

Faysal AssetManagement

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Federal Budget 2014-15 Sector Wise Impacts

Sector-wise Impact

Sector	Key Measures	Impact	Outlook
Textile	Mark up rate for Export Refinance Scheme reduced from 9.4% to 7.5%	Positive	Increase in textile exports due to incentives
	Duty Draw-back for local taxes and levies to be given to exporters who increase exports by 10% over last year		Increased profitability on back of reduced finance cost and duties
	FBR directed to dispose all pending Sales Tax Claims by 30 Sept 2014, and subsequently dispose refunds within 3 months		Top Picks: NML, NCL, GADT, GATM, SFL
	Duty Free Import of Textile machinery extended for two more years		
Cement	FED format revised from PKR 400/ton to 5% of retail price	Neutral	Increase in PSDP is positive for cement demand
	PSDP Allocation increased by 24% to PKR 525bn	Positive	Increase in GIDC negative for own captive gas power plant such as LUCK, DGKC, MLCF
	Gas Cess (GIDC) increased from PKR 100 to PKR 300 per mmbtu	Negative	
	Custom Duty on Pet Coke reduced from 5% to 1%	Positive	Reduction in custom duty of Pet coke to improve gross margins. Top Picks: LPCL, DCL, FECTC
Chemicals	PTA duty will be increased from 3% to 4%	Positive	LOTCHEM to benefit from duty protection

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Sector-wise Impact

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OMC/Refinery	Decrease in Turnover Tax from 1% to 0.5%	Positive	This will increase the profitability of low margin OMCs and Refineries like SHELL and PRL
Autos	FED at 10% withdrawn on vehicles above 1800cc	Positive	This will increase demand for vehicles above 1800cc
	GST on Tractors reduced from 16% to 10%	Positive	This will help to increase the demand for tractors. Top pick: MTL
	10% Custom Duty imposed on imported used vehicles	Positive	Positive for local car manufacturers
Electricity	Decrease in power subsidies	Positive	Decrease in power subsidies will help to control the circular debt issue
Fertilizers	Gas Cess (GIDC) for fertilizers increased to PKR 300 per mmbtu	Negative	Gross margins to be hurt if companies cannot pass on impact to Urea Customers
Banks	CGT computation on dividends and capital gains will now be on the net amount	Positive	Banks to benefit from increased penetration of Islamic banking.
	Withholding tax on cash withdrawal to be increased	Neutral	
	Government to promote Islamic banking industry	Positive	

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Telecom	FED to be withdrawn from those provinces which have imposed GST on Telecom Services.	Positive	Increase in demand of cellular services on account of lower cost
	In areas where FED shall continue to be collected, the rate is proposed to be reduced from 19.5% to 18.5%.		
	Withholding Income Tax on telephone services to be reduced from 15% to 14%.		