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INDUSTRY & ECONOMIC BULLETIN - 2020

QUARTERLY ECONOMIC UPDATE FOLLOWED BY COMPARATIVE SECTORAL RESEARCH & RATINGS TO RANK INDUSTRY PERFORMANCE, OPPORTUNITIES & RISKS WITH RECOMMENDATIONS ON STRATEGIC SECTORAL POSTURING

Q1- 2020

A strategic tool to preempt increases in risk and proactive identification of opportunities.

RESEARCH & BUSINESS ANALYTICS DIVISION
STRATEGY & BUSINESS ANALYTICS GROUP (SBAG), NBP

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ECONOMIC OUTLOOK

THE WORLD IN 2020

Americas

North America

United States of America (USA)

- TWO SUBJECTS hogged the headlines around the world in Pre-COVID19 scenario in 2020: America's presidential-election campaign and the weakness of the global economy. Both will induce anxiety and each will influence the other.
- It was already predicted that it will be a volatile year, characterized by unstable, angry and polarized politics, and an enfeebled economic outlook for the world, triggered by the policies and tactics employed by the Trump led Government in USA.
- But in post COVID19 scenario, it is the impact of this pandemic which has turned the whole world upside down. All the economic and political events have been impacted with this crisis like situation for all countries of the world and on top of it is USA.
- The recent trend of Black Lives Matter (BLM) movement caused turmoil in most of the states in USA and brought a new trend in socio-economic arena as well as the business ethics employed by the free economies.

Canada

- The stability of Canada's housing market and the dangerous levels of household debt remain an obvious concern, even if there's less focus now on rising interest rates.
- Canada's weak climate for business investment and the risk from global trade tensions are also top of mind among the experts. So too are environmental and energy issues.
- Canada's waning competitiveness is holding the economy back, and even how a deficit of amorousness could lead to a slowdown down the road.

Mexico

- Mexico and the United States will continue to cooperate on curbing the northward flow of Central American migrants in 2020.
- The decline or stabilization of monthly flows across the southern U.S. border will satisfy U.S. President Donald Trump ahead of the November U.S. presidential election. Mexican President, meanwhile, will continue to work closely with the United States on security measures, in large part to avoid U.S. pressure on other matters.
- He will also face criticism over rampant cartel violence and the damage it's doing to Mexico's economic, but given U.S. demands on immigration, he may have to keep troops deployed to deter immigration from Central America rather than shifting them to the cartel fight.

South America

Argentina

- Argentina may default on much of its debt in 2020. The country is unlikely to reach a deal with the International Monetary Fund or private creditors.
- While the government may use public spending to try to keep social unrest within tolerable margins, the ground will remain fertile for sporadic protests.

- In distancing himself from his predecessor's policies and solidifying his populist credentials — thus avoiding the bulk of the popular backlash that has plagued other Latin American countries — the President may increase public spending so much that fiscal deficits could become un-financeable without a default.
- Meanwhile, capital flight and the dollarization of a growing informal economy may threaten Argentina's formal economy, especially if the government converts dollars into pesos to pay its bills.
- As Argentina's trade policies become more protectionists under Fernandez, frictions within the Common Market of the South (Mercosur) may likely escalate, putting the already-troubled customs union and trade bloc at risk of collapse.

Venezuela

- Though ultimately unsustainable, Venezuela's status quo may not crack in 2020. Venezuelan President Nicolas Maduro largely maintaining his grip on the country. The United States may expand its sanctions against the country, adding wide-ranging secondary sanctions to limit China and Russia's ability to prop up Maduro.
- Still, Maduro's government may maintain its near monopoly on the country's economic resources as Venezuelan oil exports stabilize, while the military will remain united enough to keep Maduro in power.
- As the government digs in and U.S. sanctions intensify, Venezuela's oil industry will suffer, resulting in further drops in oil exports.
- Another year of economic crisis may also cause more Venezuelans to flee to neighbors like Brazil and Colombia, fueling a migrant crisis.

Unrest in South America

- Social and political unrest will continue in many countries as Latin American economic growth lags. Income disparity and corruption that citizens might otherwise tolerate during times of greater prosperity will continue to fuel anti-government protests throughout the region in 2020.
- Economic stagnation may also exacerbate existing polarization in the region. Brazil and perhaps Uruguay will pursue pro-business governments looking to deregulate, but in Argentina, Fernandez will pursue state intervention and protectionism. Ultimately — and perhaps as soon as 2020 — these divergent paths will lead to the neutralization and eventual collapse of Mercosur (common market of the South).This will likely scuttle a Mercosur-EU trade deal, although that will have only a minor impact on global trade since Mercosur is a comparatively small player in the global economic system

2019	2020	2021
2.3	-8.0	4.8

KEY DATES TO WATCH

- **Jan. 26:** Peru holds legislative elections.
- **Feb. 3:** The US 2020 presidential primary season kicks off with the Iowa caucuses.
- **March 1:** Uruguay's new president assumes office.
- **March 3:** 14 U.S. states, including California and Texas, simultaneously hold presidential primaries on "Super Tuesday," the most at once in the election season.

- **April:** Chile may hold a referendum on whether to replace its constitution.
- **April 14:** A deadline expires for Bolivia to hold a new presidential election.
- **October:** Candidate registration opens for Ecuador's February 2021 presidential and National Assembly elections, with campaigning set to begin in January 2021.
- **Oct. 19:** Chile conducts municipal and regional elections, as well as perhaps a vote for a constituent convention to overhaul the country's constitution.
- **Nov. 3:** The United States holds a presidential election, alongside polls for 35 senators and all 435 members of the House of Representatives.

Asia-Pacific

United States -China Trade Deal

- The United States and China signed a phase one trade deal. However with recent barbs and allegations by both the Governments on each other, it is likely to end sooner than later.
- Moreover; China was more likely not able to meet its full commitments or the timetable for compliance, raised the risks that the White House could reintroduce some suspended tariffs.
- The phase one deal was aimed at limiting China's economic slowdown. Beijing will rely on cautious monetary policy to support its economy amid a rising risk for defaults — as well as the social consequences that accompany its debt load.

Hong Kong

- Sustained business disruptions, vandalism and the withdrawal of more foreign business and capital from Hong Kong will send the city into an extended recession in 2020 and beyond, raising the risk of financial volatility.
- Beijing will steadily increase its investments in Hong Kong's economy and financial system to mitigate this risk. It also will expand financial liberalization in mainland cities like Shenzhen and Shanghai, as well as Macau, while solidifying financial cooperation with Singapore for the Belt and Road and other regional initiatives. However with the introduction of new Legislation and New Security Law, the matter has again in the limelight and attracting criticism from international community towards Beijing and worsening political and economic environment in Hong Kong.,

North Korea

- The United States and North Korea will likely still be engaged in outreach by the end of 2020, albeit perhaps only after a rupture in talks that prompts North Korea to ratchet up tensions with missile tests.
- A North Korean exit from the talks would aim to increase pressure on Washington to return to the table with a more conciliatory position by raising the political costs for the United States.
- Because the U.S. campaign of maximum pressure is hurting the North Korean economy, Pyongyang will require Chinese and Russian support to weather or undermine the measures at the United Nations, meaning it will decide carefully whether to resume nuclear tests.

Taiwan

- Tensions across the Taiwan Strait will continue in 2020 and increase if the ruling Democratic Progressive Party wins — as polls suggest — another term later this month.

- China will escalate economic and military coercion against Taiwan, raising the possibility of short, managed conflicts in the Taiwan Strait.
- An extended tenure for President Tsai Ing-wen will expand the scope of Taiwan's economic and military engagement with the United States, possibly including negotiations on an investment pact, elevated status in some international organizations and cooperation on defense and cyber matters.

2019	2020	2021
5.5	-0.8	7.4

KEY DATES TO WATCH

- **Jan. 11:** Taiwan holds a presidential election.
- **April 15:** South Korea holds legislative elections.
- **July 24-Aug. 9:** Tokyo hosts the Summer Olympics.
- **September:** Hong Kong stages legislative polls.
- **TBD:** Myanmar holds general elections.

Eurasia

Russia & China

- Russia boasts products and expertise that China desires, such as energy and agricultural goods — and a common adversary in the United States, the two countries will deepen their collaboration as part of the longer-term evolution in their relationship, which will extend beyond 2020. Through trade, the two will reduce their dependence on Western markets. At the same time, Moscow and Beijing will continue to expand their military cooperation through the sale of weapons systems and the organization of joint military exercises.
- Some issues, however, could disrupt the Sino-Russian alliance, especially in Central Asia or a post-U.S. Afghanistan, where they have competing interests. Still, the two will strive to manage these potential causes of friction to maintain their strategic alignment and reduce their vulnerabilities to powers like the United States.

Ukraine & Russia

- The countries' continued inability to progress toward implementing the Minsk agreement, which outlines the steps to end the Ukraine conflict, and the Steinmeier Formula, which defines the political status of contested territories, will result in continued Western pressure against Russia. Mutual frustration at the lack of results will likely deter further diplomatic efforts in both countries and roll back recent progress in stabilizing parts of the front line in eastern Ukraine.

Russian Foreign Policy

- Russia's economic stagnation and domestic political problems will continue to drive Moscow toward strengthening diplomatic and trade support to alleviate its own challenges, while also inserting itself in areas where it can directly contest or disrupt Western interests.
- As part of this strategy, Russia will focus on cultivating greater military and economic ties with foreign governments in the Sahel, Central Asia and elsewhere.
- Russia will also seek to exploit deteriorating stability in Latin America, where Argentina's mining sector provides opportunities for Russian companies, or in Middle Eastern countries

like Saudi Arabia, where Russia could make further arms sales &investments to deepen its role.

2019	2020	2021
2.1	-5.8	4.3

KEY DATES TO WATCH

- **Feb. 9:** Azerbaijan holds parliamentary elections.
- **Aug. 30:** Belarus holds a presidential election.
- **By October:** Georgia holds parliamentary elections.
- **Oct. 4:** Kyrgyzstan holds legislative elections.
- **TBD:** Tajikistan holds parliamentary and presidential elections.
- **TBD:**Moldova holds presidential elections.

Europe

Brexit

- The United Kingdom and the European Union are interested in preserving their close trade ties and will spend 2020 negotiating a free trade agreement. But the talks will be complex because Brussels will push to have British products follow the norms and regulations of the single market, an idea London will resist in hopes of developing its own regulations.
- Owing to the complexity of the negotiations, the EU & Improbably will not sign and ratify a comprehensive free trade agreement covering most goods and services by the end of the Brexit implementation period in December 2020.
- Should the negotiations on a limited trade deal fail, London and Brussels will likely agree to extend the implementation period into 2021, keeping the UK in the single market for longer than originally planned.
- Meanwhile, as EU& UK negotiations drag on, London will be discussing a trade deal with the United States. These negotiations also will be complex and probably will last well beyond 2020.

Germany

- Germany will experience low economic growth in 2020 due to global trade uncertainty and low levels of government spending.
- The differences over fiscal policy will prevent the German Government from implementing a large package of economic measures to boost domestic consumption and stimulate growth. Instead, the government will likely implement specific measures such as investment programs connected to environmental policies — but not to the point where they threaten Germany's zero-deficit policy. Berlin's policy decisions will keep private consumption below its potential, the country will continue to have a large trade surplus and high savings rates, and public investment will be modest.

European Union

- The EU will seek to play a more active role in global affairs and better defend its interests. To this end, the European Commission will become more energetic in cracking down on monopolistic behavior in the EU.

- France, Germany and others will use Brexit as an opportunity to push for deeper EU cooperation on issues ranging from defense to finance, but conflicting views among member states will impede progress. Brussels will also keep accession talks with candidate countries alive in an effort to prevent non-EU players like Russia and China from becoming more influential in places such as the Western Balkans.
- Meanwhile, the European Central Bank will apply expansionary monetary policies to try to boost inflation and economic activity in the bloc. Some member states, particularly in Northern Europe, may protest these policies but they ultimately will tolerate them because of low growth and modest inflation in the euro area, and because action by the ECB will offset to some degree the reluctance of these governments to introduce more expansive fiscal policies.

Italy

- Italy's coalition government composed of parties with different ideologies and policy goals will constantly be at risk of collapse. As a result, Rome will have only limited room to introduce reforms to address Italy's structural problems, which include low growth, massive debt levels and a relatively high deficit.
- The Euro skeptic opposition in Italy will remain popular, forcing households, companies and investors to factor in the possibility of an Italian exit from the Eurozone in the event the populist right were to take over the government. While Italy's membership in the 19-country Eurozone will not be at risk in 2020, most of its structural economic issues will remain un-resolved; meaning economic and political risk in the country will persist.

2019	2020	2021
1.3	-10.2	6.0

KEY DATES TO WATCH

- **Jan. 31:** Brexit day.
- **February:** Greek Parliament chooses the country's next president.
- **March 15:** France holds municipal elections.
- **May** Poland hold a presidential election.
- **May:** The United Kingdom holds local elections.
- **July 1:** Germany takes over the rotating EU presidency.
- **Dec. 31:** The EU-U.K. implementation period ends.

Middle East & North Africa

Iran

- Tehran may expand its aggressive response to Washington's "maximum pressure" campaign in 2020 by intensifying work on its nuclear program to gain leverage against the West in future negotiations and increase the cost to the United States of maintaining its sanctions-heavy strategy.
- Iran's move to further develop its nuclear program has weaken its pragmatic relationship with the European Union, meaning the bloc will be more likely to support firmer U.S. efforts to sanction the Islamic republic.
- Regionally, too, Tehran's activities may encourage not only more aggressive Israeli military action against Iranian targets but also lead regional actors like Turkey and Saudi Arabia to

consider deepening their own civilian nuclear programs. Iran will only consider reducing its aggressive strategy in 2020 in exchange for sanctions relief.

- Iran will continue this aggressive strategy as it waits to see if the 2020 U.S. presidential election yields an administration more amenable to talks than the current White House.
- Iran can wait because it has the wherewithal to hold out despite its worsening economy. The poor economy may incite more feuding among domestic political factions, but these various groups will stand together in support of the country's assertive foreign policies throughout the year.

Saudi Arabia

- Low oil prices will drag down Saudi Arabia's economic growth in 2020, undercutting its overall economic reform effort.
- But even in the face of this budgetary challenge, Riyadh will maintain its social-spending programs, defense spending and expensive state-led investment in major projects as it seeks to maintain social stability and propel economic growth.
- Doing so will require it to run a budget deficit in excess of 5 % of its gross domestic product that it will fund through international debt and its sovereign wealth reserves.
- Depressed oil prices and fears of clashes with Iran, among other conflicts, will dampen foreign investor interest. To protect its relationships with investors and allies, Saudi Arabia will maintain its risk-averse foreign policy in 2020.
- However, in the Post COVID19 scenario, the religious tourism has also been affected badly, which contributes over 20% to Non-oil GDP of the country.

Turkey

- Turkey will build new trade and defense links with Russia to help reduce its dependence on the West and bolster its separate geopolitical strategy. Nevertheless, Russia is not in a position to offer Turkey enough advantages to counterbalance all of Ankara's long-standing NATO ties.
- In response, the United States and Europe will attempt to influence Turkish policy through diplomacy and sanctions to force Ankara to shift its regional course and downgrade its relations with Russia.
- To offset the impact of any sanctions on the domestic economy, Ankara will prioritize populist policies to maintain citizens' trust in the government, especially as the AKP will face new competition in the form of splinter parties.

2019	2020	2021
1.0	-4.7	3.3

KEY DATES TO WATCH

- **Feb. 21:** Iran holds parliamentary elections.
- **March 2:** Israel holds parliamentary elections.
- **April-May:** Egypt holds legislative elections.
- **September:** Jordan holds parliamentary elections.

South Asia

Afghanistan

- The United States will proceed with a partial withdrawal from Afghanistan and pursue a peace deal with the Taliban with the support of regional powers, all of which wish to stabilize the country and limit the threat of transnational extremism.
- In the first phase of the process, the United States will push the Taliban to reduce violence and make a pledge to oppose Al Qaeda and the Islamic State in exchange for a partial drawdown of U.S. troops. The Taliban, in turn, will portray any U.S. withdrawal as a victory against foreign forces.
- Meanwhile, despite their varying degrees of tension with the United States, Russia, China and Iran will support the process to encourage regional stability in support of their self-interest, as will Pakistan,.
- A US-Taliban deal won't end the war in Afghanistan; it will only usher in a more complex phase of the peace process involving dialogue between the Taliban and the Afghan government.
- Afghanistan's next president will seek to forge a unified front in talks with the Taliban to both hammer out an agreement that features a comprehensive cease-fire and debate the shape of a post-conflict government as well as a new constitution.

Kashmir

- In 2020, Indian Prime Minister Narendra Modi tightened the central government's control over Kashmir by enforcing a counterinsurgency campaign to keep violence manageable while encouraging the migration of non-Kashmiri Hindus into the region and drawing investment from outside the state.
- Pakistan continues to voice its opposition to Modi's decision to strip Indian-controlled Kashmir of its sovereignty.
- As a result, the prospects for normalization between the subcontinent's rivals remain dim, which will dash Islamabad's efforts for talks in the face of New Delhi's accusations of cross-border militancy.
- For Modi, revoking Kashmir's autonomy strengthens India's territorial unity at a time when Pakistan stands to gain from a peace deal in Afghanistan. Politically, the biggest impact of Modi's decision will occur in Jammu and Kashmir itself, where the government will face protests, insurgency and inflamed separatism. In the end, the greatest challenge to Modi's decision will come from the Indian Supreme Court's review of the decision's constitutionality.

India

- Boosting growth in India's $2.6 trillion economy will be New Delhi's primary domestic challenge in 2020.
- A cooling economy means less tax revenue, increasing the chances that the Indian government will miss its deficit target by the end of the fiscal year in March 2020 — something that would hurt the fiscal consolidation drive it has been pursuing since before the global financial crisis.
- India's fears of Chinese strategic encirclement will accelerate its investment and defense overtures to neighboring countries in South Asia, marking a central plank of Modi's foreign policy in 2020. However, Beijing's funding advantages over New Delhi and its willingness to

renegotiate debt with Sri Lanka and the Maldives explain why it's political and economic relationships with these countries — as well as with Nepal and Bangladesh — will only grow, particularly as the countries wish to diversify their foreign relations beyond India, the regional hegemon.

- Beyond South Asia, China's maritime expansion into the Indian Ocean will further strengthen India's defense partnerships with the United States and Japan as part of Washington's Indo-Pacific strategy to create an informal bloc of nations to counterbalance Beijing.
- Ultimately, India's demand for strategic autonomy and its historical relationship with Russia — its chief arms supplier — explain why the US-India relationship will progress more slowly than Washington would like, particularly as India proceeds with its purchase of the Russian-made S-400 air defense system.

2019	2020	2021
5.2	-1.0	5.2

KEY DATES TO WATCH

- **February:**A new deadline for the Regional Comprehensive Economic Partnership trade deal expires.
- **February:** India's Delhi holds Legislative Assembly elections.
- **April:** The Taliban are expected to launch their annual spring offensive.
- **October:** India's Bihar state holds Legislative Assembly elections.
- **TBD**: Afghan parties form a new government following elections in September 2019.
- **TBD:** Assembly elections occur in Jammu and Kashmir.
- **TBD:** India and China meet for border talks.

Sub-Saharan Africa

South Africa

- In 2020, crippling political gridlock and crumbling infrastructure will stymie much-needed solutions to turn around South Africa's long-term economic trajectory.
- Enduring economic malaise will keep unemployment and crime rates sky-high, compelling high-net-worth and highly skilled workers to emigrate for better opportunities.
- The subsequent "brain drain" will continue to exacerbate the government's tax revenue shortfalls, leading to more unsustainable debt levels in the years ahead.
- As the country's anti-corruption probes trudge on, some key political figures may be arrested within the year, destabilizing powerful corrupt factions in the government and state-owned enterprises. But the overall battle to halt corruption will be met with muted success because of the deeply entrenched and pervasive nature of the problem.

Ethiopia

- Despite spiraling interethnic violence, Ethiopia will likely move forward to give its next government enhanced legitimacy in elections slated for May. Regardless of who wins the May vote, Ethiopia's next government will eventually continue Abiy's overall economic liberalization and reform push in order to jump-start the private sector and create more jobs for its desperate constituents.

- Partial or full privatization efforts in key sectors can thus be expected to advance in the second half of the year, including ending state-owned Ethio Telecom's long monopoly by issuing telecommunications licenses to international companies.

The Sahel

- In 2020, militant groups will continue expanding their presence throughout the Sahel and into coastal West Africa by taking advantage of the region's weak governance, interethnic violence, and the spoils of illicit mining and drug trafficking.
- Despite being the main guarantor of security in the Sahel, Europe — and in particular, France — will remain hesitant to devote more resources or troops to the counterterrorism struggle. This vacuum will give Russia more leverage to increase its presence in the region by offering arms and training support to frustrated Sahel governments.

Guinea

- Guinea's octogenarian president, Alpha Conde, will forge ahead with a constitutional amendment that would allow him to run for a controversial third term in 2020.But Conde's attempt to remove his term limits has also mobilized huge street demonstrations, with political opposition and civil society groups ratcheting up pressure on the government to scrap the process ahead of the country's slated October presidential election. As Guinea inches closer toward the polls, escalating anti-government efforts may start targeting the country's critically important and highly lucrative mining sector.

Sudan

- To remain on the course, the new government will first seek the removal of Sudan's designation by the United States as a state sponsor of terrorism. The lifting of sanctions related to the designation would significantly help re-stabilize the country's macroeconomic situation by opening the floodgates to foreign investment and aid. Until that happens, however, the government and multinationals operating in the country will struggle to access the capital and equipment needed to pursue large projects in Sudan's infrastructure, mining, energy and agricultural sectors. The ongoing lack of new financial support will also continue to stem the government's efforts to restructure its massive debt burden.

2019	2020	2021
3.1	-3.2	3.4

KEY DATES TO WATCH

- **Feb. 16:** Guinea holds legislative elections.
- **May**: Ethiopia holds general elections.
- **Oct. 31:** Ivory Coast holds a presidential election.
- **October:** Guinea holds a presidential election.
- **October:** Tanzania holds general elections.
- **Nov. 1:** Moody's Investors Service to reassess South Africa's credit rating.
- **November:** Burkina Faso holds a presidential election.
- **Nov. 7 or Dec. 7:** Ghana holds legislative and presidential elections.
- **December**: Ivory Coast holds legislative elections.

*the actual dates may vary from the scheduled ones.

IMPACT OF COVID 19 ON ECONOMY

World Economic Outlook

The COVID -19 pandemic since its inception has created havoc, resulting in more than USD 3 Trillion loss to the world economy coupled with burgeoning unemployment.

Global Impact would be much larger (i.e. more than USD 9 Trillion) if the pandemic spills over amid 2nd wave in the 2nd half of this year and 2021.

Global growth is projected at –4.9% in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. In 2021 global growth is projected at 5.4%. Overall, this would leave 2021 GDP some 6½ percentage points lower than in the pre-COVID-19 projections of January 2020. The adverse impact on low-income households is particularly acute, imperiling the significant progress made in reducing extreme poverty in the world since the 1990s.

As with the April 2020 WEO projections, there is a higher-than-usual degree of uncertainty around this forecast. The baseline projection rests on key assumptions about the fallout from the pandemic. In economies with declining infection rates, the slower recovery path in the updated forecast reflects persistent social distancing into the second half of 2020; greater scarring (damage to supply potential) from the larger-than-anticipated hit to activity during the lockdown in the first and second quarters of 2020; and a hit to productivity as surviving businesses ramp up necessary workplace safety and hygiene practices. For economies struggling to control infection rates, a lengthier lockdown will inflict an additional toll on activity. Moreover, the forecast assumes that financial conditions—which have eased following the release of the April 2020 WEO—will remain broadly at current levels. Alternative outcomes to those in the baseline are clearly possible, and not just because of how the pandemic is evolving. The extent of the recent rebound in financial market sentiment appears disconnected from shifts in underlying economic prospects—as the June 2020 Global Financial Stability Report (GFSR) Update discusses—raising the possibility that financial conditions may tighten more than assumed in the baseline.

All countries—including those that have seemingly passed peaks in infections—should ensure that their health care systems are adequately resourced. The international community must vastly step up its support of national initiatives, including through financial assistance to countries with limited health care capacity and channeling of funding for vaccine production as trials advance, so that adequate, affordable doses are quickly available to all countries. Where lockdowns are required, economic policy should continue to cushion household income losses with sizable, well-targeted measures as well as provide support to firms suffering the consequences of mandated restrictions on activity. Where economies are reopening, targeted support should be gradually unwound as the recovery gets underway, and policies should provide stimulus to lift demand and ease and incentivize the reallocation of resources away from sectors likely to emerge persistently smaller after the pandemic.

Strong multilateral cooperation remains essential on multiple fronts. Liquidity assistance is urgently needed for countries confronting health crises and external funding shortfalls, including through debt relief and financing through the global financial safety net. Beyond the pandemic, policymakers must cooperate to resolve trade and technology tensions that endanger an eventual recovery from the COVID-19 crisis. Furthermore, building on the record drop in greenhouse gas emissions during the pandemic, policymakers should both implement their climate change mitigation commitments and work together to scale up equitably designed carbon taxation or equivalent schemes. The global community must act now to avoid a repeat of this catastrophe by building global stockpiles of essential supplies and protective equipment, funding research and supporting public health systems, and putting in place effective modalities for delivering relief to the neediest.

Latest World Economic Outlook Growth Projections

		PROJECTIONS	
(real GDP, annual percent change)	2019	2020	2021
World Output	**2.9**	**-4.9**	**5.4**
Advanced Economies	**1.7**	**-8.0**	**4.8**
United States	2.3	-8.0	4.5
Euro Area	1.3	-10.2	6.0
Germany	0.6	-7.8	5.4
France	1.5	-12.5	7.3
Italy	0.3	-12.8	6.3
Spain	2.0	-12.8	6.3
Japan	0.7	-5.8	2.4
United Kingdom	1.4	-10.2	6.3
Canada	1.7	-8.4	4.9
Other Advanced Economies	1.7	-4.8	4.2
Emerging Markets and Developing Economies	**3.7**	**-3.0**	**5.9**
Emerging and Developing Asia	5.5	-0.8	7.4
China	6.1	1.0	8.2
India	4.2	-4.5	6.0
ASEAN-5	4.9	-2.0	6.2
Emerging and Developing Europe	2.1	-5.8	4.3
Russia	1.3	-6.6	4.1
Latin America and the Caribbean	0.1	-9.4	3.7
Brazil	1.1	-9.1	3.6
Mexico	-0.3	-10.5	3.3
Middle East and Central Asia	1.0	-4.7	3.3
Saudi Arabia	0.3	-6.8	3.1
Sub-Saharan Africa	3.1	-3.2	3.4
Nigeria	2.2	-5.4	2.6
South Africa	0.2	-8.0	3.5
Low-Income Developing Countries	5.2	-1.0	5.2

Source: IMF, *World Economic Outlook Update*, June 2020

Pakistan's Economic Outlook

Pakistan is not an exception either and it is estimated that the country will face an economic loss of more than PKR 03 Trillion putting around 03 Million jobs at risk in the initial round of this novel outbreak – LSM slowed down by 41% in April'2020 relative to April'2019. Real GDP growth is projected to contract by 1.3% in FY20 as domestic and global economic activity slows down sharply in the last four months of the fiscal year. Results for domestic economy would be devastating if the pandemic spills over to FY21. Projected growth of more than 2.0% in FY21 by GoP has already been revised downward by IMF to 1% in its "World Economic Outlook Update". GoP policy of smart lock down may bear fruits and lead to gradual recovery in FY21 provided the SOPs to overturn probable 2nd wave are followed in letter and spirit and the health care system is dealt in a calibrated way. Expected growth for FY2022 is 3.2%.

Banking Sector

Needless to mention that COIVD-19 spill over from the domestic economy will distress the banking sector But the impact will be sustainable primarily owing to the SBP recent policy measures and strong capital buffers built over the period thereby making the sector resilient under most reasonable shock scenarios.

Nonetheless, the adverse business activity, trade and remittances will certainly deteriorate bank's NII, NFI & PBT by more than 15%. Similarly NPLs are estimated to inflate by more than 10%
Liquidity will remain a concern during initial period of gradual recovery, primarily owing to erosion in savings of individuals and institutions.

Despite low interest rate scenario fresh borrowings by businesses will remain minimal due to lackluster activity. However, the scenario will be capitalized and assets booking will inflate once the recovery gains momentum probably in 2nd half of FY21, leading to consumption lead growth.

Interest Rates & Inflation

Since outbreak of COVID19 in the country, SBP has reduced its key interest rate by 625 basis points, commensurating with the decline in inflation during this period.

It is aimed at supporting growth and employment, while keeping inflation expectations anchored and maintaining financial stability. This will have trickle-down effect as through reduced interest rates, SBP wants consumption led growth and enhanced business activities in post COVID 19 scenario.

However, the global oil prices play a pivotal role in determining domestic energy prices, inflation and resulting interest rates. Hence, a rebound in the oil prices due to supply disruption or overwhelming demand may fuel domestic inflation and increase interest rates.

Ceteris paribus, volatility in inflation and interest rates may be witnessed owing to consumption led growth in the presence of supply shocks.

Despite above, inflation is expected to be in single digit for FY21 because of gradual recovery and time taken by economy to gain momentum.

Exchange Rate

Decline in SBP reserves was largely due to debt repayments and possibly reduction in home remittances. However, now the country has received fresh disbursements from multilateral agencies which will create a buffer to protect forex and ultimately stable exchange rate. Deferment of some debt repayment has also given a sigh of relief.

However, despite the above, exchange rate volatility need to be closely monitored because forex reserves may come under pressure owing to decreased remittances (workers lay-off in middle east – World bank indicated a decline of 23% for CY2020) and end of deferment period accorded by multilateral agencies

Imports & Exports

For 3rd consecutive month textile and clothing exports declined, going down by 36.5% in May 2020 to reach US$ 751.13 Million compared to US$ 1.19 Billion same month last year. Trade business to remain under pressure for 2020 and will gradually gain momentum in early 2021.

Measures & Impact of GoP & SBP Initiatives

GoP announced relief package of PKR 1.2 Trillion for the underprivileged, shielding them from adverse impact of COVID 19. Under the Export Enhancement Package, the Federal Government has released Pkr 6.2 Billion as cash subsidies to the textile sector.

In the recently announced budgetary proposals for the FY 2020-21, the government has announced economic re-launch incentives for various sectors. The proposed regulatory duty exemptions, reductions or incentives apply to hot rolled coils, scrap, raw materials for beverage can manufacturing, life-saving drugs, inputs for ready-to-use supplementary foods, diagnostic kits for cancer and COVID19, raw materials for packaging industry, palm stearin for soap industry, cement, edible oils / oilseeds, accessories for textile industry &imported coal.

SBP recent policy measures like substantial monetary easing (discount rate cut of 625 bps during Mar-June'2020), release of capital buffers, deferment of principal loan repayment, refinancing schemes for corporate and SME for salaries and wages to avoid lay-off have already started producing results and will facilitate further in the course of gradual economic recovery.

SBP support to the banking sector cannot be ruled out as it played a pivotal role to mitigate risk to the overall asset quality. Relaxation (if accorded by SBP) on the minimum profit rate on deposits at least for 01 years would positively impact profitability and risk appetite of the banking industry, providing cushion to handle the impact of probable NPLs.

Key – Take away for Businesses

Businesses need to show strength and resilience, now more than ever, navigating the crisis on three fronts to survive and revive;

- Identifying challenges and opportunities,
- Leading business continuity through swift and right measures and
- Pursuing structural adjustments for the post-crisis world

INDUSTRY RATINGS & ANALYSIS

SCOPE & METHODOLOGY OF SECTORAL RATINGS

There is a need to comparatively rate key industrial sectors in terms of their *relative risk, and attractiveness*. This should then translate into a strategic posture that is most appropriate for a bank. After considerable thought, and internal discussion, a concise, and easy to follow methodology was evolved to properly address this need without compromising on the essential rating. The key aspects of this *comparative industry rating and strategic positioning study* are highlighted below.

The industrial sectors/sub-sectors have been identified based on:

- their significance for the bank in terms of the industry related exposure and
- ready availability of data/information

Ratings for these sectors will provide coverage to the bulk of our corporate/commercial exposure (as of the last annual report).

INDUSTRY RATING CRITERIA & SCORECARD

Table # 1: The score conversion equivalents applied are as follows:

RANK	% OF SCORE
1	100.0
2	80.0
3	60.0
4	40.0
5	20.0

✪"Subjective Significance Rank (1-5, 1 being most significant)"

Table # 2: The SECTOR SCORING FORMULA, which is weighted for each criterion is as follows:

CATEGORY	PERFORMANCE DRIVER	MAX SCORE
Business Environment:	Demand Volatility	3.0
	Supply Volatility	3.0
	Corporate Governance & Control Structure	1.0
	Strength of Competition	2.0
	Barriers to Entry	1.0
	Litigations	1.0
	Price Elasticity	3.0
	Exposure (FX Risk/IR Risk)	1.0
Sub Total		**15.0**
Profitability & Financial Strength:	Gearing *Interest Coverage* *Debt Coverage*	 7.0 6.0

	Debt/Equity	8.0
	Liquidity *Current Ratio* *Quick Ratio* *Cash Ratio*	 8.0 7.0 4.0
	Profitability *Net Profit Margin* *Total Assets Turnover* *ROA & ROE*	 7.0 2.0 7.0
	Solvency	4.0
Sub Total		**60.0**
Outlook & Macro Environment:	Business Outlook	12.0
	Industry/Business Life Cycle	3.0
	Correlation with GDP Growth	3.0
	Regulatory/Govt. Support Future Expectations	7.0
Sub Total		**25.0**
Total Score		**100.0**

Table # 3: **INDUSTRY RATINGS CLASSIFICATION**:

Category	**Out of 100**	**Explanation (What the rating suggests)**
HIGHLY ATTRACTIVE	>80	Seek to Enter/Expand Aggressively
ATTRACTIVE	70-80	Enter/Expand while mitigating/addressing relevant industry risks
AVERAGE	50-69	OK to enter. Reasonable caution.
WATCH/HOLD	40-49	Active monitoring of current portfolio
UNATTRACTIVE/EXIT	< 40	Risks outweigh potential returns; Pursue exit or appropriate risk negation strategy

KEY POINTS REGARDING THE USE OFRATINGS:

- How Should the Ratings be viewed? The ratings should be treated as general recommendations and should not be construed as definitive. For example, in case of a negative industry rating the feasibility of a given proposal may still be fairly good if the various individual aspects of the proposal outweigh its industry risk. However, it is expected that key risks & issues highlighted would be appropriately addressed and subsequently monitored.

- Applicable Time Period of the Ratings. The ratings are reflective of the medium-term outlook, at a particular point in time, and do not apply to short-term facilities/products.

- Ratings vs. Detailed Sectoral Reports. It needs to be pointed out that this study captures the *gist* of the risk-attractiveness profile of a given sector which would cover an in-depth sectoral assessment and analysis. Virtually all the aspects of the detailed study which include: an overview, base financials, evaluation of critical success factors, assessment of threats and levels of preparedness are largely captured while focusing exclusively on the broad rating specific criteria. However, since the rating elements are largely the same as are scored in the detailed studies the essential relative ratings remain consistent, and thus address our need for quantitative and qualitative sectoral assessments.

- Treatment of any Unrated Sectors. Due to data and/or other constraints certain sectors may not be currently ratable. For such, unrated, sectors it would be best to consider them acceptable to enter, while addressing and mitigating industry specific risks.

KEY ASSUMPTIONS

Key macro-economic assumptions are consistent with the recently released SBP's Annual Report for FY 19-20. Real GDP growth came in at 3.3% in 2019. Moreover, the Government has set a target of 3.0% in 2020. Pakistan's annual CPI inflation rate increased to 6.8% during 2019. The government had projected 11% inflation for2020.

PRIMARY DATA AND INFORMATION SOURCES

The data has been sourced, and compiled by relying on the following:

1. Trade/Industry Associations
2. Annual Reports of companies listed at KSE
3. Economic Survey
4. SBP Annual Reports
5. Various periodicals

INDUSTRIES INCLUDED

The following sectors were included on the basis of ready availability of data, from the sources noted above. These sectors by and large cover the bulk of the banks' non-agro industry exposure.

[SME sectors shown in bold]

1. **Agro-Chemicals**
2. Automotive - Assemblers/Manufacturers
3. **Automotive - Parts & Accessories**
4. **Carpets & Rugs**
5. Cement
6. Chemicals (inc. Plastic & Rubber Products)
7. **Construction**
8. **Edible Oil**
9. **Energy - Gas Generation & Distribution**
10. **Energy - Oil & Gas Exploration**
11. Energy - Oil (Petroleum Distribution/Marketing)
12. Energy - Oil (Petroleum Refining)
13. Energy – Power Generation & Distribution (IPPs)
14. Fertilizers
15. Financial Institutions
16. Food, Beverages & Consumer Products
17. Glass & Ceramics
18. **Information Technology**
19. **Leather Products**
20. **Machinery & Equipment**
21. **Metallic Products (Iron & Steel**)
22. Pharmaceuticals
23. **Sports Products**
24. Sugar
25. **Surgical, Precision, Optical Equipment**
26. Telecommunications
27. Textiles – Composite
28. **Textiles - Fabrics (Weaving)**
29. **Textiles - Knits & Knit Apparel**
30. Textiles – Spinning
31. Textiles - Synthetic Fibers/Polyester
32. **Textiles - Woven Apparel**
33. Tobacco Products
34. **Transport – Air**

INDUSTRY SYNOPSIS:

FINANCIALS, OPPORTUNITIES, THREATS/ISSUES & OUTLOOK

AGROCHEMICALS

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	2		
			2018-19	**2017-18**	
A.	**Industry Sales**	Act/Est	4	1	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	Act/Est	-3		
C.	**Financial Charges**	Act/Est	2.5		
D.	**PAT**	Act/Est	-3		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	Act/Est	46		
F.	***Current Assets***	Act/Est	5		
G.	***Cash & Bank Balances***	Act/Est	0.3		
H.	***Trade Debtors***	Act/Est	0.8		
I.	***Short Term Investments***	Act/Est	Nil		
J.	***Total Equity***	Act/Est	-4		
K.	***Current Liabilities***	Act/Est	46		
L.	***Total Liabilities***	Act/Est	46		

AGRO-CHEMICALS

Sector Overview

Pesticide is a broader term which containinsectide, acaricides, weedicides, nematicide, fungicide and rodenticide. Nowadays pesticides are of great concern due to toxic nature and widespread use.

According to WHO report, Global poisoning cases of pesticides have been uplifted in developing countries from 10-14 million people. The largest part of pesticide applied fall in two categories moderate poisonous (35%) and highly poisonous (34.2%). Inappropriate technology, application and knowledge are major causes of pesticide intoxication.

Approximately 58% farmers have reasonable knowledge regarding pesticides, just 16% farmers are trained about the pesticide use and about 13% have related information. Global consumption of pesticides per annum is 5.6 billion pounds approximately.

Nowadays 108 types of insectides,39 types of weedicides,30 types of fungicides 6 types of rodenticides and 5 types of acaricides are used in Pakistan.

Pesticide utilization was 1169% increased within last 20 years which has become alarming situation for country like Pakistan which already facing environmental hazards. During application 2% of the sprayed pesticide are volatilized into the atmosphere and cause acid rain.

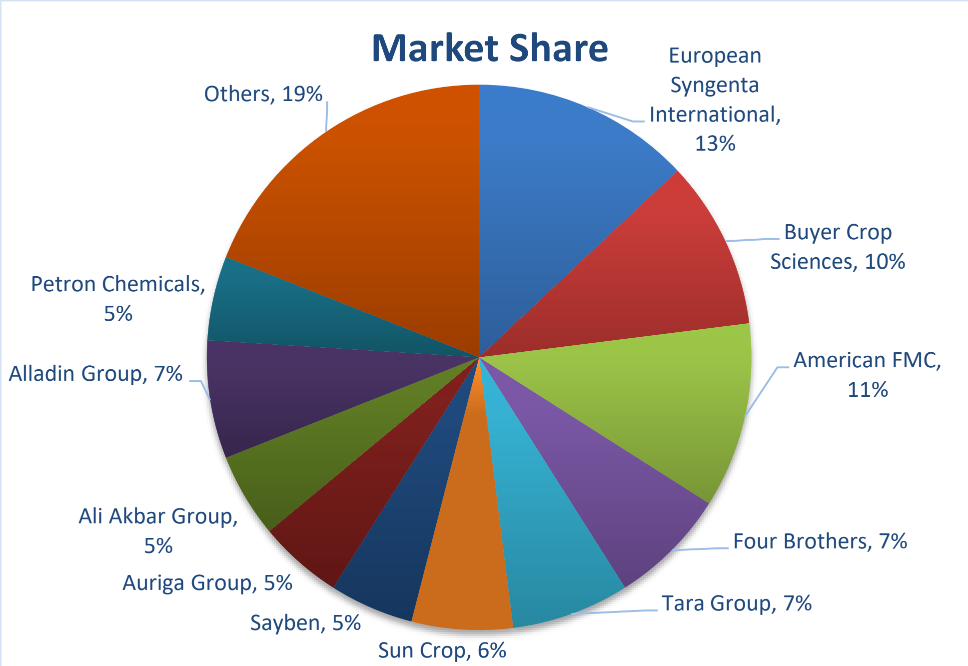
These applied pesticides are persistent in soil and their residues remain in soil year after year. Plants up take nutrients and water from soil and transport into the whole body. These pesticide doses not only disturbing underground beneficial microbes but also contaminating drinking water and food chain.

Residues of pesticides are reported in feed, cottonseed, vegetables, fresh meal and fruits that's why Pakistan has more pesticides poisoning cases than the rest of the world. According to the FAO 80% of the food in developing countries contain pesticide residues.

There are some strategies through which pesticides contamination can be reduced; first of all strict planning of government and regulation regarding pesticide production, distribution and farmers access to the pesticide and effective services of extension and training facilities regarding pesticide application , storage, utilization and handling.

Second most important thing is to adopt different techniques to overcome the use of pesticides like physical control by removing, setting up the barriers and by tillage practices, cultural control by crop rotation, removing crop debris and intercropping and biological control by the use of natural parasites, predators, site specific application of pesticides and use of bio pesticides (microbes based or natural) or allopathic extracts of plant.

World is moving again towards organic farming, although it is difficult in Pakistan to adopt organic farming immediately, but integrated approach can be adopted in which balance use of chemicals and organic sources to control weeds, insects and harmful pest in agriculture.



Local Market comprises of MNCs and local Companies. MNCs include European Syngenta International, Buyer Crop Sciences and American FMC. Major players (11) make up ~81% of the total pesticide market (market value is estimated around PKR~60-70bln).

Opportunities

∆ The market for agro-chemicals has developed gradually since the introduction of pesticides in 1954. But its growth became rapid during the last few decades. Estimated to be $220 million, the market size is expected to increase by almost 57% to $345m by 2024.

∆ The cotton crop is the major consumer of pesticides. Around 80% of agro-chemicals are used to kill bugs that attack cotton as growers administer eight to 13 sprays during the crop season. It is estimated that 88.3% of pesticides are being applied in Punjab, which contributes 79% to the total produce.

∆ A Punjab task force, set up to control spurious pesticides and fertilizers, confiscated at least 180,949 liters of fake agro-chemicals during the last seven months (Jan-July) in seven cotton-growing districts.

