistan's economic and social development addressed, CPEC shall start to boost the economic growth along it for both countries.

By 2025: The industrial system approximately complete; major economic functions brought into play in a holistic way, the people's livelihood along the CPEC significantly improved; regional economic development more balanced. All the goals of Vision 2025 achieved

By 2030: CPEC building to be entirely accomplished, with the endogenous mechanism for sustainable economic growth in place. To stimulate economic growth in Central Asia, and South Asia to grow into an international economic zone with global influence

The Long Term Plan is a live document and recommended to be reviewed every two years by both sides.

KEY COOPERATION AREAS

1. **Connectivity**

Construction of an integrated transport system:

- Construction and development of Kashgar-Islamabad, Peshawar-Islamabad-Karachi, Sukkur-Gwadar Port and Dera Ismail Khan-Quetta-Sohrab-Gwadar road infrastructure, to enhance road safety and service levels and expand traffic capacity

- Capacity expansion of existing railway lines (specifically ML-1), construction of new projects, modernization of the railway, and building an integrated transport corridor

- Construction and development of Gwadar city and port; consolidation and distribution transport system; acceleration of the construction of East Bay Expressway and the new international airport; and competitiveness of the Free Zone

- Cooperation for implementing Gwadar City Master Plan

- Strengthen China-Pakistan cooperation in technical training and in the construction and management of transport infrastructure

Information network infrastructure: To boost information connectivity and promote pragmatic cooperation through construction and operation of local communication networks and broadcast & TV networks – including the construction of cross-border optical fiber cables between Pakistan and China – besides strengthening information and communication industries in both countries.

2. **Energy Related Fields**

China and Pakistan to strengthen cooperation in the fields of oil and gas, electricity and power grids, and focus on promoting the construction of major projects of thermal power, hydropower, coal gasification and renewable power generation, and supporting power transmission networks, in order to enhance power transmission and supply reliability.

3. **Trade and Industrial Parks**

To strengthen cooperation in trade and industrial areas, expand bilateral economic and trade relations, and enhance the level of bilateral trade liberalization between China and Pakistan.

- Promote the quality, value addition, competitiveness and efficiency improvement of the textile and garment industry – expand its size and increase the supply of high value-added products

- Special Economic Zones (SEZs) in all provinces and regions in Pakistan along with Kashgar Economic and Technological Development Zone and Caohu Industrial Park from Chinese side

- Cooperation in industry, from assembling imported parts and components to localized production of parts. Chinese enterprises to be encouraged to enter the Pakistan market to improve the development of energy efficient industry in Pakistan

- Industrial capacity cooperation in sectors such as chemical & pharmaceutical, engineering goods, agro, iron & steel, light manufacturing & home appliances, and construction materials

- Increased exploration and development of resources and setting up of mineral processing zones and industries

- Establishment of customs special supervision areas along the CPEC on the basis of economic cooperation zones and industrial parks in order to provide investment platforms for companies

4. **Agricultural Development and Poverty Alleviation**

The two countries to give full play to their own comparative advantages to strengthen agricultural infrastructure construction within the CPEC coverage and play their own roles in agricultural personnel training, technical exchanges and cooperation. Cooperation in key construction areas such as biological breeding, production, processing, storage and transportation, infrastructure construction, disease prevention and control, water resources utilization, conservation and production, land development and remediation, ICT-enabled agriculture and marketing of agricultural products to promote the systematic, large-scale, standardized and intensified construction of the agricultural industry. To promote the transition from traditional agriculture to modern agriculture in the regions

5. **Tourism**

To further exploit the potential advantages of the tourism resources in the regions along the CPEC, especially the China-Pakistan border areas. To actively research comprehensive development of coastal tourism within the CPEC coverage, with Gwadar and Karachi as the hubs, expand cross-border tourism and improve the quality of tourism services

- Actively discuss the feasibility of constructing the "2+1+5" tourism spatial structure in Pakistan, which includes two centers, one axis and five zones: Karachi Port and Gwadar Port as the two centers, the coastal tourism belt as the development axis, and five tourist zones of Jiwani & Gwadar tourism zone, Jhal Jhao, Ormara, Sonmini and Keti Bander.

6. Cooperation in areas concerning livelihood and non-governmental exchanges

To further strengthen cooperation between local governments, strengthen the communications among non-governmental organizations, develop extensive project cooperation centered on public opinions communication, people-to-people friendship and people's livelihood improvement, and enhance the comprehensive service capability of the cities along the CPEC.

- Application of international and China's new urbanization concepts to the municipal construction of the node cities along the CPEC, such as the construction of the public transport system and water supply and drainage systems
- Training programs in China for Pakistani central government officials, parties and local government officials from regions along the CPEC; selected outstanding Pakistani students from these regions to be sent to Chinese universities
- Medical assistance services in more places within the CPEC coverage and upgrade existing medical facilities based on actual needs.

7. Financial Cooperation

- **Strengthen cooperation in financial regulation**. The two countries to promote monetary cooperation between the central banks, implement existing bilateral currency swap arrangements, research to expand the amount of currency swap and explore to enrich the use and scope of bilateral currency swap; assign the foreign currency to domestic banks through credit-based bids to support the financing for projects along the CPEC; promote the settlement in domestic currencies (RMB and Rupees); and strengthen the cooperation between the central banks and financial regulatory agencies of the two countries. The two sides will actively use bilateral currencies for the settlement of bilateral trade and investment under the relevant arrangements. To encourage Cross-Border Inter-Bank Payment System (CIPS), promote the free flow of capital in an orderly manner, and facilitate cross-border transfer of legitimate funds.
- **Cooperation between financial institutions**. China supports Pakistan to cooperate with the Asian Infrastructure Investment Bank (AIIB). Both countries shall promote the mutual opening of their financial sector and the establishment of financial institutions in each other; establish and improve a cross-border credit system; and promote financial services.

- **Cooperation between financial markets**. The two countries shall promote the opening and development of the securities markets, support the multi-currency direct financing of Pakistan's central and local governments, enterprises and financial institutions in China, and strengthen the cooperation between stock exchanges of the two countries.
- **Financial cooperation between Free Trade Zones (FTZs)**. Pakistan shall promote the construction of Gwadar Port Free Zone, and explore RMB offshore financial business in Gwadar Free Zone. Both countries to explore the formation of a RMB backflow mechanism

INVESTMENT AND FINANCING MECHANISM AND SUPPORTING MEASURES

1. Investment and Financing Mechanism

China to give full play to its advantages in investment and financing in accordance with the principle of joint investment, joint construction and sharing benefits.

- **Government funds**. Pakistan’s federal and provincial governments along the CPEC to try to assume some investment and financing responsibilities by various means, such as earmarked budget funds at all levels for the CPEC building and allowing provincial governments to issue financial bonds in domestic and foreign capital markets. Both governments to actively provide credit enhancement support for major financing projects, effectively reduce the financing costs and protect the rights and interests of creditors.
- **Indirect financing of financial institutions**. Both countries shall strengthen strategic cooperation between policy banks, development finance institutions, and commercial banks, and study and solve financial issues with the CPEC building; explore various ways to support the Silk Road Fund, China- Eurasia Economic Cooperation Fund in participating in the investment and financing for the CPEC.
- **Direct investment of enterprises**. Both countries shall encourage Chinese enterprises, private sectors and private sector funds of other economic entities to make various forms of direct investment, welcome Pakistan's private capital for CPEC projects, and establish various types of private financial institutions infrastructure funds.
- **Loans from international financial institutions**. Both countries welcome the World Bank, the Asian Development Bank, the Asia Infrastructure Investment Bank (AIIB), and other international financial institutions to provide long-term concessional loans to support the investment and financing for the projects along the CPEC.
- **Other innovative investment and financing methods**. Effective ways shall be explored for Pakistan's federal and provincial governments, enterprises and financial institutions to conduct RMB financing in Mainland China, Hong Kong and other offshore RMB centers. Chinese and Pakistani market players are supported and encouraged to finance for the projects along the CPEC in the international market and Pakistan.

2. Institutional Association and Policy Support

- **Make full use of the association of existing institutions.** The role of existing institutions and cooperation documents shall be given full play: CPEC Joint Committee, China-Pakistan Joint Economic and Trade Committee, Bilateral Investment Protection Agreement, Free Trade Agreement, Agreement on Service Trade in Free Trade Zones, Agreement on Expanding and Deepening Bilateral Economic and Trade Cooperation, and Framework Agreement on Energy Cooperation, as well as The Five-Year Development Plan for China-Pakistan Economic and Trade Cooperation.

- **Establish a closer inter-governmental linkage mechanism**. Based on the Joint Committee of the CPEC, the two countries will further deepen bilateral cooperation, hold regular meetings and solve the problems through consultation, and formulate detailed plans and cooperation agreements that will be implemented jointly.
- **Provide specific institutional support in different fields**. In the field of energy, both countries shall negotiate to sign cooperation documents on oil & gas pipeline networks, grid connectivity, power utilization and electricity price in due course; in the field of transportation, they shall determine as early as possible investment, and financing plans, related charging standards and repayment agreements. They shall also establish a regional policy system conducive to the construction and operation of Gwadar Port & Free Zone, and the Pakistani side will introduce specific policies on the taxation, land, workforce employment, customs clearance and cross-border use of RMB.
- **Targeted technical training and cooperation.** The training of Pakistani technical staffs, including senior officers from governments and also from universities and enterprises, shall be strengthened for the construction and maintenance of major projects in the fields of transportation, energy and industry and agriculture.
- **Provide a higher level of security assurance.** Pakistan deploys security personnel from Army and other security forces to ensure the safety of projects' construction, operation and maintenance, employees and camps under the CPEC.

3. Other Support

- **Establishment of a goal assessment mechanism**. An assessment mechanism shall be established to evaluate the implementation of major projects, assess the progress of the long-term plan in every aspect every five years, and then update and adapt the plan accordingly.
- **Establishment of a database.** A suitable database containing the information of major projects, with supporting geographic information system and cartographic information, shall be established to define relevant information indicators and monitor the progress of projects in real time, continuously updating the data in different stages of the project cycle.

INDUSTRY RATINGS & ANALYSIS

SCOPE & METHODOLOGY OF SECTORAL & MICRO SECTORAL RATINGS

There is a need to comparatively rate key industrial sectors in terms of their *relative risk, and attractiveness*. This should then translate into a strategic posture that is most appropriate for a bank. After considerable thought, and internal discussion, a concise, and easy to follow methodology was evolved to properly address this need without compromising on the 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	80.0
3	60.0
4	40.0
5	20.0

✪ "Subjective Significance Rank (1-5, 5 being most significant)"

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

CATEGORY	PERFORMANCE DRIVER	MAX SCORE
Business Environment:	Demand Volatility	6.0
	Supply Volatility	7.0
	Corporate Governance & Control Structure	2.0
	Strength of Competition	4.0
	Barriers to Entry	2.0
	Litigations	1.0
	Price Elasticity	5.0
	Exposure (FX Risk/IR Risk)	3.0
Sub Total		30.0
Profitability & Financial Strength:	Gearing *Interest Coverage (B+C)/C* *Debt/Equity (L/J)*	 3.0 4.0

	Liquidity *Current Ratio (F/K)* *Quick Ratio (G+H+I)/K* *Cash Ratio (G/K)*	 4.0 3.0 2.0
	Profitability *Net Profit Margin (B/A)* *Total Assets Turnover (A/E)* *ROA (B/E) & ROE (B/J)*	 3.0 1.0 3.0
	Solvency	2.0
Sub Total		25.0
Outlook & Macro Environment:	Business Outlook	19.0
	Industry/Business Life Cycle	7.0
	Correlation with GDP Growth	6.0
	Regulatory/Govt. Support Future Expectations	13.0
Sub Total		45.0
Total Score		100.0

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

Category	**Out of 100**	**Explanation (What the rating suggests)**
HIGHLY ATTRACTIVE	>80	Seek to Enter/Expand Aggressively
ATTRACTIVE	70-80	Enter/Expand while mitigating/addressing relevant industry risks
AVERAGE	50-69	OK to enter. Reasonable caution.
WATCH/HOLD	40-49	Active monitoring of current portfolio
UNATTRACTIVE/EXIT	< 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 outweigh its industry risk. However, it is expected that key risks & issues highlighted would be appropriately addressed and subsequently monitored.

- Applicable Time Period of the 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 sectoral assessment and analysis. Virtually all the aspects of the detailed study which include: an overview, base financials, evaluation of critical success factors, assessment of threats and levels of preparedness are largely captured while focusing exclusively on the broad rating specific criteria. However, since the rating elements are largely the same as are scored in the detailed studies the essential relative ratings remain consistent, and thus address our need for quantitative and 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 and mitigating industry specific risks.

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 KSE
3. Economic Survey
4. SBP Annual Reports
5. Various periodicals

KEY ASSUMPTIONS

Key macro-economic assumptions are consistent with the recently released SBP's Annual Report for FY15-16. Real GDP growth came in at 4.7% in 2016, an improvement over the previous year (4.0%). Moreover, the Government has set a target of 5.7% in 2017. Pakistan's annual CPI inflation rate fell to 2.9 per cent during 2016. The government had projected 6 per cent inflation for 2016. For the next fiscal year, the underlying assumption for inflation is 6%.

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 the banks' non-agro industry exposure.

[SME sectors shown in bold]

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

SMEDA Micro Sector Rankings:

The ranking of the micro sectors are based on the indicative financials provided by SMEDA-prefeasibility for a single business unit rather than of entire industry. The financials provides the optimum business potential of the unit.

RATING CRITERIA & SCORECARD

Table # 1: The score conversion equivalents applied are as follows:

RANK	% OF SCORE
1	100.0
2	80.0
3	60.0
4	40.0
5	20.0

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

CATEGORY	PERFORMANCE DRIVER	MAX SCORE
Business Environment:	Demand Volatility	7.0
	Supply Volatility	6.0
	Strength of Competition	5.0
	Barriers to Entry	5.0
	Price Elasticity	7.0
Sub Total		30.0
Profitability & Financial Strength:	Gearing *Interest Coverage (B+C)/C* *Debt/Equity (L/J)*	 7.0 7.0
	Liquidity *Current Ratio (F/K)* *Quick Ratio (G+H+I)/K* *Cash Ratio (G/K)*	 7.0 7.0 6.0
	Profitability *Net Profit Margin (B/A)* *Total Assets Turnover (A/E)* *ROA (B/E) & ROE (B/J)*	 6.0 4.0 6.0
Sub Total		50.0
Outlook & Macro Environment:	Business Outlook	20.0
Sub Total		20.0
Total Score		**100.0**

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

Category	Out of 100	Explanation (What the rating suggests)
HIGHLY ATTRACTIVE	>80	Seek to Enter/Expand Aggressively
ATTRACTIVE	70-80	Enter/Expand while mitigating/addressing relevant industry risks
AVERAGE	50-69	OK to enter. Reasonable caution.
WATCH/HOLD	40-49	Active monitoring of current portfolio
UNATTRACTIVE/EXIT	< 40	Risks outweigh potential returns; Pursue exit or appropriate risk negation strategy

SMEDA MICRO SECTORS

The following sectors were included on the basis of ready availability of data, from SMEDA.

1. Engineering Workshop - Subcontracting
2. Furniture Manufacturing Unit - Wooden
3. Injection Molding Plastic Products
4. Roof Tiles Manufacturing Unit - Light Weight
5. Steel Products Welding
6. UPS and Stabilizer Assembling Unit
7. Cut Flower Farm
8. Off Season Vegetables - High tunnel
9. Animal Fattening Farm (Calf/ Sheep/Goat)
10. Dairy/ Camel Farming
11. Shrimp/ Inland Fish Farming
12. Poultry Farm
13. Veterinary Clinic
14. Beauty Clinic
15. Boutique - Women Designer Wear
16. Day Care Center
17. Direct Marketing
18. Distribution Agency
19. Driving School
20. Florist Shop
21. Footwear Retail Outlet
22. Interior Decoration
23. Medical Store
24. Montessori School
25. Security Agency
26. Fodder Production & Trading Company
27. Fruit Grading & Packing
28. Honey/Pickle Production, Processing, Packaging & Marketing
29. Rose Water
30. Seed Oil Extraction Unit - Rape Seed
31. Spices Processing, Packing & Marketing
32. Bakery & Confectionery
33. Restaurant Cum Fast Food - Take Away
34. Gems Stone Lapidary
35. Marble & Onyx Products/ Marble Mosaic Development Center
36. Salt Products Manufacturing Unit
37. Stone Crushing

INDUSTRY SYNOPSIS:

FINANCIALS, OPPORTUNITIES, THREATS/ISSUES, & OUTLOOK

	AGROCHEMICALS				
	FINANCIAL SNAPSHOT 2016-17				
	All figures in Pak Rupees (Million)				
	No. of Companies	Act/Est	~90-100		
			2016-17	**2015-16**	
A.	Industry Sales	Act/Est	700	900	
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	PBT	Act/Est	40		
C.	Financial Charges	Act/Est	10		
D.	PAT	Act/Est	20		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	Act/Est	8,400		
F.	*Current Assets*	Act/Est	800		
G.	*Cash & Bank Balances*	Act/Est	600		
H.	*Trade Debtors*	Act/Est	200		
I.	*Short Term Investments*	Act/Est	Nil		
J.	*Total Equity*	Act/Est	7,900		
K.	*Current Liabilities*	Act/Est	500		
L.	*Total Liabilities*	Act/Est	500		

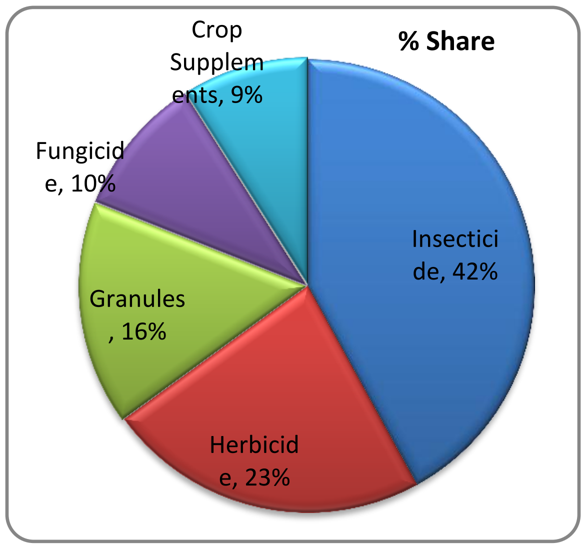
AGRO-CHEMICALS:

Sector Outline:

The Pakistani pesticides industry has been witnessing a relatively steady growth, owing to the demand for bio-pesticides and the adoption of herbicide resistant crops by farmers. The Pakistani crop protection market was estimated to be worth USD 427.86 million in 2015 and expecting a CAGR of 18.47% during the period of 2017-2022. The Pakistani pesticide market is import dependent, with around 25.30% of the pesticides imported in 2016. In 2013, the annual import value of pesticides in the country accounted for more than USD 80.28 million. When compared to the imports, the indigenous production of pesticides is on the rise in Pakistan.

Market Dynamics

The factors that drive the crop protection chemicals market in Pakistan are - growing food demand, low agricultural productivity, increase in disposable incomes, and implementation of agriculture development plan by the government of Pakistan. On the other hand, the restraints limiting the market growth include - high prices of pesticides and increase in the area under BT cotton, the highest insecticide consuming crop of the country. With the widespread use of pesticides in Pakistan, future opportunities for market growth lie in the inclination toward the adoption of new technologies and use of sustainable and integrated pest management techniques in farming practices.



Market Segmentation

The Pakistani crop protection market is segmented based on chemical types, application types, and trade, production and consumption analysis. Based on chemical type, the market is segmented into herbicides, insecticides, and fungicides. Further, it is segmented into synthetic and biological pesticides. Based on chemical type, the market is segmented in terms of value and volume. [mordor intelligence]

Opportunities:

- Pakistan Atomic Energy Commission has taken the lead in utilizing nuclear technology to improve productivity of Agriculture sector through the introduction of new crop varieties, pest control technologies, plant nutrition and water management, animal health and productivity and food decontamination and preservation. Agriculture centers of PAEC also organize 'Farmer's Days", field visits and awareness programs to educate the farmers about newly released varieties, advanced methods of cultivation and water saving techniques.

- Using a combination of conventional breeding methods with mutation breeding, marker assisted selection and genetic engineering techniques varieties of both major and minor crops are being developed for higher yields, better quality, stress tolerance and wider adaptability. So far, a total of 98 crop varieties have been developed.

- ∆ Agriculture and biotechnology institutes of PAEC have developed technologies for the utilization of salt affected lands and providing this technology as well as plant material not only to the local farmers but also at international levels. Main focus is on the utilization of saline areas with some economic gains also improving the land with time.

- ∆ Scarcity of water is threatening the present as well as future productivity and food security. Excessive use of fertilizers is affecting the soil fertility and increasing environmental hazards. Technologies have been developed to improve irrigation techniques that reduce water losses. Alternate cheap sources of nutrients have been identified to efficiently manage plant nutrition and reduced application of chemical fertilizers.

- ∆ One way to increase total agriculture productivity is by reducing field and post-harvest losses to pest and pathogens. PAEC Institutes have introduced mass rearing of beneficial predatory insects to control the insect pests of various crops. Technologies have been developed and transferred to end users to decrease losses through integrated management of insect pests. R&D in food irradiation technology has provided with methods to Increase shelf life, remove contaminants and minimize storage losses.

- ∆ The CAC Pakistan will provide a joint forum to government officials and industry professionals to highlight the benefits of using pesticides, fertilizers, processed seeds, latest yet affordable agri-equipment and machinery.

- ∆ There lies an immense potential of agro-chemicals in Pakistan which must be utilized on priority basis. Agro-chemicals have contributed significantly in raising agricultural yield and there is still a lot of room to bring improvement in this sector. He said that we are very glad to coordinate with CAC which sets up world's largest agro-chemical trading platform in China every year with most updated policies, products, technologies and market dynamics.

- ∆ The pesticides consumption is high in Pakistan due to its agricultural dependent economy. The awareness of bio based products is driving the Pakistan crop protection chemicals in Pakistan. The inclination towards adoption of new technologies and the need for sustainable and integrated pest management techniques are great opportunities for the growth of Pakistan crop protection market.

Threats:

- ∇ Pakistan's grain agricultural productivity is quite less as compared to neighbor regional economies. Yields growth of crops including rice, cotton and sugarcane are stagnant from past 25 years in Pakistan. Wheat is the major crop of Pakistan and the wheat yields have seen some positive trends in past decade; still the yield of wheat in Pakistan is lesser than China, India and Bangladesh. Per hectare agricultural yield in Pakistan is amongst the lowest in the world. Agricultural yields in Pakistan stand at 3 tons/ha compared to the global average of 4 tons/ha.

- ∇ The major reason behind the low agricultural productivity in Pakistan is pest infestation, limited cultivation area, inadequate infrastructure, limited supply of agricultural inputs, lack of irrigation facilities, low cropping intensity and lack of high yielding varieties among others.

- Insect pests are the major source of crop damage, yield and quality reduction in Pakistan. Within couple of days of pest outbreak, beneficial effect of other inputs wipe out.

- The use of fertilizers and improved seeds has been increased in Pakistan; however, there is need to increase the judicial use of pesticides in the country. Cotton crop is the most hit crop in Pakistan followed by rice.

- The pest problem in Pakistan has been increased since the introduction of high yielding and fertilizer responsive varieties, which prove susceptible to various pests.

Future Outlook:

With the widespread use of pesticides in Pakistan, future opportunities for market growth lies in inclination towards adoption of new technologies and use of sustainable and integrated pest management techniques in the farming practices. **The outlook for 2018 remains constrained.**

Associations:

- Pakistan Crop Protection Associate

http://pcpa.pk/

- Croplife Pakistan

http://www.croplifepakistan.enic.pk/

- Pakistan Agricultural Pesticides Association

http://pakistan-agricultural-pesticides-association-139736.pakbd.com/

AUTOMOTIVE-ASSEMBLERS/MANUFACTURERS

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	11		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act**/Est	324,229	198,171	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	37,998		
C.	**Financial Charges**	**Act**/Est	851,045		
D.	**PAT**	**Act**/Est	25,605		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act**/Est	165,922		
F.	***Current Assets***	**Act**/Est	134,529		
G.	***Cash & Bank Balances***	**Act**/Est	26,963		
H.	***Trade Debtors***	**Act**/Est	4,291		
I.	***Short Term Investments***	**Act**/Est	49,368		
J.	***Total Equity***	**Act**/Est	85,772		
K.	***Current Liabilities***	**Act**/Est	73,718		
L.	***Total Liabilities***	**Act**/Est	64,001		

AUTOMOTIVE ASSEMBLERS/ MANUFACTURERS:

Sector Outline:

PASSANGER CARS	2015-16	Prod. 179,944	Sales 181,145
	2016-17	Prod. 186,936	Sales 185,781
TRUCKSS & BUSES	2015-16	Prod. 6,736	Sales 6,567
	2016-17	Prod. 8,830	Sales 8,549
LCVs, VANS &JEEPS	2015-16	Prod. 36,609	Sales 36,534
	2016-17	Prod. 27,795	Sales 27,338
FARM TRACTOR	2015-16	Prod. 34,914	Sales 33,986
	2016-17	Prod. 53,975	Sales 54,992
MOTORCYCLE / 3 WHEELER	2015-16	Prod. 1,362,096	Sales 1,358643
	2016-17	Prod. 1,632,965	Sales 1,630,735

Asia's auto market continues its rapid acceleration as it is projected to be the third fastest growing region for vehicle sales by 2018. Vehicle sales in the region are expected to grow 4.7% in 2018. The commercial vehicle segment will continue to outpace the passenger vehicle segment over the next 12 months thanks to infrastructure growth in the region.

In terms of submarket growth, sales in South Asia will continue to race ahead of ASEAN markets in 2018 with a projected 9.4% growth versus 7.9%. Pakistan is expected to be a global leader in auto sales as a result of the government's Automotive Development Policy 2016-2021 which offers tax incentives to new market entrants in the car making industry. Japan is similarly ahead of the pack with a 6.7% forecast growth as consumers and businesses are expected to take advantage of lower vehicle prices ahead of the impending sales tax increase from 8% to 10% on October 2019.

Meanwhile, Thailand's new car market is on its way to recovery with a forecasted 17.2% growth that totals 380,000 units. This comes as tame inflation, low interest rates and end of year-long mourning period for King Bhumibol Adulyadej is projected to lead to a 4% rise in private consumption in 2018.

On the other hand, Singapore's auto market is on the downside with an expectation of 10.8% sales decline. China's new vehicle market is expected to slow down as prices on small engine vehicles will rise next year as the government announced that sales tax on small engine cars will revert to 10% in January 2018.

Opportunities:

- ∆ Groupe Renault and Al-Futtaim announced that they had signed definitive agreements for the exclusive assembly and distribution of Renault vehicles in Pakistan. Groupe Renault would bring its latest products and technological know-how, whilst Al-Futtaim, through its new subsidiary Al-Futtaim Automotive Pakistan (Private) Limited, and establish a new manufacturing and assembly plant, and exclusively distribute Renault cars through its extensive knowledge of the market.

- ∆ The automobile sector of Pakistan recorded an increase of 32 percent to 83,809 units in sale of locally produced cars, jeeps, vans and light commercial vehicles (LVCs) during first four months (July-October) of running fiscal year 2017-18. 23,341 units of these vehicles were sold in October showing an increase of 46pc on year on year basis.

- ∆ With the launch of new models, Honda Atlas Cars observed an increase of 55pc to 17,110 units during the four months. It sold 4,506 units in October marking an increase of 50pc year on year basis.

- ∆ Pak Suzuki Motor Company Ltd (PSMCL) topped the list as the company registered a surge of 53pc in sales of its products during October as compare to last year. Sales of WagonR observed 141pc increase. The company's overall sales went up 36pc to 46,941 units during four months.

- ∆ Indus Motors Company's sales of Toyota increased 4pc in October, while the growth remained 10pc in four months.

- ∆ During the first four months, the sales of Massey Ferguson and Fiat tractors reached 13,318 and 8,385 units from 7,628 and 4,627.

- ∆ Sales of trucks increased to 2,917 during July-October of 2017 as compared to 2,183 units of last year, while a decline has been observed in sales of bus.

- ∆ Motorcycle/three-wheeler sales registered a growth of 18pc in October, and 74pc in the first four months.

- ∆ Locally assembled automobile sales, including jeeps and light commercial vehicles, jumped to 23,341 units in October 2017 – the highest in any month, up 46% compared with 15,988 units in the same month of previous year.

- Last month, the government enhanced the regulatory duty by up to 350% on 356 essential and luxury goods to control the growing import bill. The duty also impacted used and new car imports, bringing all such imports to a standstill.

- The demand for imported cars, especially used cars, is now shifting to locally assembled vehicles, giving a big boost to the domestic industry. Industry sales in the first four months (Jul-Oct) of fiscal year 2017-18 exhibited 32% growth to 83,809 units.

- If the trend persisted, it may revise its full-year sales estimate to 236,000 units, up 10% from previous estimates. Pak Suzuki Motor Company is an apparent major beneficiary as most of the used car imports fall in the lower engine capacity category.

- The company recorded a robust growth with sales soaring 53% year-on-year as comparatively lower-priced models such as Mehran (up 41% year-on-year), Wagon R (up 141%) and Cultus (up 23%) registered strong sales. For Pak Suzuki, sales for Jul-Oct FY18 were up 36% year-on-year to 46,941 units.

- Sales of Honda Atlas Cars stood at 4,506 units in October, rebounding 31% month-on-month (50% year-on-year) after production last month was affected by extended holidays. Honda's Jul-Oct sales grew 55% to 17,110 units in the wake of success of new models Honda Civic, BRV and recently revamped City.

- In the near future, lower general sales tax on tractor purchase and fertilizer subsidy was expected to help tractor sales. Truck and bus sales in October 2017 remained strong, growing 24% year-on-year. In Jul-Oct, sales rose 23% YoY. Motorcycle and three-wheeler sales for October 2017 grew 18% year-on-year due to rising disposable income of the lower middle class. In four months, sales were up 74% YoY.

- Commercial banks' increased focus on lending money to car lovers in Pakistan appeared to be the key factor behind historic car sales growth as banks disbursed Rs15.16 billion worth of car loans in first four months of the current fiscal.

- The overall outstanding position of auto financing by commercial banks stood at Rs 165.4 billion by the end of October 2017; while it stood at Rs 127.9 billion by the end of October 2016.

- The automobile sector remains fairly exposed to interest rate movements where 40 percent of the automobile sales are financed through borrowing.

- The government has granted permission to four companies to bring Greenfield investment in auto sector and set up new car assembling plants in Pakistan, while other two such companies are expected to be awarded the contracts shortly. These companies will bring investment of around $3 billion for setting up new assembly/manufacturing plants which will not only help in breaking the existing cartel of three Japanese car assemblers, bringing down prices, good quality but also help boost in jobs opportunities and overall industrial sector.

Threats:

- ∇ Indus Motor, the makers of Toyota Corolla, lagged behind peers, posting an increase of 28% year-on-year as it continued to face capacity constraints. The higher year-on-year growth was attributed to the production issues faced in the previous year. Indus Motor's sales for Jul-Oct were up 10%.

- ∇ The Pakistan Association of Automotive Parts & Accessories Manufacturers has expressed serious concerns on the government's proposal to include the auto sector in Free Trade Agreements (FTAs) with Turkey, Thailand & other countries. It said the Auto Development Policy (ADP), issued by ECC on 21st March, 2016, is the sole authentic document that governs the future policy for the auto sector. Including auto sector in any FTA would discredit the Government and scare away massive investments in the pipeline.

- ∇ Firstly, for localized parts, offering concessionary customs duties in the FTAs is incomprehensible, as it would shut down the entire Auto Parts Industry. Secondly, for non-localized CKD parts, FTA duties would deprive the exchequer of huge sums of tax revenues and also eliminate the potential of future localization of CKD parts.

- ∇ One of the top concerns of automobile industry officials is that Pakistani partners that collaborate with Chinese auto companies do not take a long-term view of the market. However, the situation is completely opposite in the case of Japanese auto giants that have invested in Pakistan with long-term targets, thus reaping fruits of a raw market.

Future Outlook:

Improved macroeconomic indicators, law and order situation, decrease in interest rate and cheap financing by the banks provided the momentum to auto industry. Stability in selling prices of vehicles and introduction of new models in market and expected entrance of more players make **the outlook positive.**

Association:

- ➢ Pakistan Automotive Manufacturers Association (PAMA)

www.pama.org.pk

- ➢ Pakistan Association of Automotive Parts & Accessories (PAAPAM)

www.paapam.com

AUTOMOTIVE-PARTS & ACCESSORIES

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	5	
			2016-17	**2015-16**
A.	**Industry Sales**	Act/Est	42,957	39,247

			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	Act/Est	8,005
C.	**Financial Charges**	Act/Est	210
D.	**PAT**	Act/Est	5,810

			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	Act/Est	37,761
F.	*Current Assets*	Act/Est	26,087
G.	*Cash & Bank Balances*	Act/Est	1,678
H.	*Trade Debtors*	Act/Est	4,408
I.	*Short Term Investments*	Act/Est	6,970
J.	*Total Equity*	Act/Est	25,275
K.	*Current Liabilities*	Act/Est	10,692
L.	*Total Liabilities*	Act/Est	12,486

AUTOMOTIVE-PARTS & ACCESSORIES:

Sector Outline:

There are approximately around 1,600-1,700 companies operating in the automotive parts market in Pakistan. A large number of these are involved in the production of repair parts. 200-240 companies supply parts for OEM (original equipment manufacturer) production. These companies basically supply single unit parts; however some make components combining multiple parts. In Pakistan, most of these are directly supplied to automakers, hence these are considered to be first tier suppliers and it can be concluded that the auto parts industry does not consist of clear multiple tiers, which may be seen in other various countries.

The Automotive industry of Pakistan is still highly dependent on imports for various components and materials and exports remain marginal. The manufacturers and assemblers of vehicles have over the years developed a lot of parts and components locally.

The automotive industry in Pakistan is one of the fastest growing industries of the country, accounting for 4% of GDP and employing a workforce of over 1,800,000 people. With the growing demand for automobiles, demand for the car accessories has also increased

Opportunities:

∆ Darson Industries Pvt. Ltd. Wazirabad, manufacturer of automotive rubber hose pipes and rubber molded parts, signed a collaboration agreement with Butsch GmBH Germany for the sale of automotive rubber products to vehicle manufacturing industry in Germany and other European countries.

∆ Under the new Automotive Development Policy (ADP 2016-21), lucrative incentives had been offered to the investors in the Greenfield investment category – the new investment in vehicle manufacturing. The investors appreciated the efforts of Pakistani government to attract investment in the country through provision of incentives to vehicle manufacturers and assured that they would soon visit Pakistan to discuss the possibilities of doing business in Pakistan.

∆ Loads Limited, an auto parts maker, announced on Thursday that its wholly owned subsidiary has signed an agreement with an Australian firm to purchase an alloy wheels manufacturing plant. The procurement of the plant will be completed within six months and the said project will be installed in Bin Qasim Industrial Park, Karachi.

∆ Pakistan auto part makers have met with their Thai counterparts in Bangkok to discuss the planned free trade agreement (FTA) and the possibility of joint ventures between the two countries. The delegation informed Thai auto part manufacturers about the rapidly growing automotive market in Pakistan, according to a press release. Paapam asked them to provide a complete list of their components with HS code and other details and also discussed the possibility of joint ventures.

- ∆ A Chinese delegation has expressed its interest in pursuing joint ventures with Pakistan in the auto parts and accessories sector, notwithstanding that the current market in the country is already flooded with cheap imports from the northern neighbor.

- ∆ China is eager to make massive investments in the Pakistani auto sector where the vehicle's quality and the price will boost competitiveness in the market. The process of putting the plant together is expected to be completed in 2 to 3 years.

- ∆ Big names like Renault, Kia, Hyundai and Audi have recently announced their intention to assemble vehicles in Pakistan. Nishat Mills Limited is establishing a car assembling plant in collaboration with Hyundai Motor Corporation in Lahore while Lucky Cement is going to set up a plant in partnership with Kia Motor Co in Karachi. This could be a potential bonanza for local auto parts makers because car sales are already growing and new players are likely to count on domestic players to keep their cost of production low.

Threats:

- ∇ The government of Pakistan has recently increased the regulatory duty on steel imports, auto parts and engineering products from 15 percent to 35 percent by issuing SRO 1035 in October 2017. To me, this is an actual threat to national revenue as it has increased input cost of these value-added sectors. The auto parts industry would eventually suffer if regulatory duties on its products aren't withheld.

- ∇ The Pakistan Association of Automotive Parts & Accessories Manufacturers has expressed serious concerns on the government's proposal to include the auto sector in Free Trade Agreements (FTAs) with Turkey, Thailand & other countries. It said the Auto Development Policy (ADP), issued by ECC on 21st March, 2016, is the sole authentic document that governs the future policy for the auto sector. Including auto sector in any FTA would discredit the Government and scare away massive investments in the pipeline.

- ∇ Firstly, for localized parts, offering concessionary customs duties in the FTAs is incomprehensible, as it would shut down the entire Auto Parts Industry.

- ∇ Secondly, for non-localized CKD parts, FTA duties would deprive the exchequer of huge sums of tax revenues and also eliminate the potential of future localization of CKD parts

- ∇ it is a common knowledge that the Personal Baggage, Gift & Transfer of Residence Schemes, that were meant to facilitate overseas Pakistanis, have been grossly misused and circumvented to undertake de-facto commercial import of used cars by unscrupulous dealers on passports of overseas Pakistanis. Now these elements are pressing Ministry of Commerce for making soft policy on import of used auto parts which will be drastic for auto industry

- ∇ Local auto parts manufacturing industry is still lacking competitiveness in terms of quality, cost and flexibility of manufacturing systems.

- ∇ Japan International Cooperation Agency, in his address, assured to continue the technical support for Pakistan's industry to compete the world market in respect to technical know-how and the modern manufacturing techniques.

∇ Productivity of the sector had increased to an optimal level, whereas, the rejection rates to be witnessed in the manufacturing processes had reduced to the lowest possible level. He said that the SMEs, engaged in auto parts manufacturing, had a great potential to compete the world market

Future Outlook:

Pakistan's auto part manufacturers are bullish on future growth of the industry due to growing sales of locally-assembled vehicles and planned investments of new companies. **Outlook is positive.**

Associations:

- Pakistan Association of Automotive Parts & Accessories Manufacturers (PAAPAM)

http://www.paapam.com/

- Pakistan Automobile Spare Parts Importers & Dealers Association (PASPIDA)
- Association of Pakistan Motorcycle Assemblers (APMA)

http://www.motorcycleexport.com/str2/

- Pakistan Automotive Manufacturers Association (PAMA)

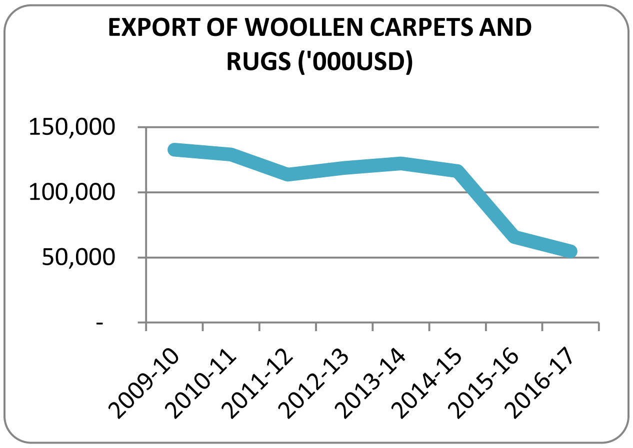
http://www.pama.org.pk/

- All Pakistan Motor Dealers Association (APMDA)

	CARPETS & RUGS				
	FINANCIAL SNAPSHOT 2016-17				
	All figures in Pak Rupees (Million)				
	No. of Companies	Act/Est	35		
			2016-17	**2015-16**	
A.	Industry Sales	Act/Est	8,054	9,897	
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	PBT	Act/Est	312		
C.	Financial Charges	Act/Est	420		
D.	PAT	Act/Est	297		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	Act/Est	9,240		
F.	*Current Assets*	Act/Est	5,180		
G.	*Cash & Bank Balances*	Act/Est	35		
H.	*Trade Debtors*	Act/Est	1,225		
I.	*Short Term Investments*	Act/Est	Nil		
J.	*Total Equity*	Act/Est	1,400		
K.	*Current Liabilities*	Act/Est	4,270		
L.	*Total Liabilities*	Act/Est	4,900		

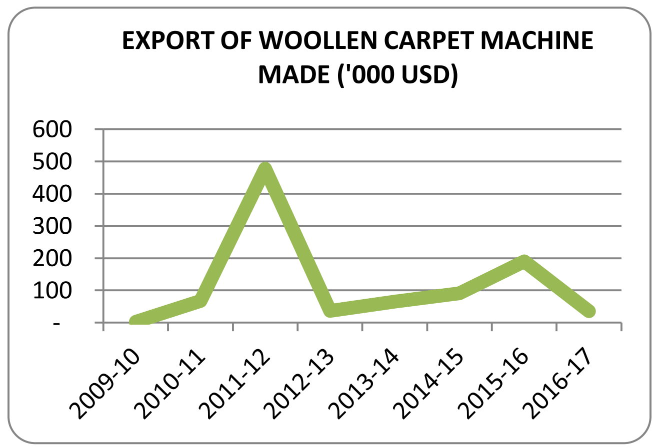
CARPETS & RUGS:

Sector Outline:

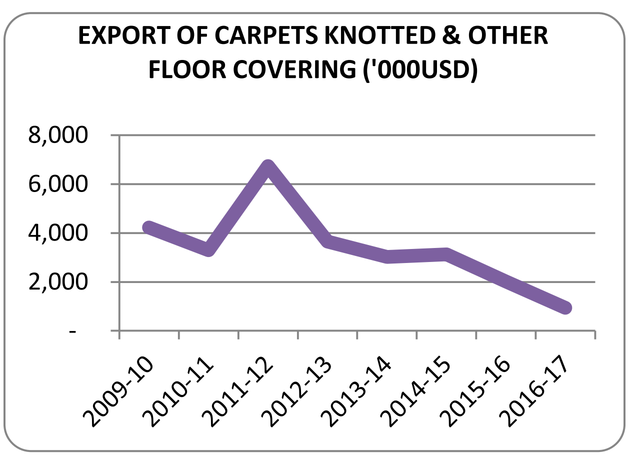


The hand-knotted carpet industry of Pakistan has come a long way since its beginning in the early fifties. According to PCMEA (Pakistan Carpet Manufacturers and Exporters Association), hand knotted carpets are one of the major exports of Pakistan.

Pakistan's handmade carpet sector dominates the South-East Asia while great presence is also in USA and Germany. However, due to child labor still prevailing in carpet manufacturing industry, despite many steps and laws being passed against it, many countries have shown reluctance in importing handmade carpets from Pakistan.
Pakistan Carpet Manufacturers and Exporters Association (PCMEA) said that industry is in dire need of government support, which can provide it at least 3 per cent ad-hoc relief on carpet export to revive the ailing industry, besides helping 0.5 million unemployed people to return to work.



Because of global recession and declining exports, the industry needs some concessions/subsidy from the government on bank loans. In the past, carpet sector had remained one of the main export sectors of Pakistan. It is expected, that by holding special exhibitions for the carpet industry, more international market exposure can be achieved which may increase export orders. A remarkable change that has taken place is that the industry is now fully tuned to the needs of the consumers.



Previously, the industry worked on its own momentum and mostly produced, what is known as, the bazaar goods. Now large part of the production is customized according to the customers demand and specific needs. The industry has been increasingly making what the consumer wants both in regards to colors and designs. The traditional colors have been replaced by the colors preferred by the customers abroad. Similarly, old designs have been modified and new ones are developed to fulfill needs of consumers.

Opportunities:

- ∆ Carpet weaving is a part of Afghan culture, which has contributed significantly to Pakistan's economy. "Pakistan was leading the global carpet industry in the 1990s and Peshawar has been a center of trade for last three decades; our national treasury will definitely suffer a great loss because of this decline.

- ∆ For the development of carpet industry in K-P, locals have established skill centers in Peshawar where more than 100 students are being trained in carpet weaving. "The carpet industry is crucial for improving our national economy. We have manpower in the province but the provincial government does not make proper use of it. The government should establish skill centers of carpet weaving; this way we will be able to produce skilled workers and once again enhance the provincial carpet industry.

- ∆ A single piece of carpet requires six months to a year's labour. Around 70pc of the work force of this sector comprises of women who make carpets at home. The country's 150,000-200,000 looms employ around 200,000-250,000 weavers.

- ∆ Carpet association has prepared comprehensive proposals to boost exports and will share with the gov't. He said the gov't should convene an all parties meeting of all stakeholders to prepare a national policy to promote exporters.

- ∆ The Pakistan Carpet Manufacturers and Exporters Association (PCMEA) has asked the government to focus on building a soft image in the global market, in a bid to attract international investors.

- ∆ the ministries of information, culture and commerce should be directly involved with the handmade carpet industry and should emphasize on enhancing exports by convincing buyers in Europe and the US to seek 'Made in Pakistan' tags on the hand-knitted carpets.

- ∆ The government should form the Pakistan Handicraft Council to promote export, as the Indian Handicraft Council alone is exporting as much as Pakistan's total exports.

- ∆ Pakistani carpet industry is one of the largest environment-friendly sectors, providing jobs to over 1.5 million people without polluting the atmosphere. Other potential importing countries should be made aware of the positive impact.

Threats:

- ∇ We do not have the quality control programming infrastructure which is the need of the hour. The government should provide long term loans to the carpet industry for its improvement. The training centers for carpet industry should be established. There is a need to develop a sustainable brand for carpets; we need to have skills and awareness about the new trends being opted by the industry.

- ∇ The repatriation of refugees to Afghanistan has adversely affected the carpet industry as carpet weavers wind up businesses in Pakistan, leaving both local and Afghan carpet traders in fear that the industry may collapse due to a lack of skilled workers.

- Hand-woven carpets are popular not only in Pakistan but throughout the world and with the decline in the industry; employment of thousands of workers is at risk.

- Afghan rugs are unique in design, color and technique. What was once considered a domestic industry in Afghan refugee camps, he adds, is now coming to an end with the repatriation of Afghan refugees.

- In the past, the carpet business suffered because of terrorism as fewer foreigners came to K-P to purchase Afghan carpets and now we will suffer further due to loss of Afghan craftsmen.

- The carpet production has now dropped to roughly 5%, with many workers being paid less than their usual rates.

- Pakistan has lost its share in global carpet trade as its export value declined by more than 50pc over the last decade, down from $278m in 2005-06 to $97.680m in 2015-16.

- Quantity-wise also, the volume fell to 1,922,000 square meters in 2015-16 from 2,493,000 square meters a year ago, a drop of 22.90pc. Pakistani brands have lost to carpet exports from India in the international market.

- A decade ago, India in comparison, had annual carpet exports of $300m which climbed to $8bn in 2015-16. After the 2008 global recession, India came up with an incentive laden package to boost carpet exports, while Pakistan's industry suffered because of a lack of support from the government's side

- The government had announced in its last trade policy a framework that constituted an export council, which is yet to be set up. The proposal remains on paper. The government recently held a high level meeting of exporters, but no representative from the carpet sector was invited to the meeting.

- Carpet makers operate like a cottage industry. Often, these traditional workers lack proper training and the industry requires financing to complete the supply chain. There is only one training institute in Lahore. There is no facility of research and development either.

- The largest buyers of Pakistan's hand-knotted rugs are the US and Europe. However, Pakistan's exports to these markets are on the decline. Pakistan is also losing the Turkish market — the second biggest importer — because of the recent imposition of 42.2pc additional customs duty on Pakistan's hand knotted carpet.

- The ministry of commerce has yet to take up the issue with the Turkish authorities. Also, the GSP plus scheme failed to provide a boost to carpet exports to the EU.

- The commerce ministry included machine-made carpets in the FTA concession list, while handmade carpets were excluded from the list. There is no demand for machine-made carpets in the international market.

- ∇ Pakistan has to make an extra effort in promoting exports by arranging trade fairs and exhibitions. Pakistan participates in only two exhibitions: Shanghai Domotex, China and Hanover Tex, Germany. The local carpet industry says the participation in these exhibitions has now been made so costly that it is very difficult to exhibit their products.

- ∇ In order to regain its lost market, exporters demand early release of refunds, concessions and credit financing. Pakistan lacks the facilities to produce carpets as per the requirement of foreign buyers. There is a need to develop carpet clusters in the places where carpets are made. Exporters need to develop such clusters hosting a few hundreds of looms at a specified place.

Future Outlook:

- The ailing carpet sector is facing several challenges, from production to market access. Analysts believe **Pakistan lacks the facilities to produce carpets as required by foreign buyers.** There is a need to develop carpet clusters in the places where carpets are made. Exporters need to develop such clusters hosting a few hundreds of looms at a specified place. **Outlook is negative**.

Association:

- Pakistan Carpet Manufacturers and Exporters Association (PCMEA)

CEMENT

FINANCIAL SNAPSHOT 2016-17

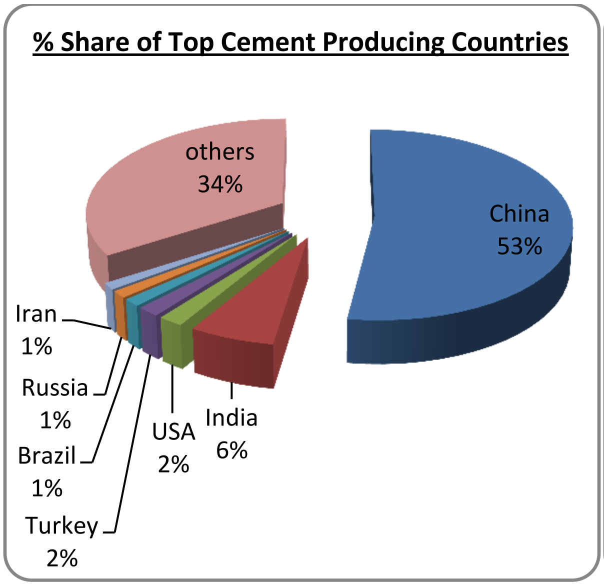
All figures in Pak Rupees (Million)

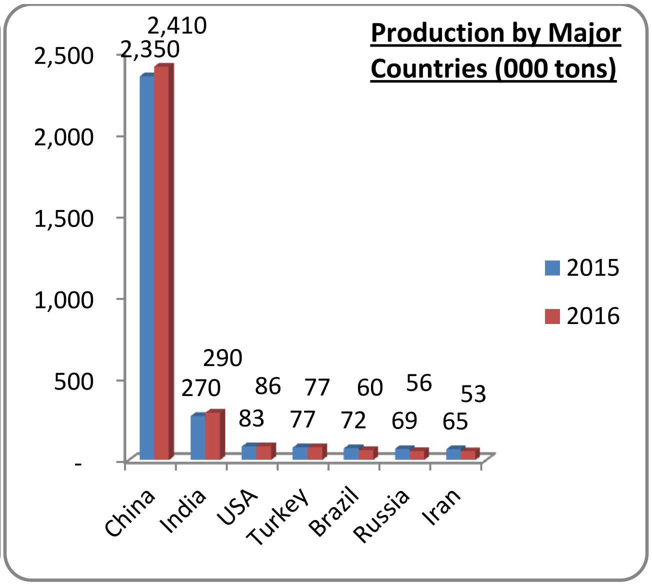
	No. of Companies	Act/Est	21		
			2016-17	2015-16	
A.	Industry Sales	Act/Est	308,784	234,019	
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	PBT	Act/Est	90,706		
C.	Financial Charges	Act/Est	3,140		
D.	PAT	Act/Est	64,898		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	502,291		
F.	*Current Assets*	Act/Est	154,286		
G.	*Cash & Bank Balances*	Act/Est	40,856		
H.	*Trade Debtors*	Act/Est	9,702		
I.	*Short Term Investments*	Act/Est	19,912		
J.	*Total Equity*	Act/Est	313,181		
K.	*Current Liabilities*	Act/Est	80,010		
L.	*Total Liabilities*	Act/Est	161,618		

CEMENT:

Sector Outline:

China produces the most cement globally by a large margin, at an estimated 2.41 billion metric tons in 2016, followed by India at 290 million metric tons in the same year. China currently produces over half of the world's cement. Global cement production is expected to increase from 3.27 billion metric tons in 2010 to 4.83 billion metric tons in 2030. In China, the cement production in 2015 amounted to some 2.31 million tons.





Cement is used to bind material together and is categorized as either non-hydraulic or hydraulic. Hydraulic cements are composed of silicates and oxides that can set and harden even when exposed to water. Cement today is mostly used as stucco for buildings in wet climates, as mortar for applications near sea water, and as part of developments for strong concretes. Cement consumption in the United States decreased after the 2008 economic downturn, down to 71.5 million metric tons in 2009. Since then however, consumption has gradually increased to an estimated 96.2 million metric tons in 2016. In the U.S., most cement is consumed between May and October. In Europe, CRH, a top cement manufacturer head quartered in Ireland, generated 23.6 billion euros in revenues in 2015.

The cement sector of Pakistan continued to benefit from large scale infrastructure development, including various projects under CPEC. Domestic demand for cement grew by 8% during 2016-17. Volumes increase to 35.7 million tonnes compared with 33.0 million tonnes recorded for last year. Exports on the other hand, registered a decline of 21% from 5.9 million tonnes to 4.7 million tonnes, driven by Pakistani cement becoming less competitive in international markets due to rising input costs. The situation was exacerbated by Afghanistan border closure during the third quarter. Overall, cement dispatches increased by 3.7% from 38.9 million tonnes during the year.

Clinker sales by the industry stood at 1.86 million tonnes. Overall, dispatches by the industry including clinker registered a growth of 8.4% during the year.

Rising fuel & energy prices and declining retentions due to fierce competition have meant that margins have come under pressure. This is likely to continue for the unforeseeable future.

In Pakistan, 11 industry players have announced expansions. Among these only DG Khan Cement is going for Greenfield expansion.

CURRENT CAPACITY UTILIZATION

	FY 14	FY 15	FY 16	FY 17	FY 18*	FY 19*	FY 20*	FY 21*
Production Capacity (mln tpa)	44.6	45.6	45.6	46.4	46.9	54.6	67.3	70.3
Total Dispatches (mln tpa)	26.1	28.2	33.0	35.7	37.4	39.3	41.1	43.3
Capacity Utilization	77%	78%	85%	87%	90%	80%	68%	68%

*Projected

CEMENT INDUSTRY-CAPACITY EXPANSION

S. No	Companies	Announced Expansion	North	South	FY17	FY18	FY19	FY20	FY21
1	Bestway Cement	1.8	1.8	-	8.0	8.0	9.8	9.8	9.8
2	Lucky Cement	3.6	2.3	1.3	7.4	7.4	8.0	9.8	10.9
3	D.G.K. Cement	5.0	2.2	-	4.2	4.2	5.6	6.9	6.9
4	MapleLeaf Cement	2.2	2.2	-	3.4	3.4	4.5	6.7	6.7
5	Kohat Cement	2.3	2.3	-	2.7	2.7	2.7	5.0	5.0
6	Gharibwal Cement	1.0	1.0	-	2.1	2.1	2.6	3.1	3.1
7	Pioneer Cement	2.2	2.2	-	2.0	2.0	3.2	4.4	4.4
8	Cherat Cement	2.4	2.1	-	1.9	2.4	2.4	3.6	4.8
9	Attock Cement	1.1	-	1.1	1.8	1.8	2.9	2.9	2.9
10	Power Cement Ltd.	1.6	-	1.6	0.9	0.9	0.9	2.5	2.5
11	Flying Cement	1.2	-	1.2	1.2	1.2	1.2	1.8	2.4
Total Upcoming Expansion		**24.4**	**16.1**	**5.2**					
		100%	**67%**	**33%**					
Total Existing Capacity		**46.9**	**38.5**	**8.4**					
New Capacity as % of Existing		**52%**	**43%**	**94%**					

Partial Operation of New Line
Full Year Operation of New Line
Construction at Halt

Opportunities:

- ∆ Domestic cement demand is expected to increase by 8-8.5 per cent per annum on the back of hydropower plants currently under construction or planned as part of the Public Sector Development Program (PSDP) and China Pakistan Economic Corridor (CPEC) investments. CPEC is expected to implement three hydropower projects at Karot, Suki Kinari and Kohala over the next 4-5 years, boosting cement demand by 4.6Mta. The total demand required by upcoming hydropower projects in the country is projected to reach 15Mt.

- ∆ In terms of the cement industry, the expansion of cement demand is forecast to result in a local cement capacity utilization of 74-81 per cent in FY18-21.

- ∆ Amidst robust growth in local consumption in the first four months of fiscal year 2017-18, the cement industry utilized over 93 percent of its installed capacity .

- ∆ Industry experts said that this is the highest capacity utilization by the industry in the last 20 years. However, 1.08 million tons capacity still remained idle, which could have been covered by exports if the government policies are export-friendly.

- ∆ The industry is performing in stiff regulatory environment and is only surviving because it has upgraded its technology that has provided it the strength to take any challenge head on.

- ∆ The cement demand in the North Zone remained surprisingly very high as the consumption in the region stood at 3.148 million tons during October 2017. It was for the first time that North Zone has consumed more than three million tons cement in a month. In October 2016 the domestic cement consumption in the North Zone was 2.489 million tons.

- ∆ The demand in the Southern region of the country also increased from 0.519 million tons in October 2016 to 0.631 million tons in October 2017.

- ∆ Dispatches by the cement industry increased by 14 per cent or 2.261 million tonnes in the first five months of 2017-18 on a year-on-year basis. Capacity utilization remained 94.65pc during the five-month period.

- ∆ Local demand is meeting high expectations. Capacity utilization in Oct-17 reached 108 percent as some cement manufacturers, especially in the north, are working overtime to meet demand. In the four-month period, this utilization stood at 93 percent against 78 percent this period last year. This utilization comes despite a 16 percent decline in exports.

- ∆ Dispatches in the north are on the drivers' seat flocked by the infrastructure boom. In fact, many players in the south are selling cement to companies in the north who are running at maximum capacity. As winter approaches, there may be seasonal downturns in the north over the next few months. However, the sector is prepared to absorb at least the first set of expansions coming through during FY18 and FY19.

∆ Representatives from Tajikistan and Pakistan have discussed ways to improve trade relations for the mutual benefit of both countries, with the cement industry identified as a potential area of cooperation.

∆ The recent ban on the use of pet-coke in India's National Capital Region (NCR) is expected to have beneficial impact on Pakistan's cement industry. The Pakistani cement industry could expect two major implications in the aftermath of the Supreme Court's decision in India. First, it is expected that fuel and power costs would rise as global coal prices could see upward pressure due to incremental demand from India. Secondly, there could be an opportunity for Pakistan to increase its cement exports to India due to the potential increase in Indian cement prices on account of switching from pet coke to expensive coal.

Threats:

∇ No cement could compete with Pakistani cement if imported at real and fair value after paying all government levies. However, weak border controls and lax customs vigilance allow entry of cement from across our borders at unfair valuations hurting the local cement industry.

∇ Although the increase recorded in domestic consumption in November was 10pc, sector-wide growth stood at 5.16pc because of a decline of 27.11pc in exports. In November, north-based mills sold around 3m tonnes locally, up 10pc from 2.69m tonnes a year ago. Local dispatches in the southern region rose 8.4pc to 0.62m tonnes last month.

∇ However, exports from south-based mills took a hit as they went down 45pc to 0.07m tonnes in November on an annual basis. Exports from the northern region also decreased 8pc to 0.27m tonnes last month.

∇ Exports in the first five months of 2017-18 plunged 18.22pc to 2.08m tonnes.

∇ Free-on-board coal futures price reached $94 per ton while the average price in 2017-18 so far has been $89 per ton.

∇ The reasons for a hike in international coal prices include China's curb on domestic coal production as this source of fuel accounts for about 60pc of the country's energy consumption. This led to an increase in its coal imports.

∇ In addition, the consolidation of a small number of coal mining companies that dominate the industry in Australia along with India's ban on the use of pet-coke in Uttar Pradesh, Haryana and Rajasthan in November also led to a hike in global coal prices. More than 70pc fuel requirement of Indian cement producers is met through pet-coke. He said a further hike in coal prices could not be ruled out.

∇ The industry has so far withstood the impact of a fall in exports due to a robust growth in the domestic market. However, current political uncertainty may impact domestic growth as more capacities are expected to be commissioned in the next three years. The hike in duties on coal has increased the cost of production.

- ∇ There are two dichotomous trends in the cement sector right now. The first is that even when the demand for cement is heading north; prices for cement scrips in the stock market have pummeled over the past year or so, wiping out much of the build-up they witnessed when expansions were first announced. Top cement players' margins have shrunk from 43 percent to 36 percent between the first quarters of FY17 and FY18 as coal prices rose and retention prices in the north were reduced

- ∇ The second more troubling trend is the peaking demand for cement in local markets against a visible decline in demand for Pakistani cement overseas. These trends are setting the tone for volatility in the sector going forward.

- ∇ There is a falling demand in key markets like South Africa, Afghanistan and other Central Asian countries, which is worrying. In fact, the Afghanistan market has been seized largely by cement from Iran, which suffers from a supply glut. Meanwhile, new local manufacturing plants are being set up in Afghanistan that would further usurp Pakistan's share in that market.

- ∇ Cement exports to India were growing last year, but they reached a ceiling as it was predicted. This year, even those select markets in India where Pakistan could compete with Indian cement aren't very receptive. Indian manufacturers are expanding capacities fast and trying to reach more local markets, which are geographically closer to Pakistan and where Pakistani cement manufacturers took a price cut.

- ∇ There is no argument that once additional capacities start rolling in, Pakistani local demand will not be able to fully absorb it and the sector will be left with ample idle capacity. Manufacturers may need to expand their reach toward other strategic export markets where Pakistani cement could fare well without having to dump cement for cheap and lose a good share of their margins. They are vying for export friendly policies from the government in order to keep exports afloat.

- ∇ Until such a time when said policies kick in, and coal prices rationalizes, cement manufacturers are in for an uphill battle to maintain margins at the levels they have been enjoying for a long time. From the consumer point of view however, cement prices will fall further and cost of construction may come down.

