

Market Strategy

PSX performance remained lackluster during FY23

27-Jun-2023

AHL Research

D: +92 21 32462589

UAN: +92 21 111 245 111, Ext: 322

F: +92 21 32420742

E: ahl-research@arifhabibltd.com



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PSX Performance FY23

Index remained flat during FY23

Pakistan's stock market remained flat during FY23 amid a challenging economic situation alongside political uncertainty during the year, to close at 41,541 points while down 29% YoY on USD basis. The benchmark equity bourse experienced a volatile period recently amid uncertain events on the back of various exogenous and macroeconomic indicators turning red, which dampened the sentiment of the index. Factors like mounting external sector challenges, delay in the resumption of IMF program, ballooning fiscal deficit, upsurge in inflationary readings, 825bps jump in the policy rate taking it to historic high level of 22.0% - all combined made equities least attractive. In addition, during FY23, the foreign exchange reserves held with the SBP witnessed substantial decline of USD 6.2bn, reaching to USD 3.5bn by period end. This resulted in the Pak Rupee losing significant ground against the USD, closing at 285.99/USD on last working day of FY23.

Key highlights of the outgoing year include:

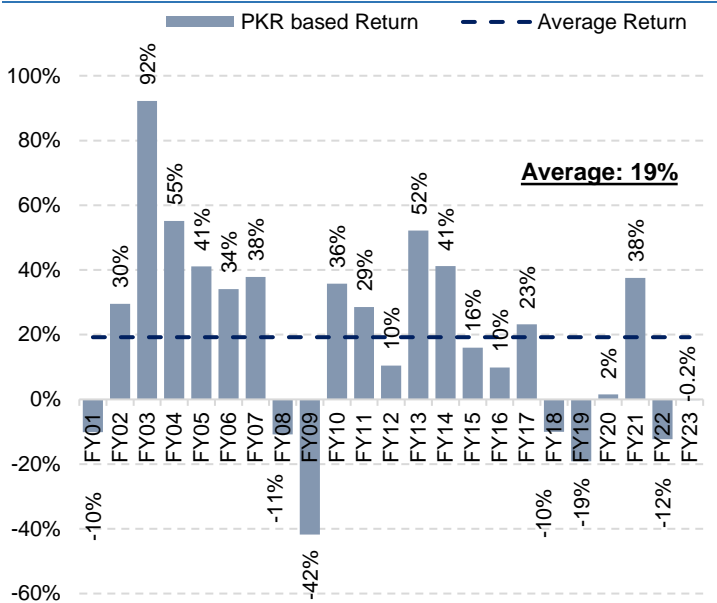
- The cabinet increased power tariff hike to the tune of PKR 3.5/kWh, while also increased LNG prices for the export oriented sector to USD 9/mmbtu in Jul'22. Moreover, ECC approved revision in OMC margins for MS and HSD to PKR 7/ltr each. During Jul'22, Pakistan also signed a staff level agreement with the IMF during the month. SBP also raised interest rate by 125bps to 15%.
- Pakistan received Letter of Intent (LoI) for 7th and 8th combined review from the IMF after fulfilling all the prerequisites in Aug'23. Moreover, during the month, IMF also approved disbursement of USD 1.16bn tranche against successful completion of 7th and 8th review.
- During Sept'22, US announced USD 30mn for flood relief.
- Moody's cut Pakistan's sovereign credit rating from B3 to Caa1 due to increased risks to liquidity and external vulnerability in Oct'22. Additionally, FATF announced Pakistan's exit from the grey list after a 4yr long stint.
- SBP increased policy rate by 100bps to 16% during Nov'22.
- Pakistan repaid its bond amounting USD 1bn in Dec'22. Also, KSA rolled over its USD 3bn deposit for Pakistan. Additionally, S&P Global lowered Pakistan's long-term sovereign credit rating. ECC approved Kissan package while power tariff for tube wells reduced to PKR 13/kWh. The Cabinet gave go-ahead to the Reko Diq project during the month while 1320MW SSRL Thar coal block 1 was connected to the grid.
- In Jan'23, the government claimed to secure USD 10bn pledges internationally from climate conference in Geneva. In addition, due to mounting inflationary pressure, SBP again raised interest rates by 100bps to 17%. Furthermore, UAE rolled over its USD 2bn loan.
- The government introduced a mini budget with an estimated revenue collection of PKR 170bn in Feb'23. The gov't also raised gas and electricity prices as those were prerequisite for the completion of the pending 9th review.
- During Mar'23, IMF demanded further materialization of commitments from friendly countries, at least partially, to resume the program. On political front, Election Commission of Pakistan (ECP) postponed the Punjab and KPK elections, originally scheduled for April 30th till October 8th 2023. Also, SBP raised interest rates by 300bps to 20%.
- The government received commitment of funds worth USD 2bn from Saudi Arabia and USD 1bn loan commitment from the UAE in Apr'23. SBP again raised interest rates by 100bps to 21%. Moreover, the gov't placed single

PSX Performance FY23

Russian oil cargo order as a test case. Also, IMF slashed Pakistan's growth outlook to 0.5% for FY23.

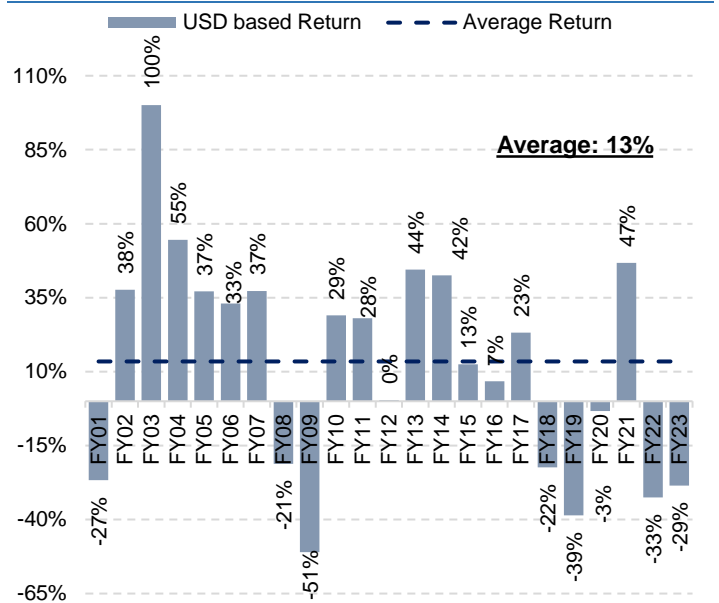
- Political situation heated up across the country in May'23. Moreover, Pakistan planned to share budget details with IMF to unlock funds.
- Pakistan got roll over USD 2.3bn worth amount that was due to be paid to China in Jun'23, while the gov't presented federal budget for FY24. Also, Pakistan received first oil cargo from Russia. SBP in its emergent meeting raised interest rates to 22%.

Fig: KSE-100 historical returns (PKR based)



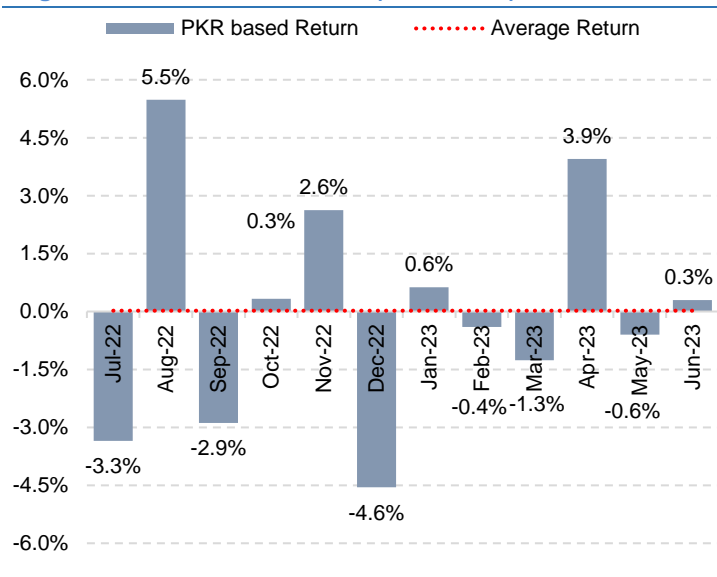
Source (s): PSX, AHL Research

Fig: KSE-100 historical returns (USD based)



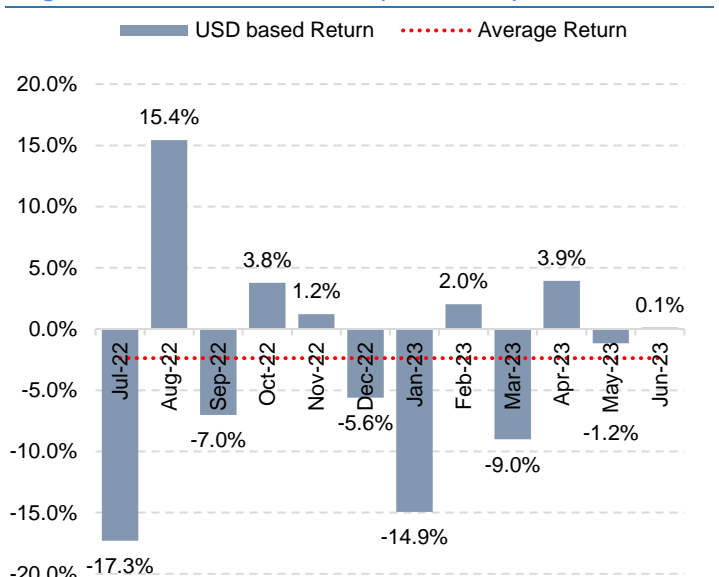
Source (s): PSX, SBP, AHL Research

Fig: KSE-100 historical returns (PKR based)



