

Faysal Asset Management

FY17 PERFORMANCE- WHAT STATISTICS REVEAL

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IN DEPTH ANALYSIS OF ECONOMIC STATISTICS FY17

Despite worsening external sector problems, Finance Minister Ishaq Dar was a confident man on Thursday, announcing that the government had achieved 5.3% economic growth rate in the outgoing fiscal year, and assuring the nation that till 2019 Pakistan will not need another International Monetary Fund bailout.

However, despite his assurances, the clouds engulfing the country's external sector are unlikely to dissipate, as Pakistan is expected to book a \$8.3 billion current account deficit for 2016-17, almost double the official target set by the finance ministry.

The direct result of this was an increase in external borrowings that have now reached an estimated \$11 billion for the outgoing fiscal, \$3 billion more than original estimates.

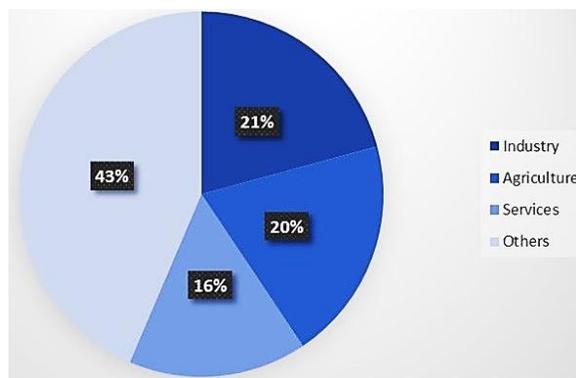
For the first time in ten years, Pakistan has crossed the 5% territory and GDP growth remained at 5.3% in 2016-17, as the size of Pakistan's economy has now increased to \$304 billion for the first time in its history. It was claimed that Pakistan will soon become a member of G20 – an elite club of top 20 growing economies of the world. GDP growth was slightly below the annual target of 5.7% yet it was better than recorded in past ten years.

Shares of industrial and agriculture sectors in total size of the economy decreased to 20.88% and 19.53% respectively while the services sector share increased to almost 60%.

No direct address was made about concerns about job-less growth in the outgoing fiscal, as the services sector is not considered a job rich sector. Due to this, there is also dichotomy between growth and unemployment. It was claimed that the unemployment rate fell to 5.9% in the outgoing fiscal.

However, according to the experts, reduction in unemployment rate is not consistent with growth rate. Pakistan needs an over 7% annual growth rate to absorb new entrants coming in the job market and any rate below this pace would increase the ratio of jobless people.

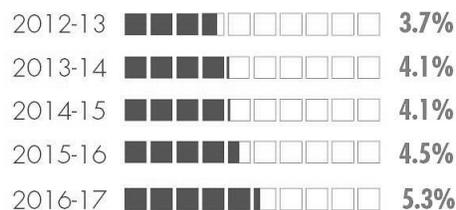
SECTOR WISE CONTRIBUTION TO GDP GROWTH



INVESTMENT AND SAVINGS

Investment-to-GDP ratio stood at 15.8% against a target of 17.7%. The ratio was almost equivalent to last-year's revised rate of 15.6%.

Savings slipped below even last year's level and stood at 13.1% of the GDP, far below the target of 16.2%. Fixed investment remained at 14.2% of GDP against the target of 16.1%. It was up 0.2% from last-year's level. Public investment increased to 4.3% of GDP, which was better than the 3.9% target.



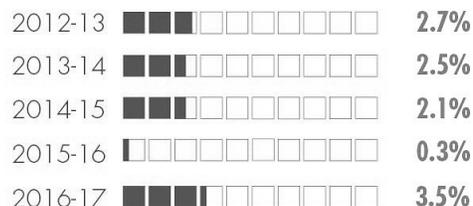
GDP

The target of private investment was also missed with a wide margin, which stood at 9.9% of GDP as against the target of 12.2%. The results are worse than last year when private investment had been estimated at 10.2%. Pakistan has one of the lowest investment and savings rates in the region and the world, obstructing progress towards a sustainable and inclusive economic growth path.

AGRICULTURE

After witnessing flat growth in the last fiscal year, the agriculture sector this time performed better due to exceptional growth in forestry and better performance of major important crops. The sector grew at a pace of 3.46%, almost equivalent to the annual target.

After facing criticism, the government finally focused on the sector, which paid dividends. The sector employs close to 37% of the labor force.



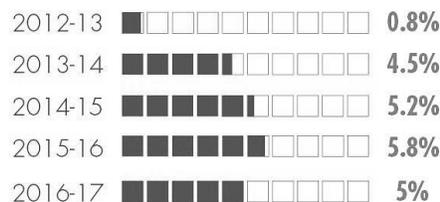
Agriculture

Production of major crops saw 4.1% growth but in the case of other crops, the target was missed as these minor crops witnessed hardly any growth. Cotton ginning remained even better than the 2.5% target and showed 5.6% growth. Livestock also posted 3.4% growth but missed the annual target with a small margin. Forestry sector showed 14.5% growth, which was many times more than the 3% annual target. Fishing sector grew by only 1.2% against 3% target.

INDUSTRIES

The government missed all its targets set for the industrial sector despite giving it the most favored status. There was presumably zero load-shedding for the sector and it also won many incentives from the government.