∆ Scientists and researchers from Pakistan and UK resolved to develop bio-control strategies and produce bio-pesticides in Pakistan besides developing smart surveillance system for crop pests, disease monitoring and forecast in order to face the food challenges.

Threats

∇ Pesticide utilization was 1169% increased within last 20 years which has become alarming situation for country like Pakistan which already facing environmental hazards. During application 2% of the sprayed pesticide are volatilized into the atmosphere and cause acid rain.

- ∇ These applied pesticides are persistent in soil and their residues remain in soil year after year. Plants up take nutrients and water from soil and transport into the whole body. These pesticide doses not only disturbing underground beneficial microbes but also contaminating drinking water and food chain.

- ∇ Residues of pesticides are reported in feed, cottonseed, vegetables, fresh meal and fruits that's why Pakistan has more pesticides poisoning cases than the rest of the world. According to the FAO 80% of the food in developing countries contain pesticide residues.

- ∇ There are some strategies through which pesticides contamination can be reduced; first of all strict planning of government and regulation regarding pesticide production, distribution and farmers access to the pesticide and effective services of extension and training facilities regarding pesticide application, storage, utilization and handling.

- ∇ Second most important thing is to adopt different techniques to overcome the use of pesticides like physical control by removing, setting up the barriers and by tillage practices, cultural control by crop rotation, removing crop debris and intercropping and biological control by the use of natural parasites, predators, site specific application of pesticides and use of biopesticides (microbes based or natural) or allopathic extracts of plant.

- ∇ World is moving again towards organic farming, although it is difficult in Pakistan to adopt organic farming immediately, but integrated approach can be adopted in which balance use of chemicals and organic sources to control weeds, insects and harmful pest in agriculture.

- ∇ The high prices of imported pesticides encourage smuggling and promote trade of fake chemicals in the country which leave adverse effect on the economy and environment.

- ∇ There is an 'unreasonable' hike in the prices of agro-chemicals, their rates have risen up to 900% in some cases. The increase is blamed on the closure of some chemical plants in China. However, the prices of the same chemicals did not register a similar increase in other regional countries like India that also rely on supplies from China.

- ∇ The country is losing more than 40% of its agriculture produce due to both pre- and post-harvest losses. Traditionally, the farmers in Pakistan heavily rely on pesticides to avert the losses mainly due to their quick knockdown effect but due to societal concerns of these chemicals and phase out of old chemistry insecticides, biopesticides are gaining importance in organic agriculture by replacing these noxious chemicals. Unfortunately, in Pakistan not a single registered biopesticide is available compared with India where almost 957 registered microbial formulations available contributing ~5% of the Indian pesticide market.

Outlook

- ▶ Agro-chemicals sales should continue to grow overall; however, the margins are likely to continue to remain under pressure. **Outlook is tenuous.**

AUTOMOTIVE-ASSEMBLERS/MANUFACTURERS

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	12	
			2018-19	**2017-18**
A.	**Industry Sales**	**Act/Est**	542,272	492,318

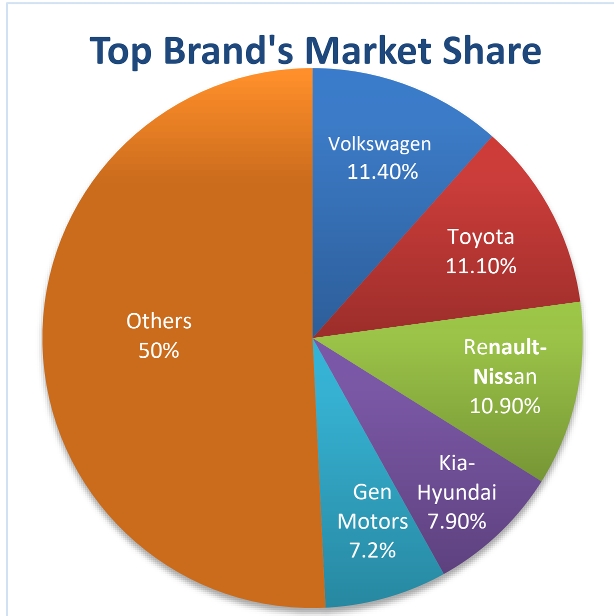
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	32,163		
C.	**Financial Charges**	**Act/Est**	4,208		
D.	**PAT**	**Act/Est**	22,788		

			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	269,809		
F.	*Current Assets*	**Act/Est**	202,526		
G.	*Cash & Bank Balances*	**Act/Est**	17,589		
H.	*Trade Debtors*	**Act/Est**	8,609		
I.	*Short Term Investments*	**Act/Est**	33,436		
J.	*Total Equity*	**Act/Est**	120,131		
K.	*Current Liabilities*	**Act/Est**	145,732		
L.	*Total Liabilities*	**Act/Est**	149,735		

Automotive Assemblers/Manufacturers

Sector Overview

Global sales of passenger cars are forecast to hit 77 million vehicles in 2019, down from a peak of 79 in 2017. Along with China, the United States is counted among the largest automobile markets worldwide, both in terms of production and sales. Volkswagen & Toyota are among world auto leaders enjoying higher market share.



The automobile industry in Pakistan includes companies involved in the production/assembling of passenger cars, light commercial vehicles, trucks, buses, tractors and motorcycles.

The current market structure of the industry is concentrated. It is largely dominated by Japanese players: Toyota, Suzuki and Honda. The three players have deep rooted presence in Pakistan. FAW is a new addition to the sector.
In Pakistani market, Suzuki Motors enjoys largest share of over 55% followed by Toyota (~25%) & Honda (~20%).

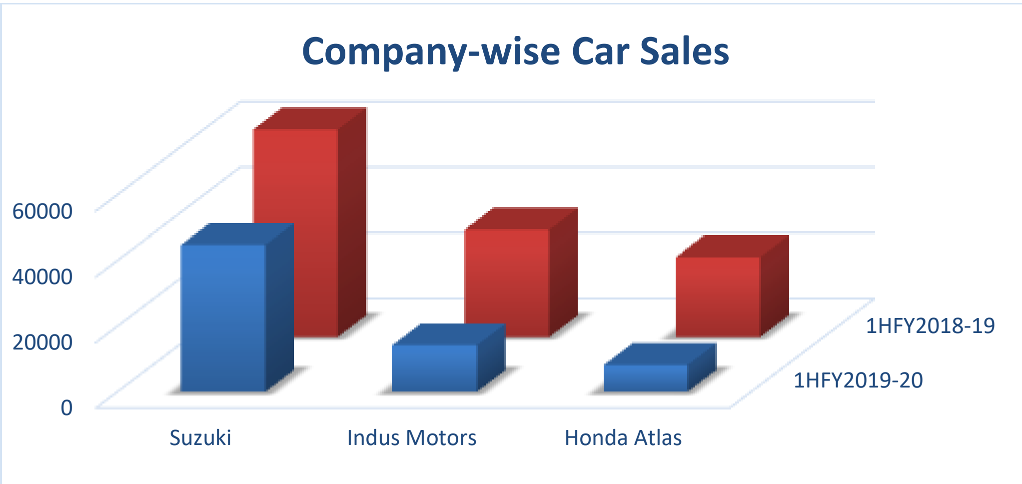
Cars 1000 CC & above			
	1FY2018-19	1HFY19-20	Difference
Honda Civic & City	21,784	6,916	-68.23%
Suzuki Swift	2,509	1,136	-54.72%
Toyota Corolla	27,950	11,742	-57.98%
TOTAL	52,243	19,797	-62.10%

Cars 1000 CC			
	1FY2018-19	1HFY19-20	Difference
Suzuki Cultus	10,757	6,609	-38.56%
Suzuki Wagon R	16,081	4,546	-71.73%
TOTAL	26,838	11,155	-58.43%

Cars below 1000 CC			
	1FY2018-19	1HFY19-20	Difference
Bolan	8,131	2,790	-65.68%
Alto	-	23,658	-

Total Passenger Cars			
	1FY2018-19	1HFY19-20	Difference
TOTAL	104,038	59,097	-43.19%

	1HFY 2018-19	1HFY 2019-20	Difference
Passenger Cars	104,038	59,097	-43.19%
Trucks & Buses	3,771	2,064	-45.26%
LCVs, Vans, Jeeps	3,747	1,779	-52.52%
Pick Ups	12,657	6,634	-47.58%
Tractors	24,483	15,219	-37.83%
Bikes & 3 Wheelers	909,560	799,820	-12.06%



Opportunities

- With an aim to reshape Pakistan's automobile industry, Regal Automobiles Industries Limited (RAIL), launched Pakistan's most affordable hatchback, the Prince Pearl, on 31st January 2020. Prince Pearl is launched in the country with an 800cc, EFI engine which produces 40HP and is equipped with modern features such as power windows, power steering, and multimedia system. RAIL will be providing a warranty for 60,000kms or 3 years whichever comes first. Available in 6 different colors and at 16 3S dealerships (sales-service-spare parts) across Pakistan.

- Hyundai Nishat Motor Private Limited announced that their manufacturing plant is ready for production in FIEDMC's M3 Industrial City. It is expected that HNMPL will roll out its cars at the end of 2019 or at the beginning of 2020. Staying true to the plans, the manufacturing plant's groundbreaking took place in 2017. HNMPL had started setting up a car assembly plant for Hyundai, which included cars and light commercial vehicles in FIEDMC's M3 industrial city, Faisalabad with the production capacity of 7,000 vehicles.

- Since the announcement of the Automotive Development Policy 2016-21, international auto-industry competitors have started taking interest in setting up assembly plants in Pakistan.

- Δ Several Special Economic Zones (SEZs) are under construction all over Pakistan to address this demand. Currently, FIEDMC's mega projects in Faisalabad are helping this part of Punjab to become a strong industrial hub in the country. Local and international companies have already started work on their projects in the zone.

- Δ Major investments are coming from USA, UAE and especially, China, whose companies are pouring hundreds of millions of dollars into the industrial zones.

- Δ Electric mobility is rising around the globe as different companies in Pakistan also gear up to enter the battery-driven vehicles. The introduction of Pakistan's first-ever National Electric Vehicle Policy **(NEVP)** is the gateway to the fulfillment of all such investments in the local industry. However, it's not yet implemented in the country. Meanwhile, Audi Pakistan will soon launch its first all-electric SUV E-Tron 50 Quattro in the country. The company has already started the bookings of its SUV, and the units will be delivered from April 2020 to its customers.

Threats

- ∇ The automobile industry is going through worst crisis amid rising prices due to imposition of new, higher taxes in the budget and steep currency devaluation in the recent weeks and now the government is expected to receive less tax by Rs150 to Rs200 billion from the industry due to the emerging situation.

- ∇ Auto industry was the highest tax-paying industry during the last government's tenure followed by cigarette, tobacco, telecom sectors. Sources said that Suzuki Company has showed deficit and Honda and Toyota may also show deficit if the situation did not improve. Sale of vehicles has dropped by 50 to 60% till June 2019 as compared to sales till June 2018. As a result, Honda and Toyota has laid off hundreds of employees.

- ∇ The local auto sector of Pakistan had a poor run in 2019 particularly in the 2nd half of the year. The beginning of the fiscal year 2019-20 witnessed the imposition of various additional taxes and duties by the government such as Federal Excise Duty **(FED)**. With a sharp depreciation of Pakistani Rupee against the US dollar, the car prices went up massively thus resulting in a considerable decrease in car sales.

- ∇ The sales of most of the cars went down by more than 50% in the first half of FY 2019-20 and as a result, most of the major automakers in the country decided to halt their production for a specified number of days each month. Honda Atlas and Toyota Indus, in particular, shut down their production plants for a longer period of time due to low demand in the market.

- ∇ The cut down in production was linked to reducing the expenses of the manufacturing facility. Nonetheless, prices continued the upward trend even after Rupee stabilized and started to gain value against the US dollar. For the past 4 months or so, Rupee has gone up by good margin, yet the auto manufacturers have still increased the prices of their cars for unknown reasons. Instead of offering discounts and promotions in such circumstances, automakers stuck with their policy of hiking prices every month.

Outlook

New assemblers have already started their production activities, especially in the car segment. However, these newcomers as well as the incumbents face a testing period as the economy is going through a low economic growth phase. In order to integrate these entrants in the domestic market and also to insulate the automobile industry from the excessive effects of economic cycles and import compression, a number of structural improvements are needed. These include:

(i) increasing the localization content in automobile assembling;
(ii) providing a level-playing field in the sector by doing away with protective policies; and
(iii) addressing market frictions in the auto financing business.

With new assemblers starting production and existing ones unwilling to reduce the prices despite low demand, the margins are expected to remain under pressure. **The outlook remains tenuous to negative.**

AUTOMOTIVE-PARTS & ACCESSORIES

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	6		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	72,925	29,352	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	8,382		
C.	**Financial Charges**	**Act/Est**	528		
D.	**PAT**	**Act/Est**	3,469		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	66,577		
F.	*Current Assets*	**Act/Est**	41,308		
G.	*Cash & Bank Balances*	**Act/Est**	3,135		
H.	*Trade Debtors*	**Act/Est**	8,260		
I.	*Short Term Investments*	**Act/Est**	10,680		
J.	*Total Equity*	**Act/Est**	44,832		
K.	*Current Liabilities*	**Act/Est**	19,073		
L.	*Total Liabilities*	**Act/Est**	20,247		

Automotive- Parts & Accessories

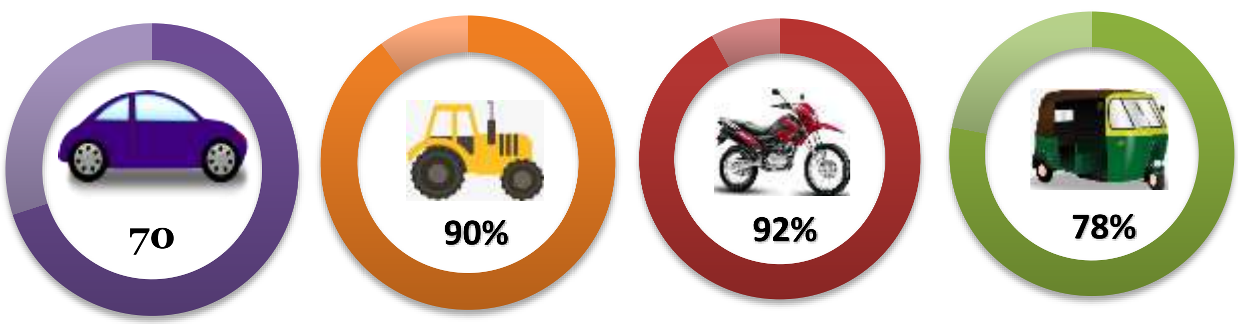
Sector Overview

Global auto parts and accessories industry is growing steady at the cumulative annual growth rate (CAGR) of 4.4%. As far as demand for auto parts is concerned it is the derived demand of it final product i.e. automatic. High demand for automotive industry implies high demand for auto parts.

Pakistan automobile industry is the 6thlargest manufacturing sub-sector with annual contribution of 2.8% in GDP. Automotive sector still thrives to make significant contribution to the domestic economy in form of foreign investments, foreign exchange earnings, employment and revenue generation.

Pakistan auto parts market is segmented into two categories: auto parts manufacturers who supply parts to OEMs for assembling of new cars while the other provides reconditioned and original parts in local and aftermarkets. Unlike global tier 1 manufacturers, who supply range of parts by combining multiple parts, Pakistani auto component makers specialize in the production of single unit part.

%age of Parts Locally Manufactured



Opportunities

- ∆ The Chinese automobile company DongfengSokon (DFSK) through a joint venture with the local automobile company Regal Automobiles Industries Limited (RAIL) recently launched a locally assembled 800cc passenger vehicle, Pearl Prince, in the market. Earlier, the company was in the business of importing motorcycle spare parts and assembling them under their brand name with 80% localization rate. Currently, the company is using 20% local components and planned to increase this number to 80% by next year.

- ∆ Electric vehicle (EV) policy would focus on encouraging manufacturing of vehicles locally with made-in-Pakistan tagline. For local production incentives would be offered to auto manufacturing sector.

Threats

- ∇ Automobile sales may witness a steep downslide of 40-60% in fiscal year 2019/20, rendering about 150,000 people jobless, industry forecast suggests.

- ∇ Auto industry had forecasted to increase its sales to 0.3 million by 2021 and 1/2 a million units by 2022; however, changes in the policy, new taxes with increasing input cost and unpredictable surge in rupee-dollar parity resulted in jacking up car prices, which ultimately cut down sales.

- ∇ The major contributing factors in unprecedented fall in vehicle sales are massive devaluation, new duties and taxes and high energy and interest rates. The levy of duty in budget 2019-20 is however being termed as counterproductive. Industry cannot bear the huge impact of 5% Advance Customs Duty (ACD) on all raw materials and imposition of 2.5-7.5% Federal Excise Duty (FED), which have badly affected sales and forced major players of the industry to halt production.

- ∇ Present sluggish trend in vehicles sales has been contrary to earlier projections and poses completely new challenges to the industry. Especially, cost escalation due to huge depreciation has been beyond imagination, rendering industry clueless as far as curbing costs was concerned.

- ∇ The bigger problem with dollar-rupee parity was uncertainty and volatility, hurting sentiments in auto-industry the most. Tax collection would not increase as sales were already plummeting due to increase in prices. The prudent way is to rationalize tax rates to help increase sales by reducing cost of production of auto industry.

- ∇ There is a 35 to 40% decline in sales of 1300cc or above engine vehicles. This category was a benchmark for the sector and any dent in these sales was not a good omen for the entire industry.

- ∇ The current taxation drive was adversely affecting the high-end income groups who were now reluctant to buy a car. Auto parts' vendors have reduced working days and cut down to single shift operations due to prevalent negative sentiments, while replacement and further hiring has also been stopped.

- ∇ Another serious issue confronting the auto parts industry is that their part prices are not being increased as rapidly as the rupee devaluations or as quick as the cars, motorcycle or tractor manufacturers raised their own selling prices. This delay is cutting their cash flows seriously and may result in bank defaults soon. OEM's should ease their price increase rules and the government should help the market utilize the now idle capacities for export purposes, he stressed.

- ∇ Auto parts vendors have pointed out various SROs especially 655(I)/2006 which have only benefited local assemblers instead of auto vendors and consumers. On the one hand, vendors are blaming assemblers for low localization and high vehicle prices.

- ∇ The SRO655(I)/2006 extends benefit to local parts manufacturers on receipt of an order for development/local manufacturing of automotive parts for supply to concerned automotive assembling unit (AAU) and after sale. Accordingly, the parts manufacturers apply to the EDB for allowing import of raw materials/sub-components/components on concessionary rates of duty. The determining factor for allowing such imports is value addition achieved by local manufacturers for supplying the final part to the concerned AAU.

- ∇ The automotive parts manufacturers (APM) on the very onset i.e. with the award of any purchase order are made to transfer all the financial benefits granted by the noted SRO to the concerned AAU thus leaving them no space for future growth/technology up-gradations. The AAU allows import of all sub-components/components at exorbitantly high prices only through their designated companies thus making the end products i.e. vehicles expensive to the extent that the market rates of these stand nowhere affordable in comparison to global pricing.

- ∇ As subcomponents/components are allowed for import on lesser than completely knocked down kit (CKD) tariff there remains little incentive to develop these locally. Hence, the continuous import at exorbitantly high costs eventually results in higher prices. The noted 15-year-old SRO655 has never gone under any update or review for achieving the objectives like encouraging localization, promoting growth/up-gradation of APMs and supply of rationally priced vehicles to the consumers.

Outlook

The outlook remains tenuous to negative with a greater probability of declining sales amid further tightening of margins due to higher interest rates, rupee devaluation, low localization and lower sales of cars.

CARPETS & RUGS

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	1		
			2018-19	2017-18	
A.	Industry Sales	Act/Est	12	12	
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	PBT	Act/Est	-68		
C.	Financial Charges	Act/Est	2		
D.	PAT	Act/Est	-69		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	211		
F.	*Current Assets*	Act/Est	117		
G.	*Cash & Bank Balances*	Act/Est	1		
H.	*Trade Debtors*	Act/Est	29		
I.	*Short Term Investments*	Act/Est	Nil		
J.	*Total Equity*	Act/Est	176		
K.	*Current Liabilities*	Act/Est	35		
L.	*Total Liabilities*	Act/Est	35		

CARPETS & RUGS

Sector Overview

Carpet weaving may have been introduced into the area of present-day Pakistan as far back as the eleventh century with the coming of the first Muslim conquerors, the Afghan Ghaznavids and the Ghaurids. It can with more certainty be traced to the beginning of the Mughal Dynasty in the early sixteenth century. Carpets woven in the Punjab at that time (often called **Lahore carpets** today) made use of motifs and decorative styles found in Mughal Architecture.

The carpets woven in Lahore were the first to reach European markets, including England, as far back as 17thcentury. During the British colonial era, prison weaving was established in district and female jails in cities such as Lahore and Karachi. Carpet-weaving outside of jails was revived after the partition when Pakistan's carpet-weaving industry flourished.

At present, hand-knotted carpets are made by Afghan refugees residing in Pakistan, making carpets and one of the country's leading export products. Hand-knotted rug manufacture is Pakistan's second-largest cottage and small industry. The craftsmen have the capacity to produce any type of carpet using all the popular motifs of guls, medallions, paisleys, traceries, and geometric designs in various combinations.

Pakistani carpets have become renowned the world over for their exquisite design, subtle elegance, attractive colors and workmanship. An important factor in this growth has no doubt been the carpet weavers who have gradually grown as an artist, a creator who could weave poetry into their design and every knot they tie, giving a touch of aesthetic beauty to their creations. The carpet weavers' skill are their own and the design they evolve are from their mind to be translated into beautiful form with the help of wool and silk.

The technique of carpet weaving in Pakistan is largely influenced by Persian style. The main raw materials use in Pakistan for making handmade carpet is wool, silk and synthetic fibers.

Opportunities

- The exports of carpet from Pakistan would likely to exceed $500 million mark if it was provided commerce and industry ministries' support. Hand knotted carpets are one the major exports of Pakistan. Pakistani carpets are very well known around the world for their exquisite and creative designs, beautiful color combinations and superior craftsmanship. United Kingdom, Denmark and France are buyers of hand knotted carpets valuing to more than $110 million. Pakistan's exports to US in terms of quantity were more than 1685,100 square meters. China, Dubai and Germany were classic examples of well-organized international trade fairs, where businessmen from all over the world converged.

- Europe and South America are potential regions of carpet export. Foreign missions of Pakistan can play important role in bringing a turnaround by educating Pakistani carpet manufacturers and exporters about fast global-changing trends and giving awareness about latest techniques and technology being deployed by the developed world. Making all these changes would hopefully end the declining trend of exports of the industry and would help to improve its current dismal situation into something valuable for the foreign trade and economy of Pakistan.

∆ Exports accords signed during 3-day International Carpet Exhibition would help strengthening the carpet industry besides generating new jobs opportunities in the country.

Threats

∇ Pakistan was known to be a specialist of hand-made carpets. But the decision of Commerce Ministry to exclude the hand-made carpets from Free Trade Agreement (FTA) concession list and to include machine-made carpets proved to be a disaster for the industry, as it decreased the value of Pakistan's hand-knotted carpets in the International market.

∇ From being one of the world's largest producers and exporters of hand-knotted carpets, to being one of the five prime export-oriented sectors of the country under Generalized System of Preference (GSP) plus status from European Union (EU), the carpet industry has not yet found a way out to bolster their exports in international markets and to become a vital player in the foreign trade of Pakistan.

∇ The non-exploration of new markets, shortage of electricity, shortage of skilled labor force and high mark-up rates are just few of the many reasons behind the current state of affairs of carpet industries.

∇ Local carpet industry is in dire need of the government help to revive this ailing sector, besides helping 0.5 million unemployed people to return to work. Because of global recession and declining exports, the industry needs some concession from the government side in areas of credit financing and bank loans. Carpet sector had remained one of the main export sectors earlier. About 1.5 million people are affiliated with the industry. By holding special exhibitions for the carpet industry, the exports could get a huge relief. Shortage of skilled labor, inefficiency of foreign trade missions and high cost of doing business in Pakistan are mainly responsible for the crisis that the industry is presently undergoing.

∇ The industry is facing a serious shortage of labor as 80% of its total workforce comprising Afghan refugees has repatriated to their homeland and there is a dire need for this sector.

Outlook

Pakistan continues to command a high-quality image for the knotted carpets segment. However, the industry faces grave uncertainty & declining sales scenario over the next few years on account of the Euro crisis & recessionary global outlook which is going to further dampen demand. **Outlook remainstenuous to negative.**

CEMENT

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	19		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	341,200	333,370	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act/Est**	45,106		
C.	**Financial Charges**	**Act/Est**	9,803		
D.	**PAT**	**Act/Est**	36,245		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	**Act/Est**	721,597		
F.	*Current Assets*	**Act/Est**	171,124		
G.	*Cash & Bank Balances*	**Act/Est**	20,014		
H.	*Trade Debtors*	**Act/Est**	16,918		
I.	*Short Term Investments*	**Act/Est**	3,966		
J.	*Total Equity*	**Act/Est**	404,550		
K.	*Current Liabilities*	**Act/Est**	159,671		
L.	*Total Liabilities*	**Act/Est**	311,440		

Cement

Sector Overview

Pakistan's Cement industry is divided in two regions: North and South. North comprises of KPK, AJ&K and Punjab. South region comprises of Sindh and Baluchistan. In the North zone there are 13 listed companies whereas the Southern zone has 6 listed companies. The total installed capacity of the North Region as on January 2020 is 53.127 million tons per annum whereas, the total installed capacity of the South is 16.404 million tons per annum. The plant wise capacity is given below:

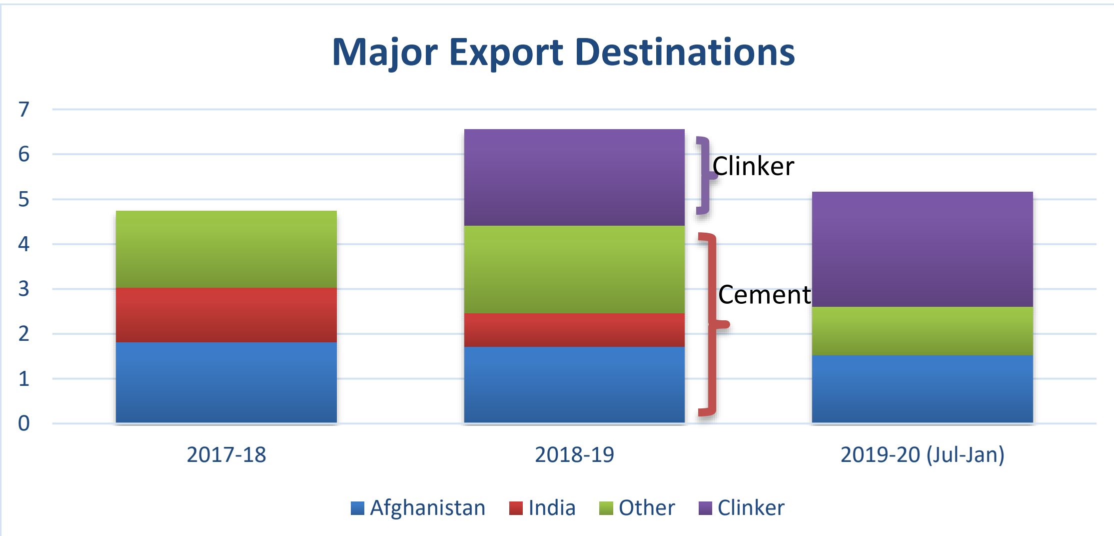
S. No.	Unit	Province	Operational Capacity (as on Jan-2020)	
			Clinker	Cement
1	Askari Cement (Wah)	Punjab	1.050	1.120
2	Askari Cement (Nizampur)	KPK	1.620	1.701
3	Attock Cement (Hub)	Balochistan	2.852	2.995
4	Bestway Cement (Hattar)	KPK	1.170	1.228
5	Bestway Cement (Chakwal)	Punjab	3.428	3.600
6	Bestway Cement (Farooqia)	KPK	2.835	2.976
7	Bestway Cement (KalarKahar)	Punjab	2.400	2.520
8	Cherat Cement	KPK	4.320	4.536
9	Dandot Cement	Punjab	0.480	0.504
10	Dewan Cement (Hattar)	KPK	1.080	1.134
11	Dewan Cement (Dhabeji)	Sindh	1.680	1.764
12	D.G. Khan Cement (D.G. Khan)	Punjab	2.010	2.110
13	D.G. Khan Cement (Chakwal)	Punjab	2.010	2.110
14	D.G. Khan Cement (Hub)	Balochistan	2.760	2.898
15	Fauji Cement	Punjab	3.270	3.433
16	Fecto Cement	Punjab	0.780	0.819
17	Flying Cement	Punjab	1.140	1.197
18	Gharibwal Cement	Punjab	2.010	2.110
19	Kohat Cement	KPK	4.778	5.017
20	Lucky Cement (Pezu)	KPK	6.485	6.810
21	Lucky Cement (Karachi)	Sindh	4.571	4.800
22	Maple Leaf Cement	Punjab	5.400	5.670
23	Pioneer Cement	Punjab	4.333	4.550
24	Power Cement	Sindh	3.210	3.370
25	Thatta Cement	Sindh	0.549	0.577
	TOTAL		**66.225**	**69.536**

Both regions (North & South) have their own demand and supply dynamics. Players of the southern region, benefit from greater export market availability given their geographical proximity to the sea; providing room for revenue diversification. Reliance of companies in the

Northern region; on export sales remains low; however, till FY18 local demand growth in Northern region remained higher due to CPEC and other government related infrastructure projects.

Year	North		South		Total Dispatches
	Local	Export	Local	Export	
2017-18	33.968	3.080	7.178	1.665	45.893
2018-19	32.364	2.524	7.891	4.011	46.882
2019-20 (Jul-Jan)	20.090	1.606	3.548	3.579	28.824

Key export markets for players in the Northern region include Afghanistan and India. For players in the Southern region, Sri Lanka, Bangladesh, Vietnam, Nigeria, Tanzania, Mozambique, Iraq, Ethiopia and DR Congo are major export markets. However, the export to India during FY 2020 (TD) is nil due to border area tensions.



Opportunities

- Pakistan's cement industry showed encouraging performance in January 2020. As per the data released by All Pakistan Cement Manufacturers' Association (APCMA), domestic consumption increased by 6% to 3.265Mt in January 2020 from 3.082Mt in January 2019, while the exports registered another impressive growth of 39.5% from 0.579Mt in January 2019 to 0.808Mt in January 2020. Therefore, the cement sector continued to post growth in January as its total dispatches increased to 4.074Mt, a rise of 11.3% from 3.662Mt during the same month last year. The rise was attributed to domestic growth being entirely led by the north-based plants while the exports were led by mills based in south.

- In the cement sector as domestic growth is entirely led by the north based plants while the exports are led by mills based in the south. North based mills dispatched 2.684 million tons locally that was almost 11.32% higher than the dispatches of 2.371 million tons during the corresponding month of last fiscal. In exports, the north based mills continued to show decline as exports fell by 13.55% with exports of 0.186 million tons in January 2020 compared with exports of 0.215 million tons in January 2019. It was the other way around in the southern region of the country where the domestic consumption declined appreciably by 18.23% from 0.711 million tons in January 2019 to 0.581 million tons in January 2020. The exports however surged by 70.84% to 0.623 million tons from 0.364 million tons in January 2019.

- ∆ The Pakistan Federal Bureau of Statistics (PFBS)has released the production data of the country's top industries for the 1st five months of the current financial year. The lackluster performance in the industrial sector reflects overall economic slowdown in the ongoing fiscal year. The State Bank of Pakistan estimates the economy to grow by 3.5% in 2019-20. The latest data for large-scale manufacturing industries (LSMI) for the July-November 2019 period posts that the overall output of LSMI decreased by 5.9% for July-November 2019 compared to July-November 2018. Pakistani cement production edged up to 16.849Mt in the 5MFY19-20 from 16.58Mt in the previous year's equivalent period. Similarly, this upward trend had also been noticed in November 2019, when cement production recorded a growth of 8.1 % to 3.546Mt, compared to 3.379Mt in November 2018.

- ∆ Pakistan's cement industry has received positive news from government, which may accelerate demands for cement in local markets. On the directives of Prime Minister for making the Public Private Partnership Authority (PPPA) fully functional through placement of its rules, the government wants to launch PSDP-Plus with portfolio of over PKR5trn (US$32.2bn) for next 3 years. Keeping in view severe resource constraints at a time when Pakistan is currently under tight scrutiny of the IMF programme, the Govt. is launching Public Sector Development Program (PSDP) plus for execution of 53 projects through public private partnership (PPP) mode to kick-start sluggish economic activities and achieving growth rate of 6%.

Threats

- ∇ The industry started making expansion plans soon after the then-government signed CPEC agreements with the Chinese government in anticipation of considerable expenditure in energy and infrastructure. Thus, the strong demand continued well into FY18, but the sector started to face other factors that affected profitability. As expansions came through, price competition grew, which led to lower retention prices in many northern markets and to a great extent, volatility in others. In addition, there was a contraction in exports, particularly from the Afghan market, which was witnessing an influx of cheaper Iranian cement. Exports to India were also impacted due to the growing tension between the two countries.

- ∇ Furthermore, as the industry entered FY19, energy prices were higher while the Pakistani rupee also took a nosedive. It lost nearly 34% of its value against the dollar and this resulted in more expensive imported inputs, including coal.

- ∇ Domestic cement demand slowed during FY19 as government spending dried up and private sector development halted due to regulatory crackdown (such as restriction on non-filers to purchase property or Supreme Court ban on high-rise construction).These demand-cost scenarios have resulted in average gross margins to fall to 25 % to date, reminiscent of events in 2010-12.

- Currently, the cement production capacity reached 69.54 million tons, while domestic dispatches would be around 41 million tons, leaving a huge surplus of 28.54 million tons. Therefore, it is imperative that consumption of cement increases to cover the huge surplus and save the industry form total collapse.Both north and south based mills were established specifically for domestic consumption. Exports are just a bonus. Without surge in exports, many mills in the south will face difficulties.

- Delayed execution of the Naya Pakistan Housing Program (NPHP) is also making cement makers nervous. After all, the mammoth project was going to generate an additional (estimated) 10 million tons of demand each year if it were to construct 1 million houses.

- Until such a time (execution of housing program), given the current slowdown in growth, demand for construction will also remain lackluster. Cement manufacturers need a much longer-term export plan given their fear of reduced capacity utilization hurting bottom line – which it unequivocally will.

- It is estimated that new capacity totaling 4.7Mta (Kohat Cement 2.3Mta and Pioneer Cement 2.4Mta) is expected to come online FY20, thus increasing installed cement capacity to 66.96Mta. This is forecast to exert downward pressure on cement prices per bag until capacity utilization picks up pace.

- High inflation and the consequent tight monetary policy, absence of a regional cement price fixation mechanism, excess capacities have come online in a scenario of weak total demand and have negatively affected the bottom line of cement companies. Furthermore, a spokesperson for APCMA has stated that it is imperative that consumption of cement increases to cover the huge surplus and save the industry from total collapse.

- Two more factors have resurfaced again i.e. implementation of axle load limit and effectiveness of NIC copy for the purchase of cement more than the worth of PKR50,000 (US$323.8). This would also impact supply chain of cement industry.

- Pakistan cement industry increased its overseas dispatches but saw value contract in 1HFY19-20. Therefore, the industry's foreign exchange revenues fell by US$11.74m in the 1st six months when compared with the previous year's 1sthalf. The country's cement sector received US$145.26m by exporting 3.766Mt of cement and clinker between July and December 2019, compared to US$157m from exporting 3.671Mt of cement and clinker in same months in the previous year, according to the country's Federal Bureau of Statistics. This represents a YoY fall of 7.5 % in terms of dollar value but a volume growth of 2.6 %.

- Pakistan's cement and construction sectors have seen net foreign direct investment (FDI) drop 91% to US$28.7m in 6MFY19-20 compared to US$312.1m in corresponding period last year. Of this total, the cement industry attracted an investment of US$19.4m and construction sector US$9.3m in 6MFY19-20, compared to US$24.3m and US$287.8m in same six months in the year-ago period. It represents a fall of 20.2 and 97 % in cement and construction sectors, respectively. In December 2019 alone both sectors attract a total FDI of US$5m.

- From December 2019 onwards, the northern market will see multiple expansions with Lucky Cement (2.6Mta in December 2019), Kohat Cement (2.3Mta in December 2019) and Pioneer Cement Ltd (PIOC) (2.6Mta slated for 3QFY20). In the south PIOC is adding 2.5Mta in 3QFY20. The extra output is anticipated to test pricing power, particularly in the north due to limited export opportunities following the suspension of exports to India, although a sustainable growth trend may be able to hold prices at current levels.

Outlook

The profit margins of the Pakistani cement industry remain under pressure in FY19 and this trend is likely to continue in FY20 on the back of poor demand, higher coal prices and interest rates, lesser allocation for development projects, and competition in local and overseas markets. Profitability for many companies is expected to be slashed due to higher finance costs (as a share of revenue), led by increased expansion-led borrowing and the higher cost of borrowing due to a rate hike. If industry is able explore the overseas markets more, revenues would continue to grow, but margins may not improve as cost pressures coupled with price competition — both locally and globally — may affect the profitability. **Outlook will remain negative.**

CHEMICALS (INC. PLASTIC &RUBBER PRODUCTS)

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	25		
			2018-19	2017-18	
A.	Industry Sales	Act/Est	570,840	236,449	
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	PBT	Act/Est	48,985		
C.	Financial Charges	Act/Est	9,113		
D.	PAT	Act/Est	36,668		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	466,975		
F.	*Current Assets*	Act/Est	266,854		
G.	*Cash & Bank Balances*	Act/Est	24,908		
H.	*Trade Debtors*	Act/Est	114,192		
I.	*Short Term Investments*	Act/Est	9,630		
J.	*Total Equity*	Act/Est	254,737		
K.	*Current Liabilities*	Act/Est	157,190		
L.	*Total Liabilities*	Act/Est	138,635		

CHEMICALS

Sector Overview

Market Size $5.7 Tr (7%of global GDP)

Direct Employment 15 Million

120M jobs supported by Chemical Industry

For every $1 generated by Chemical Industry $4.20 are generated elsewhere in global Economy

Chemical industry invested $ 51bn in R&D in 2017 alone

spend $3 tr with their suppliers. this supply chain contributed to $2.6tr to global GDP

5th largest manufacturing sector

Chemical manufacturing is higly productive with $75,000 GVA produced by each employee

The chemical industry in Pakistan is one of the oldest that is continuously operating within the country. Currently, the chemical industry in Pakistan is facing the issue of fragmentation. The country does not have the infrastructure necessary to support a wide-ranging manufacturing system at this moment. There isn't a facility available to produce the basic petrochemical building blocks that are necessary for downstream materials, which is why imports are relied upon with such regularity.

Opportunities

- Engro Polymer and Chemicals Limited will invest $22 million in a new production line along with an upgrade of its PVC plant. This plan includes the investment of $6 million to produce linear alkyl benzene sulfonic acid (LABSA) with the annual production capacity of 24,000 tons. The company has targeted to complete the project by the fourth quarter of 2021. Presently the yearly demand for LABSA in Pakistan stands at 110,000 tons of which the domestic industry manages to provide 100,000 tons while the remaining 10,000 tons are imported. The import of Pakistan of the miscellaneous chemicals products stands at $801.49 million in 2018. Besides that, the country's import of the organize chemicals stood at $2.76 billion in 2018. The remaining $16 million would be invested by Engro Polymer in a new technology called the high-temperature direct chlorination—HTDC, which would surge the power efficiency and decrease the carbon footprint in its PVC plant. The project is anticipated to reduce the gas consumption by 10% in the manufacturing of PVC. It is also aimed to reach completion in the 4th quarter of 2021.

- ∆ A Dutch company Royal Vopak is going to invest $1.5 billion in land-based LNG terminal facility, $150 million in construction of Polypropylene Plant and $800 million in Parco Coastal Refinery.

- ∆ Pakistan's Ministry of Climate Change is planning to develop, adopt and enforce an overarching chemical act within three years. The plans include a national inventory of all chemicals and the adoption of the UN's Globally Harmonized System (GHS) of classifying and labeling chemicals. The ministry plans to develop the policy alongside other chemicals standards and regulations on labeling, licensing, penalties and incentives. It will then draw up an implementation plan, which will outline a more concrete timeline.

Threats

- ∇ The local chemical industry is witnessing severe crisis after withdrawal of the facility to import tax free raw material for producing intermediary goods for export-oriented industries like textile and leather.Before the announcement of the federal budget, the local chemical industry under the SRO 1125 was allowed to import raw materials to manufacture goods used by zero-rated industries without payment of sales tax. However, after withdrawal of the SRO 1125 in the budget, the chemical industry became unable to maintain tax free import of raw material despite having a valid reason for continuity of the facility.

- ∇ Despite huge potential of growth and creating surplus for exports, chemical industry has not been given due importance unlike champion countries in chemical manufacturing like China, USA, Germany, South Korea and India hardly any support was provided by the government of Pakistan in laying the infrastructure which is a pre-condition to attract private investment/FDI.

- ∇ Naphtha (feedstock) has been selling on throw-away prices and not a single Naphtha Cracker Complex could be established in Pakistan as of today, he regretted. On the contrary, he said that India had established 9 crackers, Iran despite challenging sanctions had put in place 8, Singapore without even having any feedstock had established 8 state-of-the art petrochemical complexes.

Outlook

Pakistan's narrow export base, lack of industrial infrastructure and technology and domestic policies are weakening the chemical industry. **Outlook is constrained.**

CONSTRUCTION

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

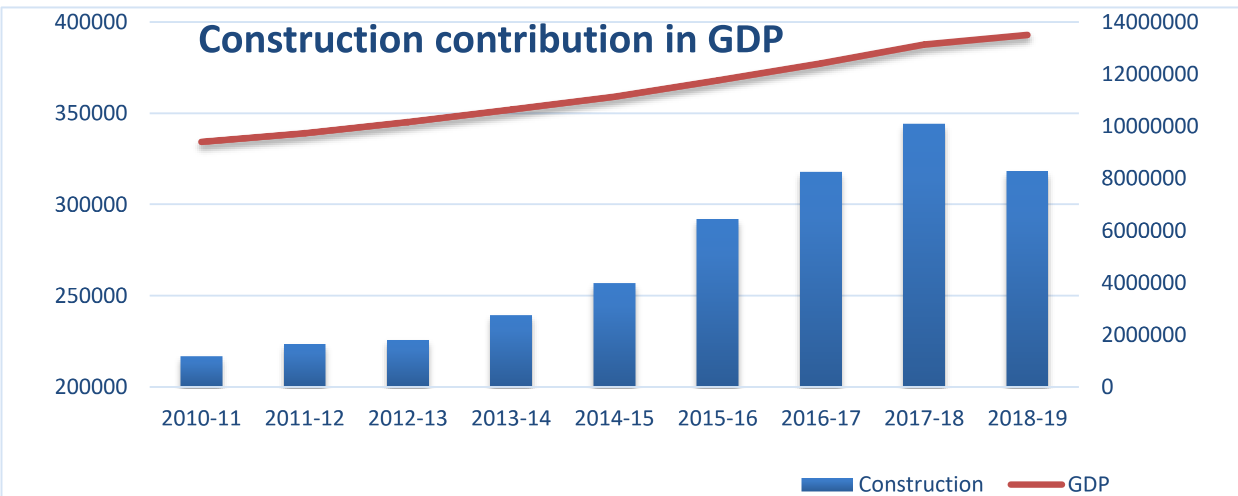
	No. of Companies	**Act/Est**	2		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	1,490	1,537	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	41		
C.	**Financial Charges**	**Act/Est**	2		
D.	**PAT**	**Act/Est**	42		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	12		
F.	*Current Assets*	**Act/Est**	9		
G.	*Cash & Bank Balances*	**Act/Est**	261		
H.	*Trade Debtors*	**Act/Est**	Nil		
I.	*Short Term Investments*	**Act/Est**	Nil		
J.	*Total Equity*	**Act/Est**	4		
K.	*Current Liabilities*	**Act/Est**	61		
L.	*Total Liabilities*	**Act/Est**	61		

Construction

Sector Overview

Globally, construction industry is regarded as one of the largest fragmented industry. The construction industry is also a prime source of employment generation offering job opportunities to millions of unskilled, semi-skilled and skilled work force. Pakistan's construction industry has always been of economic and social significance to the country. However, the share of construction industry in Pakistan's economy is not as big as in other countries,

The housing and construction sector in Pakistan play an important role in developing aggregate economy and reducing unemployment. It provides substantial employment opportunities as it contributes through a higher multiplier effect with a host of beneficial forward and backward linkage in the economy. The sector through linkages affects about 40 building material industries, support investment and growth climate and helps reduce poverty by generating income opportunities. It provides jobs to over 6% of the total employed labor force or to over 3 million persons.