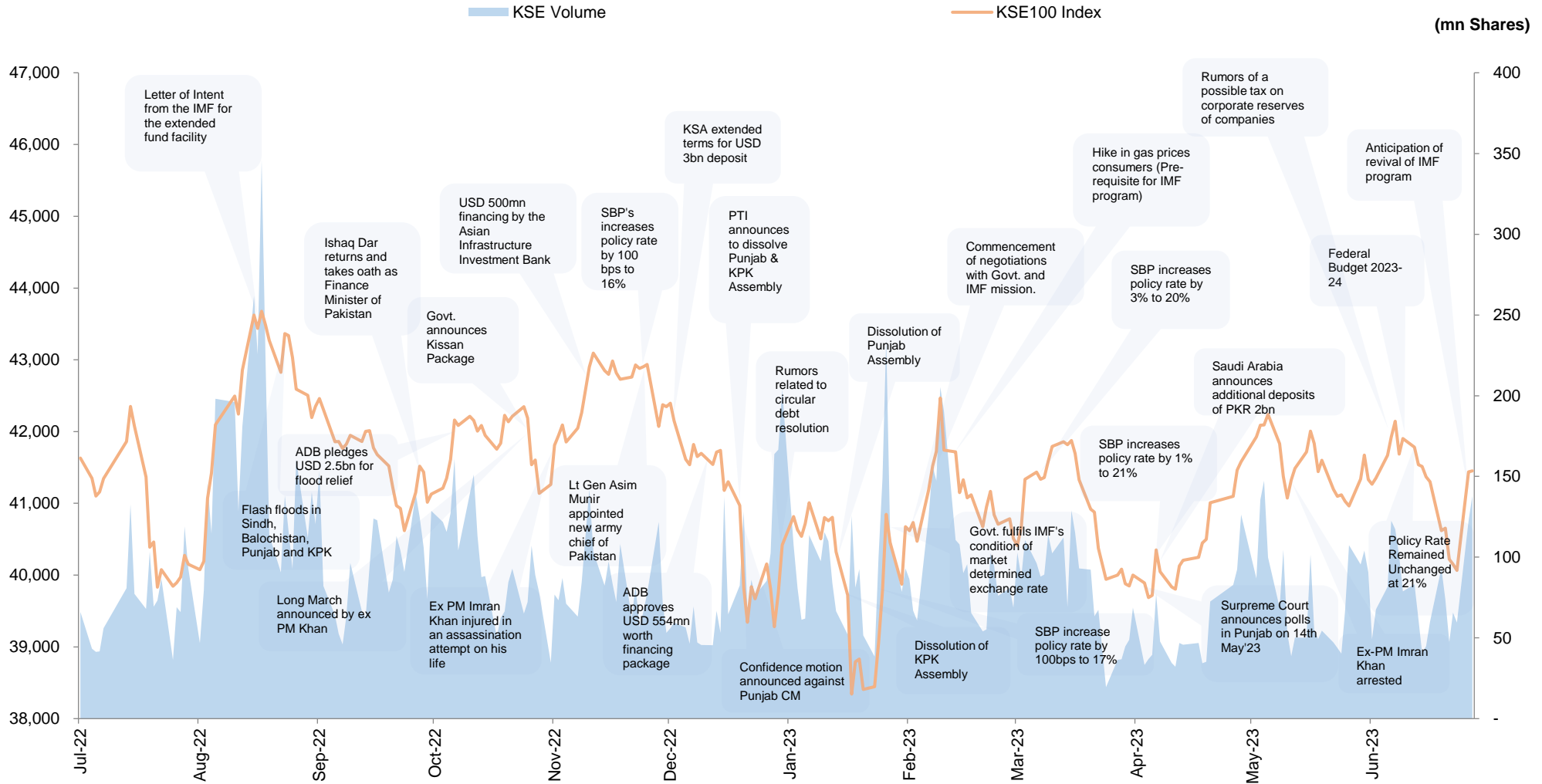
Source (s): PSX, AHL Research

Fig: KSE-100 historical returns (USD based)



Source (s): PSX, SBP, AHL Research

KSE100 Event Graph (FY23)



PSX Performance FY23

Key Events to watch out for FY24

Table: Key Events to watch out for during FY24

T Bills worth PKR 1.3tn to be matured	Jul-23
BMR of TBB Plant of PTL	Jul-23
Commissioning of 270 TPD ASU plant of PAKOXY	Jul-23
Outcome of KAPCO's tariff petition	Jul-23
PIBs worth PKR 0.5tn to be matured	Aug-23
T Bills worth PKR 3.0tn to be matured	Aug-23
Completion of APL's new bulk oil terminal at D I Khan (KPK)	Sep-23
New Chief Justice of Pakistan to charge	Sep-23
Completion of second phase of capacity expansion by PABC	Sep-23
COD of Hydrogen Peroxide Project of EPCL	Oct-23
Commencement of AVN's retail business in Saudi Arabia	Oct-23
General Elections in Pakistan*	Nov-23
Commencement of processed gas supply from MARI's Shewa-1 Field	Nov-23
36th OPEC & non-OPEC Ministerial Meeting	Nov-23
COD of Mi.Da.plant of AGHA	Dec-23
COD of 1.28mn ton p.a Brownfield expansion of ACPL	Dec-23
First spud-in at Block 5 of Abu Dhabi Block by consortium (OGDC, PPL, MARI & GHPL)	Jan-24
COD of 2.05mn ton p.a Greenfield expansion of FCCL	Jan-24
Implementation of IFRS 9 by Banks	Jan-24
Presidential Elections in Russia	Mar-24
COD of 2MW Bhimber Dam Project	Mar-24
Capacity expansion of flexible packaging division of CPPL	Mar-24
COD of OGDC's Dakhni Compression project	Apr-24
Federal Budget 2024-25	Jun-24

Source (s): AHL Research, *Expected

PSX Performance FY23

Economic Developments

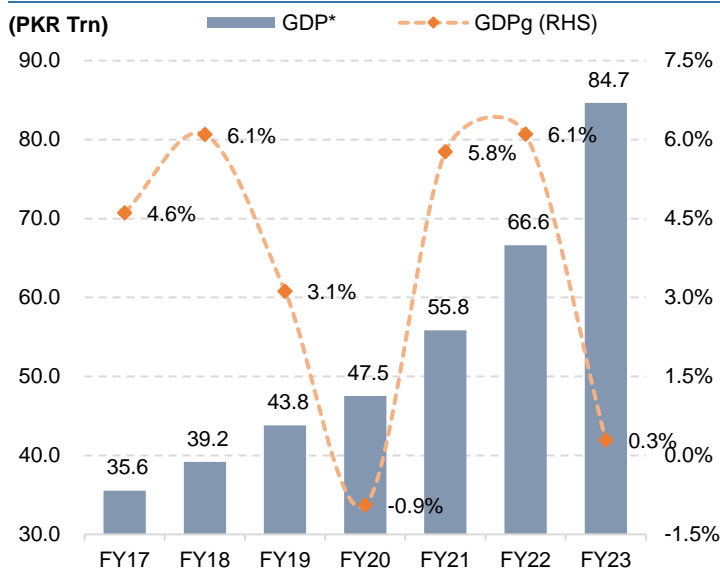
Pakistan's GDP grew by 0.29% in FY23

- Pakistan's GDP grew by 0.29% in FY23 (FY22: 6.1%).
- Services sector growth was recorded at 0.86% in FY23 vs 6.19% in FY22 with Wholesale & Retail trade posting a decline of 4.46% during the year (FY22: 10.3%).
- Industry sector growth stood at -2.49% in FY23 vs 6.83% last year. Large-Scale Manufacturing witnessed a decline of 8.11% during 9MFY23 (versus 10.61% during 9MFY22). Only four sectors posted positive growth during the period including: Furniture, wearing apparels, other manufacturing (footballs) and leather products.
- Agriculture sector growth stood at 1.55% in FY23 vs 4.27% in FY22. The Livestock sector growth of 3.78% was recorded, accompanied by forestry and fishing showing growth of 3.93% and 1.44%, respectively.
- The size of Pakistan's economy (nominal GDP) increased to PKR 84.7trn in FY23 compared to PKR 66.6trn recorded in FY22. In dollar terms, the size of the economy reached to USD 341.6bn.
- During FY23, the Per Capita Income increased to PKR 388,755 (equivalent to USD 1,568.4). The decline in GDP per capita (dollar terms) of 11.2% was mainly due to currency depreciation, lower growth, and rising population.
- Total investment during FY23 posted a growth of 10.2% (FY22: 29.1% YoY) marking 13.6 % of GDP (FY22:15.7%).
- Moreover, National Saving increased by 44.7% against a decline of 3.8% in last year, settling at 12.6% of GDP (FY22: 11.1%).

AHL Take:

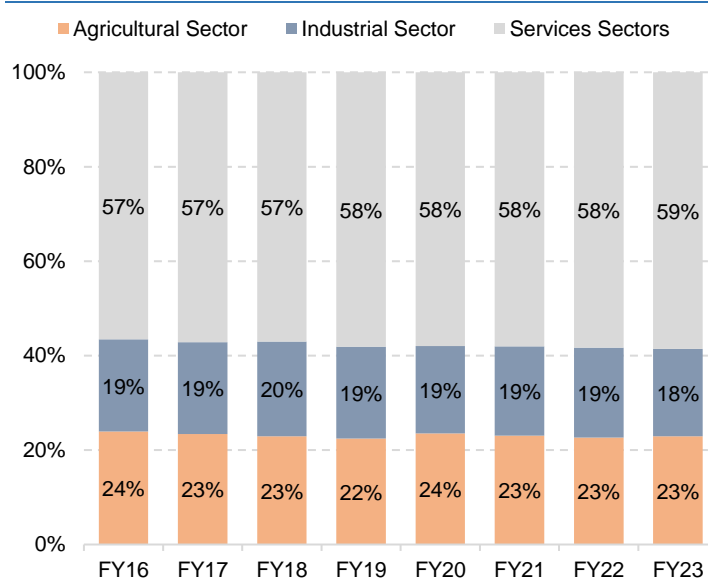
Pakistan's GDP is anticipated to grow by 3.28% in FY24 amid expectation of improved sectoral performances.

Fig: Pakistan Gross Domestic Product



Source (s): Pakistan Economic Survey 2023, AHL Research, *@ current market price

Fig: Sector wise contribution in GDP



Source (s): Pakistan Economic Survey 2023, AHL Research

PSX Performance FY23

Economic Developments

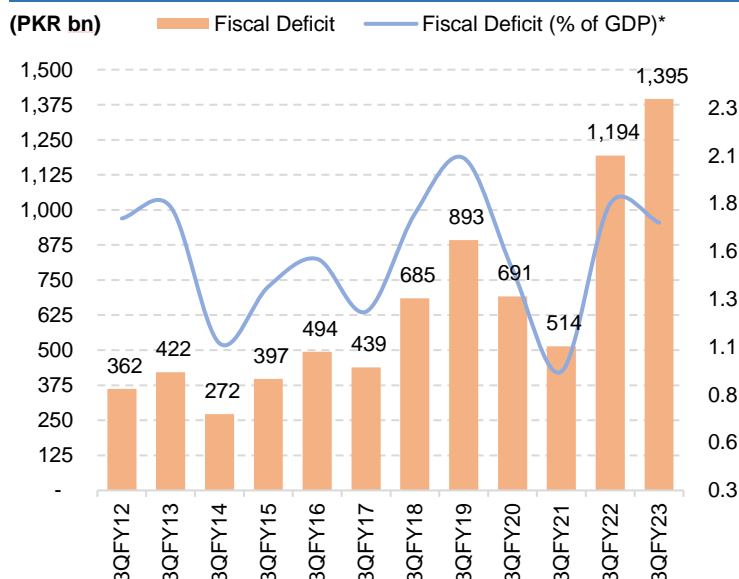
Fiscal deficit at 3.7% of GDP during 9MFY23