Future Outlook:

Domestic demand is expected to continue to grow due to increasing construction activity arising from government's focus on infrastructure development including projects like CPEC and growing demand from housing sector. **The outlook is positive and upbeat.**

Association:

- ➢ All Pakistan Cement Manufacturers Association

www.apcma.com

CHEMICALS (INC. PLASTIC &RUBBER PRODUCTS)

FINANCIAL SNAPSHOT 2016-17

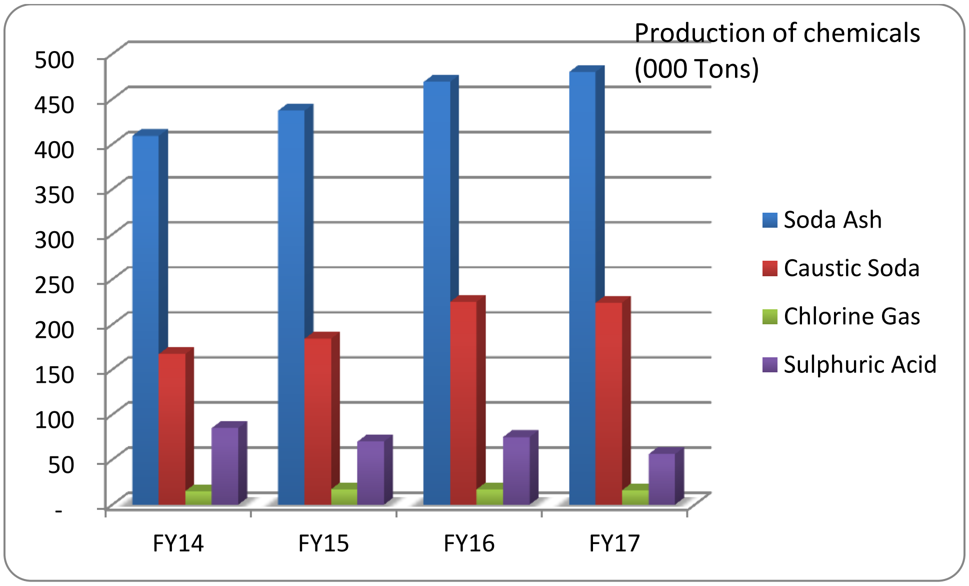
All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	27		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act/Est**	216,719	98,816	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	16,174		
C.	**Financial Charges**	**Act/Est**	4,836		
D.	**PAT**	**Act/Est**	15,109		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	207,128		
F.	*Current Assets*	**Act/Est**	79,265		
G.	*Cash & Bank Balances*	**Act/Est**	7,955		
H.	*Trade Debtors*	**Act/Est**	14,984		
I.	*Short Term Investments*	**Act/Est**	7,902		
J.	*Total Equity*	**Act/Est**	67,478		
K.	*Current Liabilities*	**Act/Est**	90,055		
L.	*Total Liabilities*	**Act/Est**	124,265		

CHEMICALS (INCL. PLASTIC & RUBBER PRODUCTS)

Sector Outline:

	PRODUCTION (000 Tons)				GROWTH (%)			
	FY14	FY15	FY16	FY17	FY14	FY15	FY16	FY17
Soda Ash	409	437	469	480	11.75	6.85	7.32	2.29
Caustic Soda	167	184	225	224	(8.74)	10.18	22.28	(0.49)
Chlorine Gas	15	17	17	16		13.33		(4.12)
Sulphuric Acid	85	70	75	56	(4.49)	(17.65)	7.14	(25.33)



The positive growth of Chemical sector in Pakistan is recorded at 10.01 percent during the period under review mainly arrived from Sulphuric acid which recorded growth of 25.75 percent, Paints & Varnishes(S) 21.18 percent and Caustic soda 26.85 percent. The exceptionally well performance mainly arrived due to construction activities and start of commercial operation by caustic soda producing unit. During July-April FY 2016 Chemical remained major sector for foreign investors. Chemical sector is part of Large Scale Manufacturing (LSM) in Pakistan.

In Pakistan, the industry has been classified into two sectors i.e. Primary Sector Chemical Industry & secondary sector chemical industry. It is the classification of primary sector Industry, based on the conversion of natural resources (ores) into primary products. In Pakistan the industries considered as primary chemical Industry for production of primary chemicals are Petroleum Refinery and petrochemical

Industry involved in the production of petroleum intermediates, olefins and BTX (benzene, toluene, xylene) all of which form the basis for the development of monomers, polymers and plastic industries.

Fertilizers and associated products, Mineral based industries consisting of cement, limestone, gypsum, Smelting & refining of ferrous and non-ferrous metals, Agriculture industries producing cotton, oils & fats, bio-mass and raw materials is also produced. Whereas, the principal objective of Secondary sector industries is to use Primary industries products in further manufacturing, processing, blending, fabricating plants for petrochemical intermediates, polymers, non-ferrous metals, mineral's, agricultural and miscellaneous products. These industries use medium-to high-sophisticated technology, and range from light to medium categories.

Opportunities:

- ∆ The Netherlands would send a fact-finding mission of experts to assist and provide services for member units of the Pakistan Chemical Manufacturers Association (PCMA) for bringing improvement in the industry. The fact-finding mission, which will work in collaboration with the Engineering Development Board, will visit interested member companies of the PCMA. It will come up with a report and place senior consultants in these companies based on the study.

- ∆ The establishment of a crude-naphtha cracker petrochemical (CNCP) plant will give rise to a strong downstream chemical industry by producing hundreds of high-value chemicals locally, resulting in an import substitution worth of around $2-3 billion in the first year.

- ∆ The Pakistan Chemical Manufacturers Association (PCMA) has called for forming joint ventures with China to make the local chemical sector a self-reliant industry. The suggestion was made by PCMA General Secretary in a meeting with Pak-China Joint Chamber of Commerce and Industry.

- ∆ The general secretary was of the view that the constraints could be addressed if Chinese chemical manufacturers joined hands with Pakistani counterparts in terms of providing technology, knowledge and investment. He also urged the government to facilitate local investors by providing soft loans and facilitating foreign investors in obtaining land and machinery.

- ∆ Total domestic demand for the PVC posted a healthy growth of ~17% stands close to 200 Kilo tons. Domestic industry currently comprises one player, Engro Polymer and Chemicals Limited (EPCL), with an installed capacity of 178 KT. The rest of the demand is catered through imports.

- ∆ Demand is dominated by pipes & fittings industry contributing more than half of the country's demand (57%). The other major uses include: Film/packaging (10%), Shoes (9%), Garden Hose (9 %), Cable compound (7%)

- ∆ Recently improving trend in the construction sector with the likely launch of CPEC would support the demand growth in the domestic market. The domestic PVC prices are set in line with the prevailing international prices. The internationally improved PVC ethylene core delta has impacted the domestic margins positively.

- ∆ The industry indirectly benefits from the imposition of 12% import duty on PVC. The reduction of duty on import of raw material (Ethylene) from 5% to 2% also promoted the local players. Recently there is an imposition of provisional anti-dumping duty between 11 to 40%, will likely to affect positively on margins

Threats:

- ∇ Due to absence of even a single cracker complex, downstream industry is dependent on imports, whereas India established its first cracker in 1992 and currently has 8 units, Iran despite the sanctions has been able to put in place seven, Singapore owns five huge-capacity state-of-the-art facilities, while Saudi Arabia owns twelve crackers.

- ∇ Pakistan's chemical imports constitute around 17 percent of the total import bill. The country has made considerable progress in basic inorganic chemicals like soda ash, caustic soda, sulphuric acid, and chlorine with sufficient production capacity, but the lack of the availability of other chemicals including petrochemicals leads to dependence on imports. The chemical imports in 2015 amounted to over $5-6 billion and each year there is an average increase of 5-8 percent.

- ∇ Lack of industrial infrastructure and technology in Pakistan results in low production of chemicals which could hardly meet the demand. Moreover the discriminatory approach of international community does not integrate Pakistan market into the world economy, therefore Pakistani products are not given much access to the global markets.

- ∇ Furthermore the lack of financial resources, energy shortages and weak trade policies also result in the weakening of chemical industry.

- ∇ Mostly, the units in small-scale sectors are spread in various parts of the country. The installed capacities in most of these small-scale units are smaller as compared to global scales.

- ∇ Companies such as Sitara Chemicals have felt the impact of the troubles of the chemical sector, reporting low single digit in FY17. Lottechem's latest quarterly reported a decline in revenue as compared to the same period last years, as they were adversely impacted by crude oil price patterns as well as decline in polyester demand. Others such as Descon Oxychem managed to increase sales through improved marketing mix and selling prices. Archroma's increase in quarterly sales was led by their business in paper specialties.

- ∇ Textiles sector is not the only culprit for the fall in chemical production in Pakistan, though it is a major one. Several of the chemicals companies have expressed fears regarding dumping, especially from China. For example, there has been a slowdown in construction activities in China.

- ∇ This has caused their supply of chlorine to stockpile, dragging down chemical prices across Asia and increasing supply in the local market through imports. On the other hand, the petrochemicals segment of Pakistan is suffering due to volatility in crude oil prices with the current slump discouraging production.

∇ While Pakistan may have limited ability to contract international trends, it needs to work on developing its smaller auxiliary sector which in this case contributes by production worth over Rs. 200 billion as per Pakistan Chemical Manufacturers association.

Future Outlook:

Pakistan's narrow export base, lack of industrial infrastructure and technology and domestic policies are weakening the chemical industry. **Outlook is constrained**.

Association:

- Pakistan chemical manufacturing association (PCMA)

www.pcdpk.com/pcma.htm

CONSTRUCTION

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

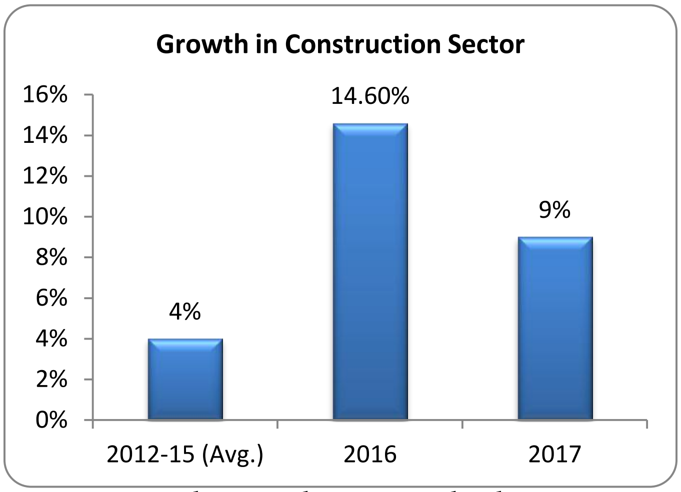
	No. of Companies	Act/Est	1000	
			2016-17	**2015-16**
A.	**Industry Sales**	Act/Est	321,000	255,000

			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	Act/Est	29,000		
C.	**Financial Charges**	Act/Est	9,000		
D.	**PAT**	Act/Est	28,000		

			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	710,000		
F.	*Current Assets*	Act/Est	251,000		
G.	*Cash & Bank Balances*	Act/Est	33,000		
H.	*Trade Debtors*	Act/Est	218,000		
I.	*Short Term Investments*	Act/Est	Nil		
J.	*Total Equity*	Act/Est	508,000		
K.	*Current Liabilities*	Act/Est	202,000		
L.	*Total Liabilities*	Act/Est	202,000		

CONSTRUCTION:

Sector Outline:



Housing & Construction Sector is among the identified sectors by the Government of Pakistan as the driver of economic growth. A spurt in activity in this sector unleashes a chain reaction in other allied industries. It is also said that no less than 60 industries are linked to construction & housing sector.

There is an annual shortfall of 270,000 housing units at present while the backlog of around 7.0 million units is in addition. Huge investments are pouring in from international investors from UAE, Singapore, Malaysia, China etc. who have committed for US$ 43 billion on two islands of Bin Qasim, US$68 billion on a New City Project in Hawksbay, Karachi and are also executing mega housing projects in Lahore, Gwadar, Mangla & DHA Karachi and Islamabad. The new home financing schemes by local and foreign leasing and financial institutions, through aggressive marketing, are playing an important role for the growth in this sector. Also, there are numerous infrastructure development projects in progress in the Country that include a large number of flyovers, underpasses, highways, tunnels, dams, roads and industrial projects which have lead this industry to surpass its past status and glory.

Construction as a sub sector contributes 13.13 percent in industrial sector and in GDP its share is 2.74 percent against the share of 2.65 percent last year; it absorbs 7.31 percent of labor force. Construction is considered as one of the potential components of industrial sector in the economy of Pakistan. This sub-sector has witnessed a growth of 9.05 percent against the growth of 14.60 percent last year.

Opportunities:

- Infrastructure Sector has been allocated 67% of the total development budget.

- Build Asia International Exhibition will be the platform for local and foreign companies to discuss collaborations, joint ventures and other possible avenues. The objective of 13th Build Asia 2017 is Value Addition in the Construction Industry to increase the productivity, decrease costs and introduce latest technologies in Pakistan. The Exhibition is showcasing 250+ international and local brands in 475 booths and it is a pleasure to see 350 Foreign Delegates from 17 Countries including China, Iran, Italy and many other countries.

- The construction industry is playing an important role in economic growth of Pakistan. Recent (provisional) estimates published in the Economic Survey of Pakistan show that the industry grew 9.1% in FY17 and contributed 2.7% to the country's gross domestic product (GDP).

- The signing of the China-Pakistan Economic Corridor (CPEC) agreement and improvement in the country's security situation have been the key to giving boost to not only the construction industry, but Pakistan's image abroad. With China having the first-mover advantage in injecting foreign investment into the country, other countries have followed suit.

- The sector has also been an important recipient of foreign direct investment (FDI). This can be judged from the latest figures provided by the State Bank of Pakistan, which show that the construction industry received a net inflow of $35.7 million in August 2017.

- In the current fiscal year from July-August FY18 the industry has received $55.7 million relative to $1.6 million in the same period of last year.

- Locally, investment has also been boosted by government policies such as reduction in duties and taxes on building materials like steel, construction machinery and equipment and computerization of land ownership records.

- A delegation of Chinese entrepreneurs, expressed desire to enter into joint ventures and investment in Pakistan. The delegation represented various sectors including infrastructure development, construction of roads, bridges, high rise buildings, IT, manufacturing of mechanical products, cold-bend steel, elevator components, mechanical components, plastic injections, furniture and tourism.

- many sectors of Pakistan's economy including infrastructure development, high rise buildings, aviation, steel, aluminum, all sorts of machinery & parts, manufacturing of plastic products, construction & real estate, furniture, hardware, tourism and others were open for foreign investors and urging that Chinese investors should explore these potential sectors for joint ventures and investment in Pakistan.

- Construction-related activities will gain further momentum on the back of increased public sector development spending coupled with infrastructure and power sector development projects under the China-Pakistan Economic Corridor. The construction sector contributes 2.4% to Gross Domestic Product.

- The construction was the main industry showing consistent boom despite the wave of terrorism in the last decade and severe economic problems. The bulk of savings are parked in the housing sector and heavy investments are made in real estate.

- A large number of businesses linked with the construction industry will be affected by the Sindh Building Control Authority's (SBCA) immediate ban on the construction of high-rise buildings in the metropolis.

- Every big city of Pakistan solicits Mass Transit System. The roads, highways and motorways all over the Country, specifically from Gwadar to Central Asian Republic Countries is another sector for investment on BOT basis. The Government is looking forward for investors to build these on BOT, BLT, BOOT basis. Overseas Entrepreneurs have ideal opportunities to make joint ventures with Pakistani entrepreneurs to invest in these projects on turnkey basis for very lucrative returns.

Threats:

- ∇ The construction industry is in a developing stage in Pakistan. There is an urgent need to eliminate bottlenecks such as corrupt practices in the industry, carry out extensive computerization of land ownership records for greater transparency, improve land regulation and building control, standardize and implement building laws across the board and impart latest skills to students for the future of the industry.

- ∇ Construction industry officials requested the government to gradually implement the new tax regime, otherwise it could hurt the current high growth of the industry. Revenues from the construction sector dipped to a meager Rs112 million in the outgoing fiscal year against conservative official annual estimates of Rs8 billion.

- ∇ The FBR had decided to recover the taxes through the representatives of the association. At the time of approval of a house, a building plan or a land development plan, a builder, owner or a land developer was supposed to apply to the chief commissioner of Inland Revenue for payment of tax in a prescribed application setting forth the details of the project, tax liability and schedule of installments. Before approval of the project, 5% of the tax liability had to be deposited and the remaining 95% in four installments spanning over the project life.

Future Outlook:

A healthy growth outlook for the sector is expected with annual growth of 11.8% from 2016-20. **The outlook is positive and upbeat** on the back of increasing public sector development spending coupled with infrastructure and power sector development program under CPEC.

Associations:

- Association of Builders and Developers of Pakistan (ABAD)

http://abad-association-of-builders-and-developers.pakbd.com/

- Constructors Association of Pakistan

http://www.cappak.org/

- All Karachi Marble Industries Association (AKMIA)

http://akmia.org.pk/

- All Pakistan Marble Industries Association
- Pakistan Glass Manufacturers Association

EDIBLE OIL

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	2		
			2016-17	**2015-16**	
A.	**Industry Sales**	Act/Est	7,115	5,632	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	Act/Est	246		
C.	**Financial Charges**	Act/Est	54		
D.	**PAT**	Act/Est	165		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	3,546		
F.	*Current Assets*	Act/Est	2,593		
G.	*Cash & Bank Balances*	Act/Est	199		
H.	*Trade Debtors*	Act/Est	823		
I.	*Short Term Investments*	Act/Est	Nil		
J.	*Total Equity*	Act/Est	1,654		
K.	*Current Liabilities*	Act/Est	1,720		
L.	*Total Liabilities*	Act/Est	1,891		

EDIBLE OIL:

Sector Outline:

Traditionally, Pakistan has been a very important market for Malaysian palm oil consortium. It is one of the top 5 markets for palm oil. Many years ago, Malaysia was a major producer and exporter of palm oil; and depended heavily on the market in Pakistan. They did a lot of work in developing the market in Pakistan, teaching the industry how to maximize the use of palm oil.

For many years, Malaysians were the market leaders, but after the Pakistan-Indonesia FTA, the level playing field was no longer present. The price advantage to Indonesian palm oil was very obvious, and gradually Malaysian Palm Oil declined in their share of palm oil to Pakistan. Their crude palm oil exports are taxed. This also impacted Malaysian market.

In the western hemisphere, the growth of oils and fats has saturated as their fat consumptions averages around 35-40 percent. However, in Asia, Africa and the Indian subcontinent, the total fat consumption is even below the minimum FAO recommendation, which is 20 percent energy. It is this part of the world where growth will happen. [BR; 24.11.2017]

Country's Edible Oil industry worth Rs. 500 Bn.

Growing at an annual rate of 7%

Consumption: 4 Mn Tonnes of Edible Oil & Fats

More than 60% For home cooking, rest for industrial sector

3rd largest importer (70% consumption through imports)

Cooking oil sector contributed around Rs.120 billion annually to the government exchequer in the form of customs duty, federal excise duty and income tax. The cooking oil and ghee industry in the form of employment caters more than 100,000 persons. PVMA member units' annual production capacity is around 3.0 million tons with the facility to produce both high quality vanaspati ghee and cooking oils.

Opportunities:

- Pakistan Standards & Quality Control Authority (PSQCA) has decided to impose a ban on the sale of loose edible oil and ghee in the county. According to some estimates, 400 tonnes of substandard loose edible oil and ghee is being sold in Karachi on a daily basis

- The use in oleo chemicals like soaps, shampoos, cosmetics, detergents, etc. will increase as income per capita increases. It's an untapped market, and offers opportunities when diversifying. Today in Malaysia, 75 percent production of palm oil is for food, while 25 percent goes to non-food segments.

- Oleo chemical industry is centred in Malaysia. We have that advantage. Twenty years ago, this was centred in the US. Indonesia is catching up, but we are the market leaders in oleo chemical industry because of the technology, innovation and experience.

- Punjab government has formulated a comprehensive plan for the promotion of sunflower and other oil seed crops in the province. Under the program, sunflower would be cultivated on more than two lakh acres of land in different areas of the province. The step was being taken to produce maximum edible oil in order to lessen the imports bill.

- The demand of edible oil has been increasing rapidly and sunflower crop could play a vital role as its seeds have 40 percent oil capacity as compared to other oil seed crops. Sunflower would be cultivated on 6,000 acres in four tehsils of Sialkot: Sialkot tehsil 250 acres, Daska 2,250 acres, Pasrur 1,500 acres and 2,000 acres in tehsil Sambrial.

- Proper farming, production, processing and marketing of oilseeds can not only reduce dependence on imports but also help earn foreign exchange as Pakistan is located in the food deficient region.

- Focus on commercial farming of oilseeds, especially soya bean at a high percentage of oil (23 percent) as compared to other varieties and high protein content (43 percent) can help the country.

- Cottonseed with 3.93 million tonnes annual production has only 16 percent of oil. Sunflower has the highest oil percentage at 48 percent.

- Pakistan Vanaspati Manufacturers Association is ready to assist Pakistan with area specific technologies to become self-sufficient in edible oils in the first phase and then start exporting to world markets.

- The increase of palm oil products in the international market the local edible oil and ghee manufacturers increased prices of their products.

- Dalda Foods Ltd and its parent company are going to raise more than Rs7 billion through the stock market by selling 25 per cent shares in the edible oil business. Dalda Foods wants to reduce its reliance on the import of edible oil by backward-integration. It will use the raised funds to expand the crushing capacity of its seed extraction plant from 300 tonnes per day to 500 tonnes.

- The Punjab government is implementing a five year project (2015-20) under which Rs2 billion has been allocated for the promotion of olive plantation in Pothwar districts of Chakwal, Jhelum, Attock, Rawalpindi, Mianwali and Khushab. 2 million olive plants are being distributed to olive growers free of cost.

- Biodiesel plants are the places where the used oil should be sold. Through various processes, the used oil can be converted into biodiesel which is called green oil for usage in vehicles in the world, including the UK. And if the used edible oil is sold to such plants alone for biodiesel production, its recycling and further use for human consumption can be avoided. Similarly, soap makers also utilize [used] edible oil.

Threats:

- Currently, only 34 percent edible oil is being produced within the country while 66 percent is being imported for domestic needs for which the government was spending huge foreign exchange.

- Over 2.6 million tonnes of edible oil imports cost more than $3.1 billion annually making it the second largest import after petroleum products, which compromises the balance of payments capacity

- The Malaysian palm oil products export also witnessed an increase around 3 percent during 2017 to 799,600 metric tonnes. Pakistan imports crude and refined cooking oils (palm and palm olein) mainly from Malaysia and Indonesia and brings in soybean oil from North America and Brazil.

- The reasons behind the wide gap between production and consumption include lack of research and development initiatives, want of incentives, failure to attract investment, low price and high cost of production making these crops non-profitable to many farmers.

- Approximately 32 percent of the import bill is comprised of taxes that importers pay at Pakistan's sea ports. The government should rationalize the taxes. Import Tax Price duty should be increased or decreased in proportion to the changes in the price of imported edible oils in the international market.

- Despite repeated warnings and fines, most ghee and oil manufacturers are still not fortifying vitamin A and D, as per the international unit (IU) per kilogram, just to increase their profit margins. According to the law, all ghee and cooking oil manufacturers are bound to fortify their products by approximately 35,000 IU to 45,000 IU of vitamin A and 3,000 IU to 4,500 IU of vitamin D per kilogram.

Future Outlook:

Pakistan's edible oil industry witnessed notable improvement in FY16, which could be attributed to fall in international prices of palm and soybean oils, stable exchange rate, and a steady demand in the country. Low cost of borrowing and cheaper energy and transportation also supported growth. [Although palm oil prices in the global market continue to be sluggish, its import remained lower in FY16 – probably owing to use of inventories of the past year by the manufacturers.] Manufacturers also benefited from a cut in import duty (from 6% to 3% since July 2015) on soybean. The demand for semi processed soybean oil is also on the rise as it is used in the poultry feed industry.

Profit margins for the industry also became attractive as manufacturers did not fully pass on the benefit from lower cost of production to consumers. [According to financial statements of leading firms, margins of the edible oil industry increased by 12% YoY during FY16 compared to a minor decline in FY15.]

World oilseed market has been showing downward trend since last few years which has also affected local market of oilseeds/edible oil. Low prices in the market discouraged the oilseeds growers and resulted in decrease in area under sunflower and canola crops during 2015-16.

Outlook is steady.

Associations:

- The Pakistan Vanaspati Manufacturers' Association (PVMA)
http://www.pvma.com.pk/
- Pakistan Edible Oil Refiners Association of Malaysia (PEORA)
http://poram.org.my/p/wp-content/uploads/2013/12/Peora.pdf
- All Pakistan Solvent Extractors' Association (APSEA)
http://apsea.com.pk/

ENERGY-COAL

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	~3-5		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act/Est**	28,946	26,201	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	19,932		
C.	**Financial Charges**	**Act/Est**	2,328		
D.	**PAT**	**Act/Est**	18,496		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act/Est**	108,400		
F.	***Current Assets***	**Act/Est**	56,251		
G.	***Cash & Bank Balances***	**Act/Est**	18,036		
H.	***Trade Debtors***	**Act/Est**	30,498		
I.	***Short Term Investments***	**Act/Est**	Nil		
J.	***Total Equity***	**Act/Est**	11,691		
K.	***Current Liabilities***	**Act/Est**	8,018		
L.	***Total Liabilities***	**Act/Est**	12,489		

ENERGY-COAL:

Sector Outline:

The GSP has discovered over 175 billion tons of Ignite coal in Thar Desert in 1992. The development of Thar coal reserves has been included in the priority list of projects.

Pakistan imported 5.2 million tons of coal in 2016. Approximately 67% of the coal imported into Pakistan was sourced from South Africa, 20.3% from Indonesia and 11% from Afghanistan. Japan, India and China are the largest importers of coal in the world, with a combined total of 566 million tons. This equals approximately 47% of the world demand of imported coal. Indonesia and Australia are the major suppliers of coal to the three countries, while South Africa is also an important source for India. There was a significant increase in the imports of coal into China and India between 2007 and 2009, particularly as quantities more than doubled into the former.

Opportunities:

- Engro has created "Khushal Thar" (prosperous Thar), training 694 people on monthly stipends to be supplied to their Chinese partners. Armed with a strategy for social change, Engro trains women as dump truck drivers.

- China's coal reserves are declining, so it may get some of Thar's production, and some of its out-of-work miners and engineers are putting their skills to use again. But with unemployment also rampant in Pakistan, SECMC maintains it constantly negotiates with the Chinese to hire cheaper Pakistani labor, which has been a sticking point on some projects.

- Pakistan's sights are firmly set on the future. It expects that sustained coal excavation will eventually help get rid of deliberate power shutdowns aimed at preventing system failures, make electricity affordable and fire up its industries. The stated goal is to put young people to work – and the nation on the road to prosperity.

- Competitiveness in energy costs involve ensuring that the consumers have access to the most effective fuel mix that not only satisfies their needs but also provides the resources at the lowest cost. As electricity production moves away from oil-based production towards gas- and coal-based production, it is likely to lower electricity production costs.

- China is transferring its high-quality industrial technology to its close neighbour Pakistan under their multi-billion-US-dollars project of China-Pakistan Economic Corridor (CPEC). The latest example is the first unit of Port Qasim coal-fired power plant that uses the world most advanced super critical thermal technology, said Yan Zhiyong Chairman of the Power China , the constructor of the new coal-fired plant. The first unit, which is expected to generate 4.5 billion units of electricity annually, is a highly efficient and environment friendly generator that will consume less amount of coal and reduce emission of sulphide with its limestone-gypsum wet desulphurisation technology.

- ∆ The second unit of the power plant is expected to be launched in February next year. At that time, the power plant will provide 9 billion unit of clean and cheapest electricity to about 4 million Pakistani families.

- ∆ Commercial production of electricity from Thar Coal will boost the share of coal in the energy mix from the current less than one per cent to 24 per cent within three years. Thar coal remains cheapest option for power generation in the energy supply chain

- ∆ The increased share of the local coal in the energy mix would save billions of dollars in the oil import bill while the power production would jump to 15 gigawatts within a decade burying energy crisis forever.

- ∆ Chinese investment worth billions of dollars in the project had settled misgivings about the project and now foreign investors were taking interest in it while local industrial groups were also demanding cheap coal for their own power generation.

- ∆ Thar contains around 175 billion tonnes of coal enough to revolutionize the country's economy. These deposits were not used for decades but now the situation had changed which would lead to economic prosperity of the country.

- ∆ The area holds more energy than the combined energy of Saudi Arabia and Iran which could change the fate of the country. Thar was home to 25 million people; it is rich in resources but one of the most underdeveloped areas in the country where many suffer from malnutrition and other problems.

- ∆ The provincial government had invested over $1 billion in the development of Thar. This investment would give huge dividends to the people of Pakistan in the shape of 10,000 MW power generation in the first phase to meet the energy requirements of our domestic, industrial and commercial requirements.

- ∆ A recently established state-of-the-art facility for research in coal technology, energy and environment engineering was formally inaugurated on Wednesday at Punjab University (PU) New Campus. The facility, which has been set up in the university's Centre for Coal Technology. The new facility will enable world-class research in coal, energy and environment engineering sector through seven new research laboratories equipped with latest research gadgets, pilot power plant, four new classrooms, conference room, PhD cluster room, faculty offices and computer labs.

Threats:

- ∇ The community has concerns that water from the mining process, discharged into Gorano village 28 kilometers away, could pollute drinking water sources. In Mithi town, people have repeatedly demonstrated to sound the alarm, with the fears echoed by Sindh's civil society.

- ∇ The reserves to production ratio of gas for Pakistan are significantly lower than the other Asian countries.

- It is also important to note that although Pakistan has coal reserves that can last more than 500 years, it is mainly in the form of sub-bituminous and lignite coal, while several other countries have reserves of higher quality anthracite and bituminous coal. The calorific equivalence of sub-bituminous and lignite coal is almost half of that of the other forms of coal.

- China and India tend to import coal at cheaper rates. Out of the top 25 importers of coal, Pakistan imports coal at the highest unit value.

Future Outlook:

Outlook for intended and prospective investments into mining, refining and generation projects remains bright.

NBP National Bank of Pakistan

ENERGY-GAS GENERATION & DISTRIBUTION

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	1		
			2016-17	**2015-16**	
A.	**Industry Sales**	Act/Est	319,935	239,636	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	Act/Est	12,539		
C.	**Financial Charges**	Act/Est	5,350		
D.	**PAT**	Act/Est	8,615		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	324,187		
F.	*Current Assets*	Act/Est	157,105		
G.	*Cash & Bank Balances*	Act/Est	3,648		
H.	*Trade Debtors*	Act/Est	57,817		
I.	*Short Term Investments*	Act/Est	Nil		
J.	*Total Equity*	Act/Est	10,596		
K.	*Current Liabilities*	Act/Est	163,310		
L.	*Total Liabilities*	Act/Est	313,591		

ENERGY- GAS GENERATION & DISTRIBUTION:

Sector Outline:

The gradual displacement of fuel oil in Pakistan's power sector seems inevitable as more natural gas becomes available through rising LNG imports, allowing the government to shut inefficient fuel oil-fired plants.

One LNG terminal can deliver about 0.6 Bcf/day of gas, sufficient to generate about 3,000 MW of electricity, and almost completely replace Pakistan's fuel oil-based power generation, which reaches about 3,800 MW during the peak summer demand season. But fuel oil will not be completely displaced. While LNG imports could exceed 1.8 Bcf/d by 2019, once the country's third LNG terminal starts operating, most of the re-gasified LNG will be used to bridge the country's existing gas deficit.

Pakistan LNG estimates the gap between supply and demand in the country's gas sector at 2 Bcf/d under the current infrastructure and policy constraints, inhibiting the free flow of gas to residential, industrial and commercial customers, and at 4 Bcf/d if those constraints disappear.
The gap could widen as domestic gas production, which is responsible for around 2,500 MW of electricity generation, falters, pipeline import projects remain uncertain, and energy consumption continues to grow among both domestic and industrial consumers.

Opportunities:

- Pakistan's fuel oil demand is expected to fall sharply over the next three years as growing LNG imports help the country move to a gas-based energy economy. Fuel oil demand is likely to drop from 9.6 million mt in fiscal 2016-2017, running from July to June, to 4.5 million mt or less by fiscal 2019-2020.

- Pakistan’s first Liquefied Natural Gas (LNG) energy terminal has received 120 shipments and injected 7.4 million tonnes LNG in the national transmission network since start of its operations, saving US $1.2 billion per year in the national kitty.

- The LNG import had helped run around 750 CNG stations, which in the past had faced closure due to gas shortage. He further said that the import of the LNG hoped to create about US $4.5 billion industry in the future. After start of LNG import, around 500 industrial units including textile industries had been revived.

- Following the import of the LNG, Pakistan has so far saved approximately US$ 1.7 billion for LNG being cheaper than furnace oil and diesel – major fuel sources used to run Pakistan’s power plants. LNG was also the cleanest burning hydrocarbon and the greenest fossil fuel.

- Compared to furnace oil, LNG was more efficient in power generation and had much lower operational costs thus contributing most to lower energy prices to end customer. Pakistan had gas deficit of approximately over 2.5 billion cubic feet and current LNG import was reducing this deficit by 20 to 25 percent.

- The Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline was finally taking shape and would be operational in around four years. The Iran-Pakistan gas pipeline was stuck up due to international sanctions.

- ∆ Operating at one of the highest utilization rates in the world, the Engro Elengy Terminal Private Limited continues to provide savings of between USD 1.2 billion to USD 1.5 billion to the national exchequer through import substitution of expensive furnace oil. Moreover, the assurance of LNG import has kicked off a fast-growing LNG ecosystem and transitive economic activity as well with over 750 CNG stations operating across Pakistan while uninterrupted gas provisioning has also contributed significantly to the revival of the fertilizer and the textile industries resulting in substantial increase in national production.

- ∆ Pakistan has begun the importation of Nigeria's Liquefied Natural Gas (LNG) as part of efforts to deepen the economic relationship between the two nations. The first consignment of 70,000 metric tonnes of the gas had arrived at Pakistan's Port Qasim in Karachi. The importation marked the beginning of a major business expansion between Nigeria and Pakistan in the oil and gas sector. In the future, more trade in this as well as in other sectors is expected.

Threats:

- ∇ Managing Director of Pakistan LNG Terminal Limited (PLTL), had posted a $10 million penalty on Pakistan Gas Port Limited (PGPL) for continuous delay in the commissioning of its terminal beyond a revised deadline.

- ∇ PLTL — a company under the Petroleum Division — had earlier imposed a $30m penalty on PGPL when the terminal did not come online in June as originally committed. The PGPL contested the penalty and is under the arbitration on the issue.

- ∇ A couple of ships carrying LNG and waiting for processing at PGPL terminal were diverted and two other orders deferred. A PLTL official said the PGPL has now given a revised commissioning date of December 23 but was still unlikely to be banked upon.

- ∇ LNG is a short term fix and does not provide energy security as it is imported. SNG is the right approach for coal rich countries like Pakistan. There is a lot of misinformation about Thar coal which has to be corrected. It is low sulphur (1%) Lignite coal high on moisture (40%) ideally suited for above ground gasification. Being a huge, shallow (150M) watery deposit it is not suitable for Underground Gasification Process UCG.

Future Outlook:

Pakistan's LNG imports are forecast to jump over the next five years, with Pakistan LNG estimating unconstrained demand at 30 million mt/year, or 4 Bcf/day of gas equivalent, by 2022, which is half of the country's total gas demand projection of 8 Bcf/d for that year, according to government estimates. A total of seven FSRUs are expected to service Pakistan's mounting gas demand, according to Pakistan's Ministry of Petroleum and Natural Resources. Two of them are already in operation. **Outlook is positive.**

Association:

- ➢ All Pakistan Compressed Natural gas Association (APCNGA)
  www.apcngassociation.com

ENERGY-OIL & GAS EXPLORATION & PRODUCTION

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	4		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act/Est**	346,861	292,101	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	160,829		
C.	**Financial Charges**	**Act/Est**	3,520		
D.	**PAT**	**Act/Est**	118,297		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act/Est**	1,062,819		
F.	***Current Assets***	**Act/Est**	620,867		
G.	***Cash & Bank Balances***	**Act/Est**	27,745		
H.	***Trade Debtors***	**Act/Est**	275,578		
I.	***Short Term Investments***	**Act/Est**	40,098		
J.	***Total Equity***	**Act/Est**	799,179		
K.	***Current Liabilities***	**Act/Est**	174,100		
L.	***Total Liabilities***	**Act/Est**	316,730		

ENERGY- OIL & GAS EXPLORATION:

Sector Outline:

Presently, the conventional exploration for oil and gas is reaching its maturity stage, especially in Sindh and the size of oil and gas discoveries is decreasing. Consequently, the reserves and productions are not being replenished effectively. In order to support the conventional oil and gas resources, the exploitation of unconventional resources, especially shale oil and gas, is one of the priority areas of the government.

A shale gas study, with the USAID financial assistance of $1.8 million, has been initiated in January 2014 and is expected to be completed by the end of 2015. The prime objective of the study is to provide basis for formulation of the shale gas policy.

Opportunities:

∆ Oil and Gas Exploration and Production companies drilled over one hundred and seventy-nine exploratory and one hundred and ninety-four appraisal wells resulting in one hundred and one new discoveries during the past four years, which is eighty percent higher than the finds made during the same period of the previous government.

∆ The government encouraged oil and gas Exploration and Production companies by providing them maximum incentives to step up exploration activities in potential areas across the country.

∆ Oil and gas Exploration and Production (E&P) companies have intensified their drilling activities to tap recoverable reserves of around Trillion Cubic Feet (TCF) and oil reserves exceeding 500 million barrels (mbl) oil in different potential areas of Khyber Pakhtunkhwa.

∆ “KP holds promise for new exciting discoveries, particularly in Kohat Basin which has become main area of focus after successful discoveries by OGDCL and MOL. Most of the area of KP is still lying unexplored and therefore, there is potential of future hydrocarbon prospects in the province,” official sources told APP. Oil and Gas Development Company (OGDCL) and MOL Pakistan have produced Rs99.538 billion crude oil and natural gas from its different operational fields of Khyber Pakhtunkhwa during the last 17 years.

∆ The two leading companies have extracted over 89,998,250 bbl crude oil and 87,217,244 mcf natural gas during the period. The OGDCL tapped around 59,692,454 bbl (barrel) crude oil and 86,482,196 mcf (million cubic feet) natural gas amounting to Rs520.538 billion.

∆ Khyber Pakhtunkhwa Chief Minister has appreciated the big stride of achievements by the Khyber Pakhtunkhwa Oil & Gas Company Limited (KPOGCL) in the exploration and exploitation of oil and gas making the future base of the provincial economy certain through generating energy and resources in the province.

∆ The establishment of three oil refineries, a modern technical lab and a fertilizer plant in the province is satisfactory and assured to provide help for the already identified twenty-four sites having a potential for gas discovery that also includes three sites at Buner and Matani Peshawar.

- ∆ The federal government has invited oil and gas exploration and production (E&P) sector to participate in the import of LNG to fill energy deficiency in the country. Minister of State for Petroleum & Natural Resources, Jam Kamal Khan said that import of LNG to Pakistan may affect the E&P companies in Pakistan, but the oil and gas companies could join the business, as Pakistan is an energy deficit country.

- ∆ The government of Khyber Pakhtunkhwa has proposed to the federal government that a one-time relaxation may be allowed for award of one new exploration block to each of the 4 PHCs in their respective provinces and one block to GHPL in any part of the country without competitive bidding.

- ∆ Pakistan's biggest energy firm Oil and Gas Development Company Limited (OGDCL) unveiled a plan to expand its exploration stint beyond the local oil and gas fields, in partnership with a global energy conglomerate MOL. OGDCL and Hungarian MOL Group already have a joint venture in Tal block, which is an oil and gas field located in Kohat district of Khyber Pakhtunkhwa. The renewed strategic cooperation under an agreement signed between the two companies, however, envisages exploration and production of oil and gas fields in Pakistan, Middle East, African continent and commonwealth of independent states, especially the Russian Federation and Kazakhstan.

- ∆ Alone during the last fiscal year, the company drilled more than 20 wells and added 18 new wells to its production system. The company's average daily net saleable production of crude oil stood at 43,989 barrels, natural gas 1,051 million metric cubic feet, liquefied petroleum gas 411 tonnes and sulphur 39 tonnes during the last fiscal year.

- ∆ A dedicated Shale gas and oil center has been established at the Petroleum House, which is now open for all interested E&P companies.

- ∆ A study, completed in collaboration with USAID, had confirmed presence of 3,778 trillion cubic feet (TCF) Shale gas and 2,323 billion of stock tank barrels (BSTB) Shale oil in place resources. The study covered lower and middle Indus Basin which geographically spread over Sindh, southern parts of Punjab and eastern parts of Balochistan. Total area under the study was 271,700 kilometers, which is 33 percent of total sedimentary area of the country. During the study, a detailed analysis of 124 wells was carried out including laboratory analysis on Shale Cores and Cuttings in the United States. The study had further confirmed that basic technology required for Shale gas exploration i.e. horizontal drilling and hydraulic fracturing, was available in the country and being used for conventional and tight gas reservoirs.

- ∆ A Polish oil and gas company, operating in Pakistan since 1997, has planned to step up its exploration and production activities and take the business volume to Rs100 billion per year. "PGNiG is in active pursuit to increase it footprint in the Pakistani's upstream oil and gas sector and is also interested to develop the shale gas deposits here.
- ∆ The government has started extensive oil and gas exploration activities in different parts of the Federally Administered Tribal Areas (FATA) in a bid to achieve self-sufficiency in the

energy sector. MOL Pakistan, an oil and gas exploration company, has commenced a 'Gravity Survey' in Tal block of North Waziristan Agency. It is also planning to conduct drilling in Bil and Khel areas under the same block. The Oil and Gas Development Company Limited (OGDCL) has also completed a 2D seismic survey in Latamber Block in 2016 where drilling would start by the end of 2017. Surveys are also planned in the Wali Block covering South Waziristan Agency, Lakki Marwat and FR Tank pending security clearance from law enforcement agencies.

Threats:

- ∇ The provinces, particularly Sindh, Khyber Pakhtunkhwa and Balochistan — the three richest in oil and gas deposits —are unhappy that not a single exploration block has been offered for bidding for over four years under the 2012 petroleum policy.

- ∇ KP had identified total seven blocks which were forwarded to the federal regulator. However, the regulator has so far not called for bids for any of the seven blocks that has hampered oil and gas exploration in KP. The provincial government claimed its oil and gas exploration and production targets of 2017 were not met due to the federal regulator. "Our 2017 production targets were 64,000 barrels per day of oil, 685 mmcfd of gas and 880TPD and LPG. However, we were unable to achieve these targets and only produced 53,112 bpd of oil, 443 mmcfd of gas and 550TPD of LPG.

- ∇ Energy experts and policy analysts have said that immediate measures should be taken by the federation and provinces to sort out their policy differences on the interpretation and application of the 18th Amendment vis-à-vis oil and gas exploration to improve harmony.

- ∇ Multinational oil and gas companies have either left or are at the verge of closing their business operations in the country. Because of the impasse there has been a complete halt on exploration activities since 2014.

- ∇ the disadvantages of the federal government's stance are that not a single block has been offered to bidding since 2014 out of 35 pending blocks, the leases awarded before 2012 have also expired and are not being renewed, loss of more than Rs 20 billion to the federal government in terms of royalties has already been incurred, whereas the KPK has lost Rs 5.8 billion in one year in the form of royalty due to lower production.

- ∇ We have been benefiting from low oil prices for the last two years but now the prices are going up again because of the turmoil in the Arab world. Also, because of OPEC and non-OPEC oil-producing countries have decided to curtail their production to raise the oil prices. Owing to the Middle East crisis and the turmoil world over, the prices of oil have already risen from around $50 per barrel to $60 per barrel recently and they are expected to go further up putting severe pressure on the country's foreign exchange reserves. Overall, the situation seems bleak for Pakistan's energy sector since indigenous resources are not being explored and utilized

Future Outlook:

The government has started extensive oil and gas exploration activities in different parts of the Federally Administered Tribal Areas (FATA) in a bid to achieve self-sufficiency in the energy sector.

With the opening of the Balochistan's exploration blocks, now entering its 3rd year of exploratory drilling, the prospects of a major find are brighter than ever before. Outlook is upbeat and bright.

ENERGY-OIL (PETROLEUM DISTRIBUTION/MARKETING)

FINANCIAL SNAPSHOT 2016-17

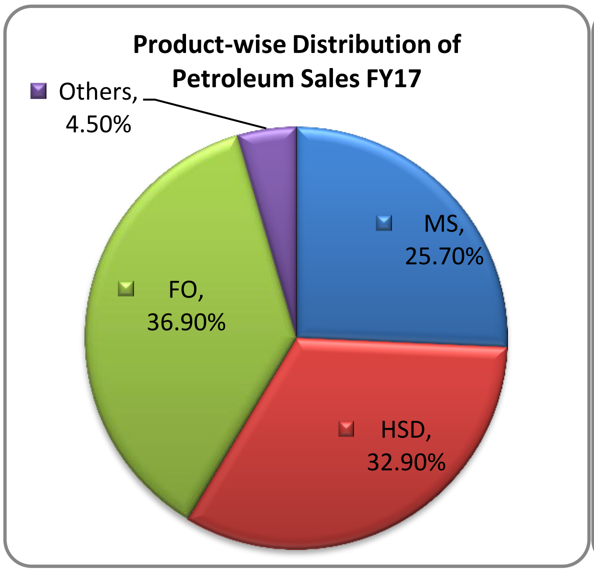
All figures in Pak Rupees (Million)

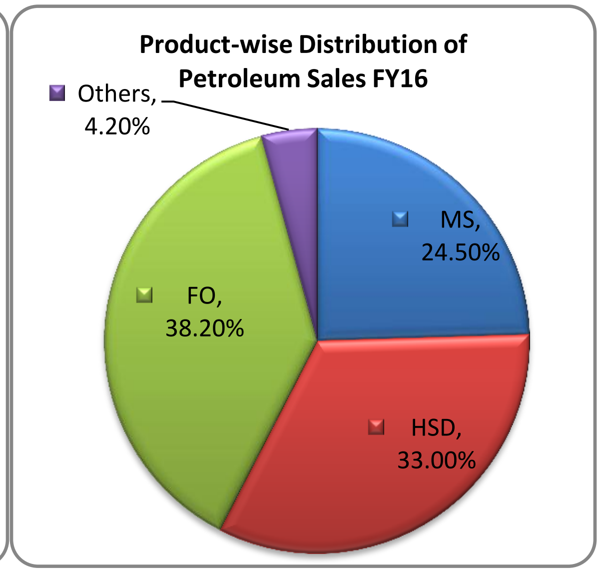
	No. of Companies	Act/Est	4		
			2016-17	2015-16	
A.	Industry Sales	Act/Est	1,393,840	1,341,505	
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	PBT	Act/Est	44,905		
C.	Financial Charges	Act/Est	6,844		
D.	PAT	Act/Est	31,505		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	517,970		
F.	*Current Assets*	Act/Est	462,009		
G.	*Cash & Bank Balances*	Act/Est	28,873		
H.	*Trade Debtors*	Act/Est	233,413		
I.	*Short Term Investments*	Act/Est	910		
J.	*Total Equity*	Act/Est	135,216		
K.	*Current Liabilities*	Act/Est	369,194		
L.	*Total Liabilities*	Act/Est	381,611		

ENERGY-OIL (PETROLEUM DISTRIBUTION/MARKETING):

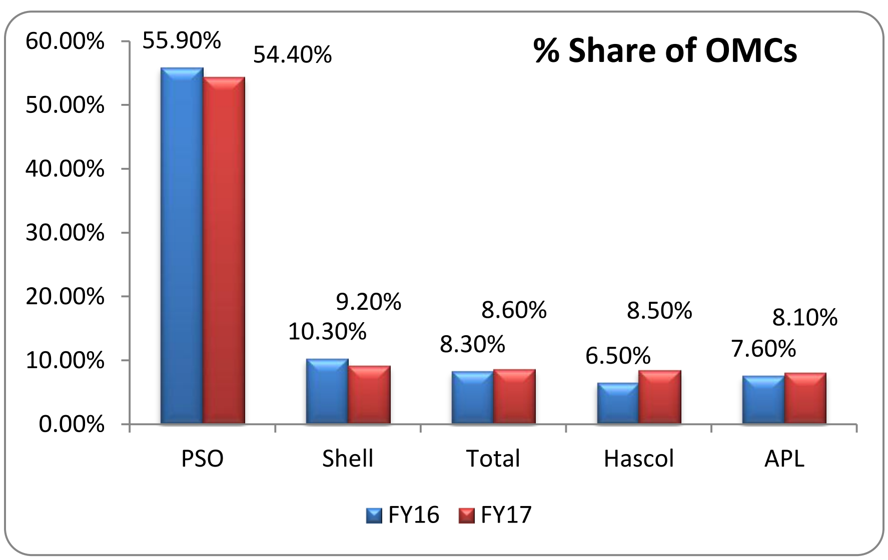
Sector Outline:

Since 2016, Oil and Gas Regulatory Authority (OGRA) has issued 11 new marketing licenses taking the total number of Oil Marketing Companies (OMCs) to 22 (FY16: 11) as at end-FY17. OGRA also granted 12 construction licenses to new firms. Subject to compliance with regulatory requirement for storage capacity, these licenses may be converted to marketing licenses in coming years. Despite new entrants, industry structure has remained at a semi-oligopolistic level, with few players dominating the market.





During FY17, Pakistan State Oil Company Limited (PSO) retained its position as the largest OMC with a market share of 54.4%, though declining over past three fiscal years. Along with PSO, five major players including Shell Pakistan Limited (Shell), Total Parco Marketing Limited/Total Parco Pakistan Limited (Total), Attock Petroleum Limited (APL) and Hascol Petroleum Limited (Hascol) account for almost nine-tenth of industry sales. Over past year, increase in foreign interest has been observed with Trafigura Group Pvt. Ltd. (a Singaporean multinational commodity trading firm) acquiring 51% stake in Admore Gas Private Limited1 and



Vitol Dubai Limited (subsidiary of The Vitol Group, a global energy and commodity trading company) increasing its shareholding in Hascol to 25%.

Opportunities:

- ∆ Puma Energy, a Singapore-based midstream and downstream oil firm, acquired a majority stake in oil marketing company Admore Gas Pvt Ltd to roll out its products in the country with growing gasoline consumption.

- ∆ Oil sales in the country soared 11 percent at 10–year high of 26 million tonnes as the economy recorded a decade-high growth of 5.3 percent during the last fiscal year.

- ∆ The oil-marketing sector registered a favorable growth during last 9 month of the financial year 2017-18 reflected in their rising profits.

- ∆ During the period, PSO showed volumetric growth in Mogas of 11%, in HSD of 12%, in JP-1 of 22% and in FO of 15% over same period last year (SPLY). LPG business showed a growth of 132%, CNG business grew by 15%, Lubricants sales volume grew by 25%, whereas LNG business grew by 107% over SPLY. Moreover, PSO continued to lead the liquid fuel market with an overall market share of 55.1% (9MFY16: 55%). The market share of Black Oil rose to 72.7% from 69.5% SPLY, whereas the market share in White Oil stood at 44.6% vs 45.9% SPLY.

- ∆ The OMC margin on petrol should be increased from Rs2.41 to Rs2.55 per liter. For dealers, it should be jacked up from Rs3.16 to Rs3.35 per liter, the petroleum ministry said, adding that oil companies were demanding a higher increase of 18 paisa per liter instead of 14 paisa.

- ∆ In case of HSD, the petroleum ministry proposed that "instead of revising (margins for dealers and OMCs) on the CPI basis, it should be deregulated under the government's policy of liberalization and deregulation in a phased manner to encourage and support investment, which may lead to an increase in the oil storage capacity in the country by enhancing days cover.

- ∆ The 21 companies were expected to invest a total of about Rs10.5bn over the next few years to set up storage and filling stations in various parts of the country.

- ∆ The logo and pump design of Euro Oil , a new oil marketing company venturing into Pakistan market, was unveiled in a graceful event held at a local hotel. The company announced to open 300 retail stations in Pakistan over the next three years and also to open up stand-alone lubricant stations in collaboration with Gazprom, one of the world's largest oil companies.

Threats:

- ∇ The margins of oil marketing companies (Pakistan State Oil, Attock Petroleum, Hascol Petroleum and others) are fixed in absolute rupee terms for retail fuels (petrol, diesel, etc). With depreciation, retail-level oil prices would climb, but absolute margins would not. This will result in lower gross margins.

- Depreciation would increase the build-up of circular debt in the system — so accounting income might be higher but it would not pass on to the cash flows. Oil marketing companies may also have to book one-time exchange losses due to depreciation on payables to foreign suppliers and foreign loans.

- An oil marketing company has deposited an amount of Rs51 million to the national exchequer in an inquiry regarding petroleum levy. According to an FIA official, an oil marketing company has deposited the amount as FIA is probing petroleum levy case against the oil marketing companies. He said the same company has so far deposited an amount of Rs4.18 billion to the national exchequer whereas further recoveries are also expected.

- The receivables of PSO have further surged up to Rs313.5 billion mainly on account of major defaults by the power sector and PIA, causing a new hike in liquidity crisis for the entity, unfolds the receivables and payables position as of December 4, 2017.

- After facilitating a selective few, the government is contemplating to increase the cost of opening new oil marketing companies (OMCs) by 14 times – from Rs500 million to at least Rs7 billion – to limit their mushroom growth. This comes following the opening of floodgates by Oil and Gas Regulatory Authority (Ogra) when it granted 21 fresh licenses in just six months (July-Dec 2016) compared to 20 over the past 70 years.

- Hascol Petroleum – also supported Honda's allegation of high manganese content in petrol and asked the government to upgrade fuel quality in the market and subject fuels to stringent standard checks.

- PSO's fuel oil sales were down 9.4 percent in the third quarter of this year from the same period last year while its LNG sales grew by nearly 50 percent due to higher utilization of LNG in the power sector, according to PSO's financial results in October.

- PSO, the largest oil marketing company with over 56% market share in Pakistan, had issued a tender last month to import 565,000 tonnes of fuel oil for late December to January delivery, which it later cancelled.

- The latest brand of tank lorry in PSO's fleet will ensure safe transportation of petroleum products across the nation. The newly built PSO tank lorry complies fully with the standards set by the Oil and Gas Regulatory Authority (OGRA) and National Highways Authority (NHA). It also showcases PSO's unique national brand identity and promotes its product portfolio as part of the modern day brand and marketing requirements of the company.

Future Outlook:

Pakistan's fuel oil demand is expected to fall sharply over the next three years as growing LNG imports help the country move to a gas-based energy economy. Fuel oil demand is likely to drop from 9.6 million mt in fiscal 2016-2017, running from July to June, to 4.5 million mt or less by fiscal 2019-2020. However, in short term, **the outlook remains stable**.

ENERGY-OIL (PETROLEUM REFINING)

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	4		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act/Est**	401,399	352,681	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act/Est**	14,130		
C.	**Financial Charges**	**Act/Est**	4,584		
D.	**PAT**	**Act/Est**	15,887		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	***Total Assets***	**Act/Est**	234,411		
F.	***Current Assets***	**Act/Est**	98,985		
G.	***Cash & Bank Balances***	**Act/Est**	25,345		
H.	***Trade Debtors***	**Act/Est**	29,468		
I.	***Short Term Investments***	**Act/Est**			
J.	***Total Equity***	**Act/Est**	72,105		
K.	***Current Liabilities***	**Act/Est**	110,914		
L.	***Total Liabilities***	**Act/Est**	142,034		

ENERGY – OIL (PETROLEUM REFINING)

Sector Outline:

Presently, as many as six oil refineries are operating in the country and they had full capacity to refine the product as per needs of the country. Currently 70 % of the current oil demand was met through import and the government had planned to set up more oil refineries in the coming days.

The domestic refineries are responsible for 30 percent of high and low sulphur furnace oil supplies which comes to around 300,000 tonnes per month while PSO is responsible for about 66 per cent of the total HSFO/LSFO supplies with other importers also catering for the remainder of fuel oil.

Opportunities:

- ∆ One of Pakistan's leading energy firms, Byco, is making use of a floating liquid port in the Arabian Sea that ensures an environment-friendly fuel operation wherein large vessels such as super tankers can deliver thousands of tonnes of oil. The SPM allows much larger vessels to deliver oil and refined products, including super tankers, benefitting from its 25 meter depth. This has enabled Byco to cater to the largest ever shipment of crude oil in 2017; a record 102,000 metric tons of crude was received through Byco's SPM, making it the largest ever in the nation's history. Byco's SPM recently celebrated the import of 5,000,000 metric tons of crude oil.

- ∆ The Chinese company CCK Energy Limited that has signed memorandums of understanding (MoUs) to invest in three oil sector-related projects will also build 15,000 barrel per day (BPD) capacity Crude Oil Refinery in district Kohat. Khyber Pakhtunkhwa is rich in oil and gas reserves and huge quantities have also been discovered in district Kohat. To harness this potential, the provincial government has signed MoUs with the CCK Energy to develop petroleum block, set up a refinery and build oil marketing and storage facility in the province.

- ∆ Pakistan is expected to slash its spending on import of petroleum products as a Chinese company has shown keen interest in setting up a huge oil refinery with an investment of $2 billion in Sindh. The refinery will have an installed capacity to process 10 million tons crude oil annually

Threats:

The Furnace Oil Dilemma:

The crisis erupted especially after PM ordered immediate closure of eight furnace oil-based power plants of over 4,000 megawatts with the start of coal and LNG-based plants of over 5,000 megawatts by the end of October 2017. Later in December, the government allowed resumption of work by some furnace oil-based power plants – including two big plants Hub Power and Kot Addu – but they were told to consume only imported furnace oil and not the domestic fuel.

The laws (licensing rules for oil marketing companies) strictly bind oil marketing companies to first lift locally produced petroleum products…and they will have to take NOC (no-objection certificate) from refineries for imports – if necessary. However, the rules are being violated since long.

Refineries have reduced furnace oil price by up to Rs. 10,000 per ton, but power plants are forced to consume only expensive imported furnace oil. Other oil-based plants have also resumed production, but are running at extremely low efficiency level of 1% to avert power outages, which had emerged soon after the closure of the eight plants.

All oil storages and bowsers (tankers) are brimming with furnace oil while the pipelines (used to transport oil from the refineries to power plants) are choked with oil.

When a Refinery operates, it produces the whole range of product, from LPG, petrol, kerosene, diesel, Jet Fuels (JP-1 and JP-8) and residual furnace oil (RFO). With RFO not being used, storages have filled up, forcing the refineries to reduce throughput to the bare minimum. Critically needed volumes of Jet Fuel (JP-1 for the airports and JP-8 for the Air Force) are already under threat.

The jet fuels at almost all the airports had reached critical stage. The throughput reduction was "severely impacting the supply of all other petroleum products. The impact is especially pronounced on the availability of JP-1 for the airports and of JP-8 to the Air Force.

The largest fuel supplier and state-run PSO is already advising its clients of aircraft operators to fly in with additional fuel and keep reliance for refueling in Pakistan to a bare minimum. It has ordered two additional vessels of jet fuels on an urgent basis.

The PSO had last week told the government that its upcountry airports – Lahore, Islamabad, Sialkot, Multan, Faisalabad and Peshawar – were on a dry-out position and the aviation authorities could be compelled to declare NOTAM – a situation where a Notice to Airmen – is issued to alert aircraft pilots of potential hazards along a flight route or at a location that could affect the safety of the flight.

The PRL reported that this low rate of furnace oil lifting of around only 400-500 tonnes per day had forced it to recycle RFO to crude tanks.

The other refineries also are looking at very low ullages in their RFO storages, and operating at sub-optimal throughput including NRL which, too, will not be able to meet its jet fuel commitments to both Karachi airport as well as to the Air Force. ARL too will not be able to supply the additional jet volumes demanded by the airports and the Air Force and Parco.

Refineries had proposed that the government should run the efficient furnace oil-based power plants on merit so that 10,000-12,000 tonnes per day furnace oil from local refineries could be lifted and if the power division did not show its willingness, there would be no refinery in Pakistan to lift the local crude oil. Resultantly, the oil wells would be closed down and the gas from the wells would also be disconnected.

Six ships carrying furnace oil had already been arranged for the remaining days of the current month and the next whole month of December by PSO (as per the usual requirement before the crisis). Out of six, one cargo has been staying in deep sea for the last 12 days and demurrages of $180,000 have so far piled up, which PSO will have to pay. PSO is unable to unload the ship staying in deep sea because of non-availability of any room in the storages.

