

# KSE-100 Index Profitability

Record Profitability - 9MFY23 Earnings up by 8.8% YoY  
3QFY23 PAT up by 12.7% YoY / 30.3% QoQ

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AHL Research

D: +92 21 32462742

UAN: +92 21 111 245 111

F: +92 21 32420742

E: ahl-resaerch@arifhabibltd.com

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## KSE-100 Index Profitability

### Earnings growth holds up

- Despite economic headwinds, pressure on external account, historic high inflation, and demand erosion across major sectors the profitability of the KSE-100 index has held up, posting a growth of 12.7% YoY in 3QFY23 and 8.8% YoY in 9MFY23. Barring the impact of super tax, growth could have been higher since PBT jumped up by 19.6% YoY in 3QFY23 and 15.7% YoY in 9MFY23.
- Earnings jump in 9MFY23 was led by astonishing 43% growth in the index-heavy Commercial Banks sector to PKR 303bn, owed to a striking increase in interest rates; however, the PBT growth was much more impressive at 53.6% as the bank booked a heavy super tax charge during the year, which shrunk PAT growth. This was followed by another heavy weight, the Oil and Gas Exploration sector (+49.2% YoY to PKR 312bn) given higher oil prices, and exchange gains booked amid PKR depreciation. The cement sector also posted an impressive jump of 27.4% in earnings to PKR 27.6bn in lieu of higher retention prices and use of cheaper coal from Afghan and local market during the year, which offset the impact of volumetric decline (-18% YoY), hike in energy tariff as well as PKR depreciation. Whereas profitability of the Chemical sector surged by 43.1% YoY was mainly due to one-off gain booked by Lucky Core Industries Limited (LCI and formerly ICI Pakistan Limited) on the sale of NutriCo Morinaga (Excluding one-off gain, the sector profitability would have declined by 10% YoY). Lastly, Technology sector posted PAT of PKR 3.5bn as compared to LAT of PKR 6.7bn during same period last year
- On the other hand, sectors that remained laggards in 9MFY23 include the Fertilizer sector (-13.9% YoY to PKR 63bn) primarily due to dismal results by the FFBL amid exchange and inventory losses alongside super tax impact on the sector. The 73.5% YoY drop in earnings of the Oil and Gas Marketing sector (to PKR 20bn) was due to massive inventory losses across the board and absence of penal income during the period. Power sector posted loss after tax of PKR 1.9bn as KEL posted a loss in 9MFY23. Steel (Engineering) sector came under pressure as margins were slashed due to LC issues and high input (scrap and HRC) prices, PKR depreciation, and augmented energy tariff, as well as increase in borrowing costs (interest rate hikes), which eroded the PAT by 56.6% YoY to PKR 4.2bn. While the Refinery sector earnings dropped by 6.5% YoY to PKR 7.5bn due to as massive loss posted by Cnergyico PK Limited. The automobile sector posted loss after tax of PKR 7.7bn as the sector continues to struggle amid CKD import restrictions and demand erosion.
- With that said, profitability during 3QFY23 posted a growth of 12.7% YoY to PKR 353bn attributable to jump in earnings of index-heavy sectors. Impressive results were posted by Commercial Banks (+53.0% YoY in 3QFY23) given a massive surge in net interest income. This was followed by Oil and Gas Exploration sector (+60.2% YoY) led by PKR depreciation and hefty exchange gains, and Cement sector (+35.7% YoY) due to augmented retention prices and use of cheaper coal from neighboring and local markets. Moreover, Steel sector also posted 43.1% YoY uptick in earnings to PKR 2.8bn amid better margins. Lastly, the textile sector managed to post profitability growth of 31.5% YoY mainly due to the outstanding result of Interloop Limited. Whereas other sectors succumbed to high-cost pressures and / or volumetric decline and exchange losses which eroded margins, such as Oil and Gas Marketing sector (-51.8% YoY), Automobile (loss of PKR 7.1bn vs. profit during SPLY), Pharmaceutical (-81.1% YoY), Refinery (-41.7% YoY).
- On a sequential basis, KSE-100 index earnings posted a QoQ surge of 30.3%, led by Banks (+21.8% QoQ) primarily due to higher interest rates. Oil and gas exploration PAT rose by 60.5% QoQ owed to massive exchange gain amid currency depreciation. This was followed by a growth in the Chemical sector given one-off gain booked by LCI. Lastly, textile and steel sector profitability surged by 597% and 34x QoQ as ILP and ISL profitability recovered which were in the negative territory during the last quarter.
- On the flipside, Fertilizer sector posted earnings decline of 42% QoQ amid losses booked by FFBL. Technology sector also posted LAT of PKR 5.2bn amid PTC losses. Likewise, Power sector posted LAT pf PKR 0.4bn amid KEL losses even excluding that profitability would have gone down by 17% given insurance claim booked by HUBC during last quarter.
- During 9MFY23, the KSE-100 index went down by -3.7% (-1,540 points). The Pharmaceuticals sector remained the worst-performing sector, eroding 449 points followed by Automobile (-388 points), Food (-318 points), Banks (-286 points), Chemicals (-268 points), and Cement (-201 points). Whereas key gainers were Technology & Communication (801pts), Power (+498pts), E&P (+325pts), and Fertilizer (+316pts).