- Pakistan's fiscal balance in the outgoing nine months of FY23 posted a deficit of PKR 3,079bn, 20% YoY higher than the prior year's deficit. In terms of % GDP, the deficit arrived at 3.7% in 9MFY23 compared to 3.8% recorded last year corresponding period. However, the primary balance during 9MFY23 posted a surplus of PKR 504bn (0.6% of GDP) compared to a deficit balance in primary account of PKR 447bn witnessed in the same period last year (-0.7% of GDP).
- Primarily, total revenue growth of 18% in 9MFY23 to PKR 6.9trn (9MFY22: PKR 5.9trn) aided the fiscal balance, translating to 8.2% of GDP vs. 8.8% in same period last year. The total tax revenue collection was up by 17% YoY to PKR 5.6trn. FBR taxes clocked-in at PKR 5.16trn during the period, 18% YoY higher than 9MFY22's collection of PKR 4.38trn. Growth in indirect taxes posted a meagre growth of 1% YoY during 9MFY23 from last year's PKR 2.8trn. This was mainly on the back of 2% YoY growth sales tax, clocking-in at PKR 1.9trn and 3% YoY decline in Customs Duty to PKR 701bn. On the other hand, direct taxes jumped +46% YoY to PKR 2.3trn mainly contributing to the overall revenue collection. Albeit, the government collected PKR 1.3trn in non-tax revenues, displaying a jump of 25% YoY. This was particularly owed to higher collection of Petroleum Levy of PKR 362bn, marking an increase of 189% YoY. Moreover, dividend collection also improved by 43% YoY to PKR 52bn.
- In addition, total expenditure went up by 19% YoY to PKR 10trn (11.9% of GDP vs. 12.6% of GDP in 9MFY22). Further breakup revealed that current expenditure underwent an uptick of 25% YoY of which defence rose by 13% YoY. However, markup payments marked a growth of 69% YoY to PKR 3.6trn. Moreover, development expenditure and net lending undertaken by the government decreased by 36% YoY to PKR 1,060bn.
- Total PSDP expenditure in 9MFY23 arrived at PKR 1,014bn (-2% YoY) with provincial expenditure at PKR 721bn (-0.4% YoY), outdoing federal disbursement of PKR 293bn (-5% YoY).

AHL Take:

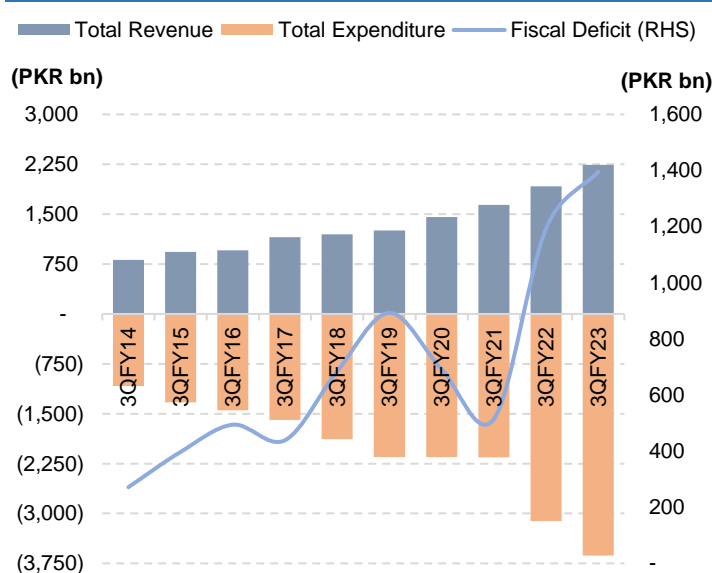
During FY23, the fiscal deficit is expected to clock in at PKR 5.9trn (7.0% of GDP) compared to the budgeted amount of PKR 3.8trn (4.9% of GDP). Moreover, while gov't expects FY24 fiscal deficit to be around PKR 6.6trn, we believe, this deficit will be close to PKR 7.9trn (7.6% of GDP).

Fig: Historical Fiscal Deficit



Source (s): MoF, AHL Research, *FY16 to FY21 on GDP of base year FY16

Fig: Revenue vs Expenditure - 3Q



Source (s): MoF, AHL Research

PSX Performance FY23

Economic Developments

Third consecutive monthly Current Account surplus posted

- Pakistan posted a Current Account surplus of USD 255mn for the month of May'23 compared to a deficit of USD 1,506mn during May'22.
- This is the third consecutive monthly Current Account surplus posted by the country.
- On a YoY basis, the primary reason behind the surplus was a 30% YoY decline in total imports along with a 6% YoY increase in exports. However, remittances decreased by 10% YoY during the month.
- During 11MFY23, the country's deficit decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year.

Imports:

- Total imports (goods and services) for the month of May'23 witnessed an increase of 7% MoM to USD 4.65bn (Apr'23: USD 4.3bn). However, on a yearly basis, total imports decreased by 30% in May'23 (May'22: USD 6.6bn).
- The import of goods was down 33% on YoY basis while up 3% on a MoM basis during May'23.
- The import of services was down 12% YoY while up 32% MoM during May'23.
- With this, the total imports during 11MFY23 reached at USD 56bn, down 26% YoY.
- Major imports during 11MFY23: Petroleum (USD 16.6bn), Machinery (USD 4.2bn), Transport (USD 1.2bn) and, Food (USD 7.5bn).

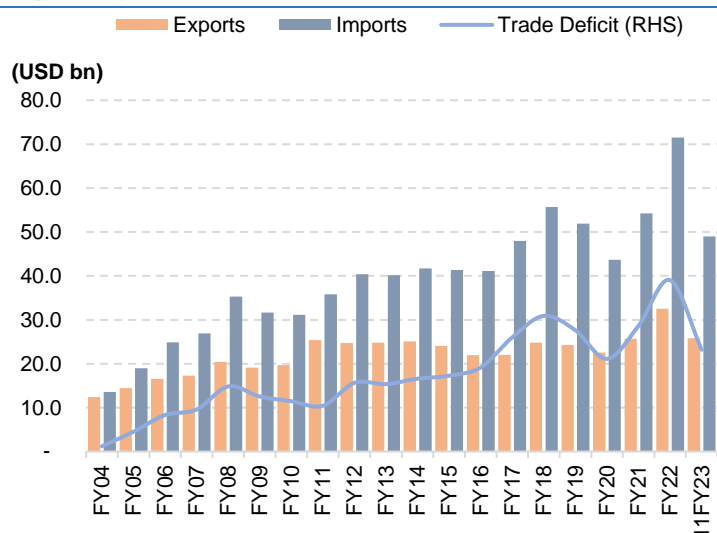
Exports:

- Total exports (goods and services) increased by 23% MoM during May'23 to USD 3.2bn compared with USD 2.6bn recorded in the previous month.
- On a yearly basis, total exports registered an increase of 6% in May'23 from USD 3.0bn in the same period last year.
- The export of goods was up 4% YoY and 23% MoM during May'23. Moreover, the export of services was up 20% on YoY and MoM basis, both during May'23.
- During May'23, technology exports were up by 28% YoY to USD 236mn.
- During 11MFY23, technology recorded exports worth USD 2,369mn (36% of the overall services' exports) marking a 1% YoY decline.

AHL Take:

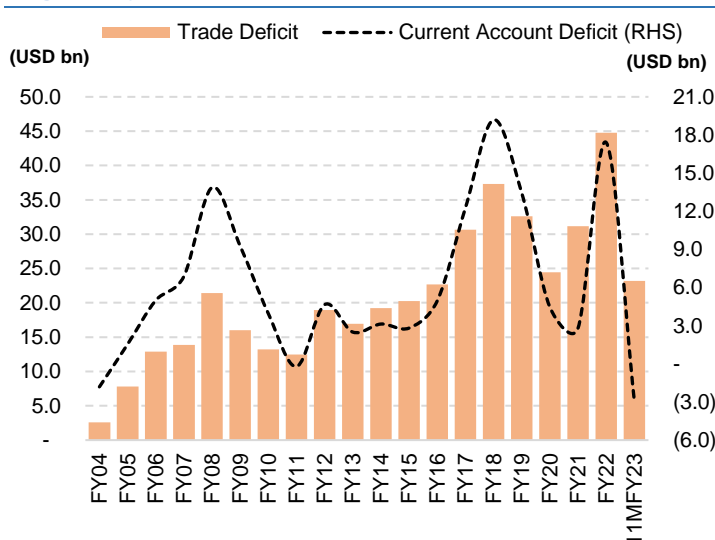
CAD is likely to remain around USD 2.6bn in FY24 as the economic slowdown drags import bill, while exports fight headwinds from global recession while remittances expected to improve slightly.

Fig: Yearly trend of Trade Deficit



Source (s): PBS, AHL Research

Fig: Yearly trend of CAD and Trade Deficit



Source (s): SBP, AHL Research

PSX Performance FY23

Economic Developments

Third consecutive monthly Current Account surplus posted

Remittances:

- Remittances by overseas Pakistanis decreased by 4% MoM to USD 2.1bn during May'23 compared to USD 2.2bn during Apr'23.
- On YoY basis, remittances decreased by 10% during May'23.
- During 11MFY23, remittances went down by 13% YoY to USD 24.8bn as compared to 28.5bn in 11MFY22.
- The country wise data reveals that during May'23, inflow from KSA, UAE, UK and USA amounted to USD 524mn (-4% YoY, +7% MoM), USD 336mn (-23% YoY, -12% MoM), USD 307mn (-14% YoY, -13% MoM), and USD 257mn (+10% YoY, -5% MoM), respectively.

Foreign Direct Investment:

- Net foreign direct investment settled at USD 150mn in May'23 (+6% YoY), compared to a net inflow of USD 141mn during May'22.
- During 11MFY23, net FDI was down by 21% YoY to USD 1.3bn compared to USD 1.7bn in same period last year.
- China was the largest contributor with a net FDI of USD 374mn during 11MFY23 followed by Japan with a net FDI of USD 168mn.
- During 11MFY23, major investment poured into the Power sector (USD 549mn) followed by Financial Business Sector (USD 280mn) and Oil & Gas exploration (USD 140mn).

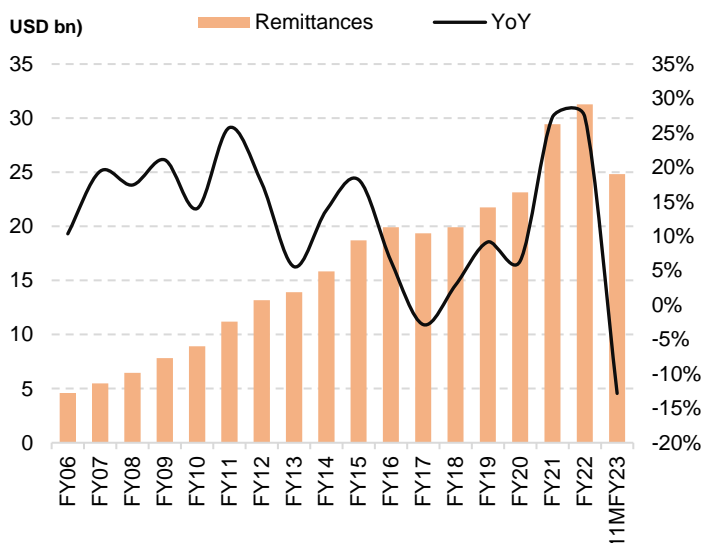
AHL Take:

- Remittances comprises nearly 50-55% of Pakistan's import bill.
- We expect remittances to clock-in at USD 28.7bn in FY24.