Future outlook:

Pakistan's fuel oil demand is expected to fall sharply over the next three years as growing LNG (liquefied natural gas) imports help the country move to a gas-based energy economy. Fuel oil demand is likely to drop from 9.6 million mt (metric tons) in fiscal 2016/17 to 4.5 million mt or less by fiscal 2019/20. And the refineries' margin will likely erode. **The outlook remains tenuous.**

ENERGY-POWER GENERATION & DISTRIBUTION (IPPs)

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	16	
			2016-17	**2015-16**
A.	Industry Sales	Act/Est	445,456	434,573

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	PBT	Act/Est	62,342
C.	Financial Charges	Act/Est	18,049
D.	PAT	Act/Est	63,237

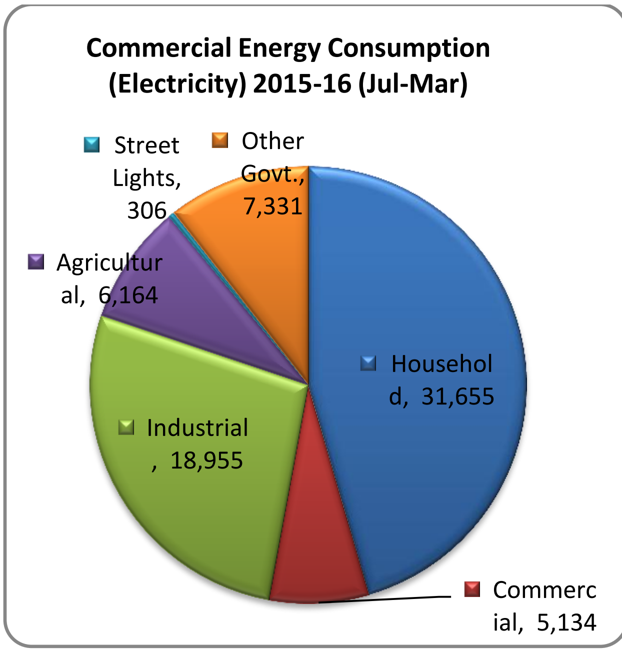
		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

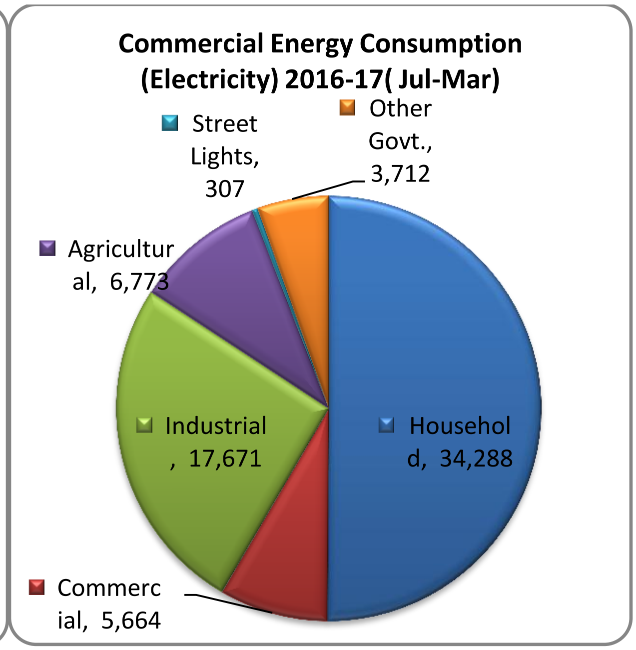
E.	*Total Assets*	Act/Est	739,810
F.	*Current Assets*	Act/Est	392,719
G.	*Cash & Bank Balances*	Act/Est	8,741
H.	*Trade Debtors*	Act/Est	316,858
I.	*Short Term Investments*	Act/Est	3,078
J.	*Total Equity*	Act/Est	236,441
K.	*Current Liabilities*	Act/Est	353,997
L.	*Total Liabilities*	Act/Est	452,529

ENERGY- POWER GENERATION & DISTRIBUTION (IPPs):

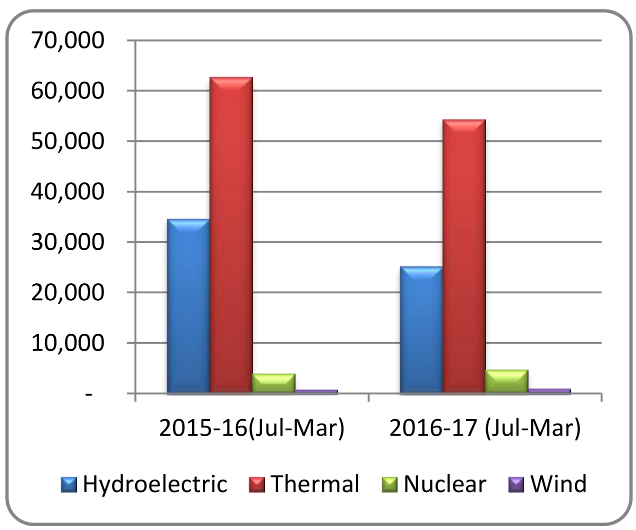
Sector Outline:

The CPEC envisages projects in energy and infrastructure, with a total financial outlay of around US$ 46 billion. Financial outlay of Energy sector projects are estimated to be US $ 34.74 billion while Infrastructure projects are estimated to be US $ 13.217 billion. Energy sector projects includes power generation and transmission projects to be implemented in IPP mode while Infrastructure projects includes projects for construction of roads, highways, railways, ports and telecommunications infrastructure, to be implemented as government to government loans/ grants. Till March 2017, twelve (12) projects have been signed in Energy Sectors with eight (8) projects in PPIB and four (4) projects in AEDB.





During July-March FY 2017, although installed capacity increased to 25.1 million MW from 22.9 million MW during corresponding period last year, however there was decline in generation as it remained 85,206 GW/h during July-March FY 2017 compared to 101,970 GW/h during July-March FY 2016. The decline in the share of hydro in electricity generation mainly occurred due to weather condition and less flow of water in rivers.



Opportunities:

- ∆ The Pakistan Industrial and Traders Association Front (PIAF), while appreciating the National Electric Power Regulatory Authority for decreasing electricity price by Rs. 2.19 per unit for September under a monthly fuel adjustment formula, has urged the Authority to cut the electricity rate on permanent basis. PIAF chairman Irfan Iqbal Sheikh also welcomed the government plan of shutting down all expensive oil based power plants (IPPs) to ensure availability of cheaper energy for consumers.

- ∆ A national electricity plan is being devised to enable consumers to select the electricity company of their own choice. 'Power trading' which provides the consumer the choice of selecting the company of his choice to get electricity is possible in a de-regulated market where the number of power utilities are in the market, providing the consumer the choice of selection. The power purchase price is dictated by a market based on supply and demand and fluctuates accordingly. Many countries now have a deregulated market. The latest entry in the field is India. It is reported in some counties at times of surplus power availability the consumers are encouraged to avail electricity at no cost.

- ∆ To inch towards the vision of deregulated market and provide the consumer of Pakistan the electricity source of its choice, the government of Pakistan has to first privatize the power generation and distribution companies in the public sector and align the Independent Power Producers (IPPs) into a framework which could be a base to build up the de-regulated power sector in the interest of the consumers.

- ∆ Pakistan's power sector infrastructure is the most experienced in the region. The power generation and distribution network under the ambit of Wapda and KESC grew exponentially, meeting the electricity needs of the new budding country. There were times when the generation capacity surpassed demand and there were talks for its export. Pakistan was the pioneer in the region to introduce IPPs and was the trend setter.

- ∆ Independent Power Producers (IPPs) has called for a sovereign guarantee to recover outstanding Rs48billion dues pending with the government, and Pakistan Power Infrastructure Board (PPIB) has received a notice from IPPs in this regard, it has been learnt reliably. IPPs have fulfilled all the legal formalities required under the law to recover outstanding dues. They said power producers (IPPs) have called for sovereign guarantee and PPIB has received a notice in this regard. They said National Transmission and Dispatch Company (NTDC) has to pay Rs48 billion to the IPPs which has already been audited. "The government, after calling of the guarantee as per law, has to pay the amount within 10 days,

Threats:

- ∇ The national kitty sustained a loss of over Rs28 billion for not utilizing the maximum capacity of the Independent Power Producers (IPPs) and its burden was shifted to power consumers while the power generating companies and IPPS did not utilize its maximum capacity to generate power despite the reduction in the prices of furnace oil.

- ∇ Overdue payments of independent power producers (IPPs) increased to Rs205 billion by the end of November as government is dragging feet on clearing its recurring payables

∇ Alone in November, the amount government owes to IPPs stood at Rs10 billion. Independent Power Producers Advisory Council (IPPAC), the key body representing private sector's electricity producers, urged the Prime Minister to intervene into what they called the 'serious financial' crisis they are facing due to overdue receivables from National Transmission and Dispatch Company (NTDC) and Central Power Purchasing Agency.

∇ In November, the London Court of International Arbitration awarded more than Rs14 billion to IPPs in Pakistan in a dispute on overdue claims with the NTDC. The court issued final award on October 29 after the NTDC's failure to comply with a partial award issued in June or move before the arbitration within 75 days. The state-owned NTDC challenged the award.

∇ In 2015 when circular debt issues resurfaced the government prepared a circular debt management to reduce the amount to Rs212 billion by the end of the current fiscal year from Rs314 billion recorded at the end of June 2015.

∇ Industry officials said the target is least likely to be met keeping in view rising trend in amount of circular debt nowadays. IPPAC said there is also general sales anomaly as the rate is 20 percent on furnace oil as against 17 percent on electricity. The issue is also unresolved for over three years now "and despite repeated follow ups, no attention has been paid to this issue either".

∇ Non-payment or irregular payments to power producers are adding to circular debt, which is adversely affecting energy sector to great extent. The country has been facing this menace since 2007. Circular debt has crippled the economy as overall revenue shortfall cascades through the entire energy supply chain, resulting in a shortage of fuel supply to the power producers and IPPs and decreasing power generation and increasing load-shedding.

∇ There still remains a peak demand and supply shortfall of around 8000MW in the country, carving out around two percent of the country's GDP and severely denting its economy.

∇ Today, the electricity cost in Pakistan is one of the highest in the world, which severely affects our industrial growth and exports and is one of the major deterrents for foreign investors. The change in fuel mix by diverting to coal and LNG has not brought down the electricity cost and offered no price relief to consumers.

∇ The power sector of Pakistan is infected with lethargy, poor governance across the board, lack of will and competence to deliver and above all vested interests and political expediency.

∇ A major change has been the removal of "take or pay" contracts for IPPs, instead shifting them to a "take and pay" mode and discontinuing long term power purchase agreements. According to the government, this has been done in order to deal with the "capacity trap"; which by the way has materialized in light of abundant generation capacity done with extreme swiftness but zero planning.

∇ It has to be take-or-pay contracts which have played a good role in assuring somewhat skeptical investors and managed to attract investments from independent power producers

(IPPs). Take-and-pay contracts may result in higher electricity tariff as the rate would be based on a capacity factor of 50% only as opposed to the usual 80% or even more. The proposed energy exchange will ultimately take care of this issue.

- At the same time, it has announced the end of up-front tariffs for renewable energy sources including wind, hydel and solar power projects. Competitive bidding will now be the prevalent mode of determining power tariffs. Private sector participation might suffer on account of these changes because competitive bidding and the ultimate goal of creating an energy exchange is not even on the distant horizon unless government limits its own role.

- The last couple of decades have seen an enormous transformation in the global energy scenarios in terms of trends, policies and technologies. The situation in Pakistan, however, has been dismal. The country is suffering from a dire energy crisis for the last decade or so. The problem is apparently an issue of gap between demand and supply. The solution is to bridge this gap by boosting supplies. It will, however, be a short-lived and costly endeavor unless the causes that fostered this gap are addressed in parallel. This is a subject that is missing in the national debate.

Future Outlook:

Ever increasing demand for power and ever depleting gas resources in Pakistan have put gas fired IPPs in a difficult situation; however, the inclusion of imported RLNG has provided much needed relief to the power sector specifically and industrial sector as a whole. It is hoped that gas supply situation will improve further after the construction of new RLNG terminals. **Despite bottlenecks, such as circular debt issue, the outlook remains positive.**

Association:

- Renewable & alternate energy association of Pakistan (REAP)

www.reap.org.com

FERTILIZERS

FINANCIAL SNAPSHOT 2016-17

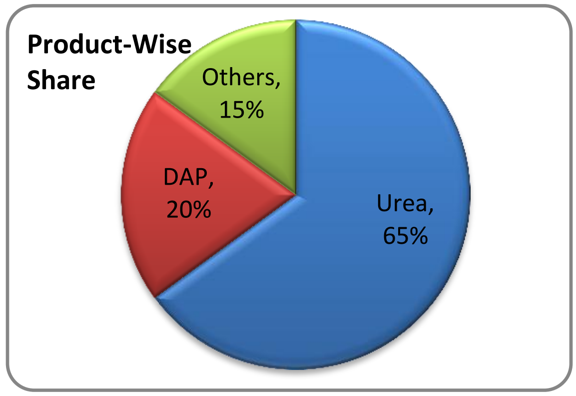
All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	7		
			2016-17	2015-16	
A.	Industry Sales	Act/Est	238,092	451,241	
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	PBT	Act/Est	115,703		
C.	Financial Charges	Act/Est	11,537		
D.	PAT	Act/Est	101,652		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	534,245		
F.	*Current Assets*	Act/Est	203,567		
G.	*Cash & Bank Balances*	Act/Est	20,855		
H.	*Trade Debtors*	Act/Est	17,713		
I.	*Short Term Investments*	Act/Est	91,691		
J.	*Total Equity*	Act/Est	274,973		
K.	*Current Liabilities*	Act/Est	144,604		
L.	*Total Liabilities*	Act/Est	259,271		

FERTILIZER:

Sector Outline:

The fertilizer sector mainly consists of Urea & DAP. Urea constitutes around 65% of the total fertilizer demand followed by DAP with a 20% share. Other products include NP, NPK, and CAN.



UREA INDUSTRY STRUCTURE

Historically, around nine-tenth of the total urea demand (5.5m MT) was met by local players while the remaining was catered to by imports.

In CY16, the aforementioned situation of excess demand has flipped to excess supply on account of better gas availability. Now the industry has an excess supply situation with inventory levels clocking in at ~1m MT at end of Dec'16 despite stable demand in the Rabi and Kharif seasons.

To facilitate farmers, Government of Pakistan (GoP) has declared subsidies on fertilizer. The subsidized urea price prevail at Rs. 1,400/bag which includes reduction by manufacturers, GST reduction from 17% to 5%, and cash subsidy.

In 1HCY17, industry off-takes increased by 48%YoY backed by

1) Low base effect (low off-takes in 1HCY16 on account of subsidy anticipation), and
2) Higher buying to pile inventory at lower prices in expectation of price hikes.

This buying will lead to accumulation of inventory on the dealers' end. However, at Aug'17 inventory at the manufacturer's end stand at ~694k MT with around 300k MT gathered at the dealers' end. Given the excess supply situation, GoP has allowed 0.6m MT of urea exports by Oct'17. In 1HCY17, total exports were recorded at 123,000MT at average prices of $250-260/MT.

DAP INDUSTRY STRUCTURE

Demand for DAP is estimated at around 1.7m MT and has grown at a 5-yr CAGR of 14% while production and imports have increased by 4% and 17%, respectively.

Out of the total demand, 43% is met by the sole domestic producer- Fauji Fertilizer Bin Qasim Limited (FFBL) while the remaining is met through imports. Players other than FFBL sell imported DAP.

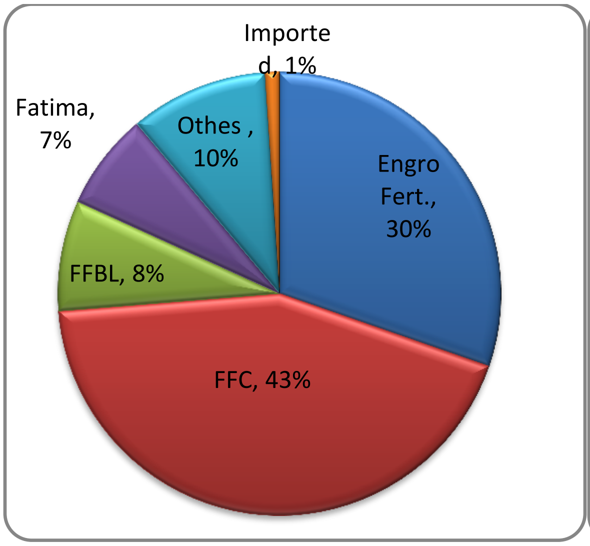
Higher price volatility prevails in this product segment as imported raw material (Phosphoric acid/rock) is used which is sensitive to foreign exchange movements.
Demand drivers for DAP fertilizer are:

- Government subsidy of Rs.300/bag leading to subsidized DAP price of Rs.2,500/bag.
- DAP is used in producing wheat crop, demand for which is more inclined towards the last quarter.

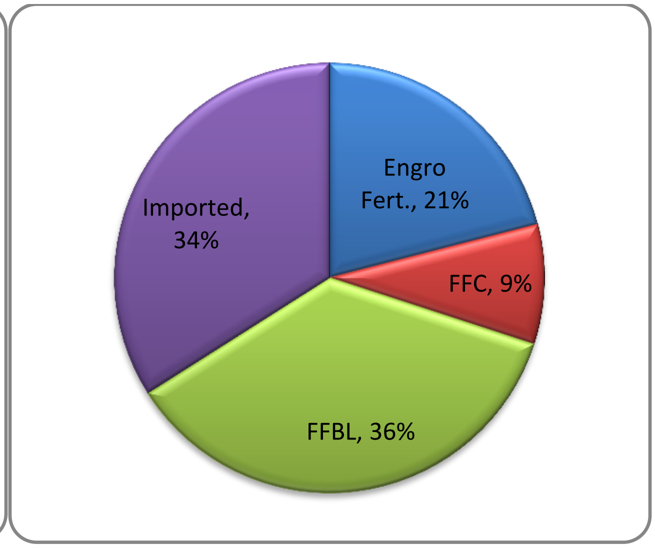
International DAP prices ($344/MT in Aug'17 vs. historical $450/MT) have weakened on the back of higher supply additions vis-a-vis demand growth. Upcoming capacity add-ons are:

- Morocco adding 1m MT in 1H17
- Saudi Arabia adding 3m MT of DAP.

Urea Market Share CY-16



DAP Market Share CY-16



Opportunities:

∆ The fertilizer exports witnessed 100 percent increase during the period from July-September, 2017-18 as compared the exports of the same period of last year, according the data of Pakistan Bureau of Statistics.

∆ During the period under review, about 120.549 metric tons of fertilizer manufactured worth of US$ 26.372 million exported as compared the exports of first quarter of last financial year.

∆ Fertilizer importers in Pakistan have increased the price of di-ammonium phosphate (DAP) by Rs 50 per 50kg due to rising international DAP prices. DAP prices had been going up following a Chinese deal for November shipment while demand in the country had remained steady; and was expected to continue until the end of the year. DAP prices in the local market had gone up, as a bag of DAP was now worth Rs 2,800/bag at dealer transfer level.

∆ Fertilizer manufacturers of Pakistan have forecast a surplus urea inventory in the country which will be enough to meet the local demand over the next six months (October 2017 to March 2018). According to the Fertilizer Manufacturers Pakistan Advisory Council (FMPAC), the inventory position during the year had swelled up to a level that the government allowed export of 600,000 tons.

∆ Since no exports of urea are being allowed after October 2017 and the local sales forecast for next six months is only 2,780,000 tonnes, the average monthly availability of urea in Pakistan is expected to hover around 1 million tonnes every month while the average local demand will remain between 500,000 to 800,000 tons per month. This reflects the availability of surplus urea and offers great opportunity to discourage urea imports without disturbing the local market.

- ∆ The international trading price of urea has gone up by 42% since July 2016, reaching about $240/$250 per ton, while Pakistan's cumulative urea inventory is expected to grow to 1.8Million Tonnes by the end of 2017. As the country's production has risen to 6 Million tonnes against a demand of only 5.6 Million, Pakistan has recently changed from a urea-deficit country, into a urea-surplus country. So, the domestic prices of urea are expected to remain stable and affordable, while the prices of imported fertilizers are on the rise.

- ∆ If the last-year's stock is carried forward, the country can easily export 1.2 million tons of surplus fertilizers, without disturbing the local supply, as this year, the domestic demand for urea is expected to remain flat. With such healthy export figures, Pakistan can also earn well over 200 million US Dollars.

- ∆ Pakistan just had its best ever Kharif season in terms of fertilizer application. Whether or not, it is as smooth a transition to higher crop numbers, will soon be known. But the signs are encouraging and the subsidy on nitrogenous fertilizer seems to be doing the trick well enough. The cumulative urea off-take for Kharif 2017 was a staggering 22 percent higher year-on-year. Such is the improvement in Kharif off-take, that the 2017 numbers are well over 25 percent clear the 5-year average.

- ∆ The Kharif DAP off-take crossed the million ton mark. Another first for any Kharif season. This is a massive 48 percent higher year-on-year, and double the 5-year trailing average. Things are surely looking up for DAP as well, as the subsidy and stable prices have come a long way in addressing the long standing issue of imbalanced fertilizer application. The NP ratio has halved from over 6 in CY11 to just a shade over 3.2 now. There is still a long way to go to achieve the ideal ratio of 1.75, but the progress is welcomed.

- ∆ Despite providing subsidy and relaxation in GST to fertilizer sector, the prices of DAP and Urea in Pakistan are much higher as compared to the other south Asian countries. The price of 50Kg DAP bag in Pakistan was Rs 2588 in April, which was 57.61 percent or Rs 946 per bag higher than Bangladesh and 31.64 percent or Rs 622 per bag higher than India. The prices of DAP in Bangladesh and India are Rs 1642 and Rs 1966 per bag respectively.

- ∆ Similarly, the price of Urea which was Rs 1368 per bag was also much higher than India and Bangladesh. The price of Urea in Pakistan was 163.07 percent or Rs 848 higher than India, while from Bangladesh it was 30.16 percent or Rs 317 per bag higher. The prices of Urea in India and Bangladesh are Rs 520 and Rs 1051 per bag respectively.

- ∆ Although the prices of fertilizers decreased in Pakistan during the last 3-4 years but still it cannot match the prices in the neighboring countries. In 2011-12, the price of DAP was Rs 4054 per bag which was decreased to Rs 2588 in April. Similarly, the price of Urea was decreased from Rs 1711 in 2011-12 to Rs 1368.

Threats:

- ∇ The NFML was unable to sell the imported urea bought at very high price and the ECC had to allow them to throw it away at Rs 1000 per bag with a loss of over 600 rupees per bag. The NFML had reportedly asked the government to import urea for the next Rabi season at a time when international prices are on constant hike. With surplus inventory and higher prices in the international market, demanding import does not make much sense.

- ∇ In Pakistan the urea producers are getting gas at price almost touching $5 per MMBtu and the international producers are getting the gas at approx. at $2.5 per MMBtu. Moreover multiple taxation system in Pakistan took away initiative from the domestic fertilizer producers of providing affordable fertilizer in comparison to imported fertilizer.

- ∇ Since the government has adopted a very cumbersome process to verify and pay the subsidy claims, billions of Rupees, contributed to the subsidy programme by the fertilizer companies, remain unpaid for several months now. This excessive delay in subsidy payments is creating serious financial problems for the urea manufacturers and importers.

- ∇ Subsidy claims worth nearly R 15 Billion Rupees are stuck, as the provinces unnecessarily dragged into the process, are in no position to verify them. The ministry and FBR lack the capacity to verify the claims which are already indemnified by the claimants.

- ∇ The fertilizer industry has long been suffering due to the high rate of taxes being imposed on this sector. Higher taxes raise the cost of production, and reduce the price-competitiveness of locally produced fertilizers.

- ∇ The Government of Pakistan has also imposed a 'Gas Infrastructure Development Cess' (GIDC) – a special additional tax levied on various economic and industrial sectors. This tax is chargeable according to the amount of Natural-Gas consumed by each company. Therefore, the fertilizer sector, being the biggest consumer of natural gas in the country, is subjected to the highest rate of GIDC.

- ∇ Pakistan is currently accumulating a yearly surplus inventory of 0.6 million tons of urea. The carrying costs and storage of around 1.5 million tons of the current fertilizer inventory is a big financial burden on this heavily-taxed industry.

- ∇ The State Bank of Pakistan (SBP) had given a very tight timeline for exports, as the urea producers were expected to achieve the export-target by the 31st of October 2017. One key factor was that; Pakistan is not internationally recognized as an exporter of urea, because it has never regularly exported this commodity over the past several decades. Thus the locally produced fertilizers currently have a limited market for exports. Hence, it will take some time before the foreign buyers can evaluate the Pakistani suppliers, their product quality and their service-reliability, whereby they can finalize the bulk-quantity transactions with Pakistan.

- ∇ The domestic producers of urea were reluctant in seeking any fresh export orders, because this policy also imposes a non-performance penalty. In case the exporters are unable to complete their export transactions within the stipulated timelines, they will have to pay a penalty worth 15 percent of export-price.

Future Outlook:

Fertilizer margins may remain under pressure but volumes are expected to exhibit significant increase on a sequential basis. **Outlook remains relatively stable.**

FINANCIAL INSTITUTIONS

FINANCIAL SNAPSHOT 2016-17

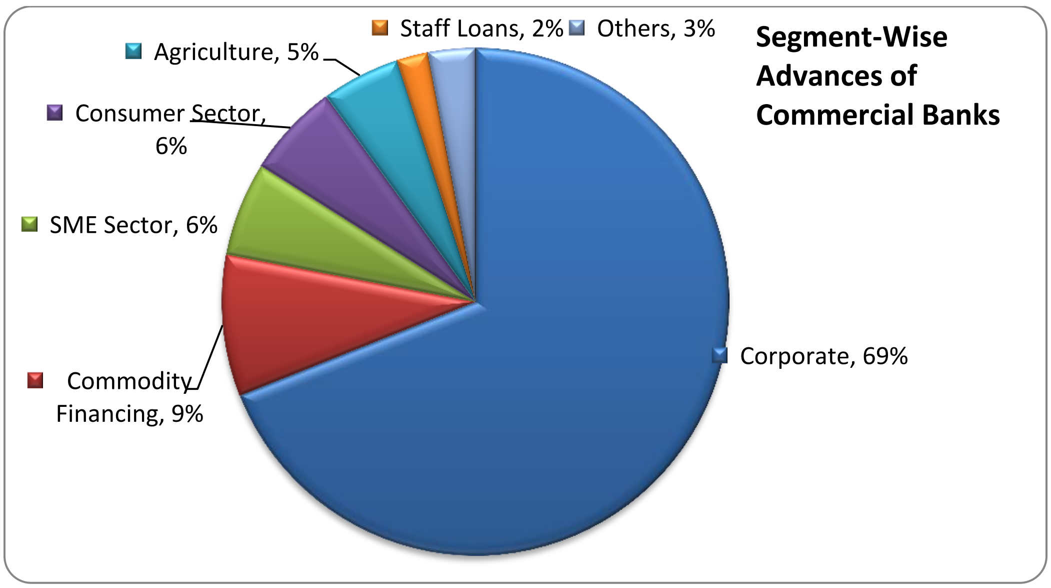
All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	20		
			2016-17	**2015-16**	
A.	**Industry Sales**	Act/Est	536,852	625,150	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	Act/Est	290,147		
C.	**Financial Charges**	Act/Est			
D.	**PAT**	Act/Est	176,297		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	Act/Est	14,385,782		
F.	***Current Assets***	Act/Est			
G.	***Cash & Bank Balances***	Act/Est	1,107,348		
H.	***Trade Debtors***	Act/Est			
I.	***Short Term Investments***	Act/Est	6,929,552		
J.	***Total Equity***	Act/Est	1,415,638		
K.	***Current Liabilities***	Act/Est			
L.	***Total Liabilities***	Act/Est	12,753,048		

FINANCIAL INSTITUTIONS:

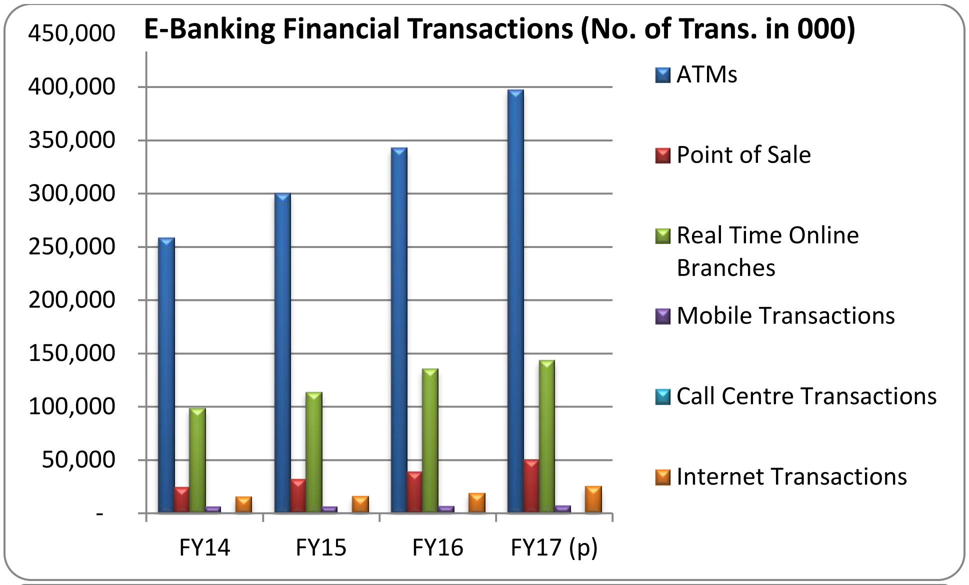
Sector Outline:

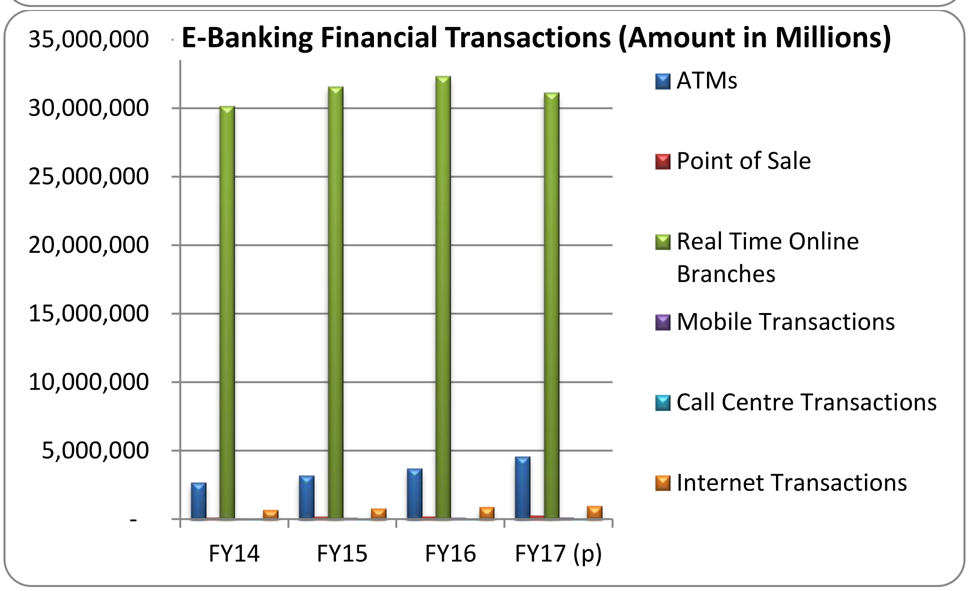
The State Bank of Pakistan (SBP) includes in their quarterly compendium 26 local commercial banks split between the private (21) and public (5) sector. Besides local commercial bank, there are four foreign banks with the number of foreign banks having decreased by 1 with the merger of HSBC Bank Oman S.A.O.G. with Meezan Bank Limited. Top 6 banks account for 59.8% of banking sector deposits, including presence in various overseas markets. Besides these large banks, the industry is composed of a few medium sized banks and several small sized banks. The banking industry is characterized by significant concentration with large banks (top 6 banks) accounting for around 60% of assets, deposit base and branches. However, contribution to profitability is significantly higher at 71.1%. Accounting for profitability of medium sized banks, large and medium sized banks cumulatively represent 95.1% of banking sector's after tax profits. The remaining 13 banks contribute only 5% of profit after tax.



Electronic Banking Statistics:

E-Banking Infrastructure					
	Unit	**FY14**	**FY15**	**FY16**	**FY17 (p)**
Real Time Online Branches (RTOBs)	Nos.	10,640	11,315	12,674	14,150
Automated Teller Machines (ATM)	Nos.	8,240	9,597	11,381	12,689
Point of Sale (PoS)	Nos.	34,428	41,183	50,769	54,490
Credit Cards	Thousands	1,334	1,370	1,450	1,292
Debit Cards	Thousands	23,061	25,024	27,411	35,341





Islamic Banking Statistics:

Rs. in Million

	2015 (June)	2016 (June)	2017 (June)
Deposits	1,170,989	1,316,240	1,594,652
Financing	524,867	692,415	990,679
Investment	337,092	621,977	489,705

Infrastructure of Islamic Banking Network

	2015 (June)	2016 (June)	2017 (June)
Full-Fledged Islamic Schedule Banks	5	6	5
Full-Fledged Islamic Schedule Banks Branches	1,045	1,194	1,213
Stand-alone Branches of Existing Schedule Branches	606	732	889

Opportunities:

- ∆ The assets of the banking sector have inched up by 0.3 percent during Q3CY17 as compared to a decline of 1.6 percent during Q3CY16. The increase in asset base is primarily attributed to an increase of 1.8 percent in investments (net); while advances (net) have seen a moderate decline of 0.4 percent (2.5 percent decline in Q3CY16). The reduction in advances is seasonal in nature

- ∆ On the funding side, QoQ growth of 1.1 percent in borrowings from financial institutions coupled with an increase of 0.3 percent in deposit base has enabled the banks to finance the growth in assets

- ∆ In line with trend, Islamic Banking contributed 28 percent of the total increase in CF during Q3CY17 (24 percent YoY). Among the CF categories, 73 percent of the increase in auto financing has been disbursed by the Islamic Banks.

- ∆ Islamic banking institutions have become a key source of deposit mobilization. In Q3CY17, IBIs have generated 24.7 percent of the total quarterly deposits inflows of PKR 36.1 billion. In outstanding term, Islamic banking institutions' share in total banking sector deposits stand at 13.7 percent.

- ∆ The significant risk dimension i.e. the asset quality has improved due to reduction in NPLs and enhanced provision coverage (Provision-to-NPLs). With cash recoveries outweighing fresh NPLs, seasonal reversals of agricultural NPLs and upgrade of some classified loans, the stock of NPLs decreased by PKR 3.0 billion to reach PKR 611.8 billion during Q3CY17

- ∆ Analysis of the Islamic banks reveals that their bottom-line performance has remained promising during the first three quarters of CY17. The profits (before tax) have improved by 44.9 percent due to a significant 51.5 percent growth in advances (net).

- ∆ State Bank of Pakistan is upgrading its core banking system from Globus to T24R15. The system provides automation services required by the SBP to discharge its role as banker to the government and other banks/financial institutions. The system upgrade will provide software enhancements in the form of improved quality, security, reliability, performance as well as newer features and functionalities.

- ∆ The Deputy Governor of State Bank of Pakistan (SBP), has emphasized the need for the adoption of domestic payment scheme, PayPak card by banks in order to provide cost effective, ubiquitous and digital payment instrument to consumers.

- ∆ The State Bank of Pakistan (SBP) in collaboration with Pakistan Remittance Initiative (PRI) has launched 'Asaan Remittance Account' to be opened by banks with simplified procedures. This facility will help to achieve financial inclusion targets set out under National Financial Inclusion Strategy (NFIS) and provide standard framework governing the limited mandate accounts and products currently being offered by commercial banks and microfinance banks.

Threats:

- ∇ The segment-wise analysis of the domestic private sector advances reveals that the decline in corporate sector advances during Q3CY17 is substantially lower than the corresponding quarter of previous year. The higher credit disbursement for trade finance and fixed investment coupled with relatively lower retirement in working capital loans explains this lower decline in advances

- ∇ The SME segment, however, shows a decline of PKR 10.8 billion during Q3CY17 against disbursement of PKR 27.4 billion in Q3CY16. It is important to outline that strong advances flow to SMEs during Q3CY16 was on account of SBP's policy measures2 that enhanced the coverage of SMEs.

- ∇ The share of foreign currency loans in total loans has declined to 9.4 percent in Q3CY17 from 11.2 percent in Q3CY16. It is pertinent to mention that since Q3CY09, this ratio on average has not exceeded 11.0 percent. On QoQ basis, foreign currency loans have declined by PKR 77.5 billion in Q3CY17; higher than the decline of PKR 35.3 billion in Q3CY16. This seems to be on account of lower imports and exchange rate dynamics

- ∇ Overall equity of the banking sector has diluted by 1.1 percent over the current quarter against a 1.3 percent expansion in Q3CY16.This seems to be a result of decline in the share capital owing to merger of two local private banks, materialized in July, 20177 and settlement payment made by a large bank.

- ∇ The recent ATM fraud in which hundreds of account holders lost their money has exposed weaknesses in the banking system. over ten million people were using ATM cards while the monthly transactions through plastic cards have surpassed Rs 1 trillion, therefore, these people deserved security otherwise ATM cards would lose popularity.

- ∇ In the wake of the rise of internet and social media and availability of low cost mobile and other smart devices, bank customers are demanding enhanced and more customized services. If banks fail to address them, they may face extensive competition from non-banks and fin-techs who are rapidly making inroads in the domain of financial intermediation.

Future Outlook:

The changing composition of banks' earning assets (towards short-term investments and long term loans) points towards repositioning by banks to remain profitable in the wake of evolving macroeconomic environment. The seasonal pattern along with robust growth in Large Scale Manufacturing Index (LSM) observed during Jul-Sep 2017 suggests that advances to private sector will rise in Q4CY17. The core funding source of the banks i.e. deposits are likely to improve in the upcoming period. **Outlook remains positive.**

Association:

- ➢ Pakistan Banks' Association (PBA)

www.pakistanbanks.org

FOOD, BEVERAGES & CONSUMER PRODUCTS

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	18		
			2016-17	2015-16	
A.	Industry Sales	Act/Est	266,161	247,234	
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	PBT	Act/Est	31,425		
C.	Financial Charges	Act/Est	2,937		
D.	PAT	Act/Est	21,093		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	175,598		
F.	*Current Assets*	Act/Est	75,769		
G.	*Cash & Bank Balances*	Act/Est	8,172		
H.	*Trade Debtors*	Act/Est	6,949		
I.	*Short Term Investments*	Act/Est	1,930		
J.	*Total Equity*	Act/Est	73,143		
K.	*Current Liabilities*	Act/Est	73,589		
L.	*Total Liabilities*	Act/Est	97,065		

FOOD, BEVERAGES & CONSUMER PRODUCTS:

Sector Outline:

The food and beverages sector in Pakistan has been considered a safe haven for institutional and HNW individuals for far too long. With its booming fundamentals and relative immunity to macro shocks, the sector has slowly and steadily paved its way up through the market. In this current year only, we have seen the sector rally exorbitantly on account of improvement in gross margins and volumetric growth amid pacy urbanization and growing middle income.

The food and FMCG sector in Pakistan has all the ingredients needed for sustainable returns. Pakistan remains the sixth largest market in the world by consumer size with millions of consumers entering into independent disposable income space every year. In addition to this, the population is growing at a rate of 2% per annum where rate of migration to urban centers is even higher.

Developing countries are expected to be the leading source of demand growth for food products. In Pakistan, higher consumption of food products is being driven by growing population and increasing concentration in large urban centers and mega cities, rising per capita incomes, expanding middle classes. The young and urban population, with high income propensity to consume is projected to continue to diversify their diets from basic staples and grains to higher protein foods, including meat and dairy products as their incomes and general affluence increase. [BMA Capital Report]

Opportunities:

- ∆ Encouraged by growing demand for wholesale and retail business financing, banks had started focusing on this area some years ago so that now wholesale and retail financing has emerged as a key segment of their borrower base. Economic growth, expansion in wholesale and retail businesses as part of a growing formal and informal economy and dramatic rise in online modes of trading have created big credit demand by wholesalers and retailers.

- ∆ Growth of wholesale and retail businesses, having a correlation with industrial growth, can accelerate further as large-scale manufacturing is on the rise in the country. When large-scale industries such as food and textiles grow, they need to boost domestic sales of their end-products as well, more so when exports don't grow as fast as they plan.

- ∆ FMCG or fast moving consumer goods is a big industry in the country and has always attained huge profits. Due to the rise of consumerism locally the FMCG industry is thriving at a very good pace. Multinational companies like Nestle and Unilever are performing well in the country. According to some analysts, the sector is growing due to buying the power of the middle class is rising. Just recently Pakistan's per capita income rises to $1,629 from $1,531. Not just multinational companies but many local companies like Engro foods are also performing well

- ∆ Imported brands don't pose an immediate threat because of substantial price differences, weak distribution and low brand awareness. Large local players invest heavily in marketing and distribution to counter threats from the unorganized sectors which are usually of inferior quality.

- ∆ The market size of the biscuit industry — formal and informal — has grown to Rs60 billion now from Rs40bn in 2014 while the total crisps (potato chips, etc) market is over Rs20bn as compared to Rs15bn in 2014.

- ∆ The largest segment in the confectionery business comprises plain biscuits category, with a total of over 50 per cent share in volume, followed by cream and chocolate chips biscuits, followed by wafers.

- ∆ The Rs20 billion chips market in value is divided into two categories — extruded and potato chips. Besides, biscuits, chips, toffees and chocolates are showing an annual average growth of six to eight per cent.

- ∆ Nationwide market of candies, toffees and jellies (manufactured in the formal and informal sector) now stands at Rs40-50bn as compared to Rs35bn in 2014.

- ∆ The output of food and beverage companies has bounced back this year owing to low base effect, higher domestic demand and improvement in some areas of food exports. Over seven months — July-January 2016-17 — food, beverages and tobacco companies have recorded about 4.8pc growth in production. This has come in the backdrop of 0.56pc expansion last fiscal year and a negative growth of 1.38pc in FY15.

- ∆ Demand for processed food is on the rise as 4.7pc economic growth in FY16 and the resultant rise in income levels have increased the domestic demand. Plus, limited export-led demand is also visible."

- ∆ Food companies' output is higher this year also because the agriculture sector, too, is doing better so far than the last year. Increasing wheat and sugarcane output and brisk activity in livestock sector suggest that agricultural growth in FY17 may reach close to the target of 3.5pc. In FY16, agriculture had contracted by 0.2pc.

- ∆ Domestic demand for food and beverages has been growing for some years, due to the development of food-based service industry, higher spending by households on food items and a rising trend of online processed food buying.

- ∆ Use of processed ready to cook food has not only increased in urban households but, to some extent, in rural families as well. And, food supplying web portals such as Foodpanda, Eatoye, Khaopio and Foodgenie are also doing roaring businesses. In 2016, Foodpanda alone reported a huge 120pc growth in its customer traffic.

- ∆ The recent acquisition of 51pc share of Engro Foods by a Dutch company for $448m shows we had a food business company efficient enough to attract the attention of foreign investment.

- ∆ Besides, it also suggests the level of optimism about the potentials of our domestic food market. There is a huge potential in the country for marketing of packaged milk that currently accounts for less than 5pc of total milk consumption.

- ∆ Setting up of Fauji Meat in the recently, modernization of some fish processing units and investment made in companies producing soft drinks, biscuits, sweets and confectionaries, all are examples of a growing confidence of the corporate sector in food market potential.

- ∆ Export earnings of meat and meat preparations, for example, surged 54pc in four years to $269m in FY16 from $175m in FY12. Foreign sales of spices shot up 52pc, also in the last four years (to $76m in FY16 from $50m in FY12).

Threats:

- ∇ In the longer term, the opportunities in the foods sector in general are bullish. In the short term margins are expected to be under pressure. The cost of livestock in Pakistan is continuously increasing. The price of animal skin has reduced from Rs. 4000 to Rs. 1700 because the leather industry is not progressing well. The export markets have become extremely competitive because the currencies of our competing countries (Brazil, India and Australia) have devalued significantly compared to the Pakistani rupee.

- ∇ The sector was already facing various issues such as smuggling and under-invoicing and now the imposition of fresh duties would make it impossible to survive.

- ∇ The Pakistani market is quite price sensitive which means if an increase is made from Re1 to Rs2 it may mean your volumes decrease to one third although the increase may be just Re1. This has resulted in squeezed margins and emphasis on price points as all manufacturers try to make the products available at lower price points since these are accessible to a larger part of the population.

- ∇ Hundreds of smaller players in the biscuit, snacks and confectionery market compete at the lowest price points which target low income areas or in small urban or rural cities. The market size of this sector, however, would be smaller than the organized sector. The industry is facing severe threat from manufacturers of counterfeit biscuits and candies.

- ∇ In food exports, too, the situation is not that gloomy despite the fact that overall food exports have remained stagnant for years, primarily due to little or no growth in the earnings of rice that accounts for 45pc of the total food exports.

- ∇ Although the authorities have revised the minimum import values to check easy influx of cheaper imported soaps, it is however not providing sufficient enough and such imports still account for large market share.

Future Outlook:

FMCG or fast moving consumer goods is a big industry in the country and has always attained huge profits. Due to the rise of consumerism locally the FMCG industry is thriving at a very good pace. **Outlook of the industry is positive & upbeat.**

GLASS & CERAMICS

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	7		
			2016-17	2015-16	
A.	Industry Sales	Act/Est	30,917	21,461	
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	PBT	Act/Est	3,376		
C.	Financial Charges	Act/Est	630		
D.	PAT	Act/Est	2,365		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	35,183		
F.	*Current Assets*	Act/Est	15,314		
G.	*Cash & Bank Balances*	Act/Est	2,920		
H.	*Trade Debtors*	Act/Est	4,015		
I.	*Short Term Investments*	Act/Est	10,994		
J.	*Total Equity*	Act/Est	17,385		
K.	*Current Liabilities*	Act/Est	12,065		
L.	*Total Liabilities*	Act/Est	16,419		

GLASS & CERAMICS:

Sector Outline:

Glass making process involves mixing of large amounts of silica sand with comparatively smaller amounts of lime and soda ash, and other materials to give the glass special qualities by heating the mixture in a furnace until it turns into a syrupy mass. However, it is a laborious process that requires specific skills during manufacturing process. „Soda-lime-glass‟ is the kind of glass mostly used all over the world including Pakistan. It is widely used as plate and window glass, light bulbs etc. It contains about 72% silica, 15% sodium oxide, 9% calcium oxide (lime) and 4% of other ingredients. The silica comes from sand, dug out of sandstone queries. Sodium oxide usually comes from soda ash made from salt (as is the case with the local production) though some also comes from sodium nitrate and sodium sulphate. Calcium oxide is usually obtained from limestone or dolomite (Pakistan has very large deposits of both). The soda-lime glass has always been popular as it is not only inexpensive to manufacture but also easy to melt, shape, but reasonably strong. The bulk of the local glass production comprises soda-lime glass for the production of „potash-lead glass‟, „borosilicate glass‟ and „colored glass‟.

Potash Lead Glass:

It is commonly called „lead crystal glass", made from sand, red lead, potassium carbonate and may also include some soda. It is widely used to manufacture the finest tableware and in certain cases, electrical products.

Borosilicate Glass:

Borosilicate glass contains about 81 per cent silica, only 4 per cent lime or soda, 2 per cent alumina and 13 per cent boric oxide and is heat and shock resistant. It is used to make baking ware, glass pipelines and telescopic mirrors.

Colored Glass:

Colored glass contains metals or certain metal compounds to give the glass a certain color. For instance, one part of nickel oxide in 500 produces a tint that may range from yellow to purple depending on the base glass; one part of cobalt oxide in 1000 gives an intense blue. The red color is usually caused by small amounts of copper or gold, or compounds of selenium or cadmium. Similarly, many other colors can be produced in glass by adding certain other chemicals.

The manufacturing units of glass industry in Pakistan are four decades old and they have limited themselves to the production of basic types of glass (annealed glass, laminated glass, toughened glass, coated, mirrored glass etc.) while the bulk of demand for the quality products in the industrial, commercial, construction, and residential sectors is filled by the imported counterparts. There is limited demand for expensive quality glass in country which has restricted glass sector to set up high cost glass units. The industry has therefore preferred to manufacture the inexpensive basic glass products which could be consumed locally.

Opportunities:

- The government has imposed regulatory duty on 36 new products and increase duty on 240 existing items. The duty has been raised to 40pc from 20pc on washbasin, cisterns ceramic, sink ceramic, toilet ceramic, ceramic sinks, washing basis and dinner sets, dishes, plates, tea cups. The duty on glass beads and imitation pearls has been enhanced to 55pc from 25 and on imitation jewelry to 45pc from 15pc. The duty on LCD, LED and TVs has been raised to 40pc from 20pc and on wood and metal furniture to 40pc from 20pc.

- ∆ The measure taken by the government to increase regulatory duty RD on the import of ceramic tiles, the local tiles manufacturers have called for the continuation of duty for the better interest of local industry as well as the economy. The duty will help curb the main issues hurting the industry including under-invoicing, dumping and inferior quality of products. It will support the local industry and discourage the import of tiles especially from China.

- ∆ As a part of the Company's value addition strategy, the Company has decided to launch a new state of the art project for the manufacturing of Opal glass Dinnerware as reported in previous directors' report. Civil work of the project is at its full swing and near to completion. Major shipments of plant & machinery have arrived and in the phase of installation, we foresee that this project will start its trial / commercial production by the end of this calendar year.

- ∆ The favorable economic outlook of the country has resulted into increase in living standard of the population and expansion of the housing industry. This positive aspect would contribute to the increase in demand for the ceramic tiles.

Threats:

- ∇ The importers are buying sub-standard tiles from different countries that dump their excess inventories in Pakistan. This affects the sales of local products because the manufactures come face to face with higher input cost challenge.

- ∇ Locally manufactured Tiles are expensive due to 21 percent of sales tax, high wages of laborers, power and gas prices.

- ∇ In the last few years, especially in the fiscal year 2016-17, Shabbir Tiles & Ceramics Limited faced a loss of Rs. 190 Million due to dumping of imported Tiles.

- ∇ Competition in the tableware and float market will remain tough as the major players have invested on channel partners and influencers by offering higher discounts and lucrative promotional schemes.

- ∇ The selling price of the product will remain under pressure due to import of large quantity of ceramic tiles into the country at competitive rates.

Future Outlook:

Going forward, domestic demand for glass will increase on account of rise in PSDP allocations in election year. The glass industry is also keenly eyeing developments on CPEC and this opportunity is expected to prove to be of great benefit for the whole nation. **Outlook is stable.**

Association:

- Pakistan Glass Association
- Pakistan Ceramic Manufacturers Association
- All Pakistan Ceramic Tile Manufacturers Association (APCTMA)

INFORMATION TECHNOLOGY

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	50		
			2016-17	**2015-16**	
A.	**Industry Sales**	Act/Est	98,256	82,204	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	Act/Est	45,150		
C.	**Financial Charges**	Act/Est	1,250		
D.	**PAT**	Act/Est	44,950		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	209,100		
F.	*Current Assets*	Act/Est	90,000		
G.	*Cash & Bank Balances*	Act/Est	9,850		
H.	*Trade Debtors*	Act/Est	39,150		
I.	*Short Term Investments*	Act/Est	Nil		
J.	*Total Equity*	Act/Est	169,750		
K.	*Current Liabilities*	Act/Est	37,850		
L.	*Total Liabilities*	Act/Est	39,400		

INFORMATION TECHNOLOGY:

Sector Outline:

Information technology in Pakistan is a growing and rising industry that has a lot of potential. Matters relating to the IT industry are overseen and regulated by the Ministry of Information and Broadcasting of the Government of Pakistan. The IT industry is regarded as a successful sector of Pakistan economically, even in financial crisis. The first IT policy and implementation strategy was approved under the leadership of Prof. Atta-ur-Rahman FRS, then Federal Minister of Science & technology, in August 2000 which laid the foundations of the development of this sector. A 15 year tax holiday was approved to promote the IT industry in 2001 which has the grown from $ 30 million to over $ 3 billion during the last 16 years. A nation-wide program to train teachers was initiated by Intel in March 2002 in Pakistan on the request of Prof. Atta-ur-Rahman which has resulted in the training of 220,000 teachers across 70 districts at no cost to the government [8]The government of Pakistan has given numerous incentives to IT investors in the country during the last decade, this resulted in the development of the IT sector.

On-going projects of ministry of information technology and telecommunication

1	Computerization of Prime Minister's Secretariat
2	Construction of Cross – Border OFC System Between China and Pakistan for International Connectivity of voice/Data Traffic (SCO) (CPEC Related)
3	Enhancing IT Export Through Industry Support Programs (PSEB)
4	International Coordination Unit(ICU) Telecom wing
5	Laying of OFC to Connect Remote Locations of AJ&K and GilgitBaltistan (SCO)
6	414 Online Recruitment System for Federal Public Service Commission Phase(ii) NITB
7	Purchase of Land in Karachi and Lahore for Establishment of IT Parks at Karachi & Lahore(PSEB)
8	Replacement of GSM Network AJ&K (SCO)
9	Replacement of e-Office (Basic common Applications) at all divisions of Federal Government NITB
10	Site Development and Construction of boundary wall at PSEB'S site for establishment of IT Park at Chak Shahzad, Islamabad (PSEB)
11	Strengthening of Server Room at MoIT (IT Wing)

Opportunities:

- Pakistan's IT industry has a come a long way. Today it stands as the country's fastest-growing export sector. From less than $20 million in annual exports in 2000, Pakistan's annual IT exports have crossed the $2 billion threshold with an annual growth rate between 30 and 40 percent.

- Apart from them, Pakistan has the third-largest army of freelancers on freelancers.com; it workforce is the fifth-most on upwork.com.

- This year the federal government has taken many significant steps to support and develop the IT sector in Pakistan. Rural Telephony and E-Services (RTEs) Program: To extend IT and Telephone services to far-flung areas four new projects started in 2016-17 under Universal Services Fund. A part of this project in Balochistan, Kharaan, Washuk, DeraBugti, Kohistan and in FATA Warisistan areas, new lines for Rs2.43 billion are being laid in these areas. For ongoing projects Rs9.52 billion will be allocated. In 2016-17 for provision of telephone services in rural areas an amount of Rs11.94 billion have been allocated.

∆ The ongoing broadband projects in southern telecom region are expected to provide coverage to over 56,000 new subscribers in un-served/underserved areas in FY 2016-17. Furthermore, 125 Educational Broadband Centers (EBC's) and 55 Community Broadband Centers (CBC's) are to be established under these projects with subsidy of 482.5 million.

∆ Under the Optic Fiber Cable Program in FY2016- 17 Rs63.4 million have been allocated for on-going projects in Balochistan and Rs1.9 billion for three new projects in Khyber Pakhtunkhwa, Balochistan, Sindh and Punjab;

∆ Other than the above, work on; establishment of computer labs under Pakistan Bait-ul-Maal women empowerment centres, prime minister's information and communication technology scholarship, prime minister's scholarship program for talented students of Balochistan and prime minister's national ICT internship program, is underway. For the current year 2016-17 around Rs1 billion were allocated for these schemes.

∆ As the tax holiday on IT exports expired in 2016, the Governing Board of Pakistan Software Exports Board (PSEB), during a board meeting, directed MD PSEB to prepare a summary for tax exemption on IT exports beyond June 2016. To motivate IT companies to remit more of their earnings to Pakistan instead of keeping them abroad.

∆ Pakistan based IT companies are making their way towards international markets through their mobile applications and gaming apps. Pakistan Software Export Board (PSEB) is determined to support all such IT companies for creating constructive and conceptual mobile games.

Threats:

∇ Pakistan ranked at 67th on Global Cyber Security Index in 2017 compiled by International Telecommunication Union as compared to neighboring India that stood at 23rd position. There is a need for relentless hard work required to safeguard country's cyber systems to completely secure the use of digital assets and technologies for private, business, state-owned communications infrastructure across the country.

∇ the government, which had imposed an additional 8pc tax on revenues generated by the IT industry in 2015-16, said nearly 40 percent of Pakistan's IT companies move operations to the United Arab Emirates, which may or may not be the case.

∇ With investments that are nearly nil, the IT sector doesn't stand a chance of becoming an actual industry until we begin investing earnestly in the most nimble minds within our own borders.

∇ The companies outsourced most non-core operations and are working with consultants. Their work primarily revolves around helping businesses structure IT systems. So small companies find it more feasible to shift operations from Pakistan to Dubai, a tax haven just 1.5 hours outside this country's border.

- Our IT industry lags far behind Indian technology industry, which includes IT services, Business Process Management (BPM), hardware and software products, Engineering R&D (ER&D) and Internet-enabled consumer or Enterprise Services. Compared to $2 billion export per annum in Pakistan, India's flagship IT-BPM sector is valued at $143 billion; it is expected to contribute 9.5 percent toward India's Gross Domestic Product (GDP) and more than 45 percent in total services export in 2015-16.

- The finance department of government of Balochistan was facing capacity issues as it prepared its budget for fiscal year 2016-17; With such a massive need in the province for IT experts to handle CPEC, the already under-developed province may miss a golden opportunity because of the poor planning and delinquent policies of the provincial government.

- Broadband penetration in Pakistan has increased from 2.6 million broadband subscribers to 36.6 million since the launch of 3G/4G in 2014. But still, a large number of population is deprived of internet services. Also, the quality of services and internet connection needs to be improved. In order to promote e-democracy and strengthen country's economy, holistic solutions are required to turn the digital divide into digital inclusion.

- There is an inadequate educational capacity to apply ICT solutions in educational ecosystem. A gap exists between IT graduate skills and IT industry needs. Information Technology subjects need to be introduced in the curriculum. People should be made aware of IT importance in businesses.

- Intangible assets including inventions, ideas, software, designs and others need to be protected. The judicial system needs to take certain measures regarding intellectual property rights protection and consumer rights.

- There is a lack of legal framework for e-Commerce and e-Payment system. In order to prevent potential abuse online and to promote trust between service providers and users, a framework with legal provisions in finance and banking system needs to be developed.

- Pakistan has only 14 technology parks and more IT parks need to be established countrywide. The government should invest more in technology incubators and promote startups. Measures should be taken to attract international investors.

- Research and Development have been low priority areas in Pakistan, in both public and private sectors. There is a lack of innovation in these areas and measures need to be taken to strengthen R&D in ICT sector

- World Economic Forum's Networked Readiness Index (NRI) measures the environment for ICT based on 4 indices: the readiness of a society to use ICTs, the actual usage by all main stakeholders and the impact that ICTs generate in the economy and in society. The extent to which ICT impacts the access of basic services to citizens dropped to 113 during 2012-13.

Pakistan lost 15 points in the e-Participation index where government engages citizens in online services.

Future Outlook:

The exports of IT and related services stand US $ 756 million by end of first quarter of 2017-18, which will likely to touch a mark of US $ 3 billion as per estimates. In this regard, the central bank is working to bring IT companies and service providers on-board. It has designed a reporting structure of inflows that will help in increasing inflows of IT sector in future if companies follow this pattern. **The outlook is positive.**

Associations and Government Bodies:

- Pakistan Computer Association (PCA)

http://pcapk.org/

- The Pakistan Software Houses Association for IT & ITES (P@SHA)

http://pasha.org.pk/

- Khyber Pakhtunkhwa Information Technology Board (KPITB)

http://www.kpitb.gov.pk/

- Punjab Information Technology Board (PTIB)

https://www.pitb.gov.pk/

- Pakistan Software Export Board (PSEB)

http://www.pseb.org.pk/

- National Information Technology Board (NITB)

http://www.e-government.gov.pk/

LEATHER PRODUCTS

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

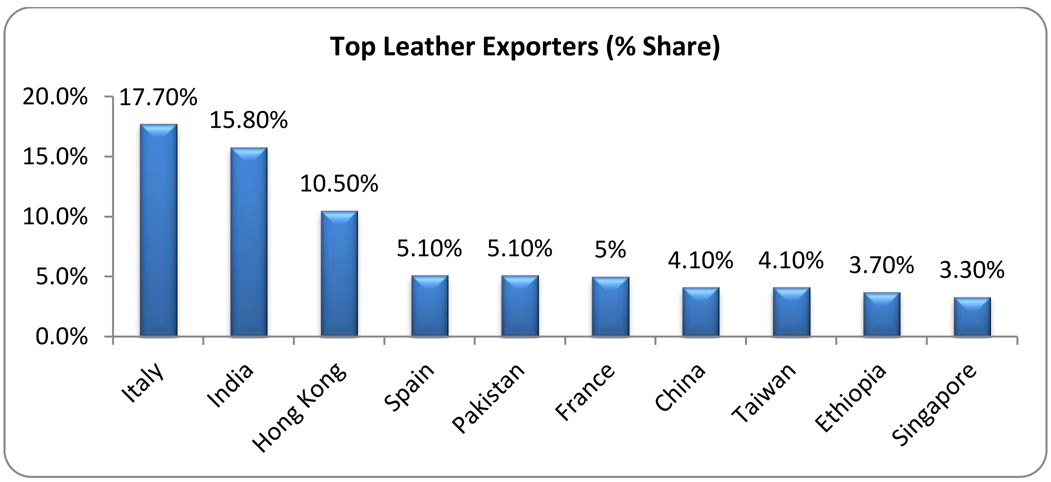
	No. of Companies	**Act/Est**	300		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act/Est**	36,183	37,803	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	3,600		
C.	**Financial Charges**	**Act/Est**	600		
D.	**PAT**	**Act/Est**	2,400		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	44,700		
F.	*Current Assets*	**Act/Est**	39,000		
G.	*Cash & Bank Balances*	**Act/Est**	60		
H.	*Trade Debtors*	**Act/Est**	25,800		
I.	*Short Term Investments*	**Act/Est**	Nil		
J.	*Total Equity*	**Act/Est**	10,200		
K.	*Current Liabilities*	**Act/Est**	34,200		
L.	*Total Liabilities*	**Act/Est**	34,500		

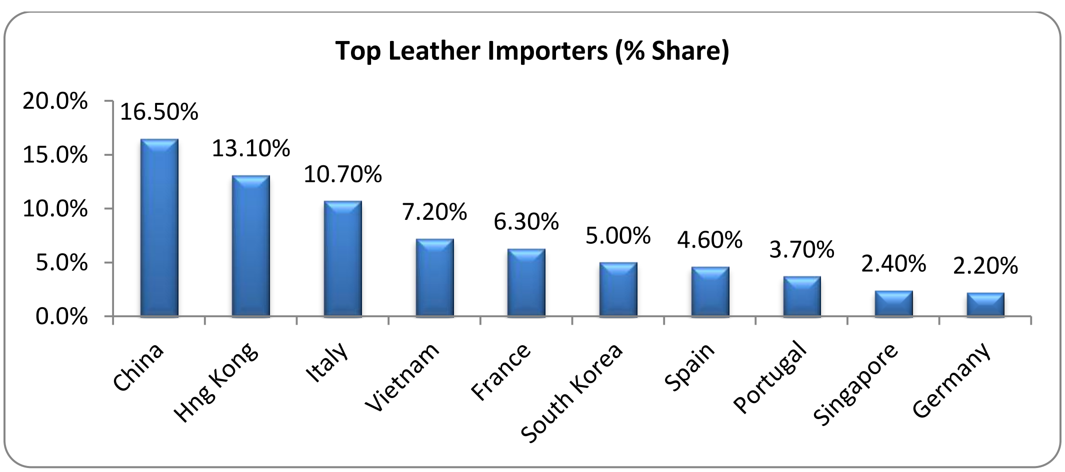
LEATHER PRODUCTS:

Sector Outline:

Leather is a by-product of the meat industry and its main source of raw material is cattle hides and skins. It is the primary product of tanning sector, and is further processed by value adding industries such as footwear, garments, furniture and automotive. Tanning is the process of treating skins and hides of animals, mostly cattle, to produce leather. Historically, the tanning industry was characterized by small or medium-size family businesses. However, with increase in demand of tanned leather and finished leather products, tanning processes evolved with the formation of larger players in the industry. Today, there are various ways for tanning hides and skins into leather. The quality of hides/skins is largely affected by the livestock management processes, slaughtering expertise, preservation methods and grading techniques through which they are produced.

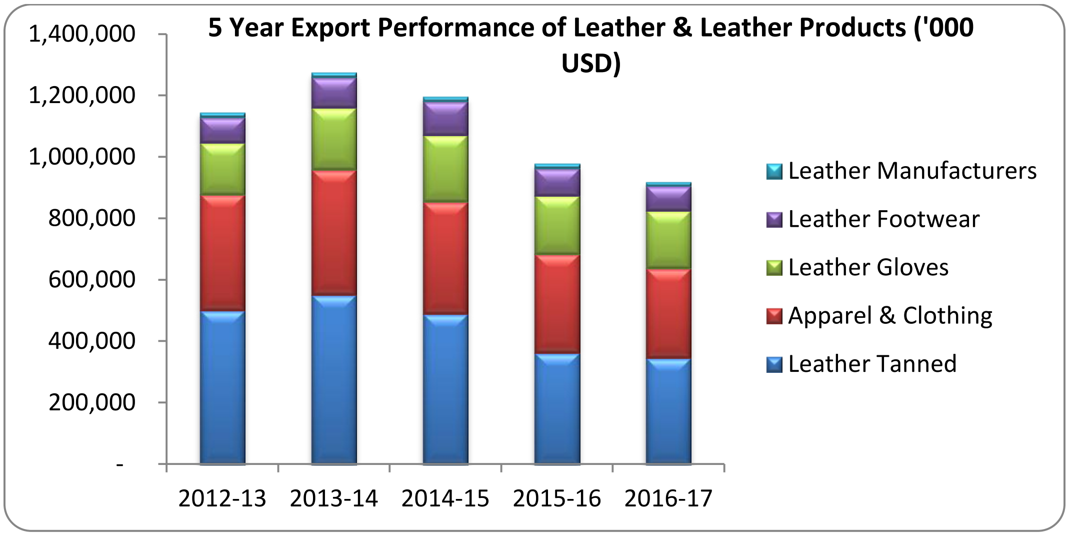
In a global context, leather is one of the most widely traded commodities in the world. Leather industry plays a prominent role in the world's economy with an estimated global trade value of approximately US$100 billion per year on average. In 2016, world leather exports and imports totaled around US$2 billion each1; the largest exporter and importer of leather goods were Italy and China respectively. Below is an illustration of top 10 leather exporters and importers.