The government has decided to provide special tax relief and incentives to businesses/industries related to construction sector and support low-cost housing projects such as Naya Pakistan Housing Project (NPHP). Tax authorities are also working on simplifying fixed tax scheme for developers and builders, offering a 90% reduction in tax for low-cost housing schemes, particularly the Naya Pakistan Housing Authority (NPHA).

Signing of the China-Pakistan Economic Corridor (CPEC) agreement and improvement in the country's security situation has been the key to giving boost to the construction industry. This sector can be an important recipient of foreign direct investment (FDI). Locally, investment can also boost by government policies such as reduction in duties and taxes on building materials like steel, construction machinery and equipment and computerization of land ownership records.

Opportunities

- ∆ Pakistan's Prime Minister stated that a decision has been taken, in principle, to declare the construction sector as an industry and directed that all necessary requirements should be completed at the earliest for implementation of the decision so that the sector could avail the same benefits being enjoyed by other industries. Promotion of construction sector is a government priority because more than 40 sectors, including the cement industry, are directly linked with it. Therefore, an increase in construction activity creates employment and economic activity in the country.

- ∆ The government would provide all facilities for promotion of construction sector. The Prime Minister agreed to the proposal that instead of No Objection Certificate compliance with rules and regulations should be promoted in the construction sector.

- ∆ On further positive development, the Association of Builder and Developers (ABAD) is in touch with the government for an economic relief package. To date the government has kept rates of taxes and levies on builders – the driving force behind cement demand – unchanged until next federal budget with any change in rates of taxes for developers and builders to be considered from 1stJuly 2020. A local research house foresees a relief package for the real estate sector Federal Budget FY21.

- ∆ The construction of New Gwadar International Airport Project (GNIAP), a key project under the ChinaPakistan Economic Corridor (CPEC) framework, has officially been launched and at present, the construction work is progressing in an orderly manner. The China Railway Engineering Bureau’s Airport Engineering Branch is constructing the largest foreign aid project. At present, the living area of the project has been basically in place, the site has been cleared and completed in an orderly manner according to the construction plan

Threats

- ∇ As the economy went into a downtrend, construction allied industries (steel and cement) could not maintain their growth trajectory and contracted significantly in FY19. Aided by public spending, CPEC and private sector investment, the sector had grown impressively on the back of capacity expansions in recent years.

- ∇ PSDP spending went down from Rs. 1,456 billion in FY18 to Rs. 1,008.2 billion in FY19. With a major component of this expenditure typically going into construction activities, the considerable slowdown in spending hurt cement and steel industries.

- ∇ Meanwhile, the sector’s growth was also weighed down by completion of early harvest CPEC projects. Developments related to the private sector also played a part.

- ∇ Uncertainty in the real estate market regarding restrictions on non-filers had a negative impact on the industry.

- In addition, sharp increase in prices of building materials, especially imported goods following the PKR depreciation, also contributed to the slowdown. In the midst of rising costs and uncertain economic outlook, buyers and investors remained cautious, resulting in much lower turnover of real estate transactions during FY19.

Outlook

Development spending may play a pivotal role, since there has been an observed tendency that Pakistan's GDP growth and PSDP spending move in the same direction, and similar has been the case in FY19. On this note, it is worth highlighting that the government has budgeted a greater outlay for PSDP during the year compared to the actual spending in FY19. However, multiple factors including but not limited to increasing input costs, rupee devaluation, sluggish economy & higher interest rates will **keep the outlook for the sector tenuous.**

EDIBLE OIL

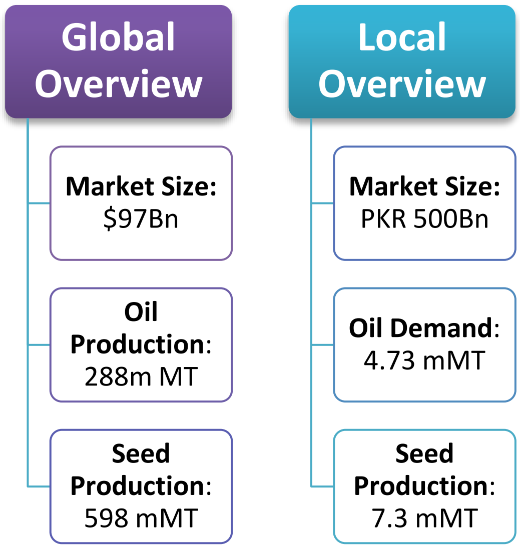
FINANCIAL SNAPSHOT 2018-19

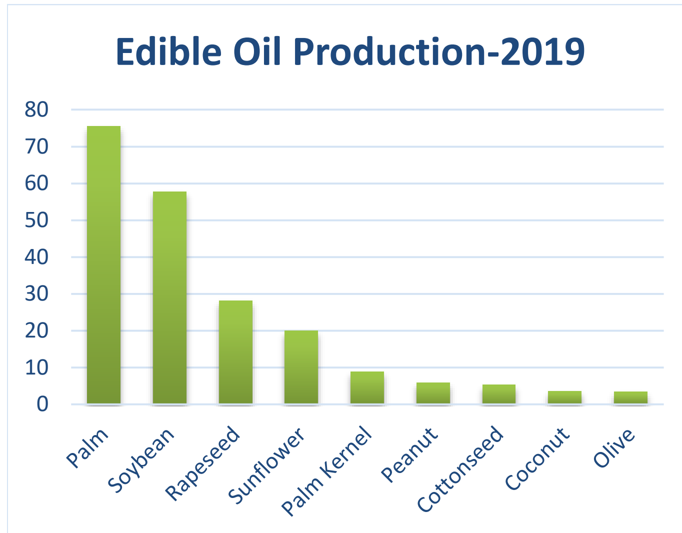
All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	2		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	8,430	6,825	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	207		
C.	**Financial Charges**	**Act/Est**	97		
D.	**PAT**	**Act/Est**	81		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	3,704		
F.	*Current Assets*	**Act/Est**	2,575		
G.	*Cash & Bank Balances*	**Act/Est**	43		
H.	*Trade Debtors*	**Act/Est**	1,195		
I.	*Short Term Investments*	**Act/Est**	Nil		
J.	*Total Equity*	**Act/Est**	1,856		
K.	*Current Liabilities*	**Act/Est**	1,675		
L.	*Total Liabilities*	**Act/Est**	1,847		

EDIBLE OIL

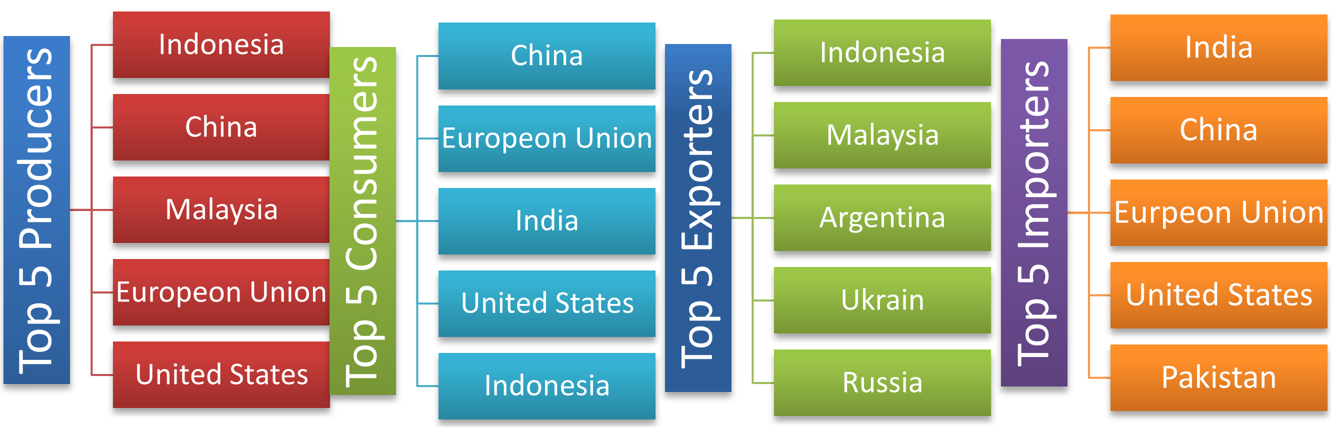
Sector Overview





Oftotalglobaloilproduction,around40%comprisesPalmand30%SoybeanfollowedbyRapeseed and Sunflowerseed.

Indonesia and Malaysia account for around 80% of total palm oil exports worldwide, producing around 63.7m MT (out of75.5mMT) in2019.Indonesia during thelastdecade (2000-2010) surpassedMalaysiatobecometheworldleaderinpalmoilproduction.



Pakistan's edible oil industry is characterized by highly competitive intensity due to fragmentation & low barriers to entry, resulting in limited pricing power & thin margins. Currently, a total of 122 companies in the country are engaged in the business of manufacturing edible oil & other allied products. There are 95 solvent extraction entities of which 30 are in working condition. Moreover, there are over 150 ghee manufacturing units.

- Industry is divided into two segments; a few large national level players in the organized sector who target the middle- & high-income groups and enjoy strong brand equity by quality & advertisement campaign. The other but larger segment is highly fragmented & caters to middle- & lower-income groups with players often dominating in selected regional areas.
- While the leading players are playing in catering to demand for packaged edible oils, fragmentation in the industry is evident from no single entity registering a double-digit market share.
- Top 6 national level players in the organized sector constitute only one-fifth of total market share.

Rebalancing of global palm oil market:

India's halt on Malaysian palm oil imports has disrupted global edible oil trade flows, with Indonesia diverting supplies to feed India, Malaysia rushing to tap markets left behind by Jakarta, and India substituting palm with other oils.

India, the top global palm oil buyer, imposed restrictions on imports of refined palm oil last month; a move sources said was retaliation against Malaysia's criticism of New Delhi's actions in Kashmir and a new citizenship law. Traders had also held off buying crude palm oil from Malaysia.

Malaysia's latest palm export data revealed the impact of India's restrictions, with shipments to India in January falling 85% from a year earlier to 46,876 tons, the lowest since 2011. India accounted for nearly a quarter of Malaysia's total palm oil exports last year and has been the biggest buyer of Malaysian palm oil for five years.

To compensate, Malaysia dialed up shipments to other destinations, with exports to Pakistan, Saudi Arabia and Ghana - markets that have traditionally bought heavily from Indonesia - all increasing in January by more than 100% from the same month in 2019.

Indonesian prices have climbed to a rare premium to Malaysian levels this year, on expectations of higher Indian purchases. Lower stockpiles in Malaysia have so far cushioned producers from the full impact of India's drop off.

Right now, the situation for Malaysia is not critical, as it is still tight on stocks... (India) may buy more from Indonesia. But that will open up a vacuum somewhere in the market elsewhere. Malaysian stockpiles are at a two-year low. Malaysia is looking to expand market share in the Middle East, Africa and Southeast Asia.

Data from the Malaysia Palm Oil Board shows Malaysia sold 170,802 tons of palm oil to Pakistan last month compared to 80,660 tons a year earlier. It also sold 12,527 tons to Bangladesh, up from 575 tons the year before. Indonesia was the biggest supplier to these markets last year.

Opportunities

∆ The import bill of edible oils and oilseeds showed a declining trend in 2018-19 and in the first half of 2019-20 largely because of slower economic growth, soft international prices and a slump in the domestic industrial production. The higher local output of oilseeds and enhanced efficiency of the domestic edible refining industry had a little hand in it.

- In 2018-19, cumulative imports of palm oil and soybean oil fell to roughly $1.95bn from $2.14bn in 2017-18. Imports of oilseeds slipped to $1.23bn from $1.33bn, according to the State Bank of Pakistan (SBP). Thus, the overall import payment against crude edible oils and oilseeds totaled $3.18bn in 2018-19 against a little less than $3.47bn. But GDP growth in Pakistan tumbled to 3.3% in 2018-19 (from 5.5% in 2017-18). The local production of cooking oil grew just 2.7% in 2018-19 against 7% in 2017-18 whereas the production of vegetable ghee recorded an outright decline of 2.66% against a nominal growth of 1.6%.

- A greater contribution from mustard, sunflower and canola as the production of these crops is expected to remain higher than last year's. Additionally, safflower, custard and other minor edible oilseed crops are also expected to remain strong. Olive orchards in Punjab have reached the fruition stage and olive supplies from there have also set the stage for local olive oil production.

- Pakistan will cultivate oilseeds, including sunflower, canola and sesame, across 0.5 million acres this year, which would most likely reduce the import bill of edible oil by $345 million. Pakistan's import bill of edible oil and oilseeds currently stands at around $4 billion; this is the third most expensive commodity that the country spends on.

- About 78% of the yield potential is yet to be achieved in sunflower, while the country is still to realize 74% potential of rapeseed-mustard, 75% of groundnut, 80% of sesame, 76% of linseed, 79% of soybean and 74% of safflower.In domestic production, major share comes from cottonseed, as it contributes 76% to the overall production; rapeseed-mustard contributes 14%, while sunflower and canola contribute 9% and 1%, respectively. Canola, rapeseed-mustard and sunflower have the potential to overcome the deficiency of edible oil in the country to some extent.

- In order to become self-sufficient in the production of oilseeds and edible oil, Prime Minister's National Agriculture Emergency Program had launched its National Oilseeds Enhancement Program aimed at increasing oilseed production across the country. The total cost of this five-year project was Rs. 5,115 million, of which Punjab's share was Rs. 3,069 million. In addition, the Punjab agriculture department had also introduced different schemes for oilseed growers, including 50% subsidy on machinery to them. The government is providing Rs. 5,000 per acre subsidy to farmers cultivating sunflower, canola and sesame. In the next five years, govt. is planning to provide subsidy against 0.36 million acres of sesame, 0.278 million acres of sunflower and 0.211 million acres of canola cultivation. The ultimate aim behind introducing these schemes is to encourage farmers to grow oilseeds as that will decrease our dependence on foreign countries.

- The Edible Oil Industry in Pakistan has now entered in creating value addition by putting up Continuous Refining Plants which not only gives us best quality but also bring Pakistan into the map of Continuous Refining. The Edible Oil Industry has also embarked in promoting branded oil and we now have several brands that not only produce excellent quality but also gained great image for the country.

Threats

- ∇ Cooking oil and ghee manufacturing companies continue to complain about a lack of incentives for undertaking expansion projects. But unless the government checks rampant smuggling of edible oil products from Pakistan to Afghanistan under the guise of Afghan transit trade — and unless the overall environment for investment by the private sector improves — one cannot expect any expansion in the production capacity of the edible oil industry.

- ∇ Besides, the regularization of hundreds of unregistered oil extracting units that produce low-quality edible oil products is also a big issue. Under the current challenging economic scenario, bringing them into the documented sector is a Herculean task. Any attempt to do so can backfire. Many of them can altogether stop operating, adding to the problem of joblessness. The over-concentration of edible oil industries in Punjab and Khyber Pakhtunkhwa has already become a great headache for Sindh-based industries. Except for the producers of major brands, smaller units in Sindh perpetually remain in trouble.

Outlook

Commodity watchers around the globe are projecting an uptick in average annual prices of palm and soybean oil in 2020. This can potentially increase our import bill of crude edible oils in the second half of this fiscal year, partly offsetting the import savings made in the first half of the year. Given the fact that cotton's output has shrunk this year, oil extracted from cottonseed is likely to decline. But the share of this oil in the edible oil industry remains small even otherwise because 95% of cottonseed oil is used for poultry and animal feed industry**. Outlook is stable.**

ENERGY-GAS GENERATION & DISTRIBUTION

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

No. of Companies	Act/Est	2

		2018-19	2017-18
Industry Sales	Act/Est	660,455	383,626

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

PBT	Act/Est	18,961
Financial Charges	Act/Est	12,500
PAT	Act/Est	16,618

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

Total Assets	Act/Est	777,013
Current Assets	Act/Est	461,909
Cash & Bank Balances	Act/Est	8,222
Trade Debtors	Act/Est	148,465
Short Term Investments	Act/Est	57
Total Equity	Act/Est	34,213
Current Liabilities	Act/Est	504,614
Total Liabilities	Act/Est	742,800

ENERGY-GAS GENERATION & DISTRIBUTION

Sector Overview

Two gas distribution companies [SNGPL & SSGC] operate in Pakistan with a cumulative transmission and distribution network of 181,467KMs and serve ~9.2mln customers.

The current consumption of indigenous natural gas is around 3.5-4 billion cubic feet per day (bcfd) – not enough to meet demand. The gap is met by imported RLNG – 0.9-1 bcfd. Not all of the domestic gas is of same quality. The heating value varies. Around 35% of production is of low heating value- not fit for pipeline quality. That gas is mainly used in fertilizer production and some other sectors. The pipeline quality is shared by domestic, commercial, industrial, transportation and power producers.

The price disparity is high. The lowest slab of domestic consumers is Rs141 per mmbtu. The weighted average price prescribed by Ogra is Rs 850 per mmbtu. There is a cross subsidy mechanism. Some sectors are compensating for others. There is no incentive for lower slab consumers to switch to efficient methods.

Opportunities

- There are industrial gas users (mainly in Sindh) and export-oriented sectors in Punjab. They run captive power plants (CPPs) on gas. Since the domestic gas is supplied at lower price in Sindh, the industrial consumers prefer it over grid electricity. The exporters in Punjab are having RLNG at subsidized rates. In days of rising electricity (power) tariffs, industrial gas demand is growing.

- Liquefied natural gas (LNG) imports have saved Pakistan around $5 billion over the last five years, after it substituted the expensive oil imports. LNG contributes 22% in the country's energy mix, while its share in Pakistan's energy imports stands at 24%. Although, its price is linked to international crude oil, its energy generation is considered much economical than oil. This played a significant role in meeting the local demands, as domestic gas resources are depleting, while new significant discoveries have not been made over last several years.

- Since 2015, over 19 million tons of LNG has been imported, while two re-gasification LNG terminals exist in Pakistan. These terminals have pumped approximately 393.6 billion cubic feet/day (bcfd) of gas into the national gas distribution network in 2019, a 14% increase compared with 345.6 billion cubic feet in 2018.

- In 2019, Pakistan imported 7.57 million tons of LNG through 123 LNG cargo ships against 108 cargos in 2008. During the same year under review, approximately 4.8 bcfd, these terminals supplied around 20% of gas.

- The chief executive officer of Singapore-based firm Trafigura in Pakistan, FadiMitri, has stressed the need for opening up the gas sector for private companies so consumers could benefit from a vibrant and competitive market. Private sectors of many countries such as

China, Chile, Malaysia, Mexico, the US and a majority of Europe had played a key role in the gas segment by providing the commodity to consumers at competitive rates.

Threats

- ∇ Domestic gas supply is falling whilst the demand is increasing. Without any fresh major gas discovery (not in sight), the gap is to be widened and the province-Centre tussle will increase unless Sindh agrees on the weighted average price formula (RLNG and indigenous gas). At this point, RLNG supply is under ring-fenced tariff arrangement i.e. RLNG consumers are paying high for imported gas. In December, the RLNG price was three times of indigenous gas weighted average cost.

- ∇ Historically, Pakistan (due to low pricing) has inefficiently consumed its indigenous gas (mainly Sui). There was no incentive for consumers to use energy efficient heating methods. The other issue is that gas is supplied through pipeline to households. Not many countries do so. There are high losses (technical and theft). Laying down pipelines is a costly affair. The capex is amortized, and gas supply companies face difficulties in recovering the cost.

- ∇ With falling domestic supply, rationalization in consumption is warranted. Total reserves of domestic gas are around 21 trillion cubic feet (tcf). With annual consumption of 1.5tcf, the domestic gas will finish in 15 years. The reserve replacement ration is falling fast. There is no major new discovery for many years. The pricing incentive for new discovery is low.

- ∇ The LNG supply chain is built on an inherent shortcoming. The LNG import was targeted on the premise that it would cater for the gas shortage in the power sector. But average RLNG consumption by the power sector has always remained considerably lower than estimates and targets. Any fluctuation in RLNG consumption by the power sector adversely impacts the whole RLNG supply chain. Pakistan's energy mix is quickly changing and is already resulting in underutilization of RLNG based plants particularly in off-peak periods.

- ∇ The federal government has spent around $7 billion in setting up of 4 RLNG projects, $1bn on pipeline besides two terminals and the necessary port structure to cater for RLNG being the primary fuel for the power sector. The Power Division has now moved away from the committed 66% dispatch to RLNG plants and wants the GPP agreements to be changed with no take-or-pay commitment within one year of signing the agreements. The change in mind is because of cheaper coal power plants. So, wrong estimates and poor planning are exposed. On top of that, the government is now going for major investment in renewables to make it over 25% of power generation by 2025 while the existing $5bn investment is at risk.

- ∇ There are key mismatches between upstream and downstream supplier agreements. The SNGPL has RLNG supply agreement on 100% take-or-pay basis against significantly lower downstream firm commitments. The recent pipeline-packs pressure touching dangerous levels is just one example. On the other hand, the 66% guaranteed off-take by GPPs are being relaxed to minimize liabilities and make them attractive. That leaves the long-term power sector LNG demand in limbo. It has already been making short-term demands that are again subject to change every month. The higher imports have, therefore, been allowed to flow into the highly subsidized residential sector with a price differential of Rs. 1,580 versus Rs300 per Million British Thermal Unit (MMBTU). The estimate to cover only 4 months of the current year LNG diversion to the residential sector is put at Rs55bn. This also results in underutilization of LNG terminals most of the year except peak summer months that also involve capacity payments and resultant higher LNG price.

- The benchmark for spot Asian Liquefied Natural Gas (LNG) prices has plunged to a more than 10-year low, falling below $4 per million British Thermal Units (mmbtu) for the first time since July 2009 owing to the flow of new supply from Australia and the US amid slowing demand.

- India is exerting pressure on Qatar to re-negotiate terms of LNG deals and move away from oil-linked contracts as gas prices have hit 10-year lows. However, Pakistan is importing gas from Qatar and some other exporters at exorbitant rates and providing it to consumers at Rs. 1,700 per mmbtu due to the monopoly of state-owned companies at a time when global prices have nosedived. A couple of months ago, the current government permitted the private sector to import and market gas but private enterprises have not been able to import a single LNG cargo as operational issues have emerged.

Outlook

Gas demand in Pakistan is high and the shortfall will remain even after projects like Turkmenistan-Afghanistan-Pakistan-India (TAPI) and Iran-Pakistan (IP) pipelines are completed, as it is used as a major input for many other sectors. Moreover, the highly regulated prices with high barriers to entry will keep margins intact. **Outlook is stable.**

ENERGY-OIL & GAS EXPLORATION & PRODUCTION

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	4		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	464,252	368,896	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	210,707		
C.	**Financial Charges**	**Act/Est**	4,732		
D.	**PAT**	**Act/Est**	151,182		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act/Est**	1,248,130		
F.	***Current Assets***	**Act/Est**	730,608		
G.	***Cash & Bank Balances***	**Act/Est**	40,186		
H.	***Trade Debtors***	**Act/Est**	409,865		
I.	***Short Term Investments***	**Act/Est**	22,509		
J.	***Total Equity***	**Act/Est**	363,908		
K.	***Current Liabilities***	**Act/Est**	236,227		
L.	***Total Liabilities***	**Act/Est**	384,221		

ENERGY-OIL & GAS EXPLORATION

Sector overview

The domestic oil and gas sector has enormous potential. The balance recoverable reserves of crude oil of the country as on 30th June 2016 were calculated at 350.632 million barrels. The total oil resource potential is 27 billion barrels while the indigenous production is 86,032 barrels per day. Further, Pakistan as the largest consumer of the gas has a total resource potential of 282 trillion cubic feet with recoverable reserves estimated at 24 trillion cubic feet and production of almost 4 billion cubic feet per day.

The biggest issue in realizing this potential has been a lack of commitment at the national level. As of April 2017, an area of around 361,218.72 square kilometers out of a total sedimentary area of 827,268 sq. km has been under exploration for oil and gas throughout the country. Yet only 27,710 square kilometers located in Khyber Pakhtunkhwa has been explored. This shows that since independence, only 27% of the area of KPK has been explored for oil & gas. Recoverable potential in KPK alone is 2 billion barrels oil and 46 trillion cubic feet gas.

In Baluchistan alone, the total proven oil reserves are an estimated 313 million barrels and proven gas reserves are estimated at 29.67 trillion cubic feet. According to another international assessment, Baluchistan has 6 billion barrels of oil in onshore/offshore and 19 trillion cubic feet gas reserves. Building a shale oil & gas industry for the future of Pakistan will generate vast investment opportunities, and shale gas exploration and production may transform Pakistan's economy and revolutionize the existing energy mix within the country. It also mentions that Pakistan's offshore comprises of the Makran coast and the Indus delta, which is one of the largest basins, comparable to world's most prolific offshore deltas such as Niger, Mahakam and the Nile.

In terms of total technically recoverable shale gas reserves, Pakistan stands 19th in the world. It has about 205 TCF technically recoverable reserves. In the USA and Canada, the daily production of Shale Gas is 32 BCF and 4 BCF, whereas in China and Poland, despite heavy utilization, the production is 600 and 150 million Cubic Feet per day respectively. In India, two oil & gas giants failed to unlock shale gas mainly because of the complex geology and the lack of accurate data.

Opportunities

- Pakistan has decided to auction 35 offshore sites for drilling to find oil and gas reserves in a major move to step up hydrocarbon production and meet growing demand. In addition to the 35 offshore sites, the government is poised to auction 10 onshore sites for hydrocarbon exploration, starting December 2019.

- Undeterred by the recent failure of the much hyped Kekra project, the Petroleum Division has sought security clearance of a dozen offshore blocks before inviting international oil and gas exploration and production companies for bidding. A list of 12 exploration blocks in the deep and ultra-deep sea has been provided to the Ministry of Defence (MoD) for security clearance. This [security] clearance by the MoD is a pre-requisite before offering any oil and gas exploration blocks to local or foreign exploration and production firms. the data received from even the Kekra failure had given hopes for further exploration

- ∆ The government has released around 50.4% of the total Rs. 581.812 millionallocation during first 7 months of the of current fiscal year to execute petroleum projects under the Public Sector Development Program (PSDP 2019-20). As per the available details, an amount of Rs. 8.442 million has been provided to explore and evaluate coal in Nosham and Bahlol areas of Baluchistan, for which Rs10.553 million have been earmarked in the PSDP.

- ∆ Brisk drilling was in progress at the first shale gas and oil well near Hyderabad city of the Sindh province to acquire geological and engineering data for further planning of the pilot project. The drilling, started on December 14, 2019 at the Shale gas well, KUC-01 (Kunar Unconventional-1), is in progress. As of January 30, 2020, the well was drilled to depth of 2,487 meters that will be taken to 3,910 meters in Chiltan formation. Currently, the Oil and Gas Development Company Limited (OGDCL) and United Energy Petroleum Limited (UEPL) are undertaking shale gas & oil exploration projects in Sindh Province. A study, completed in collaboration with United States Agency for International Development in 2015, had identified massive deposits of shale gas and oil, which needed further evaluation to determine the cost of extraction.

- ∆ According to the EIA Shale Gas Assessment Report 2015 (USA); Pakistan has around 105 Trillion Cubic Feet of recoverable shale gas and 9.1 Billion Barrels of recoverable shale oil resources. The successful exploitation of shale gas could provide Pakistan with a sustainable supply of natural gas and oil (against EIA estimated recoverable gas resources), the OGDCL observed before initiating the drilling work. Pakistan's estimated natural gas demand stood at about 7-8 Billion Cubic Feet per Day (BCFD), out of which less than 4 BCFD was being produced locally. "There is 50% of gas shortfall in the energy mix needs of the country." The OGDCL had clarified that the identified resources were not booked as "reserves" and needed to be further rationalized through additional technical information regarding the Shale Reservoir.

- ∆ Pakistan's state-controlled upstream player Oil & Gas Development Company (OGDCL) has hit pay with its latest exploration well in the District Khairpur, in the nation's Sindh Province. OGDCL said that the Metlo 1 well discovered gas and condensate. Metlo 1 was spud on November and reached a depth of 1504 meters in the Upper Goru formation. The well has tested 1.85 million cubic feet per day of gas, with an additional six barrels per day of condensate and 38 barrels per day of water. This discovery will add to the hydrocarbon reserves of OGDCL and of the country and will contribute in reducing the gap between supply and demand of oil and gas in the country through the exploitation of indigenous resources. OGDCL operates the project with a 95% interest, together with private players Government Holdings Limited (GHPL) and Sindh Energy Holding Company Limited (SEHCL) with a 2.5% share each.

Threats

- ∇ The Hydrocarbon Exploration Licensing Policy (HELP), a vital document about way forward to self-sufficiency in oil and gas sector has pinpointed that Pakistan authorities have so far ignored the area bordering with India, Rajasthan for exploration and production (E&P) activities for oil and gas deposits knowing the fact that India in its side of border is currently producing 1,75000 barrels per day (BPD). It also rises the red flag asking as to why Pakistan companies are not active for E&P activities in this area since long and if Pakistan's oil and gas reserves going to Indian side.

∇ On the map of petroleum producing states, the Indian State of Rajasthan was till recently in 2009-10 a backward state with vast stretches of desert. And western Rajasthan gained prominence after the discovery of oil by NOC of India which currently produces 175,000 bpd. The basin, especially the Jaisalmer Basin has resources with a potential of 7.8 billion barrels. India Company Carin is planning to invest an additional $5.4 billion to increase its production to 5bpd. The same company plans to drill more than 450 wells over the next 3 years along the Pakistani border.

∇ Geological data is available for the offshore basin but only 16 exploration wells have been drilled in Pakistan offshore so far and the potential has not yet been identified.

Outlook

Outlook remains positive and growth oriented on anticipation of increased exploration and likely successes in drilling with consequent enhancements to local production.

ENERGY-OIL (PETROLEUM DISTRIBUTION/MARKETING)

FINANCIAL SNAPSHOT 2018-19

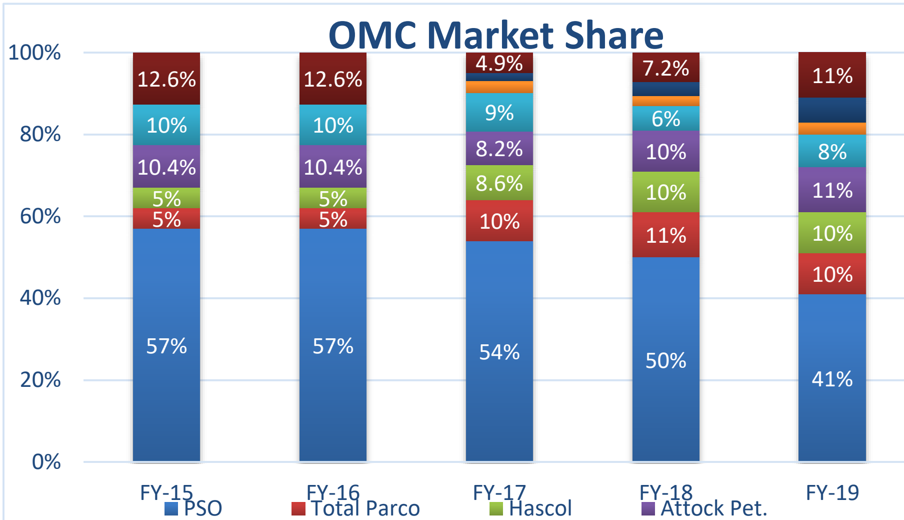
All figures in Pak Rupees (Million)

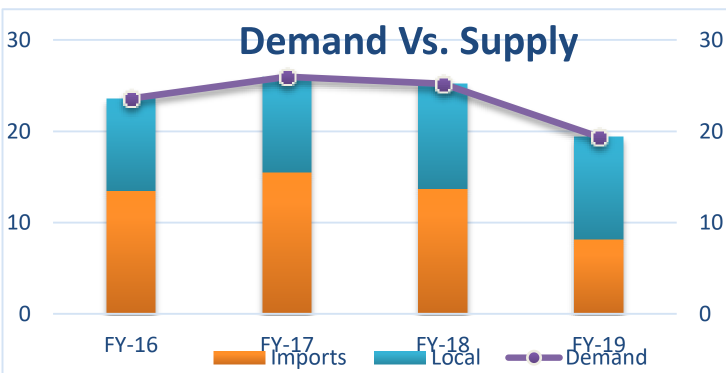
	No. of Companies	**Act/Est**	4		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	1,920,604	1,655,699	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	23,711		
C.	**Financial Charges**	**Act/Est**	12,635		
D.	**PAT**	**Act/Est**	13,268		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	593,589		
F.	*Current Assets*	**Act/Est**	503,688		
G.	*Cash & Bank Balances*	**Act/Est**	18,632		
H.	*Trade Debtors*	**Act/Est**	254,520		
I.	*Short Term Investments*	**Act/Est**	890		
J.	*Total Equity*	**Act/Est**	154,883		
K.	*Current Liabilities*	**Act/Est**	421,782		
L.	*Total Liabilities*	**Act/Est**	438,706		

ENERGY- OIL (Petroleum distribution/marketing)

Sector overview

Oil marketing industry structure is semi-oligopolistic with few large players dominating the market. During FY19, top 5 players accounted for around four-fifth of the total industry volumes. Nevertheless, smaller Oil Marketing Companies (OMCs) and new entrants have increasingly made inroads in the market share of top 5 OMCs (Primarily PSO and Shell) and have captured around 10% of the total market share over the last 2 years.

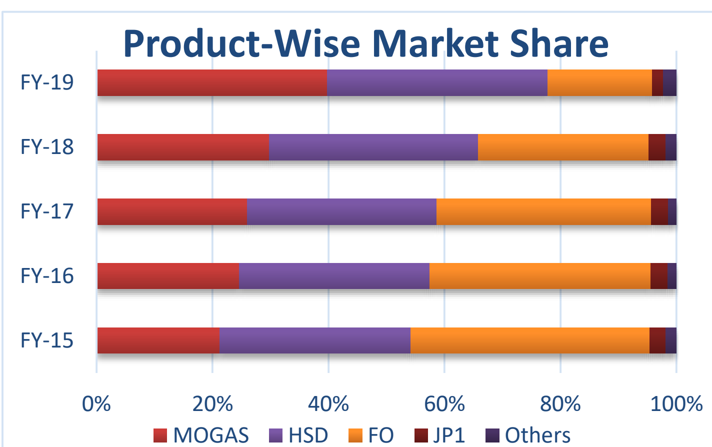




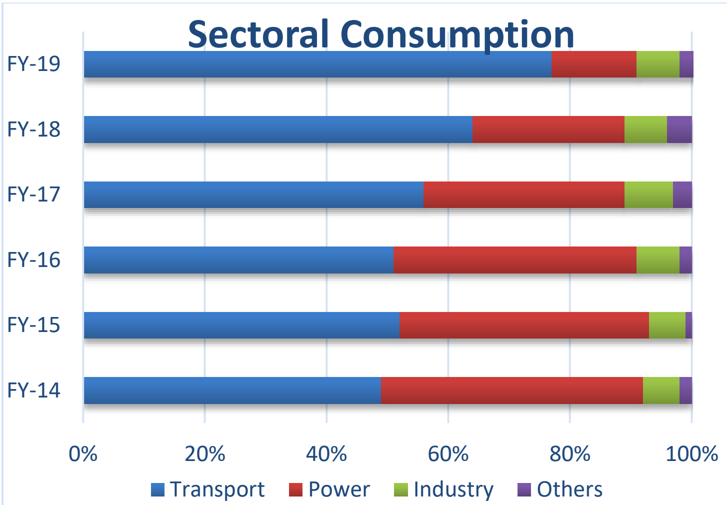
~42% of the country's demand is met through imported products while remaining ~58% is being refined locally. Over the years, imports have been reduced while local share in total consumption has increased.

	Mln MT
POL Imports	8.2
Crude Imports	8.5
Total Imports	**16.7**

~95.8% of POL consumption in FY19 is distributed among three major products i.e. MOGAS (~39.7%), HSD (~38%), and FO (~18%).



Over the years Product wise consumption %age of MOGAS&HSDhave increased. With HSD witnessing a 5% growth over the 5 years, MOGAS has seen substantial increase of 18.5% as the demand soars due to increased automobiles and its use in electric generators. Market share of FO on the other hand is declining due to phasing out of old power plant that ran on FO. The market share of FO declined from 41% in FY-15 to 18% in FY-19.



The country's consumption is mainly driven by two sectors constituting ~91% of the demand.

Transport sector demand is met by Diesel followed by Petrol.
Furnace Oil dominates power sector demand.

Over the years consumption in the power sector has reduced due to diversion of power generation to imported liquefied natural gas and coal.

Opportunities

- The Organization of Petroleum Exporting Countries, OPEC, has projected an increase in the global demand for oil to 100.98 million barrels per day (mb/d) during 2020, an increase of 1.22 mb/d compared to the average production of 99.77 mb/d for 2019, according to the Organization's Monthly Oil Market Report for January. World oil production includes all of the production of OPEC members in addition to other countries outside the organization that produce about 70% of global production. Oil prices were supported by optimism about the outlook of oil market fundamentals, following easing trade tensions between the US and China and continued market stabilization efforts conducted under the Declaration of Cooperation, DoC, the OPEC report revealed.

- Overall, the OMC giant PSO posted a year-on-year increase of 9% in its net revenues. On the volumetric front, despite an overall decline of around 38% year-on-year in volumetric sales by the OMC, PSO's revenues posted modest increase versus a decline by most of the other oil marketing companies. This was due to a rebound in the company's volumes in the last quarter of FY19.

- ECC has decided on several points and revised increase in margins of both HSD and petrol instead of 25 paisa per liter proposed by the petroleum division as per PKR 0.17/liter to PKR 2.81/liter each from current PKR 2.64/liter with an immediate effect and would be applicable until next due revision which would be effective from 1st-Jul-20.

- The margin increase stands PKR 0.3/liter lower than the expectation of PKR 2.84/liter (25 paisa) for FY20 owing to the lower inflation rate applied by the ECC. Dealer margins are increased by PKR 0.22/liter on MS to PKR 3.70/liter, while HSD dealer margin is increased by PKR 0.18/liter to PKR 3.11/liter.

Threats

- ∇ Pakistan consumed a total of ~19.35mln metric tons (MT) of petroleum products (POL) in FY19 (FY18: 25.15mln MT), ~23.1% lower than the same period last year. This decline is mainly seen owing to decrease in the sales of Furnace oil by ~ 18.68% to ~3.49mln MT (FY18: ~7.39mln MT) and decrease in the sales of HSD by ~52.76% to ~7.35mln MT (FY18: ~9.04mln MT), as the government of Pakistan plans to gradually reduce reliance on oil-based power plants to other power sources i.e. LNG & coal. Sales of HSD have been impacted due to reduced industrial activity and increased illegal traffic.

- ∇ Country's total oil sales in the first seven months of the current fiscal year (7MFY20) plunged by 10 % to 10.139 million tons, mirroring a slowdown of economic activities.

- ∇ Furnace oil sales in the last seven months shrank by 32pc to 1.395m tons followed by 10pc drop in high speed diesel (HSD) to 3.837m tons. Petrol sales in 7MFY20 grew by 3pc to 4.455m tonnes. Furnace oil (FO) sales in Jan 2020 fell to 212,000 tons from 360,000 tons in same month a year ago while HSD sales dropped to 478,000 tons from 537,000 tons in Jan 2019. According to Top Line Securities, furnace oil sales plunged due to government's policy of moving away from FO-based power generation while HSD sales remained depressed amidst slow economic activities.

- ∇ In Jan 2020, total oil sales came down to 1.349m tons from 1.558m tons in the same period a year ago.

- ∇ However, on a sequential basis, oil sales witnessed limited decline of 2% month-on-month (MoM), supported by 88%MoM higher FO off take given government allowing partial resumption of FO-based power plants to support the local refineries and possible exports by Byco Petroleum (Byco).

- ∇ Pakistan State Oil's sales declined by 16% year-on-year (YoY) and 10%MoM in Jan 2020. However, during 7MFY20 sales remained 6% YoY higher.

- ∇ Attock Petroleum's sales were down 13% YoY and 9%MoM in Jan-2020, while Hascol Petroleum's (Hascol) volumes were up 17% YoY and 17%MoM.

- ∇ PSO's market share was estimated to have shrunk by 39% in Jan-2020 compared to its 7MFY20 average of 45%. Fall in diesel sales can be attributed to persistent drop in truck and bus sales

- ∇ Pakistan meets over 70% of its energy needs through imports. Energy imports account for one-fourth of the total import bill of $19.21 billion in first five months (Jul-Nov) of the current fiscal year. It also carries a significant weight in the inflation reading. Any further hike in international crude oil prices will force the government to pass the increase on to consumers of petroleum products. Transportation cost will also go up. These all will accelerate the pace of inflation, push the central bank to increase the benchmark interest rate beyond the eight-year high of 13.25% – where it currently stands – and may trigger volatility in the rupee-dollar parity. These, in turn, will shatter business confidence, discourage domestic and foreign investment and cause further slowdown in the national economy, which stood at a nine-year low of 3.3% in the previous fiscal year ended June 30, 2019.