AHL Take:

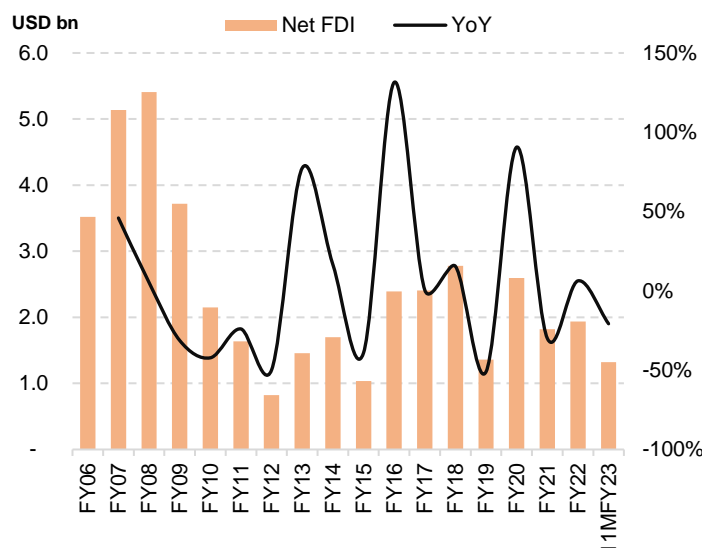
- The recently unveiled Economic Revival Plan can play a significant role in attracting FDI.
- The plan focuses on tapping potential in sectors such as agriculture/livestock, minerals/mining, IT, energy and others.

Fig: Historical remittances trend



Source (s): SBP, AHL Research

Fig: Historical FDI trend



Source (s): SBP, AHL Research

PSX Performance FY23

Economic Developments

May'23 CPI clocks-in at 38% YoY, 11MFY23 avg. at 29.2%

For the month of May'23, headline inflation clocked-in at 38.0% compared to 36.4% in Apr'23 and 13.8% in May'22, respectively. This is the highest monthly YoY inflation ever (since available data i.e. Jul-1965). With this, average inflation for 11MFY23 clocked-in at 29.2% compared to 11.3% in 11MFY22. The YoY uptick in CPI during May'23 was led by Food (48.7% YoY), Transport (52.9% YoY), Housing (20.5% YoY), Restaurants (42.3% YoY), Alcoholic Beverages & Tobacco (124.0% YoY), House Hold Equipment (43.5% YoY), Miscellaneous (43.3% YoY), Recreation & Culture (72.2% YoY) and Clothing & Footwear (22.5% YoY). Moreover, the core inflation crossed 22% YoY in the out-going month.

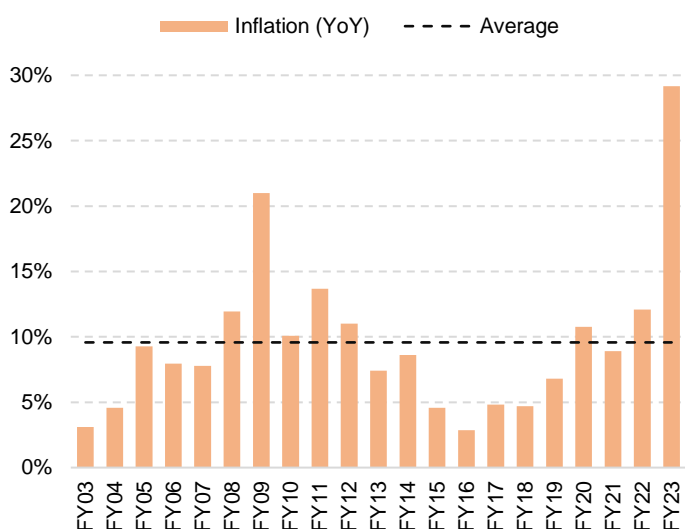
On a MoM basis, CPI reading increased by 1.6%. In the out-going month, main drivers of monthly inflation were food index (+1.3%), clothing and footwear (+1.4%), transportation (+0.2%) and household equipment (+3.9%), recreation & culture (+5.0%) and restaurants (+4.2%). Increase in average prices of: poultry, fresh vegetables and pulses (under food category), textbooks and stationery (under recreation & culture), electricity and construction charges (under housing category), washing soap and detergents and other equipment (under household equipment) mainly contributed to inflationary pressure.

The urban core inflation measured by non-food, non-energy (NFNE) during May'23, increased by 20% YoY as compared to an increase of 19.5% in the previous month and 9.7% in May'22. Rural, on the other hand, increased by 26.9% YoY in May'23 as compared to an increase of 24.9% in the previous month and 11.5% in May'22. On MoM basis, Urban and Rural core inflation were up 1.2% and 2.5%, respectively.

AHL Take:

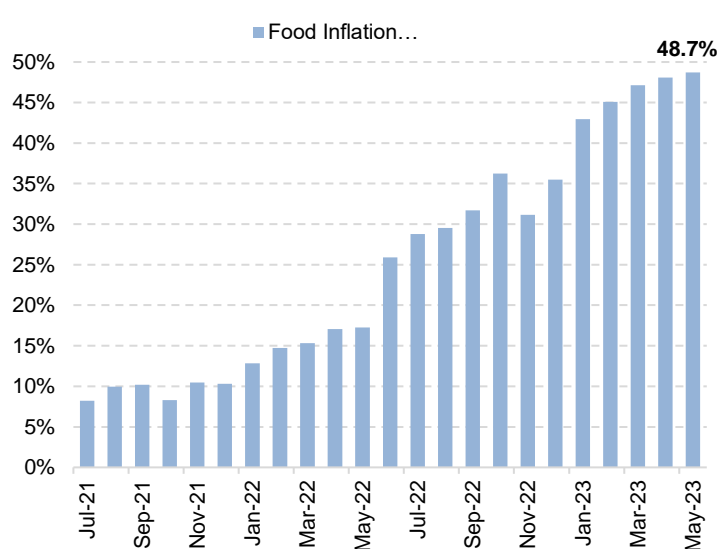
- Going forward, key risks to overall inflation are: high food and energy prices, impact of budgetary measures and weaker currency.
- FY24 expected CPI is 20.3%

Fig: Historical CPI Inflation trend



Source (s): PBS, AHL Research

Fig: Monthly food inflation trend



Source (s): PBS, AHL Research

PSX Performance FY23

Economic Developments

SBP's surprise announcement, raises Policy Rate to 22%

In a surprise move, the monetary policy committee held an emergent meeting on 26th Jun'23 and decided to increase the benchmark policy rate to 22% - historic high levels. The MPC sees the increase in the policy rate as essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 5-7% by the end of FY25, barring any unforeseen developments. To recall, in the last monetary policy (Jun 12th, 2023), the SBP had kept the rate unchanged at 21% amid subdued domestic demand and downward inflation trajectory expectation post Jun'23.

Two key observations since the last MPC meeting:

The MPC highlighted two significant developments that have had a negative impact on the inflation outlook and could further strain the already stressed external account.

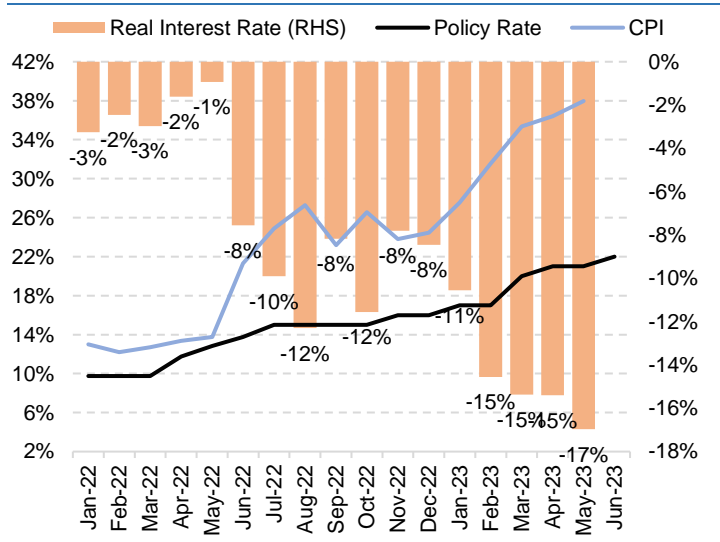
- Firstly, recently approved FY24 budget by the National Assembly has seen upward revisions in taxes, duties, and the PDL rate, as a result, raising concerns regarding their potential impact on the overall inflation outlook.
- Secondly, SBP's recent decision to withdraw its general guidance to commercial banks on import prioritization marks a significant development. This decision has been motivated by the objective of fulfilling the requirements of the ongoing IMF program. While the MPC acknowledges the necessity of these measures, it also acknowledges that they have heightened the upside risks to inflation as well as the exchange rate.

The MPC believes that this decision, in conjunction with the anticipated completion of the ongoing IMF program and the government's commitment to achieving a primary surplus in FY24, will effectively address external sector vulnerabilities and alleviate economic uncertainty.

AHL Take:

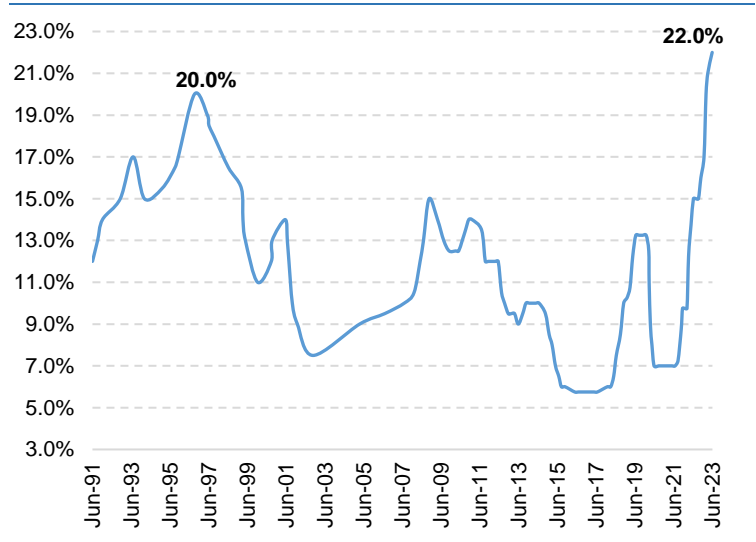
We believe interest rates have peaked at 22% and with headline inflation expected to recede mainly due to base effect, interest rates are anticipated to also come down by 400-500bps to 17-18% by FY24 end.

Fig: Policy Rate vs. Inflation



Source (s): SBP, PBS, AHL Research

Fig: Policy rate trend



Source (s): SBP, AHL Research

PSX Performance FY23

Economic Developments

10MFY23: LSMI output down 9.4% YoY

Large Scale Manufacturing Industries (LSMI) output decreased 9.8% on MoM basis while down 21.1% YoY during Apr'23. LSMI Index stood at 104.7 during Apr'23 (marking a 32-month low- last witnessed in Aug'20); 115.5 during 10MFY23 (10MFY22: 127.4). With this, during 10MFY23, LSMI posted a decline of 9.4% YoY. Measures taken by the monetary and fiscal authorities to slow-down the aggregate demand along with rising cost of doing business led to decline of LSMI as evident from decline in production numbers of textile, food, paper, machinery, automobile and petroleum.