Pakistan has a well-established leather industry with abundant supply of raw material. More than 800 tanneries produce finished leather for both exports as well as for domestic consumption in the country. The leather industry in Pakistan is largely export-oriented with top 25 tanneries contributing around two-thirds of total share. Large tanneries are located in three main clusters around Karachi, Lahore and Sialkot.

According to Pakistan Bureau of Statistics, leather industry ranks the second biggest export-oriented industry of the country after textiles. Moreover, Pakistan's share in world leather trade is almost 1%. Leather exports from Pakistan can be categorized under five broad categories: 1) gloves 2) finished leather 3) footwear 4) garments and 5) other leather goods.



Opportunities:

- ∆ Demand for synthetic leather was growing in the international footwear, furnishing, automotive, clothing, bags and various other industries and Pakistan's synthetic leather industry had a good chance to contribute and earn huge foreign exchange for the country.

- ∆ The synthetic industry to focus on the Asia-Pacific region that dominated the synthetic leather market and accounted for over 42% of the overall market revenues.

- ∆ Footwear and automobile industries were anticipated to grow at a rapid pace. China, India and South Korea are expected to be the major growth drivers as rising disposable income coupled with increasing population created huge avenues for growth in demand.

- ∆ China is the largest revenue-generating region in the Asia Pacific. The country has a rapidly growing automotive and footwear industry, which are vital application segments.

- ∆ After a continuous fall for two years, the leather industry believes the country's exports will first stabilize this year and show growth in the next after the announcement of the incentive package worth Rs180 billion.

- ∆ The government will provide 7% rebate to exporters on all leather made-ups, including garments to promote value-addition in the sector.

- ∆ The EU introduced the working group to facilitate marketing of quality leather products in European markets. EU's initiative aims for creating awareness and transfer of LWG knowledge to Pakistan and particularly the Sialkot-based leather industry.

- ∆ The government announced to allow 75% cost sharing by government on expensive international lab testing on leathers for various chemicals to ascertain various compliance standards set by EU and different customers.

- ∆ Pakistan is one of the biggest markets of the raw hides in Asia and about 30-40 per cent of the total produce is generated only on the occasion of Eidul Azha.

- ∆ Pakistan's leather industry – whose exports have been stagnant for over a decade – is delighted over the removal of customs duty on raw hides (including skins – pickled and wet blue) in the latest budget.

- ∆ All major demands of the industry have been accepted by the government in the federal budget 2017-18. This step by the government will help a lot in reviving the dying leather industry and compensate for the lost production capacities for export.

- ∆ The government has also removed duty on stamping foils, a new technology in leather tanning industry to produce high-quality fashion leather articles. The industry believes it would help gain additional share in the international export market and compete with other countries' manufacturers.

- ∆ The leather industry is one of those five export-oriented industries that will continue to enjoy zero-rating facility in the upcoming fiscal year because the government has decided to continue tax incentives for these sectors in the budget.

- ∆ Restrictions over the export of raw leather and semi-finished products can help boost value-added industry which is facing the shortage of raw material. It will boost the industry involved in making sports goods, garments gloves, belts, bags, purses, footwear which will help country generate good foreign exchange.

- ∆ An integrated Chinese company specializing in manufacturing fine-combed and other cashmere wool products, has asked for the government support to set up a joint-venture plant for animal skin and fiber processing in Pakistan.

Threats:

- ∇ Leather exports of Pakistan have declined since the last two years mainly due to economic slowdown in western markets, especially in Europe.

- Overall leather exports in Pakistan declined to $977 million in 2015-16, down 18.27% from $1.19 billion in 2014-15, according to the PTA. In 2014-15, leather exports already declined by 6.4% compared with 2013-14.

- Leather industry keeps suffering due to this procedural long delays and no authority is checking such delays in issuing the notification of ECC approved HS Codes so for.

- Presently, an amount of over Rs300 million is lying pending at Collectorate of Customs (Preventive) Lahore on account of duty drawback payable against air-lifted consignments of leather from Lahore airport during the past one year.

- Pakistan's tanners, leather goods manufacturers and exporters have to acquire latest technology and ensure the products conform to international quality requirements in order to be competitive in the international markets.

- other hurdles in the export that has already contributed 25% decline in leather exports whereas regional competitor countries India and Bangladesh has gone up by 67% and 309% respectively, during the last three years.

- The tanners expect collection of around 7 million hides (skin) of sacrificial animals in this Eid season. However, according to market sources, the price of hides this year remains 30 per cent less as compared to the prices recorded in previous years for economic recession in international leather market, adversely affecting the buying of hides in peak season of *Qurbani*.

- Apart from the number of collection of hides, the sharp decline in price of hides affected the overall business of leather sector as the demand for raw hides has decreased especially after Argentina, being the largest exporting country of leather products, lifted the ban on export of raw hides.

- Hides are generally damaged due to hiring of unprofessional butchers. Moreover, a lot of hides are wasted due to lack of appropriate knowledge about their preservation.

- cost of doing business in Pakistan is high as compared to competing nations like China and India which has taken a toll on exports which fell by 26 percent during 2016.

- This sector consists of around 12800 units and most of them are suffering from lack of government's support and apathy of the government which is keeping them from up-gradation which can boost the country's share in the international leather trade.

- The downward trajectory has intensified with leather garments declining by 16.8 percent in FY17 as compared to decreasing by 6.5 percent in FY16. Leather gloves dived by a whopping 28.6 percent in FY16 while declining by 5.1 percent in the previous year.

∇ A pertinent issue which this column has also flagged has been the incessant smuggling of live animals to neighboring Afghanistan which puts pressure on supply of hides and skins to leather manufacturers.

∇ Other factors, which have not crept up recently but have plagued the leather industry for some time now, include the inefficient leather supply chain, the dearth of quality labour as well as lack of modern technology.

∇ Due to Eid falling in the hotter part of the year, large quantities of hides and skins were damaged due to inadequate preservation mechanisms, increasing reliance on imported raw material. It is pertinent to note that the Eid season accounts for around 40 percent of the total raw material accumulated from local sources.

∇ In the face of such dire challenges, it then comes as no surprise that exports have suffered and domestic demand is being increasingly met by Chinese imports. The government's announcement of the export promotion package with a rebate of 7 percent on selected leather products, although welcome is again too late. Export shares once lost in today's cutthroat global market are very difficult to reclaim.

Future Outlook:
In the absence of a level-playing field, import duties on raw materials and slump in the international market have put Pakistan leather industry at a disadvantage leading to a decline in exports. **Outlook remains negative.**

Associations:
➢ Pakistan Leather Garments Manufacturers & Exporter Association
http://www.plgmea.pk/
➢ Pakistan Tanners Association
http://www.pakistantanners.org/

MACHINERY & EQUIPMENT

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	5		
			2016-17	**2015-16**	
A.	**Industry Sales**	Act/Est	9,900	9,834	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	Act/Est	731		
C.	**Financial Charges**	Act/Est	87		
D.	**PAT**	Act/Est	572		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	23,490		
F.	*Current Assets*	Act/Est	6,045		
G.	*Cash & Bank Balances*	Act/Est	198		
H.	*Trade Debtors*	Act/Est	2,490		
I.	*Short Term Investments*	Act/Est	Nil		
J.	*Total Equity*	Act/Est	17,381		
K.	*Current Liabilities*	Act/Est	3,764		
L.	*Total Liabilities*	Act/Est	5,822		

MACHINERY & EQUIPMENT:

Sector Outline:

Heavy Mechanical Complex (Private) Limited is leading engineering goods manufacturing enterprise in Pakistan located at Taxila.

HMC has the resources to handle large projects with demanding delivery schedules. Being the largest and most extensive fabrication and machining facility equipped with state of the art technology. HMC provide manufacturing services both on our own or customers design. HMC have gained rich experience in designing and manufacturing of large projects through collaboration with internationally reputed engineering organizations. All its processing facilities are in-house including Designing, Fabrication, Machining, Iron and Steel Castings, Forgings, Heat Treatment, Assembly, Sand Blasting, Painting and Galvanizing etc.

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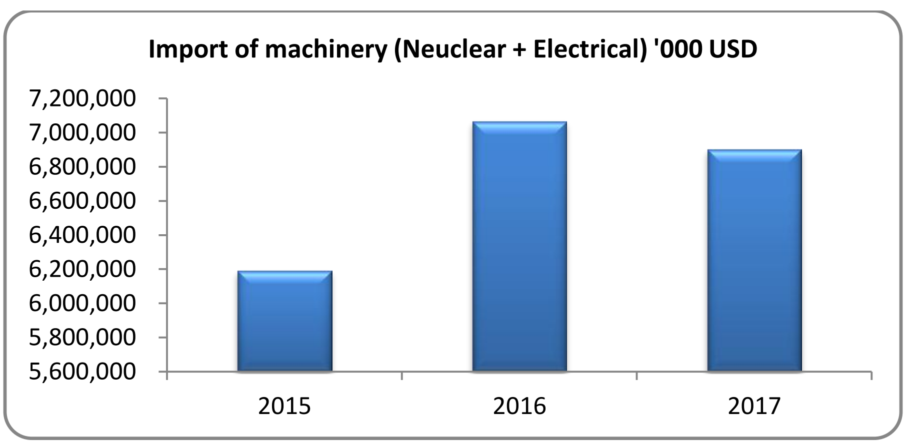
EXPORT OF ENGINEERING MACHINERY		
	2016-17	2015-16
ELECTRIC FANS	25,298	22,640
TRANSPORT EQUIPMENT	8,359	8,283
OTH.ELETRIC MACH.	29,668	34,403
MACH.SPECIALIZED	23,065	27,406
AUTO PARTS	12,055	13,647
OTHER MCHINERY	60,163	62,982



Opportunities:

- ∆ The CAC Pakistan will provide a joint forum to government officials and industry professionals to highlight the benefits of using pesticides, fertilizers, processed seeds, latest yet affordable agri-equipment and machinery.

- ∆ The offer of Belarus to provide heavy machinery for agriculture and construction sector is a welcome step to boost the TVET sector of Pakistan. The ambassador said that 60 percent of young population is a valuable treasure for Pakistan. He informed that Belarus is world famous for its heavy machinery especially tractors' production. While assuring of his cooperation, he said that Belarus will provide heavy machinery equipment and tractors to the technical institutes of Pakistan. He expressed his keen interest in establishing a Center of Excellence in the field of Renewable Energy in Pakistan. In this regard, a memorandum of understanding will soon be signed between Pakistan and Belarus.

- ∆ Being a hi-tech country, Portugal is ready to provide technology and machinery to Pakistan in many sectors including agriculture, textile, marble, water resources, building and constructions.

- ∆ Portugal was close to EU and Sub-Sahara and Pakistan should develop close cooperation with it to get better market access to European and African regions. Pakistani Basmati rice and food was quite popular in Portugal and Pakistan should focus on promoting more products to Portuguese market under GSP Plus scheme.

Threats:

- ∇ The containers and other goods dumped at the parking area have been affecting the routine work at the Peshawar Dry Port.

- ∇ The working capacity of the dry port was 165 containers daily, but it came down to just 15-20 containers due to the delay in clearance of the goods. The official said 63 containers, 51 heavy machinery vehicles, 350 imported vehicles and spare-parts had occupied over 80 percent of the parking area at the port.

- ∇ The Customs authorities had recently cleared the vehicles, but the authorities of the Pakistan Railways refused to issue gate passes to the importers and demanded Rs420 million as parking and storage charges.

Future Outlook:

Downstream engineering industry has progressed with good pace, building a base for producing value added industrial products like automobile and parts, electrical machinery/ equipment, consumer durables, pipes valves etc. The objective is to utilize the available resources of the country in the most effective manner in order to maximize the engineering productivity as well as its share in the exports. **Outlook is steady.**

Associations:

- ➢ Pakistan Agricultural Machinery and Implements Manufacturers Association (PAMIMA)

http://www.recama.org

- ➢ Engineering Components & Machinery Manufacturing Association of Pakistan http://www.engineeringcomponentsmachinerymanuf.enic.pk/

- Pakistan Hardware Merchants' Association

http://www.phma.info/

- Pakistan Electrical & Electronics Merchants Association (PEEMA)
- Pakistan Metal Containers Manufacturers Association

http://pakistan-metal-containers-manufacturers-asso-139956.pakbd.com/

- All Pakistan Two/Tri Wheelers Assemblers Cum-Progressive Manufacturers Association

http://www.allpakistantwothreewheelersassemble.enic.pk/

- Pakistan Plastic Manufacturers Association (PPMA)

http://www.pakplas.com.pk/

- Pakistan Electric Fan Manufacturers Association
- All Pakistan Cables & Conductors Manufacturers Association

METALLIC PRODUCTS (IRON & STEEL)

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	9		
			2016-17	**2015-16**	
A.	**Industry Sales**	Act/Est	95,502	73,847	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	Act/Est	9,668		
C.	**Financial Charges**	Act/Est	2,243		
D.	**PAT**	Act/Est	7,203		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	Act/Est	102,441		
F.	***Current Assets***	Act/Est	45,504		
G.	***Cash & Bank Balances***	Act/Est	3,486		
H.	***Trade Debtors***	Act/Est	5,077		
I.	***Short Term Investments***	Act/Est	623		
J.	***Total Equity***	Act/Est	42,978		
K.	***Current Liabilities***	Act/Est	38,048		
L.	***Total Liabilities***	Act/Est	56,069		

METALLIC PRODUCTS (IRON & STEEL)

Sector Outline:

Steel is the backbone of the infrastructural development in an economy. However, demand continues to be cyclical in nature and relies on economic growth. Steel sector continues to be in a state of overcapacity with total installed capacity at 2,300 million metric tons (MT) while around 1,500MT is needed to meet global demand. Actual production during 2016 increased to 1,630MT and has doubled since 2000. Capacity additions continued until 2015 when China is estimated to have added 552MT of capacity which is equivalent to seven times US steel production in 2015. China accounts for around half of global production with top 5 producers representing 70% of global production.

In order to address the significant overcapacity prevalent in the global steel industry, countries with domestic steel making capacity have moved towards protectionism through imposition of anti-dumping duty to protect local industry.

Meanwhile, China has also made efforts to consolidate production (merger of two largest steel mills resulting in second largest and cut excess supply to address concerns about pollution and over capacity.

On the demand front, global demand for steel picked up in the second half of 2016 due to stimulus package announced by the Chinese Government. Global demand is projected to rise by 1.3% and 0.9% in 2017 and 2018, respectively, as per World Steel Association. Strong demand from emerging and developing economies along with higher fiscal stimulus and infrastructure spending by United States is projected to support demand and price recovery. However, China which accounted for 45% of global demand is expected to post flat growth due to government's resolve to rebalance the economy from investment led model and clamp down on the real estate sector, a key driver of steel demand growth.

Major development during 2017 for the steel sector was the Chinese government's announcement to slash steel capacity by 50 million MT to tackle pollution and curb excess supply. As per Reuters, around 84% of the target for full year has been achieved which has been the primary contributor to the increase in steel prices in 2017 which rebounded after having declined for the past two years. As part of its medium term goal, Chinese government plans to reduce 100 million to 150 million MT of excess steel capacity.

Long steel sector in the country is highly fragmented with over 330[1] melting and re-rolling mills. Only 4 long steel players are currently listed with less than 10 producers that can be classified as top-tier players. Total industry demand for long products is estimated at around 7m MT. Around half of this demand is being met through imports with the remaining demand being catered to by local producers. Only one-fourth of the local production is estimated to be by top-tier players who can cater to demand for upcoming CPEC and mega-projects. The informal sector primarily operates on inefficient plants and outdated technology.

The flat steel industry in Pakistan comprises two local producers International Steels Limited (ISL) and Aisha Steel Mills Limited (ASL). Flat steel producers import Hot Rolled Coil (HRC) and convert it into Cold Rolled Coil (CRC), Galvanized and Color Coated sheets. Currently, ASL only produces CRC while ISL also produces Galvanized and Color Coated Sheets in addition to CRC. At end-FY17, ISL had a 70% market share in terms of installed capacity in Pakistan. During FY17, ISL produced 464,023 MT of CRC of which 312,886 MT was further processed into galvanized steel.

The tubular industry in Pakistan comprises 50 manufacturing units out of which 40 are based in Lahore. Tubular products include pipes, railings, tubes etc. where each segment has its own feed stock, rolling process, and finished goods that may take a number of shapes and forms. Overall domestic steel pipe market is estimated to be around 500,000MT with demand comprising of black pipe & Hollow Structural Sections (HSS), Cold Rolled (CR) pipe (low and prime quality), Galvanized Iron (GI) pipes and American Petroleum Institute (API) pipes.

Opportunities:

- ∆ Iron and steel industry has gained importance due to China-Pakistan Economic Corridor (CPEC) project and increased construction activities in the country.

- ∆ Iron and steel industry remains small and fragmented in spite of surging demand due to infrastructure development and private construction activity.

- ∆ All the sectors of this industry including Pakistan Steel Melters representing around 400 units want a policy and resolution of tax-related issues.

- ∆ Chinese firms were buying steel from the local market and avoiding importing it, which will boost local industry, provide jobs and revenue

- ∆ There is a need for giving a clear as well as long-term policy for protecting investments and take steps to make the industry competitive

- ∆ In another positive development for the local steel industry, the National Tariff Commission (NTC) has notified a 19.15% definitive five-year anti-dumping duty (ADD) on deformed concrete reinforcing steel bars (re-bar) imported from China. This is in addition to a 30% regulatory duty on imported re-bars already imposed.

- ∆ Soon after the imposition of anti-dumping duty on Chinese and Ukrainian flat steel products in early 2017 similar duties are expected on long steel products (mainly re-bars that are used in construction of buildings, bridges etc.) that have now been notified. This measure will further cement protection for the domestic long steel industry and provide them a level playing field.

- ∆ The imposition of new duties will help Aisha Steel Mills Limited, Dost Steels Limited, Mughal Steel – companies that make re-bars and are currently expanding their production capacity. Domestic steel industry is upbeat after the reactivation of NTC in recent years as it is now acting on its complaints of steel dumping (mainly from China) in Pakistan, causing material damages to local producers.

- ∆ Anti-dumping duty on rebar has been imposed to rationalize the duty structure between raw material and finished imports. Billet earlier had 24.04% anti-dumping duty and 15% duty (which goes to 39.04% in total) while re-bar, which previously had only 30% regulatory duty, now has 19.15% anti-dumping duty on top (which goes up to 49.15% in total).

- ∆ Construction cost is set to go higher as the steel industry announced its plan to increase prices by Rs2,500-3,000 per ton from July 1, 2017, citing measures the government has taken in Budget 2017-18.the industry has no choice but to increase steel prices. Steel companies will not be able to bear the burden for more than one or two weeks.

- ∆ The industry can easily pass this burden to the consumers due to strong demand of steel. Steel industry is witnessing rising demand due to the increase in Public Sector Development Program (PSDP), China-Pakistan Economic Corridor (CPEC) projects and higher conduction activities in the last few years.

- ∆ Steel industry in Pakistan has remained in the limelight on the Pakistan Stock Exchange in recent years. Moreover, a number of steel companies have also expanded, raising money through Initial Public Offerings (IPO).

- ∆ Local steel plate prices remain firm across the board and even though the currency in Pakistan suffered a surprising and worrying depreciation of about 5% this week, demand has continually improved of late, even after the brief fourth-quarter blip in sentiment / pricing.

- ∆ Pakistan needs to strengthen safety and environmental standards for its ship-breaking industry on the face of new guidelines being prepared by the European Commission for Asian ship-breaking industry to ensure compliance with its criterion by 2019.

- ∆ With financial incentives to get ship-owners chose EU-approved yards, the European Commission has decided to update a worldwide list of shipyards that meet European social and environmental standards — by this fall — and oblige owners of commercial vessels flying an EU country flag to use EU-compliant facilities for recycling by 2019.

- ∆ Asian yards also have an advantage over their European rivals because they are closer to local steel industries. “The reason why the yards in Asia are interested in recycling the ships is because they use the scrap. There is a live steel scrap industry – which is not there in Europe. It does not make economic sense to do it in Europe.

Threats:

- ∇ Due to almost zero production at PSM, the domestic industry is relying on imported hot rolled, cold rolled and galvanized steel and huge foreign exchange is being spent for this purpose.

- ∇ Domestic steel production capacity has been estimated to be around 6 million tons compared to the global capacity of 1.65 billion tons.

∇ Domestic steel consumption remains low as 23 kilograms per capita compared to the Asian average of 261 kg and the global average of 217 kg, which indicate the potential for new investments.

∇ With government subsidies, Chinese steel companies grew phenomenally in last few decades to meet the country's extraordinary infrastructure requirements. However, due to economic slowdown in recent years, these companies started dumping their stocks in different countries that ultimately prompted governments to slap anti-dumping duties on Chinese steel firms. China has an installed capacity of over 800 million tons of steel per annum and is, by far, the largest steel producer in the world. Its nearest competitor Japan produces a little over 100 million tons of steel a year.

∇ The government has decided to increase sales tax rates for the steel industry from the current Rs9 per unit to Rs10.5 per unit. The government collects General Sales Tax (GST) from the steel industry through electricity bills.

∇ The industry must invest in technology as local producers have not been able to take full advantage of the surge in demand as almost one-third of the domestic demand is met through imports.

∇ demand for iron and steel would continue to increase but the local manufacturers would not be able to benefit from it or invest more unless the government gives a clear as well as long-term policy for protecting investments or take steps to make the industry competitive that include cutting the cost of doing business

∇ Pakistan only placed 10% to 19% anti-dumping duty on Chinese CRC producers, which was still very low compared to many other countries that slapped up to 100% duties on Chinese companies to save their domestic players from collapse.

∇ Mis-declaration in secondary steel (a notch below the best quality steel) must have been going on because people tend to import primary steel (top quality steel) under the garb of secondary to save on import duties. This (mis-declaration) not only hurt the interests of local industry, but also dent government's income in taxes.

∇ Unlike long steel products and cement, our products are not directly going to consume in mega infrastructure project that are undergoing under the CPEC. CPEC is going to help us indirectly because we do not produce finished consumer items.

∇ On top of that some producers fear that the Chinese firms involved in the CPEC projects will prefer to import steel from their country rather than buying it from the local market unless the government takes actions to ensure that imports are allowed for CPEC projects only when the local industry is not able to meet demand.

∇ Falling international prices of iron, steel and allied products over the last few years made it feasible for the domestic sector to import huge quantities; the industry would not be able to sustain this level of imports if prices revert.

Future Outlook:

The steel demand is rising and it will continue to remain strong in the next year. The local manufacturers will be able to get the benefit by investing more in the modernizing the industry. **Apart from PSM, the outlook for downstream steel mills remains positive in the backdrop of high construction activity.**

Associations:

- Pakistan Foundry Association (PFA)

http://www.pfa.org.pk/

- Pakistan Steel Melters Association (PSMA)

http://www.steelmelters.com/pakistan.htm

- Pakistan Iron & Steel Merchants Association (PISMA)

http://www.pakistanironsteelmerchantsassociati.enic.pk/

- Karachi Iron and Steel Merchants Association (KISMA)

http://www.kisma.com.pk/

- The Pakistan Steel Re-Rolling Mills Association (PSRMA)

http://www.psrma.com/

- Pakistan Metal Containers Manufacturers Association

http://pakistan-metal-containers-manufacturers-asso-139956.pakbd.com/

PHARMACEUTICALS

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

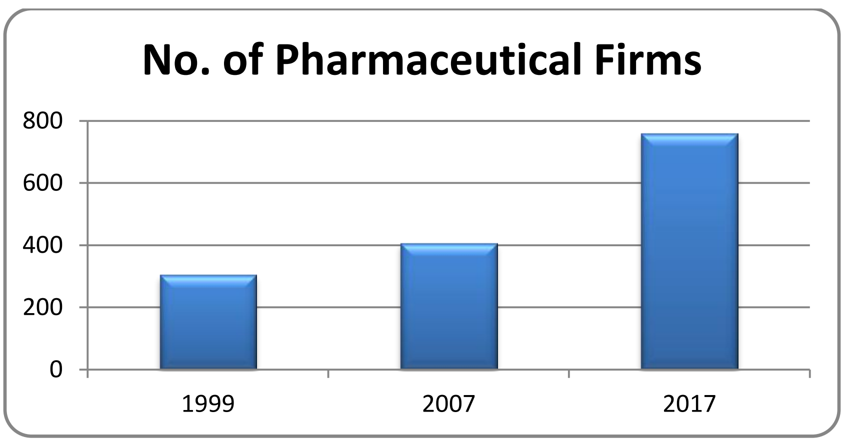
	No. of Companies	**Act/Est**	9		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act/Est**	87,249	86,954	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	16,018		
C.	**Financial Charges**	**Act/Est**	381		
D.	**PAT**	**Act/Est**	11,508		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	72,544		
F.	*Current Assets*	**Act/Est**	45,933		
G.	*Cash & Bank Balances*	**Act/Est**	12,463		
H.	*Trade Debtors*	**Act/Est**	6,090		
I.	*Short Term Investments*	**Act/Est**	1,442		
J.	*Total Equity*	**Act/Est**	49,564		
K.	*Current Liabilities*	**Act/Est**	19,466		
L.	*Total Liabilities*	**Act/Est**	21,735		

PHARMACEUTICALS:

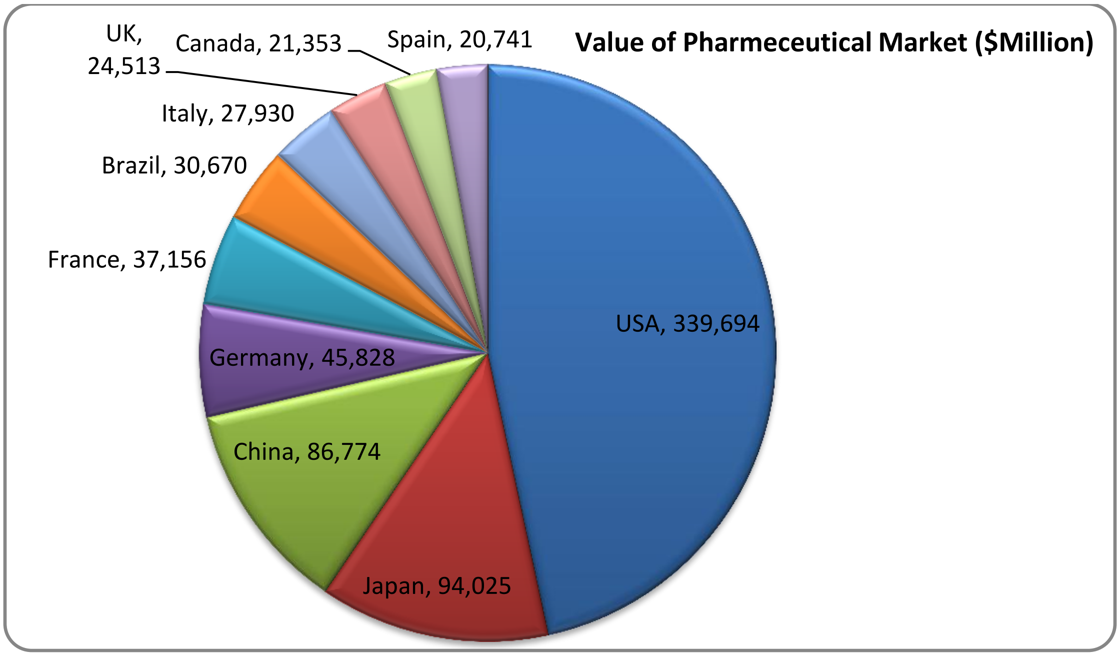
Sector Outline:

At the time of independence in 1947, there were no pharmaceutical firms in Pakistan. Today, the country boasts more than 700 pharmaceutical manufacturing units. In fact, QuintileIMS in its latest quarterly report puts the 'Active Manufacturers' at 759, up from a total of 304 in 1999.However, official sources dispute this figure, contending that there are no more than 650 licensed manufacturers in Pakistani pharmaceutical industry . This indicates a wide gulf between industry and the government that is characteristic of the pharmaceutical landscape in Pakistan. Taking the QuintileIMS figure as a reference point, only 27 are Multi-National Corporations (MNCs) while Pakistani firms account for 645 of the total. The generally accepted figure of MNCs, though, is 17 or 184, down from 40 or more in the 1990s.

There is also a difference in the reported total number of 'active' plants, especially those operated by MNCs. According to a MNC representative; there are hardly 5 or 6 of them that are actively producing pharmaceutical products. Similar reservations can be found about the number of active plants of domestic firms. Industry insiders are apprehensive that all the licensed manufacturing plants are utilizing their production capacity and actively producing products. The 1999 IMS report concluded that out of the 274 plants operated by domestic pharmaceutical manufacturers, only 120 were involved actively in manufacturing. Many of these were operating at only one-third of their total production capacity.



In terms of monetary value, the size of the pharmaceutical industry in Pakistan is $3.10 billion (Rs. 325, 596 billion, as per IMS). Given that the total size of the global pharmaceutical market is estimated to be over $ 1 trillion, Pakistan is hardly 0.5 percent of the market.



Within the Pakistani market, however, the sale of the pharmaceutical products has seen a healthy growth over time. Between 2012 and 2017, for example, the Compounded Annual Growth Rate (CAGR) has been estimated to be around 10 to 12 percent. Within this growth, the percentage growth numbers of domestic firms and MNCs vary, but overall, the industry has seen a healthy growth rate over time, although the CAGR in the last 5 years (on average) has been falling.

Although there are no agreed upon estimates, the industry employs around 90,000 people directly and 150,000 people indirectly in various capacities. The employee turnover rate, at least for the top 100 firms, is low. The main reason is that the top-level firms are known to offer reasonable pay packages plus complementary facilities, which help in retaining their staff. Plus, trainings and other extracurricular activities are offered regularly to train, retain and enhance their capabilities. [Pakistan pharmaceutical manufacturers association]

Opportunities:

- Drug Regulatory Authority Pakistan (DRAP) has implemented more than 10 new laws, with prior approval of the federal government, to regulate therapeutic goods across the country.

- Currently, six more such drafts were in the pipeline to further align the regulatory system with world best practices in the field of medicine.

- According to details, DRAP had taken major steps to bring unregulated fields of herbal, alternative medicines and medical devices under the umbrella of the authority by creating new rules for these products. A uniform policy for drug pricing was also developed by taking all stakeholders on-board.

- Drug Pricing Policy 2015 was a milestone achievement which provided reference based rational mechanism regarding price fixation of drugs. New amendments in law had been made to impose strict punishment on overcharging and black marketing of drugs.

- Δ Similarly, new guidelines were introduced to provide new drugs like Sovaldie and Daclatasvir, to ensure availability of economical drugs to hepatitis patients. Currently, quality drugs were being made available in the country at reasonable prices.

- Δ Meanwhile, pending cases for price fixation had been disposed by the authority. DRAP had also provided a policy to facilitate export of pharmaceuticals of Pakistan, while only quality products were allowed to be imported in the country per new regulations.

- Δ DRAP had granted 84 new licenses for manufacturing of pharma drugs, while 620 manufacturers/importers had been enlisted for alternative medicines and health and OTC products. The registration board had processed more than 13,000 cases for new drug registration in the last four years.

- Δ Ambassador of Azerbaijan in Pakistan Ali Alizada has invited the members of Karachi Chamber of Commerce and Industry to set up various facilities, particularly in the pharmaceutical sphere, at Azerbaijan's Free Trade Zone (FTZ) in Baku.

- Δ Despite subdued inflation, drug prices rose 15.68 per cent in October on a year-on-year basis. The Inflation Monitor for October issued recently by the State Bank of Pakistan (SBP) showed prices of medicines recorded the highest increase among all non-food contributors to headline inflation. Drug prices lead the pack with highest rise in the basket.

- Δ Overall inflation in October, measured through the Consumer Price Index (CPI), slowed down to 3.8pc on an annual basis. But inflation in the drug segment alone was over 15pc year-on-year. It was 7.8pc in October 2016.

- Δ Medical tests recorded inflation of 6.23pc in October while the clinic fee rose 5.75pc year-on-year, both higher than headline inflation.

- Δ In addition to local production, Pakistan also imports pharmaceutical products on a large scale. These imports face price fluctuations due to the exchange rate, but the rupee-dollar parity has largely remained stable for more than a year.

- Δ Imports of pharmaceutical products were $715.23 million in 2016, according to the United Nations COMTRADE database on international trade. The country's exports of pharmaceutical products in 2016-17 were $225m.

- Δ According to the SBP report, charges of blood test, urine test and X-ray witnessed a 5-10pc increase in October on an annual basis.

Threats:

- ∇ Out of the 1,465 active molecules used in manufacturing drugs in Pakistan10, none of the molecules is the outcome of research in the Pakistani pharmaceutical sector. The industry is basically working on the research carried out on New Chemical Entities (NCE) around the globe, thereby manufacturing drugs based on research done elsewhere.

- The number of MNCs has now shrunk from 40 to 17, although industry insiders maintain that only 6 to 7 are actively engaged in producing drugs. Others have either divested away from manufacturing drugs or outsourced production or broken down their operations into smaller (local) units.

- The last prize freeze went into effect in 2001, and remained intact till 2013. This policy, among other things, meant that firms could not increase the price of their medicines despite substantial increase in the cost of production. For MNC's, additional cost pressure comes in the form of maintaining a certain level of quality as per their own high standards. But given policies like centrally administered prices, this proved unsustainable since not only were there lesser Returns on Investment (ROI),but profit repatriation also suffered. This led the MNCs to look to other places like Bangladesh, where regulations are less stifling and cost of production is lower.

- In 2002, the Foreign Direct Investment (FDI) in the Pakistani pharmaceutical sector was $7.2 million. By 2008, this number increased to $46.5 million. By the end of 2012, this number dropped to $3 million32. By 2014, it recovered somewhat to $15.7 million, but actually went down to negative in 2015 after which it rose up to only $3.3 million in 201633 (Figure 5). Worryingly, with little or no FDI coming in, the Pakistani pharmaceutical sector continues to witness profit repatriation. In 2014, the repatriation was equivalent to $36.7 million, while in 2016 it was $35.6 million34, implying that nothing is being re-invested. Therefore, not only is Pakistan losing foreign reserves, but almost nothing is coming in.

- In Pakistan, the 1976 Act obligates the pharmaceutical companies to pay one percent of their gross profits to the government for conducting R&D. This charge has been collected since the passage of the said Act, but there is no data to show the realized total amount accruing over time into the government account, how much has been utilized, and what impact did it have on drug related R&D in the country.

- Despite the Pakistan Drug Regulatory Authority carrying out constant raids to curtail the notorious fake drug trade, as many as 40% of medicines in the market are counterfeit.

- The concentration of the different Pharmaceutical Compounds (PCs) detected near pharmaceutical formulation units of the city, is found to be a lot higher compared to the concentrations reported in other countries such as Canada, Spain, Belgium, South Africa, and India.

- Drug Regulatory Authority Pakistan (DRAP) in collaboration with Federal Investigation Agency (FIA) conducted a raid on the unauthorized pharmaceutical companies in Hayatabad, Peshawar and clamped down on the manufacturing of alternative and substandard medicines. The firms were found to be operating illegally without due registration on Form-6 violating the DRAP Act, 2012 and Alternative Medicines and Health Products (Enlistment) Rules, 2014.

- While Bangladesh managed to export medicines worth $249 million in the fiscal year 2015-2016, Pakistan could only export medicines worth $103.03 million. It is unfortunate that despite the immense potential, the Pakistan pharmaceutical industry cannot come close to

Bangladesh. This is because the Drug Regulatory Authority of Pakistan (Drap) has imposed huge fees on documenting medicines for exports, apart from a number of irrational restrictions.

Future Outlook:

High operating leverage ratio of the industry reflects potential profitability given the prices are raised in the light of the decision by DRAP. **Outlook is stable**.

Association:

- Pakistan Pharmaceutical Manufacturers Association (PPMA)
  www.ppma.org.pk

SPORTS PRODUCTS

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	180		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act/Est**	32,285	33,862	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	922		
C.	**Financial Charges**	**Act/Est**	110		
D.	**PAT**	**Act/Est**	610		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	28,347		
F.	*Current Assets*	**Act/Est**	25,478		
G.	*Cash & Bank Balances*	**Act/Est**	1,896		
H.	*Trade Debtors*	**Act/Est**	4,167		
I.	*Short Term Investments*	**Act/Est**	Nil		
J.	*Total Equity*	**Act/Est**	22,800		
K.	*Current Liabilities*	**Act/Est**	5,547		
L.	*Total Liabilities*	**Act/Est**	5,547		

SPORTS PRODUCTS:

Sector Outline:

The city of Sialkot has been a center of excellence for the production of sports goods for more than 100 years. The first record of manufacturing of sports goods in Sialkot can be traced back to 1883 with the products such as cricket bats, hockey sticks, polo sticks etc. In 1918, a football was added and was supplied to British Army stationed at Singapore. Today the Sports Goods sector of Sialkot is at its climax as it has acquired an important place in international trade of sports goods.

Presently the Sports Goods Industry of Sialkot is supplying products to almost every country of the world, directly or indirectly. The products are mostly made for international markets and have received worldwide recognition because of the quality that goes into the selection of raw material, design, manufacturing processes and delivery to the customers. Some of the world renowned brands who are sourcing a large portion of their supplies of sports goods from Sialkot are:

- Adidas
- Nike
- Puma
- Select
- Lotto
- Umbro
- Mitre
- Micassa
- Diadora
- Wilsons
- Decathlon

The sports goods sector also has a very strong international presence in the market. Before China's massive entry into international trade a few years ago, Pakistan was the world's largest exporter of gloves used by motor bikers, goalkeepers, baseball, boxing, shooting etc. Currently the exports value of gloves reaches to US$ 50 million per annum.

Articles of sportswear exported include:

- Track Suits
- Football
- Boxing
- Cycling
- Shorts
- Stockings
- T-Shirts
- Wind Breakers
- Judo/Karate Kits
- Casual Wear

More than 200,000 people are directly employed in the sports goods sector. Sialkot caters more than 70% of total world demand for hand-stitched inflatable soccer balls i.e. around 40 million balls annually. During the peak season, which repeats after 4 years on the occasion of FIFA World

Cup, the production of inflatable balls exceeds 60 million per annum. These balls are produced by a workforce of around 60,000.

Opportunities:

- ∆ The Russian Counselor said that Russia was also keen to develop the strong business-to-business contacts between the businessmen of both Pakistan and Russia besides making sincere efforts to explore the mutual trade potential. He showed keen interest in the Sialkot-made sports goods and surgical instruments during his visit to several leading industrial units in Sialkot. He witnessed the production process of the sports goods and he highly hailed the international standard craftsmanship of the Sialkot based artisans.

- ∆ Sports goods manufacturers and exporters demanded a special incentives package for the Sialkot-based industry, with special focus on setting up a 'football village' with training and development facilities. Meeting a group of journalists, leading manufacturers and exporters from the north-eastern city in Punjab said the sports goods industry is in dire need of government patronage.

- ∆ Advanced manufacturing and production technologies should immediately be introduced in Pakistan so that the local sector is able to meet global trade challenges as well as add value to its products. Induction of latest manufacturing techniques is much needed for our century-old sports goods industry which still relies on traditional methods.

- ∆ The Trade Development Authority of Pakistan (TDAP) should prepare a smart strategy for ensuring maximum publicity and consumption of Sialkot's traditional and nontraditional sports goods in domestic and international markets.

- ∆ After successfully curbing the menace of child labor and defeating propaganda regarding the issue, the football industry is now fighting for its survival.

- ∆ The exporters urged the government to take appropriate steps for go extending the facility of "research and development" to the sector to enable it to cope in global markets and meet modern trends and customers' demands.

- ∆ Technical training for manufacturing of sports goods must be provided as it will add good human resource in the industry and boost job creation. In this regard, assistance of local trade bodies can be obtained by the concerned agencies.

- ∆ The scheduled commercial banks have shown keen interest in issuing soft-term business loans to the Sialkot-based industrialists and exporters, enabling them to expand their sports goods business and exports. Local bankers informed the participants about the financing facilities available to the sports goods industry for procurement of plant and machinery on reduced markup rate along with long-term payback period.

- ∆ the government must invest in the sector, which was one step behind its regional peers, such as China and India, as it was unable to diversify into non-traditional products due to lack of funds.

- ∆ The industry's importance can be gauged from the fact that three-fourths of the world's footballs were manufactured in Sialkot. The industry also produces specialized products that are supplied to top brands and buyers the world over.

- ∆ Bringing advanced manufacturing and production technologies from abroad would also enable the local industry steeped in tradition to meet global trade challenges.

- ∆ even though the global trend has shifted to machine-made soccer balls, hand-stitched balls were still in demand

- ∆ In number terms, some 50 million inflatable balls, 38 million pairs of sports gloves and millions of other articles are exported from Pakistan each year.28 Export destinations for sports goods include Germany, USA, UK, France, Italy, Brazil, Argentina, Mexico, Spain, Netherlands, Hong Kong, Denmark, Canada, Belgium, Australia, South Africa, UAE and Chile, etc.

Threats:

- ∇ The traditional method of producing hand stitched footballs is a major hurdle in increasing the exports of this item.

- ∇ Despite all the milestones and success of the sector, the sports goods manufacturing industry of Sialkot is still largely a labor-intensive one.

- ∇ Manufacturers rely on traditional knowledge and have over the time added only few semi mechanized processes to their work. The dependence on workforce to operate the machines reduces their advantage.

- ∇ Most manufacturing takes place in informal and unregistered cottage set ups using manual labor and little skilled input.

- ∇ While Pakistan has traditionally enjoyed the privilege of providing high class products of fine quality, competition from countries like India, Bangladesh, China and Taiwan are fast catching up and providing tough competition.

- ∇ These markets rely on their mechanized processes to deliver low cost and precise products in bulk. Considering this, there is a need to audit the sector from a global competitiveness perspective and to develop local manufacturers and workforce.

- ∇ Pakistan, China and Thailand are the major hubs for this and jointly contribute 70% of total export of footballs. Pakistan's main competitors in sports goods market are China, India, Taiwan, Bangladesh, Thailand and South Korea. These countries are giving tough time to Pakistan in international market.

- ∇ Import of Sports Goods Due to the production limitations in some cases, Pakistan has to import some sports items to meet the local demand. In 2012-13, Pakistan imported some 5.5 million football bladders, 3,000 water ski boards, 17,000 golf equipment, 7,000 golf balls, 250,000 badminton rackets, 700,000 tennis balls, 400,000 badminton shuttle cocks and 12,000 cricket balls, etc.

∇ Energy crisis hampers productivity and causes the delivery problems, particularly in case of foreign buyers which already allow short lead time.

∇ Abundance of small-sized companies with weak management skills and basic manufacturing structures leading to overall low industry labor and technical standards.

∇ Difficulty in adapting to new technology like composite-based products and thermo-bonded mechanized footballs (the low adoption of better technology is not only due to lack of capital investment with producers, but also the lack of knowledge and skills to use modern technology.

∇ Limited supply of TVET qualified skilled manpower and gaps in skills of existing manpower (This results in low productivity and hampers the capacity of meeting bulk orders in time)

∇ Higher labor turnover and low retention rate due to the shortage of skilled labor. Contractual labor system is prevalent, especially in inflatable balls and sports gloves segments. This proves to be a barrier towards the development of permanent pool of skilled labor with the manufacturing units.

∇ Increasing prices of raw material, especially latex, butyl, Polyurethane (PU), Polyvinyl Chloride (PVC) and Thermoplastic Polyurethane (TPU), etc.

∇ Non-compliance with strict international standards for product quality, workplace, labor safety, gender discrimination and environmental protection, etc. (The investment and cost needed to comply with these standards is hard to be managed by small players).

Future Outlook:
Overall sales are expected to continue to grow in the coming years despite the global recessionary conditions on account of continued shift of manufacturing from high cost to low cost production locations such as Pakistan**. Outlook remains fairly positive and upbeat.**

Associations:
- Pakistan Sports Goods Manufacturers & Exporters Association (PSGMEA)

http://psgmea.org.pk/
- Sports Industries Development Centre – Sialkot (SIDC)

https://www.smeda.org/index.php?option=com_content&view=article&id=168&Itemid=559
- The Sialkot Chamber of Commerce and Industry (SCCI)

http://scci.com.pk/
- Sialkot Business and Commerce Centre (SBCC)

https://www.smeda.org/index.php?option=com_content&view=article&id=167&Itemid=558
- Sialkot Export Processing Zone

http://www.epza.gov.pk/sialkot.html

SUGAR

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	28		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act**/Est	166,731	179,808	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	6,022		
C.	**Financial Charges**	**Act**/Est	5,969		
D.	**PAT**	**Act**/Est	5,410		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	172,813		
F.	*Current Assets*	**Act**/Est	50,646		
G.	*Cash & Bank Balances*	**Act**/Est	4,972		
H.	*Trade Debtors*	**Act**/Est	2,980		
I.	*Short Term Investments*	**Act**/Est	3,206		
J.	*Total Equity*	**Act**/Est	36,161		
K.	*Current Liabilities*	**Act**/Est	74,828		
L.	*Total Liabilities*	**Act**/Est	106,163		

SUGAR:

Sector Outline:

Sugarcane is one of the most important cash crops of Pakistan; it is a key input for sugar production along with paper and board industry. Pakistan belongs to the top 10 largest sugar producers in the world. Over the years, domestic sugar consumption has grown from 0.5m metric tons (MT) in 1975 to 4.7m MT in 2015 on the back of population growth. Per capita consumption of refined sugar in Pakistan was estimated at 25kg in FY15, notably higher vis-à-vis other Asian countries such as India and Bangladesh. Demand is interlinked with growth in processed food sectors such as candy, ice cream and soft drink manufacturers; they account for almost 60% of total domestic sugar consumption. Meanwhile, absence of major substitutes for sugar results in inelastic demand for the commodity.

Contribution to GDP	No. of Players:	Listed on Stock Exchange
• 0.6% (Sugarcane)	• 75 Companies	• 25 Companies

Installed Capacity	Sugar Production	Sugar Consumption
• 7 Million Tons	• 7 Million Tons	• 4.9 Million Tons

Opportunities:

- Sugar Advisory Board (SAB), an inter-provincial body, proposed the government to allow sugar export of 1.5 million tonnes as sweetener surplus may pile up to three million tonnes by the end of the current crushing season.

- Pakistan Sugar Mills Association is expecting the highest ever sugar production of seven million tonnes in the crushing year of 2016/17, and projected the output at eight million tonnes for the next crushing year.

- Local demand is around 5.1 million tonnes, while there is also surplus sugar of over 1.2 million tonnes.

- ∆ the area under sugarcane cultivation was 1.95 million acres last year, which increased to 2.13 million acres

- ∆ There is a huge potential for producing a wide of range of ancillary products, a few of which may be financially viable in the currently growing domestic market. Diversifying products, as some developing countries have already done, can reduce the cost of sugar production and make it globally competitive

- ∆ In a major policy decision, the federal government has decided to do away with freight support mechanism on sugar export from next season and directed provincial governments to develop their own policies for such freight support whenever required in future.

- ∆ The ECC has approved a freight support of Rs 10.70 per kg but Sindh government has granted Rs 9.30 per kg extra freight support to Sindh-based mills enhancing amount of freight support to Rs 20 per kg. Meanwhile, the government of Punjab and Pakistan Sugar Mills Association (PSMA), Punjab, are also holding deliberations on provision of Rs 9.30 per kg freight support ensuring level playing field for the Punjab-based sugar industry.

- ∆ Total sugar production per million tons had witnessed 125 per cent increase in 2016-17 as compared to 2009-10, while the increase in sugarcane area per hectares over the same period was 29 percent. The economic impact of this growth was an increase in farmer revenues from roughly Rs 95 billion to roughly Rs 325 billion annually.

- ∆ The price of sugar in the international market has been declining consistently this year, and it is now placed at 35 cents, or Rs 40, per kilogram. On the other hand, the retail price of sugar in Pakistan's domestic market is Rs 65 per kilogram. PSMA demands that this differential in price of sugar should be pocketed by the federal government through export subsidy of Rs 19 per kilogram in order to clear the prevailing glut in the domestic market. They are of the opinion that if sugar mills are not allowed to export the surplus stock, they won't be able to make payments to sugarcane growers who will then go out of business. The government, on its part, is concerned about the fiscal burden of granting export subsidy; plus the impact of shipping over 1.5 million tons on the domestic market.

- ∆ The fiscal concern of the federal government appears perplexing. Let's conduct a cost-benefit analysis of the situation. If the federal government does grant the subsidy on exporting 1.5 million tons of sugar, it will have to pay Rs 28.5 billion to the sugar mill. Given that the price of sugar in the international market is Rs 40 per kilogram, export of 1.5 million tons of sugar will fetch Rs 60 billion. The net benefit to the Pakistani economy will amount to Rs 31.5 billion. There is an added benefit to the economy of earning foreign exchange as well, which Pakistan desperately needs at the moment. But until the export subsidy is paid, the sugar millers will not be interested in exporting sugar because of the higher prices at home.

Threats:

- ∇ The provincial government is likely to face two issues due to increase in sugar production. Firstly, sugarcane crop is ready for crushing and secondly the payments of the sugarcane growers will be delayed during the next year, if export of surplus sugar is not decided forthwith.

- ∇ Mills usually start crushing in October, but this year crushing was a little delayed as they lack the funds to settle bills for cane purchases before the new season.

- ∇ Currently, the government offers Rs10.7 per kilogram as subsidy. The officials said the rate is not feasible. Earlier the subsidy was Rs13/kilogram.

- ∇ Sugar mills are feared to default on paying a huge Rs189 billion to the growers as government's indecisiveness to allow sweetener's exports on desirable rebates created liquidity crunch in the industry.

- ∇ If we export sugar at $340 to 350 per ton, we can recover only Rs32 to 35 per kg. The difference of cost of production and selling price is Rs20 to 23 per kg. "The current international sugar prices of around $340 to 350 per ton are not viable for the industry to crush the cane and make exports without any rebate.

- ∇ In October last year the mills demanded of the government to allow exports without rebates to clear surplus of 1.5 million tons. At that time, international sugar price was hovering $550 to 600/ton. The government allowed export of 925,000 tons in different phases "in one go instead." This resulted in further burden on the government as well as sugar industry, which pledged its stocks with banks to get financial limits to ensure payment to growers

- ∇ The real reason why PSMA is demanding an export subsidy is because the differential in the price of sugar is indirectly created by the government itself. Sugarcane is the most significant input in the sugar production, and the government has currently fixed the price of sugarcane to Rs 180 per 40 kilograms. This high price of sugarcane has made it costlier to produce sugar, which can also explain the high price of sugar in the domestic market. If the government had never fixed the price of sugarcane so high, there would have been no fiscal burden of exporting surplus sugar. In fact, there would have been no surplus sugar in the first place.

- ∇ The government's policy to fix sugarcane price above market levels in order to protect growers of sugarcane from the exploitative activities of sugar mills have actually made them more prone to financial losses.

Future Outlook:
Price of sugar is expected to adjust itself downwards on export of surplus sugar stocks. Moreover, keeping in consideration high purchase price of sugarcane and depressed international as well as local sale price of sugar, it seems that sugar industry will remain financially under pressure. **Outlook is constrained.**

Association:
- ➢ Pakistan Sugar Mills Association (PSMA)

www.psmacenter.com

SURGICAL, PRECISION, OPTICAL EQUIPMENT

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	280		
			2016-17	**2015-16**	
A.	**Industry Sales**	Act/Est	35,541	36,304	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	Act/Est	645		
C.	**Financial Charges**	Act/Est	77		
D.	**PAT**	Act/Est	427		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	19,843		
F.	*Current Assets*	Act/Est	17,835		
G.	*Cash & Bank Balances*	Act/Est	1,327		
H.	*Trade Debtors*	Act/Est	2,917		
I.	*Short Term Investments*	Act/Est	Nil		
J.	*Total Equity*	Act/Est	15,960		
K.	*Current Liabilities*	Act/Est	3,883		
L.	*Total Liabilities*	Act/Est	3,883		

SURGICAL, PRECISION & OPTICAL INSTRUMENTS:

Sector Outline:

The Surgical Instruments Industry of Pakistan holds a history of more than 100 years, when some British doctors got their surgical instruments repaired from the skilled workers of Sialkot and that was the foundation of Sialkot Surgical Industry. The success in surgical instruments sector lies due to the technical expertise and skills of the people of Sialkot in mechanical engineering. The Surgical instruments Industry is also amongst the seven priority sectors (under light engineering head). The annual exports of Sialkot's Surgical Instruments Industry are around US $ 180 Million out of its world market of over US$ 30 (B).

The Surgical Industry represents manufacturers and exporters of Surgical Instruments, Dental Instruments, Veterinary Instruments, Pedicure and Manicure Items, Tailor Scissors, Barber Saloon Scissors and Beauty Saloon instruments.

Over 99% of the countries production is centered at Sialkot. The sector comprises over 2300 companies, of which around 30 can be considered large and the remainder can be split as 150 units of medium sized and remaining as small.

Out of the total production, approximately over 95% is exported1. The industry belongs to the light engineering industry category, and is one that has specialized in skill and stable export market share.

Besides small and medium units, a few units are large and have a 90% integrated system. Most of the larger and medium sized firms are exporting, however, the smaller/vendor units usually supply to commercial exporters/traders. The main raw material used in the production is 'steel'. Around 60% of this steel is manufactured locally and the remaining 40% is imported from Germany mostly.

For the purpose of trade; four broad categories can be defined where Pakistan is supplying in the export markets. The categories include; (i) HS Code 9018 – Instruments for medical, surgical and dental; (ii) HS Code 9021 – Orthopaedic appliances; (iii) HS Code 9022 – Equipment using X-rays, alpha, beta, gamma rays. The exports of Pakistan predominantly fall in the category 9018.

Opportunities:

- ∆ Pakistan is the largest suppliers of medical instruments to United States of America (25 percent) of total export, Germany (20 percent), United Kingdom (10 percent), Italy (5.0 percent) and United Arab Emirates (5.0 percent).

- ∆ The revamping of Metal Industries Development Centre (MIDC), coupled with establishing Institute of Surgical Technology (IST), are functioning successfully by Technical Education and Vocational Training Authority (TEVTA). The MIDC had been revamped at a cost of Rs 234.351 million while IST was completed at a cost of 334.384 million.

- ∆ The MIDC has been equipped with latest machinery for catering to the requirements of the industry while MIDC had earned more than Rs 6.6 million by providing different service to the industry enabling it to compete international market with quality products,

- ∆ The major objective of MIDC in Sialkot was to provide modern facilities, technology and advisory services to the businessmen and makers. The management and workers of MIDC had played a pivotal role in the promotion of surgical industry as a result of the surgical industry was recognized in international market. By virtue of successful functioning of MIDC the local surgical industry is producing most modern surgical equipment and the centre was offering services to the industry,

- ∆ As many as 259 trainees had been passed out from MIDC and IST Sialkot after getting successful training in the field of Certificate in Computer Applications (CCA), CNC Machinist and Auto CAD (2D & 3D) while a new batch of 125 students is under training in the field of CNC Machinist and Auto CAD (2D & 3D)

- ∆ New mediators are also emerging. Pakistan's direct exports of surgical instruments to China and India are also on the rise. According to a study of the Sustainable Development Policy Institute, Pakistan's exports of surgical products rose to $9.6m in 2014 from $7.6m a year earlier. The study indicates a huge potential exists for increasing direct exports of surgical instruments.

- ∆ The goods outsourced for manufacturing in Sialkot by German and UAE based companies find their way into Indian markets. The US is the larger exporter of surgical instruments to India. Germany, China and Japan come after. There is a wide margin in import value of these products from Pakistan for re-export to India.

- ∆ Currently, other than rice, we have potential to increase exports of medical instruments (HS Code 901890) since Pakistan's current exports to Iran are limited to $780 thousand whereas Iran's imports globally were $147 million in 2016. Given that Sialkot's surgical good industry is one of Pakistan's success stories, reduction in tariffs of medical instruments should be negotiated to become a part of the FTA.

- ∆ The Swiss ambassador assured the Sialkot exporters of easy access to the international trade markets of Switzerland . He also assured his full cooperation in exploring the mutual business opportunities between Pakistan and Switzerland . He added that Switzerland was intending to develop strong trade relations with Pakistan .

Threats:

- ∇ The leakage of production technology, rise in production cost of surgical instruments and the export of steel scrap are causing havoc for the metal-related industries as scrap is the major source of locally produced stainless steel, which fulfills approximately 45 percent of the requirement.

- ∇ Export of surgical forgings and semi and unfinished products were the most critical components for decline in surgical instruments exports. If these products will be exported to other countries, then local industry will suffer heavily in shape of loss of export orders".

- ∇ Both India and China, only repack or stamp Pakistan-made instruments and sell them as their own brands."

- ∇ Lack of brand development is another major issue concerning this industry. Brand development is such an exercise, which cannot be done by a company due to the fact it requires huge resources and expertise and support of the government

- ∇ The rising utilities costs, increasing prices of raw materials, high banking service charges, high export refinance rates of central bank and uneven taxation system are added barriers to the falling exports.

- ∇ Pakistan's direct exports of surgical instruments to China and India are also on satisfactory level. Pakistan's exports of surgical products remained to $9 million in 2016.

- ∇ The surgical sector has been facing bottleneck in marketing to adoption of new technology. There is no training institute to train human resource. 95 percent surgical industry operates in small and medium enterprises sector.

- ∇ The seven per cent import duty levied on raw material required by the industry. The duty was hurting the surgical industry and surgical exports. Besides, a well-equipped research laboratory for the surgical industry should also be set up in Sialkot under the supervision of the Pakistan Council for Scientific and Industrial Research.

- ∇ Pakistan is the leading exporter of surgical instruments, but local manufacturers receive only 2pc, or $359m, of the $17bn global trade, as most of it is lost to outsourcing importers.

- ∇ Basically, local producers are suppliers to international brands based in the US and Western Europe, who outsource manufacturing to artisans concentrated in Sialkot.

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

- ∇ "We can't even directly export to Islamic countries because of the excessive registration procedure; also the same products are landing in their markets from Germany and US under international brand names".

- ∇ Ironically, the ministry of commerce has failed to help the sector in developing brands. In the previous trade policy, the government allocated funds for brand acquisition rather than development.

- ∇ The surgical sector, according to industrialists, 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 resource. As 95pc 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 technologically for innovation and better materials for manufacturing.