∇ FY19 has been a challenging year for the oil marketing segment due to the rising competition and economic contraction. The OMC industry has around 31 OMCs operating in addition 38 OMC licenses that OGRA has issued. While competition has increased, margins have also squeezed due to falling liquid fuel volumes by the sector by around 22%. The decline continued for black oil like furnace oil due to curtailment drive in the country, while the retail fuels especially diesel volumes also witnessed a decline due to falling demand from both the industrial sector, and the transport sector along with falling vehicle sales. Moreover, the tough interest rate environment due to the monetary tightening along with exchange losses, rising circular debt and mounting receivables were key factors that dragged the sectors performance

Outlook

Going forward, while the macroeconomic headwinds are expected to remain in place, OMC's fortunes could take a leap with no hefty exchange losses in the offing, optimistic chances of the second tranche of circular debt clearance that would ease liquidity; and the revised OMC margins. Besides the circular debt, rising receivables and stagnant demand for liquid fuel, the company faces an additional pressure to upgrade to a higher fuel quality as per the latest direction of the government to reduce the environmental impact. **Outlook is tenuous.**

ENERGY-OIL (PETROLEUM REFINING)

FINANCIAL SNAPSHOT 2018-19

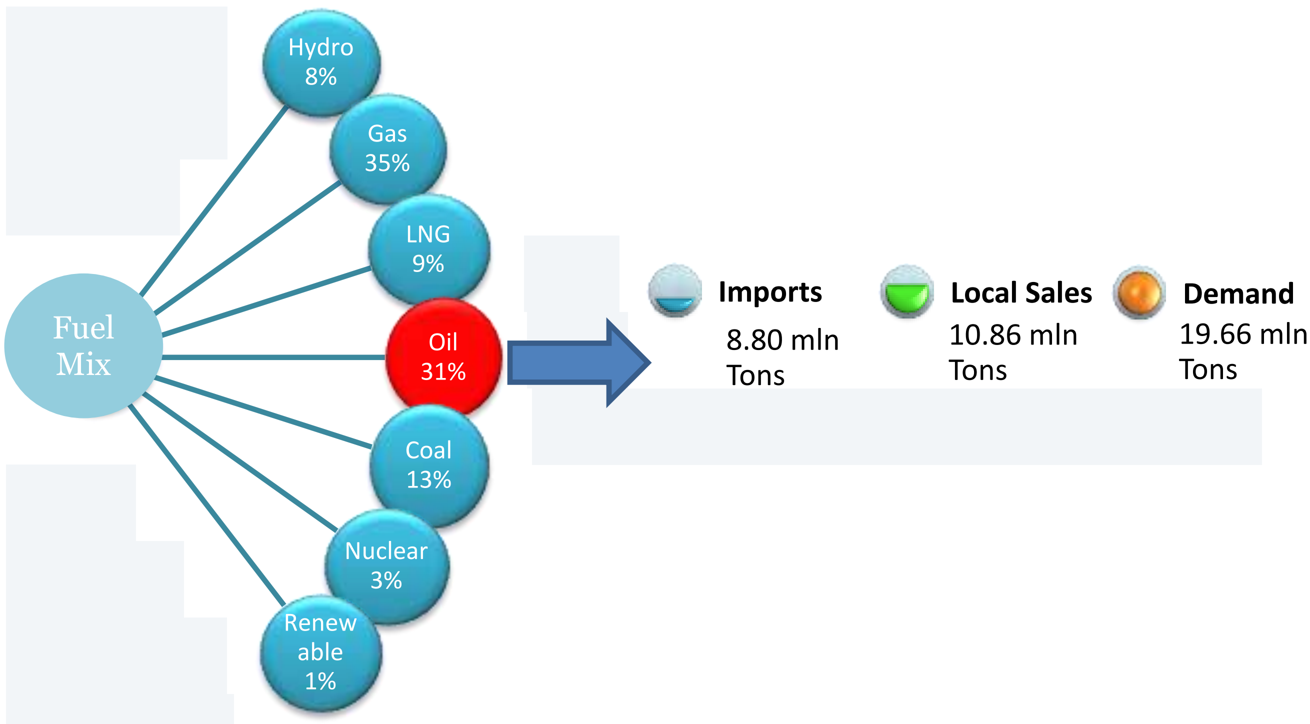
All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	4		
			2018-19	2017-18	
A.	Industry Sales	Act/Est	729,099	622,166	
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	PBT	Act/Est	-4,382		
C.	Financial Charges	Act/Est	9,370		
D.	PAT	Act/Est	-11,119		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	342,687		
F.	*Current Assets*	Act/Est	148,127		
G.	*Cash & Bank Balances*	Act/Est	18,514		
H.	*Trade Debtors*	Act/Est	48,929		
I.	*Short Term Investments*	Act/Est	Nil		
J.	*Total Equity*	Act/Est	115,478		
K.	*Current Liabilities*	Act/Est	194,598		
L.	*Total Liabilities*	Act/Est	234,092		

ENERGY- OIL (PETROLEUM REFINING)

Sector Overview

Pakistan majorly depends on Oil and Gas to meet its fuel demand. • Imported LNG has emerged as an important fuel for the country needs, specifically for the power sector. • Pakistan Oil Sector is divided into Upstream, Midstream and Downstream categories. Refining and Production make up the Midstream Oil Sector.



As many as 8 oil refineries are currently operating in the country: Pakistan Refinery, National Refinery, PARCO, Attock Refinery, Byco-I and II, ENAR Petroleum Refining Facility (ENAR¬I) and ENAR Petroleum Refining Facility (ENAR-II). Meanwhile, 6 oil refinery projects are currently at different stages of completion to ramp up crude oil refining capacity in Pakistan.

The government, in a bid to meet the ever-growing energy requirements of the country, is making all-out efforts to upgrade the existing oil refineries and establish new deep conversion facilities to meet the country’s fuel requirements

Opportunities

- The $10 billion oil refinery will be built by Saudi oil giant Aramco in Gwadar and is part of the over $20 billion investment announced last year. The land allocation process for the oil refinery is underway with the provincial government's revenue department in Quetta.

- Byco Petroleum Pakistan Ltd has become the first company in Pakistan to export High Sulfur Furnace Oil (HSFO). This is potentially a solution to the long-standing problem that Pakistan's domestic refineries have faced since the country's fuel mix has evolved. With dwindling local demand of HSFO within Pakistan and the passing of the IMO on 1 January 2020, furnace oil demand had dropped to almost nil. But Byco's initiative of exporting HSFO could restore some hope for the industry. The first consignment of 25,000 metric tons is currently being loaded on to the Roy Maersk vessel at Keamari Port.

- ∆ The government is planning to upgrade Pakistan Refinery Limited (PRL) with an estimated cost of $1 billion aims at achieving self-sufficiency in the refining sector and bringing down the oil import bill. The govt. offered the Chinese government to participate in the PRL up-gradation project, and Chinese companies are interested in it.

- ∆ At present, around 55% needs of diesel and petrol were being met through the import of petroleum products in finished form, while 40 to 45% requirements were fulfilled by refining the crude oil at domestic facilities. The government is encouraging establishment of new oil refineries and modernizing the existing facilities to meet the country needs indigenously.

- ∆ Currently, as many as 6 projects, investment initiatives and proposals in oil refining sector are in pipeline and at different stages to purify around 1.110 million Barrel per Day (BPD) oil. under the strategy an oil refinery and petrochemical complex of 300,000 BPD oil capacity would be set up at Gwadar, Baluchistan; PARCO would install 250,000 BPD Coastal Refinery at Hub, Baluchistan; SINO Infrastructure Hong Kong Oriental Times Corporation Ltd (SIOT) would establish 250,000 BPD Gwadar Refining & Industrial Park, Upcountry Deep Conversion Refinery and Crude Pipeline of 250,000-300,000 BPD oil would be set up in collaboration with Pakistan State Oil and Power China International Group, Falcon Oil Private Limited to set up 40,000 BPD oil refining facility at Dera Ismail Khan and Khyber Pakhtunkhwa Khyber Refinery Limited would establish the facility to purify 20,000 BPD oil in Kohat.

Threats

- ∇ The 1stquarter of FY20 gave a breathing space to PRL. The improvement in the refinery's profitability was touted by some as a hope for a reversal in bad fortunes. After all the 4 quarters of FY19 witnessing staggering losses, PRL's earnings turned positive in 1QFY20. However, 2QFY20 was the company returning to losses once again. Despite a decline, the 2QFY20 has posted a loss for PRL – a reminder that the refinery segment is not out of the woods as yet. Factors like the decline in furnace oil demand that led to the build-up of inventory that had to be sold at lower prices resulting in lower margins, and steep devaluation of the currency against the greenback have pulled down profitability of the sector recently, while the long term factor has been the inability of the refining sector to upgrade the refining process, whether it has been the delay in the installation of isomerization plants or Diesel Hydrodesulphurization (DHDS) units.

- ∇ The oil refiners said that possible closure of refineries due to government's not lifting furnace oil for power generation would lead to non-availability of local JP8 fuel for fighter jets.

- ∇ The present financial health of local refineries would also have negative impact on foreign investments in refinery sector. The indigenous and imported crude is refined by 6 major and 2 small oil refineries in the country having 19.37 million tons per annum (MTPA) refining capacity. Except PARCO which is semi conversion refinery, all other refineries are hydro skimming therefore struggling with efficiency issues.

∇ Due to ban on its use in the power generation the product is being dumped in the storages. The refineries are running out of space and its refining capacity has decreased.

∇ Reduced uplift of FO from refineries due to shutdown of FO-based power plants forcing refineries to run at lower throughput. Refineries are losing around Rs35 to Rs80 million per day and low FO prices making their operation unsustainable. The refineries could not export FO as drastic reduction in FO price was recorded due to International Maritime Organization (IMO) 2020 regulation mandating use of low sulfur fuel in ships from Jan 2020.

∇ Converting Pakistan's refineries from hydro-skimming to deep-conversion is a tall order both in terms of capital requirements and the time needed. It is estimated that a refinery producing around 50,000 barrels of refined products a day may need to invest around $1 – 1.5 billion for a full revamp. Larger refineries may require even more capital. For some smaller facilities, an upgrade or installing a cracker may not be even possible due to economic limitations. On top of this, the entire process can take 3 to 4 years or more from financial closure. Under the current macroeconomic backdrop and following the Rupee's devaluation, it will clearly not be feasible for some companies to undertake such a major project.

∇ Petroleum refineries in Pakistan are facing a new crisis as rapidly declining furnace oil prices are denting their profit margins while they are searching in vain for potential buyers of the oil. Furnace oil prices stood around 34% lower at Rs50,500 per ton at the beginning of November compared to Rs76,000 on October 1. The drop came despite no (major) change in imported and local crude oil prices and the rupee-dollar parity also remained stable.

∇ Furnace oil prices are crashing around the world ahead of the approaching deadline of January 1, 2020 for halting production of all kinds of oil which contain 3.5% sulphur content and replacing them with new furnace oil having only 0.5% sulphur content. Almost all the refineries around the world have upgraded their technology to produce furnace oil with low sulphur content. Even our neighbor India became IMO compliant in October. While the price of furnace oil containing 3.5% sulphur is diving, the price of the same oil with 0.5% sulphur has been on the rise since its introduction.

∇ However, neither our refineries nor the government or the refineries' regulator (the Oil and Gas Regulatory Authority – Ogra) paid any attention to the IMO decision. Owing to the dismal situation, Pakistan's refineries are in hot water and that too at a time when they are struggling to find buyers of furnace oil.

∇ Earlier, the government was the biggest buyer of furnace oil but now it has massively reduced reliance on furnace oil-fired power plants because it is the most expensive option in the energy mix.

- The drop in furnace oil prices is hitting the refineries' revenues hard. A fall of $50 per ton in prices of furnace oil results in a loss of Rs27 billion to the refinery sector, keeping other margins constant.

Outlook

Although planners forecast a 10 % year-on-year growth in demand for the next 5 years, currently due to the rapidly evolving fuel mix of the country there has been a precipitous fall in the demand for furnace oil. Therefore, the industry is now seeing negative GRM's. This is why the entire industry is in a catastrophic situation, and it is feared that some players may go out of business. **Outlook remains negative.**

ENERGY-POWER GENERATION & DISTRIBUTION (IPPs)

FINANCIAL SNAPSHOT 2018-19

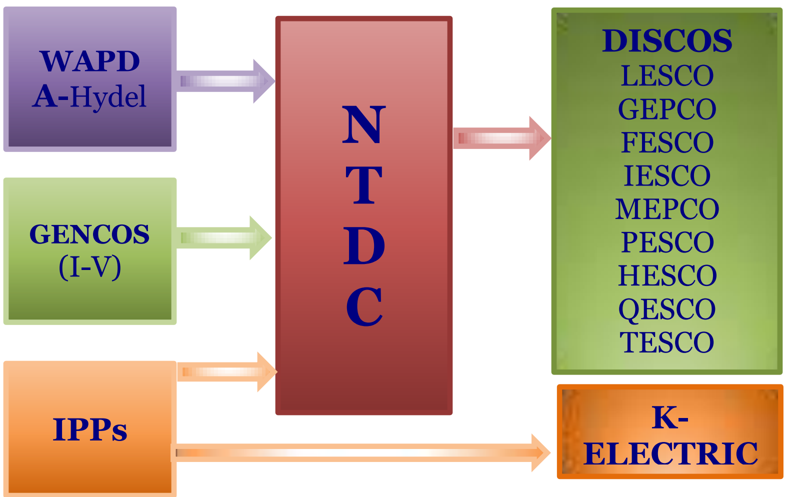
All figures in Pak Rupees (Million)

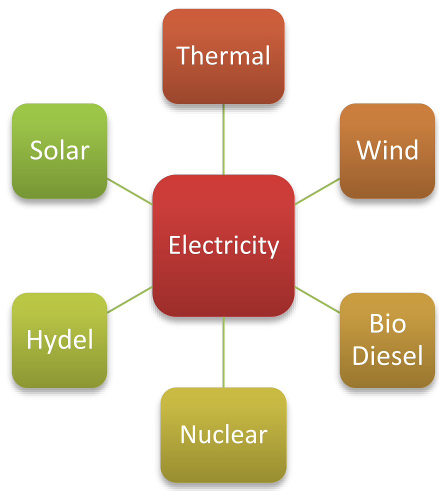
	No. of Companies	**Act/Est**	15		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	502,924	496,281	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	57,978		
C.	**Financial Charges**	**Act/Est**	27,040		
D.	**PAT**	**Act/Est**	55,793		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	1,084,122		
F.	*Current Assets*	**Act/Est**	615,993		
G.	*Cash & Bank Balances*	**Act/Est**	15,028		
H.	*Trade Debtors*	**Act/Est**	379,538		
I.	*Short Term Investments*	**Act/Est**	58		
J.	*Total Equity*	**Act/Est**	396,592		
K.	*Current Liabilities*	**Act/Est**	564,189		
L.	*Total Liabilities*	**Act/Est**	687,705		

ENERGY- POWER (GENERATION & DISTRIBUTION)

Sector Overview

The Power sector was restructured in 1998 with the creation of PEPCO (Pakistan Electric Power Company. Prior to 1998, there were two vertically integrated utilities, i.e. KESC, which served the Karachi area and WAPDA which served the rest of the country. Later on, WAPDA's power wing has been structured into distinct corporate entities comprising of 4 GENCOs, 10 DISCOs and one TransCO (NTDC). These 10 DISCOs are responsible for distribution to the end users. KESC meet its overall demand with its own generation plus purchase from NTDC, IPPs and from Karachi Nuclear Power Plant. The Current structure of the power sector is shown below.





23 licensed Power DISCOs operating in Pakistan. 10 Public DISCOs and K-Electric serve almost entire customer base. Transmission network includes 17,351 KMs long lines, including K-Electric network, operating at 500kV and 220 kV level. Distribution network of NTDC includes 374,212 KMs High Tension (HT) lines and 254,096 KMs long Low Tension (LT) lines, including K-Electric.

Opportunities

- The government is expected to let the private sector import electricity from across the border in an unprecedented move to improve access of the basic energy nationwide and curtail widening demand-supply gap that hurts growth. The National Electric Power Regulatory Authority (Nepra) planned to broaden the ambit of electricity import and it proposed the government to allow bulk buyers, agents and individual traders to buy electric power from a foreign seller, through amending Nepra (Import of Power) Regulations 2017. Currently, state-owned distribution companies are allowed to import electricity, mainly from Iran.

- The government is offering investment opportunities worth $80 billion in the sub-sectors of generation, transmission and distribution. The new renewable energy policy would open new avenues in the power sector. A competitive bidding regime would ensure maximum transparency in all transactions and provide relief to the electricity consumers.

- Power Division is in the process of finalizing Integrated Generation Expansion Plan (IGXEP) for the National Grid which will regulate future energy demand and supply with most affordable and feasible power projects. The plan would ease out future generation with exact demand and supply forecast along with location i.e. where to install the power plants, nature of fuel (renewable or other sources), availability of evacuation system and most importantly the affordability of prices.

- The Government is looking forward to increase dependence on indigenous energy resources and bring it up to 80% by the year 2030. The share of Renewable Energy Alone from current 2500 MW would be increased to 8000MW that was 20% by the year 2025 and 20000 MW approx. that was 30% of total energy mix by year 2030. Together with Hydel Resources, the share of Renewable Energy would become 60% by the year 2030 that would not only increase dependence on indigenous resources but also result in saving of huge amount of foreign exchange.

- Pakistan and China in a joint study on power sector have found that Pakistan's power sector supply-demand will remain balanced over next 11 years (from 2019 to 2030), so both side agreed to readjust list of power projects under China Pakistan Economic Corridor (CPEC). After 2025, apart from minor surplus in specific years due to concentrated commissioning of power generation projects, Pakistan may enjoy balance generally in all the other years.

- Circular Debt at the beginning of Sept 2018 was 1.33 trillion and was increasing at a rate of 38 billion a month. With the measures taken by the govt., encapsulated in the Circular Debt Capping Plan, the Power Sector has considerably reduced the rate of increase to approximately Rs. 12-15 billion per month. Various measures including tariff rationalization, recovery drives, anti-theft campaign and system modernization were initiated. Due to these measures, the addition to circular debt is expected to be reduced to Rs130 billion in 2019-2020 compared to the target of Rs130b in the Circular Debt capping plan.

Threats

- An American think tank Atlantic Council said 58 million people in Pakistan lack access to electricity, and the challenge is particularly acute in rural areas, where only 54% have access to electricity. "Pakistan's progress in expanding access has been slower compared to some other countries," the council said in a report last month. Comparatively, Bangladesh boosted power access to 88% of its population in 2017 from 55% in 2010, and more recent estimates are as high as 95%. The government is struggling to achieve universal electricity access by 2030, while priority towns in each province have already been identified.

- The US think tank said Pakistan's rural electrification programs are heavily focused on grid expansion by the various regional distribution companies, many of which are constrained in their ability to finance grid expansion, especially in the remote and sparsely populated areas of Baluchistan and tribal areas. The council said expansion of electricity generation would meet rising demand and reduce the endemic power blackouts and outages "has been a high priority of the Pakistan government".

- In the past energy policies have mostly failed due to the inability of various governments to estimate correct and expected consumption levels. Secondly, the distribution losses have also caused the policies to fail as they have not reduced distribution losses as much as they should and production itself has been a major challenge.

- On 1.1.2019, an all-inclusive tariff of 7.5cents/kWh was fixed for the exporting sectors, in order to ensure international competitiveness and enhance the export base. This created opportunities for the sector to run more effectively, increase its exports and even consider fresh investment in the technological upgradation and expansion of their production units. However, a recent letter issued by the Ministry of Energy on 13th January 2020 detailed instructions to Discos to charge all add-ons to the7.5cents, thus increasing the overall electricity price from 7.5 to 13cents/kWh, a 70% increase. According to the latest Nepra determination, Fuel Cost is Rs 3.47/kWh. The export sector tariff of 7.5 cents/kWh is equal to Rs 11.70/kWh. The difference between 11.7 and 3.47 of Rs 8.23 is sufficient to cover all legitimate fixed costs and distribution costs.

- Regional electricity prices as highlighted in the table, illustrate that the industrial electricity tariffs of our competitors will be much lower than Pakistan's making us uncompetitive in the increasing market competition. The objectives of economic growth, a bright future and becoming an export “powerhouse" cannot be achieved until power tariffs are revised to a competitive and stable level.

Country	Cents/KWH
Pakistan	13
China- General	10
China- XinJiang	7
Vietnam	8
Bangladesh	9
India	9
India- Punjab	7

- Electricity losses currently stand at 18.3% for distribution losses and 2.4% for transmission losses. These losses contribute to Pakistan’s much-talked-about circular debt, which stood at PKR1.6 trillion ($7.2 billion) by the end of June 2019.

Outlook

Both Wapda and KESC had been plagued with inefficiencies, poor governance, red-tape, and political interferences since their inception. Transmission & Distribution losses amounted to 30-40%. This was as much a result of a lack of adequate investment in the strained transmission network as of the power thefts by various groups and individuals. On average, about 20% of dues were not recovered, most of them owed by other public sector entities. As a result of these inefficiencies, successive governments injected significant subsidies into them to keep the end consumer tariff manageable so as to minimize political damage. To counter these chronic problems and encouraged by the donor agencies like World Bank and Asian Development Bank, the government embarked on an ambitious power-sector restructuring with an eventual aim of privatizing the loss-making entities and moving towards a market-driven electricity sector. **Outlook is stable.**

FERTILIZERS

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

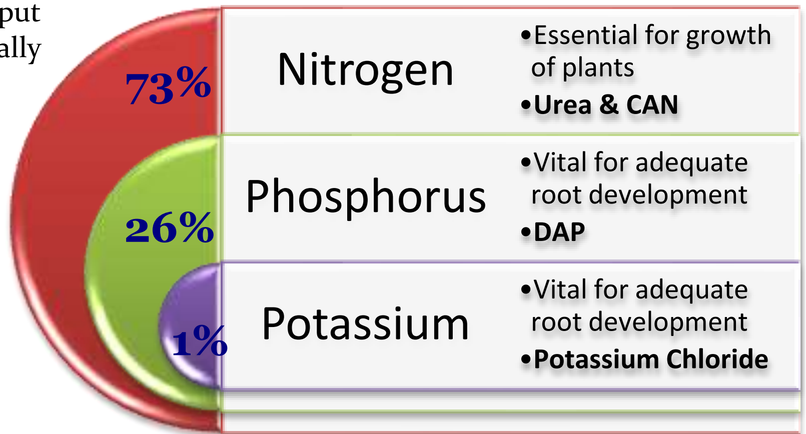
	No. of Companies	**Act/Est**	7		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	353,958	380,231	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	81,659		
C.	**Financial Charges**	**Act/Est**	8,386		
D.	**PAT**	**Act/Est**	54,672		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	602,428		
F.	*Current Assets*	**Act/Est**	307,623		
G.	*Cash & Bank Balances*	**Act/Est**	18,851		
H.	*Trade Debtors*	**Act/Est**	38,686		
I.	*Short Term Investments*	**Act/Est**	127,463		
J.	*Total Equity*	**Act/Est**	252,916		
K.	*Current Liabilities*	**Act/Est**	265,014		
L.	*Total Liabilities*	**Act/Est**	349,512		

FERTILIZERS

Sector Overview

Fertilizers are chemical substances supplied to the crops to increase their productivity. These are used by the farmers daily to increase the crops yield. The fertilizers contain the essential nutrients required by the plants including nitrogen, potassium, and phosphorus.

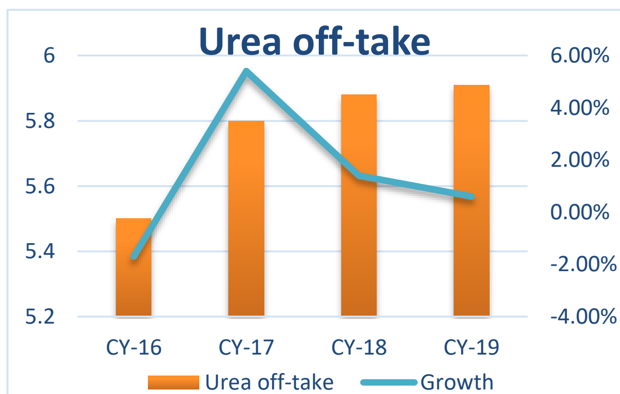
Potash and phosphate input materials are limited by globally available reserves. Almost 81.0% of known potash reserves are concentrated in Canada and Russia, while about 75.0% of known phosphate rock reserves are concentrated in Morocco and Western Sahara. For nitrogen fertilizers, key input raw material is natural gas which is abundantly available.

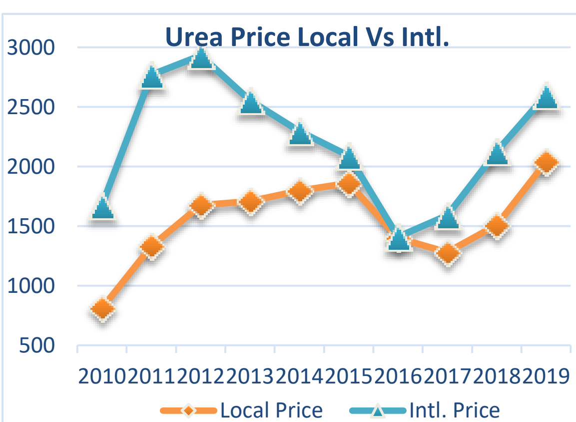


Therefore, most highly used nutrients are nitrogenous fertilizers due to their vital properties and lower prices as compared to other fertilizers.

Urea:

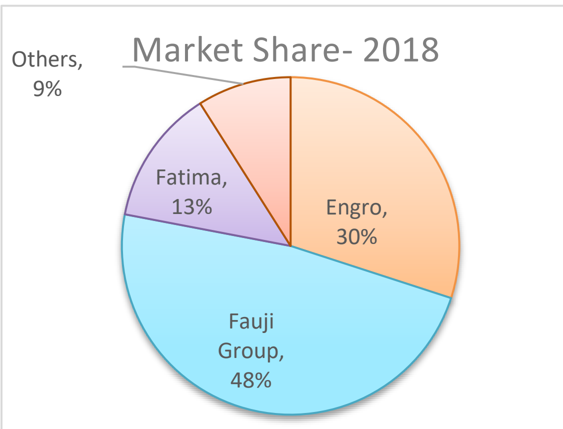
Urea accounts for ~65% of Pakistan's fertilizer Offtake. Key Input Raw Material for Urea is Natural Gas (feed stock), which is also used as fuel (fuel stock) in urea production. Country demand for Urea hovers in the range 5.6-5.8mln tons. Offtake proportion is approx. equal in the two crop seasons – Rabi (Oct- Mar) and Kharif (Apr-Sep). Following 2016, production capacity of the country has been sufficient to meet the demand of urea. However, owing to insufficient availability of indigenous gas, a supply shortfall is created time and again which necessitates provision of imported LNG for urea production or importing urea directly to bridge the demand supply gap.





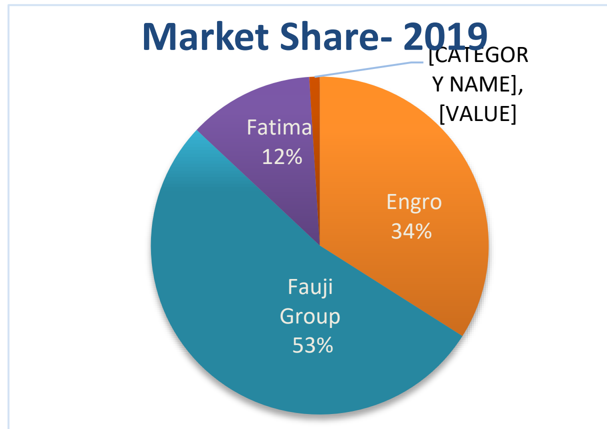
Prices of urea declined in 9MCY19 owing to a supply surplus situation created in the International Market as demand from major consumers (China and U.S) witnessed a slower trend. Local Urea prices continue to remain at a fair discount with the Ex-Karachi Imported urea price. (PKR~560/bag). Impact ofincrease in gas prices has impliedly been passed on to the consumers. In 3QCY19, however, the effect was not transferred in anticipation of GIDC settlement. Following the quarter, fertilizer players increased the urea bag prices accordingly.

Fertilizer Industry is dominated by the 3Conglomerates:Fauji, Engro and Fatima. Fauji Group holds the highest share in urea market (~40% FFC Standalone and ~48% combined with FFBL). Supply situation improved in 9MCY19 as the Government resumed availability of LNG to Fatima-Fert and Agritech plants since 4QCY18. Fatima-Fert contributed ~6% to the urea offtake in 9MCY19 (~2% in CY18).



DAP

FFBL is the only local producer of DAP in the country. The year 2019 opened with a high level of DAP inventory. Additionally, declining prices in the International Market created negative sentiments for forward buying. Imports during 9MCY19, therefore, dropped significantly in relevance to the Supply. Lower offtake is majorly attributed to the rise in local prices, owing to currency devaluation, despite a decline in International prices. Unlike Urea, DAP offtake is more inclined towards the Rabi Season (Oct-Mar), (~60%) in comparison to Kharif season (Apr-Sep) (~40%).



Opportunities

- The government gave a reduction in Gas Infrastructure Development Cess (GIDC) rate by Rs 400 per bag of urea from Rs 405 per bag and projected an increase in feed gas price at Rs 100 per bag. The financial impact of both decisions has been calculated at Rs 300 per bag of urea which implies that the new price of urea will be around Rs 1740 per bag.

- The urea industry, in 2019 witnessed a substantial increase of approximately 8 % versus the prior year, with urea offtake closing at 6.2 million tons. However, this was primarily owing to significant pre-buying by the channel in anticipation of urea price increase post the news of gas price hike recommended by OGRA in December 2019.

- Engro Fertilizers has decided to fully pass on the benefit of the change in GIDC [Gas Infrastructure Development Cess] rates to consumers by reducing the price of each bag of 50kg by Rs160 with effect from February 1. Similarly, the Fauji Fertilizer Company (FFC) will reportedly reduce the rates by Rs300/bag.

∆ The impact of the reduction in GIDC varies for different fertilizer manufacturers, Engro and Fatima Fertilizer claim that the cess does not apply to their plants established under the 2001 policy.

∆ Due to incentive of around $0.70 per mmbtu on feedstock gas, Engro made a massive investment of over $1billion by setting up of a state-of-the-art new fertilizer plant with a capacity of 1.3million tons.

∆ Fertilizers production including nitrogen and phosphate grew by 4.88% and 4.93% respectively during first half of current financial year as compared the production of corresponding period of last year. According the Provisional Quantum Index Numbers of Large Scale Manufacturing Industries (LSMI), over 1.606 million tons of nitrogen fertilizer produced during the period from July-December, 2019-20 as against the production of 1.531 million tons of same period last year.

∆ Fauji Fertilizer Company Limited (FFC) has announced its financial results for the year 2019, declaring a net profit of Rs17.11 billion which translated into earnings per share of Rs13.45 (19% higher than last year). The company attained urea production of 2,492,000 tons while the aggregate sales revenue for the year was Rs105.78 billion.

Threats

∇ Presently, fertilizer industry wants to sell its stocks as early as possible prior to notification of reduction in GIDC rates by Rs 400 per bag and increase in natural gas price projected at Rs 100 per bag but dealers are not willing to receive the deliveries at the higher price. Likewise, farmers are also reluctant to procure urea at the higher price after the government announced it is reducing the rate of GIDC by Rs 400 per bag.

∇ Another complication is that two fertilizer companies, Engro and Fatima, which are still enjoying tax incentives under the Fertilizer Policy 2001, are not ready to reduce their prices from current level of Rs 2040 per bag.

∇ Despite a reduction of price of urea by Rs 400 per bag market sentiment is highly negative, thereby impacting on sales throughout the supply chain including farmers. Such an uncertain market environment in the middle of Rabbi Season is likely to hamper the timely application of fertilizers, impacting negatively on the wheat crop production, besides potentially leading to huge losses to the manufacturers due to prevailing higher cost of production.

∇ FFC took a legal stance on the proposal to prospectively remove/reduce GIDC in full and expressed an inability to pass through its impact but offered to reduce the price of urea by Rs 400 per bag, whereas, Engro Fertilizer expressed its disagreement to the proposal.

∇ The Government failed to take into account that owing to multiple gas pricing frameworks applicable industry wide, the impact of its proposal will differ from one company to another.

FFC, which is priced entirely on Fertilizer Policy gas pricing and will be able to reduce its price in proportion to the decrease in GIDC while Fatima Fertilizers receives its entire gas at concessionary rates in line with the Fertilizer policy 2001 owing to its investment in the fertilizer plant as its feed gas is exempted from GIDC. This implies that fertilizer manufacturers will decrease urea prices at different rates and this disparity will only create confusion in the market.

∇ The two fertilizer plants, which are closed due to non-availability of natural gas, have approached the government, requesting supply of LNG which is $ 2.5/Mmbtu to bridge expected shortfall in production of urea. LNG has been provided to M/s FatimaFert (FFT) and Agritech (AGL) at a subsidized rate during 2019 as a result of which supply side remained stable and no urea shortage occurred. Both urea plants, i.e. FFT and AGL are closed as natural gas is not being supplied to them. If the government agrees to allow import of LNG, these plants will start production which will add 800,000 tons of urea otherwise a likely shortage of up to 500,000 tons is anticipated against potential demand of 6.2 million tons.

Outlook

Reduction in GIDC will ideally bring down urea prices. However, as the pattern of accruing GIDC is not consistent within the Industry players, the reduction may bring positive, neutral or negative impact to different manufacturers accordingly. The following elements are imperative:

- Overall mechanism of the GIDC scheme, including settlement of the accrued balances.
- Quantum impact on the price per urea bag.

Hike in Gas Price: Side by side, a speculation regarding increase in gas price is expected to partially offset the downward revision of GIDC impact.

Global DAP Prices have been on a declining trend through 2019 owing to reduced demand from the major economies including India, China and the US. Outlook on the Global Pricing is dependent on the global demand situation. Prices, though, currently at a declining trend, are therefore expected to normalize in 2020. **Outlook is stable.**

FINANCIAL INSTITUTIONS

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	19	
			2018-19	**2017-18**
A.	Industry Sales	Act/Est	725,268	619,141

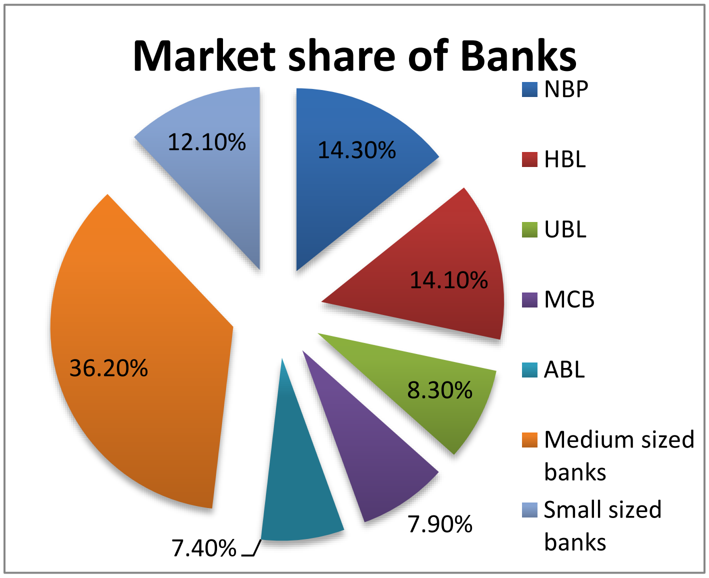
			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	PBT	Act/Est	286,879		
C.	Financial Charges	Act/Est			
D.	PAT	Act/Est	167,970		

			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	30,930,789		
F.	*Current Assets*	Act/Est			
G.	*Cash & Bank Balances*	Act/Est	1,817,381		
H.	*Trade Debtors*	Act/Est			
I.	*Short Term Investments*	Act/Est	8,395,087		
J.	*Total Equity*	Act/Est	1,446,309		
K.	*Current Liabilities*	Act/Est			
L.	*Total Liabilities*	Act/Est	18,584,480		

FINANCIAL INSTITUTIONS

Sector overview

The banking industry in Pakistan constitutes 20 private and 5 public sector commercial banks. Industry classification is done on the basis of market share in domestic deposits. Banks have been classified into 3 categories: Large Banks (market share > than 6%), Medium Banks (market share ranging between 3-6%) and Small Banks (market share < than 3%).



The Pakistani banking industry continues to be characterized by its reliance on the Government of Pakistan (GoP) for lending operations and profitability. In turn, GoP remains reliant on borrowing from commercial banks, to meet fiscal shortfalls. This relationship is particularly captured by the fact that sovereign debt issuances constitute roughly a third of the sector's asset base, with the ratio increasing to 40%, if public sector advances are taken into account. As a result, domestic credit to private sector, in Pakistan, remains one of the lowest in comparison to regional counterparts.

In recent years, Pakistan has achieved numerous milestones in bringing a larger chunk of the unbanked population under the financial inclusion umbrella and digital banking has had a significant role in this. The year 2019 was declared as the year of big changes in the banking industry by the State Bank of Pakistan. SBP also released a new digital payment adoption strategy that promotes financial inclusion to the masses in the country with a particular focus on women.
The banking sphere in Pakistan remains limited. Only 21% of the population has an active bank account of which merely 7% are women. Cash transactions heavily dominate Pakistan's $300 billion+ economy with salaries, merchant to distributor payments and normal day to day transactions all happening in paper form. Pakistan's financial inclusion ratio is one of the lowest in the region and also amongst the countries in the same economic standing. To put it into perspective, the segment of population with a bank account in India is more than 80%.

The State Bank of Pakistan is partnering with local financial institutions which include both retail and microfinance banks to change the situation at hand. The SBP's new Digital Financial Inclusion strategy aims to improve the country's economy by 7% and create 4 million jobs in the process. Private sector banks are playing their role by creating opportunities for consumers to access more financial services through digital banking channels.

Opportunities

- Pakistan's banking sector recorded Rs177 billion in profits in 2019, a 20% increase in levels from the previous year.

- ∆ The banks saw a jump in earnings in spite of economic slowdown. The profits were driven by higher net interest income. Tight monetary policy pushed the net interest income up to Rs620 billion in 2019 from Rs486 billion a year earlier.

- ∆ In absolute terms, the highest yearly profit was earned by MCB Bank Limited (Rs23.8 billion) followed by United Bank Limited (Rs19 billion) and National Bank of Pakistan (Rs16.6 billion.

- ∆ However, in terms of earnings growth, BankIslami Pakistan Limited came out on top with 247% growth followed by Meezan Bank Limited with 73% and Askari Bank Limited with 58% growth.

- ∆ In Pakistan, rising interest rates bode well for banks as 34% of deposits are non-remunerative (current deposits on which banks give no return) that leads to a higher spread.

- ∆ However, the forex income improved by Rs7 billion or 20% as the banks capitalized on the volatile exchange rate in 2019.

- ∆ Cost to income for the year declined to 57% last year from 60% in the previous year. Besides above average increase in income, a number of banks exercised cost rationalization measure in order to endure the current economic slowdown.

- ∆ Provisions for the listed banks have increased by 63% to reach Rs44 billion in 2019. This increase has been a mix of diminution in value of investments and loan related charges.

- ∆ According to Moody's, the country's "sovereign credit profile has improved in recent months, benefiting the banks through their high exposure to government securities, which account for around 40% of their assets”.

- ∆ Government unveiled a plan to borrow more than Rs3 trillion from banking sector to finance budget and pay for maturity during the next two months, a major proposed debt accumulation since the signing of IMF’s reforms program last year that restricts credit from the central bank.

- ∆ The State Bank of Pakistan (SBP) planned to borrow Rs2.6 trillion from banks through short-term bills, having maturity of up to one year and Rs320 billion on fixed interest rate and Rs150 billion on floating interest rates through long-term instruments, having maturity of 20 years, during the March-May period. The government has to pay back Rs2.3 trillion and Rs389 billion on account of maturing short- and long-term debts, respectively.

Threats

- ∇ Banks’ non funded income has increased by a mere 7%. Prime reason for the limited increase was the lack of capital gains given the underperformance of the market. Secondly, given the tough economic conditions, lower payouts resulted in lower dividend income from portfolios.

- This time in falling interest rate scenario, banks' net interest margins (NIMs) would come under pressure sooner as they have not managed to invest fixed coupon high yielding long tenor Pakistan Investment Bonds as compared to last time.

- The continued designation of Pakistan in the grey list by the Financial Action Task Force (FATF) is, to say the least, quite disturbing. According to Moody's Investor Service, a top credit rating agency in the world, "Pakistan's continued presence on the list of jurisdictions – commonly known as grey list is credit negative for its banks". The decision is credit negative for banks because such a designation would raise questions about potential additional restrictions relating to banks' foreign currency clearing services, as well as their foreign operations. Banks' profitability risks would also increase due to increased compliance and operational costs. Unfortunately, however, the FATF has also warned in its latest report that it urges its member countries to increase their attention when conducting business transactions with Pakistan if the government of Pakistan, its regulatory body and other stakeholders of the financial system, fail to complete the action plan to combat terrorist financing by June, 2020.

- Due to slowdown caused by the virus, the banks would have to bear burden of more non-performing loans, deferred mark-up payments, lower capital gains or higher capital loss due to emerging stock market position, lower import and export business, higher operating cost and additional expenses to provide COVID-19-free healthy and safe workplace, provision of free online services etc.

- Pakistan's banking sector spread fell by 33 basis points on a month-on-month basis to 5.37% in February 2020. This is the lowest figure since April 2019.

- In wake of the COVID-19 pandemic, the State Bank of Pakistan cut the policy rate by 625 basis points from 13.25% in March 2020 to currently at 7%.

- The rapid reduction in the policy rate, along with the decision to narrow the floor rate from 150 basis points below the policy rate to 100 basis points (so 10%), will negatively affect spreads.

Outlook

The sovereign credit profile of Pakistan has improved in recent months, benefiting the banks through their high exposure to government securities, which account for around 40% of their assets. The economic activity in the country will be supported by the 'ongoing infrastructure projects and improvements in power generation and domestic security'. The government's decision to depreciate the rupee and trade gains may raise private investment from the current low levels in the country. **Outlook is stable**.

FOOD, BEVERAGES & CONSUMER PRODUCTS

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	21	
			2018-19	**2017-18**
A.	**Industry Sales**	Act/Est	331,129	290,087

			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess	■		

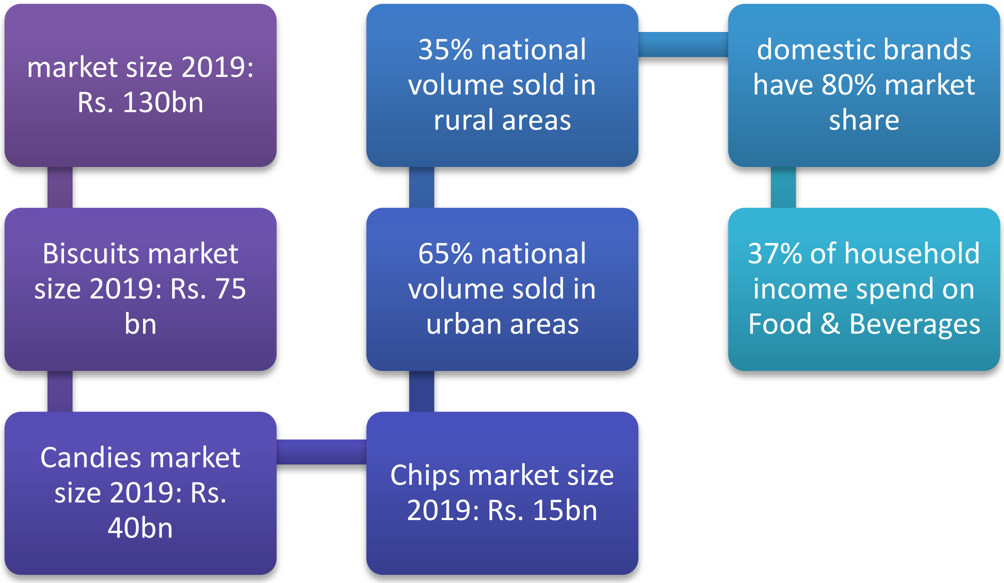
B.	**PBT**	Act/Est	19,105
C.	**Financial Charges**	Act/Est	9,432
D.	**PAT**	Act/Est	10,109

			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess	■		

E.	*Total Assets*	Act/Est	223,859
F.	*Current Assets*	Act/Est	113,994
G.	*Cash & Bank Balances*	Act/Est	9,546
H.	*Trade Debtors*	Act/Est	16,734
I.	*Short Term Investments*	Act/Est	1,910
J.	*Total Equity*	Act/Est	79,287
K.	*Current Liabilities*	Act/Est	134,047
L.	*Total Liabilities*	Act/Est	172,144

FOOD, BEVERAGES & CONSUMER PRODUCTS

Sector Overview



Opportunities

- Pakistan water purifiers market was valued around $ 350 million in 2019 and is projected to reach $ 528 million by 2025 on account of deteriorating ground and surface water quality, increasing urbanization & industrialization, coupled with rising concern about increasing incidence of water borne diseases across the country.