## KSE-100 Index Profitability

- On a sequential basis, during 3QFY23 the KSE-100 index went also down by -1.0% (-420 points). The Technology & Communication sector remained the worst-performing sector, eroding 163 points followed by OGMCs (-163 points), Food (-158 points), and Pharmaceuticals (-129 points). However, the Fertilizer sector added 327 points to the index followed by Banks (+256 points), Power (+225 points), and E&P (+168 points).
- We have based our analysis on KSE-100 index companies. We have included the result of 89 companies while the remaining 11 companies have not disclosed their results yet. The companies which have been included in our analysis represent almost 93.1% of the market capitalization of the benchmark bourse.

## KSE-100 Index Profitability

### Mar'23: Earnings up by 13% YoY | 30% QoQ

#### Exhibit: Sector Wise KSE-100 Index Profitability

(PKR mn)	Weight	3QFY23	YoY	QoQ	9MFY23	9MFY22	YoY
<b>KSE100 Index</b>		<b>353,049</b>	<b>12.7%</b>	<b>30.3%</b>	<b>877,677</b>	<b>806,878</b>	<b>8.8%</b>
Commercial Banks	20.4%	121,238	53.0%	21.8%	303,241	212,058	43.0%
Fertilizer	15.1%	15,684	-42.0%	-42.0%	62,541	72,646	-13.9%
Oil & Gas Exploration Companies	12.8%	130,190	60.2%	60.5%	312,353	209,329	49.2%
Technology & Communication	9.5%	(5,191)	nm	nm	3,571	(6,769)	nm
Cement	7.3%	8,790	35.7%	-19.5%	27,648	21,696	27.4%
Power Generation & Distribution	5.6%	(440)	nm	nm	(1,938)	31,171	nm
Oil & Gas Marketing Companies	3.3%	17,944	-51.8%	nm	20,121	76,016	-73.5%
Chemical	3.5%	26,107	125.0%	160.8%	45,015	31,468	43.1%
Automobile Assembler	3.6%	(7,104)	nm	nm	(7,763)	25,258	nm
Food & Personal Care Products	3.0%	11,744	31.8%	20.9%	25,736	21,626	19.0%
Miscellaneous	1.3%	767	-8.9%	41.7%	1,524	2,053	-25.8%
Inv. Banks / Inv. Cos. / Securities Cos.	2.4%	1,959	-31.9%	-33.4%	7,466	5,955	25.4%
Pharmaceuticals	2.4%	633	-81.1%	-78.2%	4,918	11,756	-58.2%
Textile Composite	1.6%	15,111	31.5%	597.2%	28,110	32,714	-14.1%
Refinery	1.1%	2,953	-41.7%	-64.0%	7,502	8,022	-6.5%
Engineering	1.1%	2,821	43.1%	3282.2%	4,224	9,725	-56.6%
Paper & Board	1.0%	1,348	-3.3%	167.5%	3,189	4,556	-30.0%
Glass & Ceramics	1.0%	3,601	14.9%	4.9%	8,542	8,564	-0.3%
Insurance	0.8%	1,410	-23.2%	-33.0%	4,020	4,605	-12.7%
Real Estate Investment Trust	0.5%	1,014	18.5%	-29.8%	3,415	4,102	-16.8%
Automobile Parts & Accessories	0.5%	904	-32.5%	57.7%	1,648	3,425	-51.9%
Property	0.4%	351	-78.9%	700.1%	4,419	1,387	218.7%
Cable & Electrical Goods	0.3%	37	-88.0%	nm	(40)	878	nm
Leather & Tanneries	0.3%	296	491.8%	nm	164	216	-23.9%
Transport	0.2%	(2,352)	nm	nm	(2,584)	(151)	nm
Synthetic & Rayon	0.2%	1,887	-47.9%	-59.6%	7,197	9,025	-20.3%
Textile Spinning	0.1%	1,015	-31.4%	76.7%	2,835	5,017	-43.5%
Modarabas	0.1%	178	104.7%	40.3%	409	266	53.6%
Vanaspati & Allied Industries	0.0%	141	131.1%	nm	113	72	55.9%
Woollen	0.0%	(38)	nm	nm	14	88	-83.9%
Textile Weaving	0.0%	5	-2.8%	399.6%	8	15	-48.4%
Leasing Companies	0.0%	43	189.7%	nm	57	88	-35.0%