Future Outlook:

Overall sales are expected to grow in the coming years despite the global slowdown due to the fact that Sialkot is one of the most cost effective locations. **Outlook is positive & upbeat.**

Association:

- The Surgical Instruments Manufacturers Association of Pakistan

http://www.simap.org.pk/

TELECOMMUNICATIONS

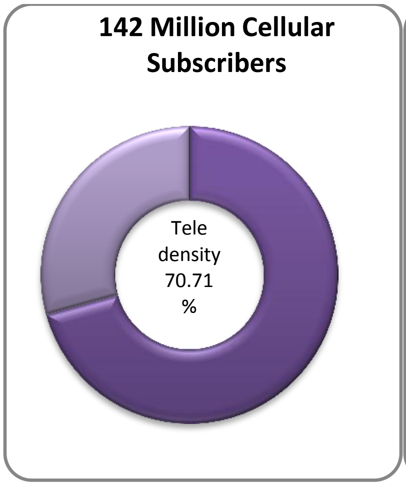
FINANCIAL SNAPSHOT 2016-17

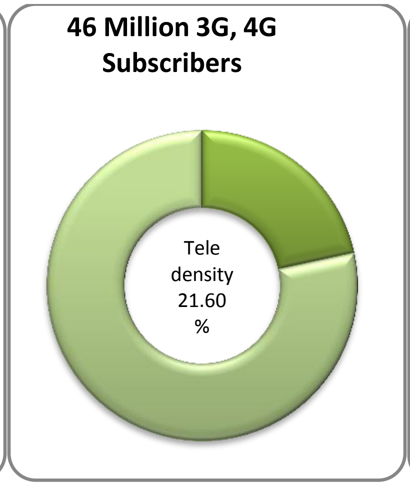
All figures in Pak Rupees (Million)

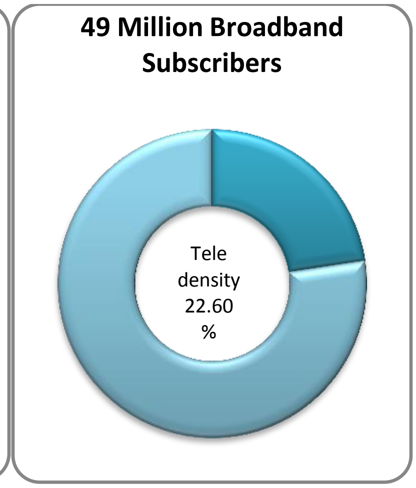
	No. of Companies	Act/Est	8		
			2016-17	**2015-16**	
A.	**Industry Sales**	Act/Est	464,113	457,024	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	Act/Est	12,411		
C.	**Financial Charges**	Act/Est	330		
D.	**PAT**	Act/Est	8,867		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	Act/Est	212,788		
F.	***Current Assets***	Act/Est	85,991		
G.	***Cash & Bank Balances***	Act/Est	6,586		
H.	***Trade Debtors***	Act/Est	19,651		
I.	***Short Term Investments***	Act/Est	24,439		
J.	***Total Equity***	Act/Est	106,343		
K.	***Current Liabilities***	Act/Est	63,170		
L.	***Total Liabilities***	Act/Est	106,163		

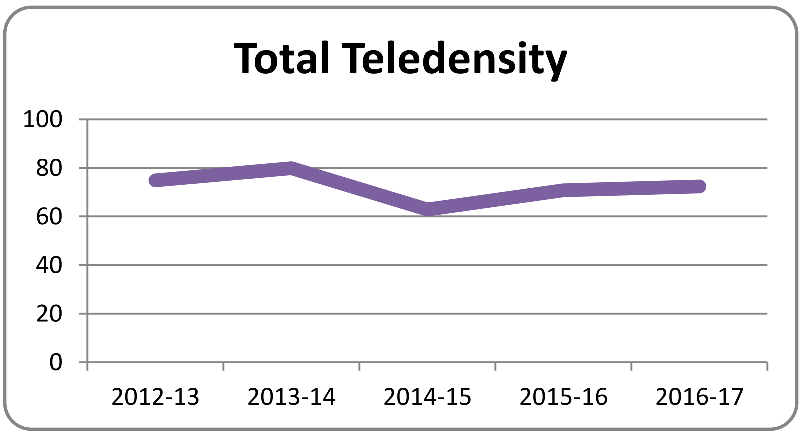
TELECOMMUNICATION:

Sector Outline:

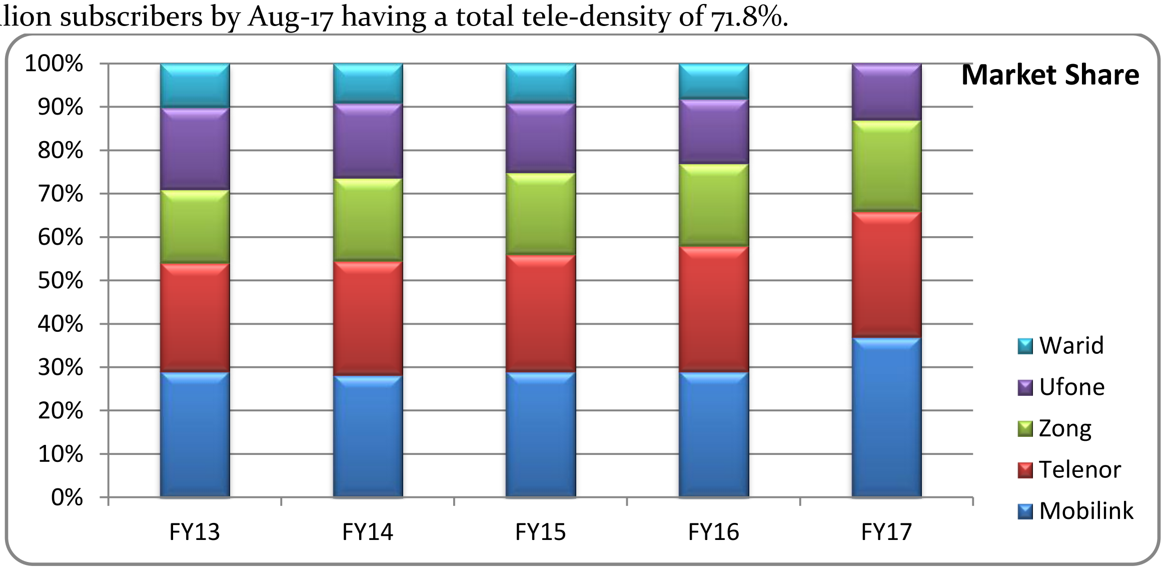




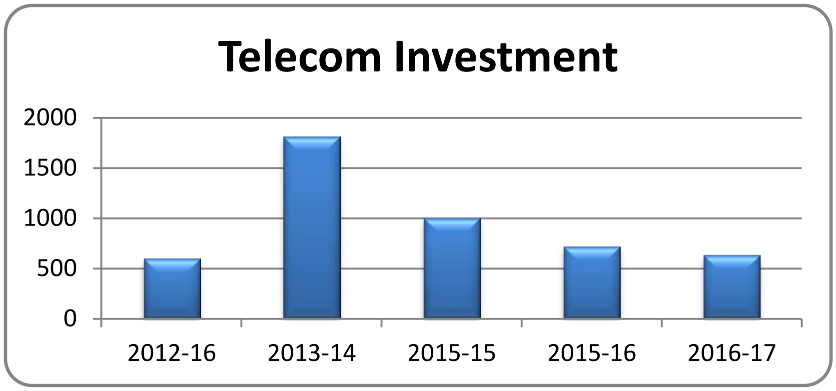




Pakistan has been one of the fastest growing cellular markets. The country's tele-density increased from 6.3% in FY04 to a high of 79.9% in FY14. Subsequently, following govt.'s Biometric Verification System drive, cellular companies encountered loss in subscriber base, with tele-density declining by around 21% to 62.9% by end-FY15. During the last two years, cellular companies have been able to partly recoup decline in subscriber base with about 140 million subscribers by Aug-17 having a total tele-density of 71.8%.



During FY16, the total telecom investment decreased by 28% on YoY.



Opportunities:

∆ Over the last several years, Pakistan telecom market has attracted considerable foreign direct investment with net FDI of US$ 0.25b during FY16 translating into telecom share of 13% in total FDI.

∆ With the advent of 3G/4G services in Pakistan, new avenues of telecom activities have opened that cellular operators can utilize to provide innovative services, generate revenues and stabilize their market position.

∆ with continuous investments by some of the world's telecom giants including VEON (formerly Vimple.Com), Telenor and China Mobile, coupled with introduction of new value added services and increased coverage areas, helped in sector growth.

∆ According to Pakistan Telecommunication Authority (PTA), subscribers for Next Generation Mobile Services (NGMS) including 3G, 4G and 4GLTE technology services have crossed 44 million in Aug'17 since the launch of these services in FY14. Among NGMS, 3G subscribers account for the largest share of 85%, however, 4G subscribers have also grown considerably particularly in the recent past.

∆ Jazz (formerly Mobilink) has maintained its leading position with 14.4 million 3G/4G LTE subscribers with the acquisition of Warid in Jan'17 and attaining market share of 32% for NGMS subscribers. Though Telenor had the second highest subscribers since the launch of NGMS, it was surpassed by Zong in Jan'17.

∆ Zong has 3G/4G license since the launch of NGMS technology in the country. Zong has the largest 4G subscriber base and it is gaining market share; 3G/4G market share of Zong was 30% for NGMS subscribers in Aug'17.

∆ To remain competitive, Telenor had also acquired 4G license in Jun'16 while its 3G/4G market share stood at 26% in Aug'17.

∆ With the advent of NGMS technology, preference for 2G cellular services has been declining with total net deletions of about 6 million subscribers during FY17 for the industry. Nevertheless, 2G subscriptions still account for 68% of the total cellular industry with 95.5m subscribers.

∆ Annual cellular mobile density increased, though modestly, from 69.1% at end-FY16 to 70.3% in Aug'17 with 139.97 million cellular subscribers. Jazz continued to dominate the total cellular market with its share increasing from 29.4% in FY16 to 37.7% in Aug'17 (post Warid acquisition). With the acquisition of Warid, Jazz has established an access to the superior 4GLTE technology platform, and has also managed to increase its lead, which has previously been shrinking.

∆ Telenor remains the second largest cellular operator with market share of 28.9% in Aug'17. During FY17, Zong has managed to increase its market share from 19% to 20.3%.

∆ In the latest budget, custom duty on smart/android phones has been reduced by 35% with Rs. 650 per set to encourage usage. Additionally, withholding income tax and excise duties on mobile calls have been reduced from 14.5% and 18.5% to 12.5% and 17%, respectively which is likely to bode well for the telecom sector.

∆ Pakistan has started the preparations to test 5G cellular connectivity and it is expected to be launched by 2020. With the launch of 5G technology, Pakistan will emerge as the first nation in South Asia to introduce **5G internet services**.

∆ The statistics show that the overall spending from 2012 to 2016 in telecom and cellular mobile services by telecom consumers in Pakistan reached a whopping Rs 2266.7 billion.

∆ On the whole, telecom industry including cellular mobile operators (CMOs) contributed estimated Rs 808.16 billion to the national exchequer in terms of taxes, regulatory fees, initial and annual license fees, activation tax, and other charges during the last five-year period (2012-16).

∆ Government of Pakistan collected Rs 632.12 billion only in terms of GST and withholding tax (WHT) in the said period.

∆ Telenor Pakistan has deployed Telenor Connexion's IoT platform, which is now available to IoT startups and partners in the country. The operator has been leading the market in financial services and agriculture services and the collaboration enables Telenor Pakistan to explore the possibilities in these areas and build the IoT ecosystem in the country.

∆ PTA is ready to face emerging challenges of the upcoming resource demands by reframing the available spectrum. Moreover, the operators are also investing in Fiber-to-the-Home (FTTH) projects to provide fast, good quality and reliable communication to consumers.

Threats:

∇ After years of exponential growth, cellular industry continues to face increasing challenges is the shape of market consolidation and price competition.

∇ Unlike peers, Ufone has experienced considerable attrition in market share. Ufone's market share has declined from 14.9% in FY16 to 13.2% in Aug'17.

∇ High custom duty and other taxes on the import of mobile handsets and telecom equipment also impede the mobile penetration.

- At present, telecom consumers are charged 19.5 percent in form of GST and 12.5 percent in form of WHT; while 16 percent GST and 10 percent WHT are charged in other sectors. Telecom sector is one of the highest tax paying sectors of Pakistan, as on every mobile recharge, consumers have to pay 14 percent of their charged amount in taxes.

- The high tax incidence on mobile handsets and other telecom apparatus. Because telecommunications is still not officially an 'industry' in Pakistan, operators cannot adjust the taxes they pay on imported telecom equipment against their final tax liability. All of the above-mentioned affects customers in the end, through subpar quality of service that comes with a high tax bill.

- Telecom access and expansion is hampered by the lingering Right of Way issues, utility infrastructure and procedural delays in the approvals process at the provincial government's level

- Instead of introducing free market economics, the government found it fitting to create monopolies. this is giving rise to "Rockefellers" like Etisalat (PTCL) by keeping the monopoly in landline, PMCL (Mobilink) by buying Warid and China Mobile (Zong)'s ambitions to buy Ufone. This is a shut up call to the remaining little competition in the telecom sector of Pakistan.

- The governmental efforts to create monopolies were intensified when it offered only three licenses for 3G spectrum instead of five (the number of existing players). This not only made the 3G license so expensive (good for a government) but also effectively destroyed the market position of Ufone now at the verge of a merger or selling out.

- This also affected Warid to an extent that it could not justify the license price to ROI, preferred a merger with Mobilink hence reducing competition reasonably

- There are several industry challenges that are needed to be addressed in near future. It is indeed a challenge to keep up with the rapid modernization in telecom systems and to bring latest ICT innovations in Pakistan.

- The intense price wars among the operators topped with fierce competition with the Over-the-top (OTT) services and grey traffic is shrinking the Average Revenue per User (APRU) of the industry.

Future Outlook:

Cellular market penetration is expected to continue with the advent of next generation network services. **Outlook remains positive.**

TEXTILES-COMPOSITE

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	38	
			2016-17	**2015-16**
A.	**Industry Sales**	**Act/Est**	334,021	371,403

			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act/Est**	13,111
C.	**Financial Charges**	**Act/Est**	10,538
D.	**PAT**	**Act/Est**	10,579

			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act/Est**	479,805
F.	*Current Assets*	**Act/Est**	184,428
G.	*Cash & Bank Balances*	**Act/Est**	3,129
H.	*Trade Debtors*	**Act/Est**	33,727
I.	*Short Term Investments*	**Act/Est**	11,524
J.	*Total Equity*	**Act/Est**	200,605
K.	*Current Liabilities*	**Act/Est**	183,251
L.	*Total Liabilities*	**Act/Est**	256,315

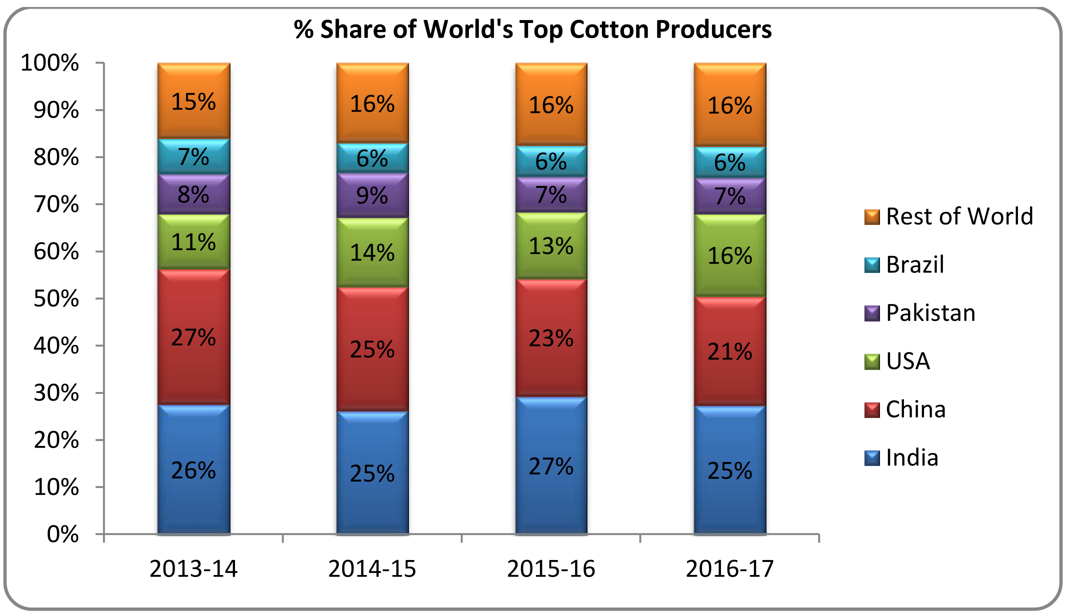
TEXTILE INDUSTRY- *An Analysis*:

Sector Outline:

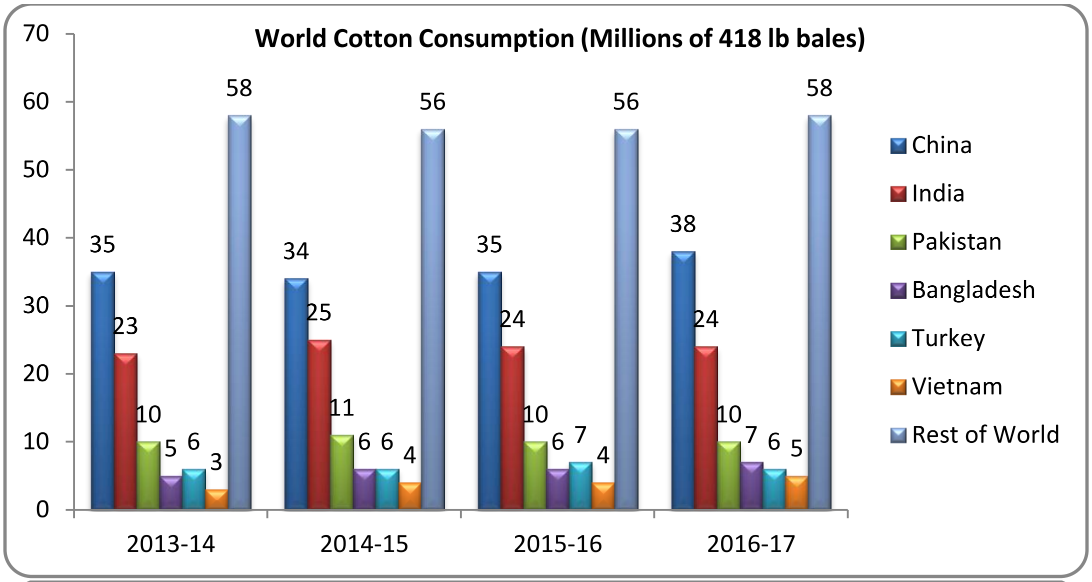
In 2016, 62% of world textile exports came from Asian countries, up from 48% a decade earlier. Similarly, in 2016, Asian countries accounted for over 60% of world apparel exports, also a substantial increase from 51% ten years ago.

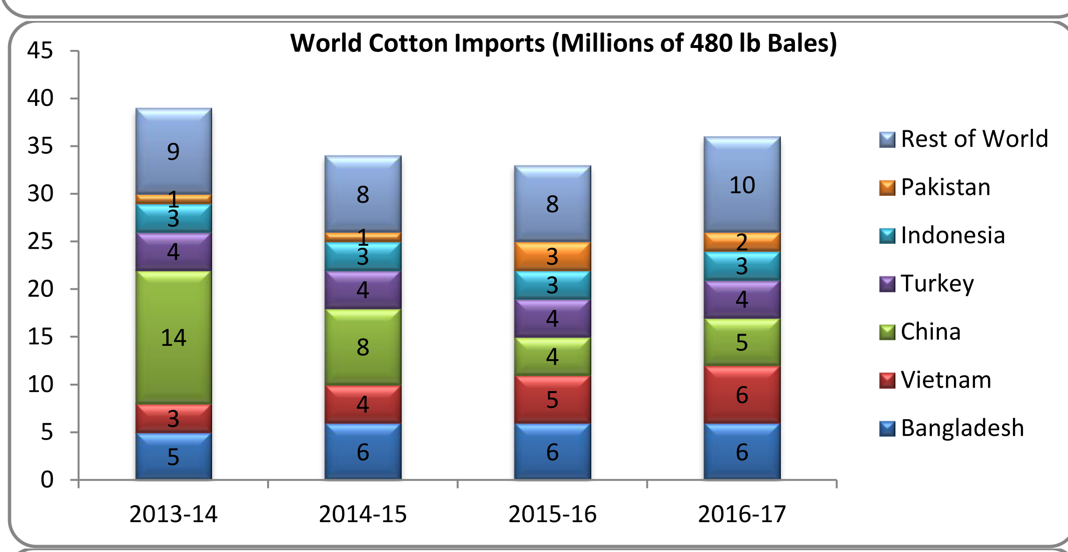
A common misconception is that Asian countries' expanded textile and apparel exports have come at the expense of other non-Asian suppliers. However, scrutiny of the data shows this is NOT the case. For example, while EU countries lost 10 percentage points of market share in world textile and apparel exports between 2006 and 2016, the absolute value of their exports went up by almost 12% over the same period.

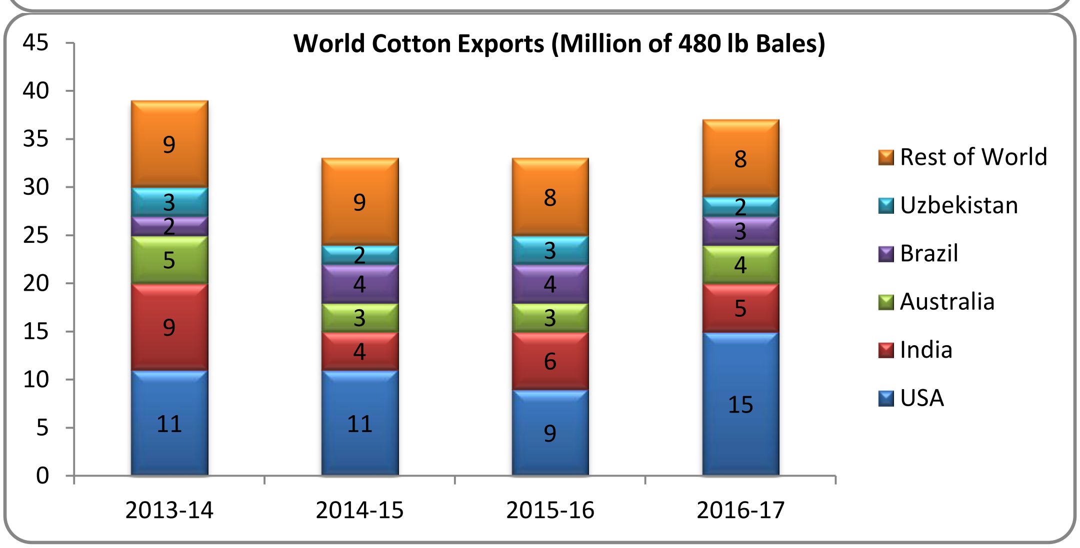
The fact is that Asia has quickly grown into a sizeable textile and apparel import market itself, which has created new export opportunities for countries in the region. Data shows the value of Asian countries' textile and apparel imports surged by 67% between 2006 and 2016, compared with only 31% growth of other regions in the world. Notably, rising textile and apparel import demands from Asian countries are also mostly fulfilled by Asian countries themselves.



China & India- World's biggest cotton players; contribution: ~46%
2016–India becomes the largest producer
Pakistan–World's 4^{th} largest cotton producer


World Cotton Consumption (Millions of 418 lb bales)
2013-14
2014-15
2015-16
2016-17
China
India
Pakistan
Bangladesh
Turkey
Vietnam
Rest of World


World Cotton Imports (Millions of 480 lb Bales)
2013-14
2014-15
2015-16
2016-17
Rest of World
Pakistan
Indonesia
Turkey
China
Vietnam
Bangladesh


World Cotton Exports (Million of 480 lb Bales)
2013-14
2014-15
2015-16
2016-17
Rest of World
Uzbekistan
Brazil
Australia
India
USA

Opportunities:

- ∆ Minister for Commerce and Textile has convened an inter-ministerial meeting to finalize recommendations and decide a "practicable" package for the textile sector,

- ∆ Ministry of Commerce & Textile in consultation with textile associations may come up recommendations in order of preference, to facilitate long-term export growth. Textile associations were requested to provide medium to long term recommendations, especially for cost of doing business, to create level-playing field for textile manufacturers and exporters vis-à-vis competitor countries.

- ∆ The Federal Board of Revenue (FBR) has assured textile sector that 100 percent examination of second-hand clothing imports would be undertaken to curb mis-declaration and all rolled-back sales tax refund payment orders (RPOs) in April 2017 have been re-issued to accommodate maximum refund claimants.

- ∆ Authorities have also agreed to grant customs duty exemption on the import of heavy generators through issuance of an SRO in coming days.

- ∆ refunds are right of the exporters and issuance of RPOs is not a favor to them and FBR is considering the clearance of backlog of refund in one go as a part of textile package

- ∆ FBR team also assured the industry to examine the issue of refund on packing material used in export goods.

- ∆ Textile exports rose eight percent to $4.39 billion in the first four months of the current fiscal 2017/18. It was a result of value-added sector's continued recovery in export earnings during the period. Pakistan Bureau of Statistics (PBS) data also showed that textile exports amounted to $4.075 billion in the July-October period of the past fiscal year.

- ∆ Textiles are going through a positive transformation by increasing their share in the domestic market from 25 percent to around 40 percent in last four years. This way this industry, which usually used to collapse during the rough patches in the past, has reduced its dependence on exports by a measurable extent. Our industry still commands less share of the domestic market than China and India that dispose of over 60 percent of their produce in the domestic market.

- ∆ The textile brands in Pakistan were introduced about a decade back by small and medium sized players having no facility to produce fabric. They outsourced their brand production to the small and even large weavers after competitive bidding and then marketed the fabric at four to five times the price they paid to the producers.

- ∆ The brands of popular designers thus started earning more than the weaving mills because the margins were very high on small turnover. The larger mills started realizing that their sustained survival depends upon penetration in the domestic market through brands. Most of them came in a big way. However, the largest brand with the highest number of outlets is still the company that started small and has made a reputation that dwarfs the bigger brands. It now has manufacturing facilities of both fabric and garments.

∆ Readymade garments exports surged 14.8 percent to $803.526 million. Export of made-up articles rose 8.81 percent to $222.183 million, while towel exports remained almost flat at $248.224 million in July-October.

∆ The big composite units, however, are catching up fast and at least eight players now have countrywide presence with over 200 outlets each. This presence has ensured them a large share in the domestic market and their margins are also much higher than what they used to fetch from their dealers network in the past. The margins are good even after accounting for the expenses of all their outlets. These larger players are in comfortable position.

∆ The big brands pay the same electricity and gas tariffs but the higher cost is covered by the higher price of the brands. They are now in retail sales and their prices are fixed. Now, they don't have to pay commissions to dealers, wholesalers, and retailers. The outlets have enabled them to introduce new non textile products as well. They have also opened branches in Middle East, Europe, and America, where there is a concentration of immigrants from Pakistan, India and Bangladesh. So in a way they are into branded exports as well.

∆ The sales of one of the highly-sought-after ladies fabrics called lawn have exceeded Rs400 billion per year – most of it in the cloth form. It is equivalent to $4 billion worth of exports but at much higher profits.

Threats:

∇ The Punjab-based textile industry is already facing a serious blow of non-viability due to high cost of doing business. Supply of high priced RLNG would serve to cripple the industry which is already at a comparative disadvantage in respect of production costs in the region.

∇ Gas price in Bangladesh is USD 3/mmbtu, in Vietnam USD 4.2/mmbtu, in India USD 4.5/mmbtu; whereas in Pakistan system gas was available @ USD 7.6 and now RLNG would cost @ USD 11 per mmbtu. With such a huge difference in tariff, how our products would compete with rival countries.

∇ Gas tariff is already burdened with various incidentals such as UFG @10%, GIDC @ Rs. 100/mmbtu and cost of supply etc; whereas exporters cannot pass on these system inefficiencies to the international buyers.

∇ Industry in Punjab is predominantly gas dependent for its captive and processing use and switching from system gas to RLNG will negatively impact its production cost amidst prevailing disparity in energy prices within the country as well as the region. In order to attain competitive edge in international market, system gas should be supplied to export oriented textile industry across the board on equal prices.

∇ Rising cost of doing business over last several years has not only stalled fresh investment in textile industry but has also hampered the export growth and turn over. Punjab-based textile industry would be unable to compete even in domestic and international market in case the irritants are not removed.

- ∇ The textile sector is suffering due to inordinate delays by the Government in reacting to the changes in global policies, especially the pro-textile policies of our competitive countries. For example, a package of Rs 180 billion was announced by the Prime Minister for the export sector. However, the deal has come to a halt after the distribution of Rs 32 billion for exports up to 30 June 2017 which resulted in over 10% increase in garment exports.

- ∇ During the last seven years, Pakistan could add only two mill spindles and 6,000 rotors compared to 3.2 mill spindles and 36,000 rotors added by Bangladesh, and 19 mill spindles and 69,000 rotors added by India

- ∇ Textile & clothing exports of Pakistan which were at 13.8 $ billion in 2010-11 has declined by 10% to 12.5 $ billion in 2016-17, mainly due to high energy cost and non-implementation in letter and spirit to tax incentives to the exporters. During same period, textile exports of Sri Lanka has increased by 20%, India by 31%, Bangladesh by 63% and Vietnam by 107% solely due to supportive policies of the respective governments.

- ∇ Due to high cost of production coupled with non-implementation of tax incentives both viability and liquidity has taken its tool and closure is such an alarming that membership of APTMA has declined from 445 to 345 units.

- ∇ Another advantage enjoyed by Chinese and Indian textiles is that their fiber mix (cotton verses manmade fibers) is 75 and 45 percent manmade fiber and 25 to 55 percent cotton. In Pakistan, the ratio is 75 percent cotton and 25 percent manmade fiber. Globally the blend is 75 percent manmade and 25 percent cotton. In case of depression in global textile trade the first casualty is cotton that is traditionally expensive than manmade fiber.

- ∇ The hue and cry in the textile sector is coming from relatively smaller units that are unable to dispose of their yarn in domestic market because the larger mills or brand owners have edged out non branded products from the market.

- ∇ They cannot export as well because their cost is higher due to obsolete technology. Their survival is now linked to establishing composite units so that they could use their yarn and fabric for value-added products. For exports they will have to upgrade technology to increase efficiencies in speed, use of power to global level. Government subsidies if provided would not bail them out for long.

Future Outlook:
Pakistan’s textile exports remained almost stagnant showing an increase of 0.4% for the financial year 2017 over the previous year. The continuing loss of Pakistan’s share of global textile exports poses serious risks to the future sustainability of textile sector in the country. Diminishing demand for textile products worldwide and surge in raw material cost continued to be the main challenges which textile industry in Pakistan faces. **The outlook for overall textile sectors continued to be negative except for the composite units and PSF which are stable**.

Association:

- All Pakistan Textile Mills Association (APTMA)

www.aptma.org.pk

- Pakistan Cotton Ginners Association (PCGA)

www.pcga.org

- Karachi Cotton Association (KCA)

www.kcapk.com

- Pakistan Yarn Merchant Association (PYMA)

www.pyma.com.pk

- Pakistan Hosiery Manufacturers Association (PHMA)

www.phmaonline.com

- All Pakistan Textile Processors Mills Association (APTPMA)

www.aptpma.org.pk

- All Pakistan Textile Exporters Association (PTEA)

www.ptea.org.pk

- Pakistan Readymade Garment Manufacturers and Exporters Association (PRGMEA)

www.prgmea.org

- Pakistan Denim Manufacturers & Exporters Association (PDMEA)

www.pdmea.com

TEXTILES-FABRICS (WEAVING)

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	9		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act/Est**	34,452	51,431	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	16,545		
C.	**Financial Charges**	**Act/Est**	487		
D.	**PAT**	**Act/Est**	2,543		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act/Est**	32,928		
F.	***Current Assets***	**Act/Est**	16,199		
G.	***Cash & Bank Balances***	**Act/Est**	221		
H.	***Trade Debtors***	**Act/Est**	5,675		
I.	***Short Term Investments***	**Act/Est**	563		
J.	***Total Equity***	**Act/Est**	15,381		
K.	***Current Liabilities***	**Act/Est**	5,675		
L.	***Total Liabilities***	**Act/Est**	13,832		

TEXTILES-KNITS & KNIT APPAREL

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	700		
			2016-17	**2015-16**	
A.	**Industry Sales**	Act/Est	247,242	246,267	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	Act/Est	2,100		
C.	**Financial Charges**	Act/Est	700		
D.	**PAT**	Act/Est	1,400		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	86,800		
F.	*Current Assets*	Act/Est	49,000		
G.	*Cash & Bank Balances*	Act/Est	2,100		
H.	*Trade Debtors*	Act/Est	17,500		
I.	*Short Term Investments*	Act/Est	Nil		
J.	*Total Equity*	Act/Est	26,600		
K.	*Current Liabilities*	Act/Est	58,800		
L.	*Total Liabilities*	Act/Est	60,200		

TEXTILE-SPINNING

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	52		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act/Est**	150,895	193,794	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	(2,108)		
C.	**Financial Charges**	**Act/Est**	4,131		
D.	**PAT**	**Act/Est**	(2,888)		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act/Est**	169,419		
F.	***Current Assets***	**Act/Est**	70,038		
G.	***Cash & Bank Balances***	**Act/Est**	1,324		
H.	***Trade Debtors***	**Act/Est**	18,613		
I.	***Short Term Investments***	**Act/Est**	576		
J.	***Total Equity***	**Act/Est**	27,900		
K.	***Current Liabilities***	**Act/Est**	81,644		
L.	***Total Liabilities***	**Act/Est**	111,584		

TEXTILE-SYNTHETIC FIBERS/POLYESTER

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	6		
			2016-17	2015-16	
A.	Industry Sales	Act/Est	20,643	50,980	
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	PBT	Act/Est	(1,037)		
C.	Financial Charges	Act/Est	314		
D.	PAT	Act/Est	(873)		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	Act/Est	34,462		
F.	*Current Assets*	Act/Est	26,502		
G.	*Cash & Bank Balances*	Act/Est	144		
H.	*Trade Debtors*	Act/Est	3,781		
I.	*Short Term Investments*	Act/Est			
J.	*Total Equity*	Act/Est	(14,169)		
K.	*Current Liabilities*	Act/Est	35,424		
L.	*Total Liabilities*	Act/Est	39,449		

TEXTILE-WOVEN APPAREL

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	1000		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act/Est**	417,322	704,926	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	20,000		
C.	**Financial Charges**	**Act/Est**	8,000		
D.	**PAT**	**Act/Est**	13,000		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	277,000		
F.	*Current Assets*	**Act/Est**	169,000		
G.	*Cash & Bank Balances*	**Act/Est**	91,000		
H.	*Trade Debtors*	**Act/Est**	11,000		
I.	*Short Term Investments*	**Act/Est**	Nil		
J.	*Total Equity*	**Act/Est**	80,000		
K.	*Current Liabilities*	**Act/Est**	168,000		
L.	*Total Liabilities*	**Act/Est**	197,000		

TOBACCO

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	3		
			2016-17	**2015-16**	
A.	**Industry Sales**	**Act/Est**	60,107	58,082	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act/Est**	16,432		
C.	**Financial Charges**	**Act/Est**	748		
D.	**PAT**	**Act/Est**	11,126		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	**Act/Est**	45,146		
F.	*Current Assets*	**Act/Est**	26,502		
G.	*Cash & Bank Balances*	**Act/Est**	338		
H.	*Trade Debtors*	**Act/Est**	444		
I.	*Short Term Investments*	**Act/Est**	979		
J.	*Total Equity*	**Act/Est**	27,386		
K.	*Current Liabilities*	**Act/Est**	15,776		
L.	*Total Liabilities*	**Act/Est**	17,416		

TOBACCO:

Sector Outline:

The tobacco crop is of great economic significance for Pakistan although it occupies a relatively small area of 0.27% of the total irrigated land in the country, and about 3% in the NWFP. With suitable crop treatment, it is capable of yielding very high income to the growers as compared to any other cash crop. Its greatest attribute is its link with the viable and efficient cigarette industry. It is a highly labor intensive crop and provides employment both in the fields and in the factories.

No. of Players: 03

Illicit Cigarettes: 40%
[85% Local DNP, 15 % Smuggled]

DNP Pack Price: Rs.20-35
Legit Pack Price: Rs. 72

Total Sales: 60 Billion

Net Profit: 11 Billion

Opportunities:

- ∆ The tobacco industry contributes over Rs. 14 billion annually through Central Excise Duty and sales tax to the Federal Exchequer. Apart from this a formidable foreign exchange is earned from the export of tobacco and its products.

- ∆ Almost all tobacco produced in the country except for nominal quantity, which is imported for superior brands of cigarettes. If the per annum demand had to be met only by exports it would cost imports of Rs. 3.7 billion per year.

- ∆ Being a highly labor-intensive crop, tobacco provides ample job opportunities for (1) employment in the fields at the time of production, priming and curing and (2) in the tobacco factories where the tobacco is processed for the manufacture of cigarettes. About eighty thousand people are engaged in the crop production and marketing and another about 34,000 to 40,000 workers are employed in the tobacco industry for the manufacture and handling of end products. Also a vast number of people are involved in retail marketing of cigarettes and other tobacco related products. In all the tobacco industry provides gainful employment to about one lakh people, both directly and indirectly, including the vast majority of farming community of NWFP and Punjab.

Threats:

- ∇ The legitimate tobacco industry declined by 10% by December 31st 2016 as a result of exponential growth of duty evaded segment. This was led largely by the excise driven price increases, the recent one being in Dec'16, and lack of effective enforcement by law enforcement agencies. Despite recovery in key economic indicators the consumer wallet remained under pressure.

- Hence excise led price increases had further stretched the consumer and widened the gap between the low price legitimate brands and duty evaded products. For example in Dec'16, the minimum total tax on a pack of 20 cigarettes was Rs. 43, yet the duty evaded segment was selling its products for prices lower than the minimum tax. All this contributed to an accelerated and significant down trading to duty evaded segment, resulting in a steep decline in the legitimate industry's volume and consequently a loss in government's revenue.

- This year saw an unprecedented increase in the Illicit Trade in Cigarettes in Pakistan reaching the highest ever share of 40.6% as at December 2016.

- The bulk of the illegal cigarettes are local Duty Non Paid (DNP) which represents more than 85% of the illicit market. DNP cigarettes are produced in Pakistan on which duties and taxes have not been paid to the Government.

- Price range of the bulk of DNP packets of 20 cigarettes was from Rs. 20 to 35, whereas the legit Value For Money (VFM) segment pack price for the year (Dec'16) was Rs. 72.

- The non-payment of taxes on a Rs. 20 to 35 pack is evident from the fact that the minimum tax payable on a packet of 20 cigarettes is approximately Rs. 43 in December 2016.

- Continuous excise led price increases over the years have widened the gap between the legitimate and non-legitimate cigarettes hence making legal cigarettes very expensive for the consumer. The huge price differential has resulted in creating an uneven playing field for tax compliant legal industry and has consequently dealt heavy losses to both national exchequer and the tax paying industry.

- While multiple laws are in place to check tax evasion on cigarettes, effective enforcement remains a cause of concern.

- The tobacco industry of Pakistan has been constantly under the hitting of various organizations. Strong lobbying against tobacco smoking and production has made it difficult for the tobacco industry to flourish easily.

- The WHO has launched an unprecedented global initiative to counter what it calls "The Tobacco Industry's Campaign of Deception and lies around the world. Similarly the world's beleaguered cigarette makers face the prospect of fighting on a new front as UN launches the first international treaty to curb tobacco and its advertising. The treaty focuses a global ban on cigarette advertising, an increase in taxes on tobacco products and a right to smoke-free environment. If the Pakistani government endorses the treaty, it would directly threaten the growth market of tobacco in Pakistan.

Future Outlook:
The future operations of the industry will continue to be critically impacted by the rapidly increasing market share of the illicit industry over the coming years. However, the sales will continue growing & margins will remain steady over the next few years. **Outlook is stable**.

TRANSPORT AIR (PIA)

FINANCIAL SNAPSHOT 2016-17

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	1		
			2016-17	2015-16	
A.	Industry Sales	Act/Est	101,224	102,247	
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	PBT	Act/Est	(45,358)		
C.	Financial Charges	Act/Est	13,586		
D.	PAT	Act/Est	(45,240)		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	210,574		
F.	*Current Assets*	Act/Est	36,185		
G.	*Cash & Bank Balances*	Act/Est	8,224		
H.	*Trade Debtors*	Act/Est	9,219		
I.	*Short Term Investments*	Act/Est	24		
J.	*Total Equity*	Act/Est	(249,135)		
K.	*Current Liabilities*	Act/Est	227,285		
L.	*Total Liabilities*	Act/Est	411,449		

NBP National Bank of Pakistan

TRANSPORT- AIR:

Sector Outline:

The Pakistan aviation industry started with Orient Airways, founded on 23 October 1946. Orient Airways commenced operations with four Douglas DC-3s on 4 June 1947 and ceased its operations on 11 March 1955 by merging into the Pakistan International Airlines Corporation (PIAC; founded in 1954) to become the national flag carrier of Pakistan called Pakistan International Airlines (PIA). PIA remained the main operator since its founding till the early 1990s, although several private airlines initiated and ceased operations during this time. These included Pak Air (1948–49), Pakistan Mercantile Corporation (1948), Crescent Air Transport (1952–54) and Agricultural Aviation (1973–75), although the latter merged into Aircraft Sales and Services Ltd. (ASSL) which is still operational. The private airlines did very well to compete with the well-established flag carrier PIA, which was controlled by the government.

Air Sial is going to be the **fourth** private airline of Pakistan. At present, there are three private sector airlines which are currently operating in the country and they are:

- Shaheen Air International
- Air Blue
- Serene Air

Bhoja Air could have been the fourth one; however, it was forced to shut down all its operations in the country after the Islamabad plane crash. Additionally, 2 aircrafts of Indus Air were severely damaged in an attack at Karachi airport few years ago and the company couldn't replace them until now. As a result, they had to close their operations too.

Opportunities:

∆ Once the project is completed Gwadar International Airport will take over Karachi's Jinnah International Airport as the biggest and busiest airport in the country. Along with the construction of Gwadar airport, small airports are being built and being given international status.

∆ Among such airports are DI (Dera Ismail) Khan airport and Bannu Airport. The national carrier PIA (Pakistan International Airlines) has seen improvement on its Rs 1 billion record loss ending last year.

∆ Since the announcement of the National Aviation Policy (NAP) 2015 – whereby the government liberalized the air market to encourage foreign airline participation, particularly from the Middle East, the future of Pakistan's air and travel industry appears promising.

∆ Based on current economic and demographic growth, the International Air Transport Association (IATA) has projected that intra-Pakistan air traffic will grow at 9.9% over the next 20 years; more than twice the 4.1% projected annual world growth rate.

∆ The latest entrant to venture into Pakistani skies is Salam Air, a budget airline from Oman, launched in January 2017 with the objective to bridge the demand gap for quality and affordable flights by business, leisure and religious travellers on short-haul routes to and from Oman. Salam Air currently flies daily from Muscat to Dubai and Jeddah and thrice a week to Karachi, Madina and Sialkot.

- ∆ As more international flights touch local runways, Pakistan's airports are expected to earn huge revenues and passengers will benefit from more choice, better services and competitive prices and discounts.

- ∆ Air travel in Pakistan is expected to see an additional three million passengers in the next three to four years. This growth will present opportunities for growth in Pakistan's commercial airline sector, be it new airlines or expanded ground support providers. In relation, PAF Air Vice Marshal Razi Nawab, the Deputy Managing Director of the Shaheen Foundation, stressed that investment be made in raising new maintenance, repair and overhaul (MRO) entities and airlines in Pakistan to support growth in air travel.

- ∆ A new domestic airline, Air Sial, is on its way to be launched in Pakistan as Sialkot Chamber of Commerce and Industry has been granted a commercial airline license to operate in the country. This is a major and pivotal step by the chamber in the aviation industry of Pakistan. The license has been issued by the Civil Aviation Authority (CAA) with an aim to launch new domestic airline in Pakistan.

- ∆ Serene Air (ER, Islamabad) is looking to commence international operations during the first quarter of next year. Serene Air would qualify to start flights abroad once it had completed the addition of two more B737-800s into its fleet in February next year. The start-up commenced operations in January this year using a fleet of three B737-800s and currently serves Karachi Int'l, Faisalabad, Islamabad, Lahore Int'l, Peshawar, and Quetta. Initial flights abroad would focus on Saudi Arabia, Iraq and China. This growth, he said, will be underscored by the addition of a further three aircraft by year-end.

Threats:

- ∇ PIA operation to USA was suspended after 50 years with the last flight to JFK NYC on 28 October. The reason cited for suspending these flights was annual loss of Rs1 billion on this route. During January to July 2017 direct operating cost on this sector exceeded revenues by Rs673 million, while from 14 August 2016 to February 2017 PIA lost over Rs1.7 billion just on premier service from Pakistan to UK. Except for six sectors PIA is losing money on every sector including its UK operation and urgent steps need to be taken to achieve break-even.

- ∇ According to a CAA letter dated 10 November 2017, PIA will now be restricted to regional routes such as Pk-203 which originates from Pakistan to destinations in Gulf and back while Turkish route will operate on all flights originating from Pakistan to UK, USA, such as Pk-708, Pk-711, etc, via a Turkish airport with the sole exception of London. This does not fit the definition of code sharing on reciprocal basis but is more a surrendering of PIA slots and routes acquired over years of operation.

- ∇ For an airline with highest Total Accumulated Loss and lowest utilization of fleet and crew, it is criminal that its flight crew and engineering is highest paid in region. Surplus staff is a burden on salary bill and also leads to inefficiency, especially when their recruitment process is dubious.

- ∇ Recently, a global body Air-Help announced its worldwide airlines rankings for 2017, which placed Pakistan International Airline (PIA) at 80th spot out of 87- not a surprise. Air-Help ranks and scores are based on three key criteria for a cross-country comparison. These three are the quality of amenities, on-time arrivals, and how well they resolve flight delay compensation claims.

- ∇ Comparing PIA to some of the peer airlines in the rankings show that while the airline itself has seen a positive change in its ranking for 2017 versus that of 2016, it lags behind severely in claim processing category. This category rating takes into account how efficiently and fairly a carrier handles delay compensation claims, including percentage of claims rejected, as well as turnaround times for processing and payout.
- ∇ Pakistan International Airlines Corporation (PIA) posted a net loss of Rs45 billion ($433 million) for 2016, a jump of 36 per cent over the loss of Rs33bn ($310m) incurred in the previous year. The company's revenue was down 2pc to Rs89bn from Rs91bn a year ago. The airline also released financial figures for January-March. It posted a net loss of Rs11bn in the three-month period, up 91pc from Rs6bn in the similar quarter of the earlier year.
- ∇ PIA is facing serious problems nowadays. Flight delays and cancellations have become the norm rather than the exception. The Pakistan International Airlines is also suffering from severe financial crisis.
- ∇ It is, in fact, passing through a critical phase because of poor management, lack of maintenance, corruption and financial issues. There are complaints of terrible service, long delayed flights, emergency crash landings, cancellation of flights, and shortage of planes. These issues create frustration among the passengers. They feel fear and life risk while travelling through PIA .
- ∇ Unfortunately, PIA is functioning with costs higher than returns. The airline charges are enormously high for both domestic and international flights. In past PIA claimed that increase in oil prices and devaluation of Pakistani currency were the major reasons behind its deficit. But now the situation has reversed but the PIA deficit still increases.

Future Outlook:

Under the current circumstances there will be a high demand in the aviation sector in Pakistan with not just more aircraft being needed but also it will become a major airline transit hub in the region. **The outlook for Transportation-Air other than PIA is positive, however, for PIA, it continues to be negative.**

Associations:

- ➢ Pakistan Airline Pilots Association (PALPA)

http://palpa.org.pk/

- ➢ Air Cargo Agents Association of Pakistan (ACAAP)

http://acaap.org/

- ➢ Pakistan Airlines Cabin Crew Association (PACCA)

https://paccasite.wordpress.com/

- ➢ Aircraft Technologists' Association of Pakistan (ATAP)
- ➢ Society of Aircraft Engineers of Pakistan (SAEP)

http://www.saep.org.pk/

RANKING BY BUSINESS ENVIRONMENT

BY DEMAND VOLATILITY

Sector ranking, by the Demand Volatility (the variable is a representation of the level of certainty/ uncertainty in the demand of the products. This is mainly concerned with the expected volatility (seasonality) as well as unexpected volatility of the demand) is as follows:

Rank 1: Demand is largely steady

Rank 5: Highly volatile demand which fluctuates tremendously

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Construction (General)	1	100	6.0	6.0
2	Construction (Infrastructure)	1	100	6.0	6.0
3	Financial Institutions	1	100	6.0	6.0
4	Sugar	1	100	6.0	6.0
5	Energy - Gas Generation & Distribution	2	80	6.0	4.8
6	Energy – Oil & GasExploration	2	80	6.0	4.8
7	Energy - Oil (Petroleum Distribution/Marketing)	2	80	6.0	4.8
8	Energy - Oil (Petroleum Refining)	2	80	6.0	4.8
9	Energy - Other (Circular Debt)	2	80	6.0	4.8
10	Food, Beverages & Consumer Products	2	80	6.0	4.8
11	Glass & Ceramics	2	80	6.0	4.8
12	Metallic Products (Iron & Steel)	2	80	6.0	4.8
13	Telecommunications	2	80	6.0	4.8
14	Textiles - Synthetic Fibers/Polyester	2	80	6.0	4.8
15	Tobacco Products	2	80	6.0	4.8
16	Transport – Air (Other)	2	80	6.0	4.8
17	Transport – Air (PIA)	2	80	6.0	4.8
18	Agro-Chemicals	3	60	6.0	3.6
19	Cement	3	60	6.0	3.6
20	Chemicals (inc. Plastic & Rubber Products)	3	60	6.0	3.6
21	Edible Oil	3	60	6.0	3.6
22	Energy - Power (Non Indigenous)	3	60	6.0	3.6
23	Fertilizers	3	60	6.0	3.6
24	Leather Products	3	60	6.0	3.6
25	Machinery & Equipment	3	60	6.0	3.6
26	Pharmaceuticals	3	60	6.0	3.6
27	Textiles – Composite	3	60	6.0	3.6
28	Textiles – Spinning	3	60	6.0	3.6
29	Automotive - Assemblers/Manufacturers	4	40	6.0	2.4
30	Automotive - Parts & Accessories	4	40	6.0	2.4
31	Energy - Power (Indigenous)	4	40	6.0	2.4
32	Sports Products	4	40	6.0	2.4
33	Surgical, Precision, Optical Equipment	4	40	6.0	2.4
34	Textiles - Fabrics (Weaving)	4	40	6.0	2.4
35	Textiles - Knits & Knit Apparel	4	40	6.0	2.4
36	Textiles - Woven Apparel	4	40	6.0	2.4
37	Carpets & Rugs	5	20	6.0	1.2
38	Information Technology	5	20	6.0	1.2

BY SUPPLY VOLATILITY

Sector ranking, by the Supply Volatility, (the variable is a representation of the level of certainty/ uncertainty in the supply of key materials is as follows:
Rank 1: Supply is largely steady;
Rank 5: Highly volatile supply which fluctuates tremendously

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Construction (General)	1	100	7.0	7.0
2	Construction (Infrastructure)	1	100	7.0	7.0
3	Financial Institutions	1	100	7.0	7.0
4	Automotive - Assemblers/Manufacturers	2	80	7.0	5.6
5	Automotive - Parts & Accessories	2	80	7.0	5.6
6	Energy - Gas Generation & Distribution	2	80	7.0	5.6
7	Energy - Oil & Gas Exploration	2	80	7.0	5.6
8	Energy - Oil (Petroleum Distribution & Mrktg)	2	80	7.0	5.6
9	Energy - Oil (Petroleum Refining)	2	80	7.0	5.6
10	Energy - Power (Non Indigenous)	2	80	7.0	5.6
11	Food, Beverages & Consumer Products	2	80	7.0	5.6
12	Glass & Ceramics	2	60	7.0	5.6
13	Information Technology	2	80	7.0	5.6
14	Machinery & Equipment	2	80	7.0	5.6
15	Metallic Products (Iron & Steel)	2	80	7.0	5.6
16	Sports Products	2	80	7.0	5.6
17	Sugar	2	80	7.0	5.6
18	Surgical, Precision, Optical Equipment	2	80	7.0	5.6
19	Telecommunications	2	80	7.0	5.6
20	Textiles – Composite	2	80	7.0	5.6
21	Textiles - Fabrics (Weaving)	2	80	7.0	5.6
22	Textiles - Knits & Knit Apparel	2	80	7.0	5.6
23	Textiles – Spinning	2	80	7.0	5.6
24	Textiles - Synthetic Fibers/Polyester	2	80	7.0	5.6
25	Textiles - Woven Apparel	2	80	7.0	5.6
26	Tobacco Products	2	80	7.0	5.6
27	Transport – Air (Others)	2	80	7.0	5.6
28	Transport – Air (PIA)	2	80	7.0	5.6
29	Agro-Chemicals	3	60	7.0	4.2
30	Carpets & Rugs	3	60	7.0	4.2
31	Cement	3	60	7.0	4.2
32	Chemicals (inc. Plastic & Rubber Products)	3	60	7.0	4.2
33	Edible Oil	3	60	7.0	4.2
34	Energy - Other (Circular Debt)	3	60	7.0	4.2
35	Energy - Power (Indigenous)	3	60	7.0	4.2
36	Fertilizers	3	60	7.0	4.2
37	Pharmaceuticals	3	60	7.0	4.2
38	Leather Products	4	40	7.0	2.8

BY CORPORATE GOVERNANCE & CONTROL STRUCTURE

Sector ranking, by the Corporate Governance & Control Structure (this variable assesses the extent of overall corporate governance and control structure and 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 5: Relatively informal governance & control structures required

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Financial Institutions	1	100	2.0	2.0
2	Food, Beverages & Consumer Products	1	100	2.0	2.0
3	Sports Products	1	100	2.0	2.0
4	Surgical, Precision, Optical Equipment	1	100	2.0	2.0
5	Telecommunications	1	100	2.0	2.0
6	Automotive - Assemblers/Manufacturers	2	80	2.0	1.6
7	Carpets & Rugs	2	80	2.0	1.6
8	Chemicals (inc. Plastic & Rubber Products)	2	80	2.0	1.6
9	Edible Oil	2	80	2.0	1.6
10	Energy - Oil & Gas Exploration	2	80	2.0	1.6
11	Energy - Oil (Petroleum Distribution/Marketing)	2	80	2.0	1.6
12	Energy - Oil (Petroleum Refining)	2	80	2.0	1.6
13	Energy - Other (Circular Debt)	2	80	2.0	1.6
14	Energy – Power (Indigenous)	2	80	2.0	1.6
15	Energy – Power (Non Indigenous)	2	80	2.0	1.6
16	Fertilizers	2	80	2.0	1.6
17	Pharmaceuticals	2	80	2.0	1.6
18	Textiles - Synthetic Fibers/Polyester	2	80	2.0	1.6
19	Tobacco Products	2	80	2.0	1.6
20	Transport – Air (Others)	2	80	2.0	1.6
21	Transport – Air (PIA)	2	80	2.0	1.6
22	Agro-Chemicals	3	60	2.0	1.2
23	Automotive - Parts & Accessories	3	60	2.0	1.2
24	Cement	3	60	2.0	1.2
25	Energy - Gas Generation & Distribution	3	60	2.0	1.2
26	Glass & Ceramics	3	60	2.0	1.2
27	Information Technology	3	60	2.0	1.2
28	Machinery & Equipment	3	60	2.0	1.2
29	Textiles - Woven Apparel	3	60	2.0	1.2
30	Construction (General)	4	40	2.0	0.8
31	Construction (Infrastructure)	4	40	2.0	0.8
32	Leather Products	4	40	2.0	0.8
33	Metallic Products (Iron & Steel)	4	40	2.0	0.8
34	Textiles – Composite	4	40	2.0	0.8
35	Textiles – Spinning	4	40	2.0	0.8
36	Sugar	5	20	2.0	0.4
37	Textiles - Fabrics (Weaving)	5	20	2.0	0.4
38	Textiles - Knits & Knit Apparel	5	20	2.0	0.4

BY STRENGTH OF COMPETITION

Sector ranking, by the Strength of Competition (this factor assesses the strength of competition; number and size of players within the industry sector) is as follows:
Rank 1: Strength of Competition is low
Rank 5: Strength of Competition is high

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Energy - Gas Generation & Distribution	1	100	4.0	4.0
2	Energy - Other (Circular Debt)	1	100	4.0	4.0
3	Chemicals (inc. Plastic & Rubber Products)	2	80	4.0	3.2
4	Energy - Oil & Gas Exploration	2	80	4.0	3.2
5	Energy - Oil (Petroleum Refining)	2	80	4.0	3.2
6	Energy - Power (Indigenous)	2	80	4.0	3.2
7	Energy - Power (Non Indigenous)	2	80	4.0	3.2
8	Glass & Ceramics	2	80	4.0	3.2
9	Machinery & Equipment	2	80	4.0	3.2
10	Metallic Products (Iron & Steel)	2	80	4.0	3.2
11	Pharmaceuticals	2	80	4.0	3.2
12	Automotive - Assemblers/Manufacturers	3	60	4.0	2.4
13	Automotive - Parts & Accessories	3	60	4.0	2.4
14	Cement	3	60	4.0	2.4
15	Construction (General)	3	60	4.0	2.4
16	Construction (Infrastructure)	3	60	4.0	2.4
17	Energy - Oil (Petroleum Distribution/Marketing)	3	60	4.0	2.4
18	Fertilizers	3	60	4.0	2.4
19	Financial Institutions	3	60	4.0	2.4
20	Food, Beverages & Consumer Products	3	60	4.0	2.4
21	Sports Products	3	60	4.0	2.4
22	Surgical, Precision, Optical Equipment	3	60	4.0	2.4
23	Textiles - Synthetic Fibers/Polyester	3	60	4.0	2.4
24	Transport – Air (Others)	3	60	4.0	2.4
25	Transport – Air (PIA)	3	60	4.0	2.4
26	Carpets & Rugs	4	40	4.0	1.6
27	Edible Oil	4	40	4.0	1.6
28	Information Technology	4	40	4.0	1.6
29	Leather Products	4	40	4.0	1.6
30	Textiles – Spinning	4	40	4.0	1.6
31	Textiles - Woven Apparel	4	40	4.0	1.6
32	Tobacco Products	4	40	4.0	1.6
33	Agro-Chemicals	5	20	4.0	0.8
34	Sugar	5	20	4.0	0.8
35	Telecommunications	5	20	4.0	0.8
36	Textiles – Composite	5	20	4.0	0.8
37	Textiles - Fabrics (Weaving)	5	20	4.0	0.8
38	Textiles - Knits & Knit Apparel	5	20	4.0	0.8

BY BARRIERS TO ENTRY

Sector ranking, by the Barriers to Entry (this variable assesses the possibility/ likelihood of entry by new participants in the industry taking into account the capital intensive nature and extent of legal, constructive and technological barriers to the entry. This factor generally defines the dynamics of the competition within the industry) is as follows:
Rank 1: High Barriers to Entry
Rank 5: Low Barriers to Entry

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Energy - Gas Generation & Distribution	1	100	2.0	2.0
2	Energy - Other (Circular Debt)	1	100	2.0	2.0
3	Construction (Infrastructure)	2	80	2.0	1.6
4	Energy - Oil & Gas Exploration	2	80	2.0	1.6
5	Energy - Oil (Petroleum Refining)	2	80	2.0	1.6
6	Energy - Power (Indigenous)	2	80	2.0	1.6
7	Energy - Power (Non Indigenous)	2	80	2.0	1.6
8	Fertilizers	2	80	2.0	1.6
9	Financial Institutions	2	80	2.0	1.6
10	Food, Beverages & Consumer Products	2	80	2.0	1.6
11	Machinery & Equipment	2	80	2.0	1.6
12	Metallic Products (Iron & Steel)	2	80	2.0	1.6
13	Sports Products	2	80	2.0	1.6
14	Surgical, Precision, Optical Equipment	2	80	2.0	1.6
15	Transport – Air (Others)	2	80	2.0	1.6
16	Transport – Air (PIA)	2	80	2.0	1.6
17	Automotive - Assemblers/Manufacturers	3	60	2.0	1.2
18	Automotive - Parts & Accessories	3	60	2.0	1.2
19	Chemicals (inc. Plastic & Rubber Products)	3	60	2.0	1.2
20	Construction (General)	3	60	2.0	1.2
21	Energy - Oil (Petroleum Distribution/Marketing)	3	60	2.0	1.2
22	Glass & Ceramics	3	60	2.0	1.2
23	Leather Products	3	60	2.0	1.2
24	Pharmaceuticals	3	60	2.0	1.2
25	Textiles - Synthetic Fibers/Polyester	3	60	2.0	1.2
26	Carpets & Rugs	4	40	2.0	0.8
27	Cement	4	40	2.0	0.8
28	Edible Oil	4	40	2.0	0.8
29	Information Technology	4	40	2.0	0.8
30	Textiles - Woven Apparel	4	40	2.0	0.8
31	Tobacco Products	4	40	2.0	0.8
32	Agro-Chemicals	5	20	2.0	0.4
33	Sugar	5	20	2.0	0.4
34	Telecommunications	5	20	2.0	0.4
35	Textiles – Composite	5	20	2.0	0.4
36	Textiles - Fabrics (Weaving)	5	20	2.0	0.4
37	Textiles - Knits & Knit Apparel	5	20	2.0	0.4
38	Textiles – Spinning	5	20	2.0	0.4

BY LITIGATIONS

Sector ranking, by the Litigations is as follows:
Rank 1: Likelihood of Litigations in the industry is low
Rank 5: Likelihood of Litigations in the industry is high

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Carpets & Rugs	2	80	1.0	0.8
2	Cement	2	80	1.0	0.8
3	Chemicals (inc. Plastic & Rubber Products)	2	80	1.0	0.8
4	Edible Oil	2	80	1.0	0.8
5	Energy - Gas Generation & Distribution	2	80	1.0	0.8
6	Energy - Oil & Gas Exploration	2	80	1.0	0.8
7	Fertilizers	2	80	1.0	0.8
8	Food, Beverages & Consumer Products	2	80	1.0	0.8
9	Glass & Ceramics	2	80	1.0	0.8
10	Sports Products	2	80	1.0	0.8
11	Surgical, Precision, Optical Equipment	2	80	1.0	0.8
12	Textiles – Composite	2	80	1.0	0.8
13	Textiles - Fabrics (Weaving)	2	80	1.0	0.8
14	Textiles - Knits & Knit Apparel	2	80	1.0	0.8
15	Textiles – Spinning	2	80	1.0	0.8
16	Textiles - Woven Apparel	2	80	1.0	0.8
17	Agro-Chemicals	3	60	1.0	0.6
18	Energy - Oil (Petroleum Refining)	3	60	1.0	0.6
19	Leather Products	3	60	1.0	0.6
20	Machinery & Equipment	3	60	1.0	0.6
21	Metallic Products (Iron & Steel)	3	60	1.0	0.6
22	Pharmaceuticals	3	60	1.0	0.6
23	Sugar	3	60	1.0	0.6
24	Telecommunications	3	60	1.0	0.6
25	Textiles - Synthetic Fibers/Polyester	3	60	1.0	0.6
26	Tobacco Products	3	60	1.0	0.6
27	Automotive - Assemblers/Manufacturers	4	40	1.0	0.4
28	Automotive - Parts & Accessories	4	40	1.0	0.4
29	Construction (General)	4	40	1.0	0.4
30	Construction (Infrastructure)	4	40	1.0	0.4
31	Energy - Oil (Petroleum Distribution/Marketing)	4	40	1.0	0.4
32	Energy - Power (Indigenous)	4	40	1.0	0.4
33	Energy - Power (Non Indigenous)	4	40	1.0	0.4
34	Financial Institutions	4	40	1.0	0.4
35	Information Technology	4	40	1.0	0.4
36	Transport – Air (PIA)	4	40	1.0	0.4
37	Energy - Other (Circular Debt)	5	20	1.0	0.2
38	Transport – Air (Others)	5	20	1.0	0.2

BY PRICE ELASTICITY

Sector ranking, by the 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 5: High impact of price changes on the demand of output

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Construction (Infrastructure)	1	100	5.0	5.0
2	Energy - Gas Generation & Distribution	1	100	5.0	5.0
3	Energy - Oil (Petroleum Distribution/Marketing)	1	100	5.0	5.0
4	Energy - Oil (Petroleum Refining)	1	100	5.0	5.0
5	Energy - Other (Circular Debt)	1	100	5.0	5.0
6	Construction (General)	2	80	5.0	4.0
7	Energy - Oil & Gas Exploration	2	80	5.0	4.0
8	Energy - Power (Indigenous)	2	80	5.0	4.0
9	Energy - Power (Non Indigenous)	2	80	5.0	4.0
10	Chemicals (inc. Plastic & Rubber Products)	3	60	5.0	3.0
11	Financial Institutions	3	60	5.0	3.0
12	Information Technology	3	60	5.0	3.0
13	Machinery & Equipment	3	60	5.0	3.0
14	Pharmaceuticals	3	60	5.0	3.0
15	Sugar	3	60	5.0	3.0
16	Agro-Chemicals	4	40	5.0	2.0
17	Automotive - Assemblers/Manufacturers	4	40	5.0	2.0
18	Automotive - Parts & Accessories	4	40	5.0	2.0
19	Carpets & Rugs	4	40	5.0	2.0
20	Cement	4	40	5.0	2.0
21	Edible Oil	4	40	5.0	2.0
22	Fertilizers	4	40	5.0	2.0
23	Food, Beverages & Consumer Products	4	40	5.0	2.0
24	Glass & Ceramics	4	40	5.0	2.0
25	Leather Products	4	40	5.0	2.0
26	Metallic Products (Iron & Steel)	4	40	5.0	2.0
27	Sports Products	4	40	5.0	2.0
28	Surgical, Precision, Optical Equipment	4	40	5.0	2.0
29	Telecommunications	4	40	5.0	2.0
30	Textiles – Composite	4	40	5.0	2.0
31	Tobacco Products	4	40	5.0	2.0
32	Textiles - Fabrics (Weaving)	5	20	5.0	1.0
33	Textiles - Knits & Knit Apparel	5	20	5.0	1.0
34	Textiles – Spinning	5	20	5.0	1.0
35	Textiles - Synthetic Fibers/Polyester	5	20	5.0	1.0
36	Textiles - Woven Apparel	5	20	5.0	1.0
37	Transport – Air (Others)	5	20	5.0	1.0
38	Transport – Air (PIA)	5	20	5.0	1.0