- Furthermore, growing popularity of water purifiers among the population coupled with increasing consumer spending are positively impacting the growth of market. Additionally, increase in spending by the key players, technological advancements and new product launches are expected to further propel the growth of market until 2025.

- Pakistan's strength is a 100% Halal production base with over 200 million consumers in Pakistan and a direct access to millions Halal consumers in Central Asia, Middle East and Europe. Pakistan has great opportunity to grab its share of global Halal product market by enhancing its production and improving quality.

- Nestlé has invested $22 million in a new juice plant at its facility in Sheikhupura, Pakistan. The plant, which has a capacity of 24,000 units per hour, will produce the Nestlé Fruita Vitals portfolio of juices, nectars and drinks.

- The news follows a series in investments by food and beverage companies in Pakistan in recent months. The government announced last year that PepsiCo will spend $1.2 billion and Coca-Cola will invest $200 million in the country. In January, Cargill said it would invest $200 million in Pakistan in the next three-to-five years.

- ∆ The merger and acquisition activities are picking up. Nothing can beat the promising youth bulge, that is to be fed, and junk food intake is increasing in Pakistan. Rumor has it that Shan Foods is selling its majority stake, and Unilever may well be a potential buyer. The news of spice making company selling stakes has spiced things up at PSX- even though the company is not listed. The valuation is said to be around $250 million and the deal could be around $150 million for a majority 60% stake.

- ∆ Apparently, Shan Foods is not the only company up for sale. A few other emerging brands are up for sale and both local and foreign investors, including Pepsi Co have shown interest in buying. The brands are in various businesses including Fauji Meat. And one of the deals is said to be close to 2 times the sale. Fauji Group was looking to sell its whole food operation as managing brand and running FMCG business is different from traditional fertilizer or transportation businesses. However, negotiations with the buyer could not culminate, but its meat business is probably going to be sold soon.

- ∆ The processed food business is thriving in Pakistan. The products are cheap, and the young population is huge. One of the emerging markets is of potato and corn-based snacks where Pepsi Co is dominating the market. According to Euro Money data, Pepsi Co share in the local market of potato was 59.4 % in 2018.

- ∆ Companies like Pepsi Co go a long way in creating the value chain of the industry as in case of potato chips, the company helped in making complete chain from farm to end consumer. Such revolutions are seen by Nestle and others dairy business, and the deal of Engro Foods and FrieslandCampina at $447 million is not that old.

Threats

- ∇ Volume of international Halal food trade was well over US $ 3 trillion but Pakistan had a meager share despite having all resources for becoming market of Halal food for the world. Global Halal food market was becoming one of the fastest growing markets. Despite having best strategic position, dynamic Halal food sector and direct gateway to the millions of consumers in Central Asia and Middle East, Pakistan's share in international Halal food trade was negligible while even a number of non-Muslim countries like Thailand were leading in this sector that should be a matter of concern for the Muslim countries.

- ∇ There is a high chance that the imposition of new taxes might lead to closure of the beverages industry resulting in job losses, besides hampering efforts to lure foreign investments into the country. The beverage industry is already contributing Rs100 billion to the exchequer by way of output tax through federal excise duty and sales tax, while the net revenue collection by the government comes at around Rs60 billion a year, which is apart from income tax, withholding taxes, super tax and other provincial taxes. "New taxes would significantly dent the government's revenue and render hundreds of thousands jobless. The government is considering health tax, water surcharge and new federal excise duty on beverages and juices in the next budget.

- Economic slowdown cannot be doubted. The LSM index is down to Nov-15 levels, and inflation is in double digits after long. The documentation efforts have dented the sales while cost push factors hurt the bottom-line of FMCG companies in the food business. Big companies are taking cost cutting measures- by consolidating the value chains and firing employees.

Outlook

The economic slowdown of 2019 has adversely affected majority of the sectors, however in the second half some correction was seen, where the market index regained growth, the exchange rate stabilized, and business environment saw positive sentiments. While uncertainty still prevails and GDP growth rate has been lower than before, it may take a while for disposable income to recover. **Outlook is stable.**

GLASS & CERAMICS

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	7	
			2018-19	**2017-18**
A.	Industry Sales	Act/Est	28,225	35,943

			High (>15%)	Medium (5-15%)	Low (<5%)
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	PBT	Act/Est	3,853
C.	Financial Charges	Act/Est	244
D.	PAT	Act/Est	3,474

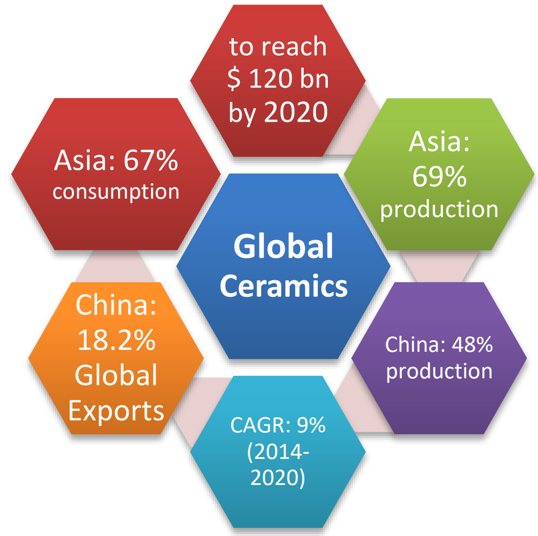
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	Act/Est	50,235
F.	*Current Assets*	Act/Est	19,713
G.	*Cash & Bank Balances*	Act/Est	1,141
H.	*Trade Debtors*	Act/Est	4,369
I.	*Short Term Investments*	Act/Est	4,066
J.	*Total Equity*	Act/Est	23,489
K.	*Current Liabilities*	Act/Est	16,938
L.	*Total Liabilities*	Act/Est	22,278

GLASS & CERAMICS

Sector Overview

Ceramic Tiles Industry emerged in Pakistan in 1978. First Tiles Manufacturing unit was established in Karachi by Shabbir Tiles & Ceramics Limited. The industry is a sub-sector of "Non-metallic Mineral Products" Sector included in Large-Scale Manufacturing.

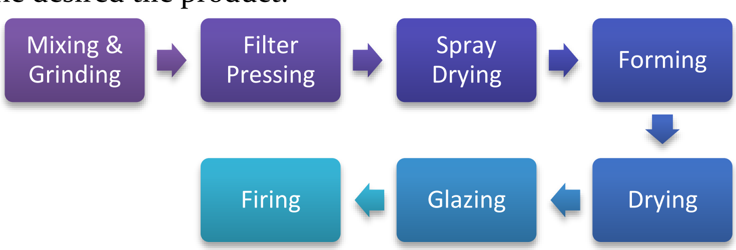


There is an immense potential for growth available to the Industry, which is highly dependent on the growth of construction sector of the Country. Actual potential of the domestic industry stands at ~400 million square feet of tiles per annum. The Demand for Ceramic tiles has a positive outlook & is likely to increase in the future.

Import gap filler of ~52% of the total demand due to underutilized domestic industry. Major Raw Materials used in the production of tiles are clay, natural minerals such as feldspar and quartz that are used to lower the firing temperature, natural Gas and chemical additives that are required for the shaping process.

Process flow of ceramics

The Raw Materials are pulverized and crushed according to particle size before mixing and grinding them. For many ceramic products, including tiles, the body composition (including color of the tile) is determined by the amount and type of raw materials. Therefore, raw materials are batched according to their weights and composition before being mixed together in order to get the desired tile product.



Once the ingredients are weighed, they are added together into a mixer. Sometimes, it is necessary to add water to improve the mixing of a multiple-ingredient batch as well as to achieve fine grinding. The excess water is usually removed via spray drying. Afterward, the tiles are formed using various techniques depending on the output such as dry pressing, ram pressing or pressure glazing ϖ The tiles are then dried again, glazed and finally heated intensely to strengthen them and give them the desired porosity.

Opportunities

- ∆ The first foreign ceramics factory has started the construction of its one-of-a-kind ceramics unit with an investment of $70 million in Bhalwal Industrial Estate. The project is managed by Punjab Industrial Estates Development and Management Company. PIEDMC has allotted 37 acres of land to a prominent Chinese company for the purpose. The ceramics unit is expected to be operational by March 2020.

∆ At present, Pakistan imports ceramics from different countries, which is expected to come down after the Chinese unit is operational. This is a great sigh of relief, as it will also help generate employment in the area. It is worth mentioning that the Bhalwal Industrial Estate was recently awarded 'Special Economic Zone' status by the federal government.

Threats

∇ Sales of local ceramics and tiles have improved after the imposition of anti-dumping duty on Chinese substitutes, but smuggling and high cost of energy and transportation are marring the fair competition and government's revenue collection.

∇ Tax rebates and incentives announced for new manufacturers in the proposed industrial zones under the China-Pakistan Economic Corridor framework would disturb the balance in the industry. Existing manufacturers have invested significant capital mainly in machinery and development of human resource

∇ The major market share has been grabbed by tiles being imported or smuggled in the country from China, Iran and the UAE. Tiles are being smuggled from Iran. Since they are inferior in quality and cheap, if imported through proper channel the duties and sales tax on duty-paid value would make them uncompetitive and help boost local industry and earn revenue for national kitty.

∇ Transportation charges increased after the National Highways Authority imposed new restrictions on weight-carrying capacity of trucks on highways and motorways hurting industry's bottom line. The government recent decision of axle load restrictions in absence of a proper road infrastructure master plan and a transportation regulatory body has significantly raised costs of transportation for raw materials and finished goods.

∇ Currently, Pakistan stands at 0.53 square meters per capita. In Asia alone, China and Iran use and manufacture most of the tiles at 3.55 and 3.49 square meters per capita, followed by Malaysia at 3.17, Turkey at 2.70 and Indonesia at 1.56.

∇ The tile industry is Pakistan does not have ensured and quality inputs, Hassan reiterates. There are no labs to test the raw material and even the slightest change can be disastrous for tile manufacturers. A tile in Pakistan will sell for a higher price only if the design is good and will be sold extremely cheap if the design is old or not according to the customer's demand, even if the tiles are of exactly the same quality. That is the importance of design in this sector

∇ The current demand of the structured segment of the tile industry in Pakistan is somewhere between 115 million square meters to 120 million square meters. Meanwhile, the installed capacity in Pakistan is only 70 million square meters in Pakistan. So, the remaining amount is fulfilled by imported tiles.

Outlook

The year 2019 saw a challenging environment with reduction in business activity especially the construction industry. The coming year also have challenging period due to high inflation, rupee devaluation and increasing energy costs. **Outlook is tenuous.**

INFORMATION TECHNOLOGY

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act**/Est	2	
			2018-19	**2017-18**
A.	**Industry Sales**	**Act**/Est	8,641	9,752

			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

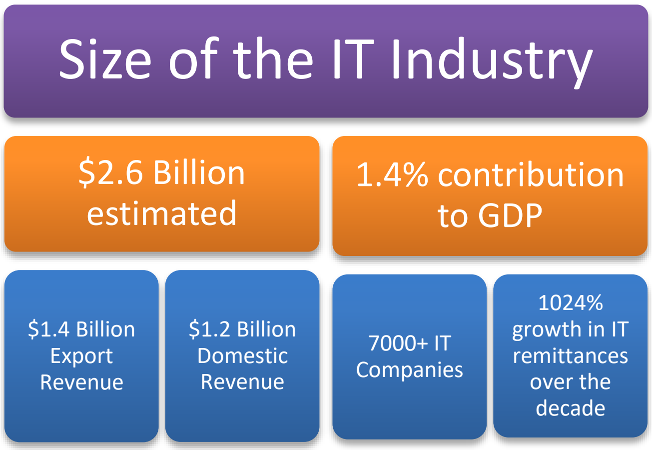
B.	**PBT**	**Act**/Est	1,658
C.	**Financial Charges**	**Act**/Est	277
D.	**PAT**	**Act**/Est	1,484

			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			

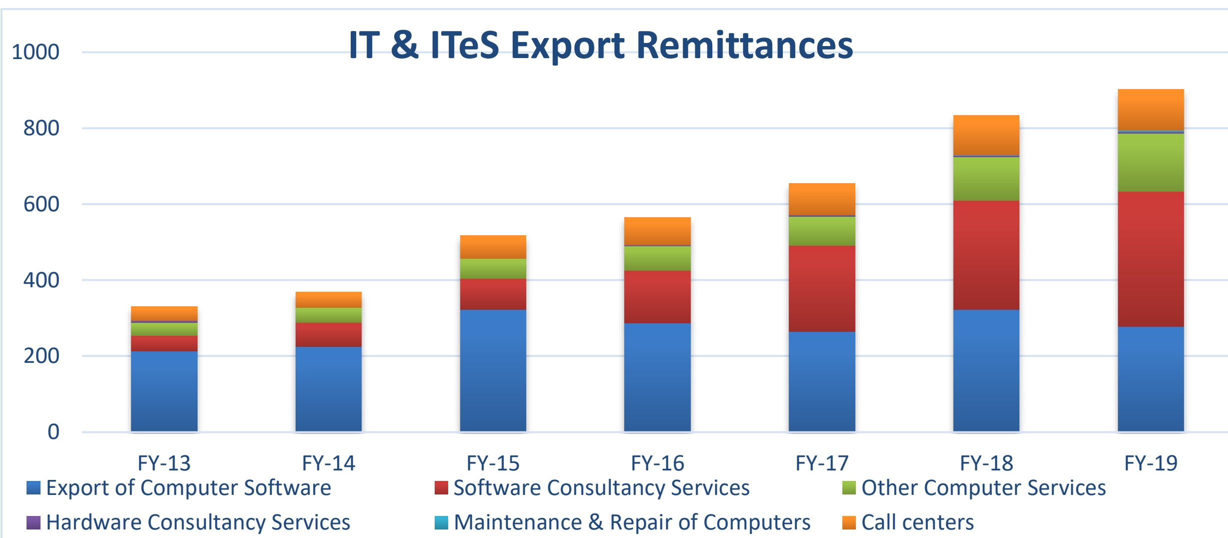
E.	*Total Assets*	**Act**/Est	24,866
F.	*Current Assets*	**Act**/Est	8,239
G.	*Cash & Bank Balances*	**Act**/Est	2,130
H.	*Trade Debtors*	**Act**/Est	3,014
I.	*Short Term Investments*	**Act**/Est	38
J.	*Total Equity*	**Act**/Est	10,352
K.	*Current Liabilities*	**Act**/Est	10,264
L.	*Total Liabilities*	**Act**/Est	14,513

INFORMATION TECHNOLOGY

Sector Overview



INDUSTRY SCOPE



Opportunities

- Pakistan information technology sector exports witnessed 14% growth in the 1st quarter (July-September) 2019-2020 and remained $234.607 million compared to $205.797 million during the same period of the last year.

- The number of PSEB registered IT and IT enabled services companies has risen to 2,059 as of September this year, as compared to 1,820 valid registrations by September 2018, showing a growth rate of 13.13 %.

- ∆ Government has launched "Digital Pakistan" initiative with the aim to provide a platform to Pakistani youth become independent and drivers of economic growth. Under the Digital Policy the government was aiming to increase the size of Pakistani Information and Communication Technology (ICT) industry to US $ 20 billion in the next few years.

- ∆ Jazz Pakistan has launched "Internet for all" campaign that includes affordable mobile phones with internet connectivity for social media, Jazz Cash and the Prime Minister's Citizens Portal. The provision of this service will help enable citizens to undertake economic activity at small and medium scale and will promote good governance.

- ∆ Pakistan's IT & IT-enabled Services (ITeS) export remittances, including telecommunication, computer and information services, have surged to $887.470 million, showing a growth rate of 26.24% during the 1st 8 months of the fiscal year 2019-2020 as compared to $702.990 million during the same period last year.

- ∆ Maximum facilitation and strong incentives are being provided to the IT industry. PSEB is supporting 18 companies this year with coveted international certifications such as ISO27001, ISO20001, and CMMI Level-2 & 3. Almost ten companies have achieved certifications while the rest are in progress.

- ∆ Furthermore, PSEB has facilitated nearly 70 IT companies over the past 8 months to contribute in numerous events and trade fairs held in Canada, China Dubai, Norway, Saudi Arabia and USA.

Threats

- ∇ Export revenues of only 30% of the total 3,228 ICT exporting entities came from computer software during FY18; the rest had either limited or no product orientation, as they generated revenues only from low value-added services (e.g. call centers). From FX generation perspective, this dominance of low value-added services is not favorable. The breakdown of FY18 data suggests that the average receipts from software exports (across firms) were more than double the average receipts from other ICT exports. Therefore, it is not surprising to see that only 56 firms had exports of US$ 2 million and above, as an overwhelming majority of firms could not even fetch US$ 0.1 million receipts during the year.

- ∇ Estimates place the total size of Pakistan's ICT exports at around US$ 2.5 billion. Of these exports, registered firms using formal banking channels to collect export receipts account for around US$ 1 billion (as captured in Table S2.1). However, roughly US$ 1 billion is attributed to SME exports in the grey market, and the remaining US$ 0.5 billion is accounted for by freelancers in the IT and IT-enabled services (ITES) space that serve international clients.

- ∇ While the major stakeholders – including Pakistan Software Export Board (PSEB), associations, and industry analysts – provide different estimated figures pertaining to the undocumented exports, a common narrative prevails when it comes to reasons behind the under-representation of receipts in the official statistics.

- First, the absence of PayPal – the most widely used payment method across the globe, and which both employers and freelancers consider relatively more convenient, cheap and safe – is a major concern. Therefore, a number of ICT and business process outsourcing (BPO) firms prefer to receive their revenues using money transfer organizations like Western Union, with some even preferring to have their revenues deposited in banks outside Pakistan to avoid the associated transfer costs. In the case of former, the export receipts reflect as workers' remittances, whereas in case of latter, these earnings remain unrecorded altogether.

- Second, anecdotal evidence also suggests that some firms and individuals themselves bypass proper documentation in order to either stay under the radar of tax authorities or avoid the hassle of filling out SBP's Form 'R' (considered both cumbersome and redundant). Furthermore, most firms simply opt out of negligence and lack of awareness about the proper export procedures.

- Within the ICT sector, call centers are considered low-end services as these jobs pay on average around half of what may be earned under the software development segment. Irrespective of this, these services hold significance for developing economies because these can generate employment at a very large scale. Pakistan had made a very late entry in this outsourcing industry, as an inadequate telecom infrastructure and slow pace of skill-building of the human resource did not allow it to capitalize on significant expansions in the global BPO industry that started a couple of decades ago.

Outlook

To facilitate freelancers and the BPO industry, SBP has recently allowed commercial payments - both B2C and C2B - through the bulk payment processing channel under the Pakistan Remittance Initiative (PRI), which may not perfectly substitute PayPal but can potentially provide some relief in the form of lower financial charges relative to other channels. Such efforts would help improve industry's fundamentals going forward. **Outlook is stable.**

LEATHER PRODUCTS

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	5	
			2018-19	**2017-18**
A.	**Industry Sales**	**Act/Est**	41,031	56,918

			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act/Est**	3,522
C.	**Financial Charges**	**Act/Est**	640
D.	**PAT**	**Act/Est**	2,609

			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act/Est**	29,399
F.	*Current Assets*	**Act/Est**	19,908
G.	*Cash & Bank Balances*	**Act/Est**	1,655
H.	*Trade Debtors*	**Act/Est**	5,533
I.	*Short Term Investments*	**Act/Est**	Nil
J.	*Total Equity*	**Act/Est**	12,802
K.	*Current Liabilities*	**Act/Est**	13,168
L.	*Total Liabilities*	**Act/Est**	16,926

LEATHER PRODUCTS

Sector Overview

Leather is a by-product of the meat industry and its main source of raw material is cattle hides and skins. It is the primary product of tanning sector and is further processed by value adding industries such as footwear, garments, furniture and automotive. Tanning is the process of treating skins and hides of animals, mostly cattle, to produce leather. Historically, the tanning industry was characterized by small or medium-size family businesses. However, with increase in demand of tanned leather and finished leather products, tanning processes evolved with the formation of larger players in the industry. Today, there are various ways for tanning hides and skins into leather. The quality of hides/skins is largely affected by the livestock management processes, slaughtering expertise, preservation methods and grading techniques through which they are produced.

Leather Exports: 4.4% of total Exports

Export Value: $1,067 Million (2017)

Total Tanneries: 2500 (Regt.+un Regt)

800 (Registered)

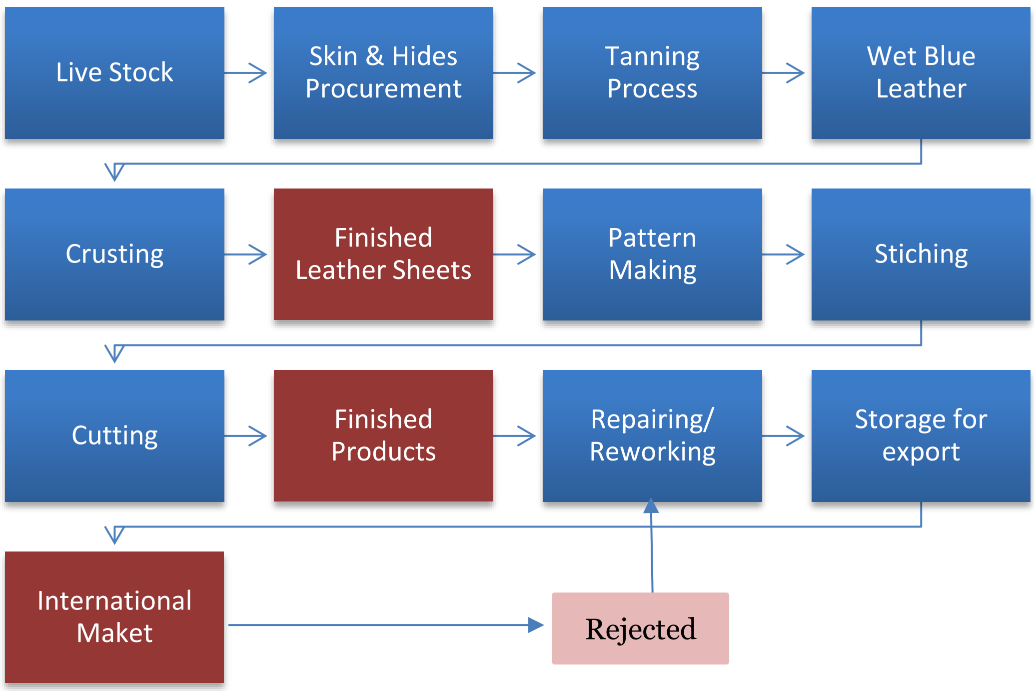
Concentartion: ~90% in Sialkot & Karachi

Pakistan has a well-established leather industry with abundant supply of raw material. More than 800 tanneries produce finished leather for both exports as well as for domestic consumption in the country. The leather industry in Pakistan is largely export-oriented with top 25 tanneries contributing around two-thirds of total share. Large tanneries are located in three main clusters around Karachi, Lahore and Sialkot. According to Pakistan Bureau of Statistics, leather industry ranks the second biggest export-oriented industry of the country after textiles. Moreover, Pakistan's share in world leather trade is almost 1%.

Leather exports from Pakistan can be categorized under 5 broad categories:

1) Gloves
2) Finished leather
3) Footwear
4) Garments and
5) Other leather goods.

Value chain process map-leather & leather products



Opportunities

- ∆ The mega project of Sialkot Tannery Zone is expected to be completed soon. The project of Sialkot Tannery Zone will be a landmark achievement of public-private partnership in Sialkot. After completion, the project will significantly relieve the local population of water contamination and other environmental issues as well as introduce further development of leather industry in Sialkot. The project of Sialkot Tannery Zone would be completed soon and all the 250 tanneries would be shifted to this zone for saving Sialkot city from hazardous environmental pollution being caused by these tanneries on large scale.

- ∆ During the 1st 6 months of the current fiscal year Pakistan's leather goods exports grew by 11.1% compared to similar period in the previous year. During the period July-December 2019, the country exported leather goods with a total value of 274.8 million US dollars compared to exports worth 247.4 million US dollars registered in the first semester of the preceding fiscal year.

- ∆ Exports of leather garments increased by 11.9% during the period, going from 134.5 million US dollars to 150.5 million US dollars. The same source indicated that exports of tanned leather in the 1st 6 months of the year totaled revenue of 104.2 million US dollars, which compares to 128.3 million US dollars in similar period in the previous year (a decline of 18.7%).

Threats

- ∇ Despite experiencing an upward trend in terms of production over the years, the leather industry is afflicted by a host of external and internal problems causing the exports to decrease. On the external front high prices of the finished goods, slackness in international demand, and continuous market recession in the Euro Zone led to a rapid decline in the international market share.

- Internally the industry is facing a host of the challenges including high cost of doing business, ineffective supply chain, low-skilled human resource, lack of modern technology, and inadequate government support.
- The industry was having advantage in availability of raw materials owing to existence of livestock at large scale in the country. However, the supply of raw material is severely affected due to smuggling of huge number of live animals to other countries like Afghanistan and Iran. Consequently, the cost of production escalated. Such trend further causes to deteriorate the industry's export performance.
- The emerging trend of shirking supply of raw materials is coupled by an inefficient supply chains resulting in wastage of raw materials. Hides and skins demand a proper and timely treatment to make them useful for tanning purposes without deteriorating the quality. A large quantity of raw hides and skins were damaged on the Eid season during fiscal year 2017-18, due to high temperatures and insufficient preservation alternatives.
- Moreover, negligence and absence of technical skills lead to quality deterioration of leather at pre-slaughtering, during slaughtering and post-slaughtering stages. This has not only negatively impacted the production potential of the industry but has increased its dependence on import for raw hides.
- Another factor adding to the cost of doing business is the suspension of water supply to the leather industry clusters. For instance, the tannery zone of Korangi Industrial Area – where the major leather and leather goods exporting units exist, is facing this issue which has hinder the industry to realize its production potential ultimately affecting the exports of leather and leather products adversely.
- 40% factories of the industry are already closed their business operation and remaining are functioning @ 50% out of their total production capacity, which is reflected in the export figure for the financial year from July 18 to June 2019, which is recorded (-11%) based on PBS, which could be expanded in negative by the end of first quarter of financial year up to December 2019, which would certainly be alarming to the helm of the Government affairs.
- Pakistan's leather sector is in trouble and export earnings of leather and leather products have been on the decline. Exports of leather and leather products stood around $1.22 billion in FY08 but they kept falling over the next 5 years before rising once again to $1.27 billion in FY14. That became possible after Pakistan was accorded the GSP Plus status by the European Union in 2013. However, in the following 5 years, exports of leather and leather products declined gradually and slipped below $850 million in FY19.

Outlook

The industry will continue to sustain itself in the coming years due to its established share in the global market, and due to continued demand from the local market. However, due to the global recessionary condition's local macroeconomic conditions, **the outlook remains tenuous to negative**.

MACHINERY & EQUIPMENT

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	3	
			2018-19	**2017-18**
A.	**Industry Sales**	**Act/Est**	25,195	33,177

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act/Est**	1,659
C.	**Financial Charges**	**Act/Est**	196
D.	**PAT**	**Act/Est**	1,042

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act/Est**	31,571
F.	*Current Assets*	**Act/Est**	21,957
G.	*Cash & Bank Balances*	**Act/Est**	663
H.	*Trade Debtors*	**Act/Est**	12,287
I.	*Short Term Investments*	**Act/Est**	Nil
J.	*Total Equity*	**Act/Est**	14,566
K.	*Current Liabilities*	**Act/Est**	15,653
L.	*Total Liabilities*	**Act/Est**	17,005

MACHINERY & EQUIPMENT

Sector overview

Whereas industries across the world have long been investing heavily in most modern machinery to boost productivity, a large number of Pakistani industries are apparently shy of following suit.

In the country, very old ginning machines, textile power looms, printing presses, grain milling units and leather processing facilities are still in operation. As a result, it faces higher-than-world average wastage and lower per-unit production in all these areas of manufacturing.

Replacement of old machinery with the latest ones requires a timely assessment of whether old machines are still worth keeping and a smart projection of return-on-investment of the intended replacement. That, in turn, not only requires capable engineering staff but also a farsighted management.

Opportunities

∆ The government has exempted import of 61 diagnostic support and personal protective equipment (PPEs) from all duties and taxes for a period of three months in order to reduce the rising prices in the domestic market.

∆ The government has also allowed the use of non-utilized amount of the World Bank-funded projects worth $40 million for purchase of COVID-19 equipment.

∆ To better develop the agriculture sector, the Government of Pakistan, both at the federal and provincial levels, has launched several programs and incentives to modernize and expand existing capacity. These initiatives include easy and long-term credit facilities, farmer education programs, and subsidized inputs. In addition, the government through budgetary support programs offers low taxation programs on agricultural machinery to boost agricultural modernization.

Threats

∇ Domestic industry has the indigenous capacity to produce agricultural machinery and equipment to meet only 15% of the country's total requirements. Production is expected to increase by 8% to 10% annually over the next 4 to 5 years as local manufacturers, spurred by the increase in demand, gear their output and diversify their product lines. Most of the locally produced machinery is based on outdated technology and its efficiency is low. A wide variety of more sophisticated equipment is imported, but agriculturists prefer replacement and spare parts manufactured locally due to the relatively low cost of domestically manufactured equipment.

∇ Whereas industries across the world have long been investing heavily in most modern machinery to boost productivity, a large number of Pakistani industries are apparently shy of following suit. In the country, very old ginning machines, textile power looms, printing presses, grain milling units and leather processing facilities are still in operation. As a result, it faces higher-than-world average wastage and lower per-unit production in all these areas of manufacturing.

- In Pakistan, the work culture in many industries is Seth-oriented, leaving little room for expert engineers and qualified managers to give honest feedback, let alone take independent decisions. That is the main reason for industrial backwardness.

- As part of the agricultural census of 2010, there are some statistics available for the agricultural machinery but details of the industrial machinery in terms of their age and redundancy are missing. In the absence of dependable data on the available stock of industrial machinery, yearly foreign currency spending on imports of such machinery can be a helpful proxy to understand how quickly industrialists are replacing old plants and machines with the new ones.
- A more important issue is that except for three categories of machinery i.e. textile machinery, agriculture machinery and construction and mining equipment, all other types of machinery imported are not used exclusively and extensively in the industrial value chain. Imports of mobile phones and office machinery are two handy examples. Clearly, there is a need for stocktaking of available plants and machinery in use of different industries, identifying the plants and machinery that have become obsolete, replacing ageing machinery with new modern versions and formulating a policy for modernizing Pakistani industries with the help of newer machinery and more modern technologies.

- Apart from low investment in traditionally modern machinery, the country also lags behind in investment in business skills, tech skills and data skills – the three components of Global Skills Index (GSI) that measures productivity of a nation. Pakistan occupies 57th position among 60 countries whose GSI rankings were released in the 2019 GSI report. China and India occupy 36th and 50th positions respectively. Obviously, there is a need to lift Pakistan's GSI ranking and that is possible only if investment is made in both human capital and machinery.

Outlook

Pakistan's engineering sector has continued to suffer from low investment in both public and private-sector engineering enterprises as well as from the dearth of professional engineers. High fiscal deficits make it difficult for governments to pour money into the engineering sector. The private sector also does not bother to pump extra funds into the capital-intensive engineering industry. **Outlook remains tenuous.**

METALLIC PRODUCTS (IRON & STEEL)

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

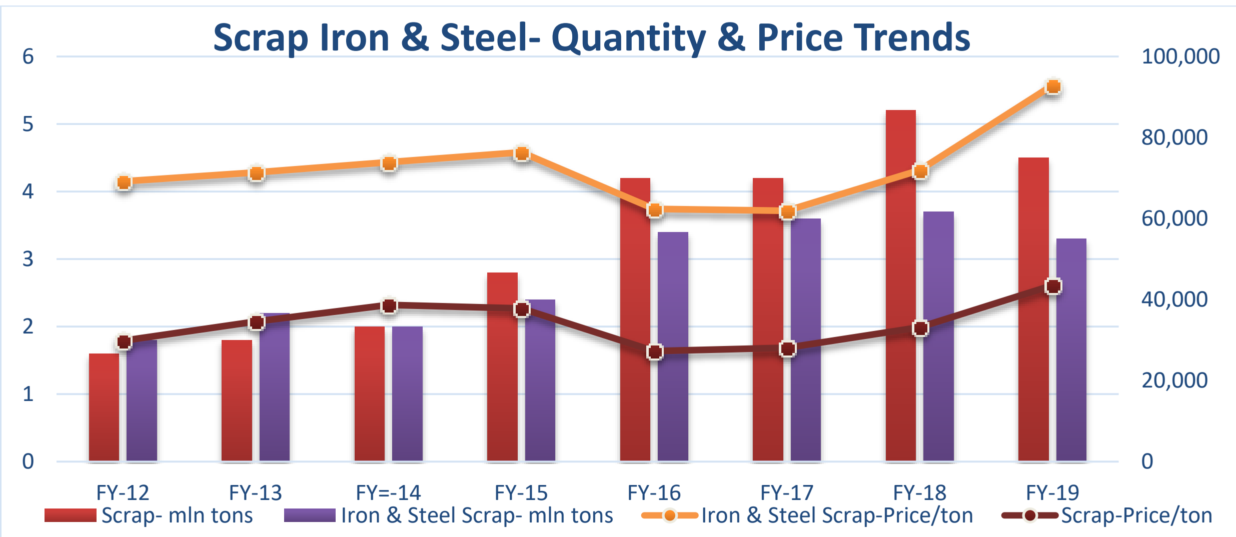
	No. of Companies	**Act/Est**	4		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	76,830	40,060	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	7,798		
C.	**Financial Charges**	**Act/Est**	1,903		
D.	**PAT**	**Act/Est**	5,484		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act/Est**	71,211		
F.	***Current Assets***	**Act/Est**	29,655		
G.	***Cash & Bank Balances***	**Act/Est**	370		
H.	***Trade Debtors***	**Act/Est**	977		
I.	***Short Term Investments***	**Act/Est**	1,054		
J.	***Total Equity***	**Act/Est**	29,036		
K.	***Current Liabilities***	**Act/Est**	26,480		
L.	***Total Liabilities***	**Act/Est**	42,175		

METALLIC PRODUCTS (IRON & STEEL)

Sector Overview

Over the last few years, international prices remained subdued. Increase in last two years was witnessed as Chinese ore production has been cut as the content is lower-grade and more costly than foreign supplies which made producers suffered amid a strict environmental clampdown. Prices increased post Jan-19 on account of event at Vale's site (Brazil) whereby 70mln tons of annual supply was deemed to be at risk. However, in July'19, it sustained to USD 93 per ton which reflects that market is absorbing the void created in Jan-19 - a positive sentiment.

Domestically, during FY19, imported steel scrap witnessed a decline of 16% YOY standing at 4.5mln tons. Significant increase witnessed in prices on account of global increase in scrap prices and depreciation of Pak rupee against US dollar. Going forward, trend is expected to remain same in the medium term.



Opportunities

- Due to shortage of natural gas, the DRI (the substitute for re-melt able scrap) production using natural gas is not viable as we are importing re-gasified liquefied natural gas (RLNG) to augment our shortage of natural gas. RLNG is expensive and DRI produced by using RLNG is not commercially viable in comparison with re-melt able scrap for making steel. Itis the reason that coal-based process is viable. Pakistan has ample reserves of iron ore and coal that can be utilized for production of DRI, which is more cost effective than gas. In order to encourage investment in DRI plants by existing steel units or other local and foreign investors there should be no limit of minimum investment of $500 million as coal based DRI plants can be established at lower investment.

Threats

- Pakistan's large-scale manufacturing is in recession, and steel is a prominent participant in the slowdown. Steel used in construction- what is more commonly known as long steel has been in red for several quarters now as reduced construction demand hit manufacturers of rebars and billets. Flat steel makers on the other hand had been able to avoid a pronounced decline- until now.

- Flat steel manufacturing (particularly Cold Rolled Coils-CRC and Galvanized Iron- GI) has contracted by 1% while long steel has declined by 29% in the period Jul-Nov 19 year-on-year. The former is likely to come down further as flat steel makers are now raising prices given cost-push inflation. It's the usual suspects. The depreciation of rupee raised cost of production—since Hot Rolled Coils (HRC) used in the manufacturing of CRC and steel scrap (used in the manufacturing of steel bars and billets) is imported.

- High financing costs due to the tightened monetary policy is another factor. Demand has also not been on the side of either flat or long steel makers. Public sector projects had been in doldrums for the past several months while commercial and housing construction had also been lethargic.

- The producer's pricing power remained constrained through the first half of the fiscal year which affected profitability margins. Though prices were increased subsequent to this report, it is very unlikely to positively affect margins. Light engineering, automotive and transport sectors where flat steel is used as an input are all experiencing a profound decline in demand.

- Another way to check demand is through imports. Pakistan typically imports about 30-40% of its long steel consumption from abroad. In the Jul-Dec period, volumetric import of steel scrap has reduced by 20% while steel products declined by 31%.

Outlook

The most recent development that could bring in demand for steel is the Naya Pakistan Housing Program (NPHP) which will soon be running a pilot project in Punjab. If the construction takes off over the next few months, some demand recovery is expected for long steel players. The successful take-off of the pilot may generate interest in real estate all together which would further boost demand. But until some groundbreaking is actually done, any forecasted growth in demand is merely conjecture.**Outlook is stable**.

PHARMACEUTICALS

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

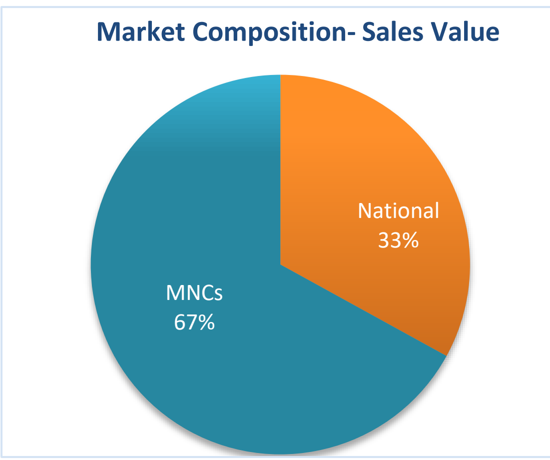
	No. of Companies	**Act/Est**	11		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	124,756	87,249	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	14,268		
C.	**Financial Charges**	**Act/Est**	1,334		
D.	**PAT**	**Act/Est**	9,881		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	104,027		
F.	*Current Assets*	**Act/Est**	61,819		
G.	*Cash & Bank Balances*	**Act/Est**	191,097		
H.	*Trade Debtors*	**Act/Est**	10,221		
I.	*Short Term Investments*	**Act/Est**	451		
J.	*Total Equity*	**Act/Est**	67,670		
K.	*Current Liabilities*	**Act/Est**	32,801		
L.	*Total Liabilities*	**Act/Est**	36,356		

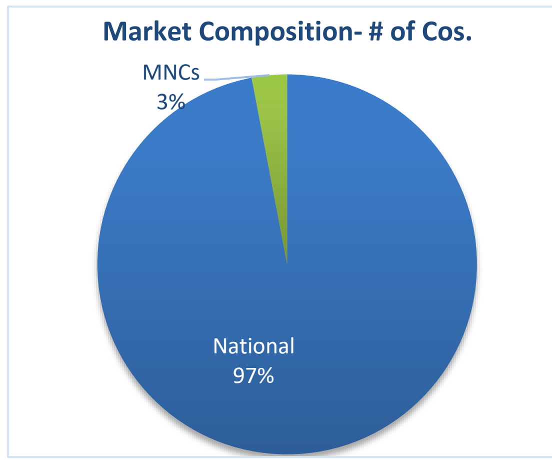
PHARMACEUTICALS

Sector Overview

During the past decade, worldwide pharmaceutical spending has witnessed growth to over US$ 1 tr. Growth in spending is attributed to market expansion in emerging countries and favorable demographics including an ageing population in developed nations. Such trends are likely to continue over the coming years with global pharmaceutical market growing to US$ 1.5 trillion by 2021.

There are approximately 650 companies operating in the Pakistani pharmaceutical market, out of which less than 30 are multinational companies. The pharmaceutical industry contributes approximately ~1% to the GDP of Pakistan annually. There are around 9,000 actively marketed drugs in Pakistan sold at licensed pharmacies on prescription. In addition, there is a large segment of Over the Counter (OTC) products e.g., multivitamins, pain, cold and flu relief.





The industry is dominated by multinationals companies which account for 2/3rd of market share whereas local / national enjoy the remaining 1/3rd. Top ten companies constitute approximately 46% of the market whereas top 50 share approximately 90% of the market.

Total Revenue of the industry is on the rise – with GSK and Abbott contributing 50% of the Total revenue of listed companies. In Mar-2017, GSK Health Care was formed as a result of the demerger of Consumer Healthcare business of GlaxoSmithKline Pakistan Limited. In 2018 GSK Health Care witnessed an increase of ~80% in Revenue.

Opportunities

∆ The Drug Regulatory Authority of Pakistan and Iranian Food and Drug Administration have decided to collaborate for cooperation and support in matters of mutual interest, especially the provision of lifesaving drugs. The agreement came as an Iranian delegation of the government officials visited DRAP headquarters here to explore opportunities for mutual cooperation in the field of pharmaceutical manufacturing, availability of lifesaving drugs and vaccines, growth of medical devices industry, and provision of surgical items. Both sides explored the possibilities of capacity enhancement through regulatory assessments, training and cooperation in getting international accreditation-Iran being a member of Pharmaceutical Inspection Cooperation/Scheme. Deliberations were also made that due to availability of certain pharmaceutical raw materials in very few countries like India and keeping in view the requirement of medicine in Pakistan and Iran, a joint mechanism is needed to be developed for self-sufficiency in manufacturing of medicines and vaccines.

- ∆ The government is committed to removing all the obstacles in way of enhancing pharmaceutical exports up to US $5 billion. Special focus was also being laid on increasing the exports volume through tariff rationalization, trade related investment, institutional reforms and easing of business regulations. A special pharmaceutical export promotion committee has also been set up to encourage production and exports of medicines and medical products.

- ∆ The Drugs Regulatory Authority of Pakistan (DRAP) is set to introduce international standard cGMP system to ensure safety and quality of the medicines.