Sector-wise increase during Apr'23 was led primarily by:

Wearing Apparel (2.1% YoY), and Other Manufacturing (3.5% YoY).

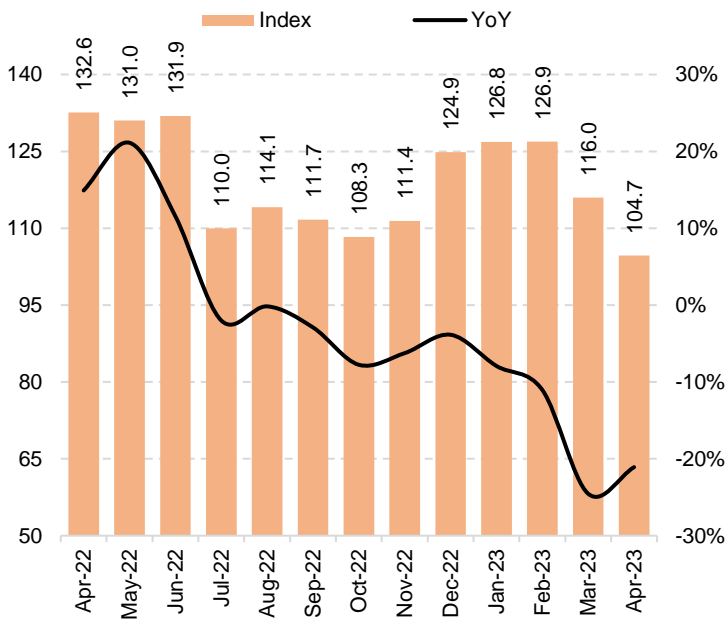
Sector-wise decrease during Apr'23 was led primarily by:

Textile (-33.3% YoY), Food (-5.9% YoY), Beverages (-10.1% YoY), Coke & Petroleum Products (-20.4% YoY), Furniture (-15.9% YoY), Fabricated Metal (-26.1% YoY), Rubber Products (-13.4% YoY), Leather Products (-0.9% YoY), Chemicals (-7.9% YoY), Iron & Steel Products (-10.2% YoY), Non Metallic Mineral Products (-24.5% YoY), Automobiles (-75.5% YoY), Pharmaceuticals (-32.0% YoY), Machinery and Equipment (-43.3% YoY), Tobacco (-61.6% YoY), Electrical Equipment (-28.1% YoY), Paper & Board (-25.4% YoY), Wood Products (-9.8% YoY) and Other transport Equipment (-49.3% YoY).

AHL Take:

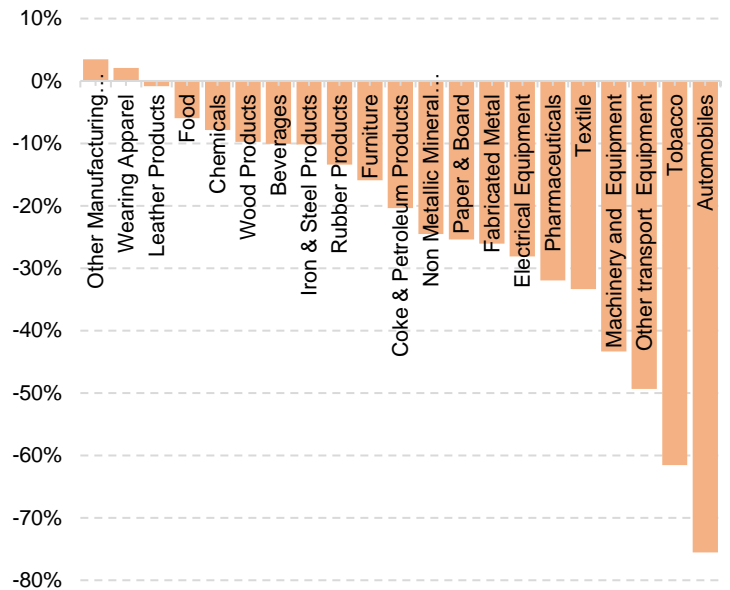
- During 10MFY23, LSMI posted a decline of 9.4% YoY.
- Reversal of tight macroeconomic policies, ease/cost of doing business and economic stability will help recover industrial growth. With this, LSM is expected to post a growth of 2.9% in FY24.

Fig: Quantum Index of Manufacturing



Source (s): PBS, AHL Research

Fig: Sector-wise YoY growth during Apr'23



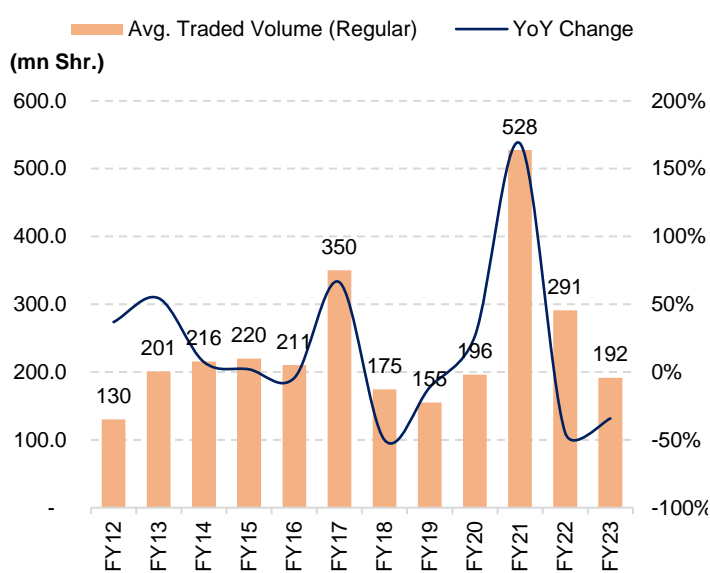
Source (s): PBS, AHL Research

PSX Performance FY23

Volume and Value went down during FY23

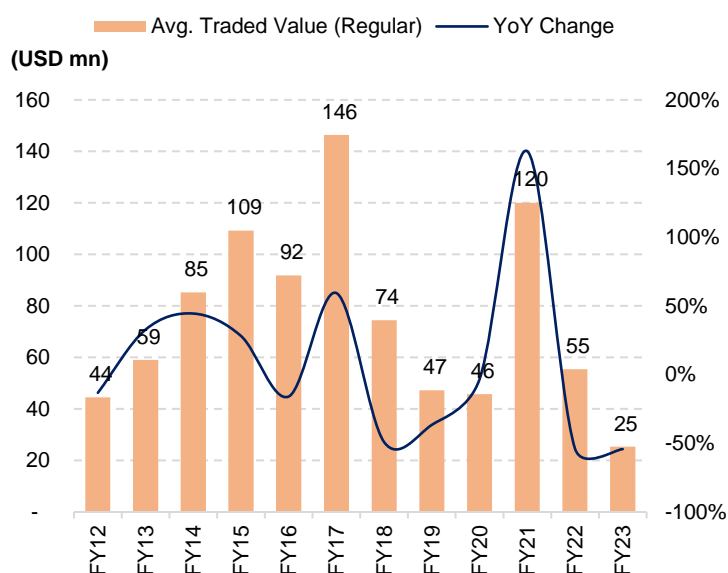
- Average traded volume and value during FY23 went down by a massive 34% (192mn shares) and 54% (USD 25mn) YoY, respectively.