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 5: High risk associated with foreign exchange movements

S.NO.	SECTOR	RANK	% of	MAXIMUM	SCORE
1	Construction (General)	2	80	1.5	1.2
2	Construction (Infrastructure)	2	80	1.5	1.2
3	Financial Institutions	2	80	1.5	1.2
4	Food, Beverages & Consumer Products	2	80	1.5	1.2
5	Sugar	2	80	1.5	1.2
6	Telecommunications	2	80	1.5	1.2
7	Tobacco Products	2	80	1.5	1.2
8	Cement	3	60	1.5	0.9
9	Glass & Ceramics	3	60	1.5	0.9
10	Information Technology	3	60	1.5	0.9
11	Machinery & Equipment	3	60	1.5	0.9
12	Agro-Chemicals	4	40	1.5	0.6
13	Automotive - Assemblers/Manufacturers	4	40	1.5	0.6
14	Automotive - Parts & Accessories	4	40	1.5	0.6
15	Carpets & Rugs	4	40	1.5	0.6
16	Chemicals (inc. Plastic & Rubber Products)	4	40	1.5	0.6
17	Edible Oil	4	40	1.5	0.6
18	Energy - Gas Generation & Distribution	4	40	1.5	0.6
19	Energy - Oil & Gas Exploration	4	40	1.5	0.6
20	Energy - Oil (Petroleum Distribution/Marketing)	4	40	1.5	0.6
21	Energy - Oil (Petroleum Refining)	4	40	1.5	0.6
22	Energy – Other (Circular Debt)	4	40	1.5	0.6
23	Energy - Power (Indigenous)	4	40	1.5	0.6
24	Energy - Power (Non Indigenous)	4	40	1.5	0.6
25	Fertilizers	4	40	1.5	0.6
26	Leather Products	4	40	1.5	0.6
27	Metallic Products (Iron & Steel)	4	40	1.5	0.6
28	Pharmaceuticals	4	40	1.5	0.6
29	Sports Products	4	40	1.5	0.6
30	Surgical, Precision, Optical Equipment	4	40	1.5	0.6
31	Textiles – Composite	4	40	1.5	0.6
32	Textiles - Fabrics (Weaving)	4	40	1.5	0.6
33	Textiles - Knits & Knit Apparel	4	40	1.5	0.6
34	Textiles – Spinning	4	40	1.5	0.6
35	Textiles - Synthetic Fibers/Polyester	4	40	1.5	0.6
36	Textiles - Woven Apparel	4	40	1.5	0.6
37	Transport – Air (Others)	4	40	1.5	0.6
38	Transport – Air (PIA)	4	40	1.5	0.6

BY EXPOSURE
(Interest Rate Risk)

Sector ranking, by the IR Risk (this is an assessment of the risk associated with the rate fluctuations resulting in cash flow/ earnings risks. Highly leveraged industry faces 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 5: High risk associated with interest rate movements

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Energy - Oil & Gas Exploration	1	100	1.5	1.5
2	Agro-Chemicals	2	80	1.5	1.2
3	Automotive - Parts & Accessories	2	80	1.5	1.2
4	Carpets & Rugs	2	80	1.5	1.2
5	Construction (General)	2	80	1.5	1.2
6	Construction (Infrastructure)	2	80	1.5	1.2
7	Energy - Gas Generation & Distribution	2	80	1.5	1.2
8	Energy - Oil (Petroleum Distribution/Marketing)	2	80	1.5	1.2
9	Food, Beverages & Consumer Products	2	80	1.5	1.2
10	Information Technology	2	80	1.5	1.2
11	Leather Products	2	80	1.5	1.2
12	Sports Products	2	80	1.5	1.2
13	Surgical, Precision, Optical Equipment	2	80	1.5	1.2
14	Telecommunications	2	80	1.5	1.2
15	Automotive - Assemblers/Manufacturers	3	60	1.5	0.9
16	Cement	3	60	1.5	0.9
17	Chemicals (inc. Plastic & Rubber Products)	3	60	1.5	0.9
18	Edible Oil	3	60	1.5	0.9
19	Glass & Ceramics	3	60	1.5	0.9
20	Machinery & Equipment	3	60	1.5	0.9
21	Metallic Products (Iron & Steel)	3	60	1.5	0.9
22	Pharmaceuticals	3	60	1.5	0.9
23	Textiles – Composite	3	60	1.5	0.9
24	Textiles - Fabrics (Weaving)	3	60	1.5	0.9
25	Textiles - Knits & Knit Apparel	3	60	1.5	0.9
26	Textiles – Spinning	3	60	1.5	0.9
27	Textiles - Synthetic Fibers/Polyester	3	60	1.5	0.9
28	Textiles - Woven Apparel	3	60	1.5	0.9
29	Tobacco Products	3	60	1.5	0.9
30	Transport – Air (Others)	3	60	1.5	0.9
31	Transport – Air (PIA)	3	60	1.5	0.9
32	Energy - Oil (Petroleum Refining)	4	40	1.5	0.6
33	Energy-Power (Indigenous)	4	40	1.5	0.6
34	Energy-Power (Non Indigenous)	4	40	1.5	0.6
35	Fertilizers	4	40	1.5	0.6
36	Sugar	4	40	1.5	0.6
37	Energy – Other (Circular Debt)	5	20	1.5	0.3
38	Financial Institutions	5	20	1.5	0.3

COMPOSITE RANKING BY BUSINESS ENVIRONMENT

Composite ranking, by the Business Environment, is as follows:

S.NO.	SECTOR	MAXIMUM SCORE	SCORE
1	Construction (Infrastructure)	30.0	25.6
2	Energy - Gas Generation & Distribution	30.0	25.2
3	Construction (General)	30.0	24.2
4	Financial Institutions	30.0	23.9
5	Energy - Oil (Petroleum Refining)	30.0	23.6
6	Energy - Oil (Petroleum Distribution/Marketing)	30.0	22.8
7	Energy – Other (Circular Debt)	30.0	22.7
8	Energy - Oil & Gas Exploration	30.0	21.6
9	Food, Beverages & Consumer Products	30.0	21.6
10	Energy - Power (Non Indigenous)	30.0	21.2
11	Glass & Ceramics	30.0	20.6
12	Machinery & Equipment	30.0	20.6
13	Metallic Products (Iron & Steel)	30.0	20.1
14	Chemicals (inc. Plastic & Rubber Products)	30.0	19.1
15	Tobacco Products	30.0	19.1
16	Pharmaceuticals	30.0	18.9
17	Transport – Air (PIA)	30.0	18.9
18	Textiles - Synthetic Fibers/Polyester	30.0	18.7
19	Transport – Air (Others)	30.0	18.7
20	Energy - Power (Indigenous)	30.0	18.6
21	Sports Products	30.0	18.6
22	Sugar	30.0	18.6
23	Surgical, Precision, Optical Equipment	30.0	18.6
24	Telecommunications	30.0	18.6
25	Fertilizers	30.0	17.4
26	Automotive - Assemblers/Manufacturers	30.0	17.1
27	Automotive - Parts & Accessories	30.0	17.0
28	Cement	30.0	16.8
29	Edible Oil	30.0	16.1
30	Information Technology	30.0	15.9
31	Textiles – Composite	30.0	15.5
32	Textiles – Spinning	30.0	15.3
33	Textiles - Woven Apparel	30.0	14.9
34	Agro-Chemicals	30.0	14.6
35	Leather Products	30.0	14.4
36	Carpets & Rugs	30.0	14.0
37	Textiles - Fabrics (Weaving)	30.0	12.9
38	Textiles - Knits & Knit Apparel	30.0	12.9

RANKING BY PROFITABILITY & FINANCIAL STRENGTH
BY GEARING
BY INTEREST COVERAGE (EBIT/Interest Expense)

Rank 1: High ability to pay off interest expense
Rank 5: Less ability to pay off interest expense

S.NO.	SECTOR	EBIT	Interest Expense	Interest Coverage Ratio	Rank	% of Score	Max Score	Score
		(Rs.Mln)	(Rs.Mln)					
1	Automotive - Assemblers/Manufacturers	37,998	851	44.7	1	100	3	3
2	Automotive - Parts & Accessories	8,005	210	38.1	1	100	3	3
3	Cement	90,707	3,141	28.9	1	100	3	3
4	Energy - Oil & Gas Exploration	160,829	3520	45.7	1	100	3	3
5	Information Technology	45,150	1,250	36.1	1	100	3	3
6	Pharmaceuticals	16,018	382	41.9	1	100	3	3
7	Telecommunications	12,411	331	37.5	1	100	3	3
8	Textiles - Fabrics (Weaving)	16,545	487	34.0	1	100	3	3
9	Tobacco Products	16,432	749	21.9	1	100	3	3
10	Agro-Chemicals	40	10	4	2	80	3	2.4
11	Chemicals (inc. Plastic & Rubber Products)	16,175	4,837	3.3	2	80	3	2.4
12	Construction (General/Infrastructure)	29,000	9,000	3.2	2	80	3	2.4
13	Edible Oil	246	54	4.6	2	80	3	2.4
14	Energy - Gas Generation & Distribution	12,539	5,350	2.3	2	80	3	2.4
15	Energy – Indigenous/Non Indigenous/Other	62,342	18,049	3.5	2	80	3	2.4
16	Energy - Oil (Petroleum Distribution/Marketing)	44,906	6,884	6.5	2	80	3	2.4
17	Energy - Oil (Petroleum Refining)	14,131	4,585	3.1	2	80	3	2.4
18	Fertilizers	115,704	11,538	10.0	2	80	3	2.4
19	Financial Institutions	290,148	256,200	1.1	2	80	3	2.4
20	Food, Beverages & Consumer Products	31,426	2,937	10.7	2	80	3	2.4
21	Glass & Ceramics	3,377	630	5.4	2	80	3	2.4
22	Leather Products	3,600	600	6.0	2	80	3	2.4
23	Machinery & Equipment	731	87	8.4	2	80	3	2.4
24	Metallic Products (Iron & Steel)	9668	2243	4.3	2	80	3	2.4
25	Sports Products	922	110	8.4	2	80	3	2.4
26	Sugar	6,023	5,970	1.0	2	80	3	2.4
27	Surgical, Precision, Optical Equipment	645	77	8.4	2	80	3	2.4
28	Textiles – Composite	13,111	10,539	1.2	2	80	3	2.4
29	Textiles - Knits & Knit Apparel	2,100	700	3.0	2	80	3	2.4
30	Textiles - Woven Apparel	20,000	8,000	2.5	2	80	3	2.4
31	Transport – Air (Others)	2,111	199	10.6	2	80	3	2.4
32	Carpets & Rugs	312	420	0.7	4	40	3	1.2
33	Textiles – Spinning	-2,109	4,132	-0.5	5	20	3	0.6
34	Textiles - Synthetic Fibers/Polyester	-1,037	314	-3.3	5	20	3	0.6
35	Transport – Air (PIA)	-45,358	13,585	-3.3	5	20	3	0.6

BY DEBT/EQUITY

Sector ranking, by the Debt/Equity (measures industry's average gearing level) is as follows:
Rank 1: Gearing level is low
Rank 5: Gearing level is high

S.NO.	SECTOR	Debt	Equity	Debt/Equity Ratio	Rank	% of Score	Max Score	Score
		(Rs.Mln)	(Rs.Mln)					
1	Agro-Chemicals	200	7,900	0.03	1	100	4.0	4.0
2	Automotive - Assemblers/Manufacturers	4,292	85,773	0.05	1	100	4.0	4.0
3	Cement	9,703	313,182	0.03	1	100	4.0	4.0
4	Fertilizers	17,713	274,974	0.06	1	100	4.0	4.0
5	Food, Beverages & Consumer Products	6,950	73,144	0.10	1	100	4.0	4.0
6	Information Technology	39,150	169,750	0.23	1	100	4.0	4.0
7	Sugar	2,980	36,161	0.08	1	100	4.0	4.0
8	Tobacco Products	445	27,386	0.02	1	100	4.0	4.0
9	Automotive - Parts & Accessories	4,408	25,275	0.17	1	100	4.0	4.0
10	Chemicals (inc. Plastic & Rubber Products)	14,985	67,478	0.22	1	100	4.0	4.0
11	Carpets & Rugs	1,225	1,400	0.88	4	80	4.0	3.2
12	Energy - Oil & Gas Exploration	275,578	799,179	0.34	2	80	4.0	3.2
13	Glass & Ceramics	4,016	17,386	0.23	2	80	4.0	3.2
14	Machinery & Equipment	2,490	17,381	0.14	2	80	4.0	3.2
15	Metallic Products (Iron & Steel)	5,077	42,978	0.12	2	80	4.0	3.2
16	Pharmaceuticals	6,090	49,564	0.12	2	80	4.0	3.2
17	Sports Products	4,167	22,800	0.18	2	80	4.0	3.2
18	Surgical, Precision, Optical Equipment	2,917	15,960	0.18	2	80	4.0	3.2
19	Telecommunications	19,651	106,344	0.18	2	80	4.0	3.2
20	Textiles – Composite	33,728	200,606	0.17	2	80	4.0	3.2
21	Textiles - Woven Apparel	11,000	80,000	0.14	2	80	4.0	3.2
22	Financial Institutions	152,083	1,092,189	0.14	2	80	4.0	3.2
23	Construction (General/Infrastructure)	218,000	508,000	0.43	3	60	4.0	2.4
24	Edible Oil	823	1,654	0.50	3	60	4.0	2.4
25	Energy - Oil (Petroleum Distribution/Marketing)	233,414	135,216	1.73	3	60	4.0	2.4
26	Energy - Oil (Petroleum Refining)	29,469	72,106	0.41	3	60	4.0	2.4
27	Energy – Indigenous/Non Indigenous/Other	316,858	236,441	1.34	3	60	4.0	2.4
28	Textiles - Fabrics (Weaving)	5,675	15,381	0.37	3	60	4.0	2.4
29	Textiles - Knits & Knit Apparel	17,500	26,600	0.66	3	60	4.0	2.4
30	Textiles – Spinning	18,613	27,900	0.67	3	60	4.0	2.4
31	Transport – Air (Others)	1,338	3,562	0.38	3	60	4.0	2.4
32	Energy - Gas Generation & Distribution	57,817	10,596	5.46	4	40	4.0	1.6
33	Leather Products	25,800	10,200	2.53	4	40	4.0	1.6
34	Textiles - Synthetic Fibers/Polyester	3,782	-14,170	-0.27	5	20	4.0	0.8
35	Transport – Air (PIA)	9,219	-249,135	-0.04	5	20	4.0	0.8

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 5: Industry's average measure of liquidity is low

S.NO.	SECTOR	Current Assets	Current Liabilities	Current Ratio	Rank	% of Score	Max Score	Score
		(Rs.Mln)	(Rs.Mln)					
1	Automotive - Parts & Accessories	26,087	10,692	2.44	1	100	4.0	4.0
2	Carpets & Rugs	5,180	4,270	1.21	1	100	4.0	4.0
3	Cement	154,287	80,011	1.93	1	100	4.0	4.0
4	Energy - Oil & Gas Exploration	620,867	174,100	3.57	1	100	4.0	4.0
5	Sports Products	25,478	5,547	4.59	1	100	4.0	4.0
6	Surgical, Precision, Optical Equipment	17,835	3,883	4.59	1	100	4.0	4.0
7	Automotive - Assemblers/Manufacturers	134,530	73,718	1.82	1	100	4.0	4.0
8	Construction (General/Infrastructure)	251,000	202,000	1.24	1	100	4.0	4.0
9	Edible Oil	2,593	1,720	1.51	1	100	4.0	4.0
10	Energy - Oil (Petroleum Distribution/Marketing)	462,010	369,194	1.25	1	100	4.0	4.0
11	Energy – Power(Indigenous/Non Indigenous/Other)	392,720	353,998	1.11	1	100	4.0	4.0
12	Financial Institutions	14,271,252	13,258,490	1.08	1	100	4.0	4.0
13	Food, Beverages & Consumer Products	75,769	73,589	1.03	1	100	4.0	4.0
14	Glass & Ceramics	15,314	12,605	1.21	1	100	4.0	4.0
15	Information Technology	90,000	37,850	2.38	1	100	4.0	4.0
16	Machinery & Equipment	6,045	3,764	1.61	1	100	4.0	4.0
17	Telecommunications	85,992	63,170	1.36	1	100	4.0	4.0
18	Fertilizers	203,568	144,605	1.41	1	100	4.0	4.0
19	Tobacco Products	26,502	15,776	1.68	1	100	4.0	4.0
20	Agro-Chemicals	800	500	1.60	1	100	4.0	4.0
21	Leather Products	39,000	34,200	1.14	1	100	4.0	4.0
22	Metallic Products (Iron & Steel)	45,504	38,048	1.20	1	100	4.0	4.0
23	Textiles - Fabrics (Weaving)	16,199	5,675	2.85	1	100	4.0	4.0
24	Transport – Air (Others)	3,853	3,303	1.17	1	100	4.0	4.0
25	Chemicals (inc. Plastic & Rubber Products)	79,265	90,056	0.88	2	80	4.0	3.2
26	Textiles - Woven Apparel	169,000	168,000	1.01	2	80	4.0	3.2
27	Energy - Gas Generation & Distribution	157,105	163,310	0.96	2	80	4.0	3.2
28	Energy - Oil (Petroleum Refining)	98,985	110,914	0.89	2	80	4.0	3.2
29	Pharmaceuticals	45,933	72,544	0.63	3	60	4.0	2.4
30	Textiles - Knits & Knit Apparel	49,000	58,800	0.83	3	60	4.0	2.4
31	Sugar	50,647	74,829	0.68	3	60	4.0	2.4
32	Textiles – Composite	184,429	479,805	0.38	4	40	4.0	1.6
33	Textiles – Spinning	70,038	169,420	0.41	4	40	4.0	1.6
34	Textiles - Synthetic Fibers/Polyester	13,445	81,645	0.16	5	20	4.0	0.8
35	Transport – Air (PIA)	36,185	227,285	0.16	5	20	4.0	0.8

BY QUICK RATIO

{Cash & Bank Balances(C&BB) +Trade Debtors (TD) +Short Term Investments (STI)}/Current Liabilities (CL)

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 5: Industry's average measure of liquidity is low

S.NO.	SECTOR	C&BB	TD	STI	CL	Quick Ratio	Rank	% of Score	Max Score	Score
		(Rs.Mln)	(Rs.Mln)	(Rs.Mln)	(Rs.Mln)					
1	Agro-Chemicals	600	200	0	500	1.60	1	100	3.0	3.0
2	Automotive - Assemblers/Manufacturers	26,963	4,292	49,369	73,718	1.09	1	100	3.0	3.0
3	Automotive - Parts & Accessories	1,678	4,408	6,970	10,692	1.22	1	100	3.0	3.0
4	Construction (General/Infrastructure)	33,000	218,000	0	202,000	1.24	1	100	3.0	3.0
5	Energy - Oil & Gas Exploration	27,745	275,578	40,098	174,100	1.97	1	100	3.0	3.0
6	Information Technology	9,850	39,150	0	37,850	1.29	1	100	3.0	3.0
7	Sports Products	1,896	4,167	0	5,547	1.09	1	100	3.0	3.0
8	Surgical, Precision, Optical Equipment	1,327	2,917	0	3,883	1.09	1	100	3.0	3.0
9	Textiles - Fabrics (Weaving)	221	5,675	563	5,675	1.14	1	100	3.0	3.0
10	Transport – Air (Others)	2,490	1,338	13	3,303	1.16	1	100	3.0	3.0
11	Energy-Indigenous/Non Indigenous/Other	8,741	316,858	3,078	353,998	0.93	2	80	3.0	2.4
12	Fertilizers	20,855	17,713	91,691	144,605	0.90	2	80	3.0	2.4
13	Pharmaceuticals	12,463	6,090	1,443	19,467	0.95	2	80	3.0	2.4
14	Telecommunications	6,587	19,651	24,439	63,170	0.80	2	80	3.0	2.4
15	Cement	40,856	9,702	19,913	80,011	0.63	3	60	3.0	1.8
16	Edible Oil	199	823	-	1,720	0.59	3	60	3.0	1.8
17	Energy - Oil (Petroleum Distribution/Marketing)	28,874	233,414	910	369,194	0.71	3	60	3.0	1.8
18	Energy - Oil (Petroleum Refining)	25,345	29,469	-	110,914	0.49	3	60	3.0	1.8
19	Financial Institutions	1,107,349	152,038	6,929,552	13,528,490	0.61	3	60	3.0	1.8
20	Glass & Ceramics	2,920	4,016	11	12,605	0.55	3	60	3.0	1.8
21	Leather Products	60	25,800	0	34,200	0.76	3	60	3.0	1.8
22	Machinery & Equipment	198	2,490	0	3,764	0.71	3	60	3.0	1.8
23	Textiles - Woven Apparel	91,000	11,000	-	168,000	0.61	3	60	3.0	1.8
24	Carpets & Rugs	35	1,225	0	4,270	0.30	4	40	3.0	1.2
25	Chemicals (inc. Plastic & Rubber Products)	7,955	14,985	7,902	90,056	0.34	4	40	3.0	1.2
26	Energy - Gas Generation & Distribution	3,648	57,817	0	163,310	0.38	4	40	3.0	1.2
27	Food, Beverages & Consumer Products	8,173	6,950	1,930	73,589	0.23	4	40	3.0	1.2
28	Metallic Products (Iron & Steel)	3,486	5,077	623	38,048	0.24	4	40	3.0	1.2
29	Textiles – Composite	3,130	33,728	11,524	183,252	0.26	4	40	3.0	1.2
30	Textiles - Knits & Knit Apparel	2,100	17,500	-	58,800	0.30	4	40	3.0	1.2
31	Textiles – Spinning	1,324	18,613	1,599	81,645	0.26	4	40	3.0	1.2
32	Sugar	4,972	2,980	3,206	74,829	0.11	5	20	3.0	0.6
33	Textiles - Synthetic Fibers/Polyester	145	3,782	-	35,425	0.11	5	20	3.0	0.6
34	Tobacco Products	338	445	980	15,776	0.05	5	20	3.0	0.6
35	Transport – Air (PIA)	8,224	9,219	24	227,285	0.08	5	20	3.0	0.6

BY CASH RATIO

Cash & Bank Balances(C&BB)/Current Liabilities (CL)

Sector ranking, by Cash Ratio (assesses the industry's average measures of liquidity) is as follows:
Rank 1: Industry's average measure of liquidity is high
Rank 5: Industry's average measure of liquidity is low

S.NO.	SECTOR	C&BB	CL	Cash Ratio	Rank	% of Score	Max Score	Score
		(Rs.Mln)	(Rs.Mln)					
1	Agro-Chemicals	600	500	1.20	1	100	2.0	2.0
2	Cement	40,856	80,011	0.51	3	60	2.0	1.2
3	Sports Products	1,896	5,547	0.51	3	60	2.0	1.2
4	Pharmaceuticals	12,463	19,467	0.64	3	60	2.0	1.2
5	Transport – Air (Others)	2,490	3,303	0.75	3	60	2.0	1.2
6	Automotive - Assemblers/Manufacturers	26,963	73,718	0.37	4	40	2.0	0.8
7	Sugar	4,972	74,829	0.37	4	40	2.0	0.8
8	Information Technology	9,850	37,850	0.26	4	40	2.0	0.8
9	Energy - Oil (Petroleum Refining)	25,345	110,914	0.23	4	40	2.0	0.8
10	Surgical, Precision, Optical Equipment	1,327	3,883	0.34	4	40	2.0	0.8
11	Textiles - Woven Apparel	91,000	168,000	0.54	4	40	2.0	0.8
12	Telecommunications	6,587	63,170	0.54	5	20	2.0	0.4
13	Food, Beverages & Consumer Products	8,173	73,589	0.11	5	20	2.0	0.4
14	Glass & Ceramics	2,920	12,605	0.11	5	20	2.0	0.4
15	Automotive - Parts & Accessories	1,678	10,692	0.16	5	20	2.0	0.4
16	Energy - Oil (Petroleum Distribution/Marketing)	28,874	369,194	0.08	5	20	2.0	0.4
17	Energy – Indigenous/Non Indigenous/Other	8,741	353,998	0.08	5	20	2.0	0.4
18	Financial Institutions	1,107,349	13,258,490	0.02	5	20	2.0	0.4
19	Leather Products	60	34,200	0.002	5	20	2.0	0.4
20	Tobacco Products	338	15,776	0.02	5	20	2.0	0.4
21	Carpets & Rugs	35	4,270	0.01	5	20	2.0	0.4
22	Chemicals (inc. Plastic & Rubber Products)	7,955	90,056	0.09	5	20	2.0	0.4
23	Construction (General/Infrastructure)	33,000	202,000	0.16	5	20	2.0	0.4
24	Edible Oil	199	1,720	0.12	5	20	2.0	0.4
25	Energy - Gas Generation & Distribution	3,648	163,310	0.02	5	20	2.0	0.4
26	Energy - Oil & Gas Exploration	27,745	174,100	0.16	5	20	2.0	0.4
27	Fertilizers	20,855	144,605	0.14	5	20	2.0	0.4
28	Machinery & Equipment	198	3,764	0.05	5	20	2.0	0.4
29	Metallic Products (Iron & Steel)	3,486	38,048	0.09	5	20	2.0	0.4
30	Textiles – Composite	3,130	183,252	0.02	5	20	2.0	0.4
31	Textiles - Fabrics (Weaving)	221	5,675	0.04	5	20	2.0	0.4
32	Textiles - Knits & Knit Apparel	2,100	58,800	0.04	5	20	2.0	0.4
33	Textiles – Spinning	1,324	81,645	0.02	5	20	2.0	0.4
34	Textiles - Synthetic Fibers/Polyester	144	35,425	0.004	5	20	2.0	0.4
35	Transport – Air (PIA)	8,224	227,285	0.04	5	20	2.0	0.4

BY PROFITABILITY

BY NET PROFIT MARGIN (Net Profit after Tax/Sales)

Sector ranking, by Net Profit Margin (profit margin and analysis of its stability and growth is important when deciding whether the sector will sustain its status as going concern) is as follows:
Rank 1: High Profit Margins
Rank 5: Low Profit Margins

S.NO.	SECTOR	NPAT	Sales	Net Profit Margin (%)	Rank	% of Score	Max Score	Score
		(Rs.Mln)	(Rs.Mln)					
1	Cement	64,899	308,785	21.02	1	100	3.0	3.0
2	Energy - Oil & Gas Exploration	118,297	346,861	34.11	1	100	3.0	3.0
3	Fertilizers	101,653	238,093	42.69	1	100	3.0	3.0
4	Financial Institutions	176,297	536,853	32.84	1	100	3.0	3.0
5	Information Technology	44,950	98,256	45.75	1	100	3.0	3.0
6	Automotive - Parts & Accessories	5,810	42,957	13.53	2	80	3.0	2.4
7	Energy-Indigenous/Non Indigenous/Other	63,238	445,456	14.20	2	80	3.0	2.4
8	Pharmaceuticals	11,509	87,249	13.19	2	80	3.0	2.4
9	Telecommunications	8,867	81,840	10.83	2	80	3.0	2.4
10	Tobacco Products	11,126	60,107	18.51	2	80	3.0	2.4
11	Automotive - Assemblers/Manufacturers	25,606	324,230	7.90	3	60	3.0	1.8
12	Chemicals (inc. Plastic & Rubber Products)	15,110	216,720	6.97	3	60	3.0	1.8
13	Construction (General/Infrastructure)	28,000	321,000	8.72	3	60	3.0	1.8
14	Food, Beverages & Consumer Products	21,093	266,161	7.92	3	60	3.0	1.8
15	Glass & Ceramics	2,365	30,917	7.65	3	60	3.0	1.8
16	Leather Products	2,400	36,183	6.63	3	60	3.0	1.8
17	Machinery & Equipment	572	9,900	5.78	3	60	3.0	1.8
18	Metallic Products (Iron & Steel)	7,203	95,502	7.54	3	60	3.0	1.8
19	Agro-Chemicals	20	700	2.86	4	40	3.0	1.2
20	Carpets & Rugs	297	8,054	3.69	4	40	3.0	1.2
21	Edible Oil	165	7,115	2.32	4	40	3.0	1.2
22	Energy - Gas Generation & Distribution	8,615	319,935	2.69	4	40	3.0	1.2
23	Energy - Oil (Petroleum Distribution/Marketing)	31,505	1,393,840	2.26	4	40	3.0	1.2
24	Energy - Oil (Petroleum Refining)	15,887	401,400	3.96	4	40	3.0	1.2
25	Sports Products	610	32,285	1.89	4	40	3.0	1.2
26	Sugar	5,410	166,732	3.24	4	40	3.0	1.2
27	Surgical, Precision, Optical Equipment	427	35,541	1.20	4	40	3.0	1.2
28	Textiles – Composite	10,579	334,021	3.17	4	40	3.0	1.2
29	Textiles - Fabrics (Weaving)	2,543	34,452	7.38	4	40	3.0	1.2
30	Textiles - Woven Apparel	13,000	417,322	3.12	4	40	3.0	1.2
31	Transport – Air (Others)	1,331	44,325	3.00	4	40	3.0	1.2
32	Textiles - Knits & Knit Apparel	1,400	247,242	0.57	5	20	3.0	0.6
33	Textiles – Spinning	-2,888	150,895	-1.91	5	20	3.0	0.6
34	Textiles - Synthetic Fibers/Polyester	-873	20,644	-4.23	5	20	3.0	0.6
35	Transport – Air (PIA)	-45,240	101,224	-44.69	5	20	3.0	0.6

BY TOTAL ASSETS TURNOVER (Sales/Total Assets)

Sector ranking, by Total Assets Turnover (assesses the industry's average turnover) is as follows:
Rank 1: The industry is sufficiently using its assets in generating revenues
Rank 5: The industry is inefficient in generating revenues

S.NO.	SECTOR	Sales	Total Assets	Total Assets Turnover Ratio	Rank	% of Score	Max Score	Score
		(Rs.Mln)	(Rs.Mln)					
1	Automotive - Assemblers/Manufacturers	324,230	165,922	1.95	1	100	1.0	1.0
2	Automotive - Parts & Accessories	42,957	37,761	1.00	1	100	1.0	1.0
3	Chemicals (inc. Plastic & Rubber Products)	216,720	207,129	1.05	1	100	1.0	1.0
4	Edible Oil	7,115	3,546	2.01	1	100	1.0	1.0
5	Energy - Gas Generation & Distribution	319,935	324,187	0.99	1	100	1.0	1.0
6	Energy - Oil (Petroleum Refining)	401,400	234,412	1.71	1	100	1.0	1.0
7	Energy-Oil (Petroleum Distribution/Marketing)	1,393,840	517,971	2.69	1	100	1.0	1.0
8	Food, Beverages & Consumer Products	266,161	175,599	1.52	1	100	1.0	1.0
9	Pharmaceuticals	87,249	72,544	1.20	1	100	1.0	1.0
10	Sports Products	32,285	28,347	1.14	1	100	1.0	1.0
11	Surgical, Precision, Optical Equipment	35,541	19,843	1.79	1	100	1.0	1.0
12	Textiles - Fabrics (Weaving)	34,452	32,928	1.05	1	100	1.0	1.0
13	Textiles - Knits & Knit Apparel	247,242	86,800	2.85	1	100	1.0	1.0
14	Textiles - Woven Apparel	417,322	277,000	1.51	1	100	1.0	1.0
15	Transport – Air (Others)	44,325	13,095	3.38	1	100	1.0	1.0
16	Carpets & Rugs	8,054	9,240	0.87	2	80	1.0	0.8
17	Leather Products	36,183	44,700	0.81	2	80	1.0	0.8
18	Metallic Products (Iron & Steel)	95,502	102,441	0.93	2	80	1.0	0.8
19	Sugar	166,732	172,813	0.96	2	80	1.0	0.8
20	Textiles – Spinning	150,895	169,420	0.89	2	80	1.0	0.8
21	Cement	308,785	502,292	0.61	3	60	1.0	0.6
22	Energy-Indigenous/Non Indigenous/Other	445,456	739,810	0.60	3	60	1.0	0.6
23	Glass & Ceramics	30,917	35,184	0.88	3	60	1.0	0.6
24	Textiles – Composite	334,021	479,805	0.70	3	60	1.0	0.6
25	Textiles - Synthetic Fibers/Polyester	20,644	34,462	0.60	3	60	1.0	0.6
26	Construction (General/Infrastructure/Sovereign Guarantees)	321,000	710,000	0.45	4	40	1.0	0.4
27	Energy - Oil & Gas Exploration	346,861	1,062,819	0.33	4	40	1.0	0.4
28	Fertilizers	238,093	534,246	0.45	4	40	1.0	0.4
29	Information Technology	98,256	209,100	0.47	4	40	1.0	0.4
30	Machinery & Equipment	9,900	23,490	0.42	4	40	1.0	0.4
31	Telecommunications	81,840	212,789	0.38	4	40	1.0	0.4
32	Transport – Air (PIA)	101,224	210,224	0.48	4	40	1.0	0.4
33	Agro-Chemicals	700	8,400	0.08	5	20	1.0	0.2
34	Financial Institutions	536,853	14,385,782	0.04	5	20	1.0	0.2
35	Tobacco Products	60,107	45,146	1.33	1	100	1.0	0.2

BY ROA (Net Profit/Total Assets) & ROE (Net Profit/Total Equity)

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	Total Equity	ROA %	ROE %	Rank	% of Score	Max Score	Score
		(Rs.Mln)	(Rs.Mln)	(Rs.Mln)						
1	Automotive - Assemblers/Manufacturers	25,606	165,922	85,773	15.43	29.85	1	100	3.0	3.0
2	Automotive - Parts & Accessories	5,810	37,761	25,275	15.39	22.99	1	100	3.0	3.0
3	Energy - Oil & Gas Exploration	118,297	1,062,819	799,179	11.13	14.80	1	100	3.0	3.0
4	Fertilizers	101,653	534,246	274,974	19.03	36.97	1	100	3.0	3.0
5	Food, Beverages & Consumer Products	21,093	175,599	73,144	12.01	28.84	1	100	3.0	3.0
6	Information Technology	44,950	209,100	169,750	21.50	26.48	1	100	3.0	3.0
7	Metallic Products (Iron & Steel)	118,297	102,441	42,978	115.48	275.25	1	100	3.0	3.0
8	Pharmaceuticals	11,509	72,544	49,564	15.86	23.22	1	100	3.0	3.0
9	Tobacco Products	11,126	45,146	27,386	24.64	40.63	1	100	3.0	3.0
10	Carpets & Rugs	297	9,240	1,400	3.21	21.21	2	80	3.0	2.4
11	Cement	64,899	502,292	313,182	12.92	20.72	2	80	3.0	2.4
12	Chemicals (inc. Plastic & Rubber Products)	15,110	207,129	67,478	7.29	22.39	2	80	3.0	2.4
13	Energy - Gas Generation & Distribution	8,615	324,187	10,596	2.66	81.30	2	80	3.0	2.4
14	Energy – Indigenous/Non Indigenous/Other	63,238	739,810	236,441	8.55	26.75	2	80	3.0	2.4
15	Energy - Oil (Petroleum Distribution/Marketing)	31,505	517,970	135,216	6.08	23.30	2	80	3.0	2.4
16	Energy - Oil (Petroleum Refining)	15,887	234,412	72,106	6.78	22.03	2	80	3.0	2.4
17	Leather Products	2,400	44,700	10,200	5.37	23.53	2	80	3.0	2.4
18	Transport – Air (Others)	1,331	13,095	3,562	10.16	37.37	2	80	3.0	2.4
19	Financial Institutions	176,297	14,385,782	1,415,638	1.23	12.45	3	60	3.0	1.8
20	Glass & Ceramics	2,365	35,184	17,386	6.72	13.60	3	60	3.0	1.8
21	Sugar	5,410	172,813	36,161	3.13	14.96	3	60	3.0	1.8
22	Textiles - Fabrics (Weaving)	2,543	32,928	15,381	7.72	16.53	3	60	3.0	1.8
23	Textiles - Woven Apparel	13,000	277,000	80,000	4.69	16.25	3	60	3.0	1.8
24	Construction (General/Infrastructure/Sovereign Guarantees)	28,000	710,000	508,000	3.94	5.51	4	40	3.0	1.2
25	Edible Oil	165	3,546	1,654	4.65	9.98	4	40	3.0	1.2
26	Machinery & Equipment	572	23,490	17,381	2.44	3.29	4	40	3.0	1.2
27	Sports Products	610	28,347	22,800	2.15	2.68	4	40	3.0	1.2
28	Surgical, Precision, Optical Equipment	427	19,843	15,960	2.15	2.68	4	40	3.0	1.2
29	Telecommunications	8,867	212,789	106,344	4.17	8.34	4	40	3.0	1.2
30	Textiles – Composite	10,579	479,805	200,606	2.20	5.27	4	40	3.0	1.2
31	Textiles - Knits & Knit Apparel	1,400	86,800	26,600	1.61	5.26	4	40	3.0	1.2
32	Transport – Air (PIA)	-45,240	210,574	-249,135	-21.48	18.16	4	40	3.0	1.2
33	Agro-Chemicals	20	8,400	7,900	0.24	0.25	5	20	3.0	0.6
34	Textiles – Spinning	-2,888	169,420	27,900	-1.70	-10.35	5	20	3.0	0.6
35	Textiles - Synthetic Fibers/Polyester	-873	34,462	-14,170	-2.53	6.16	5	20	3.0	0.6

BY SOLVENCY

Sector ranking, by Solvency (this is an assessment of the relative ease with which the borrowers in industry in general might be able to raise funds from the external market based on various factors. If major organizations in the industry have backing from other organizations, or organizations are part of groups or conglomerates, the industry is more likely to survive an economic catastrophe) is as follows:

Rank 1: Less dependent on funding/guarantee support
Rank 5: Highly dependent on funding/guarantee support

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Energy - Gas Generation & Distribution	1	100	2.0	2.0
2	Energy - Oil & Gas Exploration	1	100	2.0	2.0
3	Sports Products	1	100	2.0	2.0
4	Surgical, Precision, Optical Equipment	1	100	2.0	2.0
5	Carpets & Rugs	1	100	2.0	2.0
6	Fertilizers	1	100	2.0	2.0
7	Automotives - Assemblers/Manufacturers	2	80	2.0	1.6
8	Agro-Chemicals	2	80	2.0	1.6
9	Construction (General/Infrastructure)	2	80	2.0	1.6
10	Financial Institutions	2	80	2.0	1.6
11	Food, Beverages & Consumer Products	2	80	2.0	1.6
12	Energy - Oil (Petroleum Refining)	2	80	2.0	1.6
13	Energy-Power(Indigenous/Non Indigenous/Other)	2	60	2.0	1.6
14	Information Technology	2	80	2.0	1.6
15	Pharmaceuticals	2	80	2.0	1.6
16	Tobacco Products	2	80	2.0	1.6
17	Edible Oil	3	60	2.0	1.2
18	Glass & Ceramics	3	60	2.0	1.2
19	Textiles – Spinning	3	60	2.0	1.2
20	Cement	3	60	2.0	1.2
21	Energy - Oil (Petroleum Distribution/Marketing)	3	60	2.0	1.2
22	Leather Products	3	60	2.0	1.2
23	Textiles - Fabrics (Weaving)	3	60	2.0	1.2
24	Automotive - Parts & Accessories	3	60	2.0	1.2
25	Metallic Products (Iron & Steel)	3	60	2.0	1.2
26	Chemicals (inc. Plastic & Rubber Products)	4	40	2.0	0.8
27	Textiles – Composite	4	40	2.0	0.8
28	Sugar	4	40	2.0	0.8
29	Telecommunications	4	40	2.0	0.8
30	Textiles - Knits & Knit Apparel	4	40	2.0	0.8
31	Textiles - Woven Apparel	4	40	2.0	0.8
32	Transport – Air (Others)	4	40	2.0	0.8
33	Machinery & Equipment	4	40	2.0	0.8
34	Textiles - Synthetic Fibers/Polyester	5	20	2.0	0.4
35	Transport – Air (PIA)	5	20	2.0	0.4

COMPOSITE RANKING BY PROFITABILITY/FINANCIAL STRENGTH

Composite ranking, by the Profitability & Financial Strength, is as follows:

S.NO.	SECTOR	MAXIMUM SCORE	SCORE
1	Information Technology	25.0	22.8
2	Automotive - Assemblers/Manufacturers	25.0	22.2
3	Automotive - Parts & Accessories	25.0	22.0
4	Energy - Oil & Gas Exploration	25.0	22.0
5	Fertilizers	25.0	21.6
6	Cement	25.0	21.2
7	Pharmaceuticals	25.0	20.2
8	Tobacco Products	25.0	20.0
9	Food, Beverages & Consumer Products	25.0	19.4
10	Sports Products	25.0	19.2
11	Agro-Chemicals	25.0	19.0
12	Surgical, Precision, Optical Equipment	25.0	18.8
13	Energy-Power (Indigenous/Non Indigenous/Other)	25.0	18.6
14	Financial Institutions	25.0	18.4
15	Transport – Air (PIA)	25.0	18.4
16	Metallic Products (Iron & Steel)	25.0	18.0
17	Textiles - Fabrics (Weaving)	25.0	18.0
18	Telecommunications	25.0	17.8
19	Chemicals (inc. Plastic & Rubber Products)	25.0	17.2
20	Construction (General/Infrastructure)	25.0	17.2
21	Glass & Ceramics	25.0	17.2
22	Energy - Oil (Petroleum Distribution/Marketing)	25.0	16.8
23	Energy - Oil (Petroleum Refining)	25.0	16.8
24	Carpets & Rugs	25.0	16.4
25	Leather Products	25.0	16.4
26	Textiles - Woven Apparel	25.0	16.2
27	Machinery & Equipment	25.0	16.0
28	Edible Oil	25.0	15.6
29	Energy - Gas Generation & Distribution	25.0	15.4
30	Sugar	25.0	14.8
31	Textiles – Composite	25.0	12.6
32	Textiles - Knits & Knit Apparel	25.0	12.4
33	Textiles – Spinning	25.0	9.4
34	Transport – Air (Others)	25.0	5.8
35	Textiles - Synthetic Fibers/Polyester	25.0	5.4

BY BUSINESS OUTLOOK & MACROENVIRONMENT

BY BUSINESS OUTLOOK

Sector ranking, by Business Outlook (this represents an assessment of the industry outlook in terms of expansion / contraction of business, earnings and cash flows etc) is as follows:
Rank 1: Business outlook is stable
Rank 5: Business outlook is unstable

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Sugar	1	100	19.0	19.0
2	Automotive - Assemblers/Manufacturers	2	80	19.0	15.2
3	Automotive - Parts & Accessories	2	80	19.0	15.2
4	Cement	2	80	19.0	15.2
5	Construction (Infrastructure)	2	80	19.0	15.2
6	Energy - Oil & Gas Exploration	2	80	19.0	15.2
7	Energy-Power (Indigenous)	2	80	19.0	15.2
8	Financial Institutions	2	80	19.0	15.2
9	Food, Beverages & Consumer Products	2	80	19.0	15.2
10	Glass & Ceramics	2	80	19.0	15.2
11	Sports Products	2	80	19.0	15.2
12	Surgical, Precision, Optical Equipment	2	80	19.0	15.2
13	Textiles - Synthetic Fibers/Polyester	2	80	19.0	15.2
14	Transport – Air (PIA)	2	80	19.0	15.2
15	Agro-Chemicals	3	60	19.0	11.4
16	Chemicals (inc. Plastic & Rubber Products)	3	60	19.0	11.4
17	Construction (General)	3	60	19.0	11.4
18	Edible Oil	3	60	19.0	11.4
19	Energy - Gas Generation & Distribution	3	60	19.0	11.4
20	Energy - Oil (Petroleum Distribution/Marketing)	3	60	19.0	11.4
21	Energy-Power (Non Indigenous)	3	60	19.0	11.4
22	Fertilizers	3	60	19.0	11.4
23	Information Technology	3	60	19.0	11.4
24	Machinery & Equipment	3	60	19.0	11.4
25	Metallic Products (Iron & Steel)	3	60	19.0	11.4
26	Pharmaceuticals	3	60	19.0	11.4
27	Telecommunications	3	60	19.0	11.4
28	Textiles – Composite	3	60	19.0	11.4
29	Textiles – Spinning	3	60	19.0	11.4
30	Tobacco Products	3	60	19.0	11.4
31	Energy - Oil (Petroleum Refining)	4	40	19.0	7.6
32	Energy – Other (Circular Debt)	4	40	19.0	7.6
33	Textiles - Fabrics (Weaving)	4	40	19.0	7.6
34	Textiles - Knits & Knit Apparel	4	40	19.0	7.6
35	Textiles - Woven Apparel	4	40	19.0	7.6
36	Transport -Air (Others)	4	40	19.0	7.6
37	Carpets & Rugs	5	20	19.0	3.8
38	Leather Products	5	20	19.0	3.8

BY INDUSTRY/BUSINESS LIFE CYCLE

Sector ranking, by Industry/Business Life Cycle (the factor is an assessment of the stage of life cycle of the industry. This is critical to evaluate the business future growth, stability or decline) is as follows:
Rank 1: Business Life Cycle is largely steady
Rank 5: Business Life Cycle is unsteady

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Energy - Gas Generation & Distribution	1	100	7.0	7.0
2	Energy - Oil & Gas Exploration	1	100	7.0	7.0
3	Sports Products	1	100	7.0	7.0
4	Surgical, Precision, Optical Equipment	1	100	7.0	7.0
5	Cement	2	80	7.0	5.6
6	Chemicals (inc. Plastic & Rubber Products)	2	80	7.0	5.6
7	Edible Oil	2	80	7.0	5.6
8	Energy - Oil (Petroleum Distribution/Marketing)	2	80	7.0	5.6
9	Energy - Oil (Petroleum Refining)	2	80	7.0	5.6
10	Energy-Power (Indigenous)	2	80	7.0	5.6
11	Energy-Power (Non Indigenous)	2	80	7.0	5.6
12	Fertilizers	2	80	7.0	5.6
13	Financial Institutions	2	80	7.0	5.6
14	Food, Beverages & Consumer Products	2	80	7.0	5.6
15	Machinery & Equipment	2	80	7.0	5.6
16	Pharmaceuticals	2	80	7.0	5.6
17	Telecommunications	2	80	7.0	5.6
18	Tobacco Products	2	80	7.0	5.6
19	Agro-Chemicals	3	60	7.0	4.2
20	Automotive - Assemblers/Manufacturers	3	60	7.0	4.2
21	Automotive - Parts & Accessories	3	60	7.0	4.2
22	Construction (General)	3	60	7.0	4.2
23	Construction (Infrastructure)	3	60	7.0	4.2
24	Glass & Ceramics	3	60	7.0	4.2
25	Leather Products	3	60	7.0	4.2
26	Metallic Products (Iron & Steel)	3	60	7.0	4.2
27	Sugar	3	60	7.0	4.2
28	Transport-Air (Others)	3	60	7.0	4.2
29	Carpets & Rugs	4	40	7.0	2.8
30	Energy - Other (Circular Debt)	4	40	7.0	2.8
31	Information Technology	4	40	7.0	2.8
32	Textiles – Composite	4	40	7.0	2.8
33	Textiles - Fabrics (Weaving)	4	40	7.0	2.8
34	Textiles - Knits & Knit Apparel	4	40	7.0	2.8
35	Textiles – Spinning	4	40	7.0	2.8
36	Textiles - Synthetic Fibers/Polyester	4	40	7.0	2.8
37	Textiles - Woven Apparel	4	40	7.0	2.8
38	Transport-Air (PIA)	4	40	7.0	2.8

BY CORRELATION WITH GDP GROWTH

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 5: Highly correlated with GDP growth

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Sports Products	1	100	6.0	6.0
2	Surgical, Precision, Optical Equipment	1	100	6.0	6.0
3	Food, Beverages & Consumer Products	2	80	6.0	4.8
4	Information Technology	2	80	6.0	4.8
5	Leather Products	2	80	6.0	4.8
6	Machinery & Equipment	2	80	6.0	4.8
7	Pharmaceuticals	2	80	6.0	4.8
8	Textiles – Composite	2	80	6.0	4.8
9	Textiles - Fabrics (Weaving)	2	80	6.0	4.8
10	Textiles - Knits & Knit Apparel	2	80	6.0	4.8
11	Textiles – Spinning	2	80	6.0	4.8
12	Textiles - Synthetic Fibers/Polyester	2	80	6.0	4.8
13	Textiles - Woven Apparel	2	80	6.0	4.8
14	Tobacco Products	2	80	6.0	4.8
15	Agro-Chemicals	3	60	6.0	3.6
16	Carpets & Rugs	3	60	6.0	3.6
17	Cement	3	60	6.0	3.6
18	Chemicals (inc. Plastic & Rubber Products)	3	60	6.0	3.6
19	Edible Oil	3	60	6.0	3.6
20	Energy - Oil & Gas Exploration	3	60	6.0	3.6
21	Energy - Oil (Petroleum Distribution/Marktng)	3	60	6.0	3.6
22	Energy - Oil (Petroleum Refining)	3	60	6.0	3.6
23	Energy – Other (Circular Debt)	3	60	6.0	3.6
24	Energy - Power (Indigenous)	3	60	6.0	3.6
25	Energy - Power (Non Indigenous)	3	60	6.0	3.6
26	Fertilizers	3	60	6.0	3.6
27	Financial Institutions	3	60	6.0	3.6
28	Glass & Ceramics	3	60	6.0	3.6
29	Metallic Products (Iron & Steel)	3	60	6.0	3.6
30	Sugar	3	60	6.0	3.6
31	Transport-Air (Others)	3	60	6.0	3.6
32	Transport-Air (PIA)	3	60	6.0	3.6
33	Automotive - Assemblers/Manufacturers	4	40	6.0	2.4
34	Automotive - Parts & Accessories	4	40	6.0	2.4
35	Construction (General)	4	40	6.0	2.4
36	Construction (Infrastructure)	4	40	6.0	2.4
37	Energy - Gas Generation & Distribution	4	40	6.0	2.4
38	Telecommunications	4	40	6.0	2.4

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 (driven by sector's contribution in GDP / sector's relative importance to economy etc.) 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 5: Low future expectations to avail significant support from government

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Energy - Gas Generation & Distribution	1	100	13.0	13.0
2	Energy - Oil & Gas Exploration	1	100	13.0	13.0
3	Energy - Oil (Petroleum Distribution/Marketing)	1	100	13.0	13.0
4	Energy - Other (Circular Debt)	1	100	13.0	13.0
5	Construction (General)	2	80	13.0	10.4
6	Construction (Infrastructure)	2	80	13.0	10.4
7	Energy - Oil (Petroleum Refining)	2	80	13.0	10.4
8	Energy - Power (Indigenous)	2	80	13.0	10.4
9	Energy - Power (Non Indigenous)	2	80	13.0	10.4
10	Metallic Products (Iron & Steel)	2	80	13.0	10.4
11	Automotive - Assemblers/Manufacturers	3	60	13.0	7.8
12	Automotive - Parts & Accessories	3	60	13.0	7.8
13	Cement	3	60	13.0	7.8
14	Chemicals (inc. Plastic & Rubber Products)	3	60	13.0	7.8
15	Fertilizers	3	60	13.0	7.8
16	Financial Institutions	3	60	13.0	7.8
17	Food, Beverages & Consumer Products	3	60	13.0	7.8
18	Glass & Ceramics	3	60	13.0	7.8
19	Pharmaceuticals	3	60	13.0	7.8
20	Sports Products	3	60	13.0	7.8
21	Sugar	3	60	13.0	7.8
22	Surgical, Precision, Optical Equipment	3	60	13.0	7.8
23	Telecommunications	3	60	13.0	7.8
24	Tobacco Products	3	60	13.0	7.8
25	Transport - Air (Others)	3	60	13.0	7.8
26	Transport - Air (PIA)	3	60	13.0	7.8
27	Agro-Chemicals	4	40	13.0	5.2
28	Carpets & Rugs	4	40	13.0	5.2
29	Edible Oil	4	40	13.0	5.2
30	Machinery & Equipment	4	40	13.0	5.2
31	Textiles – Composite	4	40	13.0	5.2
32	Textiles – Spinning	4	40	13.0	5.2
33	Textiles - Synthetic Fibers/Polyester	4	40	13.0	5.2
34	Information Technology	5	20	13.0	2.6
35	Leather Products	5	20	13.0	2.6
36	Textiles - Fabrics (Weaving)	5	20	13.0	2.6
37	Textiles - Knits & Knit Apparel	5	20	13.0	2.6
38	Textiles - Woven Apparel	5	20	13.0	2.6

COMPOSITE RANKING BY BUSINESS OUTLOOK & MACRO ENVIRONMENT

Composite ranking, by the Business Outlook & Macro environment, is as follows:

S.NO.	SECTOR	MAXIMUM SCORE	SCORE
1	Energy - Oil & Gas Exploration	45.0	38.8
2	Sports Products	45.0	36.0
3	Surgical, Precision, Optical Equipment	45.0	36.0
4	Energy - Power (Indigenous)	45.0	34.8
5	Sugar	45.0	34.6
6	Energy - Gas Generation & Distribution	45.0	33.8
7	Energy - Oil (Petroleum Distribution/Marketing)	45.0	33.6
8	Food, Beverages & Consumer Products	45.0	33.4
9	Cement	45.0	32.2
10	Construction (Infrastructure)	45.0	32.2
11	Financial Institutions	45.0	32.2
12	Energy - Power (Non Indigenous)	45.0	31.0
13	Glass & Ceramics	45.0	30.8
14	Transport – Air (Others)	45.0	30.8
15	Automotives - Assemblers/Manufacturers	45.0	29.6
16	Automotives - Parts & Accessories	45.0	29.6
17	Metallic Products (Iron & Steel)	45.0	29.6
18	Pharmaceuticals	45.0	29.6
19	Tobacco Products	45.0	29.6
20	Chemicals (inc. Plastic & Rubber Products)	45.0	28.4
21	Construction (General)	45.0	28.4
22	Fertilizers	45.0	28.4
23	Textiles - Synthetic Fibers/Polyester	45.0	28.0
24	Energy - Oil (Petroleum Refining)	45.0	27.2
25	Telecommunications	45.0	27.2
26	Energy – Other (Circular Debt)	45.0	27.0
27	Machinery & Equipment	45.0	27.0
28	Edible Oil	45.0	25.8
29	Agro-Chemicals	45.0	24.4
30	Textiles – Composite	45.0	24.2
31	Textiles – Spinning	45.0	24.2
32	Transport – Air (PIA)	45.0	21.8
33	Information Technology	45.0	21.6
34	Textiles - Fabrics (Weaving)	45.0	17.8
35	Textiles - Knits & Knit Apparel	45.0	17.8
36	Textiles - Woven Apparel	45.0	17.8
37	Carpets & Rugs	45.0	15.4
38	Leather Products	45.0	15.4

COMPOSITE INDUSTRY RANKINGS 2018

Summating all the category scores we get the following rankings, net scores *and the proposed strategic classification* for each sector:

S.NO.	SECTOR	NET SCORE	CATEGORY	RANGE
1	Energy-Oil & Gas Exploration & Production	82.4	HIGHLY ATTRACTIVE	>80
2	Construction (Infrastructure/Sovereign Guarantees)	75.0	ATTRACTIVE	70-80
3	Financial Institutions	74.5	ATTRACTIVE	70-80
4	Energy-Gas Generation & Distribution	74.4	ATTRACTIVE	70-80
5	Food, Beverages & Consumer Products	74.4	ATTRACTIVE	70-80
6	Sports Products	73.8	ATTRACTIVE	70-80
7	Surgical, Precision, Optical Equipment	73.4	ATTRACTIVE	70-80
8	Energy-Oil (Petroleum Distribution/Marketing)	73.2	ATTRACTIVE	70-80
9	Energy-Power Generation(IPPs-Indigenous Resource Based)	72.0	ATTRACTIVE	70-80
10	Energy-Power Generation(IPPs-Non Indigenous Resource Based)	70.8	ATTRACTIVE	70-80
11	Cement	70.2	ATTRACTIVE	70-80
12	Construction (General)	69.8	ATTRACTIVE	70-80
13	Automotive-Assemblers/Manufacturers	68.9	AVERAGE	50-69
14	Pharmaceuticals	68.7	AVERAGE	50-69
15	Tobacco Products	68.7	AVERAGE	50-69
16	Automotive-Parts & Accessories	68.6	AVERAGE	50-69
17	Glass & Ceramics	68.6	AVERAGE	50-69
18	Energy-Other (Circular Debt/Sovereign Guarantees)	68.3	AVERAGE	50-69
19	Sugar	68.0	AVERAGE	50-69
20	Transport – Air (Others)	67.9	AVERAGE	50-69
21	Metallic Products (Iron & Steel)	67.7	AVERAGE	50-69
22	Energy-Oil (Petroleum Refining)	67.6	AVERAGE	50-69
23	Fertilizers	67.4	AVERAGE	50-69
24	Chemicals (inc. Plastic & Rubber Products)	64.7	AVERAGE	50-69
25	Machinery & Equipment	63.6	AVERAGE	50-69
26	Telecommunications	63.6	AVERAGE	50-69
27	Information Technology	60.3	AVERAGE	50-69
28	Agro-Chemicals	58.0	AVERAGE	50-69
29	Edible Oil	57.5	AVERAGE	50-69
30	Textiles – Composite	52.3	AVERAGE	50-69
31	Textiles - Synthetic Fibers/Polyester	52.1	AVERAGE	50-69
32	Textiles – Spinning	48.9	WATCH/HOLD	40-49
33	Textiles - Woven Apparel	48.9	WATCH/HOLD	40-49
34	Textiles - Fabrics (Weaving)	48.7	WATCH/HOLD	40-49
35	Transport – Air (PIA)	46.5	WATCH/HOLD	40-49
36	Leather Products	46.2	WATCH/HOLD	40-49
37	Carpets & Rugs	45.8	WATCH/HOLD	40-49
38	Textiles - Knits & Knit Apparel	43.1	WATCH/HOLD	40-49

* Bank should be careful for all other forms of financing except short term working capital financing for sectors listed in the Watch/Hold category.

SMEDA MICRO SECTOR SYNOPSIS:

INDICATIVE FINANCIALS (SINGLE UNIT), CRITICAL SUCCESS FACTORS & KEY RISKS/ISSUES

ENGINEERING WORKSHOP-SUBCONTRACTING

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	2,881

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act**/Est	573
C.	**Financial Charges**	**Act**/Est	70
D.	**PAT**	**Act**/Est	555

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act**/Est	2,523
F.	*Current Assets*	**Act**/Est	1,928
G.	*Cash & Bank Balances*	**Act**/Est	1,551
H.	*Total Debt*	**Act**/Est	761
J.	*Total Equity*	**Act**/Est	1,720
K.	*Current Liabilities*	**Act**/Est	21
L.	*Total Liabilities*	**Act**/Est	802

ENGINEERING WORKSHOP-SUBCONTRACTING:

Sector Outline:

Engineering Workshop – Subcontracting falls in the segment of light engineering sector. Engineering Workshop – Subcontracting, will not manufacture its own products, instead it will provide job work facilities to the light engineering sector. This practice is prevalent in the majority of such workshops. The workshop will provide services to the manufacturers of electrical home appliances, pumps, textile sector, machinery repair shops, auto part makers, etc. This business activity is more suitable for an entrepreneur with mechanical technology background. The prospective entrepreneurs are also recommended to have previous workshop floor experience. Major capital investment is in the procurement and installation of lathe, shaper and cylindrical grinding machines.

The workshop will provide machining facility for engineering products such as washing machines, electric motor rotor shafts. A variety of machining services can be carried out on the machinery set proposed under this project, however, for the purpose of calculating cost and revenues, work equivalent to electric motor shaft L18" x D½" has been taken as a standard item. Most subcontracting workshops are part of small and medium scale industry and are operating in cities like Peshawar, Lahore, Gujranwala, Faisalabad, Karachi etc., as a service provider. Other options could be near an industrial complex like large fertilizer, oil or power units off major highways.

The workshop is proposed to operate 8 hours daily. The business will provide employment opportunity to 3 individuals including the owner manager.

Critical Success Factors:

- Technical know-how and relevant experience of entrepreneur.
- Availability of skilled labor having technical knowledge.
- Ability to generate work orders through industrial networking, direct marketing and negotiating long term contracts.
- Utilization of job costing and job card with technical specifications sheet.

Key Risks:

- The entrepreneur should have knowledge and few years' experience in the engineering field related to small sized parts manufacturing or repairing / rebuilding of engines / gear boxes / differentials sub-assemblies.
- If in manufacturing, should be able to read engineering drawings, inspect the dies ordered for blanking / slitting / bending / shaping operations, understand fabrications, know where to find proper grade sheet metal / alloy bars etc.

FURNITURE MANUFACTURING UNIT-WOODEN

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	26,367		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	3,454		
C.	**Financial Charges**	**Act**/Est	90		
D.	**PAT**	**Act**/Est	2,868		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	10,881		
F.	*Current Assets*	**Act**/Est	10,368		
G.	*Cash & Bank Balances*	**Act**/Est	4,802		
H.	*Total Debt*	**Act**/Est	983		
J.	*Total Equity*	**Act**/Est	8,203		
K.	*Current Liabilities*	**Act**/Est	520		
L.	*Total Liabilities*	**Act**/Est	2,678		

FURNITURE MANUFACTURING UNIT-WOODEN:

Sector Outline:

This unit is capable of producing different types of wooden furniture i.e. bed sets, dinning sets, sofa sets, center tables, tables for sofa set and office furniture. The entire finished product depends on the quality of wood. Detailed technical know-how about the quality of wood and the use of seasoned / dry wood plays a vital role in the manufacturing of quality furniture. It is recommended that dry wood, from forests is used for manufacturing quality wooden furniture. Forest reserves like Changa Manga, Pakhowal, Kundian, Chicha watni, Bahawalpur and other forests are potential sources of quality wood. Furniture manufacturing units in Pakistan mostly use Sheesham wood. Other types of woods used in manufacturing furniture are; Teak wood, Walnut wood and Keekar wood. Besides this, substitute material like Lasani and Vinboard are also used in the manufacturing of furniture. The raw materials are easily available in the market.
The demand for wooden furniture in the domestic market is consistent throughout the year; however, it significantly increases during the period of October to March due to 'wedding season'. The demand for furniture almost doubles during this period and is a good time to enter the market. Despite the introduction of new / alternative materials in furniture manufacturing, wooden furniture is still preferred in the domestic as well as in the international market due to its traditional appeal and durability. Over the years, entry into the global market has also become more competitive, due to demanding factors like green furniture, multi-functionality, simplicity and neutral colors, Ready-to-assemble (RTA) and Do-it-yourself (DIY) furniture. Malaysia, Philippines, Indonesia and China have established strong brand names and have emerged as key market players.