- ∆ All the pharmaceutical manufacturers in the country will be assessed on latest Quality Risk Management approach through a pool of proficient team of auditors who have been extensively trained to evaluate cGMP compliance level. This practice is pre-requisite for Pakistan's membership of Pharmaceutical Inspection Cooperation Scheme (PIC/S) and would help in WHO accreditation of DRAP. One of the benefits of such a program is enhanced exports of pharmaceuticals as the local industry will be uplifted through international practices.

- ∆ DRAP has also initiated the process of harmonized compliance benchmarking, deployment of management Information system and strengthening of authority's quality management system to promote transparency of the regulatory system in the country.

- ∆ In April, the government allowed pharma companies to raise prices of medicines after a long time.

- ∆ Drug Regulatory Authority of Pakistan allowed them to increase prices of 45,000 medicines up to 15%, whereas the prices of 463 essential medicines have been increased up to 200% – the highest increase in four decades.

Threats

- ∇ Devaluation of the rupee is a loss for most in Pakistan; however, the Pharmaceuticals industry is certainly suffering. The devaluation of the rupee has a negative impact on the competitiveness of the pharmaceutical industry in Pakistan. Generally, the pharma market in Pakistan is local-market oriented, due to significant barriers of entry to the export market. Hence, devaluation is making pharma products less attractive to foreign purchasers. There are stringent regulations being placed by DRAP in terms of pricing which are somewhat affecting the pharmaceutical negatively.

- ∇ Pharmaceuticals cannot meet their expenses from the current pricing structure because of which they are bound to demand an increase in price. These companies also have to import specific active pharma ingredients in order to manufacture medicine. This means it costs more to produce a pill in PKR terms which entail lower margins and lower competitiveness in the market due to devaluation. The decrease and slowing down on competition, however, is beneficial to the general public, and to an extent, to the pharma industry.

- ∇ Pharmaceutical also suffered due to a considerable lag in regulatory adjustments in prices, which in addition to the weakening of rupee added to the distress of the import-dependent sector. As a result, the production of syrups declined by 4.20%, and tablets 0.9%. However, the production of injections increased by 1.14% and capsules by 368% during December.

- ∇ Pharmaceutical exports are unlikely to make any mark given the long lags in innovation of new products, absence of research and development and increasing inflexibility in setting prices. There is not a single FDA- (Food and Drug Administration) approved pharmaceutical manufacturing plant in Pakistan.

- ∇ Medicines worth around Rs10 billion are smuggled annually to Afghanistan. A major border crossing between Pakistan and Afghanistan was closed in October last following clashes between the two countries' security forces, leaving hundreds of people and vehicles stranded on both sides. Moreover, Pakistan is building a fence along its volatile border with Afghanistan to curb smuggling. There used to be huge influx of smuggled goods into Pakistan. Sales and profits of local companies would be affected following the border closure. "Local companies should develop themselves to compete in the world market instead of relying on smuggling to Afghanistan.

- ∇ More than 60 medicines categorized by the World Health Organization as 'essential medicines' are not available in the Pakistani market or are in short supply because of pricing issues, delays in approval to buy controlled raw material. Pharmaceutical manufacturers have also said that some of the medicines are not available because it is not viable for them to produce them at the prices determined by the DRAP.

Outlook

DRAP's new CPI linked criteria to raise prices has boosted industry's profitability as one-third of revenue translates into gross profits. The expansion opportunities for local players through mergers and acquisitions, in the wake of multinationals gradually taking exit from Pakistani Market makes the **outlook for pharmaceuticals positive.**

SPORTS PRODUCTS

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	2		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	239	205	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	26		
C.	**Financial Charges**	**Act/Est**	1		
D.	**PAT**	**Act/Est**	23		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act/Est**	364		
F.	***Current Assets***	**Act/Est**	266		
G.	***Cash & Bank Balances***	**Act/Est**	58		
H.	***Trade Debtors***	**Act/Est**	10		
I.	***Short Term Investments***	**Act/Est**	Nil		
J.	***Total Equity***	**Act/Est**	19		
K.	***Current Liabilities***	**Act/Est**	345		
L.	***Total Liabilities***	**Act/Est**	345		

SPORTS PRODUCTS

Sector Overview

The sports goods industry in the country is chiefly clustered around the city of Sialkot which accounts for nearly 95% of the industry's total production. The location of this cluster is largely a result of agglomeration economies with Sialkot being the center of excellence for the production of sporting goods for greater than 100-years. This has been attributed to the availability of skilled artisans and entrepreneurs in the city, which also possesses favorable indicators in literacy, health, electricity and water facilities. In addition to this, Sialkot also benefits from the availability of basic infrastructure for industry including a dry port and an international airport which serves as an export hub for manufactured goods.

Sports goods producers in Sialkot are predominantly small and medium sized firms comprising over 360 formal and over 10,000 informal units. The main sports goods produced can be divided into 5 categories that include articles and equipment for physical exercise/gymnastics/athletics, articles and equipment for fishing, sports gloves, articles and accessories for billiards also articles for funfair. Among these, articles for gymnastics/athletics and articles for funfair have been the key drivers of the sports sector's growth in global market.

Sialkot gained international celebrity status when it produced the Tango Ball used in FIFA Football World Cup in 1982. This led to the further growth of soccer ball industry in the city. Pakistani exporters of sports goods, particularly from Sialkot, also made their mark at the Munich ISPO 2015 held last year in January.

Setting up the Sports Industries Development Center (SIDC) is the core initiative in the policy of infusing mechanized inflatable ball technology in the domestic industry. The installed capacity on single shift basis is 3,500 balls per day (Thermo balls, Basket Balls, American Balls, Volley Balls and Bladders). However, it may be improved in two shifts depending on the need.

Opportunities

- Pakistan is exporting a large portion of its sports goods from Sialkot to international famous brands like Adidas, Nike, Puma, Lotto, Umbro, Mitre, Micassa, Diadora, Wilson and Decathlon. They also recorded that in the country no doubt sports goods industry plays a vital role in foreign trade of sports goods. Now, this industry is exporting its products to dissimilar estates globally. These products are manufactured to export according to requirements of foreign targeted markets.
- Due to better quality of sports goods Pakistan's sports items gain foreign fame. Because of its well production process starts from adaptation of raw material to delivering to customers. This process involves better selection of raw material, designing of goods, production process and timely delivering to customer.
- Trade Development Authority of Pakistan (TDAP) has proposed developing a soccer ball institute in line with international standards to improve product quality and promote its exports. The authority conducted a study on the sports goods export of Pakistan to identify

potential products and the potential markets. The study identified soccer ball as a potential product in the sports goods cluster after thorough analysis of the sector.

∆ Pakistan's ranking has improved along with its market share, although it has not captured a considerable market share, but with the shrinking market share of China and its trade war with US there is an opportunity for Pakistan. Moreover, Vietnam seems to be the emerging player replacing China in this market as it has captured a significant market share of 16% in a short period. In 2013, its share was only 7.3%.

Threats

∇ The soccer ball industry of Pakistan has long been criticized for losing its share in the international market to other suppliers due to changing market demand and its resistance to adopting modern manufacturing technology.

∇ Pakistani Sports Goods exports have merely 2% share in the top importing country of the world USA, and it is also pertinent to mention that the USA is Pakistan's top export destination instead of that our share of sports-goods export is considerably negligible in that market.

∇ Pakistan has a negligible or no share in the 3rd biggest importer of sports-good market Japan with whom Pakistan has natural geographical proximity and good bilateral relationship. Hence, it shouldn't be overlooked only by the fact that it's considerably a difficult market that requires high standards. The fact that when we can meet the compliance requirement of some very high-end markets in the world, so this potential market can also be capitalized for further out market share in this sector.

∇ The threat of cheaper ball in the market due to the technological advantage of the competitors who have progressed significantly in the last decade (particularly China).

∇ There is a dire need for infrastructure development in the soccer ball industry to cope with the international competition, and it also faces the issues of low skill labor and efficiency.

∇ The emergence of Vietnam as a new player in the international market of soccer ball who received a significant world cup order in 2018.

∇ Pakistan is the only country in the region where interest rate is still higher. The country lags behind its neighbors in economic growth and exports due to high interest rate and energy crisis. The other countries have already reduced the interest rate to the lowest level. Local industry is facing power shortages and squeezing local and international demand, while banks are not risking their money to support the private sector.

Outlook

Sports goods sector faced and overcame various issues in the past through collective measures taken by all the stakeholders in general and exporters in particular. The sector faced threat in the form of mechanized inflatable ball which used medium end technology to produce a ball having most of the characteristics of hand stitched ball. **Outlook is constrained**.

SUGAR

FINANCIAL SNAPSHOT 2018-19

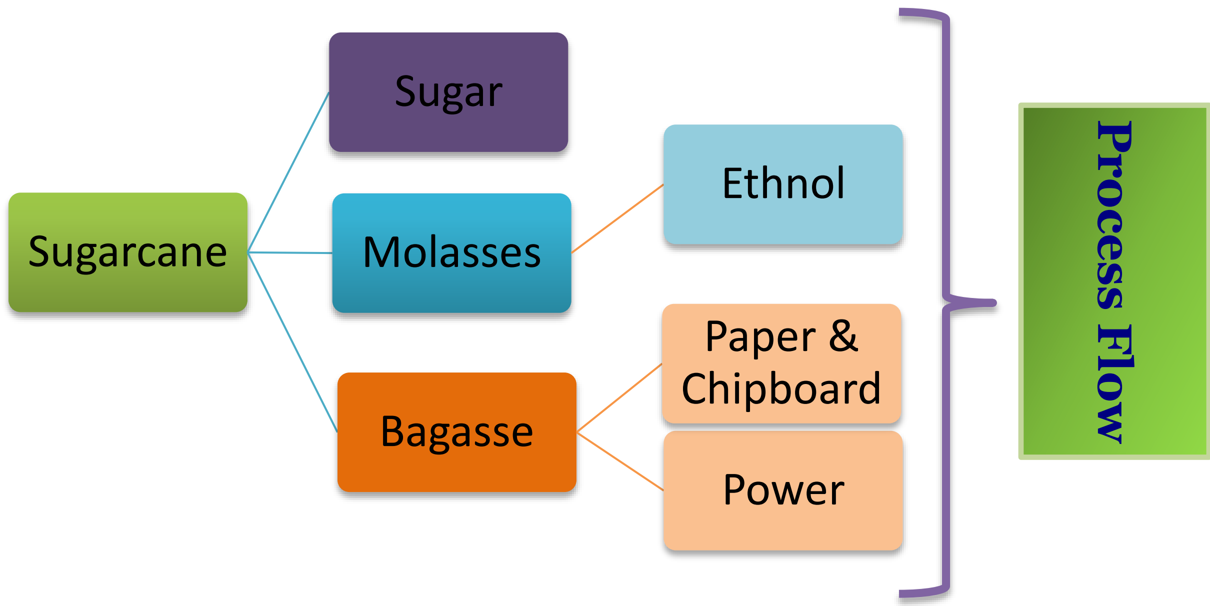
All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	24		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	173,583	183,673	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act/Est**	6,385		
C.	**Financial Charges**	**Act/Est**	12,558		
D.	**PAT**	**Act/Est**	5,477		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	***Total Assets***	**Act/Est**	189,748		
F.	***Current Assets***	**Act/Est**	74,084		
G.	***Cash & Bank Balances***	**Act/Est**	5,070		
H.	***Trade Debtors***	**Act/Est**	12,750		
I.	***Short Term Investments***	**Act/Est**	2,424		
J.	***Total Equity***	**Act/Est**	71,317		
K.	***Current Liabilities***	**Act/Est**	89,734		
L.	***Total Liabilities***	**Act/Est**	118,349		

SUGAR

Sector Overview

The sugar industry plays a vital role in creating economic activity for farmers as well as manufacturers, providing revenue to different segments of the economy. Sugar industry is the second largest agro based industry after textiles in Pakistan. The country is the 7th largest producer of sugar and 8th largest consumer of sugar. In Pakistan, sugarcane is grown on around 1.34 million hectares and provides raw material to 89 sugar mills. Area under cultivation has witnessed a sizeable increase over the last 2 years. After increasing by 7.6% in FY17, area under cultivation during FY18 crushing season was higher by 10.2% in FY18. In addition to sugar, sugarcane is also used in the production of pharmaceutical ethanol, fuel ethanol; bagasse, the by-product of the process, is used in paper and chip board manufacturing.



Opportunities

- ∆ unlike other industries, this is a highly regulated sector. Starting from permission for establishing a sugar mill, procuring raw material, determining when and how long the crushing season will last, the level of protection from any competition, and when and how much of the commodity can be exported or imported all are determined by the government.

- ∆ Given the fact that Pakistanis have a 'sweet tooth' the consumption of sugar in Pakistan is rising year by year which is mainly due to rising population numbers and because that sugar is an important part of daily diet. The estimated per capita consumption of sugar in Pakistan is 25 kg which is highest in Asia comprising China with 11 kg, India with 20 kg and Bangladesh with 10kg per capita consumption.

Threats

- This year the harvest was slower than usual as the farmers held back the crop in order to ask for higher price in Sindh and some parts of Punjab with the situation in Sindh so bad that sugar mills shut down for a week. In Punjab rains also affected the crushing which aggravated the situation.

- At Rs 190/40 kg price of sugarcane, ex-mill price of sugar of around Rs 73/kg would fetch zero rate of return for the mills. However, mills maintain that with a reasonable margin it would be Rs 80/kg as 87% of sugar is fixed by the government which includes fixation of sugarcane price and taxes.

- The sugar industry in Pakistan has been in turmoil for the past several years with problems ranging from pricing disputes to production volume decline due to outright disagreement resulting in mills halting all purchasing and shutting down factories.

- In addition, the average retail price of sugar in the country leaped from Rs. 64 to Rs. 74/kg in January this year, a significant increase from 2017-18 when the average retail price stood at Rs. 57/kg.

- Another major industry issue was that of millers purportedly delaying making any sugarcane purchases from growers, as the crop decreases in weight the later it is harvested after October with same sugar content and the growers are paid as per the weight they sell.

- After exporting 2.3 million tons during the past 30 months, Pakistan has finally banned export of refined sugar. The ongoing shortfall of the sweetener in the domestic market is widely attributed to the exporter's bonhomie, as retail price of sugar has risen by over 36% during the intervening period – to reach a decade-long high of Rs 75/kg.

Outlook

Pakistan's Marketing Year (MY) 2020/21 sugar production is forecast at 5.9 million metric tons (MMT), a 6% increase from the current year's revised estimate due to an expected increase in sugarcane area. Sugar consumption for the same year is forecast at 5.8 MMT, moderately higher than last year's estimates, and exports are forecast at 400,000 metric tons. Ending stocks are expected to decrease to 1.9 MMT. The current year's production estimates are revised up slightly from last year mainly due to increase in productivity. MY 2018/19 sugar exports stand at 600,000 tons mainly due to a subsidy of $35 per metric ton provided to sugar exporters. Sugar prices jumped 33% in March 2020 compared to the same period last year.**Outlook remains tenuous.**

SURGICAL, PRECISION EQPT

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	1		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	214	200	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	26		
C.	**Financial Charges**	**Act/Est**	3		
D.	**PAT**	**Act/Est**	18		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	233		
F.	*Current Assets*	**Act/Est**	228		
G.	*Cash & Bank Balances*	**Act/Est**	0		
H.	*Trade Debtors*	**Act/Est**	73		
I.	*Short Term Investments*	**Act/Est**	Nil		
J.	*Total Equity*	**Act/Est**	154		
K.	*Current Liabilities*	**Act/Est**	43		
L.	*Total Liabilities*	**Act/Est**	79		

SURGICAL, PRECISION, OPTICAL EQUIPMENT

Sector Overview

Surgical instruments are tools or devices that perform such functions as cutting, dissecting, grasping, holding, retracting, or suturing. Surgical instruments facilitate a variety of procedures and operations. Rising prevalence of chronic diseases such as neurological, cardiovascular, urological, and other disorders is creating immense burden on the global health of the society.Such increasing burden has led to the development of therapies and treatments, thereby leading to rising demand for surgical instruments. This increased demand is mainly concentrated in North America and Europe, which is mostly driven by their aging population base and growing tourism.

Pakistan's major export destinations are Germany, UK, France, Belgium and Netherlands. Together these countries make up for 78% of Pakistan's total exports of surgical instruments to Europe. Pakistan's ranking in the top five EU countries are as under:

- Germany: Pakistan is ranked 10th in surgical instruments imports;
- United Kingdom: Pakistan is ranked 5th in surgical instruments imports;
- France: Pakistan is ranked 11th in surgical instruments imports;
- Belgium: Pakistan is ranked 19th in surgical instruments imports;
- Netherlands: Pakistan is ranked 20th in surgical instruments imports;

Pakistan's Surgical Instruments Exports to EU (000$)		
Country	**2019-20 (Jul-Nov)**	**2018-19 (Jul-Nov)**
Germany	23,317	21,115
United Kingdom	14,524	13,746
France	5,281	6,254
Netherlands	2,467	1,912
Belgium	1,955	1,845

Other than EU, Pakistan's five major export markets for surgical instruments are as follows:

Pakistan's Surgical Instruments Exports Outside EU (000$)		
Country	**2019-20 (Jul-Nov)**	**2018-19 (Jul-Nov)**
USA	55,410	41,159
China	8,536	9,511
UAE	5,186	4,972
Japan	3,748	3,186
Australia	3,366	2,956

Opportunities

- ∆ The exports of surgical goods and medical instruments during first 2 months of current financial year increased by 24.52% as compared the exports of the corresponding period of last year.

- ∆ During the period from July-August, 2019, different surgical goods and medical instruments worth of $73.402 million exported as against the exports of $59.948 million of the corresponding period of last year

- ∆ Europe is one of the largest markets for imports of surgical instruments from the world. The total import of surgical instruments by European Union in 2017 was Euro 16.25 billion, which was 1.08% higher than imports in 2016. According to estimates, the market will continue to grow with increasing demand for safe, cost and time effective solutions.

- ∆ The Commercial Section in Belgium had recommended a delegation of surgical instruments' exporters to Europe to help them understand the requirements of European markets and establish direct linkages with the importers. The Commercial Section also recommended for Ministry and TDAP to organize seminars with the support of Surgical Instruments Manufacturers Association of Pakistan (SIMAP) to sensitize the surgical industry especially the small firms.

- ∆ Through public-private partnership, the surgical industry must focus on research and development, which can help in adapting to new methods of production but also develop new products that are made out of plastics and synthetic material

- ∆ Bulgarian Ambassador in Pakistan AleksandarParashkevov has said his country is keen to develop mutual trade ties with Pakistan as well as business-to-business contacts between the two countries. The ambassador asked the Sialkot-based surgical instrument manufacturers and exporters to explore the untapped international trade markets of Bulgaria and strengthen bilateral trade between the two countries.

Threats

- ∇ The TDAP has urged the manufacturers and exporters of surgical instruments to comply with the regulations and requirements of the European Union as lack of technological advancement restricts Pakistan's potential in terms of exports. There is a need to sensitize the exporters about the European Union requirements such as ISO Certifications, medical devices directives pertaining to quality and labeling etc.

- ∇ Europe has in place strict quality requirements for surgical instruments being imported from the world. Industry associated with the surgical sector especially SMEs do not have ISO and Current Good Manufacturing Practices (CGMPs) Certifications to allow their products market access to the Europe. Besides, Pakistani exporters are facing stiff competition from countries like China, Mexico etc due to cheap labor and technological innovation.

- ∇ Unlike competitors, Pakistan has no renowned brands in the international market. Resultantly, the buyers for Pakistani products are mostly distributors and wholesale dealers who sell these products under their own brand names. Also, companies do not have the resources to establish their own distribution networks in the European markets.

- Pakistani exporters are still manufacturing traditional products. There is a huge market for production of instruments through other materials such as plastics and synthetics

- Despite having the raw materials, skilled labor force and competencies, the surgical industry of Pakistan has not been able to fully capitalize on the potential of its exports

Outlook

Overall sales are expected to continue to grow in the coming years despite the global recessionary conditions on account of continued shift of manufacturing from high cost to low cost production locations such as Pakistan. This trend is further reinforced by the declining value of rupee against major currencies. **Outlook remains stable**.

TELECOMMUNICATIONS

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	10	
			2018-19	**2017-18**
A.	**Industry Sales**	**Act/Est**	94,355	88,325

			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act/Est**	12,564
C.	**Financial Charges**	**Act/Est**	940
D.	**PAT**	**Act/Est**	9,228

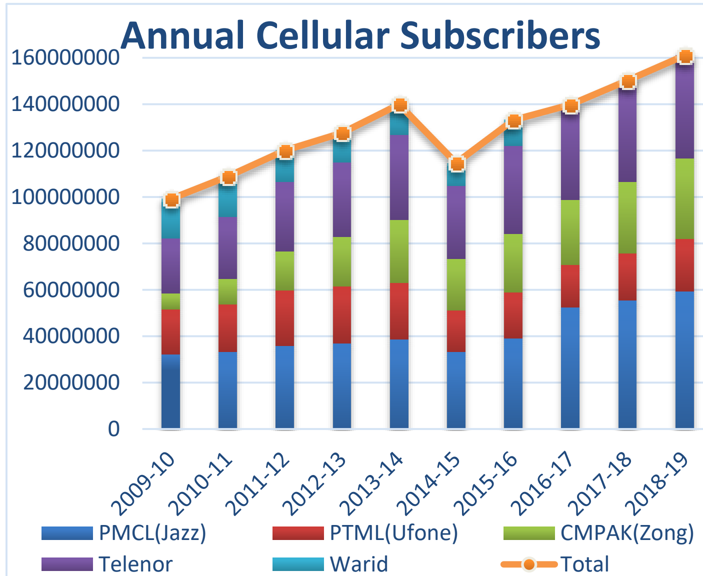
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	***Total Assets***	**Act/Est**	274,966
F.	***Current Assets***	**Act/Est**	92,812
G.	***Cash & Bank Balances***	**Act/Est**	7,622
H.	***Trade Debtors***	**Act/Est**	30,504
I.	***Short Term Investments***	**Act/Est**	1,776
J.	***Total Equity***	**Act/Est**	126,486
K.	***Current Liabilities***	**Act/Est**	96,321
L.	***Total Liabilities***	**Act/Est**	26,246

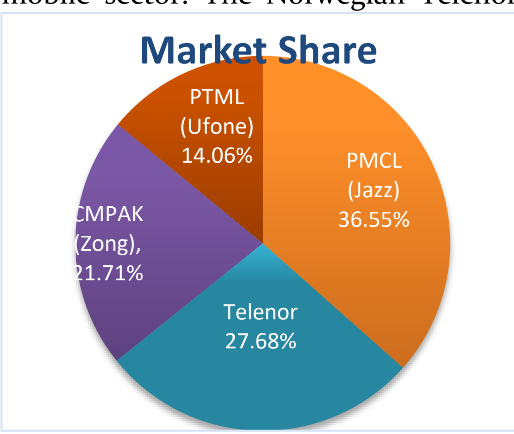
TELECOMMUNICATION

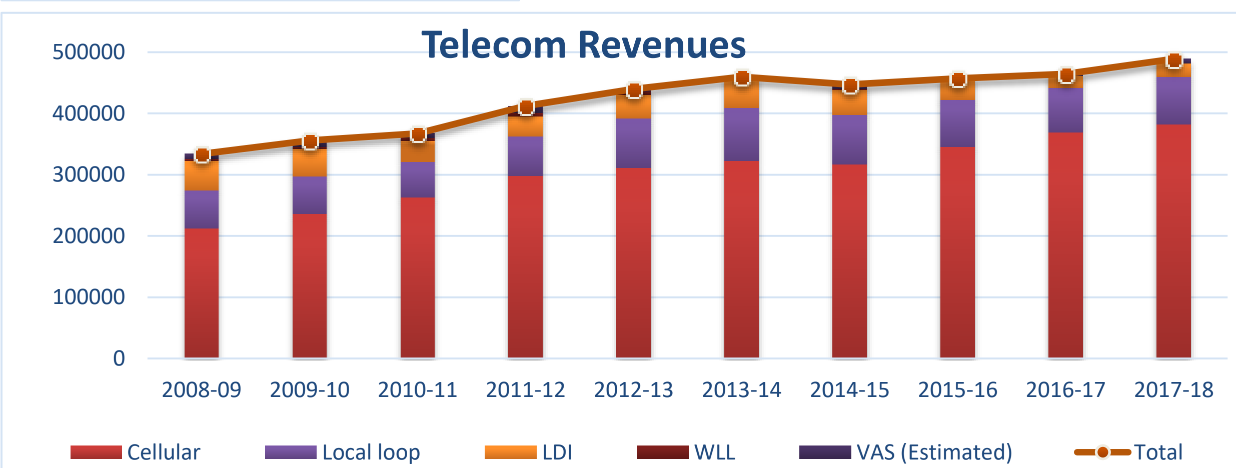
Sector Overview

The dawn of the 21st century saw Pakistan's telecom sector emerge as one of the fastest growing sectors across Asia and in 2008, it was the third-fastest growing in the world.



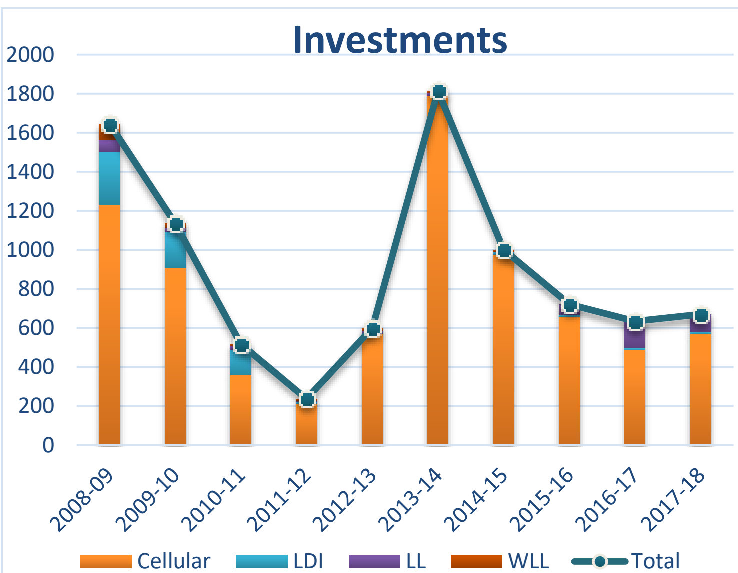
Despite being the leading telecommunication company in Pakistan, PTCL's monopoly was diluted due to a comprehensive liberalization policy issued by the Pakistani government in 2003. This ground-breaking directive opened the telecom market to private operators for fixed-line connections and introduced much-needed competition in the cellular mobile sector. The Norwegian Telenor Group was the first telco to take advantage of the new market opportunity in Pakistan. It launched its services in 2005 and is today the second-largest provider of mobile services in the country. Jazz, formed by the merger of Warid and Mobilink in 2015, is the largest mobile network in Pakistan serving over 50 million subscribers. Zong, founded in 2008 as a wholly owned subsidiary of China Mobile, is leading Pakistan's 4G sector with a 75% market share.





Pakistan's telecom sector has witnessed impressive growth in the past 5years. The country's telecom sector contributed $4.42 billion to national kitty in past 3 years (July 2014 to June 2017). The number of mobile subscribers rose to 152 million in 2018 from114 million mobile subscribers in 2014. In 2014, 3G licenses were awarded to Jazz, Telenor, Ufone, and Zong while the last one was also given the license of the 4G service. Later on, in 2016, Telenor received the 4G license and after that Jazz was awarded the same license in 2017. Pakistan Telecommunication Authority (PTA)'s initiative of the biometric verification of the SIM cards resulted in the blocking of 98.3 million SIMs in which the 26.1 million SIMs were the active ones. PTA is also working on Device Identification, Registration and Blocking System (DIRB) to fight the grey market smartphones in the country. This year, the International Telecommunication Union (ITU) is set to launch 5G services. The major challenge for the country's telecom industry is to launch 5G services, which will be game changer in the mobile world.

Pakistan is rapidly evolving as one of the telecom sector's key investment prospects. The telecom sector has witnessed a significant year-to-year growth in the country. About 90% of Pakistanis live within areas that have cell phone coverage and more than half of the total population has access to a cell phone.



The country's telecom infrastructure is improving dramatically with foreign and domestic investments into fixed-line and mobile networks; fiber systems are being constructed throughout the country to aid in network growth. In 2017, Xiaomi, a Chinese brand and the world's 3rd largest smartphone maker made entry into the Pakistani market, a booming market of mobile consumers worth 40 million. China's most popular smartphone brand has partnered with a Pakistani company 'Smart Link Technologies' for distribution and after-sales service. Vivo, another Chinese brand, plans to enter Pakistan market. The Chinese company manufactures and designs smartphones, mobile accessories, online services and software. The software development by Vivo included its App Store, proprietary Android-based operating system called Funtouch OS and iManager. With entry of new smartphone players in the market, users will get huge variety of mobile phones.

Opportunities

- The Federal Board of Revenue (FBR) has received proposals to restore facility of one duty-free handset in a calendar year under gift/personal baggage scheme and reduce tax slabs on all categories of mobile phones brought into the country to encourage penetration of smart phones.

- ∆ PTA had enforced implementation of Device Identification, Registration & Blocking System (DIRBS) on all cellular mobile operators. The DIRBS system is intended to verify, detect and discourage illegal, non-compliant, non-tax paid handsets and devices by authenticating currently active devices on cellular networks and ensuring continual monitoring as new devices are activated. Before the introduction of DIRBS, handsets with valid and invalid IMEIs were brought into Pakistan through legal and grey channels. However, after 15 January, any handset brought into the country as baggage/gift needs to bear a valid IMEI and taxes have to be paid at the market price as per the specified slabs, the expert added.

- ∆ China Mobile Pakistan (CMPak) had invested around US$ 3 billion in the telecommunication sector of Pakistan along with other investments in infrastructure worth over US$ 2 billion. CMPak had made some massive contributions for the economic development of Pakistan with Rs134 billion taxes paid in the last 12 years. The taxes being paid included Activation Tax, Custom Duty, Income Tax, Sales Tax, AIT, WHT, Payroll Tax, Royalty to PTA, Stamp Duty, etc. whereas the company had generated over 3,500 direct and over 200,000 indirect employments.

- ∆ CMPak had the commitment to leading Pakistan's Digital Revolution by continuing to reinvest all earned revenues in Pakistan whereas the Consumers Association of Pakistan (CAP) awarded ZonG 4G of CMPAK for best services in country.

- ∆ In August 2019 Zong became the 1stoperator to successfully test its 5G network in South Asia. Zong is ready for all future technology and has the right set of technological prowess and financial muscle to acquire and implement new digital technology solutions. With the backing of a strong group in the form of China Mobile (CMCC) Zong works closely in collaboration with the Pakistani government. Zong envisions a Pakistan which technologically and economically prosperous.

Threats

- ∇ During CY19, a combination of depressed consumer economy and regulatory hiccups affected the telecom sector deeply. Perhaps, the biggest blow came last July when the Supreme Court in July 2019 barred telecom operators from deducting 10% of airtime recharge/top-up as service or maintenance fees. This has affected all the operators, albeit the impact is of varying degrees.

- ∇ All this while, a depreciating PKR sapped the spirits at HQ's of major telco's as dollar-based returns dipped. (Jazz's dollar topline declined 12 % year-on-year to come down to $1.32 billion in CY19). Then there was the litigation over license renewals for Telenor and Jazz's Warid license. Also, *r*egulatory crackdown on smartphones in the grey-market indirectly hurt the operators' subscriber growth.

- ∇ The license renewal saga is far from over. The licenses of Telenor Pakistan and ex-Warid (now with Jazz) had expired in May earlier this year. Gasping for cash, the government had come up with a steep renewal fee of $450 million per license in July. The telco's took the matter to the Islamabad High Court in August. The court asked the operators to deposit 50% of the fee while the matter remained pending. In September, Telenor Pakistan paid half the fee (~$225 mn) in dollars and Jazz paid in PKR (~Rs35 bn). Bottom line is that companies are actively disputing the government's demand of $450 million, they are in no mood to give in, and the legal system is taking its time to resolve the impasse. Meanwhile, Zong's license expired last month and there is no official word on whether the Chinese operator has made any payment and if it has, on exactly what terms. The saga continues.

- After having a rather good year in 2018, the telecom giant PTCL had to watch profitability more than halve in a difficult year of rising costs and expenses. It all started with a weak showing at the top. The group topline scored a yearly gain of just 2% in CY19. This is down from a healthy growth of 8% the previous year. With inflation in double digits, this is negative growth in real terms.

- The topline has flat-lined mainly because the PTCL Company – the behemoth that provides over half of group topline – could grow its revenues by a meager 0.39% year-on-year. It appears that the company's broadband business, which is a promising segment given the untapped market, is growing just enough to compensate for the declining revenue streams, but not enough to boost company financials.

Outlook

Fiscal Year 2019-20 will continue to be a critical time for Pakistani telecom industry as companies will compete intensely for market share in already saturated market. The consumers have become more tech-savvy and companies need to innovate in order to come up to their expectations. **Outlook remains stable in term of profit margins.**

TEXTILES-COMPOSITE

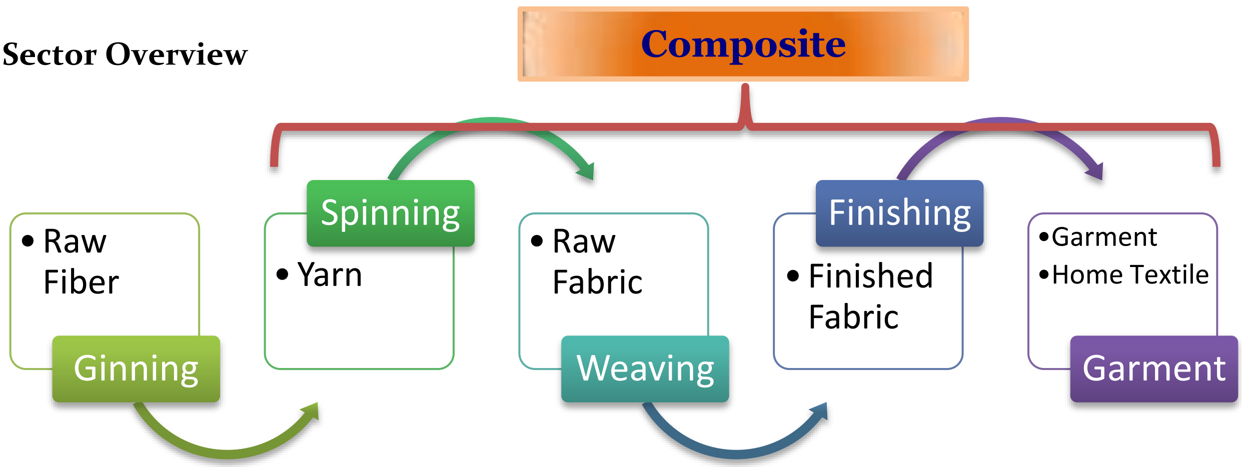
FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	34		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	4,393,261	4,028,520	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	512,376		
C.	**Financial Charges**	**Act/Est**	25,624		
D.	**PAT**	**Act/Est**	459,469		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	2,102,858		
F.	*Current Assets*	**Act/Est**	325,357		
G.	*Cash & Bank Balances*	**Act/Est**	302,517		
H.	*Trade Debtors*	**Act/Est**	489,173		
I.	*Short Term Investments*	**Act/Est**	10,255		
J.	*Total Equity*	**Act/Est**	1,632,535		
K.	*Current Liabilities*	**Act/Est**	311,322		
L.	*Total Liabilities*	**Act/Est**	478,646		

TEXTILE INDUSTRY- AN ANALYSIS

Sector Overview



Textile's world trade is dominated by United States and China. United States is the biggest importer and China is the biggest Exporter of Goods. China leads the export market with ~119bln in 2019. Pakistan has exported textile goods of ~13bln in 2019.

	FY-17		FY-18		FY-19		3MFY19		3MFY20	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Raw Cotton *(MT)*	24,976	43	35,371	58	12,796	20	4,619	8	6,980	10
Cotton Yarn *(MT)*	455,345	1,244	490,258	1,371	428,016	1,125	111,491	313	117,832	294
Cotton Cloth *(th.sqm)*	1,961,685	2,120	1,988,598	2,204	2,007,334	2,101	619,886	529	619,886	529
Knitwear *(th. dozen)*	113,200	2,362	107,611	2,719	134,548	2,908	28,037	701	29,946	779
Bed Wear *(MT)*	353,108	2,134	359,961	2,260	371,672	2,259	103,443	583	128,115	600
Towels *(MT)*	182,873	787	188,619	788	196,063	785	44,952	184	41,499	180
Garments *(th. dozen)*	34,785	2,317	36,240	2,595	48,870	2,657	10,809	598	14,772	667
Others	8,769	1,446	11,882	1,549	11,883	1,488	2,457	267	3,778	244

Textile Industry is currently estimated at USD ~27bln with exports having ~50% share. Textile industry has a major contribution in overall exports of the country (~45% share in total exports of Pakistan). Pakistan textile exporters largely export in medium to lower tier markets.

The export quantity showed volatility with the export of raw cotton showing a declining trend over the years whereas, the export of value-added textile included cloth, knitwear, bed wear, towels & garments is increasing. In terms of value, a disproportionate increase in price is observed since currency devaluation

Major markets for each textile product

Product	Market	FY-17	% Share	FY-18	% Share	FY-19	% Share
Yarn	China	801,407	65%	869,780	63%	707,923	63%
Cloth	Bangladesh	442,598	21%	479,254	22%	482,241	23%
Bed Wear	USA	479,836	22%	484,898	21%	484,242	21%
	EU	1,383,848	64%	1,482,195	64%	1,477,173	65%
Garments	USA	1,396,334	30%	1,516,424	29%	1,635,852	30%
Towels	USA	387,351	49%	357,026	45%	345,115	44%

Over the years China remains largest exporter for Pakistani Yarn. However, Yarn Exports witnessed significant dip during 2019 due to ongoing Trade war between China & USA.

Pakistan's major destination for bed wear exports is United States but it represents only ~6% of US imports. On the other hand, Pakistan is the largest exporter in European region, exporting almost 65% of its bed wear to the EU. Pakistan has witnessed growth in quantity exported recently owing to currency devaluation. GSP+ status from EU also impacted positively on Bedwear exports. Pakistan's knitwear and readymade garment industry suffered badly due to abolishment of Quota.

Pakistan's towel export market is dominated by few large players with long term contracts with US Retail Chains Recent closure of some stores in US has led to decrease in exports to US

Opportunities

- In 1st 6 months of fiscal year 2020 (i.e. July to December) Textile exports recorded growth of 3.94% mainly due to orders received from the impact of currency depreciation coming from last fiscal year. According to PBS, the country has exported textile goods of worth $6.91 Billion in 1HFY20 as compared to $6.64 Billion in same period last year. In value added segment, export of knitwear increased by 7.6% followed by 3.2% in bed wear. Export of readymade garments rose by 12.1% however towel segment showed a very little increase i.e. 0.22%. Export of Cotton cloth recorded a decline of 3.7% whereas tents, canvas and tarpaulin witnessed a decrease of 19.7%.

- As calendar year 2020 is started with implementation of CPFTA – II Pakistan will witness a considerable growth in exports of textile goods to China. The Sino-Pak textile cooperation will focus to enhance trade related to value added segment of textile industry i.e. readymade garments. Moreover, the framework is established to provide trainings on value added segment, man-made fiber and labor skills. It is further decided that Chinese side will provide technical support along with trainings to accelerate textile sector at large especially through 9 Special Economic Zones (SEZs) under CPEC. Please note that according to a report in Deccan Herald, FTA between Pakistan and China has already dented India's cotton yarn exports after Indian cotton exports declined by a massive 38.8% during the 1st 6 months of the current fiscal year that ended in September 2019 feeling the heat of conclusion of second phase. There is an import duty ranging from 3.5% to 5% on cotton yarns imported from India into major markets like China.

- Δ Government has decided to waive all duties and taxes in import of cotton via the Torkham land border from Afghanistan and Central Asia to meet the demand of the value-added textile sector.

- Δ World is witnessing new trends in Textile related products. Use of Organic Cotton is increasing by each passing day. Europe, that has given us GSP plus status, is giving huge export orders to countries efficient in Textile for the goods produced from Organic Cotton. Organic cotton promotes healthy soils, healthy ecosystems, healthy people and thriving farming communities and is consequently becoming a key point for fashion brands worldwide. It offers a lower ecological impact, reducing exposure to insecticides, pesticides and other chemicals, than conventional cotton production which involves some of the highest use of pesticides and incurs a heavy water footprint. There is another international platform getting stronger and that is called Better Cotton Initiate (BCI) where more than 1600 countries are registered members including Pakistan. BCI works with members across the cotton supply chain. It works to ensure there is continuous demand and supply of Better Cotton produced by licensed BCI farmers in line with the Better Cotton Principles and Criteria. Present government is very much committed to control trade deficit and to achieve this target it needs to increase exports which mainly comes from Textile sector. If the government wishes to increase textile export it should at least take care of supply side by not only increasing production of cotton but should account for changing trends globally.

Textile Policy 2020-25

The draft of Pakistan Textile Policy for 2020-25 with four tier strategy and 21 recommendations is all set to be pitched any time before the ECC (Economic Coordination Committee) for approval. It will try to increase the country's textile exports target by 2025 to $25.3 billion and $50 billion by 2030. It was $13.33 billion in 2018.

The Pakistan Textile Policy draft also narrates a clear roadmap to achieve the textile export targets along with vision to fully utilize the potential of home-grown cotton augmented by Manmade Fiber/Filament to boost value added exports and become a major player in the global textiles supply chain.

The draft of Textile Policy also spells out its objectives which include:

1) Restoring profitability of cotton farmers by increasing cotton yield, improving quality of cotton and decreasing cost of production for the farmers;
2) strengthening manmade fiber/filament sector to make this chain internationally competitive and export oriented;
3) regionally competitive energy pricing fixed for five years;
4) prompt Sales Tax Refund System;

5) abolition of Zero- Rating has created serious liquidity crisis for exporting sectors as the current refund system is soaking up market liquidity and is not working;
6) long Term Financing Facility for the entire textile value chain;
7) revival of impaired textile capacity and introduction of bankruptcy law; and
8) establishment of Textile clusters and Export Processing Zones with plug and play facilities.

It says that the global textile trade that stands at $837 billion had an average growth rate of 0.1% over the last decade. When it comes to the global market for textile sector exports, it is dominated by China, which accounts for over 32% of textile sector exports, valued at $266 billion. Presently, Pakistan's share is 1.6% in the world textile trade, which will be increased to 3% by 2025. The world textile export that stands at $837 billion will reach $843.35.

The textile policy draft argues saying that the essence is that if these countries were able to achieve record growths in this short time period, the goal of reaching $50 billion of textile exports in next 10 years for Pakistan is attainable, subject to strict implementation of Long-term Textile Policy.

Mentioning about the roadmap to export growth, it mentions that the ultimate goal of export-led growth is poverty reduction and enhanced welfare of Pakistan's citizens. Rapidly growing exports and millions of new jobs created, along with skill upgrading, will increase productivity and wages, which over the long term is the only sustainable way to improve living standards. Furthermore, an ambitious strategy has been formulated to move from low value added semi-processed textile exports to high value-added garments and fashion articles.