Fig: Traded Volume down 34% during FY23



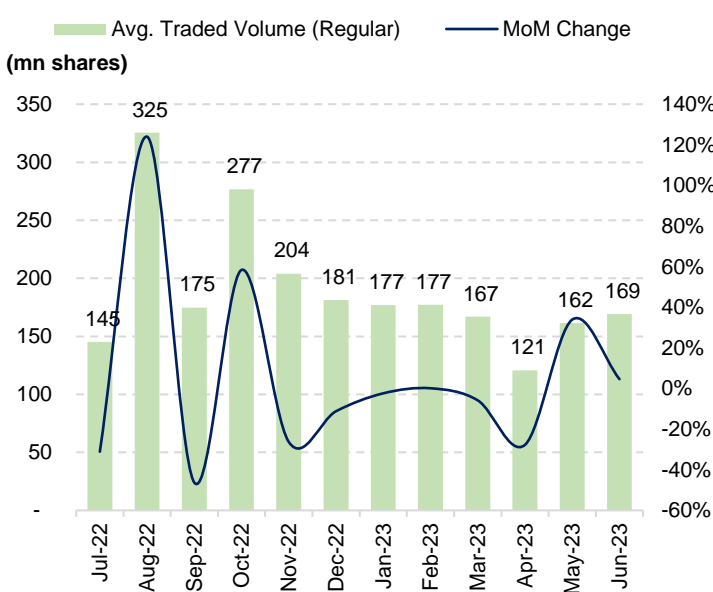
Source (s): PSX, AHL Research

Fig: Traded Value declined by 54% during FY23



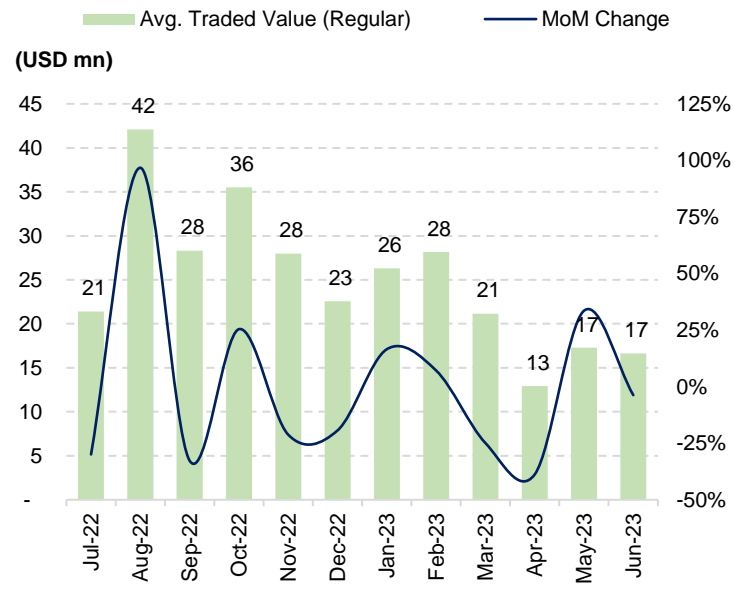
Source (s): PSX, AHL Research

Fig: Traded Volume increased by 5% during Jun'23



Source (s): PSX, AHL Research

Fig: Traded Value decreased by 4% during Jun'23



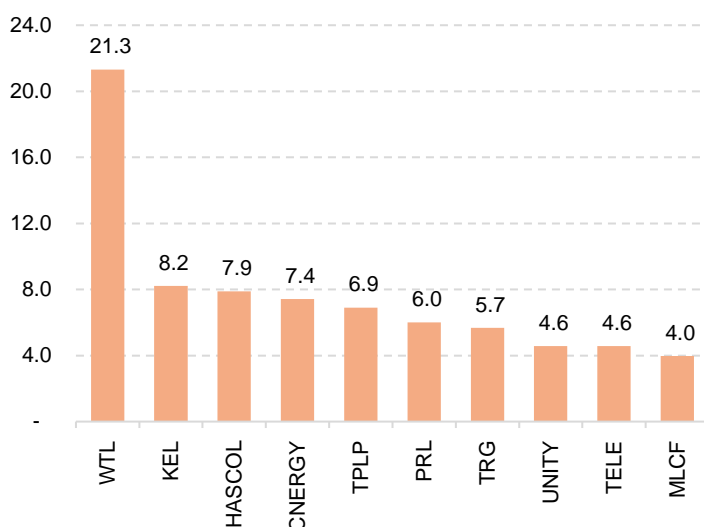
Source (s): PSX, AHL Research

PSX Performance FY23

- During FY'23, scrip-wise volumes were led by WTL (21.3mn shares), KEL (8.2mn shares), HASCOL (7.9mn shares), CENERGY (7.4mn shares), and TPLP (6.9mn shares).
- Scrip-wise value was led by TRG (USD 2.7mn), OGDC (USD 1.3mn), PPL (USD 1.1mn), LUCK (USD 0.9mn), and ATRL (USD 0.9mn).
- On sector-wise basis, volumes were led by Technology (41.0mn shares), Power (15.8mn shares), Banks (15.6mn shares), Refinery (15.3mn shares), and OGMCs (15.0mn shares).
- Sector-wise value was led by Technology (USD 5.0mn), E&P (USD 2.9mn), Cement (USD 2.7mn), Banks (USD 2.2mn), and Refinery (USD 1.9mn).

Fig: Scrip wise volume leaders (FY23)

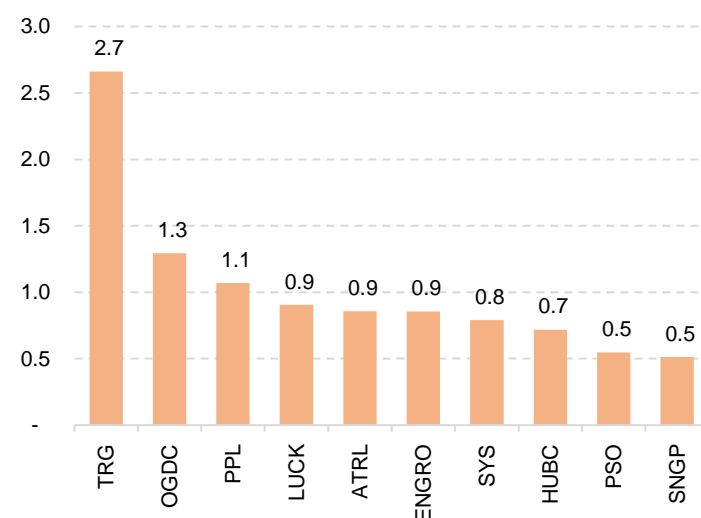
(mn shares)



Source (s): PSX, AHL Research

Fig: Scrip wise value leaders (FY23)

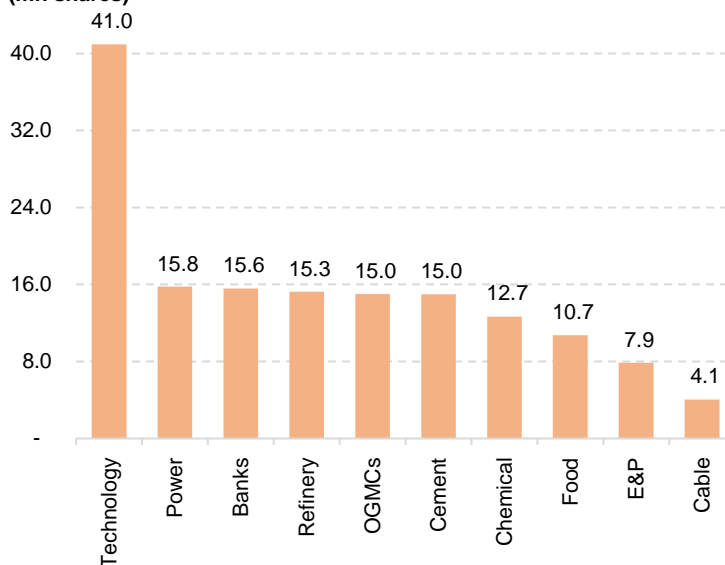
(USD mn)



Source (s): PSX, AHL Research

Fig: Sector wise volume leaders (FY23)

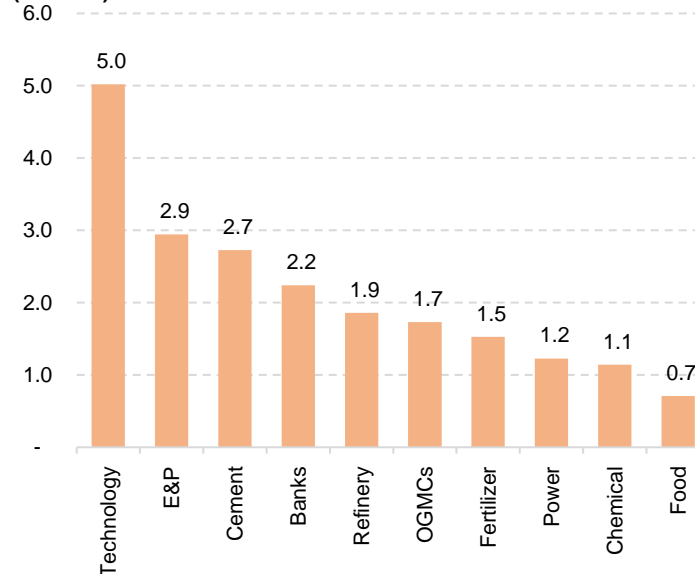
(mn shares)



Source (s): PSX, AHL Research

Fig: Sector wise value leaders (FY23)

(USD mn)



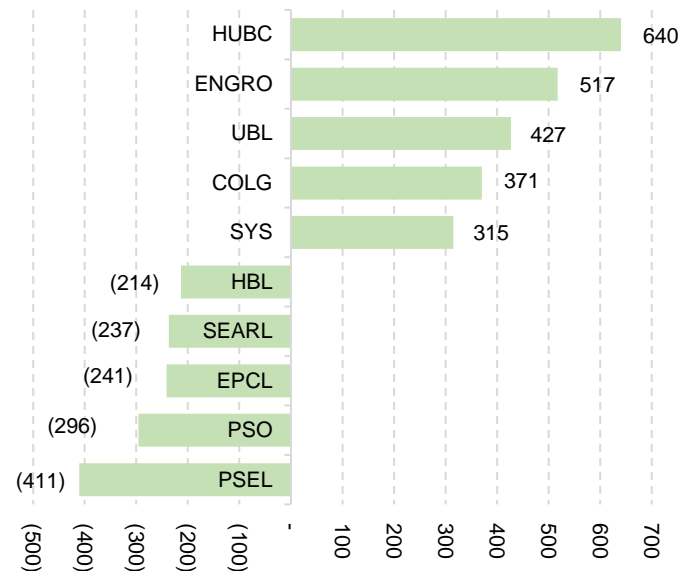
Source (s): PSX, AHL Research

PSX Performance FY23

Index Contribution

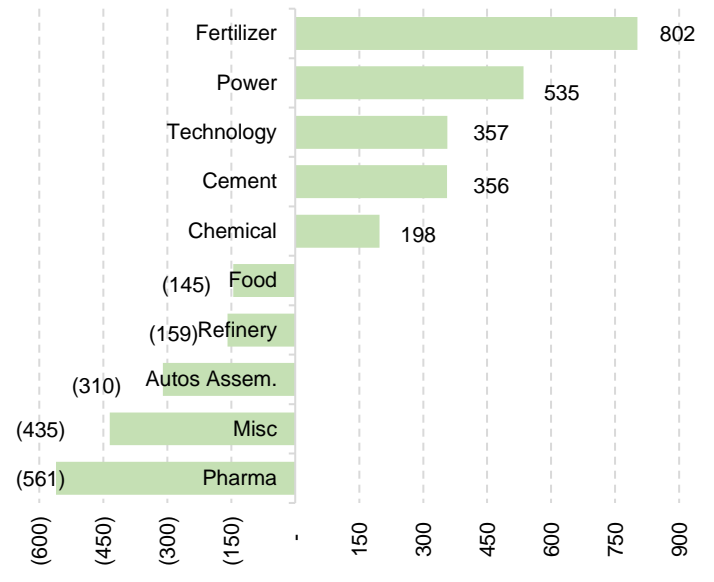
- Negative contributors during FY23 were Pharmaceuticals (561pts), followed by Miscellaneous (435pts), Automobile Assembler (310pts), Refinery (159pts), and Food (145pts). Whereas Positive index contribution was led by Fertilizer (802pts), Power (535pts), Technology (357pts), Cement (356pts), and Chemical (198pts).
- Scrip-wise negative contributions were led by PSEL (411pts), PSO (296pts), EPCL (241pts), SEARL (237pts) and HBL (214pts).
- Meanwhile scrip-wise positive contributors during the year were HUBC (640pts), ENGRO (517pts), UBL (427pts), COLG (371pts) and SYS (315pts).