Source (s): Company Financials, AHL Research

## KSE-100 Index Profitability

### Exhibit: Sector Wise KSE-100 Index Profit before Tax

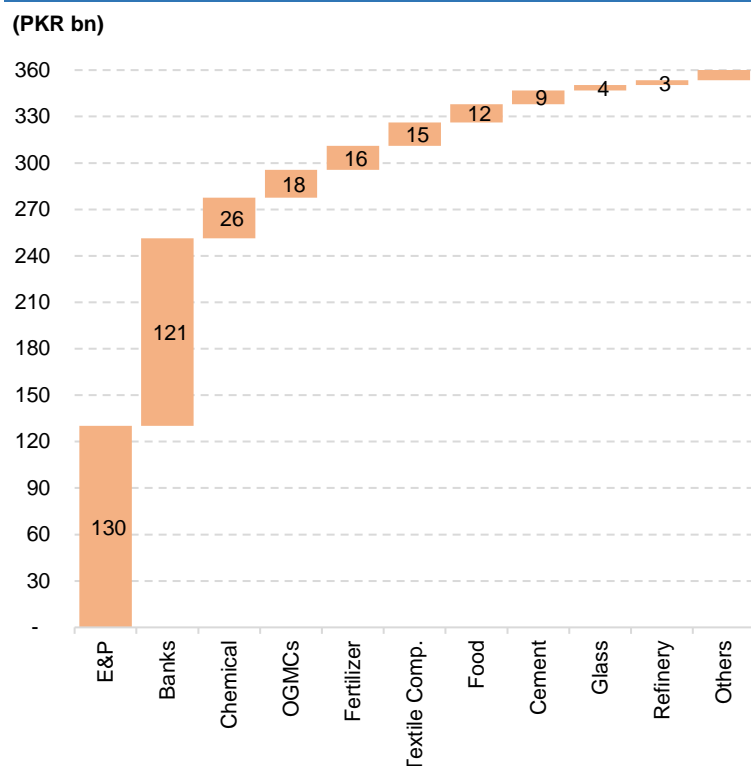
(PKR mn)	Weight	3QFY23	YoY	QoQ	9MFY23	9MFY22	YoY
<b>KSE100 Index</b>		<b>579,909</b>	<b>19.6%</b>	<b>36.0%</b>	<b>1,467,862</b>	<b>1,268,343</b>	<b>15.7%</b>
Commercial Banks	20.4%	210,710	59.7%	19.9%	557,487	362,848	53.6%
Fertilizer	15.1%	34,608	-27.3%	10.5%	103,002	133,219	-22.7%
Oil & Gas Exploration Companies	12.8%	192,855	60.5%	56.6%	479,681	311,493	54.0%
Technology & Communication	9.5%	(7,621)	nm	nm	(290)	(8,843)	nm
Cement	7.3%	12,704	14.8%	-18.6%	39,825	32,479	22.6%
Power Generation & Distribution	5.6%	4,222	-67.8%	-56.9%	12,516	39,204	-68.1%
Oil & Gas Marketing Companies	3.3%	33,276	-36.9%	nm	41,632	109,334	-61.9%
Chemical	3.5%	31,184	96.4%	208.4%	54,004	42,898	25.9%
Automobile Assembler	3.6%	(4,033)	nm	nm	638	34,914	-98.2%
Food & Personal Care Products	3.0%	14,742	26.7%	26.4%	32,632	28,310	15.3%
Miscellaneous	1.3%	1,035	16.1%	42.8%	2,168	2,475	-12.4%
Inv. Banks / Inv. Cos. / Securities Cos.	2.4%	14,046	-32.4%	4.4%	45,319	53,517	-15.3%
Pharmaceuticals	2.4%	1,481	-67.7%	-65.8%	7,949	16,217	-51.0%
Textile Composite	1.6%	16,915	28.8%	271.1%	34,157	37,306	-8.4%
Refinery	1.1%	6,707	9.0%	-41.1%	15,646	7,635	104.9%
Engineering	1.1%	4,019	90.1%	nm	5,062	11,788	-57.1%
Paper & Board	1.0%	1,708	-1.0%	-40.5%	6,121	5,546	10.4%
Glass & Ceramics	1.0%	4,029	10.8%	2.0%	9,569	10,050	-4.8%
Insurance	0.8%	2,179	-15.2%	9.0%	4,944	6,561	-24.6%
Real Estate Investment Trust	0.5%	1,014	18.5%	-29.8%	3,414	4,102	-16.8%
Automobile Parts & Accessories	0.5%	1,247	-29.8%	63.2%	2,260	4,556	-50.4%
Property	0.4%	413	-75.6%	427.8%	4,567	1,572	190.4%
Cable & Electrical Goods	0.3%	173	-60.6%	9.4%	839	1,309	-35.9%
Leather & Tanneries	0.3%	506	397.9%	nm	735	423	73.8%
Transport	0.2%	(2,429)	nm	nm	(2,740)	(1)	nm
Synthetic & Rayon	0.2%	2,304	-56.1%	nm	1,989	13,099	-84.8%
Textile Spinning	0.1%	1,452	-13.2%	94.0%	3,778	5,611	-32.7%
Modarabas	0.1%	202	84.7%	23.7%	504	306	64.5%
Vanaspati & Allied Industries	0.0%	184	104.2%	nm	211	154	37.6%
Woollen	0.0%	97	1341.0%	0.0%	202	116	nm
Textile Weaving	0.0%	(3)	nm	nm	7	25	-70.6%
Leasing Companies	0.0%	(17)	nm	nm	32	118	-72.5%