Critical Success Factors:

- Selection of skilled labor is an important factor, as it can improve quality of finished products by better craftsmanship & lower wastage. It is recommended that specialized labor is hired for this business.
- New designs and styles can build brand equity for the business. Creation of new designs and styles is vital for setting new trends as the market is quite competitive.
- Aggressive virtual marketing needs to be undertaken in the absence of a physical showroom.
- Though skilled labor is available in the market, additional manufacturing workload can be sub-contracted to save time and resources.
- Higher return on investment and a steady growth of business is expected
- With the entrepreneur having some prior experience / education in the related field of business.
- Easy access to raw material should be ensured.

Key Risks:

- Ensuring availability of seasoned (dry) wood for high quality furniture manufacturing. Seasoned wood minimizes deforming that may occur due to dampness in wood.
- The manufacturing unit will require selling directly to showrooms and direct clients, for which the owner would need to develop extensive knowledge of the market.
- Since strong competition already exists in the domestic market, manufacturing of high quality trendy designs and aggressive marketing is essential to get a prominent place in the market.

INJECTION MOLDING PLASTIC PRODUCTS

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act/Est**	7,893		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	939		
C.	**Financial Charges**	**Act/Est**	90		
D.	**PAT**	**Act/Est**	876		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	4,418		
F.	*Current Assets*	**Act/Est**	3,357		
G.	*Cash & Bank Balances*	**Act/Est**	3,160		
H.	*Total Debt*	**Act/Est**	974		
J.	*Total Equity*	**Act/Est**	3,443		
K.	*Current Liabilities*	**Act/Est**			
L.	*Total Liabilities*	**Act/Est**	974		

INJECTION MOLDING PLASTIC PRODUCTS:

Sector Outline:

Plastic is a common name for polymers that are materials made of long strings of carbon and other elements. There are many different types of plastic, depending on the starting monomer selected, the length of polymer chains, and the type of modifying compounds added. The varied use of plastic in our everyday life has made it an integral component in almost everything. Plastic is used in everyday items like ballpoint pen, buckets, containers, glasses, water pipes, plastic bags to items of engineering excellence like cars and airplanes. The per capita consumption of plastic in Pakistan is 3.1 kg, while it is 3.3 kg in India and 7 kg in China. The highest per capita consumption of plastic is in United States and Germany, where per capita consumption is 120 kg per annum. Globally, the per capita plastic consumption works out to be around 24 kg per annum. There are around 6,000 plastic manufacturers in the Pakistan and 600,000 people are directly or indirectly engaged in this business.

The injection molding business is assumed to operate as a sole proprietorship, however, partnership opportunities may be explored if further investment is required.

Critical Success Factors:

- **Technology:** The proposed facility is to be setup with used plastic injection molding machine including molds for production of 500 grams plastic containers.

- **Product:** The project is assumed to manufacture food grade and other plastic containers using injection grade HDPE / Co - PP plastic in a contract manufacturing mode operating 20 hours a day, 312 days a year. The setup would have an installed capacity to manufacture 187,200 units of 500 grams plastic containers per annum.

- **Target Market:** Karachi, Hub, Hyderabad, Lahore, Gujranwala, Multan, Sialkot, Faisalabad, Gujrat, Rawalpindi, Quetta and Peshawar etc. are good markets for the product under consideration.

- **Employment Generation:** The proposed project will provide direct employment to 12 people.

Key Risks:

- Selection of appropriate plant and equipment / molds
- Relevant Management Experience
- Power / Energy Mix
- Marketing Efficiency
- Linkages

ROOF TILES MANUFACTURING UNIT- LIGHT WEIGHT

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	7,210		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	1,101		
C.	**Financial Charges**	**Act**/Est	88		
D.	**PAT**	**Act**/Est	881		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act**/Est	4,167		
F.	***Current Assets***	**Act**/Est	3,137		
G.	***Cash & Bank Balances***	**Act**/Est	1,952		
H.	***Total Debt***	**Act**/Est	962		
J.	***Total Equity***	**Act**/Est	2,702		
K.	***Current Liabilities***	**Act**/Est	427		
L.	***Total Liabilities***	**Act**/Est	1,464		

ROOF TILES MANUFACTURING UNIT-LIGHT WEIGHT:

Sector Outline:

Construction activities and its output is an integral part of a country's economy and industrial development. The construction industry is often seen as a driver of economic growth especially in developing countries. This industry can mobilize and effectively utilize local human and material resources in the development and maintenance of housing and infrastructure to promote local employment and improve economic efficiency.

There are different types of roof options including reinforced concrete structure, clay bricks, metal roof etc. Due to the soaring construction costs, low cost roof options are in high demand in most of the rural and urban areas of the country. The tiles are used in a large number of construction projects including non-traditional / traditional housing, community centers, warehouses and factories etc. It is also suitable for schools and other public buildings especially in the rural areas.

Demand for such type mainly exists for housing projects in towns and smaller cities. Additionally, in larger cities the low cost roofs are used in suburban housing schemes, warehouses and factories. The production unit can be established in cities and towns where access to basic raw materials including cement, sand and water is easily available, like Lahore, Faisalabad, Gujranwala, Rawalpindi, Karachi, Hyderabad, Sukkur, Peshawar, Charsaddah, Quetta, Sibbi, Naseerabad, Pashin, Zhob etc.

Critical Success Factors:

- **Technology:** Traditional moulds (known as "firma" by the local industry) and simple masonry equipment would be required to produce light weight roof tiles for the use of construction industry.
- **Location:** The unit would be located in urban and rural areas of Pakistan, where access of buyers is easy and all raw materials are easy available.
- **Product:** The unit would produce light weight roof tiles to fulfill the local housing construction demand of tiles of different sizes and strengths depending upon the individual requirements of the customer.
- **Target Market:** Main target market for the proposed project is the local industry. However customers from neighboring country Afghanistan can also be targeted since reconstruction of the country is in progress.

Key Risks:

- Establishment of the unit in areas where basic facilities including water and electricity are available.
- Material procurement skills.
- Training of staff to increase efficiency.
- Effective distribution networks.

STEEL PRODUCTS WELDING

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	10,980		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act**/Est	2,097		
C.	**Financial Charges**	**Act**/Est	59		
D.	**PAT**	**Act**/Est	183		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	**Act**/Est	6,359		
F.	*Current Assets*	**Act**/Est	5,933		
G.	*Cash & Bank Balances*	**Act**/Est	4,954		
H.	*Total Debt*	**Act**/Est	641		
J.	*Total Equity*	**Act**/Est	5,177		
K.	*Current Liabilities*	**Act**/Est			
L.	*Total Liabilities*	**Act**/Est	1,181		

STEEL PRODUCTS WELDING:

Sector Outline:

The proposed business is a Steel Products Welding workshop located in rental premises along roadside or near a truck stand / bus stand in small towns or cities, which will operate approximately 8 hours a day with a five men team including the owner manager.

In Pakistan, domestic as well as commercial construction is being carried out on a sizeable scale. Construction sector requires welding services for different operations depending upon the nature and scope of work.

The transport vehicles in Pakistan are generally not in very good shape. As a lot of wear and tear occurs during operations, the services of welders are required to fulfill the maintenance requirements of the transport vehicles. A welding shop is usually a part of the truck / bus of parking stands.

Critical Success Factors:

- Entrepreneur's technical knowhow and experience of the business.
- For fresh hands, welding certification and guidance from a senior welder is recommended.
- Availability of skilled labor having technical knowledge.

Key Risks:

- Quality of the finished product.
- Ability to generate work orders through personal efforts and movement from site to site with references.

UPS & STABILIZER ASSEMBLING UNIT

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	32,353		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	1,671		
C.	**Financial Charges**	**Act**/Est	73		
D.	**PAT**	**Act**/Est	1,498		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	5,860		
F.	*Current Assets*	**Act**/Est	5,458		
G.	*Cash & Bank Balances*	**Act**/Est	3,666		
H.	*Total Debt*	**Act**/Est	790		
J.	*Total Equity*	**Act**/Est	5,069		
K.	*Current Liabilities*	**Act**/Est			
L.	*Total Liabilities*	**Act**/Est	790		

UPS & STABILIZER ASSEMBLING UNIT:

Sector Outline:

UPS is the abbreviation of Un-interrupted Power Supply and mainly consists of a transformer, printed circuit board, switches and casing / housing, whereas, stabilizer is a simple support machine used to regulate the voltage. There are many ways to commence a full production unit which needs comparatively much higher fixed investment. The best and the simplest way is purchasing parts / accessories, assembly and distribution. This would likely decrease chances of loss in case of business closure and provide a safe exit. In addition, it may help the entrepreneur to manage the stock and fulfill orders timely. There are many brands available in the market including local and multinational companies such as Phillips, Digi-tech, Sys-tech and Soft-tech for UPS. Whereas Universal, Stabimatic and National are some of the well-known brands in stabilizers.

UPS & Stabilizer assembling unit business means setting up a workshop where assembling takes place and setting up an office for carrying out general administrative and marketing work. The business facility will maintain inventory consisting of accessories including transformers, transfer switches, printed circuit boards and housing used to assemble UPS & Stabilizer to meet market requirement and orders effectively. The company will divide the store into two parts: one side will be used to store accessories and the other for finished products.

The power crisis has compelled a significant number of consumers to fulfill their basic electricity need through some alternative source of power. In Pakistan, public and private power generation units do not have the capacity to meet the increasing electricity requirements of the population. This clearly indicates a strong demand for UPS and stabilizer products in coming years.

Critical Success Factors:

- **Technology:** The proposed unit would require tools and equipment for assembling and quality assurance / testing departments. List of tools and equipment is given in machinery and equipment section.
- **Location:** Lahore, Faisalabad, Multan Gujranwala, Karachi, Hyderabad, Sukkur, Peshawar and Quetta etc. In these cities, parts of UPS and stabilizers can be easily procured and there is huge demand of UPS and stabilizers.
- **Target Market:** There is a large market in all urban centres and semi urban areas of Pakistan. However, it is recommended to sell the products in the same city where the assembling unit is being established.
- **Employment Generation:** The proposed project will provide direct employment to 5 people. Financial analysis shows that the unit will be profitable from the very first year of operation.

Key Risks:

- Owner or key employees must have technical expertise & experience.
- Quality and after sales service of the products.
- Seasonality of demand.
- Availability of raw material.
- Credit recovery.

CUT FLOWER FARM

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	7,170		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	2,185		
C.	**Financial Charges**	**Act**/Est	90		
D.	**PAT**	**Act**/Est	1,880		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act**/Est	7,915		
F.	***Current Assets***	**Act**/Est	7,077		
G.	***Cash & Bank Balances***	**Act**/Est	6,109		
H.	***Total Debt***	**Act**/Est	983		
J.	***Total Equity***	**Act**/Est	5,906		
K.	***Current Liabilities***	**Act**/Est	135		
L.	***Total Liabilities***	**Act**/Est	2,008		

CUT FLOWER FARM:

Sector Outline:

Growing cut flowers, especially roses as they are most traded flowers of all flower varieties around the world, is a profitable business if done properly. Local demand for cut flowers is growing tremendously due to increased usage as decorative items in weddings, birthday parties, seminars, and other social gatherings.

In Pakistan, this sector has not gained its full potential yet. The major reason for slow development of this sector has been the lack of requisite technical knowledge on part of the farmers, traders and retailers. The credit goes to small farmers / entrepreneurs who have kept on going without much technical and / or financial support over the years.

Low cost of labor combined with reasonable land lease rates and a suitable climate for most part of the year make investment in this business a lucrative proposition.

Critical Success Factors:

- One of the major competitive advantages of Balochistan is the tenure of production. In Balochistan, flower plants can be produced for 8 months while in other provinces of Pakistan, such period is for 4 months only.
- Balochistan's dry and cold climate offers better opportunities for growth of cut flower. Quetta, Mastung, Kalat, Pishin, Killa Saifullah and Ziarat are some of the areas recommended for starting such a farm in Balochistan.
- Establishment of the farms in areas where basic infrastructure including water and electricity are available.
- Producer should be aware of ever-changing fashion in terms of flower color and varieties.

Key Risks:

- Farming should be done on scientific grounds, taking care of input requirements and pest management techniques.
- Well-trained / experienced staff will add to the efficiency of the farm.
- Special attention towards healthy and certified seeds / bulbs, land preparation, sowing pattern, water management, fertilizer application and marketing is required.
- Forward linkages with the bulk buyers, and appropriate storage & transportation services.

OFF SEASON VEGETABLES- HIGH TUNNEL

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	4,942		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	1,068		
C.	**Financial Charges**	**Act**/Est	91		
D.	**PAT**	**Act**/Est	930		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	5,195		
F.	*Current Assets*	**Act**/Est	4,891		
G.	*Cash & Bank Balances*	**Act**/Est	3,220		
H.	*Total Debt*	**Act**/Est	984		
J.	*Total Equity*	**Act**/Est	3,724		
K.	*Current Liabilities*	**Act**/Est			
L.	*Total Liabilities*	**Act**/Est	1,470		

OFF SEASON VEGETABLES- HIGH TUNNEL:

Sector Outline:

There is a great demand of fruits and vegetables all year round. Prices are at the highest at the start and end of the season. If modern techniques are applied to grow off season crops, high prices can be fetched. Vegetable / fruit can be cultivated in off-season, with introduction of techniques like tunnel technology, in which temperature and moisture is controlled for growth of vegetables in specific conditions. The production of vegetables all around the year enables the technically competent growers to fully utilize their resources and supplement relatively high income from fruits growing as compared to traditional crops.

The proposed project is designed as a medium sized off-season vegetable / fruit farming unit on 7 acres of land. These tunnels are suitable for heavy individual fruit bearing vegetables, i.e. melons, watermelons, pumpkin, bitter gourds, squashes, etc. The crop yield in this type of tunnel is however low compared to other types. However, for the purpose of this pre-feasibility two crops are being proposed, namely: Watermelon and Muskmelon.

Critical Success Factors:

- Proper soil analysis for determining soil nutritional level.
- Use of high quality hybrid seeds.
- Fertile land and its maintenance within the tunnel during the period of cultivation.
- Selection of profitable vegetables on the basis of best analysis of cost and revenues for a given season. Cost efficiency through better management.
- Maintenance and control of internal temperature and humidity of the tunnel.
- Timely irrigation, fertilization, training and grading of plantation.
- Fertilization as per expert(s) recommendation.

Key Risks:

- Complete adherence to best agronomic practices as recommended is critical to the success of this project, therefore technical knowledge & experience of the entrepreneur is absolutely necessary.
- Timely control of pests, diseases and exercise of all recommended agronomic measures.
- Maintenance and control of internal temperature and humidity of the tunnel.
- Timely irrigation, fertilization, training and grading of plantation.
- Appropriate post-harvest arrangement for washing, grading, packing, and transportation of product to the market.

ANIMAL FATTENING FARM (CALF/ GOAT/ SHEEP)

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	9,212		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	2,013		
C.	**Financial Charges**	**Act**/Est	75		
D.	**PAT**	**Act**/Est	1,763		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	6,678		
F.	*Current Assets*	**Act**/Est	6,584		
G.	*Cash & Bank Balances*	**Act**/Est	3,763		
H.	*Total Debt*	**Act**/Est	813		
J.	*Total Equity*	**Act**/Est	4,999		
K.	*Current Liabilities*	**Act**/Est	371		
L.	*Total Liabilities*	**Act**/Est	1,679		

ANIMAL FATTENING FARM (CALF/ GOAT/ SHEEP)

Sector Outline:

In calf fattening business, calves are raised on nutritionally balanced feed to get targeted weight gain in a specified time. These calves are grown in groups and each batch stays on farm for a period of 120 days. The expected live body weight gain ranges between 700 - 850 grams/day. The goats & sheep also grown in groups and each batch stay on farm for a period of 120 days. The expected live body weight gain ranges between 125 - 140 grams/day. Higher yields are achievable with better farm management, and by selecting better quality breeds.

This project will provide direct employment to four people. The proposed business may be established in rural and peri-urban areas of major cities such as Pattoki, Sahiwal, Bahawalnagar, Rahim Yar Khan, Jehlum, Mandi Bahauddin, Bahawalpur, Karachi, Sakkar, Dadu, Hyderabad, Peshawar, Charsadda, D.I. Khan, Lasbela, Qila Saifullah, Quetta etc. The farm should be located in a place where there is abundant availability of fodder, natural vegetation and water. Although, there is year round market, however the demand increases especially before occasions like Eid-ul-Azha, where well fed animals are sold at a higher price than usual weight based price.

Critical Success Factors:

- Background knowledge and related experience of the entrepreneur in goat farm operations.
- Awareness of the supply and demand of goats in the market both for general consumption and sacrificial purpose.
- Swift increase in consumption/demand of livestock products.
- Increasing demand of by-products such as blood, skin, etc.
- Technological improvement in livestock production and processing.

Key Risks:

- Application of good husbandry practices such as timely feeding, watering and vaccination to ensure animal's health and disease-free environment.
- Efficient marketing of the project and bulk supply to wholesalers.

DAIRY/CAMEL FARMING

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	4,348		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act**/Est	1,234		
C.	**Financial Charges**	**Act**/Est	90		
D.	**PAT**	**Act**/Est	1,126		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	**Act**/Est	6,269		
F.	*Current Assets*	**Act**/Est	2,445		
G.	*Cash & Bank Balances*	**Act**/Est	2,260		
H.	*Total Debt*	**Act**/Est	979		
J.	*Total Equity*	**Act**/Est	5,114		
K.	*Current Liabilities*	**Act**/Est			
L.	*Total Liabilities*	**Act**/Est	1,155		

DAIRY/ CAMEL FARMING:

Sector Outline:

The project is for a dairy/camel farm in which cows and buffaloes/camels are kept primarily for milk production in conventional housing system. The animals are fed green fodder and roughage at 8-10% of live body weight in addition to nutritionally balanced formulated feed and bred by Artificial Insemination method to gain optimum milk yields in lactation cycle of average 300 days. Dairy farming involves housing, breeding, feeding, watering, disease control and hygienic production of milk on farm. Camel is a source of milk and meat in rangelands of Balochistan, coastal areas and desert area of Cholistan. Moreover, Cholistan desert is famous for raising different breeds of camel and supplying excellent quality of camel products. The nutritional value that its milk and meat carries for humans makes it a viable business opportunity to establish a camel farm.

A dairy farm with 12 animals (80% cows and 20% buffaloes) needs a total investment estimated at Rs. 2.19 million out of which the capital cost of the project is Rs.2.01million with working capital of Rs. 0.17 million. It is assumed that starting from 12 animals in year 1, the herd of animals would be increased to approximately 50 animals till 10th year of business, keeping mortality rate and culling rate each at 5%.

The breeding of animals would be planned through 'Artificial Insemination' method. Female calves would be given special attention and raised as heifers and male calves would be sold for fattening purpose. The milk will be primarily sold to bulk buyers at the rate of average Rs.60 per liter. The farm will also offer milk sale to domestic individual consumers.

Critical Success Factors:

- Background knowledge and related experience of the entrepreneur in dairy farm operations.
- Application of good husbandry practices such as timely feeding, watering and vaccination to ensure animal's health and disease-free environment.
- Selection of location keeping in view the proximity of free grazing area is imperative.

Key Risks:

- Awareness about the supply and demand of milk in the market as demand of milk is relatively higher in summer as compared to winter season.
- Efficient marketing of the project and bulk supply to wholesalers.
- Awareness about the market demand of camel milk as it has high nutritional and medicinal value for the cure of certain diseases such as Arthritis and coronary diseases. The milk contains three times more vitamin C than cow's milk and is also considered to be rich in iron.

SHRIMP/ INLAND FISH FARMING

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	9,179		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	2,317		
C.	**Financial Charges**	**Act**/Est	86		
D.	**PAT**	**Act**/Est	2,006		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	6,903		
F.	*Current Assets*	**Act**/Est	6,407		
G.	*Cash & Bank Balances*	**Act**/Est	4,941		
H.	*Total Debt*	**Act**/Est	938		
J.	*Total Equity*	**Act**/Est	5,964		
K.	*Current Liabilities*	**Act**/Est	21		
L.	*Total Liabilities*	**Act**/Est	959		

SHRIMP/ INLAND FISH FARMING:

Sector Outline:

Inland Fish Farming is proposed to be located primarily in warm areas of Pakistan having a water temperature range of 20 - 35 degree centigrade. It is suggested that the farms may be established in any part of the country if the available land meets the criteria of pond construction with availability of abundant quality water. Grass carp, silver carp, rohu, morkahi, bighead carp and Catla are cultured in warm areas of the country, whereas mahseer in hilly areas, and trout in cold regions. All these species can be cultured in the temperature range of 20-35 degree centigrade. The project would start operations at project capacity of 10,117 fish of different species at year 01.

The production of marine shrimp in impoundments, ponds and tanks, gained popularity in the early 1970s and today, over fifty countries export farmed shrimp. Our neighboring countries, India, China, Bangladesh, Iran and Sri Lanka all produce huge quantities of farmed shrimp. Shrimp export has a major share in the total seafood export of Pakistan, and constitutes almost 60% of the total fisheries export of the country. The annual catch of captured shrimp has been constant and meets domestic market requirements; however it has immense potential for exports.

The marketing of fish follows the traditional channels of distribution. Generally fish are distributed in the market through middlemen and wholesalers. The role of middlemen and wholesalers is to identify buyers and negotiate the price. Fish are transported to the urban market and are sold to retailers. The time spent in getting fish from the farm to the retail shop varies from area to area. Although collection and handling of fish has improved with the use of loader vehicles, but it is an established fact that greater the distance between the farm and consumer, more complicated will be marketing system including their collection, handling and transportation to the middlemen or consumer as per perishable nature of the product. The trick in marketing is availability of current market information of fish supply and demand, which will determine the selling price.

Critical Success Factors:

- Selection of proper location with water, equipment and trained staff would facilitate the project to run successfully.
- Farm should have enough elevation so it can easily be dried out during off season.
- It should be positioned away from agricultural activities to avoid spray application of pesticides.
- Healthy certified seed must be purchased from certified dealers for the assurance of desired fish species.
- To attract larger number of customers, the product must be processed on basic quality standards.
- Each farm should maintain a written health and welfare program for elimination of diseases and quality production.
- Suitable location with access to fresh water
- Localized shrimp seeds.
- Regular quality checks.
- Adherence to good farming practices.

Key Risks:

- Whole sale distribution and marketing of final product.
- Technical know-how of shrimp farming & aqua marine.
- Regular monitoring for Feed Conversation Ratio (FCR).
- Local processors have lost international orders due to non-availability of required qualities & quantities.
- The controlling factor in shrimp export is shrimp production and not the market.

	POULTRY FARMING				
	Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)				
	All figures in Pak Rupees (000)				
A.	Estimated Sales/Unit	Act/Est	21,965		
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	PBT	Act/Est	1,002		
C.	Financial Charges	Act/Est	89		
D.	PAT	Act/Est	929		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	Act/Est	7,243		
F.	*Current Assets*	Act/Est	7,160		
G.	*Cash & Bank Balances*	Act/Est	3,507		
H.	*Total Debt*	Act/Est	964		
J.	*Total Equity*	Act/Est	4,214		
K.	*Current Liabilities*	Act/Est	1,811		
L.	*Total Liabilities*	Act/Est	3,027		

POULTRY FARMING (BROILER/LAYER FARMING):

Sector Outline:

Broiler meat is a rich source of protein with an ever growing demand. In broiler farming, the Day Old Chicks (DOCs) of specific broiler strain e.g. Babcock, purchased from reputed hatchery/ company are raised on specially formulated feed for a period of about six weeks, with a turnover of six flocks per year. Both rural and semi-urban areas are suitable for this business.

Success of broiler farm largely depends on good management practices. After brooding and rearing period, birds are sold at farm gate on 'Live Body Weight' basis to traders or transported to market. The farm gate price of live bird is determined on daily basis. After six weeks, the birds are sold on live body weight basis to traders, wholesale markets or sold directly to the shopkeepers in the urban markets. With ever increasing demand for white meat, broiler farming can be a profitable venture. Annually, six flocks of birds are raised on the farm, depending on area climate. **Commercial layer farms** contribute about 70% towards total egg production in Pakistan, whereas the remaining 30% comes from rural poultry. The Day Old Chicks (DOCs) of layer are procured from hatcheries and breeder companies.

These are brooded and reared for a period of 6 months after which, they start laying eggs for a period of next 12 months. On an average, one hen lays about 300-350 eggs. The price of egg varies with demand and supply and is generally higher in winter. As these birds stop laying or feed-efficiency drops, the layers are culled and sold in market. The selling price of these birds is determined on live body weight basis.

Layer farm management in line with best husbandry practices is vital for the success of this business. All farm operations would be done with strict compliance to recommended husbandry practices including standard hygiene, proper temperature, humidity, vaccination, medication, feeding and lighting management.

Critical Success Factors:

- Background knowledge and related experience of the entrepreneur in broiler farm operations.
- Application of good poultry husbandry practices such as timely feeding, watering, lighting, vaccination, medication, temperature / humidity control and culling of uneconomical birds to ensure flock's best performance and higher efficiency in disease-free environment.
- Awareness of supply and demand of chicken in the market as the price of chicken meat fluctuates throughout the year.
- Efficient marketing of the project and bulk supply to wholesalers.

Key Risks:

- Setting up a farm at an isolated place to minimize the risk of disease.
- Proximity of the farm to the city enables the farmer to establish links with the market for buying farm inputs and selling of grown-up birds, swiftly.

VETERINARY CLINIC

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	4,279		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best		■	
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act**/Est	654		
C.	**Financial Charges**	**Act**/Est	39		
D.	**PAT**	**Act**/Est	556		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability	Best	■		
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	**Act**/Est	2,548		
F.	*Current Assets*	**Act**/Est	2,275		
G.	*Cash & Bank Balances*	**Act**/Est	2,058		
H.	*Total Debt*	**Act**/Est	427		
J.	*Total Equity*	**Act**/Est	2,121		
K.	*Current Liabilities*	**Act**/Est			
L.	*Total Liabilities*	**Act**/Est	427		

VETERINARY CLINIC:

Sector Outline:

This particular Pre-feasibility is for setting up 'Veterinary Clinic'. Veterinary medicine is the branch of science that deals with the prevention, diagnosis and treatment of disease, disorder and injury in animals. Infectious diseases in animals pose a major threat to animal health and productivity, thereby leading to overall economic loss. The most common diseases are Foot and Mouth Disease (FMD), diarrhea, fever, respiratory inspections like pneumonia etc. However, these diseases can be cured through an early diagnosis and proper treatment.

As compared to animal population, the ratio of veterinary clinics is far less in Pakistan. This creates an opportunity for setting up a Veterinary Clinic. The project will provide medical facilities such as health check, vaccination, and major & minor surgeries to livestock. The clinic shall have its own laboratory and pharmacy run by a licensed veterinary compounder.

The services will be extended not only to the farmers bringing in their animals to the clinic, but field visits will also be carried out to provide on-site diagnosis and medication. Veterinary consultancy services would also be provided to dairy and livestock farms on weekly basis.

Since, an early diagnosis usually leads to accurate and successful treatment of the diseased animal, clinic's diagnostic laboratory will be established to render necessary tests. The project shall have a fully equipped surgical suite and well-trained staff to perform surgeries. The project will employ 05 individuals including the owner manager/ veterinary doctor for providing standardized animal healthcare and support services.

Critical Success Factors:

- Background knowledge, experience and technical qualification of the entrepreneur.
- Appropriate project location with catchment area having sizeable livestock population.
- Hiring of qualified staff to meet client requirements.
- Coverage of maximum area of operation and capturing the market through field visits and quality of service.

Key Risks:

- Retention of staff through incentives to ensure smooth and regular services.
- Competition with non-qualified vets through competitive fee structure and standardized services.

BEAUTY CLINIC

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	14,360		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	2,700		
C.	**Financial Charges**	**Act**/Est	90		
D.	**PAT**	**Act**/Est	2,302		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	8,910		
F.	*Current Assets*	**Act**/Est	7,964		
G.	*Cash & Bank Balances*	**Act**/Est	6,868		
H.	*Total Debt*	**Act**/Est	981		
J.	*Total Equity*	**Act**/Est	6,968		
K.	*Current Liabilities*	**Act**/Est	104		
L.	*Total Liabilities*	**Act**/Est	1,941		

BEAUTY CLINIC:

Sector Outline:

This specific project pertains to setting up a beauty clinic as there is an increasing demand for beauty care services. The clinic will be established in a rented premise having a covered area of 2,000 sq ft.

Party and bridal makeup, facial, body treatment and hairdressing are the major service categories. The clinic will have 8 employees including the owner / manager. The beauty clinic is proposed to operate as a "Sole Proprietorship".
The important aspects that should be taken into account while making investment decisions are efficient marketing, induction of qualified beauticians and provision of quality services at reasonable prices.

Critical Success Factors:

- The entrepreneur should have basic knowledge and experience in the requisite field.
- Efficient sourcing of quality inputs / materials to maintain price and quality relationship.
- Induction of qualified beauticians and support staff and their regular training.
- Location of the business addressing accessibility considerations of the target market.

Key Risks:

- Hiring of qualified staff to meet client requirements.
- Retention of staff through incentives to ensure smooth and regular services.
- Effective marketing would be the key element in the initial and subsequent success of the beauty clinic.

BOUTIQUE-WOMEN DESIGNER WEAR

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	13,852		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	1,844		
C.	**Financial Charges**	**Act**/Est	90		
D.	**PAT**	**Act**/Est	1,628		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	8,542		
F.	*Current Assets*	**Act**/Est	7,089		
G.	*Cash & Bank Balances*	**Act**/Est	5,551		
H.	*Total Debt*	**Act**/Est	980		
J.	*Total Equity*	**Act**/Est	6,798		
K.	*Current Liabilities*	**Act**/Est	159		
L.	*Total Liabilities*	**Act**/Est	1,743		

BOUTIQUE-WOMEN DESIGNER WEAR:

Sector Outline:

Growing number of boutiques have become an emblem of successful clothes business in Pakistan. Most people especially women prefer them over ordinary garment brands. There has been a mushroom growth in women designer wear boutiques since the last decade as they offer versatility and sophistication. This trend is not confined to metropolis alone but has also spread to small cities and towns. The rise is attributed to a growing middle class, exposure to media, entertainment, movies, internet and also to a fleet of qualified fashion designers graduating from fashion schools every year. Aspiring fashion graduates or potential entrepreneurs may find this growing sector a good prospect to capitalize on their potential, talent and market opportunity.

The boutique will offer a wide choice of clothes to its clientele ranging from traditional dresses, prêt a porter casual, semi casual to formal / bridal wear. Both traditional and western dresses tailored to local needs will be offered to the customers. There is also a good potential for exports of Pakistani dresses abroad also as there is a large population of Pakistani expatriates in Canada, KSA, EU, UAE, USA and UK.

Critical Success Factors:

- Selection of a good location for the outlet.
- Selection of affordable and quality raw materials i.e. fabric, accessories, etc.
- Emphasis on quality i.e. stitching and finishing, appropriate labeling, display and packaging.
- Employing and retaining skilled labor.
- Higher return on investment and a steady growth of business is expected with the entrepreneur having some prior experience in the related field of business.

Key Risks:

- Ability to produce / acquire unique designs and safe guarding such design from piracy.
- Marketing and promotion through various channels i.e. catalogues / pamphlets, outdoor advertisement, hoardings / flex signs, TV & cable ads, fashion shows, participation in exhibitions, promotion through social media (Facebook etc.).
- Right product mix, proper inventory management, emphasis on customer services.

DAYCARE CENTER

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	5,622		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act**/Est	1,182		
C.	**Financial Charges**	**Act**/Est	82		
D.	**PAT**	**Act**/Est	1,083		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	**Act**/Est	3,763		
F.	*Current Assets*	**Act**/Est	3,145		
G.	*Cash & Bank Balances*	**Act**/Est	2,082		
H.	*Total Debt*	**Act**/Est	887		
J.	*Total Equity*	**Act**/Est	2,875		
K.	*Current Liabilities*	**Act**/Est			
L.	*Total Liabilities*	**Act**/Est	887		

DAYCARE CENTER:

Sector Outline:

Life, today, is characterized by independent family system. The fast paced life of the cities is significantly influencing the life style of its inhabitants. Economic pressures are compelling both parents to work towards achieving and sustaining quality life standards. This has further added to complexity and competition of any metropolitan city. There is a need for improved living standards, quality education for children, etc., resulting in increased pressure on working women to efficiently manage both their professional and domestic responsibilities. As a result of these social changes, the trend of sending children to Day Care Centers at a much earlier age is gaining rapid acceptance.

The demand for day care centers is on the rise, specifically by working mothers (doctors, business women, government servants, corporate employees, teachers, etc), and the service is deemed as a profitable entrepreneurship opportunity. Day Care Center is proposed to be located in major cities such as Islamabad, Lahore, Karachi, Peshawar, Multan, Gujranwala, Sialkot and Quetta etc.

The project features a facility and its ancillary services for children aged 6 months to 5 years in a hygienic and activity based educational environment, facilitated through trained and educated staff.

The project will generate direct employment opportunity for 06 persons. Higher return on investment and a steady growth of business is expected with the entrepreneur (especially women) having some prior experience in the related field of business.

Critical Success Factors:

- Secured, hazard free, and kids friendly environment is provided at center.
- Interior of Center should be designed to attract kid's attention and promote learning. Like colorful walls with educational material, pasting theme oriented chart papers, and any other cost effective mode deem appropriate.
- Developing plan of daily activities of enrolled kids.
- Location of the center in a commercial area.
- Opening of center with proper launch and promotional material.
- Establishment of the Center in a rented building to reduce the project cost.
- Parents are informed immediately in case of strike, kid is unwell (fever, flue, diarrhea, etc.), diaper rash and any other observation important for child development.

Key Risks:

- Extra care should be given to keep the place hygienic, and clean.
- Hiring of a well-trained / experienced care provider for kids.
- Frequent interaction between care provider and parent.

DIRECT MARKETING

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	34,422

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act**/Est	5,893
C.	**Financial Charges**	**Act**/Est	89
D.	**PAT**	**Act**/Est	4,602

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act**/Est	12,161
F.	*Current Assets*	**Act**/Est	11,589
G.	*Cash & Bank Balances*	**Act**/Est	10,722
H.	*Total Debt*	**Act**/Est	970
J.	*Total Equity*	**Act**/Est	11,191
K.	*Current Liabilities*	**Act**/Est	
L.	*Total Liabilities*	**Act**/Est	970

DIRECT MARKETING:

Sector Outline:

A direct marketing company is characterized by creative strategies and ideas with an efficient execution in a given period of time. The services domain of company would be:

- Brand Activation
- Event Management
- Direct Marketing

The recommended area for the proposed business should preferably be mid-city and within the proximity of potential clients. Nearby presence of target market and easy accessibility are the prerequisites for the success of the marketing company. Direct Marketing Services Company is proposed to be located at any of the densely populated cities like Karachi, Lahore, Peshawar, Rawalpindi, Multan, etc. The proposed project will provide direct employment to 9 people.

Below The Line (BTL) is a growing industry in Pakistan relying heavily on the changing companies' preferences with respect to communication, accessing out-of-reach remote areas, scattered viewership amongst various channels and relative expensiveness of Above the Line (ATL) tools. With today's hectic lifestyles, people are over-burdened and do not pay attention to electronic and print advertisements due to time constraints and the frequent bombardment of advertising campaigns.

Increasing awareness widens the vision and people are more brand conscious than ever before. Concurrently, the competition and rate of growth in consumer spending is also increasing, leaving little choice for companies to tap customers by inducing product trial and one-on-one interactions and hence the requirement for the marketing company.

BTL is a multi-billion rupees industry which is continuously growing in Pakistan at a very rapid pace. The total advertising industry is estimated to be around Rs. 45-60 billion and growing at a rate of 20% per annum for the last few years. The spending on Brand Activation / BTL activities is around Rs. 5.0 billion, growing at an even faster rate than the rate reported for the growth of overall advertising industry. Target market includes advertising firms and large corporate companies.

Critical Success Factors:

- **Conceive the "Winning" Concept:** A well-defined concept stands a much better chance of long term success than some vague notion. Set specific goals and decide on the framework to be used to measure the company's success.

- **Market Research:** Understanding of customers and knowing your client's need are extremely important in designing a marketing proposal. The feed-back from customers to learn about their preferences and detailed meetings with product managers in obtaining best practices is of critical importance.

Key Risks:

- **Service Costing & Delivery:** The most important factor in direct marketing business is development of service portfolio and the corresponding cost. It involves designing a competitive service mix, selection of good quality human resources at competitive cost, so as to offer your targeted customers a good price/value relationship.
- **Consistency:** Consistency of good quality service and out of the box ideas till executions can result in further exploring opportunities while strengthening image in the market place.

DISTRIBUTION AGENCY

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	4,998

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act**/Est	732
C.	**Financial Charges**	**Act**/Est	41
D.	**PAT**	**Act**/Est	659

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act**/Est	2,571
F.	*Current Assets*	**Act**/Est	1,767
G.	*Cash & Bank Balances*	**Act**/Est	1,267
H.	*Total Debt*	**Act**/Est	598
J.	*Total Equity*	**Act**/Est	1,972
K.	*Current Liabilities*	**Act**/Est	
L.	*Total Liabilities*	**Act**/Est	598

DISTRIBUTION AGENCY:

Sector Outline:

The demand of distribution service providers is increasing which is directly proportionate to the increase in FMCG manufacturing companies which are expanding substantially with the current economic growth and consumerism. **Distribution Agency** is proposed to be located at any densely populated city such as Karachi, Lahore, Rawalpindi, Peshawar or Quetta to distribute Fast Moving Consumer Goods (FMCG) such as Branded Tea, Powdered Milk and Confectionary Items to the Local market. This business can also be undertaken in all small 2nd tier towns, in addition to suburban towns of large cities.

Critical Success Factors:

- **Products and Brand:** Product and Brands to be distributed would act as a key success factor for the proposed distribution business. Greater the brand awareness in the market, higher would be the chances of business success. It is suggested that prospective entrepreneur should obtain distribution agreement for at least one successful brand.
- **Background Experience:** Background experience plays an important role in operating a small to medium scale Distribution Agency, especially when dealing with customers, deciding the business development activities to be carried out and negotiating on commercial terms and conditions, etc.
- **Skilled & Experienced Manpower:** The knowledge and experience of the entrepreneur is not sufficient to run the business smoothly. A major proportion of business development activities and accounts receivables are managed by sales personnel employed by the agency. Therefore, it is crucial for the distribution agency to hire experienced and skilled sales staff that can bring in new business and retain existing customer base.

Key Risks:

- **Strong Sub-distributor:** A strong sub-distributor network also plays an important role in generating additional business. Such a network is imperative in developing a strong customer base which might remain restricted if operated alone.
- **Marketing Skill:** The entrepreneur must have effective PR & marketing skills. These marketing skills should enable the entrepreneur to carryout business development activities to target potential customers and also to maintain existing client base.

DRIVING SCHOOL

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	4,743		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act**/Est	2,049		
C.	**Financial Charges**	**Act**/Est	74		
D.	**PAT**	**Act**/Est	1,792		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	**Act**/Est	7,258		
F.	*Current Assets*	**Act**/Est	4,681		
G.	*Cash & Bank Balances*	**Act**/Est	4,681		
H.	*Total Debt*	**Act**/Est	805		
J.	*Total Equity*	**Act**/Est	6,145		
K.	*Current Liabilities*	**Act**/Est			
L.	*Total Liabilities*	**Act**/Est	1,113		

DRIVING SCHOOL:

Sector Outline:

Driving is a skillful task that needs proper training and knowledge of traffic laws and regulations. There is a tremendous increase in the number of vehicles particularly in the urban cities of Pakistan. Moreover, the government has been taking steps towards effective implementation of traffic regulations. This has created a demand for formalized driver training and provision of road safety information, thereby creating an opportunity for establishing a Driving School for a prospective entrepreneur.

The project is proposed to be set-up in a suitable locality of any urban city such as Lahore, Karachi, Sukkur, Hyderabad, Faisalabad, Sargodha, Multan, Quetta, DI Khan, Nowshera and Peshawar. Keeping in view the nature of services, there is a minimal requirement of establishing a formal office. The facility will comprise of 3 vehicles and employ 4 individuals including the owner / manager. The total capacity of the training service center will be to train 720 drivers annually. During the sessions, trainees shall be familiarized with the basic rules of driving along with traffic signal system, awareness about traffic rules and dealing with emergencies and accidents.

Critical Success Factors:

- Hiring of quality trainers / instructors with a special focus on engaging female drivers.
- Effective marketing / awareness of the service particularly with traffic police & drivers licensing section.
- Competitive fee structure offering value for money.

Key Risks:

- Efficient utilization of idle capacity by offering Pick & Drop facilities to office executives on need basis, as an additional business opportunity.
- Timely and cost effective repair and maintenance of vehicles due to major / minor accidents during the training.

FLORIST SHOP

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	7,267		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	1,023		
C.	**Financial Charges**	**Act**/Est	65		
D.	**PAT**	**Act**/Est	947		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	4,379		
F.	*Current Assets*	**Act**/Est	3,783		
G.	*Cash & Bank Balances*	**Act**/Est	3,452		
H.	*Total Debt*	**Act**/Est	708		
J.	*Total Equity*	**Act**/Est	3,463		
K.	*Current Liabilities*	**Act**/Est	30		
L.	*Total Liabilities*	**Act**/Est	915		

FLORIST SHOP:

Sector Outline:
Florist Shop is a retail outlet having a warehouse and an in-house living facility for workers to deal in a variety of fresh flowers, flower baskets, bouquets, event decoration and car decoration for weddings. The shop will be located in developed urban areas and cater to the needs of local customers as well as surrounding areas. The estimated yield potential of the project varies according to the selected business dimensions including but not limited to business model, marketability, investment size, availability of raw material, HR skills & competencies and location.

Critical Success Factors:

- Location and decor of the shop
- Management of events
- Promotional activities

Key Risks:

- Variety of innovative designs
- Availability of fresh and good quality flowers

FOOT WEAR RETAIL OUTLET

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	16,890

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act**/Est	1,836
C.	**Financial Charges**	**Act**/Est	90
D.	**PAT**	**Act**/Est	1,621

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act**/Est	8,036
F.	*Current Assets*	**Act**/Est	7,554
G.	*Cash & Bank Balances*	**Act**/Est	4,134
H.	*Total Debt*	**Act**/Est	978
J.	*Total Equity*	**Act**/Est	5,390
K.	*Current Liabilities*	**Act**/Est	1,145
L.	*Total Liabilities*	**Act**/Est	2,645

FOOT-WEAR RETAIL SHOP:

Sector Outline:

Footwear Retail Outlet is proposed to be set up in urban areas. The outlet would cater to the demand for ladies and children footwear, belonging to middle and upper middle income groups.

The demand for footwear is constantly rising and there are a number of local manufacturers producing good quality footwear. The consumers are becoming increasingly quality conscious and seek products offering value for money. This trend has led to strong growth in retail footwear outlets all across Pakistan.

The focus of the business would be to provide casual, semi-formal and formal, quality footwear at affordable prices. Shoes are assumed to be purchased from different subcontracted manufacturers and sold at the retail outlet.

Critical Success Factors:

- Efficient management of stock to keep inventory cost at the minimum.
- Selection of a central location keeping in mind the target market.
- Knowledge about the latest market trends.
- Induction of trained sales personnel for efficient customer handling.

Key Risks:

- Strong competition with similar shops in the same commercial area.
- Develop strong linkages with suppliers for sourcing good quality products at competitive prices.

INTERIOR DECORATION

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	8,390		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act**/Est	2,809		
C.	**Financial Charges**	**Act**/Est	73		
D.	**PAT**	**Act**/Est	2,384		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	**Act**/Est	10,365		
F.	*Current Assets*	**Act**/Est	8,468		
G.	*Cash & Bank Balances*	**Act**/Est	7,617		
H.	*Total Debt*	**Act**/Est	798		
J.	*Total Equity*	**Act**/Est	8,624		
K.	*Current Liabilities*	**Act**/Est			
L.	*Total Liabilities*	**Act**/Est	1,740		

INTERIOR DECORATION:

Sector Outline:

Interior Designing and Landscaping is a service oriented business which carries a healthy potential for profit. Change in fashion & living style are the few incentives for new entrants in this business.

Due to increase in population, continuous changes in fashion and lifestyle and development of formal construction sector, it is expected that demand for the services of interior designers and landscapers will continue to grow.

The business of interior designing and landscaping services offer services to a variety of clients including, but not limited to household and corporate customers, homes, farm houses, corporate offices etc. Developed or newly developing housing societies in urban centers would be an ideal choice for setting up an office due to greater demand of such service. Requisite materials, infrastructure facilities, etc. would also be easily available in such areas. Households in higher income group and firms in the corporate sector are the major potential clients for this business. Metropolitan cities and locations with large urban base would be more suitable for this type of business.

Critical Success Factors:

- Entrepreneur's knowledge and background in the fields of interior designing and land scrapping.
- Location considerations; proximity of office to the developed and newly developing/ being developed housing schemes.
- Linkage with suppliers especially those related to furniture & fixture, room decoration etc.

Key Risks:

- Efficient utilization of resources to manage service delivery within specified financial resources and timeframe.
- Reasonable marketing and awareness creation to showcase portfolio of services.
- Quality of services and post transaction ancillary services

MEDICAL STORE

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	17,525		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act**/Est	940		
C.	**Financial Charges**	**Act**/Est	85		
D.	**PAT**	**Act**/Est	877		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	***Total Assets***	**Act**/Est	4,345		
F.	***Current Assets***	**Act**/Est	3,978		
G.	***Cash & Bank Balances***	**Act**/Est	2,457		
H.	***Total Debt***	**Act**/Est	923		
J.	***Total Equity***	**Act**/Est	3,263		
K.	***Current Liabilities***	**Act**/Est	22		
L.	***Total Liabilities***	**Act**/Est	1,082		

MEDICAL STORE:

Sector Outline:

In order to set-up a medical store, the investor needs to get the store and site registered with the District Health Officer (DHO) of the respective region. The registration requirements are available at the relevant DHO offices. The range offered in this Medical Store is a blend of both multinational and national pharmaceutical products. General Products such as Food Supplements, Toiletries, Shampoos, Soaps, Diapers & Sanitary Napkins, and Prepaid Cellular Cards will also be available at the store.

Critical Success Factors:

- Background, experience and technical qualification of the entrepreneur and / or key staff.
- Selection of appropriate location, preferably close to clinics & hospitals.
- Reasonable and competitive prices.

Key Risks:

- Availability of complete product range and uninterrupted supply of merchandise.
- Inventory control to avoid any pilferage.

MONTESSORI SCHOOL

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	22,294

			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act**/Est	5,103
C.	**Financial Charges**	**Act**/Est	101
D.	**PAT**	**Act**/Est	4,050

			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act**/Est	12,923
F.	*Current Assets*	**Act**/Est	7,101
G.	*Cash & Bank Balances*	**Act**/Est	6,777
H.	*Total Debt*	**Act**/Est	1,142
J.	*Total Equity*	**Act**/Est	10,558
K.	*Current Liabilities*	**Act**/Est	2,365
L.	*Total Liabilities*	**Act**/Est	2,365

MONTISSORI SCHOOL:

Sector Outline:
The fast paced life of metropolitan cities is significantly influencing the life style of its inhabitants. Economic pressures are compelling both parents to work towards achieving and sustaining quality life standards. This has further added to complexity and competition of a metropolitan resident. As a result of these social changes, the trend of early child education is increasing, resulting in high demand for Montessori schools in metropolitan cities. Moreover, the competition for admission in renowned schools has tremendously increased, forcing parents to invest in early learning and development of kids to match the admission test requirements. On other end, growing population in urban cities due to migration from semi-urban areas has exhausted the limited capacity of existing private as well as public school systems. Thus, the private investor with his / her investment capacity is well positioned to capitalize on this opportunity for establishing adequately equipped and qualified staffed, viable school systems in the country.

Critical Success Factors:

- School's environment should ensure security and should be free from any apparent hazard.
- The school should be preferably located in an area approachable for parents.
- At a Montessori school, teachers / attendants play a critical role in the success of the learning process. Therefore, it is suggested that staff employed by the school should be highly educated and properly trained for Montessori education. Before starting education services, it is recommended that teacher training program should be imparted.
- The education curriculum should be well researched and comprehensive. In addition to paper course work, it is suggested that visual and other teaching tools should also be optimally used.
- The area of the classrooms should be in line with the number of students in each classroom. Moreover, the classrooms should either be air-conditioned or at least well ventilated. Classrooms should also be well equipped with teaching as well as extra-curricular activity aids.
- Adequate provisions for physical, whether indoor or outdoor or both facilities should be made available.
- Continuous teacher parent interaction should also be a regular feature of the school education system.
- The design layout of school and its furnishing should be attractive for kids. Attention should be given to both the exterior and interior of the school to create an impact.
- Emphasis on child development with proper guidance.

Key Risks:

- Marketing and promotion through various channels i.e. catalogues / pamphlets, outdoor advertisement, hoardings / flex signs, cable ads, digital and SMS marketing, coverage in magazines and channels, promotion through social media (Facebook etc.).
- Higher return on investment and a steady growth of business is closely associated with regular training and capacity building of the entrepreneur. Prior experience / education in the related field of business can be a big advantage.

SECURITY AGENCY

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	15,965		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	701		
C.	**Financial Charges**	**Act**/Est	90		
D.	**PAT**	**Act**/Est	671		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act**/Est	3,632		
F.	***Current Assets***	**Act**/Est	3,145		
G.	***Cash & Bank Balances***	**Act**/Est	2,597		
H.	***Total Debt***	**Act**/Est	981		
J.	***Total Equity***	**Act**/Est	2,651		
K.	***Current Liabilities***	**Act**/Est			
L.	***Total Liabilities***	**Act**/Est	981		

SECURITY AGENCY:

Sector Outline:
Over the last two decades law and order situation of the country, particularly of the metropolitan cities like Karachi and Lahore, has become complex. Karachi, the economic hub of Pakistan, has been facing severe security problems. The growing sense of insecurity among households and businesses has created a demand for private security services. Currently, more than 800 private security companies / agencies are operating throughout the country. The demand for security services is still on the rise and the sector is currently growing at 5 - 6% per annum.

Location for a proposed Security Agency business largely depends on the type of security services it will provide to the client. The Security Agency is proposed to be established as a Private Limited Company or as a Single Member Company under the Companies Ordinance 1984. The office is proposed to be located near a business and / or financial hub of a major city like Karachi, Hyderabad, Larkana, Sukkur, Multan, Lahore, Gujranwala, Faisalabad, Sialkot, Gujrat, Rawalpindi, Islamabad, Quetta, Hub, Lasbela or Peshawar etc. The proposed agency will provide general and executive security guard services to the corporate / business sector during the initial phase of operations. All guards are proposed to be armed guards.

Critical Success Factors:

- For the success of the project, it is important to find a location in or near a business and / or financial hub of a major city like Karachi, Hyderabad, Larkana, Sukkur, Multan, Lahore, Gujranwala, Faisalabad, Sialkot, Gujrat, Rawalpindi, Islamabad, Quetta, Hub, Lasbela or Peshawar etc.
- Establishing the office in large cities would have an advantage of being close to large corporate clients, financial institutions and multinational clients.

Key Risks:

- Build contacts/linkages in the corporate sector
- Recruit trained and experienced resources
- Provide adequate training
- Provide reasonable pay compensation
- Offer professional working environment

FODDER PRODUCTION & TRADING COMPANY

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act/Est**	5,012		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	774		
C.	**Financial Charges**	**Act/Est**	26		
D.	**PAT**	**Act/Est**	735		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	2,532		
F.	*Current Assets*	**Act/Est**	2,218		
G.	*Cash & Bank Balances*	**Act/Est**	1,979		
H.	*Total Debt*	**Act/Est**	353		
J.	*Total Equity*	**Act/Est**	2,179		
K.	*Current Liabilities*	**Act/Est**			
L.	*Total Liabilities*	**Act/Est**	353		

FODDER PRODUCTION & TRADING COMPANY:

Sector Outline:

Animals consume green fodder in high quantity as compared to Dry Fodder due to high water content present in green fodder. However, dry fodder is found to be more economical as compared to green fodder as it gives the same nutrition to the animal in lower quantities. Furthermore, dry fodder is considered beneficial for milking animals as it increases fat droplets content in milk.

The requirement for dry fodder is consistent across Pakistan all around the year and can also be exported to international markets. The proposed project is based on cultivation of Alfalfa crop, employing best agriculture practices and marketing the produce though trading office.

Critical Success Factors:

- Use of new cutting machines and used bailer machines for cutting and bailing of forage.
- Production of Green Fodder and Dry Fodder
- In addition to local markets of urban and mostly rural areas, there is a huge potential of exports in dry and bailed form.

Key Risks:

- Selection of agriculture land
- Contract management
- Availability of water
- Applying the correct balance of nutrients
- Applying fertilizer at the right time

FRUIT GRADING & PACKING

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	65,705		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	1,747		
C.	**Financial Charges**	**Act**/Est	92		
D.	**PAT**	**Act**/Est	1,642		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	10,258		
F.	*Current Assets*	**Act**/Est	9,409		
G.	*Cash & Bank Balances*	**Act**/Est	3,654		
H.	*Total Debt*	**Act**/Est	629		
J.	*Total Equity*	**Act**/Est	4,235		
K.	*Current Liabilities*	**Act**/Est	5,393		
L.	*Total Liabilities*	**Act**/Est	6,022		

FRUIT GRADING & PACKING:

Sector Outline:

Fruits Processing & Packaging Plant, which would extract pulp of Apple, Peach, Guava and Plum, is proposed to be located at Peshawar, while Quetta, Gilgit, Swat, Karachi, Lahore, Multan, Rawalpindi, and Quetta are also suitable where basic infrastructure is available for easy transportation of raw material and finished goods. The finished product is pulp of Apple, Peach, Guava and Plum.

Critical Success Factors:

- Apart from being a profitable business, the project will also create new business opportunities for fruits growers and traders etc.
- The unit would produce fruit pulp, processing and adding value to raw apple, peach, guava and plum, which will come from different regions of Pakistan.
- Within Pakistan, existing Industrial units with fruit processing facilities hold enormous potential for marketing fruit pulp.
- An enormous export markets for Pakistani fruits and their value added products exist in the USA, the Europe, Middle East, Far East, India and Sri Lanka.

Key Risks:

- Processing contract with farmers and traders for value added business opportunities.
- Availability of raw material (Apple, Peach, Guava and Plum).
- Awareness about HACCP standards and Strict Quality assurance of process and products.

HONEY/PICKLE PRODUCTION, PROCESSING, PACKEGING & MARKETING

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	19,678		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	3,194		
C.	**Financial Charges**	**Act**/Est	88		
D.	**PAT**	**Act**/Est	2,673		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	8,808		
F.	*Current Assets*	**Act**/Est	8,306		
G.	*Cash & Bank Balances*	**Act**/Est	5,537		
H.	*Total Debt*	**Act**/Est	955		
J.	*Total Equity*	**Act**/Est	7,853		
K.	*Current Liabilities*	**Act**/Est			
L.	*Total Liabilities*	**Act**/Est	955		

HONEY/PICKLE PRODUCTION, PROCESSING, PACKAGING, & MARKETING:

Sector Outline:

The project of honey production, processing, packaging and marketing envisages the farming of honeybees, extraction of honey followed by packaging and then distribution or supply to the consumer market. The project is proposed to be located at areas where wild plantation and crop farming is common. In Punjab, Haripur, Attock, Sargodha, Daska are ideal places for honey bee farming, while in KPK, Karak, Kohat, Sawat and Bannu are most suitable. In Balochistan and Sindh a few areas of Qallat and Sujawal respectively are suitable for honey production. Prospect for honey production & processing, to be used for food product and medicine, will have two separate locations, one for setting up beehives colony and other for refining cum packaging process.

Pickles have always been in consistent demand in the subcontinent as a compulsory add-on to be served with food. This indicates that there is a substantial potential for this business; however growth largely depends on:

- Population growth and demographics
- Increase in urban life phenomenon
- Switching from traditional homemade pickles to ready to use pickles
- Increase in international demand

Critical Success Factors:

- Pickles are considered as a compulsory add-on to be served with the food all over the Sub-Continent and its demand is rising since production began on a commercial scale. A huge local market and increasing international demand in UAE, KSA, UK etc, carries enormous potential for investment in this business.
- Networking with the suppliers from all over the country would be necessary to meet any excess requirement or shortfall
- Availability of skilled manpower

Key Risks:

- Consistent quality from the production facility
- Networking with wholesalers
- Access to crop and fields that provide foraging for bees and results in good produce of honey.

ROSE WATER

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	9,951		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	1,354		
C.	**Financial Charges**	**Act**/Est	72		
D.	**PAT**	**Act**/Est	1,229		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	4,872		
F.	*Current Assets*	**Act**/Est	410		
G.	*Cash & Bank Balances*	**Act**/Est	3,508		
H.	*Total Debt*	**Act**/Est	782		
J.	*Total Equity*	**Act**/Est	3,783		
K.	*Current Liabilities*	**Act**/Est	38		
L.	*Total Liabilities*	**Act**/Est	1,087		

ROSE WATER:

Sector Outline:

Rose water is used in many medical, cosmetic and culinary products. Large herbal medicine companies and pharmaceutical businesses are major buyers of rose water. Additionally, due to traditional consumption of rose water for household use, there is also a significant consumer market all across Pakistan.

Cultivation of ornamental flowers including rose flower is concentrated around big cities such as Rawalpindi, Faisalabad, Lahore, Multan, Hyderabad and Karachi. Accordingly, these cities present an opportunity for establishment of Rose Water Processing Unit due to easy sourcing of rose petals.

Critical Success Factors:

- Contract sourcing of good quality rose-petals on reasonable prices.
- Ensure the quality of the finished product.

Key Risks:

- Entrepreneur’s background and technical know-how of the business.
- Effective marketing and distribution of the product particularly to the wholesale buyers.

SEED OIL EXTRAXTION UNIT-RAPE SEED

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	13,587		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	1,628		
C.	**Financial Charges**	**Act**/Est	78		
D.	**PAT**	**Act**/Est	1,302		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act**/Est	5,188		
F.	***Current Assets***	**Act**/Est	4,746		
G.	***Cash & Bank Balances***	**Act**/Est	1,818		
H.	***Total Debt***	**Act**/Est	851		
J.	***Total Equity***	**Act**/Est	4,336		
K.	***Current Liabilities***	**Act**/Est			
L.	***Total Liabilities***	**Act**/Est	851		

SEED OIL EXTRAXTION UNIT-RAPE SEED:

Sector Outline:

As per Economic Survey of Pakistan 2012-13, the major oilseed crops of Pakistan include sunflower, canola, rapeseed / mustard and cottonseed. The total seed oil produce in 2012-13 has been reported to be 0.61 Million tons. During the year 2012-13 (July-March), 1.74 Million tons of edible oil, valued at Rs. 153.3 Billion has been imported to meet the demand of domestic market. Edible oil is used in stir-fry dishes, snack foods, seafood, vegetables and different foods. It can be used in place of any vegetable oil.

Target customers for the proposed product primarily include oil refineries / mills for crude seed oil produced and individuals, wholesalers & retailers for other by-products. Initially, the project will be focusing on providing finished products to domestic markets. Proposed locations for establishment of the units are , Sibi, Naseer Abad & Jaffarabad - Punjab e.g. DG Khan, Rahim Yar Khan, Sadiqabad & Multan etc. – Sindh e.g. Khairpur, Gothki, Sukkar & N. Feroz etc. and KPK e.g. Abbotabad, Buner & D.I.Khan etc.

Critical Success Factors:

- The project infrastructure must be designed keeping in view possible extension and product diversification into oil / ghee industry, poultry feed mills, soap and sweets / candies manufacturing factories.
- Processing line must be clean and hygienic as per internationally accepted industry standards.
- It is recommended that the proposed project be established in a rented building to reduce project cost. Selection of proper location, equipment and staff is also a pre-requisite for running the project successfully.

Key Risks:

- Careful processing techniques must be used to avoid any damages to the extracted crude seed oil.
- Seed quality and availability is a critical factor, depending upon of harvesting seasons and quality of crops; poor harvest may result in low quality seeds, thereby leading to poor quality of the end product i.e. crude seed oil.

SPICES PROCESSING, PACKING & MARKETING

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	32,514		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	972		
C.	**Financial Charges**	**Act**/Est	84		
D.	**PAT**	**Act**/Est	903		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act**/Est	4,951		
F.	***Current Assets***	**Act**/Est	4,669		
G.	***Cash & Bank Balances***	**Act**/Est	1,931		
H.	***Total Debt***	**Act**/Est	918		
J.	***Total Equity***	**Act**/Est	4,032		
K.	***Current Liabilities***	**Act**/Est			
L.	***Total Liabilities***	**Act**/Est	918		

SPICES PROCESSING, PACKING & MARKETING:

Sector Outline:

There has been an immense progression in the Spices industry in the last decade. Technological changes have had a great impact on spices processing, packing and distribution with main emphases revolving around quality, pricing, and distribution network. Spices processing industry is catering not only the domestic market but also international market. The industry is shifting to new levels with introduction of recipe packs.

Spices processing is a lucrative business and is in high demand. It can offer high profitability provided that quality, hygiene and competitive prices are offered. Compared to other businesses, spices are relatively in constant demand. There is a substantial potential in this business.

Critical Success Factors:

- Quality Control
- Pricing
- Recipe & Processing
- Credit Recovery

Key Risks:

- The products would be 15-20 percent cheaper compared with top brands (National, Shan, Mehran etc.).

BAKERY & CONFICTIONERY

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	21,437		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act**/Est	1,687		
C.	**Financial Charges**	**Act**/Est	84		
D.	**PAT**	**Act**/Est	1,502		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	**Act**/Est	5,935		
F.	*Current Assets*	**Act**/Est	5,155		
G.	*Cash & Bank Balances*	**Act**/Est	4,189		
H.	*Total Debt*	**Act**/Est	913		
J.	*Total Equity*	**Act**/Est	4,072		
K.	*Current Liabilities*	**Act**/Est	617		
L.	*Total Liabilities*	**Act**/Est	1,861		

BAKERY & CONFECTIONERY:

Sector Outline:

Bakery and Confectionery business is growing in both urban and semi-urban areas. This pre-feasibility study encompasses the bakery business located in commercial neighborhood surrounding and middle income residential localities.

