

### Market Details

**KSE-100 Index: 48,305**

### KSE Market Capitalization

PKR8,358bn (USD53.68bn)

### KSE-100 Market Capitalization

PKR6,573bn (USD42.21bn)

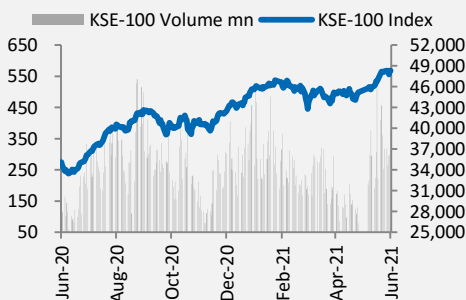
### 12M KSE-100 ADTV

PKR12.81bn (USD79.83mn)

Budget Targets	FY22
GDP	4.8%
Budget Deficit	6.3%
Primary Deficit	0.7%
Development Budget	PKR900bn
Tax collection	PKR5.8trn

Source: MoF, BIPLS Research

KSE-100 Index & Volume Chart



- With an objective to spur “sustainable and inclusive” growth, the incumbent government introduced the third budget of its tenure.
- The budget has a clear growth bias, targeting a headline GDP growth of 4.8% during FY22 with factor growths of 3.5% (agriculture), 6.5% (industries) and 4.7% (services).
- Gross revenue is estimated at PKR7.9trn with tax revenue estimated at PKR5.8trn, whereas the non-tax revenue is forecasted at PKR2.1trn. Adjusting for provincial share, the net revenue receipts are therefore expected at PKR3.4trn.
- For the expenditures side, the current expenditures are slated in at PKR7.5trn whereas the development expenditures are forecasted at PKR964bn.
- Consequently, the fiscal deficit is estimated at PKR3.4trn (6.3% of GDP) whereas the primary deficit is estimated at PKR360bn (0.7% of GDP).
- No material tax incidences have been raised in the current budget while the pre-budget fears of an increase in personal income tax have also been allayed.
- From the vantage of capital markets, the budget is largely positive with as the capital gains taxes are downward revised to 12.5% from 15% they stand at currently.
- Budget carries positive stimuli for the sectors such as Refineries (tax exemptions), Steels, Pharmaceuticals, Food, Footwear, Telecom, Chemicals, Textiles, Consumer sectors (reduction in CD and ACD) and Sugar (tax exemption on bagasse fired plants). While budget is materially negative for Autos (reduction in import duties for lower end cars).

**A huge win for the market:** Staying true to their pre-budget promises, the GoP announced budget with a clear growth bias. Budget carries positive stimuli for all the major sectors, reducing cost of doing business of these sectors and making them competitive globally. Market might be set for a decent bull run in the wake of these stimuli offered which are summarized below

- Import of textile industry goods under 589 PCT code to be exempted from CD, ADC & RD
- Import of flat rolled products of HRC and stainless steel exempted from CD, ACD & RD
- 350 Active Pharmaceutical Ingredients (APIs) exempted from CD and ACD
- Raw material of auto-disabled syringes exempted from CD & ACD
- Food processing industry to receive exemptions/reductions on inputs of raw materials.
- Decrease in duties on raw material/inputs of footwear industry.
- Poultry industry’s input to witness removal of CD & ACD
- Import of raw materials for manufacturing of cables and optical fiber to be exempted of ACD.

- Reduction / Exemption of CD & ACD on raw materials for Paint Industry.
- Reduction / Exemption of CD & ACD on inputs for Electronics Manufacturing Industry
- Reduction / Exemption of CD & ACD on raw materials for Chemical and Artificial Leather Industry
- Exemption from paying customs duties on import of COVID-19 related items for another six months
- Inputs of Ready-to-Use Supplementary Foods and Ready-to-Use Therapeutic Food exempted from CD & ACD.
- CD and ACD on 6 Lifesaving drugs removed.
- FED on auto sector to be simplified
- RD on import of cellphones to be rationalized.
- FED Exemption and Sales tax reduction to 12.5% from 17.5% on 850cc and below vehicles
- FED has been reversed on edible oil, ghee and iron supplements
- Zero rating regime for IT sector
- FED has been abolished on fruit pulp extraction
- Exemption of CD, Reduction of sales from 17% to 1%, Exemption of VAT and Exemption of FED for four-wheeler electric vehicles
- Special technology zones to be established providing exemption of CD on import of machinery and raw materials.
- Reduction of FED on Telecom services to 16% from 17%.
- Induction of online market places into sales tax net in respect of third party sales on the platform
- FED imposed on calls longer than 3 minutes, internet data usage and SMS
- Sugar included in third schedule, GST to be charged on retail price rather than fixed nominal value of PKR60
- Sales tax on reclaimed and used lead batteries proposed to be withheld at source under 11th schedule
- Withholding tax abolished on banking transaction, PSX, margin financing, air travel services, international transactions through debit and credit card and exploration of minerals
- Withholding tax on mobile phone services reduced to 10% from 12.5%.
- Capital gain tax reduced to 12.5% from 15%
- Property losses now adjustable for taxation purposes
- Minimum turnover tax reduced to 1.25% from 1.5% and will be reduced further in coming years.
- Minimum tax rate on retailer of FMCG's and refineries being reduced.

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The rating system	Rating Definition
Buy	Total stock return $\geq$ 15%
Hold	0% $\leq$ Total stock return < 15%
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\* Total stock return = capital gains + dividend yield

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To arrive at our period end target prices, BIPL Securities uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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