Source (s): Company Financials, AHL Research

## KSE-100 Index Profitability

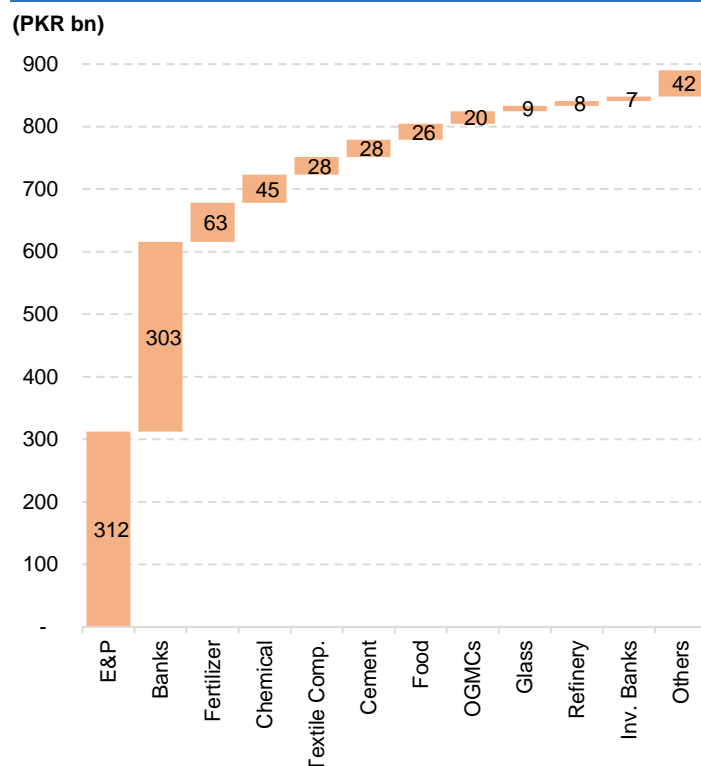
### KSE-100 Index Profitability Graphs

Fig: KSE100 Profitability Contribution (3QFY23)