It also highlighted the investment required to achieve the export growth target, saying that Pakistan's investment-to-Gross Domestic Product (GDP) ratio has been hovering around 15% while countries like China, India and South Korea have maintained the ratio above 30% to put their respective economies on a sustainable path. And to improve job creation, productivity and exports, investment-to-GDP ratio, the Pakistan Textile Policy draft says, should be raised to at around 20pc.

To achieve the targeted exports, business friendly policies should be ensured for the industry to grow and further achieve the increased targets. "Our industry cannot achieve any ambitious target within a short period of time since there are various complicated issues, including development of infrastructure which hampers growth," it says.

The draft also comes up with 21 recommendations to achieve the textile export of $25.3 billion by 2025 and $50 billion by 2030. It asks for the continuation of the provision of RLNG at $6.5 per MMBTU and electricity at 7.5 cents per unit, which is at par with energy cost of exporters of regional competitors such as Bangladesh, Vietnam and India for growth in exports. The provision of energy at the said cost would ensure Pakistan's products in international market at competitive rates. It advocates for the regionally competitive pricing for the whole textile chain with removal of implementation hurdles.

Threats

- ∇ Now when rise in demand side is expected, cotton production for latest season remained devastatingly very low. With high interest rate scenario, increased energy cost and devaluation impact, industries are bound to procure expensive cotton through import which is affecting country's trade balance as well.

- ∇ To get benefit from CPFTA – II it is important that input cost should be controlled at all levels which is not limited to production of cotton only but borrowing and energy cost as well. As far as cotton production is concerned Prime Minister has taken notice of it however Government and Textile industry should join hands to fund research projects for increased and high yield cotton production. To avoid high cost borrowing other than subsidized Export Re-Finance facility, Textile owners need to inject owner's equity. It is however a notable fact that energy cost immediately cannot be decreased due to circular debt and expensive electricity available at national grid unless Pakistan may increase mix of renewable energy.

- ∇ Cotton is a basic raw material for textile industry. Pakistan, whose 57% exports are dependent on textiles, does not produce enough cotton to meet the requirement of existing demand. Not only that the yield from Pakistani cotton is not up to the mark. Pakistan needs 15 Million bales of cotton to satisfy demand side however it produces 10 Million Bales on average whereas due to climate change recent outcome further deteriorated to around 8 Million Bales. To meet such huge gap from local supply side Textile industry was compelled to import cotton from other countries on weak Pak Rupee. Here again Pakistan India tensions remained obstacle to import comparatively less expensive cotton from across the border.

- ∇ Boosting apparel exports is the only option left for Pakistan in textiles, as it stands no chance in substantially increasing its yarn and fabric exports simply because most of its competitors' have better and efficient basic textile technologies. For years Pakistan remained the preferred supplier of yarn and fabric to major global producers of garments and knitwear. Indians mostly got orders of yarn that Pakistan was not able to supply due to capacity constraints. The industry invested heavily in basic textiles after 9/11 on the strength of low interest rate regime that continued till 2004. But after 2005 Pakistan lost the technology edge in basic textiles it enjoyed over India, Bangladesh and China, as its investment in this sector dried out while its competitors regularly upgraded technology.

- ∇ The chances of increasing yarn and fabric exports from Pakistan are very low particularly with the technology that we currently possess. Pakistani weavers and spinners would have to pay full attention to the domestic market and facilitate the garment and knitwear exporters through quality and low-cost supplies. The value-added sector would be at a disadvantage if they get yarn and fabric (that are basic raw materials for value-addition) at higher than global rates. Moreover, there are variety of blended yarns and fabrics that are not produced in Pakistan.

- ∇ In the wake of the coronavirus, international buyers were hesitating to travel to China and were turning towards Pakistan in hopes of fetching orders from the textile sector. However, this opportunity could be lost because without liquidity, industrialists will not be able to secure additional orders.

- The south Punjab contributes lion's share of cotton to run the country's textile sector, but the manufacturers of the region have squeezed production due to high cost of production. The textile and spinning mills used to run round-the-clock in three shifts in peak season, but a large number of manufacturers have closed one shift and sacked workers due to high power tariff and cost of production. The textile manufacturers have expressed their helplessness in competing with the world markets.

Outlook

It is projected that Pakistan's exports are expected to decline by $ 3 billion due to the coronavirus during ongoing fiscal year. There are substantial difficulties in exports due to Covid-19. Pakistan's key exports are textile related. In textile sector, according to PBS, exports of knitwear had enhanced by 6.74% during the nine months of the current fiscal year over a year ago. Similarly, exports of bed wear had also recorded an increase of 2.45%. Meanwhile, exports of ready-made garments had also surged by 10.98% last financial year. The PBS data showed that exports of cotton cloth had recorded a decline of 2.99%. Similarly, exports of raw cotton increased by 8.19%. Exports of cotton yarn witnessed decrease of 1.9%. Meanwhile, exports of towels had increased by 0.58%.**outlook remains positive for composite, however, for other textile sectors, it is tenuous.**

TEXTILES-FABRICS (WEAVING)

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	8		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	17,019	26,674	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	-786		
C.	**Financial Charges**	**Act/Est**	528		
D.	**PAT**	**Act/Est**	-841		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	14,952		
F.	*Current Assets*	**Act/Est**	7,098		
G.	*Cash & Bank Balances*	**Act/Est**	277		
H.	*Trade Debtors*	**Act/Est**	2,065		
I.	*Short Term Investments*	**Act/Est**	452		
J.	*Total Equity*	**Act/Est**	4,022		
K.	*Current Liabilities*	**Act/Est**	7,284		
L.	*Total Liabilities*	**Act/Est**	10,922		

TEXTILES-KNITS & KNIT APPAREL

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	1		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	393	378	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act/Est**	17		
C.	**Financial Charges**	**Act/Est**	6		
D.	**PAT**	**Act/Est**	13		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	***Total Assets***	**Act/Est**	229		
F.	***Current Assets***	**Act/Est**	179		
G.	***Cash & Bank Balances***	**Act/Est**	1		
H.	***Trade Debtors***	**Act/Est**	69		
I.	***Short Term Investments***	**Act/Est**	26		
J.	***Total Equity***	**Act/Est**	134		
K.	***Current Liabilities***	**Act/Est**	95		
L.	***Total Liabilities***	**Act/Est**	95		

TEXTILES-WOVEN APPAREL

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

No. of Companies	Act/Est	1	
		2018-19	2017-18
Industry Sales	Act/Est	838	840

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

PBT	Act/Est	80
Financial Charges	Act/Est	17
PAT	Act/Est	51

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

Total Assets	Act/Est	3,332
Current Assets	Act/Est	1,104
Cash & Bank Balances	Act/Est	1
Trade Debtors	Act/Est	364
Short Term Investments	Act/Est	Nil
Total Equity	Act/Est	2,681
Current Liabilities	Act/Est	511
Total Liabilities	Act/Est	650

TEXTILE-SPINNING

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	43		
			2018-19	**2017-18**	
A.	Industry Sales	Act/Est	270,996	215,712	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	PBT	Act/Est	12,078		
C.	Financial Charges	Act/Est	6,503		
D.	PAT	Act/Est	8,491		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	276,872		
F.	*Current Assets*	Act/Est	122,392		
G.	*Cash & Bank Balances*	Act/Est	8,614		
H.	*Trade Debtors*	Act/Est	30,849		
I.	*Short Term Investments*	Act/Est	705		
J.	*Total Equity*	Act/Est	112,603		
K.	*Current Liabilities*	Act/Est	110,119		
L.	*Total Liabilities*	Act/Est	165,556		

TEXTILE-SYNTHETIC FIBERS/POLYESTER

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	Act/Est	7		
			2018-19	**2017-18**	
A.	**Industry Sales**	Act/Est	100,410	78,511	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	Act/Est	2,274		
C.	**Financial Charges**	Act/Est	1,245		
D.	**PAT**	Act/Est	941		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	Act/Est	79,777		
F.	*Current Assets*	Act/Est	36,048		
G.	*Cash & Bank Balances*	Act/Est	3,901		
H.	*Trade Debtors*	Act/Est	4,077		
I.	*Short Term Investments*	Act/Est	160		
J.	*Total Equity*	Act/Est	42,038		
K.	*Current Liabilities*	Act/Est	46,826		
L.	*Total Liabilities*	Act/Est	52,807		

TOBACCO

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	3	
			2018-19	**2017-18**
A.	**Industry Sales**	**Act/Est**	163,429	127,517

			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act/Est**	15,733
C.	**Financial Charges**	**Act/Est**	297
D.	**PAT**	**Act/Est**	8,334

			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	***Total Assets***	**Act/Est**	58,660
F.	***Current Assets***	**Act/Est**	490,141
G.	***Cash & Bank Balances***	**Act/Est**	13,497
H.	***Trade Debtors***	**Act/Est**	248
I.	***Short Term Investments***	**Act/Est**	3,001
J.	***Total Equity***	**Act/Est**	30,204
K.	***Current Liabilities***	**Act/Est**	26,133
L.	***Total Liabilities***	**Act/Est**	28,455

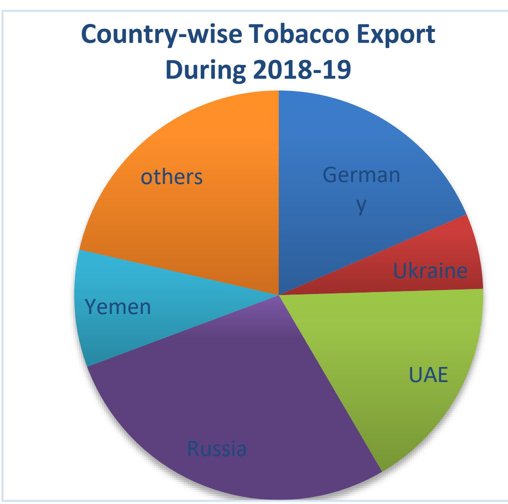
TOBACCO

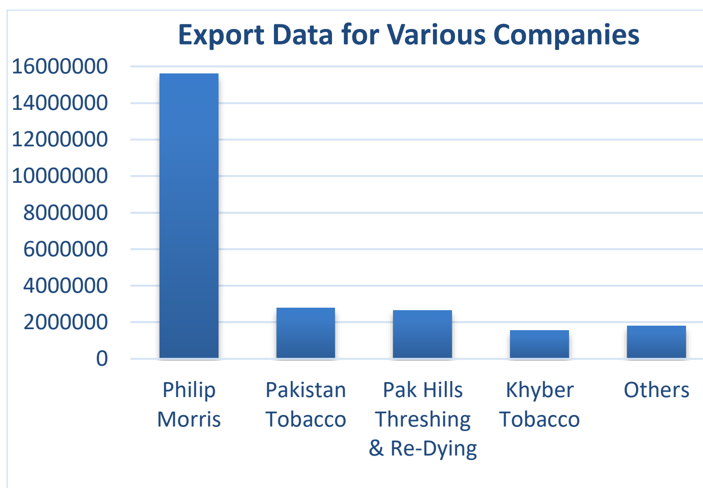
Sector Overview

Though tobacco is grown on around 0.25% of total irrigated land of Pakistan, the crop plays an important role in Pakistan's economy by generating income and employment in the tobacco farming, manufacturing, distribution and retailing. A work force of 350,000 is directly and indirectly employed in the tobacco industry, which generate annual income of around Rs.300 billion and a source of livelihood for 1.2 million people.

There are 75,000 tobacco growers producing tobacco all over Pakistan. Out of these more than 45,000 growers are located in Khyber Pakhtunkhwa producing 95% of Flue Cured Virginia over an area of 30,000 hectares in the districts of Swabi, Mardan, Charsadda, Buner and Mansehra. On average 80-85 million kg of FCV, which is the main ingredient of cigarettes, is produced by growers of these districts every year.

Pakistan is placed among the top ten raw tobacco producers in the world and was ranked 9th in 2016. 5 Despite being one of the largest tobacco growing countries, tobacco is not a major crop in Pakistan. It accounts for only less than half 0.42% of the total value of agricultural produce, 0.25% the total area under cultivation and only 0.03% of agricultural employment (8,200 persons). Similar to agriculture, cigarette industry is also not a major contributor in the manufacturing sector and GDP. Its share in total industrial output is 1.1%. On top of that the share of cigarette industry in the industrial employment is less than a half % only (0.3%).





Opportunities

- The tax rate was brought down on GLTP (Green Leaf Threshing Plants) from Rs300 to Rs10 per kg in the last budget but the monitoring would continue to achieve the desired results. The GLTP would be placed in AJK. FBR decided to ensure strict monitoring at Mangla for controlling smuggling of cigarettes from AJK and curtailing smuggling from Sindh to Punjab.

- Tobacco companies are some of the biggest taxpayers in Pakistan. "The estimated revenue for the financial year 2018-19 is Rs114 billion and, due to withdrawal of lower tier of tax, estimated revenue for year 2019-20 will be Rs147 billion.

- The exports of tobacco from the country witnessed an increase of 41.64% during the 1st 5 months of current financial year 2019-20, against the exports of the corresponding period of last year. The tobacco exports from the country were recorded at $11.616 million during July-November (2019-20) against the exports of $8.201 million during July-November (2018-19). In terms of quantity, the exports of tobacco witnessed an increase of 18.84 % by going up from 3,333 metric tons to 3,961 metric tons.

- In the first half ended June 2019, industry's tax contribution was substantially higher. For instance, PAKT collected Rs55 billion on account of FED, sales tax and corporate income tax – a growth of 37% year-on-year. For PMPK, tax collection on those three counts stood at Rs15 billion, a 64% increase over same period last year.

Threats

- Going into 2020, the local tobacco industry is again caught in the mire. The year 2019 was a year of setbacks for the industry. It all started through the FY20 federal budget announcement in June when the federal government abolished the much-maligned three-tier FED regime and replaced it with the original two-tier system. Recall that the three-tier system, which was introduced in mid-2017, had a visible impact in recovering tobacco topline and government taxes in 2018. That FED regime helped formal tobacco companies become competitive in the face of allegedly rising market share of locally manufactured duty-non-paid (DNP) cigarette brands. The current government, however, reverted to the two-tier FED in June 2019. But the industry managed to fight off the almost-agreed-upon measure of Rs10 'sin tax' per cigarette pack. That levy alone could have netted the treasury estimated Rs30 billion per annum.

- Only two [tobacco] companies pay 98% of total tax [tobacco collection]. The remaining 40% companies pay meagre 2% tax. Cigarette manufacturers across the country are evading millions of rupees in taxes through fraudulent methods.

- The Federal Board of Revenue (FBR) has estimated collection of Rs150 billion from cigarettes industry during the current fiscal year 2019-20 against collection of Rs110 billion in the last fiscal year 2018-19. FBR will collect more taxes to the tune of Rs150 billion including Rs140 billion from two major tobacco companies and Rs10 billion from illicit tobacco as it is decided to install track and trace system to jack up revenue collection

- The level of under-reporting of cigarette production in Pakistan has significant negative implications for government tax revenue. Revenue loss due to undeclared production is estimated to be Rs31 billion while by including GST revenue, it becomes Rs37 billion (considering the average FED rate of Rs1.93 per cigarette in 2016-17, calculated by dividing total revenue by the volume of sales).

- According to reports, around 87 million illicit cigarettes are consumed every day in Pakistan due to their lower prices and are said to cause an annual loss of Rs35-40 billion to the national exchequer.

- According to a study conducted by Oxford Economics, Pakistan is ranked number one in the trade of illicit cigarettes in Asia, with a total volume of 32.6 billion illicit cigarettes consumed in 2017. The primary reason for the existence of illegal manufacturers and traders is the tax-driven price differential between legal and illicit brands, which currently stands at 130%. These illicit cigarettes account for about 35% of the market share and most of these are produced in Khyber-Pakhtunkhwa and Azad Kashmir.

- Among the manufacturing sectors suffering the worst of decline in recent months is the tobacco industry. In July 2019, when production was expected to pick up as per seasonality, the output had declined by 40% over July 2018 to come down to 2.73 billion sticks, as per latest PBS data. It's quite a fall since January, when production crossed 6 billion-stick mark and sustained a high level until April.

- The recently imposed statutory condition for wholesalers/retailers to present CNIC for transactions above Rs.50,000/- has also caused ambiguity on requirement of compliance across the value chain. This has not only contributed to a decline in volumes of the legitimate industry but has also created further undue advantage for the illicit/undocumented sector.

Outlook

With growing share of illicit cigarettes, Government's focus on enforcement is of utmost importance. Though the Government of Pakistan has recently revived the Inland Revenue Enforcement Network (IREN) and has simultaneously initiated a nationwide anti-smuggling drive, the results of these anti-illicit campaigns are yet to be seen. One of the effective anti-illicit tools being considered by Government is that of a Track and Trace system, the success of this however will be predicated on its across-the-board implementation and enforcement at the point of sale so that the illicit sector is brought into the tax net. **Outlook remains stable.**

TRANSPORT-AIR

FINANCIAL SNAPSHOT 2018-19

All figures in Pak Rupees (Million)

	No. of Companies	**Act/Est**	1		
			2018-19	**2017-18**	
A.	**Industry Sales**	**Act/Est**	104,198	97,553	
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	-46,918		
C.	**Financial Charges**	**Act/Est**	15,781		
D.	**PAT**	**Act/Est**	-47,736		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	220,619		
F.	*Current Assets*	**Act/Est**	41,412		
G.	*Cash & Bank Balances*	**Act/Est**	0		
H.	*Trade Debtors*	**Act/Est**	10,989		
I.	*Short Term Investments*	**Act/Est**	19		
J.	*Total Equity*	**Act/Est**	-224,514		
K.	*Current Liabilities*	**Act/Est**	261,374		
L.	*Total Liabilities*	**Act/Est**	445,133		

TRANSPORT-AIR

Sector Overview

Pakistan has 46 airports, 10 are international. Out of total 42 are owned by Civil Aviation Authority (CAA). Amongst them 13 are used for both international and domestic operations, 11 are for domestic operations. Remaining 22 have been sealed or closed down for operations due to various reasons. There are 4 private airports; one at Sialkot is used for international and domestic flight whereas other three are used only for chartered aircraft operations. PIA is handling 87% of passenger and freight traffic along with other airlines. Due to high freight charges, inadequate Cargo Facilities at airports are not helping to use air route for trade. Custom procedures are cumbersome. The gap is filled by international airlines.

The airline business lacks scalability and capacity. Therefore, it cannot be adjusted to market demand on a day-to-day basis. In fact, capacity comes in bulk (175-seater aircraft) whereas passengers come in ones and twos. This business is oligopolistic i.e., very few airlines fiercely compete for a breakeven seat-factor. In turn, they set themselves up for a minute potential for profit, if any. The entry of a new airline would increase both capacity and competition. The prices of tickets would fall below operating costs on domestic routes, hurting all competitors. It will have to sell tickets 10-20pc below the operating cost to snatch its market share from the current players, triggering a cutthroat competition albeit to the benefit of the passengers.

The 4thairline, in all its probability, will expend Rs.500 million of initial investment within the first six months of operations. In fact, it would need about Rs1 billion each year to continue operations until it runs out of funds or one of its competitors quits the market. (The exit of Shaheen Air International from the market in July 2018 gave Serene Air a new lease of life and returned Airblue to profitable operations.) PIA is a perpetually loss-making government entity due to its unique situation. Therefore, no change in the market condition will ever make it profitable. PIA's accumulated losses have reached Rs414 billion.

Privately owned airlines cannot rely on government funds. The investment market is mostly concerned with the promise of future profits. Thus, airlines that are recurrently beset by poor profits are unable to obtain funding from private financial institutions and individual investors. The airline business is capital –labor- and technology-intensive. It is also one of the riskiest businesses in the world where revenues are closely tracked by high costs, resulting in either large losses or insufficient profits.

Opportunities

- There is a new entrant in Pakistan's airway sector. K2 Airways will be based at Karachi's Jinnah International Airport and will begin scheduled passenger flights later in 2020. The latest entrant in Pakistan's airway industry will serve numerous domestic destinations across Pakistan including Islamabad, Skardu and Chitral. The airline also plans to fly to international destinations in the near future. The K2 airways acquired Rusada ENVISION's MRO & Flight Operations Software. The airline intends to implement six of ENVISION's modules immediately. The modules selected include Fleet Management, Line Maintenance, Flight Operations and Human Resources.

- Pakistan aviation sector installed a modern radar system, Mode S, in response to the increasing air traffic in major cities in Pakistan. 2 Mode S radar systems were installed at Islamabad International Airport and 4 at Jinnah International Airport, Karachi. The recent development was a key feature of Air Navigation Plan, under the Air Navigation Plan 2025. Civil Aviation Authority (CAA) is expecting a 25 to 30% increase in revenue of the Pakistan International Airlines (PIA) after the completion of Air Navigation Plan 2025. Control towers of airports across the country will be equipped with modern equipment and technology, developments of new airports and construction of new runways at existing ones, Mode S radar systems to be installed at more airports and reconciling infrastructure with international standards are other important features of the plan.

- Another recent development in Pakistan aviation sector is the agreement between AerCap and AirSial Limited for the lease of three used Airbus A320 aircraft. AerCap is a global leader in aircraft leasing while AirSial Limited is a privately-owned Pakistani startup airline. The start-up is owned by the Sialkot Chamber of Commerce and Industries and will operate out of Sialkot in cooperation with local businesses. It is the 5th Pakistani Airline to be issued with a commercial transport license and the third airline to operate an all-Airbus fleet after AirBlue.

- The government also planned for a development project to improve infrastructure of Pakistan Civil Aviation Authority. The new National Aviation Policy is also on its way for implementation. The policy is projected to help spur growth of the domestic aviation industry, attract private investment for the management and development of new airports, and help revive the struggling national carrier. It hopes to accomplish its aim through a reversal of the Open Sky policy, significant decrease in assortment of taxes and capital requirements of, and airport charges for, local companies.

- Despite negative financial and operational outcomes in the recent years, PIA still holds the largest international capacity share (20% of all seats in international flights). The two other local carriers, Shaheen (before suspending operations in 2018) and Airblue, held 7% of the seats each. On the other hand, Gulf carriers such as Emirates 14%, Saudia 12%, Qatar 8%, FlyDubai 5%, Air Arabia 5%, and Etihad 4% account for 48% of the overall international capacity, when combined. Other airlines hold a minor share.

- The government has approved a revised air service agreement (ASA) with Saudi Arabia to enhance bilateral cooperation in air transportation and safeguard the local aviation industry. Under the new ASA, the national flag carriers of Pakistan and Saudi Arabia will operate an equal number of flights to each country. “Under the revised agreement, PIA and Saudi Arabia Airlines will entertain equal numbers of flights. This will end the disparity in the numbers of flights of the air carriers in each country.

New Aviation Policy

The federal government in its National Aviation Policy 2019 has withdrawn custom and import taxes on damp, dry and wet leases of aircraft, their engines and other parts in an attempt to spur growth in the domestic aviation industry. It has also decided to reverse the country's Open Sky Policy, resulting in the renegotiation of Air Service Agreements (ASA) with all foreign airlines operating in Pakistan.

Under the policy, all airports have been advised to make use of public-private partnerships for easing up their operations and using their land for commercial purposes as well as for the promotion of tourism. It has also offered significant waivers and allowances while increasing benefits for both national and international carriers in order to boost tourism.

Civil aviation charges for all domestic flights have been withdrawn while a cut of 25% has been made on Civil Aviation Authority (CAA) charges for international flights. The permissible age for aircraft has been increased from 12 years to 18 years but the stakeholders have been advised to ensure that only aircraft with low-flying hours can be used up to 18 years of their age. The proposed policy also recommends increase in permissible age for cargo planes after which they can be used until 20 years of age.

The new policy has maintained the CAA rules for international investments, according to which foreign airliners are allowed to conduct business in Pakistan by keeping up to 49% of the shares. In addition, the validity period for regular public transport license has been increased from one year to two years.

A separate category for tourism promotion and regional integration (TRPI) license has also been introduced for the first time in the aviation policy. Under it, operators will be given 5-year licenses for promotion of tourism in the country with option for further extension of the license. The TRPI license-holders will not be permitted to use primary routes or stations and they will be exempted from all types of charges.

As per policy, airlines with regular public transport licenses are required to ensure 3 planes for domestic flights and 5 planes for international flights, while TRPI license-holders will be allowed to maintain 2 aircrafts for commercial flights and one plane for private charter services.

All aircrafts procured on dry, damp and wet leases are required to get registration from CAA. The aircraft taken on wet lease will be registered for 3 months, which may be extended up to 180 days. However, the registration for planes on dry lease will not be validated for more than a year. The policy also permits use of helicopters for tourism purposes.

As per policy guideline, in addition to emergency operations, helicopters will be allowed for tourist purposes and adventure sports. The new policy divides aviation routes into four parts including trunk routes, primary routes and social economic routes A and B.

The government through the new policy is offering more facilities to airlines wishing to start their operations in Pakistan. The proposals of the draft also include special benefits for general aviation operators and passengers. The policy also includes provisions for security and environmental protection as well as offers additional benefits for socio-economic growth through the aviation sector.

Threats

- Pakistan's commercial air transport market is still underdeveloped. Despite robust traffic growth seen at the beginning of the decade, the market expanded only at a fraction of what other economies in the region experienced, as is the case of Bhutan, Sri Lanka, India and Bangladesh. Moreover, only international services that have really funneled passenger traffic growth, whilst domestic services have remained stagnant over the years.

- Carriers undergo financial fitness tests to maintain the validity of their AOC (Air Operator Certificate). This is relevant for consumer protection purposes (e.g. risk of passenger losses in case of bankruptcy) and safety reasons (e.g. possible neglect of safety-relevant areas of the airline). In Pakistan, the following financial requirements shall be mandatory:

  (i) Paid-up capital shall be free of losses and reviewed periodically by PCAA Board;
  (ii) Owner's equity (net worth) shall not be negative at any point in time;
  (iii) Minimum Equity (net worth) to Assets Ratio should be at least 5%, gradually increasing by at least 1% per annum up to a minimum of 10% over a period of next five years report maintained.

  Whereas all the mentioned criteria are strictly imposed on private owned carriers, the government has dispensed PIA from complying with such norms. To the extent possible, public and private businesses should conduct their activities under the same regulatory environment in order to avoid regulatory advantages for State-Owned Enterprises (SOEs) that distort competition in the marketplace. The lack of equal footing when implementing such rules violates principles of competitive neutrality, putting private sector airlines at a disadvantage vis-à-vis the national carrier

Outlook

The outlook for the local airline industry is blurred because of continued loss accumulation in the absence of any viable strategic option in PIA-the national flag carrier. Moreover, due to COVID-19 and ban on PIA by several countries will also impact the sector negatively. **Outlook remains tenuous to negative**.

INDUSTRIES RATED

RANKING BY BUSINESS ENVIRONMENT

BY DEMAND VOLATILITY

Sector ranking, by the Demand Volatility (the variable is a representation of the level of certainty/ uncertainty in the demand of the products. This is mainly concerned with the expected volatility (seasonality) as well as unexpected volatility of the demand) is as follows:

Rank 1: Demand is largely steady

Rank 5: Highly volatile demand which fluctuates tremendously

S.No.	Sector	Rank	% of Score	Max Score	Score
1	Edible Oil	1	100	3.0	3.0
2	Financial Institutions	1	100	3.0	3.0
3	Pharmaceuticals	1	100	3.0	3.0
4	Sugar	1	100	3.0	3.0
5	Surgical, Precision, Optical Equipment	1	100	3.0	3.0
6	Energy - Gas Generation & Distribution	2	80	3.0	2.4
7	Energy - Oil & Gas Exploration	2	80	3.0	2.4
8	Food, Beverages & Consumer Products	2	80	3.0	2.4
9	Information Technology	2	80	3.0	2.4
10	Telecommunications	2	80	3.0	2.4
11	Agro-Chemicals	3	60	3.0	1.8
12	Carpets & Rugs	3	60	3.0	1.8
13	Chemicals (inc. Plastic & Rubber Products)	3	60	3.0	1.8
14	Construction	3	60	3.0	1.8
15	Energy - Power (Generation & Distribution)	3	60	3.0	1.8
16	Fertilizers	3	60	3.0	1.8
17	Tobacco Products	3	60	3.0	1.8
18	Cement	4	40	3.0	1.2
19	Energy - Oil (Petroleum Dist./Marketing)	4	40	3.0	1.2
20	Energy - Oil (Petroleum Refining)	4	40	3.0	1.2
21	Glass & Ceramics	4	40	3.0	1.2
22	Leather Products	4	40	3.0	1.2
23	Machinery & Equipment	4	40	3.0	1.2
24	Metallic Products (Iron & Steel)	4	40	3.0	1.2
25	Textiles – Composite	4	40	3.0	1.2
26	Textiles - Fabrics (Weaving)	4	40	3.0	1.2
27	Textiles - Knits & Knit Apparel	4	40	3.0	1.2
28	Textiles – Spinning	4	40	3.0	1.2
29	Textiles - Synthetic Fibers/Polyester	4	40	3.0	1.2
30	Textiles - Woven Apparel	4	40	3.0	1.2
31	Automotive - Assemblers/Manufacturers	5	20	3.0	0.6
32	Automotive - Parts & Accessories	5	20	3.0	0.6
33	Sports Products	5	20	3.0	0.6
34	Transport – Air	5	20	3.0	0.6

BY SUPPLY VOLATILITY

Sector ranking, by the Supply Volatility, (the variable is a representation of the level of certainty/ uncertainty in the supply of key materials is as follows:
Rank 1: Supply is largely steady;
Rank 5: Highly volatile supply which fluctuates tremendously

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Energy - Gas Generation & Distribution	1	100	3.0	3.0
2	Energy - Oil & Gas Exploration	1	100	3.0	3.0
3	Carpets & Rugs	2	80	3.0	2.4
4	Cement	2	80	3.0	2.4
5	Energy - Oil (Petroleum Dist./Marketing)	2	80	3.0	2.4
6	Energy - Power (Generation & Distribution)	2	80	3.0	2.4
7	Information Technology	2	80	3.0	2.4
8	Leather Products	2	80	3.0	2.4
9	Sugar	2	80	3.0	2.4
10	Tobacco Products	2	80	3.0	2.4
11	Agro-Chemicals	3	60	3.0	1.8
12	Construction	3	60	3.0	1.8
13	Edible Oil	3	60	3.0	1.8
14	Energy - Oil (Petroleum Refining)	3	60	3.0	1.8
15	Financial Institutions	3	60	3.0	1.8
16	Glass & Ceramics	3	60	3.0	1.8
17	Metallic Products (Iron & Steel)	3	60	3.0	1.8
18	Pharmaceuticals	3	60	3.0	1.8
19	Sports Products	3	60	3.0	1.8
20	Surgical, Precision, Optical Equipment	3	60	3.0	1.8
21	Telecommunications	3	60	3.0	1.8
22	Transport – Air	3	60	3.0	1.8
23	Automotive - Assemblers/Manufacturers	4	40	3.0	1.2
24	Automotive - Parts & Accessories	4	40	3.0	1.2
25	Chemicals (inc. Plastic & Rubber Products)	4	40	3.0	1.2
26	Fertilizers	4	40	3.0	1.2
27	Food, Beverages & Consumer Products	4	40	3.0	1.2
28	Machinery & Equipment	4	40	3.0	1.2
29	Textiles – Composite	4	40	3.0	1.2
30	Textiles - Fabrics (Weaving)	4	40	3.0	1.2
31	Textiles - Knits & Knit Apparel	4	40	3.0	1.2
32	Textiles – Spinning	4	40	3.0	1.2
33	Textiles - Synthetic Fibers/Polyester	4	40	3.0	1.2
34	Textiles - Woven Apparel	4	40	3.0	1.2

BY CORPORATE GOVERNANCE & CONTROL STRUCTURE

Sector ranking, by the Corporate Governance & Control Structure (this variable assesses the extent of overall corporate governance and control structure and quality of compliance with generally accepted operating standards in the industry being a combination of certain factors) is as follows:
Rank 1: Enhanced standards of corporate governance & control structure required
Rank 5: Relatively informal governance & control structures required

S.No.	Sector	Rank	% of Score	Max Score	Score
1	Energy - Gas Generation & Distribution	1	100	1.0	1.0
2	Energy - Oil & Gas Exploration	1	100	1.0	1.0
3	Financial Institutions	1	100	1.0	1.0
4	Pharmaceuticals	1	100	1.0	1.0
5	Carpets & Rugs	2	80	1.0	0.8
6	Energy - Oil (Petroleum Dist/Marketing)	2	80	1.0	0.8
7	Energy - Oil (Petroleum Refining)	2	80	1.0	0.8
8	Energy - Power (Generation & Distribution)	2	80	1.0	0.8
9	Fertilizers	2	80	1.0	0.8
10	Information Technology	2	80	1.0	0.8
11	Sugar	2	80	1.0	0.8
12	Telecommunications	2	80	1.0	0.8
13	Transport – Air	2	80	1.0	0.8
14	Automotive - Assemblers/Manufacturers	3	60	1.0	0.6
15	Cement	3	60	1.0	0.6
16	Construction	3	60	1.0	0.6
17	Food, Beverages & Consumer Products	3	60	1.0	0.6
18	Machinery & Equipment	3	60	1.0	0.6
19	Metallic Products (Iron & Steel)	3	60	1.0	0.6
20	Sports Products	3	60	1.0	0.6
21	Surgical, Precision, Optical Equipment	3	60	1.0	0.6
22	Textiles – Composite	3	60	1.0	0.6
23	Textiles - Fabrics (Weaving)	3	60	1.0	0.6
24	Textiles - Synthetic Fibers/Polyester	3	60	1.0	0.6
25	Tobacco Products	3	60	1.0	0.6
26	Agro-Chemicals	4	40	1.0	0.4
27	Automotive - Parts & Accessories	4	40	1.0	0.4
28	Edible Oil	4	40	1.0	0.4
29	Glass & Ceramics	4	40	1.0	0.4
30	Leather Products	4	40	1.0	0.4
31	Textiles - Knits & Knit Apparel	4	40	1.0	0.4
32	Textiles – Spinning	4	40	1.0	0.4
33	Chemicals (inc. Plastic & Rubber Products)	5	20	1.0	0.2
34	Textiles - Woven Apparel	5	20	1.0	0.2

BY STRENGTH OF COMPETITION

Sector ranking, by the Strength of Competition (this factor assesses the strength of competition; number and size of players within the industry sector) is as follows:
Rank 1: Strength of Competition is low
Rank 5: Strength of competition is high

S.No.	Sector	Rank	% of Score	Max Score	Score
1	Energy - Gas Generation & Distribution	1	100	2.0	2.0
2	Energy - Oil & Gas Exploration	1	100	2.0	2.0
3	Energy - Power (Generation & Distribution)	1	100	2.0	2.0
4	Metallic Products (Iron & Steel)	2	80	2.0	1.6
5	Tobacco Products	2	80	2.0	1.6
6	Automotive - Assemblers/Manufacturers	3	60	2.0	1.2
7	Automotive - Parts & Accessories	3	60	2.0	1.2
8	Carpets & Rugs	3	60	2.0	1.2
9	Chemicals (inc. Plastic & Rubber Products)	3	60	2.0	1.2
10	Fertilizers	3	60	2.0	1.2
11	Information Technology	3	60	2.0	1.2
12	Pharmaceuticals	3	60	2.0	1.2
13	Sugar	3	60	2.0	1.2
14	Transport – Air	3	60	2.0	1.2
15	Agro-Chemicals	4	40	2.0	0.8
16	Cement	4	40	2.0	0.8
17	Construction	4	40	2.0	0.8
18	Edible Oil	4	40	2.0	0.8
19	Energy - Oil (Petroleum Dist/Marketing)	4	40	2.0	0.8
20	Energy - Oil (Petroleum Refining)	4	40	2.0	0.8
21	Financial Institutions	4	40	2.0	0.8
22	Food, Beverages & Consumer Products	4	40	2.0	0.8
23	Telecommunications	4	40	2.0	0.8
24	Glass & Ceramics	5	20	2.0	0.4
25	Leather Products	5	20	2.0	0.4
26	Machinery & Equipment	5	20	2.0	0.4
27	Sports Products	5	20	2.0	0.4
28	Surgical, Precision, Optical Equipment	5	20	2.0	0.4
29	Textiles – Composite	5	20	2.0	0.4
30	Textiles - Fabrics (Weaving)	5	20	2.0	0.4
31	Textiles - Knits & Knit Apparel	5	20	2.0	0.4
32	Textiles – Spinning	5	20	2.0	0.4
33	Textiles - Synthetic Fibers/Polyester	5	20	2.0	0.4
34	Textiles - Woven Apparel	5	20	2.0	0.4

BY BARRIERS TO ENTRY

Sector ranking, by the Barriers to Entry (this variable assesses the possibility/ likelihood of entry by new participants in the industry taking into account the capital-intensive nature and extent of legal, constructive and technological barriers to the entry. This factor generally defines the dynamics of the competition within the industry) is as follows:

Rank 1: High Barriers to Entry

Rank 5: Low Barriers to Entry

S.No.	Sector	Rank	% of Score	Max Score	Score
1	Cement	1	100	1.0	1.0
2	Energy - Gas Generation & Distribution	1	100	1.0	1.0
3	Energy - Oil & Gas Exploration	1	100	1.0	1.0
4	Energy - Oil (Petroleum Refining)	1	100	1.0	1.0
5	Energy - Power (Generation & Distribution)	1	100	1.0	1.0
6	Sugar	1	100	1.0	1.0
7	Transport – Air	1	100	1.0	1.0
8	Automotive - Assemblers/Manufacturers	2	80	1.0	0.8
9	Automotive - Parts & Accessories	2	80	1.0	0.8
10	Chemicals (inc. Plastic & Rubber Products)	2	80	1.0	0.8
11	Energy - Oil (Petroleum Dist/Marketing)	2	80	1.0	0.8
12	Fertilizers	2	80	1.0	0.8
13	Financial Institutions	2	80	1.0	0.8
14	Metallic Products (Iron & Steel)	2	80	1.0	0.8
15	Tobacco Products	2	80	1.0	0.8
16	Agro-Chemicals	3	60	1.0	0.6
17	Carpets & Rugs	3	60	1.0	0.6
18	Edible Oil	3	60	1.0	0.6
19	Information Technology	3	60	1.0	0.6
20	Pharmaceuticals	2	60	1.0	0.6
21	Telecommunications	3	60	1.0	0.6
22	Construction	4	40	1.0	0.4
23	Food, Beverages & Consumer Products	4	40	1.0	0.4
24	Glass & Ceramics	5	20	1.0	0.2
25	Leather Products	5	20	1.0	0.2
26	Machinery & Equipment	5	20	1.0	0.2
27	Sports Products	5	20	1.0	0.2
28	Surgical, Precision, Optical Equipment	5	20	1.0	0.2
29	Textiles – Composite	5	20	1.0	0.2
30	Textiles - Fabrics (Weaving)	5	20	1.0	0.2
31	Textiles - Knits & Knit Apparel	5	20	1.0	0.2
32	Textiles – Spinning	5	20	1.0	0.2
33	Textiles - Synthetic Fibers/Polyester	5	20	1.0	0.2
34	Textiles - Woven Apparel	5	20	1.0	0.2

BY LITIGATIONS

Sector ranking, by the Litigations is as follows:
Rank 1: Likelihood of Litigations in the industry is low
Rank 5: Likelihood of Litigations in the industry is high

S.No.	Sector	Rank	% of Score	Max Score	Score
1	Agro-Chemicals	2	80	1.0	0.8
2	Automotive - Assemblers/Manufacturers	2	80	1.0	0.8
3	Automotive - Parts & Accessories	2	80	1.0	0.8
4	Carpets & Rugs	2	80	1.0	0.8
5	Cement	2	80	1.0	0.8
6	Chemicals (inc. Plastic & Rubber Products)	2	80	1.0	0.8
7	Edible Oil	2	80	1.0	0.8
8	Energy - Gas Generation & Distribution	2	80	1.0	0.8
9	Energy - Oil & Gas Exploration	2	80	1.0	0.8
10	Energy - Oil (Petroleum Refining)	2	80	1.0	0.8
11	Fertilizers	2	80	1.0	0.8
12	Food, Beverages & Consumer Products	2	80	1.0	0.8
13	Glass & Ceramics	2	80	1.0	0.8
14	Information Technology	2	80	1.0	0.8
15	Leather Products	2	80	1.0	0.8
16	Machinery & Equipment	2	80	1.0	0.8
17	Sports Products	2	80	1.0	0.8
18	Surgical, Precision, Optical Equipment	2	80	1.0	0.8
19	Telecommunications	2	80	1.0	0.8
20	Textiles – Composite	2	80	1.0	0.8
21	Textiles - Fabrics (Weaving)	2	80	1.0	0.8
22	Textiles - Knits & Knit Apparel	2	80	1.0	0.8
23	Textiles – Spinning	2	80	1.0	0.8
24	Textiles - Synthetic Fibers/Polyester	2	80	1.0	0.8
25	Textiles - Woven Apparel	2	80	1.0	0.8
26	Energy - Oil (Petroleum Dist/Marketing)	3	60	1.0	0.6
27	Financial Institutions	3	60	1.0	0.6
28	Metallic Products (Iron & Steel)	3	60	1.0	0.6
29	Pharmaceuticals	3	60	1.0	0.6
30	Sugar	3	60	1.0	0.6
31	Tobacco Products	3	60	1.0	0.6
32	Transport – Air	3	60	1.0	0.6
33	Energy - Power (Generation & Distribution)	4	40	1.0	0.4
34	Construction	4	40	1.0	0.4

BY PRICE ELASTICITY

Sector ranking, by the Price Elasticity (the variable represents the impact of price changes on the demand of the output) is as follows:
Rank 1: Low impact of price changes on the demand of output
Rank 5: High impact of price changes on the demand of output

S.No.	Sector	Rank	% of Score	Max Score	Score
1	Edible Oil	2	80	3.0	2.4
2	Energy - Gas Generation & Distribution	2	80	3.0	2.4
3	Energy - Oil & Gas Exploration	2	80	3.0	2.4
4	Energy - Power (Generation & Distribution)	2	80	3.0	2.4
5	Information Technology	2	80	3.0	2.4
6	Pharmaceuticals	2	80	3.0	2.4
7	Sugar	2	80	3.0	2.4
8	Agro-Chemicals	3	60	3.0	1.8
9	Carpets & Rugs	3	60	3.0	1.8
10	Cement	3	60	3.0	1.8
11	Chemicals (inc. Plastic & Rubber Products)	3	60	3.0	1.8
12	Energy - Oil (Petroleum Dist/Marketing)	3	60	3.0	1.8
13	Energy - Oil (Petroleum Refining)	3	60	3.0	1.8
14	Food, Beverages & Consumer Products	3	60	3.0	1.8
15	Glass & Ceramics	3	60	3.0	1.8
16	Machinery & Equipment	3	60	3.0	1.8
17	Metallic Products (Iron & Steel)	3	60	3.0	1.8
18	Surgical, Precision, Optical Equipment	3	60	3.0	1.8
19	Telecommunications	3	60	3.0	1.8
20	Textiles – Composite	3	60	3.0	1.8
21	Textiles - Fabrics (Weaving)	3	60	3.0	1.8
22	Textiles - Knits & Knit Apparel	3	60	3.0	1.8
23	Textiles – Spinning	3	60	3.0	1.8
24	Textiles - Synthetic Fibers/Polyester	4	60	3.0	1.8
25	Textiles - Woven Apparel	3	60	3.0	1.8
26	Construction	4	40	3.0	1.2
27	Fertilizers	4	40	3.0	1.2
28	Financial Institutions	4	40	3.0	1.2
29	Leather Products	4	40	3.0	1.2
30	Sports Products	4	40	3.0	1.2
31	Tobacco Products	4	40	3.0	1.2
32	Transport – Air	4	40	3.0	1.2
33	Automotive - Assemblers/Manufacturers	5	20	3.0	0.6
34	Automotive - Parts & Accessories	5	20	3.0	0.6