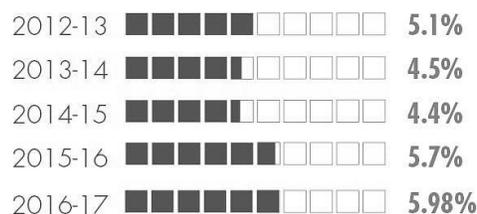
However, against a target of 7.7%, output stood at 5%. The output of large-scale manufacturing stood at 4.9%, below the official target while small-scale manufacturing grew to 8.2%, slaughtering 3.6%, electricity generation and distribution only 3.4% against a target of 12.5%, mining and quarrying sub-sector grew only 1.3% against a target of 7.4%. The construction sector grew at a pace of 9% but missed the target of 15.2%.



Industries

▪ SERVICES

The services sector, which now accounts almost 60% of the economy, grew by almost 6% against a target of 5.7%. Aided by heavy government borrowing and an increase in the money supply, the financial services sector and government services beat expectations. Wholesale and retail trade posted 6.8% growth against a target of 5.5%. Transport, storage and communication sub sectors saw 3.9% growth. Finance and insurance witnessed 10.8% growth against a target of 7.2%.



Services

▪ CAPITAL MARKET PERFORMANCE

Pakistan Stock Exchange (PSX) outperformed leading global stock markets such as India, China, and Hong Kong, Singapore, etc. during the outgoing fiscal year, observed Economic Survey 2016-17.

The benchmark PSX-100 index recorded a growth of over 27% during the first nine months of this fiscal year and ranked at the top of the list among some of the leading international and regional stock markets.

Bombay Sensex increased by only 9.7%, MSCI Emerging Market Index improved by 14.9% and MSCI Frontier Market Index rose 9.8%.

PSX-100 index, which stood at 37,783.54 levels on July 1, 2016, gained 13,152 points and closed at 50,936 points on May 8, showing a growth of 34.8%. Whereas its lowest point was at 37,966.76 on July 4, 2016. Moreover, the average daily trading volume of 379 million shares during the July-March period witnessed a three-fold increase compared to the corresponding period last year.

During the period, the PSX mobilized funds amounting to PKR 21.9bn, while the total listed capital of the market stood at PKR 1.30 trillion. By contrast, total market capitalization increased from PKR 7,588 billion on June 30, 2016 to PKR 10,044bn on May 8, a rise of 32.4%.

As per the requirement of the demutualization law, a deal for strategic sale of 40pc of PSX shares was completed in Dec 2016 and PSX sold shares to a Chinese-led consortium for \$85.6 million. Price Earnings Ratio of Top Fifteen Companies is as follows:

Name of Company	Profit After Tax in (Rs. Billion)	Market Capital (Rs. Billion)	EPS	Market Price (Rs) March 31, 2017	PE ratio	Current Outstanding Shares
Oil & Gas Development Company	59.97	637.87	13.94	148.31	10.64	4,300,928,400
Pakistan Petroleum Limited	17.24	305.44	8.74	154.91	17.71	1,971,715,615
MCB Bank Limited	21.89	253.10	19.67	227.40	11.56	1,113,030,752
Habib Bank Limited	31.82	395.48	21.69	269.61	12.43	1,466,852,508
United Bank Limited	27.73	278.66	22.65	227.63	10.05	1,224,179,688
Fauji Fertilizer Company Limited	11.78	131.80	9.26	103.60	11.19	1,272,238,147
Nestle Pakistan Limited	11.85	412.45	261.24	9095.00	34.82	45,349,551
National Bank of Pakistan	22.75	158.86	10.69	74.67	6.98	2,127,512,862
Lucky Cement	12.94	270.79	40.03	837.39	20.92	323,375,000
Engro Corporation Limited	61.86	192.76	118.11	368.02	3.12	523,784,755
Pak Tobacco Ltd.	10.36	386.97	40.55	1514.58	37.35	255,493,600
Hub Power Company	11.58	151.66	10.00	131.06	13.10	1,157,154,400
Mari Petroleum	6.05	167.63	54.89	1520.47	27.70	110,250,000
Bestway Cement Ltd.	11.88	167.02	19.93	280.11	14.06	596,252,783
Philip Morris Pak	0.58	167.04	9.34	2712.5	290.42	61,580,341

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○ NEW LISTINGS

Securities and Exchange Commission of Pakistan accorded approval to three companies TPL Properties Ltd for 56m shares; Loads Limited for 50m shares and Roshan Packages for 32.5m shares -during the period.

During the period July 2016 to March 2017, a total of 06 debt securities were issued. The break-up of these debt issues is as following:

Sr. No.	Name of Security	No. of Issues	Amount (In billion rupees)
i.	Privately Placed Term Finance Certificates	1*	3.0
ii.	Privately Placed Sukuk	4**	12.492
iii.	Listed Sukuk	1***	10.50
	Total	6	25.992

*(by JS Bank Limited); **(by Pak Elektron Ltd, Meezan Bank Ltd, Ghani Gases Ltd and Byco Oil Pakistan Ltd); and *** (by Fatima Fertilizer Company Ltd)

○ MUTUAL FUNDS

Assets under the management of the industry stood at PKR 694bn on March 31, showing an increase of PKR 148bn from PKR 546bn on June 30, 2016. Equity funds dominated the assets under management of the industry with the largest share of 48%.

(Rs in million)		
Description	March 31, 2017	June 30, 2016
Total Assets under Management of Industry	694,273	546,222
Total Number of Funds	203	192
Discretionary/Non-discretionary portfolio	137,255	139,229