Fig: Company wise top index contributors (FY23)



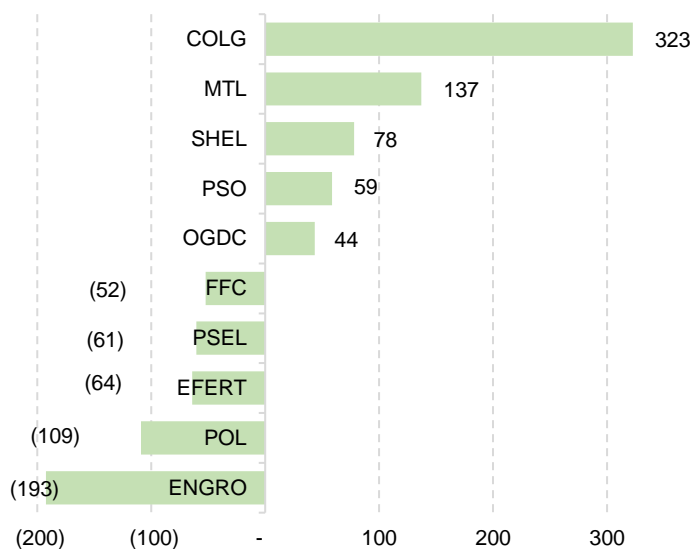
Source (s): PSX, AHL Research

Fig: Sector wise top index contributors (FY23)



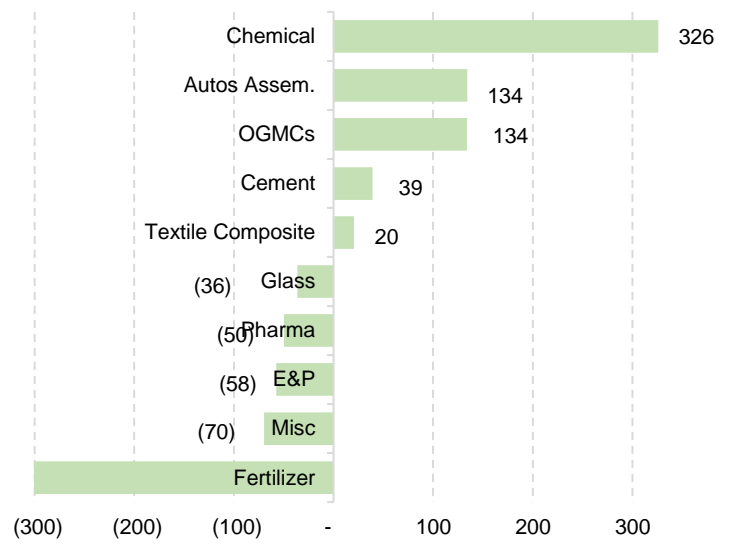
Source (s): PSX, AHL Research

Fig: Company wise top index contributors (Jun'23)



Source (s): PSX, AHL Research

Fig: Sector wise top index contributors (Jun'23)



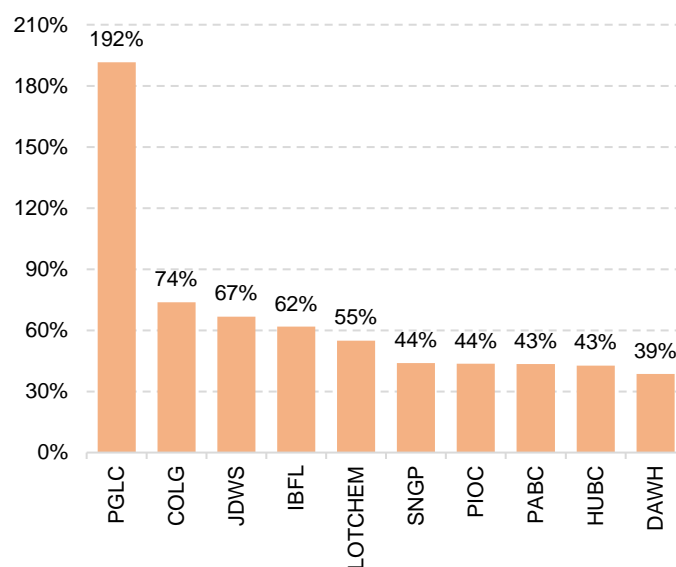
Source (s): PSX, AHL Research

PSX Performance FY23

Major Gainers and Losers

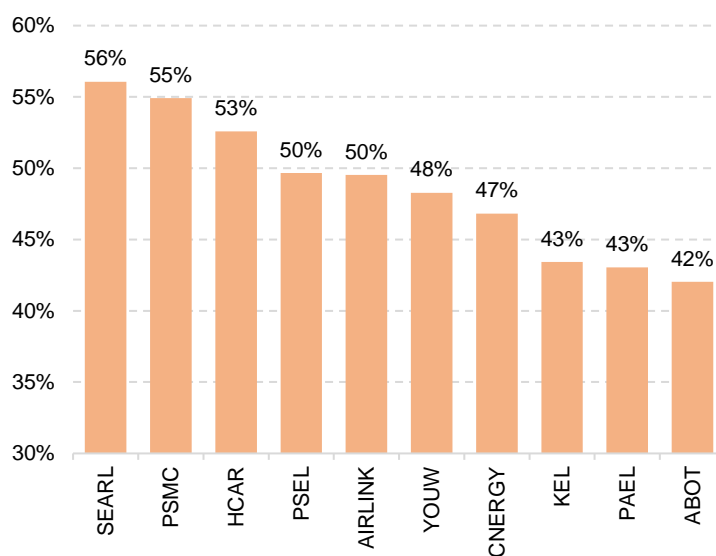
- Scrip-wise performance chart during the year was led by PGLC, COLG, JDWS, IBFL and LOTCHEM, each posting positive return of 192%, 74%, 67%, 62%, and 55% respectively. On the flip-side, SEARL, PSMC, HCAR, PSEL and AIRLINK posted the negative returns (56%, 55%, 53%, 50% and 50% respectively).
- In terms of sectors, Misc. was the best performing sector posting a return of 44% followed by Real Estate (37%), Fertilizer (14%) and Modaraba (11%). Negative returns were led by Vanaspati (54%), Cable & Electric (48%), Refinery (48%), Transport (47%), Inv. Banks (47%) and Cement (44%).

Fig: Scrip wise major gainers (KSE-100) FY23



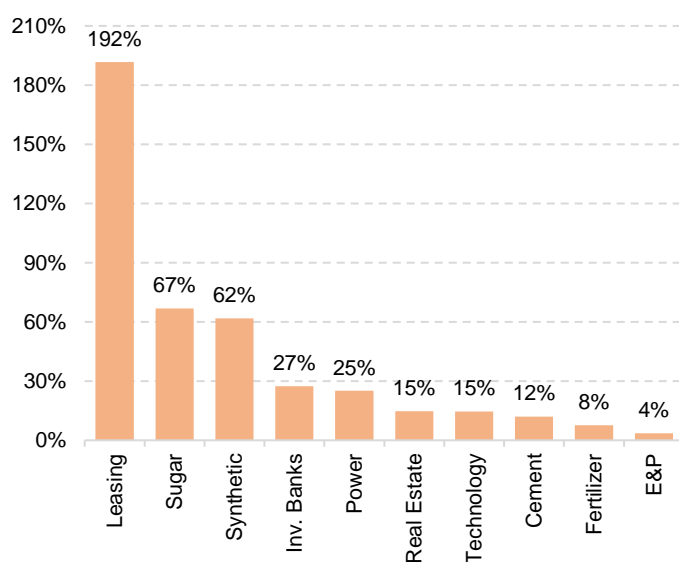
Source (s): PSX, AHL Research

Fig: Scrip wise major losers (KSE-100) FY23



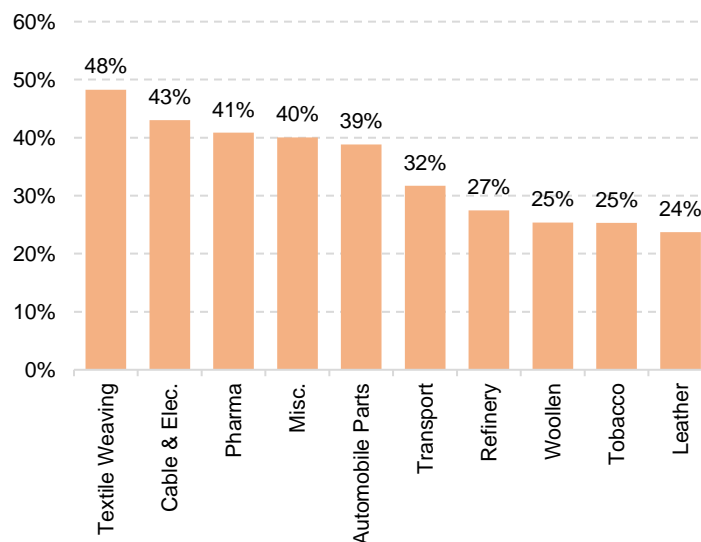
Source (s): PSX, AHL Research

Fig: Sector wise major gainers (KSE100) FY23



Source (s): PSX, AHL Research

Fig: Sector wise major losers (KSE100) FY23



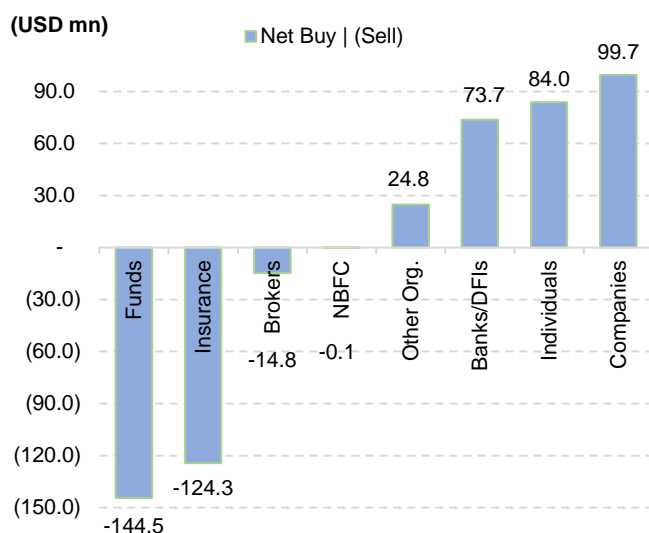
Source (s): PSX, AHL Research

PSX Performance FY23

Regional Portfolio Investment

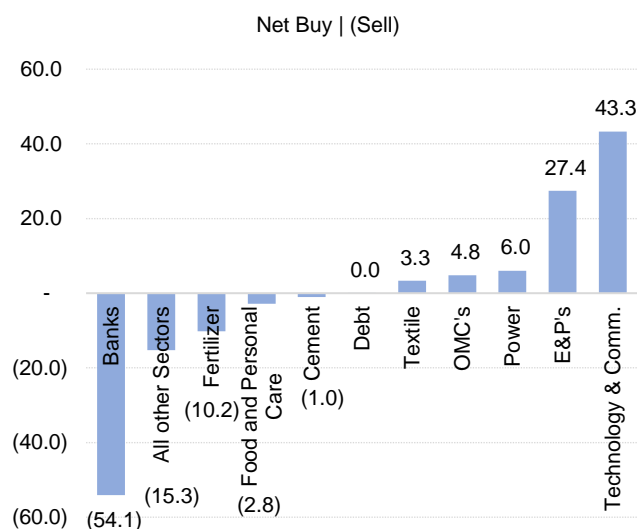
- Massive net buying in the Asia-pacific region was observed during FY23 led by major inflows in i) India (USD 19bn) as strong economic growth alongside relatively attractive valuations as compared to other large emerging markets and robust economic outlook, ii) South Korea (USD 15bn) and Taiwan (USD 2bn) as both countries remained beneficiary due to China's lackluster economic recovery post COVID. On the other hand, a foreign net inflow of a meager USD 1.6mn was seen in the local bourse compared to a net outflow of USD 298mn last year. Buying was primarily witnessed in i) Technology (USD 43.3mn), ii) E&P (USD 27.4mn), iii) Power Generation (USD 6.0mn), iv) OGMCs (USD 4.8mn), and, v) Textile (USD 3.3mn). Whereas selling was witnessed in i) Commercial Banks (USD 54.1mn), ii) Fertilizer (USD 10.2mn), iii) Food (USD 2.8mn), and iv) Cement (USD 1.0mn).