Major products include cakes, snacks, sweets, nimko, biscuits, bread and general confectionery items, which will be sold to target customers of the vicinity. The sales outlet will be supported by an in house production facility. Selections of adequate product mix and business location, supported by marketing efforts are the critical success factors.

Critical Success Factor:

- Background knowledge and experience of the entrepreneur in the bakery business.
- Induction of trained human resource for production of requisite items.
- Location considerations for easy access of the customers.

Key Risks:

- Maintenance of quality and hygiene standards.
- Pricing strategy & understanding requirements of the target customers.
- Decor presentation and layout of the shop and products.

RESTAURANT CUM FAST FOOD-TAKE AWAY

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	15,861		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	1,400		
C.	**Financial Charges**	**Act**/Est	91		
D.	**PAT**	**Act**/Est	1,268		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act**/Est	5,425		
F.	***Current Assets***	**Act**/Est	4,629		
G.	***Cash & Bank Balances***	**Act**/Est	3,971		
H.	***Total Debt***	**Act**/Est	984		
J.	***Total Equity***	**Act**/Est	4,441		
K.	***Current Liabilities***	**Act**/Est			
L.	***Total Liabilities***	**Act**/Est	984		

RESTAURANT CUM FAST FOOD-TAKE AWAY:

Sector Outline:

Fast food is a name given to food which is prepared with preheated or pre-cooked ingredients and served to customers in a packaged form for take-away or dine in. Many fast-food restaurants operate chains or franchise operations, where standardized foodstuff is shipped to each restaurant from a central location. There are also simpler fast-food outlets, such as stands or kiosks, which may or may not provide seating arrangements for customers. As capital requirements to start a fast-food restaurant are relatively low, individually-owned fast-food restaurants have become popular and common throughout Pakistan. Market growth largely depends on demographics, urbanization, changing lifestyle patterns and demand for convenience. Thus all these variables determine the potential of fast food business.

Critical Success Factors:

- Selecting the right location and layout
- Hiring well experienced staff especially cooks and servers
- Quality & Hygiene
- Creating the right menu
- Menu pricing
- Operational food quality consistency
- Knowing the competition

Key Risks:

- Two factors are especially important in this analysis: total pedestrian traffic during business hours and the percentage of it that is likely to patronize the food service business.
- The site should provide convenient and adequate parking and easy access for customers.
- Neighboring businesses may influence the fast food’s sales volume, and their presence can have both positive and negative implications.
- The recent history of each site under consideration should be ascertained before making a final selection.
- The local Development Authority / Planning Board should be consulted to check if any development is planned for the future that could affect the business, such as bridges, underpasses or any construction restricting accessibility.

	GEMS STONE LAPIDARY					
	Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)					
	All figures in Pak Rupees (000)					
A.	Estimated Sales/Unit	Act/Est	5,817			
			High (>15%)	Medium (5-15%)	Low (<5%)	
	Projected Sales Growth (%)	Best				
	(Next 1-2 Yrs)	Guess				
B.	PBT	Act/Est	2,280			
C.	Financial Charges	Act/Est	87			
D.	PAT	Act/Est	1,977			
			Expected to Increase	Expected to Remain Same	Expected to Decline	
	Net Profitability	Best				
	(Next 1-2 Yrs)	Guess				
E.	*Total Assets*	Act/Est	5,922			
F.	*Current Assets*	Act/Est	4,940			
G.	*Cash & Bank Balances*	Act/Est	4,352			
H.	*Total Debt*	Act/Est	1,003			
J.	*Total Equity*	Act/Est	4,587			
K.	*Current Liabilities*	Act/Est	332			
L.	*Total Liabilities*	Act/Est	1,335			

GEM STONE LAPIDARY:

Sector Outline:

The process of Lapidary includes grading, cutting and polishing of gemstones. Raw stones are either purchased from the market, or provided by the customers (Jewelers).

Individual stone is then examined (graded) and cut into smaller stones along its major line of fracture and inclusions. The smaller pieces are then mounted on cutting tools, which are then faceted on faceting machines. The final operation involves polishing of the faceted stones. Polished stones are then delivered to the customers or sold in the market.

While, Lahore & Karachi with its large Gold and Gem studded jewelry making industry are suitable locations, Gems Stone Lapidary is proposed to be located at Peshawar since major trade/export is taking place in this city. Within Peshawar, Namak Mandi area is preferable, as large Gems Clusters exist here. These jewelry markets are the main customers of cut and polished gemstones. The proposed unit will process rough gemstones, initially semi-precious gemstones like Aquamarine, Peridot, and Tourmaline etc. These gemstones mainly come from mines in Chitral, Mardan and Gilgit Baltistan in addition to gems from Afghanistan and other nearby locations.

Critical Success Factors:

- An enormous export market for Pakistani gemstones exists in Europe, USA, Middle East, Hong Kong, Taiwan, etc. The Government of Pakistan, recognizing the potential for local value addition has waived off import duty on lapidary equipment.
- The commercial viability of the Gems Stone Lapidary depends, primarily, on regular orders from customers.

Key Risks:

- Awareness about current market trends i.e. the type of stone & type of cuts required by customers; which in this case are jewelers.
- Availability of skilled labor.
- Timely delivery of orders
- Availability of raw material (rough, uncut and unpolished gemstones).

MARBLE &ONYX PRODUCTS MANUFACTURING/ MARBLE MOSAIC DEVELOPMENT CENTER

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	8,305

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act**/Est	3,697
C.	**Financial Charges**	**Act**/Est	83
D.	**PAT**	**Act**/Est	3,029

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act**/Est	8,507
F.	*Current Assets*	**Act**/Est	7,503
G.	*Cash & Bank Balances*	**Act**/Est	6,499
H.	*Total Debt*	**Act**/Est	955
J.	*Total Equity*	**Act**/Est	7,091
K.	*Current Liabilities*	**Act**/Est	459
L.	*Total Liabilities*	**Act**/Est	1,414

MARBLE & ONYX PRODUCTS MANUFACTURING/ MARBLE MOSAIC DEVELOPMENR CENTER:

Sector Outline:

Marble and Granite industry in Pakistan has total estimated reserves of around 160.1 million tons, The marble and onyx mines of Pakistan are mainly located in Balochistan (Chaghi, Lasblea, Loralai, Mastong, and Naal), Khyber Pakhtunkhwa / Federally Administered Tribal Areas (Bunair, Mardan, Mohamand, Swat, Chitral), and Sindh (Dadu, Johi range). Major marble processing clusters are concentrated in Gujranwala, Islamabad / Rawalpindi, Karachi, Hub, Mangopir, Lasbela, Lahore, Peshawar and Nowshehra / Risalpur. As the production of Handicraft is dependent upon the easy availability of optimum variety of marble and onyx therefore the project should be established in or around the aforementioned cities.
Product(s) include Marble & onyx Flower Vases, Jar, Chess Boards, Animal Shapes, Cigarette Ash Trays and Photo Frames. The mosaic development center will process Field Tiles, Split Face Tiles, Artisan Mosaics (Borders, Medallions, Carpets and Rugs, Frames, and Kitchen Backsplash.

Critical Success Factors:

- The marble & onyx products are famous worldwide for their uniqueness and are used as decorative and gift items. Major export markets for these marble & onyx handicrafts are Central Asian Republics, United States of America and Australia.
- The domestic market also carries a great untapped potential for these handicrafts, catering to tourists, handicraft shops, antiques shops and hotel industry.

Key Risks:

- Proximity to variety of supply sources and markets
- Efficient and cost effective procurement of raw material
- Availability and retention of skilled labor force
- Know how about the trends in the market
- Availability of electricity and water supply
- Effective Marketing

SALT PRODUCTS MANUFACTURING UNIT

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	16,744

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act**/Est	2,351
C.	**Financial Charges**	**Act**/Est	1,300
D.	**PAT**	**Act**/Est	2,033

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act**/Est	23,035
F.	*Current Assets*	**Act**/Est	3,782
G.	*Cash & Bank Balances*	**Act**/Est	2,147
H.	*Total Debt*	**Act**/Est	7,997
J.	*Total Equity*	**Act**/Est	14,202
K.	*Current Liabilities*	**Act**/Est	3,334
L.	*Total Liabilities*	**Act**/Est	8,832

SALT PRODUCTS MANUFACTURING UNIT:

Sector Outline:

There are a number of factors for which salt products are sought worldwide, however, therapeutic and decorative, are two distinct reasons for which, salt products are bought all over the world. the production of rock salt crystal products such as salt lamps, candle stand, salt soap, salt spa products, salt inhalers, salt bricks, tiles and blocks etc. The proposed salt products manufacturing unit will primarily focus on indirect export (middlemen / traders). The rock salt crystal products are highly suitable for decorative and natural curative purposes in homes, offices and restaurants, etc.

Growing international demand for salt products, especially in western countries due to its healing properties for a number of ailments, availability of cheap and skilled labor coupled with abundant raw material offers new start-ups a very promising opportunity to venture into salt products manufacturing.

Blocks of salt are cut into small pieces by cutters. Lathe machines are used to shape and size salt pieces into lamps and candle stands etc. Finishing operations are carried out on a grinder and drill machine. Natural profile products (natural shape) are made on grinders and hand drills.

Critical Success Factors:

- Availability of skilled labor and good quality raw material.
- Strict management / supervision controls to minimize wastage.
- Regular training and capacity building of the entrepreneur and employees.
- Prior experience / education in the related field of business.
- Ventilation and adequate safety measures.
- The most important factor for the success of the project would be the quality products and customer satisfaction in order to get a comparative advantage.

Key Risks:

- Awareness / knowledge of international markets and the demand trends for salt products.
- The production process is highly manual and requires high involvement of manpower; therefore, strong management control in production operation is required.
- Ability to generate work orders through networking, direct marketing and negotiating long term contracts.

STONE CRUSHING

Indicative Financials for a Business Unit (Based on SMEDA Pre-feasibilities)

All figures in Pak Rupees (000)

A.	**Estimated Sales/Unit**	**Act**/Est	4,100		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act**/Est	947		
C.	**Financial Charges**	**Act**/Est	92		
D.	**PAT**	**Act**/Est	882		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	**Act**/Est	3,343		
F.	*Current Assets*	**Act**/Est	1,825		
G.	*Cash & Bank Balances*	**Act**/Est	1,468		
H.	*Total Debt*	**Act**/Est	1,060		
J.	*Total Equity*	**Act**/Est	2,273		
K.	*Current Liabilities*	**Act**/Est	287		
L.	*Total Liabilities*	**Act**/Est	1,347		

STONE CRUSHING:

Sector Outline:

The proposed project envisages setting up of a Stone Crushing Plant. The stone crushing industry is an important industrial sector in the country. Crushed stone is used as raw material for various construction purposes such as construction of houses, cemented block units, tough tiles, roads, bridges, buildings and canals. For building and construction purposes, generally Hard Limestone is used. In addition, it is also used for decorative purposes for its beauty and shaded colors. The Stone Crushing Plant can be setup in the vicinity of almost all major cities and towns of Pakistan.

Proposed location for setting up a small scale stone crushing plant largely depends on the availability of raw limestone and its transportation to the factory at low cost. Therefore, small scale stone crushing plants are mostly being operated in areas where limestone reserves exist. It is recommended that the plant should be established in periphery of Peshawar, Mansehra, Abbottabad, Mardan, Nowshehra, Kohat, Karak or D.I.Khan in Khyber Pakhtunkhwa and in Margalla or Taxila region in Punjab. Availability of manpower, utilities and easy access to the target markets should also be considered.

Critical Success Factors:

- Establishment of the project near limestone reserves, in order to reduce transportation cost.
- Careful pricing and margins to builders, suppliers and retail customers.

Key Risks:

- Timely receiving of raw material and supply of order.
- Adequate supply of electricity.

SMEDA MICRO-SECTOR RANKING

RANKING BY BUSINESS ENVIRONMENT

BY DEMAND VOLATILITY

Sector ranking, by the Demand Volatility (the variable is a representation of the level of certainty/ uncertainty in the demand of the products. This is mainly concerned with the expected volatility (seasonality) as well as unexpected volatility of the demand) is as follows:

Rank 1: Demand is largely steady

Rank 5: Highly volatile demand which fluctuates tremendously

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Beauty Clinic	1	100	7.0	7.0
2	Distribution Agency	1	100	7.0	7.0
3	Engineering Workshop - Subcontracting	1	100	7.0	7.0
4	Gems Stone Lapidary	1	100	7.0	7.0
5	Injection Molding Plastic Products	1	100	7.0	7.0
6	Medical Store	1	100	7.0	7.0
7	Seed Oil Extraction Unit - Rape Seed	1	100	7.0	7.0
8	Steel Products Welding	1	100	7.0	7.0
9	UPS and Stabilizer Assembling Unit	1	100	7.0	7.0
10	Animal Fattening Farm	2	80	7.0	5.6
11	Dairy/Camel Farming	2	80	7.0	5.6
12	Poultry Farm	2	80	7.0	5.6
13	Restaurant Cum Fast Food - Take Away	2	80	7.0	5.6
14	Roof Tiles Manufacturing Unit - Light Weight	2	80	7.0	5.6
15	Security Agency	2	80	7.0	5.6
16	Spices Processing, Packing & Marketing	2	80	7.0	5.6
17	Bakery & Confectionery	3	60	7.0	4.2
18	Boutique - Women Designer Wear	3	60	7.0	4.2
19	Day Care Center	3	60	7.0	4.2
20	Driving School	3	60	7.0	4.2
21	Honey/ Pickle Production, Processing, Packaging & Marketing	3	60	7.0	4.2
22	Interior Decoration	3	60	7.0	4.2
23	Montessori School	3	60	7.0	4.2
24	Off Season Vegetables - High tunnel	3	60	7.0	4.2
25	Rose Water	3	60	7.0	4.2
26	Florist Shop	4	40	7.0	2.8
27	Fodder Production & Trading Company	4	40	7.0	2.8
28	Fruit Grading & Packing	4	40	7.0	2.8
29	Furniture Manufacturing Unit - Wooden	4	40	7.0	2.8
30	Marble & Onyx Products/Mosaic development Center	4	40	7.0	2.8
31	Salt Products Manufacturing Unit	4	40	7.0	2.8
32	Shrimp/ Inland Fish Farming	4	40	7.0	2.8
33	Stone Crushing	4	40	7.0	2.8
34	Cut Flower Farm	5	20	7.0	1.4
35	Direct Marketing	5	20	7.0	1.4
36	Footwear Retail Outlet	5	20	7.0	1.4
37	Veterinary Clinic	5	20	7.0	1.4

BY SUPPLY VOLATILITY

Sector ranking, by the Supply Volatility, (the variable is a representation of the level of certainty/ uncertainty in the supply of key materials. It also assesses the industry's ability to continue production with alternate inputs in case of shortage of original inputs) is as follows:

Rank 1: Supply is largely steady

Rank 5: Highly volatile supply which fluctuates tremendously

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Beauty Clinic	1	100	6.0	6.0
2	Engineering Workshop - Subcontracting	1	100	6.0	6.0
3	Footwear Retail Outlet	1	100	6.0	6.0
4	Fruit Grading & Packing	1	100	6.0	6.0
5	Gems Stone Lapidary	1	100	6.0	6.0
6	Honey/ Pickle Prod, Processing, Packaging & Marketing	1	100	6.0	6.0
7	Interior Decoration	1	100	6.0	6.0
8	Medical Store	1	100	6.0	6.0
9	Poultry Farm	1	100	6.0	6.0
10	Rose Water	1	100	6.0	6.0
11	Shrimp/ Inland Fish Farming	1	100	6.0	6.0
12	Steel Products Welding	1	100	6.0	6.0
13	UPS and Stabilizer Assembling Unit	1	100	6.0	6.0
14	Veterinary Clinic	1	100	6.0	6.0
15	Bakery & Confectionery	2	80	6.0	4.8
16	Boutique - Women Designer Wear	2	80	6.0	4.8
17	Animal Fattening Farm	2	80	6.0	4.8
18	Dairy/Camel Farming	2	80	6.0	4.8
19	Distribution Agency	2	80	6.0	4.8
20	Driving School	2	80	6.0	4.8
21	Florist Shop	2	80	6.0	4.8
22	Fodder Production & Trading Company	2	80	6.0	4.8
23	Furniture Manufacturing Unit - Wooden	2	80	6.0	4.8
24	Injection Molding Plastic Products	2	80	6.0	4.8
25	Montessori School	2	80	6.0	4.8
26	Restaurant Cum Fast Food - Take Away	2	80	6.0	4.8
27	Roof Tiles Manufacturing Unit - Light Weight	2	80	6.0	4.8
28	Salt Products Manufacturing Unit	2	80	6.0	4.8
29	Security Agency	2	80	6.0	4.8
30	Seed Oil Extraction Unit - Rape Seed	2	80	6.0	4.8
31	Spices Processing, Packing & Marketing	2	80	6.0	4.8
32	Stone Crushing	2	80	6.0	4.8
33	Cut Flower Farm	3	60	6.0	3.6
34	Day Care Center	3	60	6.0	3.6
35	Direct Marketing	3	60	6.0	3.6
36	Marble & Onyx Products/Mosaic development Center	4	40	6.0	2.4
37	Off Season Vegetables - High tunnel	4	40	6.0	2.4

BY STRENGTH OF COMPETITION

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

Rank 1: Strength of Competition is low
Rank 5: Strength of Competition is high

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Gems Stone Lapidary	1	100	5.0	5.0
2	Steel Products Welding	1	100	5.0	5.0
3	Distribution Agency	2	80	5.0	4.0
4	Engineering Workshop - Subcontracting	2	80	5.0	4.0
5	Florist Shop	2	80	5.0	4.0
6	Fodder Production & Trading Company	2	80	5.0	4.0
7	Injection Molding Plastic Products	2	80	5.0	4.0
8	Marble & Onyx Products/Mosaic development Center	2	80	5.0	4.0
9	Medical Store	2	80	5.0	4.0
10	Off Season Vegetables - High tunnel	2	80	5.0	4.0
11	Restaurant Cum Fast Food - Take Away	2	80	5.0	4.0
12	Shrimp/ Inland Fish Farming	2	80	5.0	4.0
13	Spices Processing, Packing & Marketing	2	80	5.0	4.0
14	UPS and Stabilizer Assembling Unit	2	80	5.0	4.0
15	Veterinary Clinic	2	80	5.0	4.0
16	Boutique - Women Designer Wear	3	60	5.0	3.0
17	Animal Fattening Farm	3	60	5.0	3.0
18	Cut Flower Farm	3	60	5.0	3.0
19	Day Care Center	3	60	5.0	3.0
20	Fruit Grading & Packing	3	60	5.0	3.0
21	Interior Decoration	3	60	5.0	3.0
22	Roof Tiles Manufacturing Unit - Light Weight	3	60	5.0	3.0
23	Security Agency	3	60	5.0	3.0
24	Seed Oil Extraction Unit - Rape Seed	3	60	5.0	3.0
25	Stone Crushing	3	60	5.0	3.0
26	Beauty Clinic	4	40	5.0	2.0
27	Dairy/Camel Farming	4	40	5.0	2.0
28	Direct Marketing	4	40	5.0	2.0
29	Driving School	4	40	5.0	2.0
30	Furniture Manufacturing Unit - Wooden	4	40	5.0	2.0
31	Montessori School	4	40	5.0	2.0
32	Poultry Farm	4	40	5.0	2.0
33	Salt Products Manufacturing Unit	4	40	5.0	2.0
34	Bakery & Confectionery	5	20	5.0	1.0
35	Footwear Retail Outlet	5	20	5.0	1.0
36	Honey/ Pickle Production, Processing, Packaging & Marke	5	20	5.0	1.0
37	Rose Water	5	20	5.0	1.0

BY BARRIERS TO ENTRY

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

Rank 1: High Barriers to Entry

Rank 5: Low Barriers to Entry

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Off Season Vegetables - High tunnel	1	100	5.0	5.0
2	Steel Products Welding	1	100	5.0	5.0
3	Beauty Clinic	2	80	5.0	4.0
4	Cut Flower Farm	2	80	5.0	4.0
5	Engineering Workshop - Subcontracting	2	80	5.0	4.0
6	Fruit Grading & Packing	2	80	5.0	4.0
7	Gems Stone Lapidary	2	80	5.0	4.0
8	Restaurant Cum Fast Food - Take Away	2	80	5.0	4.0
9	Roof Tiles Manufacturing Unit - Light Weight	2	80	5.0	4.0
10	Security Agency	2	80	5.0	4.0
11	Spices Processing, Packing & Marketing	2	80	5.0	4.0
12	Veterinary Clinic	2	80	5.0	4.0
13	Animal Fattening Farm	3	60	5.0	3.0
14	Dairy/Camel Farming	3	60	5.0	3.0
15	Direct Marketing	3	60	5.0	3.0
16	Florist Shop	3	60	5.0	3.0
17	Fodder Production & Trading Company	3	60	5.0	3.0
18	Injection Molding Plastic Products	3	60	5.0	3.0
19	Marble & Onyx Products/Mosaic development Center	3	60	5.0	3.0
20	Medical Store	3	60	5.0	3.0
21	Montessori School	3	60	5.0	3.0
22	Seed Oil Extraction Unit - Rape Seed	3	60	5.0	3.0
23	Shrimp/ Inland Fish Farming	3	60	5.0	3.0
24	Boutique - Women Designer Wear	4	40	5.0	2.0
25	Day Care Center	4	40	5.0	2.0
26	Distribution Agency	4	40	5.0	2.0
27	Driving School	4	40	5.0	2.0
28	Furniture Manufacturing Unit - Wooden	4	40	5.0	2.0
29	Interior Decoration	4	40	5.0	2.0
30	Poultry Farm	4	40	5.0	2.0
31	Salt Products Manufacturing Unit	4	40	5.0	2.0
32	Stone Crushing	4	40	5.0	2.0
33	UPS and Stabilizer Assembling Unit	4	40	5.0	2.0
34	Bakery & Confectionery	5	20	5.0	1.0
35	Footwear Retail Outlet	5	20	5.0	1.0
36	Honey/ Pickle Production, Processing, Packaging & Marketing	5	20	5.0	1.0
37	Rose Water	5	20	5.0	1.0

BY PRICE ELASTICITY

Sector ranking, by the 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 5: High impact of price changes on the demand of output

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Engineering Workshop - Subcontracting	1	100	7.0	7.0
2	Medical Store	1	100	7.0	7.0
3	Steel Products Welding	1	100	7.0	7.0
4	Beauty Clinic	2	80	7.0	5.6
5	Dairy/Camel Farming	2	80	7.0	5.6
6	Day Care Center	2	80	7.0	5.6
7	Fodder Production & Trading Company	2	80	7.0	5.6
8	Gems Stone Lapidary	2	80	7.0	5.6
9	Honey/ Pickle Production, Processing, Packaging & Marketing	2	80	7.0	5.6
10	Rose Water	2	80	7.0	5.6
11	Seed Oil Extraction Unit - Rape Seed	2	80	7.0	5.6
12	Spices Processing, Packing & Marketing	2	80	7.0	5.6
13	Animal Fattening Farm	3	60	7.0	4.2
14	Direct Marketing	3	60	7.0	4.2
15	Distribution Agency	3	60	7.0	4.2
16	Driving School	3	60	7.0	4.2
17	Florist Shop	3	60	7.0	4.2
18	Fruit Grading & Packing	3	60	7.0	4.2
19	Furniture Manufacturing Unit - Wooden	3	60	7.0	4.2
20	Injection Molding Plastic Products	3	60	7.0	4.2
21	Marble & Onyx Products/Mosaic development Center	3	60	7.0	4.2
22	Montessori School	3	60	7.0	4.2
23	Off Season Vegetables - High tunnel	3	60	7.0	4.2
24	Poultry Farm	3	60	7.0	4.2
25	Restaurant Cum Fast Food - Take Away	3	60	7.0	4.2
26	Roof Tiles Manufacturing Unit - Light Weight	3	60	7.0	4.2
27	Security Agency	3	60	7.0	4.2
28	Shrimp/ Inland Fish Farming	3	60	7.0	4.2
29	Veterinary Clinic	3	60	7.0	4.2
30	Bakery & Confectionery	4	40	7.0	2.8
31	Boutique - Women Designer Wear	4	40	7.0	2.8
32	Footwear Retail Outlet	4	40	7.0	2.8
33	Interior Decoration	4	40	7.0	2.8
34	Stone Crushing	4	40	7.0	2.8
35	UPS and Stabilizer Assembling Unit	4	40	7.0	2.8
36	Cut Flower Farm	5	20	7.0	1.4
37	Salt Products Manufacturing Unit	5	20	7.0	1.4

COMPOSITE RANKING BY BUSINESS ENVIRONMENT

Composite ranking, by the Business Environment, is as follows:

S.NO.	SECTOR	MAXIMUM SCORE	SCORE
1	Steel Products Welding	30	30.0
2	Engineering Workshop - Subcontracting	30	28.0
3	Gems Stone Lapidary	30	27.6
4	Medical Store	30	27.0
5	Beauty Clinic	30	24.6
6	Spices Processing, Packing & Marketing	30	24.0
7	Seed Oil Extraction Unit - Rape Seed	30	23.4
8	Injection Molding Plastic Products	30	23.0
9	Restaurant Cum Fast Food - Take Away	30	22.6
10	Distribution Agency	30	22.0
11	UPS and Stabilizer Assembling Unit	30	21.8
12	Roof Tiles Manufacturing Unit - Light Weight	30	21.6
13	Security Agency	30	21.6
14	Dairy/Camel Farming	30	21.0
15	Animal Fattening Farm	30	20.6
16	Fodder Production & Trading Company	30	20.2
17	Fruit Grading & Packing	30	20.0
18	Shrimp/ Inland Fish Farming	30	20.0
19	Poultry Farm	30	19.8
20	Off Season Vegetables - High tunnel	30	19.8
21	Veterinary Clinic	30	19.6
22	Florist Shop	30	18.8
23	Day Care Center	30	18.4
24	Montessori School	30	18.2
25	Interior Decoration	30	18.0
26	Honey/ Pickle Production, Processing, Packaging & Marketing	30	17.8
27	Rose Water	30	17.8
28	Driving School	30	17.2
29	Boutique - Women Designer Wear	30	16.8
30	Marble & Onyx Products/Mosaic development Center	30	16.4
31	Furniture Manufacturing Unit - Wooden	30	15.8
32	Stone Crushing	30	15.4
33	Direct Marketing	30	14.2
34	Bakery & Confectionery	30	13.8
35	Cut Flower Farm	30	13.4
36	Salt Products Manufacturing Unit	30	13.0
37	Footwear Retail Outlet	30	12.2

RANKING BY PROFITABILITY & FINANCIAL STRENGTH
BY GEARING
BY INTEREST COVERAGE (EBIT/Interest Expense)

Sector ranking, by the Interest Coverage (measures the industry's average ability to pay off interest expense) is as follows:

Rank 1: Ability to pay off interest expense

Rank 5: Ability to pay off interest expense

Rs. in 000

S. NO.	SECTOR	EBIT	Interest Expense	Interest Coverage Ratio	Rank	% of Score	Max Score	Score
1	Direct Marketing	5,982	89	67.21	1	100	7.0	7
2	Montessori School	5,205	101	51.53	1	100	7.0	7
3	Marble & Onyx Products/Mosaic development Ce	3,780	83	45.54	1	100	7.0	7
4	Furniture Manufacturing Unit - Wooden	3,545	90	39.39	2	80	7.0	5.6
5	Steel Products Welding	2,156	59	36.54	2	80	7.0	5.6
6	Beauty Clinic	2,791	90	31.01	2	80	7.0	5.6
7	Interior Decoration	2,883	73	39.49	2	80	7.0	5.6
8	Security Agency	792	90	8.80	2	80	7.0	5.6
9	Honey/ Pickle Production, Processing, Packaging	3,282	88	37.30	2	80	7.0	5.6
10	UPS and Stabilizer Assembling Unit	1,726	73	23.64	3	60	7.0	4.2
11	Cut Flower Farm	2,276	90	25.29	3	60	7.0	4.2
12	Animal Fattening Farm	2,088	75	27.84	3	60	7.0	4.2
13	Shrimp/ Inland Fish Farming	2,404	86	27.95	3	60	7.0	4.2
14	Boutique - Women Designer Wear	1,935	90	21.50	3	60	7.0	4.2
15	Driving School	2,124	74	28.70	3	60	7.0	4.2
16	Footwear Retail Outlet	1,926	90	21.40	3	60	7.0	4.2
17	Fruit Grading & Packing	1,840	92	20.00	3	60	7.0	4.2
18	Seed Oil Extraction Unit - Rape Seed	1,706	78	21.87	3	60	7.0	4.2
19	Bakery & Confectionery	1,771	84	21.08	3	60	7.0	4.2
20	Gems Stone Lapidary	2,368	87	27.22	3	60	7.0	4.2
21	Salt Products Manufacturing Unit	1,345	59	22.80	3	60	7.0	4.2
22	Injection Molding Plastic Products	1,029	90	11.43	4	40	7.0	2.8
23	Roof Tiles Manufacturing Unit - Light Weight	1,190	88	13.52	4	40	7.0	2.8
24	Off Season Vegetables - High tunnel	1,159	91	12.74	4	40	7.0	2.8
25	Dairy/Camel Farming	1,324	90	14.71	4	40	7.0	2.8
26	Poultry Farm	1,091	89	12.26	4	40	7.0	2.8
27	Veterinary Clinic	694	39	17.79	4	40	7.0	2.8
28	Day Care Center	1,265	82	15.43	4	40	7.0	2.8
29	Distribution Agency	774	41	18.88	4	40	7.0	2.8
30	Florist Shop	1,089	65	16.75	4	40	7.0	2.8
31	Medical Store	1,026	85	12.07	4	40	7.0	2.8
32	Fodder Production & Trading Company	614	35	17.54	4	40	7.0	2.8
33	Rose Water	1,427	72	19.82	4	40	7.0	2.8
34	Spices Processing, Packing & Marketing	1,035	84	12.32	4	40	7.0	2.8
35	Restaurant Cum Fast Food - Take Away	1,491	91	16.38	4	40	7.0	2.8
36	Stone Crushing	1,040	92	11.30	4	40	7.0	2.8
37	Engineering Workshop - Subcontracting	643	70	9.19	5	20	7.0	1.4

BY DEBT/EQUITY

Sector ranking, by the Debt/Equity (measures industry's average gearing level) is as follows:
Rank 1: Gearing level is low
Rank 5: Gearing level is high

S.NO.	SECTOR	Debt	Equity	Debt/ Equity Ratio	Rank	% of Score
1	Steel Products Welding	641	7,217	0.09	1	100
2	Direct Marketing	970	11,191	0.09	1	100
3	Interior Decoration	798	8,624	0.09	1	100
4	Furniture Manufacturing Unit - Wooden	983	8,203	0.12	2	80
5	UPS and Stabilizer Assembling Unit	790	5,069	0.16	2	80
6	Cut Flower Farm	983	5,906	0.17	2	80
7	Animal Fattening Farm	813	4,999	0.16	2	80
8	Dairy/Camel Farming	979	5,114	0.19	2	80
9	Shrimp/ Inland Fish Farming	938	5,964	0.16	2	80
10	Beauty Clinic	981	6,968	0.14	2	80
11	Boutique - Women Designer Wear	980	6,798	0.14	2	80
12	Day Care Center	407	2,875	0.14	2	80
13	Driving School	805	6,145	0.13	2	80
14	Footwear Retail Outlet	978	5,390	0.18	2	80
15	Montessori School	1,142	10,558	0.11	2	80
16	Fruit Grading & Packing	629	4,235	0.15	2	80
17	Honey/ Pickle Production, Processing, Packaging & Marketing	955	7,853	0.12	2	80
18	Restaurant Cum Fast Food - Take Away	682	5,972	0.11	2	80
19	Marble & Onyx Products/Mosaic development Center	955	7,091	0.13	2	80
20	Salt Products Manufacturing Unit	644	3,652	0.18	2	80
21	Injection Molding Plastic Products	974	3,443	0.28	3	60
22	Off Season Vegetables - High tunnel	984	3,724	0.26	3	60
23	Poultry Farm	964	4,214	0.23	3	60
24	Veterinary Clinic	427	2,121	0.20	3	60
25	Florist Shop	708	3,463	0.20	3	60
26	Medical Store	923	3,263	0.28	3	60
27	Rose Water	782	3,783	0.21	3	60
28	Seed Oil Extraction Unit - Rape Seed	851	4,336	0.20	3	60
29	Spices Processing, Packing & Marketing	918	4,032	0.23	3	60
30	Bakery & Confectionery	913	4,072	0.22	3	60
31	Gems Stone Lapidary	1,003	4,587	0.22	3	60
32	Roof Tiles Manufacturing Unit - Light Weight	962	2,702	0.36	4	40
33	Distribution Agency	598	1,972	0.30	4	40
34	Security Agency	981	2,651	0.37	4	40
35	Fodder Production & Trading Company	515	1,443	0.36	4	40
36	Engineering Workshop - Subcontracting	761	1,720	0.44	5	20
37	Stone Crushing	1,060	2,273	0.47	5	20

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

S.NO.	SECTOR	Current Assets	Current Liabilities	Current Ratio	Rank	% of Score	Max Score	Score
1	Engineering Workshop - Subcontracting	1,928	21	91.81	1	100	7.0	7.0
2	Cut Flower Farm	7,077	135	52.42	1	100	7.0	7.0
3	Beauty Clinic	7,964	104	76.58	1	100	7.0	7.0
4	Boutique - Women Designer Wear	7,089	159	44.58	1	100	7.0	7.0
5	Florist Shop	3,783	30	126.10	1	100	7.0	7.0
6	Medical Store	3,978	22	180.82	1	100	7.0	7.0
7	Rose Water	4,170	38	109.74	1	100	7.0	7.0
8	Furniture Manufacturing Unit - Wooden	10,368	520	19.94	2	80	7.0	5.6
9	Animal Fattening Farm	6,584	371	17.75	2	80	7.0	5.6
10	Gems Stone Lapidary	4,940	332	14.88	2	80	7.0	5.6
11	Marble & Onyx Products/Mosaic developme	7,503	459	16.35	2	80	7.0	5.6
12	Salt Products Manufacturing Unit	4,076	240	16.98	2	80	7.0	5.6
13	Roof Tiles Manufacturing Unit - Light Weigh	3,137	427	7.35	3	60	7.0	4.2
14	Footwear Retail Outlet	7,554	1,145	6.60	3	60	7.0	4.2
15	Bakery & Confectionery	5,155	617	8.35	3	60	7.0	4.2
16	Stone Crushing	1,825	287	6.36	3	60	7.0	4.2
17	Poultry Farm	7,160	1,811	3.95	4	40	7.0	2.8
18	Montessori School	7,101	2,365	3.00	4	40	7.0	2.8
19	Fruit Grading & Packing	9,409	5,393	1.74	4	40	7.0	2.8
20	Injection Molding Plastic Products	3,357	3,357	1.00	5	20	7.0	1.4
21	Steel Products Welding	5,933	5,933	1.00	5	20	7.0	1.4
22	UPS and Stabilizer Assembling Unit	5,458	5,458	1.00	5	20	7.0	1.4
23	Off Season Vegetables - High tunnel	4,891	4,891	1.00	5	20	7.0	1.4
24	Dairy/Camel Farming	2,445	2,445	1.00	5	20	7.0	1.4
25	Shrimp/ Inland Fish Farming	6,407	6,407	1.00	5	20	7.0	1.4
26	Veterinary Clinic	2,275	2,275	1.00	5	20	7.0	1.4
27	Day Care Center	3,145	3,145	1.00	5	20	7.0	1.4
28	Direct Marketing	11,589	11,589	1.00	5	20	7.0	1.4
29	Distribution Agency	1,767	1,767	1.00	5	20	7.0	1.4
30	Driving School	4,681	4,681	1.00	5	20	7.0	1.4
31	Interior Decoration	8,468	8,468	1.00	5	20	7.0	1.4
32	Security Agency	3,145	3,145	1.00	5	20	7.0	1.4
33	Fodder Production & Trading Company	1,609	1,609	1.00	5	20	7.0	1.4
34	Honey/ Pickle Production, Processing, Packa	8,306	8,306	1.00	5	20	7.0	1.4
35	Seed Oil Extraction Unit - Rape Seed	4,746	4,746	1.00	5	20	7.0	1.4
36	Spices Processing, Packing & Marketing	4,669	4,669	1.00	5	20	7.0	1.4
37	Restaurant Cum Fast Food - Take Away	4,629	4,629	1.00	5	20	7.0	1.4

BY QUICK RATIO

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 5: Industry's average measure of liquidity is low

S.NO.	SECTOR	CA	Inv	CL	Quick Ratio	Rank	% of Score	Max Score	Score
1	Florist Shop	3,783	70	30	123.77	1	100	7.0	7.0
2	Medical Store	3,978	1,263	22	123.41	1	100	7.0	7
3	Rose Water	4,170	389	38	99.50	1	100	7.0	7.0
4	Engineering Workshop - Subcontracting	1,928	72	21	88.38	1	100	7.0	7.0
5	Beauty Clinic	7,964	877	104	68.14	1	100	7.0	7.0
6	Cut Flower Farm	7,077	431	135	49.23	2	80	7.0	5.6
7	Boutique - Women Designer Wear	7,089	780	159	39.68	2	80	7.0	5.6
8	Marble & Onyx Products/Mosaic development Ce	7,503	311	459	15.67	3	60	7.0	4.2
9	Gems Stone Lapidary	4,940	102	332	14.57	3	60	7.0	4.2
10	Animal Fattening Farm	6,584	1,788	371	12.93	3	60	7.0	4.2
11	Salt Products Manufacturing Unit	4,076	1,362	240	11.31	3	60	7.0	4.2
12	Furniture Manufacturing Unit - Wooden	10,368	4,683	520	10.93	4	40	7.0	2.8
13	Bakery & Confectionery	5,155	603	617	7.38	4	40	7.0	2.8
14	Stone Crushing	1,825	13	287	6.31	4	40	7.0	2.8
15	Roof Tiles Manufacturing Unit - Light Weight	3,137	518	427	6.13	4	40	7.0	2.8
16	Footwear Retail Outlet	7,554	2,582	1,145	4.34	4	40	7.0	2.8
17	Montessori School	7,101	42	2,365	2.98	4	40	7.0	2.8
18	Poultry Farm	7,160	3,621	1,811	1.95	5	20	7.0	1.4
19	Injection Molding Plastic Products	3,357	-	3,357	1.00	5	20	7.0	1.4
20	Day Care Center	3,145	-	3,145	1.00	5	20	7.0	1.4
21	Direct Marketing	11,589	-	11,589	1.00	5	20	7.0	1.4
22	Distribution Agency	1,767	-	1,767	1.00	5	20	7.0	1.4
23	Driving School	4,681	-	4,681	1.00	5	20	7.0	1.4
24	Interior Decoration	8,468	-	8,468	1.00	5	20	7.0	1.4
25	Security Agency	3,145	-	3,145	1.00	5	20	7.0	1.4
26	Restaurant Cum Fast Food - Take Away	4,629	153	4,629	0.97	5	20	7.0	1.4
27	Dairy/Camel Farming	2,445	153	2,445	0.94	5	20	7.0	1.4
28	Veterinary Clinic	2,275	184	2,275	0.92	5	20	7.0	1.4
29	Steel Products Welding	5,933	503	5,933	0.92	5	20	7.0	1.4
30	Fodder Production & Trading Company	1,609	187	1,609	0.88	5	20	7.0	1.4
31	Shrimp/ Inland Fish Farming	6,407	1,391	6,407	0.78	5	20	7.0	1.4
32	Honey/ Pickle Production, Processing, Packaging	8,306	1,804	8,306	0.78	5	20	7.0	1.4
33	UPS and Stabilizer Assembling Unit	5,458	1,252	5,458	0.77	5	20	7.0	1.4
34	Off Season Vegetables - High tunnel	4,891	1,194	4,891	0.76	5	20	7.0	1.4
35	Fruit Grading & Packing	9,409	6,018	5,393	0.63	5	20	7.0	1.4
36	Spices Processing, Packing & Marketing	4,669	1,883	4,669	0.60	5	20	7.0	1.4
37	Seed Oil Extraction Unit - Rape Seed	4,746	2,897	4,746	0.39	5	20	7.0	1.4

BY CASH RATIO

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 5: Industry's average measure of liquidity is low

S.NO.	SECTOR	C&BB	CL	Cash Ratio	Rank	% of Score	Max score	Score
1	Florist Shop	3,452	30	115.07	1	100	6.0	6
2	Medical Store	2,457	22	111.68	1	100	6.0	6
3	Rose Water	3,508	38	92.32	1	100	6.0	6
4	Engineering Workshop - Subcontracting	1,551	21	73.86	1	100	6.0	6
5	Beauty Clinic	6,868	104	66.04	1	100	6.0	6
6	Cut Flower Farm	6,109	135	45.25	2	80	6.0	4.8
7	Boutique - Women Designer Wear	5,551	159	34.91	2	80	6.0	4.8
8	Marble & Onyx Products/Mosaic developme	6,499	459	14.16	3	60	6.0	3.6
9	Gems Stone Lapidary	4,352	332	13.11	3	60	6.0	3.6
10	Animal Fattening Farm	3,763	371	10.14	3	60	6.0	3.6
11	Salt Products Manufacturing Unit	2,228	240	9.28	4	40	6.0	2.4
12	Furniture Manufacturing Unit - Wooden	4,802	520	9.23	4	40	6.0	2.4
13	Bakery & Confectionery	4,189	617	6.79	4	40	6.0	2.4
14	Stone Crushing	1,468	287	5.11	4	40	6.0	2.4
15	Roof Tiles Manufacturing Unit - Light Weig	1,952	427	4.57	4	40	6.0	2.4
16	Footwear Retail Outlet	4,134	1,145	3.61	4	40	6.0	2.4
17	Montessori School	6,777	2,365	2.87	4	40	6.0	2.4
18	Poultry Farm	3,507	1,811	1.94	4	40	6.0	2.4
19	Driving School	4,681	4,681	1.00	4	40	6.0	2.4
20	Injection Molding Plastic Products	3,160	3,357	0.94	5	20	6.0	1.2
21	Direct Marketing	10,722	11,589	0.93	5	20	6.0	1.2
22	Dairy/Camel Farming	2,260	2,445	0.92	5	20	6.0	1.2
23	Veterinary Clinic	2,058	2,275	0.90	5	20	6.0	1.2
24	Interior Decoration	7,617	8,468	0.90	5	20	6.0	1.2
25	Fodder Production & Trading Company	1,384	1,609	0.86	5	20	6.0	1.2
26	Restaurant Cum Fast Food - Take Away	3,971	4,629	0.86	5	20	6.0	1.2
27	Steel Products Welding	4,954	5,933	0.83	5	20	6.0	1.2
28	Security Agency	2,597	3,145	0.83	5	20	6.0	1.2
29	Shrimp/ Inland Fish Farming	4,941	6,407	0.77	5	20	6.0	1.2
30	Distribution Agency	1,267	1,767	0.72	5	20	6.0	1.2
31	Fruit Grading & Packing	3,654	5,393	0.68	5	20	6.0	1.2
32	UPS and Stabilizer Assembling Unit	3,666	5,458	0.67	5	20	6.0	1.2
33	Honey/ Pickle Production, Processing, Packa	5,537	8,306	0.67	5	20	6.0	1.2
34	Day Care Center	2,082	3,145	0.66	5	20	6.0	1.2
35	Off Season Vegetables - High tunnel	3,220	4,891	0.66	5	20	6.0	1.2
36	Spices Processing, Packing & Marketing	1,931	4,669	0.41	5	20	6.0	1.2
37	Seed Oil Extraction Unit - Rape Seed	1,818	4,746	0.38	5	20	6.0	1.2

BY PROFITABILITY

BY NET PROFIT MARGIN (Net Profit after Tax/Sales)

Sector ranking, by Net Profit Margin (profit margin and analysis of its stability and growth is importa deciding whether the sector will sustain its status as going concern) is as follows:

Rank 1: High Profit Margins

Rank 5: Low Profit Margins

S.NO.	SECTOR	NPAT	Sales	Net Profit Margin	Rank	% of Score	Max score
1	Cut Flower Farm	1,880	7,179	26.2%	1	100	6.0
2	Dairy/Camel Farming	1,126	4,348	25.9%	1	100	6.0
3	Driving School	1,792	4,743	37.8%	1	100	6.0
4	Gems Stone Lapidary	1,977	5,817	34.0%	1	100	6.0
5	Interior Decoration	2,384	8,390	28.4%	1	100	6.0
6	Marble & Onyx Products/Mosaic development Cent	3,029	8,305	36.5%	1	100	6.0
7	Beauty Clinic	2,302	14,360	16.0%	2	80	6.0
8	Calf/Goat/Sheep Fattening Farm	1,763	9,212	19.1%	2	80	6.0
9	Day Care Center	1,083	5,622	19.3%	2	80	6.0
10	Engineering Workshop - Subcontracting	555	2,881	19.3%	2	80	6.0
11	Montessori School	4,050	22,294	18.2%	2	80	6.0
12	Off Season Vegetables - High tunnel	930	4,942	18.8%	2	80	6.0
13	Salt Products Manufacturing Unit	1,170	7,674	15.2%	2	80	6.0
14	Shrimp/ Inland Fish Farming	2,006	9,179	21.9%	2	80	6.0
15	Steel Products Welding	1,830	10,980	16.7%	2	80	6.0
16	Stone Crushing	882	4,100	21.5%	2	80	6.0
17	Boutique - Women Designer Wear	1,628	13,852	11.8%	3	60	6.0
18	Direct Marketing	4,602	34,422	13.4%	3	60	6.0
19	Distribution Agency	659	4,998	13.2%	3	60	6.0
20	Florist Shop	947	7,267	13.0%	3	60	6.0
21	Fodder Production & Trading Company	521	4,557	11.4%	3	60	6.0
22	Furniture Manufacturing Unit - Wooden	2,868	26,367	10.9%	3	60	6.0
23	Honey/ Pickle Production, Processing, Packaging &	2,673	19,678	13.6%	3	60	6.0
24	Injection Molding Plastic Products	876	7,893	11.1%	3	60	6.0
25	Roof Tiles Manufacturing Unit - Light Weight	881	7,210	12.2%	3	60	6.0
26	Rose Water	1,229	9,951	12.4%	3	60	6.0
27	Veterinary Clinic	556	4,279	13.0%	3	60	6.0
28	Bakery & Confectionery	1,502	21,437	7.0%	4	40	6.0
29	Footwear Retail Outlet	1,621	16,890	9.6%	4	40	6.0
30	Restaurant Cum Fast Food - Take Away	1,268	15,861	8.0%	4	40	6.0
31	Seed Oil Extraction Unit - Rape Seed	1,302	13,587	9.6%	4	40	6.0
32	Fruit Grading & Packing	1,642	65,705	2.5%	5	20	6.0
33	Medical Store	877	17,525	5.0%	5	20	6.0
34	Poultry Farm	929	21,965	4.2%	5	20	6.0
35	Security Agency	671	15,965	4.2%	5	20	6.0
36	Spices Processing, Packing & Marketing	903	32,514	2.8%	5	20	6.0
37	UPS and Stabilizer Assembling Unit	1,498	32,353	4.6%	5	20	6.0

BY TOTAL ASSETS TURNOVER (Sales/Total Assets)

Sector ranking, by Total Assets Turnover (assesses the industry's average turnover) is as follows:
Rank 1: The industry is sufficiently using its assets in generating revenues
Rank 5: The industry is inefficient in generating revenues

S.NO	SECTOR	Sales	Total Assets	Total Assets Turnover	Rank	% of Score	Max score	Score
1	Furniture Manufacturing Unit - Wooden	26,367	1,881	14.02	1	100	4.0	4.0
2	UPS and Stabilizer Assembling Unit	32,353	5,860	5.52	2	80	4.0	3.2
3	Poultry Farm	21,965	7,243	3.03	2	80	4.0	3.2
4	Medical Store	17,525	4,345	4.03	2	80	4.0	3.2
5	Security Agency	15,965	3,632	4.40	2	80	4.0	3.2
6	Fruit Grading & Packing	65,705	10,258	6.41	2	80	4.0	3.2
7	Spices Processing, Packing & Marketing	32,514	4,951	6.57	2	80	4.0	3.2
8	Bakery & Confectionery	21,437	5,935	3.61	2	80	4.0	3.2
9	Direct Marketing	34,422	12,161	2.83	3	60	4.0	2.4
10	Footwear Retail Outlet	16,890	8,036	2.10	3	60	4.0	2.4
11	Fodder Production & Trading Company	4,557	1,958	2.33	3	60	4.0	2.4
12	Honey/ Pickle Production, Processing, Packaging & Marketing	19,678	8,808	2.23	3	60	4.0	2.4
13	Rose Water	9,951	4,872	2.04	3	60	4.0	2.4
14	Seed Oil Extraction Unit - Rape Seed	13,587	5,188	2.62	3	60	4.0	2.4
15	Restaurant Cum Fast Food - Take Away	15,861	5,425	2.92	3	60	4.0	2.4
16	Engineering Workshop - Subcontracting	2,881	2,523	1.14	4	40	4.0	1.6
17	Injection Molding Plastic Products	7,893	4,418	1.79	4	40	4.0	1.6
18	Roof Tiles Manufacturing Unit - Light Weight	7,210	4,167	1.73	4	40	4.0	1.6
19	Steel Products Welding	10,980	6,359	1.73	4	40	4.0	1.6
20	Animal Fattening Farm	9,212	6,678	1.38	4	40	4.0	1.6
21	Shrimp/ Inland Fish Farming	9,179	6,903	1.33	4	40	4.0	1.6
22	Veterinary Clinic	4,279	2,548	1.68	4	40	4.0	1.6
23	Beauty Clinic	14,360	8,910	1.61	4	40	4.0	1.6
24	Boutique - Women Designer Wear	13,852	8,542	1.62	4	40	4.0	1.6
25	Day Care Center	5,622	3,763	1.49	4	40	4.0	1.6
26	Distribution Agency	4,998	2,571	1.94	4	40	4.0	1.6
27	Florist Shop	7,267	4,379	1.66	4	40	4.0	1.6
28	Montessori School	22,294	12,923	1.73	4	40	4.0	1.6
29	Salt Products Manufacturing Unit	7,674	4,538	1.69	4	40	4.0	1.6
30	Stone Crushing	4,100	3,343	1.23	4	40	4.0	1.6
31	Cut Flower Farm	7,179	7,915	0.91	5	20	4.0	0.8
32	Off Season Vegetables - High tunnel	4,942	5,195	0.95	5	20	4.0	0.8
33	Dairy/Camel Farming	4,348	6,269	0.69	5	20	4.0	0.8
34	Driving School	4,743	7,258	0.65	5	20	4.0	0.8
35	Interior Decoration	8,390	10,365	0.81	5	20	4.0	0.8
36	Gems Stone Lapidary	5,817	5,922	0.98	5	20	4.0	0.8
37	Marble & Onyx Products/Mosaic development Center	8,305	8,507	0.98	5	20	4.0	0.8

BY ROA (Net Profit/Total Assets) & ROE (Net Profit/Total Equity)

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	Total Equity	ROA	ROE	Rank	% of Score	Max Score	Score
1	Furniture Manufacturing Unit - W	2,868	1,881	8,203	1.52	0.35	1	100	6.0	6.0
2	Steel Products Welding	1,830	6,359	7,217	0.29	0.25	2	80	6.0	4.8
3	UPS and Stabilizer Assembling Uni	1,498	5,860	5,069	0.26	0.30	2	80	6.0	4.8
4	Animal Fattening Farm	1,763	6,678	4,999	0.26	0.35	2	80	6.0	4.8
5	Shrimp/ Inland Fish Farming	2,006	6,903	5,964	0.29	0.34	2	80	6.0	4.8
6	Beauty Clinic	2,302	8,910	6,968	0.26	0.33	2	80	6.0	4.8
7	Day Care Center	1,083	3,763	2,875	0.29	0.38	2	80	6.0	4.8
8	Direct Marketing	4,602	12,161	11,191	0.38	0.41	2	80	6.0	4.8
9	Distribution Agency	659	2,571	1,972	0.26	0.33	2	80	6.0	4.8
10	Driving School	1,792	7,258	6,145	0.25	0.29	2	80	6.0	4.8
11	Montessori School	4,050	12,923	10,558	0.31	0.38	2	80	6.0	4.8
12	Fodder Production & Trading Com	521	1,958	1,443	0.27	0.36	2	80	6.0	4.8
13	Honey/ Pickle Production, Process	2,673	8,808	7,853	0.30	0.34	2	80	6.0	4.8
14	Rose Water	1,229	4,872	3,783	0.25	0.32	2	80	6.0	4.8
15	Seed Oil Extraction Unit - Rape See	1,302	5,188	4,336	0.25	0.30	2	80	6.0	4.8
16	Bakery & Confectionery	1,502	5,935	4,072	0.25	0.37	2	80	6.0	4.8
17	Gems Stone Lapidary	1,977	5,922	4,587	0.33	0.43	2	80	6.0	4.8
18	Marble & Onyx Products/Mosaic d	3,029	8,507	7,091	0.36	0.43	2	80	6.0	4.8
19	Salt Products Manufacturing Unit	1,170	4,538	3,652	0.26	0.32	2	80	6.0	4.8
20	Stone Crushing	882	3,343	2,273	0.26	0.39	2	80	6.0	4.8
21	Engineering Workshop - Subcontra	555	2,523	1,720	0.22	0.32	3	60	6.0	3.6
22	Injection Molding Plastic Products	876	4,418	3,443	0.20	0.25	3	60	6.0	3.6
23	Roof Tiles Manufacturing Unit - Li	881	4,167	2,702	0.21	0.33	3	60	6.0	3.6
24	Cut Flower Farm - Gladiolus, Marig	1,880	7,915	5,906	0.24	0.32	3	60	6.0	3.6
25	Veterinary Clinic	556	2,548	2,121	0.22	0.26	3	60	6.0	3.6
26	Florist Shop	947	4,379	3,463	0.22	0.27	3	60	6.0	3.6
27	Footwear Retail Outlet	1,621	8,036	5,390	0.20	0.30	3	60	6.0	3.6
28	Interior Decoration	2,384	10,365	8,624	0.23	0.28	3	60	6.0	3.6
29	Medical Store	877	4,345	3,263	0.20	0.27	3	60	6.0	3.6
30	Restaurant Cum Fast Food - Take A	1,268	5,425	5,972	0.23	0.21	3	60	6.0	3.6
31	Off Season Vegetables - High tunn	930	5,195	3,724	0.18	0.25	4	40	6.0	2.4
32	Dairy/Camel Farming	1,126	6,269	5,114	0.18	0.22	4	40	6.0	2.4
33	Poultry Farm	929	7,243	4,214	0.13	0.22	4	40	6.0	2.4
34	Boutique - Women Designer Wear	1,628	8,542	6,798	0.19	0.24	4	40	6.0	2.4
35	Security Agency	671	3,632	2,651	0.18	0.25	4	40	6.0	2.4
36	Fruit Grading & Packing	1,642	10,258	4,235	0.16	0.39	4	40	6.0	2.4
37	Spices Processing, Packing & Mark	903	4,951	4,032	0.18	0.22	4	40	6.0	2.4

COMPOSITE RANKING BY PROFITABILITY/FINANCIAL STRENGTH

Composite ranking, by the Profitability & Financial Strength, is as follows:

S.NO.	SECTOR	MAXIMUM SCORE	SCORE
1	Beauty Clinic	50	42.4
2	Rose Water	50	37.8
3	Cut Flower Farm	50	37.6
4	Marble & Onyx Products/Mosaic development Center	50	37.6
5	Florist Shop	50	35.8
6	Furniture Manufacturing Unit - Wooden	50	35.6
7	Medical Store	50	35.0
8	Boutique - Women Designer Wear	50	34.8
9	Animal Fattening Farm	50	34.4
10	Gems Stone Lapidary	50	33.4
11	Salt Products Manufacturing Unit	50	33.2
12	Engineering Workshop - Subcontracting	50	32.8
13	Montessori School	50	31.8
14	Direct Marketing	50	28.8
15	Bakery & Confectionery	50	28.2
16	Steel Products Welding	50	27.8
17	Footwear Retail Outlet	50	27.6
18	Interior Decoration	50	27.0
19	Driving School	50	26.6
20	Honey/ Pickle Production, Processing, Packaging & Marketing	50	26.0
21	Shrimp/ Inland Fish Farming	50	25.0
22	Stone Crushing	50	24.8
23	Roof Tiles Manufacturing Unit - Light Weight	50	23.8
24	Day Care Center	50	23.6
25	UPS and Stabilizer Assembling Unit	50	23.0
26	Seed Oil Extraction Unit - Rape Seed	50	22.0
27	Fruit Grading & Packing	50	22.0
28	Dairy/Camel Farming	50	21.6
29	Restaurant Cum Fast Food - Take Away	50	20.8
30	Fodder Production & Trading Company	50	20.4
31	Poultry Farm	50	20.4
32	Injection Molding Plastic Products	50	19.8
33	Veterinary Clinic	50	19.8
34	Distribution Agency	50	19.6
35	Security Agency	50	19.2
36	Off Season Vegetables - High tunnel	50	19.0
37	Spices Processing, Packing & Marketing	50	17.8

BY BUSINESS OUTLOOK

Sector ranking, by Business Outlook (this represents an assessment of the industry outlook in terms of expansion / contraction of business, earnings and cash flows etc) is as follows:
Rank 1: Business outlook is stable
Rank 5: Business outlook is unstable

S.NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Beauty Clinic	1	100	20.0	20.0
2	Boutique - Women Designer Wear	1	100	20.0	20.0
3	Engineering Workshop - Subcontracting	1	100	20.0	20.0
4	Gems Stone Lapidary	1	100	20.0	20.0
5	Medical Store	1	100	20.0	20.0
6	Montessori School	1	100	20.0	20.0
7	Restaurant Cum Fast Food - Take Away	1	100	20.0	20.0
8	Shrimp/ Inland Fish Farming	1	100	20.0	20.0
9	Steel Products Welding	1	100	20.0	20.0
10	UPS and Stabilizer Assembling Unit	1	100	20.0	20.0
11	Animal Fattening Farm	2	80	20.0	16.0
12	Cut Flower Farm	2	80	20.0	16.0
13	Day Care Center	2	80	20.0	16.0
14	Direct Marketing	2	80	20.0	16.0
15	Driving School	2	80	20.0	16.0
16	Florist Shop	2	80	20.0	16.0
17	Footwear Retail Outlet	2	80	20.0	16.0
18	Honey/ Pickle Production, Processing, Packaging & Marketing	2	80	20.0	16.0
19	Injection Molding Plastic Products	2	80	20.0	16.0
20	Marble & Onyx Products/Mosaic development Center	2	80	20.0	16.0
21	Off Season Vegetables - High tunnel	2	80	20.0	16.0
22	Poultry Farm	2	80	20.0	16.0
23	Rose Water	2	80	20.0	16.0
24	Salt Products Manufacturing Unit	2	80	20.0	16.0
25	Security Agency	2	80	20.0	16.0
26	Spices Processing, Packing & Marketing	2	80	20.0	16.0
27	Stone Crushing	2	80	20.0	16.0
28	Veterinary Clinic	2	80	20.0	16.0
29	Bakery & Confectionery	3	60	20.0	12.0
30	Dairy/Camel Farming	3	60	20.0	12.0
31	Distribution Agency	3	60	20.0	12.0
32	Fodder Production & Trading Company	2	60	20.0	12.0
33	Fruit Grading & Packing	2	60	20.0	12.0
34	Furniture Manufacturing Unit - Wooden	3	60	20.0	12.0
35	Interior Decoration	3	60	20.0	12.0
36	Roof Tiles Manufacturing Unit - Light Weight	3	60	20.0	12.0
37	Seed Oil Extraction Unit - Rape Seed	2	60	20.0	12.0

COMPOSITE INDUSTRY RANKING (SMEDA MICRO SECTORS)

Composite industry ranking of SMEDA micro sectors is as follows:

S.NO.	SECTOR	Net Score	Category	Range
1	Beauty Clinic	87.0	HIGHLY ATTRACTIV	>80
2	Medical Store	82.0	HIGHLY ATTRACTIV	>80
3	Gems Stone Lapidary	81.0	HIGHLY ATTRACTIV	>80
4	Engineering Workshop - Subcontracting	80.8	HIGHLY ATTRACTIV	>80
5	Steel Products Welding	77.8	ATTRACTIVE	70-79
6	Rose Water	71.6	ATTRACTIVE	70-79
7	Boutique - Women Designer Wear	71.6	ATTRACTIVE	70-79
8	Animal Fattening Farm	71.0	ATTRACTIVE	70-79
9	Florist Shop	70.6	ATTRACTIVE	70-79
10	Marble & Onyx Products/Mosaic development Ce	70.0	ATTRACTIVE	70-79
11	Montessori School	70.0	ATTRACTIVE	70-79
12	Cut Flower Farm	67.0	AVERAGE	50-69
13	Shrimp/ Inland Fish Farming	65.0	AVERAGE	50-69
14	UPS and Stabilizer Assembling Unit	64.8	AVERAGE	50-69
15	Restaurant Cum Fast Food - Take Away	63.4	AVERAGE	50-69
16	Furniture Manufacturing Unit - Wooden	63.4	AVERAGE	50-69
17	Salt Products Manufacturing Unit	62.2	AVERAGE	50-69
18	Driving School	59.8	AVERAGE	50-69
19	Honey/ Pickle Production, Processing, Packaging	59.8	AVERAGE	50-69
20	Direct Marketing	59.0	AVERAGE	50-69
21	Injection Molding Plastic Products	58.8	AVERAGE	50-69
22	Day Care Center	58.0	AVERAGE	50-69
23	Spices Processing, Packing & Marketing	57.8	AVERAGE	50-69
24	Roof Tiles Manufacturing Unit - Light Weight	57.4	AVERAGE	50-69
25	Seed Oil Extraction Unit - Rape Seed	57.4	AVERAGE	50-69
26	Interior Decoration	57.0	AVERAGE	50-69
27	Security Agency	56.8	AVERAGE	50-69
28	Poultry Farm	56.2	AVERAGE	50-69
29	Stone Crushing	56.2	AVERAGE	50-69
30	Footwear Retail Outlet	55.8	AVERAGE	50-69
31	Veterinary Clinic	55.4	AVERAGE	50-69
32	Off Season Vegetables - High tunnel	54.8	AVERAGE	50-69
33	Dairy/Camel Farming	54.6	AVERAGE	50-69
34	Bakery & Confectionery	54.0	AVERAGE	50-69
35	Fruit Grading & Packing	54.0	AVERAGE	50-69
36	Distribution Agency	53.6	AVERAGE	50-69
37	Fodder Production & Trading Company	52.6	AVERAGE	50-69