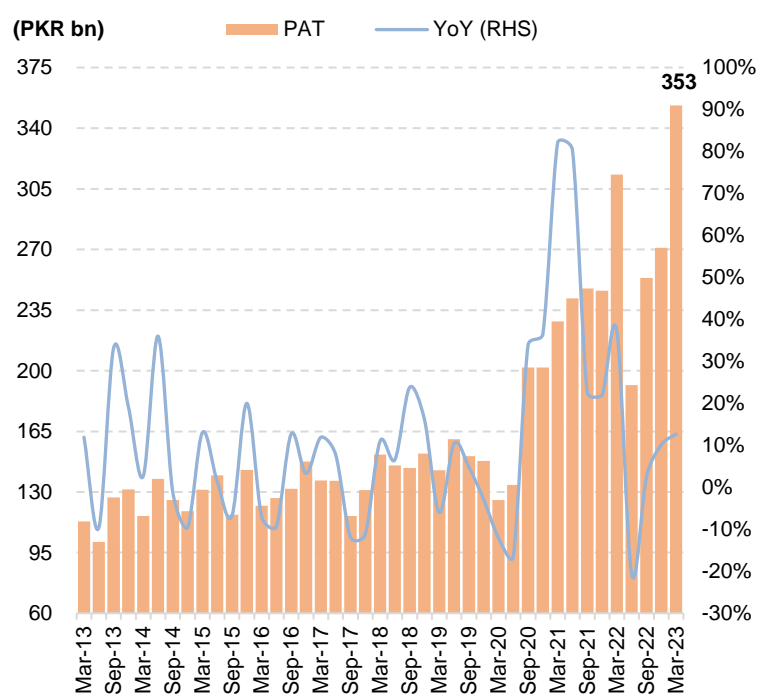
Source (s): Company Financials, AHL Research

Fig: KSE100 Profitability Contribution (9MFY23)



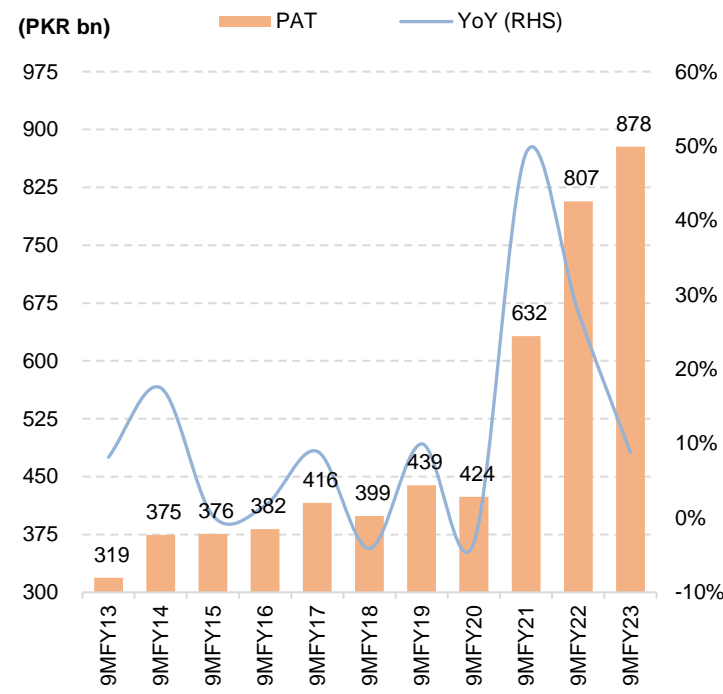
Source (s): Company Financials, AHL Research

Fig: KSE100 Historical Profitability (Quarterly)



Source (s): Company Financials, AHL Research

Fig: KSE100 Historical Profitability (9M)



Source (s): Company Financials, AHL Research

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Rating	Description
BUY	Upside* of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -15% and +15% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -15% from last closing of market price(s)

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AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

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The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

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