Fig: Local investors portfolio investment during FY23



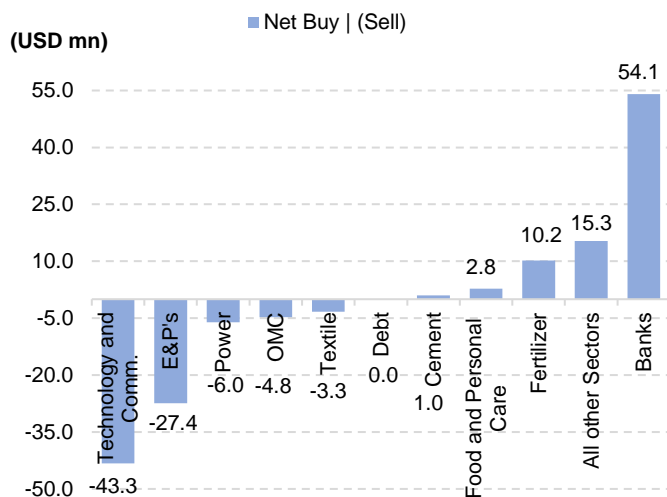
Source (s): NCCPL, AHL Research

Fig: Sector wise FIPI during FY23



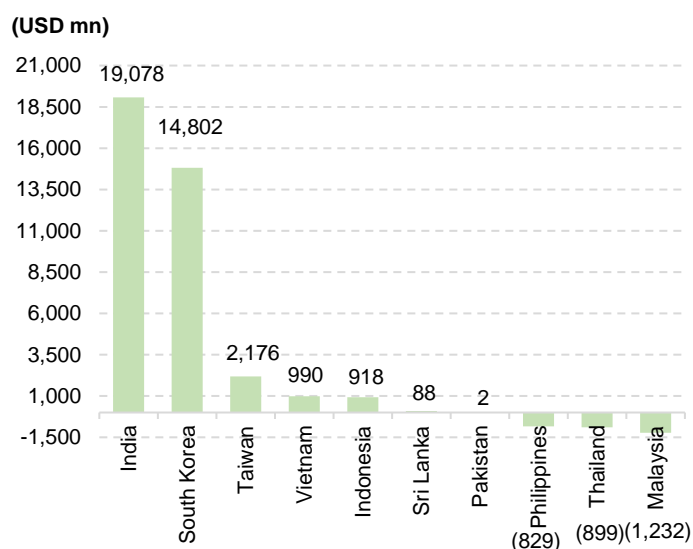
Source (s): NCCPL, AHL Research

Fig: Sector wise LIPI during FY23



Source (s): NCCPL, AHL Research

Fig: Regional Portfolio Investment during FY23



Source (s): Bloomberg, NCCPL, AHL Research

PSX Performance FY23

Lackluster IPOs activity in FY23

- Due to enormous economic challenges and uncertainties during the year only one IPO placement was witnessed during FY23 namely Globe Residency REIT (GRR).
- The company raised PKR 1,400mn with the placement of 140mn shares at a fixed price of PKR 10/share.
- In addition to this, a total of 4 companies issued the right shares in the outgoing year, raising ~PKR 7bn (last year PKR 30bn) in capital (details below).
- Apart from the aforementioned equity IPO and right issues, 10 debt IPOs were also placed during FY23 amounting to PKR 54bn.

Exhibit: Equity Capital Raising in FY23

Code	Company	No. of shares (mn)	Total Issued Size (PKR mn)
GRR	Globe Residency REIT	140	1,400

Source (s): PSX, AHL Research

Exhibit: Equity Capital Raising (Right Issue) in FY23

Code	Company	% Right	Amount (PKR mn)
GTECH	G3 Technologies Ltd.*	8.8%	2,719
JSBL	JS Bank Ltd.	17.0%	2,206
MODAM	Modaraba Al-Mali	14.3%	908
ASC	Al Shaheer Corporation Ltd.	25.0%	750
Total			6,582

Source (s): PSX, AHL Research, *The company has merged into Ghani Chemical Industries Ltd (GCIL)

Exhibit: Debt Capital Raising in FY23

Code	Company	Tenor	Total Issued Size (PKR mn)
TPLSC	TPL Corp Limited (PP Sukuk)	5 Years	2,190
TPLTFC3	TPL Corp Limited (PP TFC)	5 Years	2,265
BAHLTFC9	Bank AL Habib Limited (PP TFC)	Perpetual	7,000
UMBLTFC1	U Microfinance Bank Limited (PPTFC)	4 Years	3,500
BOPTFC2	The Bank of Punjab (PPTFC)	Perpetual	8,018
HBLTFC3	Habib Bank Limited - AT 1 (PP TFC)	Perpetual	6,500
BAFLTFC8	Bank Alfalah Limited - AT 1 (PP TFC)	Perpetual	7,000
KELSC6	K-Electric Limited (PP Sukuk)	7 Years	6,700
SNBLTFC4	Soneri Bank Limited - Tier 2 (PPTFC)	10 Years	4,000
BAHLTFC10	Bank AL Habib Limited - Tier 2 (PPTFC)	10 Years	7,000
Total			54,173

Source (s): PSX, AHL Research

Outlook and Recommendation

The market is expected to closely monitor the upcoming events including: 1) Update on the IMF program, 2) Dissolution/Completion of assemblies tenor, 3) General Elections, and 4) Incumbent government's negotiation with the IMF.

Moreover, successful resumption of the IMF will pave the way for inflows from other multilateral and bilateral partners as well as friendly countries which should shove up the country's FX reserves and relatively ease-off pressure on the external front.

Additionally, we view headline CPI to start tapering off from Jun'23 onwards, due to high base effect of the prior year. However, future inflation outlook relies heavily on the successful revival of the IMF program, impact of budgetary measures and effective management of debt repayments, which will potentially curb any major downside in the Pak Rupee. If this plays out in time, a bet can be placed on interest rate cuts one year down the line, attributable to lower levels of inflation.

Despite the economic headwinds, KSE100 posted profitability growth of 8.8% in 9MFY23, while for FY24, we expect earnings growth of 8.3% which should support the index going forward. Therefore, we advise investors to cherry pick long-term stocks backed by strong fundamentals including USD revenue stream companies and minimal or leverage free balance sheet with strong payouts.

The KSE-100 is currently trading at a PER of 3.5x (2023) compared to Asia Pac regional average of 11.3x while offering a dividend yield of ~11.7% versus ~3.0% offered by the region. Our preferred stocks are OGDC, PPL, MARI, MCB, MEBL, BAFL, LUCK, MLCF, FCCL, ENGRO, FFC and, HUBC.

PSX Performance FY23

World Indices Performance

Exhibit: World's Major Stock Market Performance (USD based return, FY23)

Sr#	Index	Country	Index	Return (%)	Sr#	Index	Country	Index	Return (%)
1	ZHIALSH Index	Zimbabwe	170,025	759.1	39	KOSPI Index	South Korea	2,581	9.6
2	MERVAL Index	Argentina	432,406	140.6	40	TWSE Index	Taiwan	16,888	9.2
3	ASE Index	Greece	1,236	59.3	41	UKX Index	UK	7,436	8.4
4	XU100 Index	Turkey	5,759	53.5	42	BELEX15 Index	Serbia	860	7.1
5	CSEALL Index	Sri Lanka	9,369	48.9	43	BHSEASI Index	Bahrain	1,958	6.4
6	BUX Index	Hungary	49,986	43.1	44	FSSTI Index	Singapore	3,205	6.4
7	ISEQ Index	Ireland	8,427	40.2	45	LUXXX Index	Luxembourg	1,456	5.4
8	KZKAK Index	Kazakhstan	3,572	39.2	46	PCOMP Index	Philippines	6,503	5.0
9	FTSEMIB Index	Italy	27,234	33.5	47	AS51 Index	Australia	7,118	4.8
10	WIG20 Index	Poland	2,033	32.9	48	BET Index	Romania	12,084	2.3
11	IPSA Index	Chile	5,680	31.6	49	NZSE Index	New Zealand	1,793	2.3
12	MEXBOL Index	Mexico	53,336	31.6	50	ADSMI Index	UAE	9,550	1.9
13	IBOV Index	Brazil	118,243	30.7	51	SPTSX Index	Canada	19,587	1.7
14	SX5E Index	Europe	4,280	29.3	52	PSI20 Index	Portugal	5,886	1.7
15	DAX Index	Germany	15,797	29.0	53	HEX Index	Finland	9,774	(0.1)
16	NDX Index	USA	14,689	27.7	54	JOSMGNFF Index	Jordan	2,466	(0.4)
17	CAC Index	France	7,175	26.5	55	SASEIDX Index	Saudi Arabia	11,459	(0.5)
18	KFX Index	Denmark	1,971	25.5	56	JALSH Index	South Africa	74,396	(1.1)
19	CRO Index	Croatia	2,361	22.5	57	BEL20 Index	Belgium	3,473	(1.5)
20	BLOM Index	Lebanon	1,722	20.3	58	JCI Index	Indonesia	6,662	(4.1)
21	IBEX Index	Spain	9,303	19.9	59	SET Index	Thailand	1,478	(5.6)
22	AEX Index	Netherland	756	19.8	60	VNINDEX Index	Vietnam	1,134	(6.3)
23	TUSISE Index	Tunisia	8,922	19.5	61	SEMDEX Index	Mauritius	1,972	(8.4)
24	DFMGI Index	Dubai	3,792	17.6	62	FBMKLCI Index	Malaysia	1,387	(9.4)
25	EGX30 Index	Egypt	17,665	16.5	63	HSI Index	Hong Kong	19,148	(12.2)
26	NKY Index	Japan	32,538	16.5	64	OBXP Index	Norway	523	(12.8)
27	MSM30 Index	Oman	4,768	15.7	65	DSEX Index	Bangladesh	6,344	(14.5)
28	SENSEX Index	India	63,416	15.1	66	DSM Index	Qatar	10,075	(16.8)
29	SBITOP Index	Slovenia	1,231	14.9	67	ICEXI Index	Iceland	1,910	(17.5)
30	VILSE Index	Lithuania	979	14.7	68	IMOEX Index	Russia	2,770	(19.2)
31	SOFIX Index	Bulgaria	673	14.7	69	SHSZ300 Index	China	3,845	(20.4)
32	SPX Index	USA	4,329	14.4	70	PFTS Index	Ukraine	507.0	(22.3)
33	PX Index	Czech Republic	1,295	13.2	71	GGSECI Index	Ghana	2,810	(22.4)
34	OMX Index	Sweden	2,222	13.1	72	RTS\$ Index	Russia	1,026	(23.7)
35	RIGSE Index	Latvia	1,217	12.2	73	NSEASI Index	Kenya	107	(27.7)
36	ATX Index	Austria	3,067	11.2	74	KSE100 Index	Pakistan	41,453	(28.9)
37	SMI Index	Switzerland	11,138	10.5	75	NGSEINDX Index	Nigeria	60,015	(35.2)
38	TALSE Index	Estonia	1,886	10.0					

Source (s): Bloomberg, AHL Research

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Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec 2023 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +10% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -10% and +10% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -10% from last closing of market price(s)

Equity Valuation Methodology

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)**

Risks

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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In order to avoid any conflict of interest, we hereby disclosed that;

Arif Habib Limited (AHL) has shareholding in NBP and BOP.