BY EXPOSURE (Foreign Exchange Risk)

Sector ranking, by the FX Risk (this is an assessment of the risk associated with the foreign exchange movements resulting in cash flow/earnings risks) is as follows:
Rank 1: Low risk associated with foreign exchange movements
Rank 5: High risk associated with foreign exchange movements

S.No.	Sector	Rank	% of Score	Max Score	Score
1	Sugar	1	100	0.5	0.5
2	Carpets & Rugs	2	80	0.5	0.4
3	Cement	2	80	0.5	0.4
4	Construction	2	80	0.5	0.4
5	Energy - Oil & Gas Exploration	2	80	0.5	0.4
6	Fertilizers	2	80	0.5	0.4
7	Food, Beverages & Consumer Products	2	80	0.5	0.4
8	Glass & Ceramics	2	80	0.5	0.4
9	Leather Products	2	80	0.5	0.4
10	Surgical, Precision, Optical Equipment	2	80	0.5	0.4
11	Telecommunications	2	80	0.5	0.4
12	Tobacco Products	2	80	0.5	0.4
13	Chemicals (inc. Plastic & Rubber Products)	3	60	0.5	0.3
14	Energy - Gas Generation & Distribution	3	60	0.5	0.3
15	Energy - Power (Generation & Distribution)	3	60	0.5	0.3
16	Financial Institutions	3	60	0.5	0.3
17	Information Technology	3	60	0.5	0.3
18	Machinery & Equipment	3	60	0.5	0.3
19	Metallic Products (Iron & Steel)	3	60	0.5	0.3
20	Sports Products	3	60	0.5	0.3
21	Textiles - Knits & Knit Apparel	3	60	0.5	0.3
22	Textiles – Spinning	3	60	0.5	0.3
23	Agro-Chemicals	4	40	0.5	0.2
24	Edible Oil	4	40	0.5	0.2
25	Energy - Oil (Petroleum Dist/Marketing)	4	40	0.5	0.2
26	Energy - Oil (Petroleum Refining)	4	40	0.5	0.2
27	Pharmaceuticals	4	40	0.5	0.2
28	Textiles – Composite	4	40	0.5	0.2
29	Textiles - Fabrics (Weaving)	4	40	0.5	0.2
30	Textiles - Synthetic Fibers/Polyester	4	40	0.5	0.2
31	Textiles - Woven Apparel	4	40	0.5	0.2
32	Transport – Air	4	40	0.5	0.2
33	Automotive - Assemblers/Manufacturers	5	20	0.5	0.1
34	Automotive - Parts & Accessories	5	20	0.5	0.1

BY EXPOSURE (Interest Rate Risk)

Sector ranking, by the IR Risk (this is an assessment of the risk associated with the rate fluctuations resulting in cash flow/ earnings risks. Highly leveraged industry faces a higher interest rate risk; links to Debt/Equity ratio. Higher D/E ratio means higher debt & high interest rate risk) is as follows:

Rank 1: Low risk associated with interest rate movements

Rank 5: High risk associated with interest rate movements

S.No.	Sector	Rank	% of Score	Max Score	Score
1	Carpets & Rugs	2	80	0.5	0.4
2	Cement	3	80	0.5	0.4
3	Fertilizers	2	80	0.5	0.4
4	Information Technology	2	80	0.5	0.4
5	Leather Products	2	80	0.5	0.4
6	Textiles - Knits & Knit Apparel	2	80	0.5	0.4
7	Agro-Chemicals	3	60	0.5	0.3
8	Chemicals (inc. Plastic & Rubber Products)	3	60	0.5	0.3
9	Construction	3	60	0.5	0.3
10	Edible Oil	3	60	0.5	0.3
11	Energy - Gas Generation & Distribution	3	60	0.5	0.3
12	Energy - Oil (Petroleum Dist/Marketing)	3	60	0.5	0.3
13	Energy - Oil (Petroleum Refining)	3	60	0.5	0.3
14	Energy - Power (Generation & Distribution)	3	60	0.5	0.3
15	Food, Beverages & Consumer Products	3	60	0.5	0.3
16	Glass & Ceramics	3	60	0.5	0.3
17	Machinery & Equipment	3	60	0.5	0.3
18	Metallic Products (Iron & Steel)	3	60	0.5	0.3
19	Pharmaceuticals	3	60	0.5	0.3
20	Sports Products	3	60	0.5	0.3
21	Sugar	3	60	0.5	0.3
22	Surgical, Precision, Optical Equipment	3	60	0.5	0.3
23	Telecommunications	3	60	0.5	0.3
24	Textiles – Composite	3	60	0.5	0.3
25	Tobacco Products	3	60	0.5	0.3
26	Energy - Oil & Gas Exploration	4	40	0.5	0.2
27	Financial Institutions	4	40	0.5	0.2
28	Textiles - Fabrics (Weaving)	4	40	0.5	0.2
29	Textiles – Spinning	4	40	0.5	0.2
30	Textiles - Synthetic Fibers/Polyester	4	40	0.5	0.2
31	Textiles - Woven Apparel	4	40	0.5	0.2
32	Transport – Air	4	40	0.5	0.2
33	Automotive - Assemblers/Manufacturers	5	20	0.5	0.1
34	Automotive - Parts & Accessories	5	20	0.5	0.1

COMPOSITE RANKING BY BUSINESS ENVIRONMENT

Composite ranking, by the Business Environment, is as follows:

S.No.	Sector	Maximum Score	Score
1	Energy - Gas Generation & Distribution	15.0	13.2
2	Energy - Oil & Gas Exploration	15.0	13.2
3	Sugar	15.0	12.2
4	Energy - Power (Generation & Distribution)	15.0	11.6
5	Information Technology	15.0	11.3
6	Pharmaceuticals	15.0	11.1
7	Edible Oil	15.0	10.3
8	Carpets & Rugs	15.0	10.2
9	Telecommunications	15.0	9.7
10	Tobacco Products	15.0	9.7
11	Financial Institutions	15.0	9.7
12	Cement	15.0	9.4
13	Surgical, Precision, Optical Equipment	15.0	9.3
14	Metallic Products (Iron & Steel)	15.0	9.0
15	Energy - Oil (Petroleum Distribution/Marketing)	15.0	8.9
16	Energy - Oil (Petroleum Refining)	15.0	8.7
17	Food, Beverages & Consumer Products	15.0	8.7
18	Fertilizers	15.0	8.6
19	Agro-Chemicals	15.0	8.5
20	Chemicals (inc. Plastic & Rubber Products)	15.0	8.4
21	Construction	15.0	7.7
22	Transport – Air	15.0	7.6
23	Leather Products	15.0	7.4
24	Glass & Ceramics	15.0	7.3
25	Machinery & Equipment	15.0	6.8
26	Textiles – Composite	15.0	6.7
27	Textiles - Knits & Knit Apparel	15.0	6.7
28	Textiles - Fabrics (Weaving)	15.0	6.6
29	Textiles - Synthetic Fibers/Polyester	15.0	6.6
30	Textiles – Spinning	15.0	6.5
31	Sports Products	15.0	6.2
32	Textiles - Woven Apparel	15.0	6.2
33	Automotive - Assemblers/Manufacturers	15.0	6.0
34	Automotive - Parts & Accessories	15.0	5.8

RANKING BY PROFITABILITY & FINANCIAL STRENGTH

BY GEARING

BY INTEREST COVERAGE (EBIT/Interest Expense)

Rank 1: High ability to pay off interest expense
Rank 5: Less ability to pay off interest expense

S.No.	Sector	EBIT	Interest Expense	Interest Coverage	Rank	% of Score	Max Score	Score
1	Tobacco Products	15,733	297	52.89	1	100	7.0	7.0
2	Sports Products	30,067	663	45.35	1	100	7.0	7.0
3	Energy - Oil & Gas Exploration	210,707	4,732	44.53	1	100	7.0	7.0
4	Construction	41,525	2,024	20.52	2	80	7.0	5.6
5	Textiles – Composite	512,376	25,624	20.00	2	80	7.0	5.6
6	Automotive - Parts & Accessories	8,382	528	15.86	2	80	7.0	5.6
7	Glass & Ceramics	3,853	244	15.76	2	80	7.0	5.6
8	Telecommunications	12,564	940	13.36	2	80	7.0	5.6
9	Pharmaceuticals	14,268	1,334	10.69	2	80	7.0	5.6
10	Fertilizers	81,659	8,386	9.74	3	60	7.0	4.2
11	Machinery & Equipment	1,659	196	8.45	3	60	7.0	4.2
12	Surgical, Precision, Optical Equip	3	26	8.26	3	60	7.0	4.2
13	Automotive - Assemblers/Man	32,163	4,208	7.64	3	60	7.0	4.2
14	Information Technology	1,658	277	5.99	3	60	7.0	4.2
15	Leather Products	3,522	640	5.50	3	60	7.0	4.2
16	Chemicals (inc. Plastic & Rubber Prod)	48,985	9,113	5.38	3	60	7.0	4.2
17	Textiles - Woven Apparel	80	17	4.61	4	40	7.0	2.8
18	Cement	45,106	9,803	4.60	4	40	7.0	2.8
19	Metallic Products (Iron & Steel)	7,798	1,903	4.10	4	40	7.0	2.8
20	Textiles - Knits & Knit Apparel	17	6	2.75	4	40	7.0	2.8
21	Energy - Power (Gen &Dist)	57,978	27,040	2.14	4	40	7.0	2.8
22	Edible Oil	207	97	2.14	4	40	7.0	2.8
23	Food, Beverages & Consumer Prod	19,105	9,432	2.03	4	40	7.0	2.8
24	Energy - Oil (Petroleum Dist/Mark)	23,711	12,635	1.88	5	20	7.0	1.4
25	Textiles – Spinning	12,078	6,503	1.86	5	20	7.0	1.4
26	Textiles - Synthetic Fibers/Polyester	2,274	1,245	1.83	5	20	7.0	1.4
27	Energy - Gas Generation &Dist	18,961	12,500	1.52	5	20	7.0	1.4
28	Carpets & Rugs	300	200	0.67	5	20	7.0	1.4
29	Sugar	6,385	12,558	0.51	5	20	7.0	1.4
30	Energy - Oil (Petroleum Refining)	(4,382)	9,370	-0.47	5	20	7.0	1.4
31	Agro-Chemicals	(3,633)	2,583	-1.41	5	20	7.0	1.4
32	Textiles - Fabrics (Weaving)	(786)	528	-1.49	5	20	7.0	1.4
33	Transport – Air	(46,918)	15,781	-2.97	5	20	7.0	1.4
34	Financial Institutions	286,879	-	#DIV/0!	0	0	7.0	0.0

BY DEBT COVERAGE (EBIT/Debt)

Rank 1: High ability to pay off Debt
Rank 5: Less ability to pay off Debt

S. No.	Sector	EBIT	Debt	Debt Coverage	Rank	% of Score	Max Score	Score
1	Textiles – Composite	512,376	478,646	107.05	1	100	6.0	6.0
2	Construction	41,525	61,387	67.64	1	100	6.0	6.0
3	Sports Products	30,067	51,664	58.20	1	100	6.0	6.0
4	Tobacco Products	15,733	28,455	55.29	1	100	6.0	6.0
5	Energy - Oil & Gas Exploration	210,707	384,221	54.84	1	100	6.0	6.0
6	Telecommunications	12,564	26,246	47.87	1	100	6.0	6.0
7	Automotive - Parts & Accessories	8,382	20,247	41.40	1	100	6.0	6.0
8	Pharmaceuticals	14,268	36,356	39.24	1	100	6.0	6.0
9	Surgical, Precision, Optical Equipment	79	26	32.91	1	100	6.0	6.0
10	Chemicals (inc. Plastic & Rubber Prod)	48,985	207,221	23.64	1	100	6.0	6.0
11	Fertilizers	81,659	349,512	23.36	1	100	6.0	6.0
12	Automotive - Assemblers/Manu	32,163	149,735	21.48	1	100	6.0	6.0
13	Leather Products	3,522	16,926	20.81	1	100	6.0	6.0
14	Metallic Products (Iron & Steel)	7,798	42,175	18.49	2	80	6.0	4.8
15	Textiles - Knits & Knit Apparel	17	95	18.16	2	80	6.0	4.8
16	Glass & Ceramics	3,853	22,278	17.30	2	80	6.0	4.8
17	Cement	45,106	311,440	14.48	2	80	6.0	4.8
18	Textiles - Woven Apparel	80	650	12.43	2	80	6.0	4.8
19	Information Technology	1,658	14,513	11.43	2	80	6.0	4.8
20	Edible Oil	207	1,847	11.25	2	80	6.0	4.8
21	Food, Beverages & Consumer Prod	19,105	172,144	11.10	2	80	6.0	4.8
22	Machinery & Equipment	1,659	17,005	9.76	3	60	6.0	3.6
23	Energy - Power (Gen &Dist)	57,978	687,705	8.43	3	60	6.0	3.6
24	Textiles – Spinning	12,078	165,556	7.30	3	60	6.0	3.6
25	Energy - Oil (Petroleum Dist/Mark)	23,711	386,822	6.13	4	40	6.0	2.4
26	Sugar	6,385	118,349	5.40	4	40	6.0	2.4
27	Textiles - Synthetic Fibers/Polyester	2,274	52,807	4.31	4	40	6.0	2.4
28	Energy - Gas Gen &Dist	18,961	742,800	2.55	4	40	6.0	2.4
29	Financial Institutions	286,879	18,584	1.54	4	40	6.0	2.4
30	Energy - Oil (Petroleum Refining)	(4,382)	48,929	-0.09	5	20	6.0	1.2
31	Textiles - Fabrics (Weaving)	(786)	10,922	-7.20	5	20	6.0	1.2
32	Agro-Chemicals	(3,633)	46,285	-7.85	5	20	6.0	1.2
33	Transport – Air	(46,918)	445,133	-10.54	5	20	6.0	1.2
34	Carpets & Rugs	35	(68)	-194.29	5	20	6.0	1.2

BY DEBT/EQUITY

Sector ranking, by the Debt/Equity (measures industry's average gearing level) is as follows:
Rank 1: Gearing level is low
Rank 5: Gearing level is high

S. No.	Sector	Debt	Equity	Debt-Equity Ratio	Rank	% of Score	Max Score	Score
1	Energy - Gas Gen &Dist	742,800	34,213	21.7	1	100	8.0	8.0
2	Construction	61,387	4,702	13.1	1	100	8.0	8.0
3	Financial Institutions	18,584	1,446	12.8	1	100	8.0	8.0
4	Textiles - Fabrics (Weaving)	10,922	4,022	2.7	2	80	8.0	6.4
5	Energy - Oil (Petroleum Dist/Mark)	386,822	154,883	2.5	2	80	8.0	6.4
6	Food, Beverages & Consumer Products	172,144	79,287	2.2	2	80	8.0	6.4
7	Energy - Power (Gen &Dist)	687,705	396,592	1.7	3	60	8.0	4.8
8	Sugar	118,349	71,317	1.7	3	60	8.0	4.8
9	Textiles – Spinning	165,556	112,603	1.5	3	60	8.0	4.8
10	Metallic Products (Iron & Steel)	42,175	29,036	1.5	3	60	8.0	4.8
11	Information Technology	14,513	10,352	1.4	3	60	8.0	4.8
12	Fertilizers	349,512	252,916	1.4	3	60	8.0	4.8
13	Leather Products	16,926	12,802	1.3	3	60	8.0	4.8
14	Textiles - Synthetic Fibers/Polyester	52,807	42,038	1.3	3	60	8.0	4.8
15	Automotive - Assemblers/Manu	149,735	120,131	1.2	3	60	8.0	4.8
16	Machinery & Equipment	17,005	14,566	1.2	3	60	8.0	4.8
17	Energy - Oil & Gas Exploration	384,221	363,908	1.1	3	60	8.0	4.8
18	Edible Oil	1,847	1,856	1.0	3	60	8.0	4.8
19	Glass & Ceramics	22,278	23,489	0.9	4	40	8.0	3.2
20	Tobacco Products	28,455	30,204	0.9	4	40	8.0	3.2
21	Chemicals (inc. Plastic & Rubber Prod)	207,221	254,737	0.8	4	40	8.0	3.2
22	Cement	311,440	404,550	0.8	4	40	8.0	3.2
23	Textiles - Knits & Knit Apparel	95	134	0.7	4	40	8.0	3.2
24	Pharmaceuticals	36,356	67,670	0.5	4	40	8.0	3.2
25	Surgical, Precision, Optical Equip	154	79	0.5	4	40	8.0	3.2
26	Automotive - Parts & Accessories	20,247	44,832	0.5	4	40	8.0	3.2
27	Energy - Oil (Petroleum Refining)	48,929	115,478	0.4	4	40	8.0	3.2
28	Textiles – Composite	478,646	1,632,535	0.3	4	40	8.0	3.2
29	Textiles - Woven Apparel	650	2,681	0.2	4	40	8.0	3.2
30	Telecommunications	26,246	126,486	0.2	4	40	8.0	3.2
31	Carpets & Rugs	176	35	0.2	4	40	8.0	3.2
32	Sports Products	51	275	0.2	4	40	8.0	3.2
33	Transport – Air	445,133	(224,514)	-2.0	5	20	8.0	1.6
34	Agro-Chemicals	46,285	(4,788)	-9.7	5	20	8.0	1.6

BY LIQUIDITY

BY CURRENT RATIO (Current Assets/Current Liabilities)

Sector ranking, by Current Ratio (assesses the industry's average measures of liquidity) is as follows:

Rank 1: Industry's average measure of liquidity is high

Rank 5: Industry's average measure of liquidity is low

S.No.	Sector	Current Assets	Current Liabilities	Current Ratio	Rank	% of Score	Max. Score	Score
1	Surgical, Precision, Optical Equipment	233	43	5.42	1	100	8.0	8.0
2	Sports Products	241	51	4.68	1	100	8.0	8.0
3	Carpets & Rugs	117	35	3.34	1	100	8.0	8.0
4	Energy - Oil & Gas Exploration	730,608	236,227	3.09	1	100	8.0	8.0
5	Automotive - Parts & Accessories	41,308	19,073	2.17	2	80	8.0	6.4
6	Textiles - Woven Apparel	1,104	511	2.16	2	80	8.0	6.4
7	Pharmaceuticals	61,819	32,801	1.88	3	60	8.0	4.8
8	Textiles - Knits & Knit Apparel	179	95	1.88	3	60	8.0	4.8
9	Tobacco Products	49,141	26,133	1.88	3	60	8.0	4.8
10	Chemicals (inc. Plastic & Rubber Prod)	266,854	157,190	1.70	3	60	8.0	4.8
11	Edible Oil	2,575	1,675	1.54	3	60	8.0	4.8
12	Leather Products	19,908	13,168	1.51	3	60	8.0	4.8
13	Machinery & Equipment	21,957	15,653	1.40	4	40	8.0	3.2
14	Automotive - Assemblers/Man	202,526	145,732	1.39	4	40	8.0	3.2
15	Energy - Oil (Petroleum Dist/Mark)	503,688	421,782	1.19	4	40	8.0	3.2
16	Glass & Ceramics	19,713	16,938	1.16	4	40	8.0	3.2
17	Fertilizers	307,623	265,014	1.16	4	40	8.0	3.2
18	Metallic Products (Iron & Steel)	29,655	26,480	1.12	4	40	8.0	3.2
19	Textiles – Spinning	122,392	110,119	1.11	4	40	8.0	3.2
20	Energy - Power (Gen &Dist)	615,993	564,189	1.09	4	40	8.0	3.2
21	Cement	171,124	159,671	1.07	4	40	8.0	3.2
22	Financial Institutions	16,563	15,707	1.05	4	40	8.0	3.2
23	Textiles – Composite	325,357	311,322	1.05	4	40	8.0	3.2
24	Textiles - Fabrics (Weaving)	7,098	7,284	0.97	5	20	8.0	1.6
25	Telecommunications	92,812	96,321	0.96	5	20	8.0	1.6
26	Energy - Gas Gen &Dist	461,909	504,614	0.92	5	20	8.0	1.6
27	Food, Beverages & Consumer Prod	113,994	134,047	0.85	5	20	8.0	1.6
28	Sugar	74,084	89,734	0.83	5	20	8.0	1.6
29	Information Technology	8,239	10,264	0.80	5	20	8.0	1.6
30	Textiles - Synthetic Fibers/Polyester	36,048	46,826	0.77	5	20	8.0	1.6
31	Energy - Oil (Petroleum Refining)	148,127	194,598	0.76	5	20	8.0	1.6
32	Transport – Air	41,412	261,374	0.16	5	20	8.0	1.6
33	Construction	9,635	61,387	0.16	5	20	8.0	1.6
34	Agro-Chemicals	5,093	46,013	0.11	5	20	8.0	1.6

BY QUICK RATIO

{Cash & Bank Balances(C&BB) +Trade Debtors (TD) +Short Term Investments (STI)}/Current Liabilities (CL)

Sector ranking, by Quick Ratio (assesses the industry's average measures of liquidity) is as follows:

Rank 1: Industry's average measure of liquidity is high

Rank 5: Industry's average measure of liquidity is low

S.No.	Sector	Current Liabilities	Trade Debt	S.T Inv	Cash	Quick Ratio	Rank	% of Score	Max Score	Score
1	Pharmaceuticals	32,801	10,221	451	191,097	6.15	1	100	7.0	7.0
2	Textiles – Composite	311,322	489,173	10,225	302,517	2.58	1	100	7.0	7.0
3	Energy - Oil & Gas Exploration	236,227	409,865	22,509	40,186	2.00	1	100	7.0	7.0
4	Surgical, Precision, Optical Equipment	43	73	-	-	1.70	2	80	7.0	5.6
5	Automotive - Parts & Accessories	19,073	8,260	10,680	3,135	1.16	2	80	7.0	5.6
6	Chemicals (inc. Plastic & Rubber Prod)	157,190	114,192	9,630	24,908	0.95	3	60	7.0	4.2
7	Carpets & Rugs	35	29	-	1	0.86	3	60	7.0	4.2
8	Machinery & Equipment	15,653	12,287	-	663	0.83	3	60	7.0	4.2
9	Textiles - Knits & Knit Apparel	95	69	-	1	0.74	3	60	7.0	4.2
10	Edible Oil	1,675	1,195	-	43	0.74	3	60	7.0	4.2
11	Textiles - Woven Apparel	511	364	-	1	0.71	3	60	7.0	4.2
12	Energy - Power (Gen &Dist)	564,189	379,538	58	15,028	0.70	3	60	7.0	4.2
13	Fertilizers	265,014	38,686	127,463	18,851	0.70	3	60	7.0	4.2
14	Financial Institutions	15,707	-	8,395	1,817	0.65	3	60	7.0	4.2
15	Energy - Oil (Petroleum Dist/Mark)	421,782	254,520	890	18,632	0.65	3	60	7.0	4.2
16	Tobacco Products	26,133	248	3,001	13,497	0.64	3	60	7.0	4.2
17	Glass & Ceramics	16,938	4,369	4,066	1,141	0.57	3	60	7.0	4.2
18	Leather Products	13,168	5,533	-	1,655	0.55	3	60	7.0	4.2
19	Information Technology	10,264	3,014	38	2,130	0.51	3	60	7.0	4.2
20	Telecommunications	96,321	30,504	1,776	7,622	0.41	4	40	7.0	2.8
21	Automotive - Assemblers/Man	145,732	8,609	33,436	17,589	0.41	4	40	7.0	2.8
22	Textiles - Fabrics (Weaving)	7,284	2,065	452	277	0.38	4	40	7.0	2.8
23	Textiles – Spinning	110,119	30,849	705	8,614	0.36	4	40	7.0	2.8
24	Energy - Oil (Petroleum Refining)	194,598	48,929	-	18,514	0.35	4	40	7.0	2.8
25	Energy - Gas Gen &Dist	504,614	148,465	57	8,222	0.31	4	40	7.0	2.8
26	Cement	159,671	16,918	3,966	20,014	0.26	4	40	7.0	2.8
27	Sugar	89,734	12,750	2,424	5,070	0.23	4	40	7.0	2.8
28	Sports Products	51	10	-	-	0.21	4	40	7.0	2.8
29	Food, Beverages & Consumer Prod	134,047	16,734	1,910	9,546	0.21	4	40	7.0	2.8
30	Textiles - Synthetic Fibers/Polyester	46,826	4,077	160	3,901	0.17	4	40	7.0	2.8
31	Metallic Products (Iron & Steel)	26,480	977	1,054	370	0.09	5	20	7.0	1.4
32	Transport – Air	261,374	10,989	-	-	0.04	5	20	7.0	1.4
33	Construction	61	-	-	261	0.00	5	20	7.0	1.4
34	Agro-Chemicals	46	0.86	-	0.37	0.00	5	20	7.0	1.4

BY CASH RATIO

Sector ranking, by Cash Ratio (assesses the industry's average measures of liquidity) is as follows:
Rank 1: Industry's average measure of liquidity is high
Rank 5: Industry's average measure of liquidity is low

S.No.	Sector	Current Liabilities	Cash	Cash Ratio	Rank	% Of Score	Max Score	Score
1	Pharmaceuticals	32,801	191,097	5.83	1	100	4.0	4
2	Textiles – Composite	311,322	302,517	0.97	2	80	4.0	3.2
3	Tobacco Products	26,133	13,497	0.52	2	80	4.0	3.2
4	Information Technology	10,264	2,130	0.21	3	60	4.0	2.4
5	Energy - Oil & Gas Exploration	236,227	40,186	0.17	3	60	4.0	2.4
6	Sports Products	345	58	0.17	5	20	4.0	0.8
7	Automotive - Parts & Accessories	19,073	3,135	0.16	3	60	4.0	2.4
8	Chemicals (inc. Plastic & Rubber Prod)	157,190	24,908	0.16	3	60	4.0	2.4
9	Leather Products	13,168	1,655	0.13	3	60	4.0	2.4
10	Cement	159,671	20,014	0.13	3	60	4.0	2.4
11	Automotive - Assemblers/Man	145,732	17,589	0.12	3	60	4.0	2.4
12	Financial Institutions	15,707	1,817	0.12	3	60	4.0	2.4
13	Energy - Oil (Petroleum Refining)	194,598	18,514	0.10	4	40	4.0	1.6
14	Textiles - Synthetic Fibers/Polyester	46,826	3,901	0.08	4	40	4.0	1.6
15	Telecommunications	96,321	7,622	0.08	4	40	4.0	1.6
16	Textiles – Spinning	110,119	8,614	0.08	4	40	4.0	1.6
17	Food, Beverages & Consumer Prod	134,047	9,546	0.07	4	40	4.0	1.6
18	Fertilizers	265,014	18,851	0.07	4	40	4.0	1.6
19	Glass & Ceramics	16,938	1,141	0.07	4	40	4.0	1.6
20	Sugar	89,734	5,070	0.06	4	40	4.0	1.6
21	Energy - Oil (Petroleum Dist/Mark)	421,782	18,632	0.04	4	40	4.0	1.6
22	Machinery & Equipment	15,653	663	0.04	4	40	4.0	1.6
23	Textiles - Fabrics (Weaving)	7,284	277	0.04	4	40	4.0	1.6
24	Carpets & Rugs	35	1	0.03	4	40	4.0	1.6
25	Energy - Power (Gen &Dist)	564,189	15,028	0.03	4	40	4.0	1.6
26	Edible Oil	1,675	43	0.03	4	40	4.0	1.6
27	Textiles - Knits & Knit Apparel	95	1	0.02	5	20	4.0	0.8
28	Energy - Gas Gen&Dist	504,614	8,222	0.02	5	20	4.0	0.8
29	Metallic Products (Iron & Steel)	26,480	370	0.01	5	20	4.0	0.8
30	Surgical, Precision, Optical Equipment	43	-	0.01	5	20	4.0	0.8
31	Construction	61,387	261	0.00	5	20	4.0	0.8
32	Textiles - Woven Apparel	511	1	0.00	5	20	4.0	0.8
33	Agro-Chemicals	46	0.37	0.00	5	20	4.0	0.8
34	Transport – Air	261,374	-	0.00	5	20	4.0	0.8

BY PROFITABILITY

BY NET PROFIT MARGIN

Sector ranking, by Net Profit Margin (profit margin and analysis of its stability and growth is important when deciding whether the sector will sustain its status as going concern) is as follows:

Rank 1: High Profit Margins

Rank 5: Low Profit Margins

S. No.	Sector	Sales	Net Profit	Net Profit Margin	Rank	% of Score	Max Score	Score
1	Energy - Oil & Gas Exploration	464,252	151,182	32.56	1	100	7.0	7.0
2	Financial Institutions	725,268	167,970	23.16	1	100	7.0	7.0
3	Information Technology	8,641	1,484	17.18	1	100	7.0	7.0
4	Fertilizers	353,958	54,672	15.45	1	100	7.0	7.0
5	Glass & Ceramics	28,225	3,474	12.31	1	100	7.0	7.0
6	Energy - Power (Generation &Dist)	502,924	55,793	11.09	1	100	7.0	7.0
7	Cement	341,200	36,245	10.62	1	100	7.0	7.0
8	Textiles – Composite	4,393,261	459,469	10.46	1	100	7.0	7.0
9	Telecommunications	94,355	9,228	9.78	2	80	7.0	5.6
10	Sports Products	239	23	9.68	2	80	7.0	5.6
11	Surgical, Precision, Optical Equipment	215	18	8.37	2	80	7.0	5.6
12	Pharmaceuticals	124,756	9,881	7.92	2	80	7.0	5.6
13	Metallic Products (Iron & Steel)	76,830	5,484	7.14	2	80	7.0	5.6
14	Chemicals (inc. Plastic & Rubber Prod)	570,840	36,668	6.42	2	80	7.0	5.6
15	Leather Products	41,031	2,609	6.36	2	80	7.0	5.6
16	Textiles - Woven Apparel	838	51	6.12	2	80	7.0	5.6
17	Tobacco Products	163,429	8,334	5.10	2	80	7.0	5.6
18	Automotive - Parts & Accessories	72,925	3,469	4.76	3	60	7.0	4.2
19	Automotive - Assemblers/Man	542,272	22,788	4.20	3	60	7.0	4.2
20	Machinery & Equipment	25,195	1,042	4.14	3	60	7.0	4.2
21	Textiles - Knits & Knit Apparel	393	13	3.41	3	60	7.0	4.2
22	Sugar	173,583	5,477	3.16	3	60	7.0	4.2
23	Textiles – Spinning	270,996	8,491	3.13	3	60	7.0	4.2
24	Food, Beverages & Consumer Prod	331,129	10,109	3.05	3	60	7.0	4.2
25	Energy - Gas Gen &Dist	660,455	16,618	2.52	3	60	7.0	4.2
26	Edible Oil	8,430	81	0.97	4	40	7.0	2.8
27	Textiles - Synthetic Fibers/Polyester	100,410	941	0.94	4	40	7.0	2.8
28	Energy - Oil (Petroleum Dist/Mark)	1,920,604	13,268	0.69	4	40	7.0	2.8
29	Carpets & Rugs	12	(0.69)	-0.56	5	20	7.0	1.4
30	Energy - Oil (Petroleum Refining)	729,099	(11,119)	-1.53	5	20	7.0	1.4
31	Textiles - Fabrics (Weaving)	17,019	(841)	-4.95	5	20	7.0	1.4
32	Transport – Air	104,198	(47,736)	-45.81	5	20	7.0	1.4
33	Agro-Chemicals	4	(3)	-71.76	5	20	7.0	1.4
34	Construction	-	42	#DIV/0!	0	0	7.0	0.0

BY TOTAL ASSETS TURNOVER

Sector ranking, by Total Assets Turnover (assesses the industry's average turnover) is as follows:
Rank 1: The industry is sufficiently using its assets in generating revenues
Rank 5: The industry is inefficient in generating revenues

S. No.	Sector	Net Profit	Sales	Asset Turnover	Rank	% of Score	Max Score	Score
1	Carpets & Rugs	0.211	12	58.02	1	100	2.0	2.0
2	Energy - Oil (Petroleum Dist/Mark)	593,589	1,920,604	3.24	1	100	2.0	2.0
3	Tobacco Products	58,660	163,429	2.79	1	100	2.0	2.0
4	Edible Oil	3,704	8,430	2.28	1	100	2.0	2.0
5	Energy - Oil (Petroleum Refining)	342,687	729,099	2.13	1	100	2.0	2.0
6	Textiles – Composite	2,102,858	4,393,261	2.09	1	100	2.0	2.0
7	Automotive - Assemblers/Man	69,809	542,272	2.01	1	100	2.0	2.0
8	Textiles - Knits & Knit Apparel	229	393	1.71	2	80	2.0	1.6
9	Food, Beverages & Consumer Prod	223,859	331,129	1.48	3	60	2.0	1.2
10	Leather Products	29,399	41,031	1.40	3	60	2.0	1.2
11	Textiles - Synthetic Fibers/Polyester	79,777	100,410	1.26	3	60	2.0	1.2
12	Chemicals (inc. Plastic & Rubber Prod)	466,975	570,840	1.22	3	60	2.0	1.2
13	Pharmaceuticals	104,027	124,756	1.20	3	60	2.0	1.2
14	Textiles - Fabrics (Weaving)	14,952	17,019	1.14	3	60	2.0	1.2
15	Automotive - Parts & Accessories	66,577	72,925	1.10	3	60	2.0	1.2
16	Metallic Products (Iron & Steel)	71,211	76,830	1.08	3	60	2.0	1.2
17	Textiles – Spinning	276,872	270,996	0.98	4	40	2.0	0.8
18	Surgical, Precision, Optical Equipment	233	215	0.92	4	40	2.0	0.8
19	Sugar	189,748	173,583	0.91	4	40	2.0	0.8
20	Energy - Gas Gen &Dist	777,013	660,455	0.85	4	40	2.0	0.8
21	Machinery & Equipment	31,571	25,195	0.80	4	40	2.0	0.8
22	Sports Products	364	239	0.66	4	40	2.0	0.8
23	Fertilizers	602,428	353,958	0.59	4	40	2.0	0.8
24	Glass & Ceramics	50,235	28,225	0.56	4	40	2.0	0.8
25	Cement	721,597	341,200	0.47	5	20	2.0	0.4
26	Transport – Air	220,619	104,198	0.47	5	20	2.0	0.4
27	Energy - Power (Gen &Dist)	1,084,122	502,924	0.46	5	20	2.0	0.4
28	Energy - Oil & Gas Exploration	1,248,130	464,252	0.37	5	20	2.0	0.4
29	Information Technology	24,866	8,641	0.35	5	20	2.0	0.4
30	Telecommunications	274,966	94,355	0.34	5	20	2.0	0.4
31	Textiles - Woven Apparel	3,332	838	0.25	5	20	2.0	0.4
32	Agro-Chemicals	46	4	0.10	5	20	2.0	0.4
33	Financial Institutions	30,930,789	725,268	0.02	5	20	2.0	0.4
34	Construction	12	-	0.00	0	0	2.0	0.0

BY ROA & ROE

Sector ranking, by ROA/ROE (assesses the industry's average measures of profitability) is as follows:

Rank 1: Industry's average measure of profitability is high

Rank 5: Industry's average measure of profitability is low

S. No.	Sector	Total Assets	Net Profit	ROA	Rank	% of Score	Max Score	Score
1	Construction	12	42	353.76	1	100	3.5	3.5
2	Textiles – Composite	2,102,858	459,469	21.85	1	100	3.5	3.5
3	Tobacco Products	58,660	8,334	14.21	1	100	3.5	3.5
4	Energy - Oil & Gas Exploration	1,248,130	151,182	12.11	1	100	3.5	3.5
5	Pharmaceuticals	104,027	9,881	9.50	2	80	3.5	2.8
6	Fertilizers	602,428	54,672	9.08	2	80	3.5	2.8
7	Leather Products	29,399	2,609	8.88	2	80	3.5	2.8
8	Automotive - Assemblers/Man	269,809	22,788	8.45	2	80	3.5	2.8
9	Chemicals (inc. Plastic & Rubber Prod)	466,975	36,668	7.85	2	80	3.5	2.8
10	Surgical, Precision, Optical Equipment	233	18	7.73	2	80	3.5	2.8
11	Metallic Products (Iron & Steel)	71,211	5,484	7.70	2	80	3.5	2.8
12	Glass & Ceramics	50,235	3,474	6.92	2	80	3.5	2.8
13	Sports Products	364	23	6.35	2	80	3.5	2.8
14	Information Technology	24,866	1,484	5.97	3	60	3.5	2.1
15	Textiles - Knits & Knit Apparel	229	13	5.83	3	60	3.5	2.1
16	automotive - Parts & Accessories	66,577	3,469	5.21	3	60	3.5	2.1
17	Energy - Power (Gen &Dist)	1,084,122	55,793	5.15	3	60	3.5	2.1
18	Cement	721,597	36,245	5.02	3	60	3.5	2.1
19	Food, Beverages & Consumer Prod	223,859	10,109	4.52	3	60	3.5	2.1
20	Telecommunications	274,966	9,228	3.36	4	40	3.5	1.4
21	Machinery & Equipment	31,571	1,042	3.30	4	40	3.5	1.4
22	Textiles – Spinning	276,872	8,491	3.07	4	40	3.5	1.4
23	Sugar	189,748	5,477	2.89	4	40	3.5	1.4
24	Energy - Oil (Petroleum Dist/Mark)	593,589	13,268	2.24	4	40	3.5	1.4
25	Edible Oil	3,704	81	2.20	4	40	3.5	1.4
26	Energy - Gas Gen &Dist	777,013	16,618	2.14	4	40	3.5	1.4
27	Textiles - Woven Apparel	3,332	51	1.54	4	40	3.5	1.4
28	Textiles - Synthetic Fibers/Polyester	79,777	941	1.18	4	40	3.5	1.4
29	Financial Institutions	30,930,789	167,970	0.54	4	40	3.5	1.4
30	Energy - Oil (Petroleum Refining)	342,687	(11,119)	-3.24	5	20	3.5	0.7
31	Textiles - Fabrics (Weaving)	14,952	(841)	-5.63	5	20	3.5	0.7
32	Agro-Chemicals	46	(3)	-7.24	5	20	3.5	0.7
33	Transport – Air	220,619	(47,736)	-21.64	5	20	3.5	0.7
34	Carpets & Rugs	211	-69	-32.70	5	20	3.5	0.7

BY ROA & ROE

Sector ranking, by ROA/ROE (assesses the industry's average measures of profitability) is as follows:

Rank 1: Industry's average measure of profitability is high

Rank 5: Industry's average measure of profitability is low

S. No.	Sector	Equity	Net Profit	ROE	Rank	% of Score	Max Score	Score
1	Construction	4	42	909.53	1	100	3.5	3.5
2	Sports Products	19	23	121.24	1	100	3.5	3.5
3	Agro-Chemicals	(4)	(3)	70.15	1	100	3.5	3.5
4	Energy - Gas Gen &Dist	34,213	16,618	48.57	1	100	3.5	3.5
5	Energy - Oil & Gas Exploration	363,908	151,182	41.54	1	100	3.5	3.5
6	Textiles – Composite	1,632,535	459,469	28.14	1	100	3.5	3.5
7	Tobacco Products	30,204	8,334	27.59	1	100	3.5	3.5
8	Fertilizers	252,916	54,672	21.62	1	100	3.5	3.5
9	Transport – Air	(224,514)	(47,736)	21.26	1	100	3.5	3.5
10	Leather Products	12,802	2,609	20.38	1	100	3.5	3.5
11	Automotive - Assemblers/Man	120,131	22,788	18.97	2	80	3.5	2.8
12	Metallic Products (Iron & Steel)	29,036	5,484	18.89	2	80	3.5	2.8
13	Glass & Ceramics	23,489	3,474	14.79	2	80	3.5	2.8
14	Pharmaceuticals	67,670	9,881	14.60	2	80	3.5	2.8
15	Chemicals (inc. Plastic & Rubber Prod)	254,737	36,668	14.39	2	80	3.5	2.8
16	Information Technology	10,352	1,484	14.34	2	80	3.5	2.8
17	Energy - Power (Gen &Dist)	396,592	55,793	14.07	2	80	3.5	2.8
18	Food, Beverages & Consumer Prod	79,287	10,109	12.75	2	80	3.5	2.8
19	Surgical, Precision, Optical Equipment	154	18	11.69	2	80	3.5	2.8
20	Financial Institutions	1,446,309	167,970	11.61	2	80	3.5	2.8
21	Textiles - Knits & Knit Apparel	134	13	9.97	3	60	3.5	2.1
22	Cement	404,550	36,245	8.96	3	60	3.5	2.1
23	Energy - Oil (Petroleum Dist/Mark)	154,883	13,268	8.57	3	60	3.5	2.1
24	Automotive - Parts & Accessories	44,832	3,469	7.74	3	60	3.5	2.1
25	Sugar	71,317	5,477	7.68	3	60	3.5	2.1
26	Textiles – Spinning	112,603	8,491	7.54	3	60	3.5	2.1
27	Telecommunications	126,486	9,228	7.30	3	60	3.5	2.1
28	Machinery & Equipment	14,566	1,042	7.16	3	60	3.5	2.1
29	Edible Oil	1,856	81	4.39	4	40	3.5	1.4
30	Textiles - Synthetic Fibers/Polyester	42,038	941	2.24	4	40	3.5	1.4
31	Textiles - Woven Apparel	2,681	51	1.91	4	40	3.5	1.4
32	Energy - Oil (Petroleum Refining)	115,478	(11,119)	-9.63	5	20	3.5	0.7
33	Textiles - Fabrics (Weaving)	4,022	(841)	-20.92	5	20	3.5	0.7
34	Carpets & Rugs	176	-69	-39.20	5	20	3.5	0.7

BY SOLVENCY

Sector ranking, by Solvency (this is an assessment of the relative ease with which the borrowers in industry in general might be able to raise funds from the external market based on various factors. If major organizations in the industry have backing from other organizations, or organizations are part of groups or conglomerates, the industry is more likely to survive an economic catastrophe) is as follows:

Rank 1: Less dependent on funding/guarantee support

Rank 5: Highly dependent on funding/guarantee support

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Energy - Gas Generation & Distribution	1	100	4.0	4.0
2	Energy - Oil & Gas Exploration	1	100	4.0	4.0
3	Financial Institutions	1	100	4.0	4.0
4	Transport – Air	1	100	4.0	4.0
5	Cement	2	80	4.0	3.2
6	Chemicals (inc. Plastic & Rubber Products)	2	80	4.0	3.2
7	Edible Oil	2	80	4.0	3.2
8	Energy - Oil (Petroleum Distribution/Marketing)	2	80	4.0	3.2
9	Energy - Oil (Petroleum Refining)	2	80	4.0	3.2
10	Fertilizers	2	80	4.0	3.2
11	Food, Beverages & Consumer Products	2	80	4.0	3.2
12	Glass & Ceramics	2	80	4.0	3.2
13	Machinery & Equipment	2	80	4.0	3.2
14	Textiles – Composite	2	80	4.0	3.2
15	Automotive - Assemblers/Manufacturers	3	60	4.0	2.4
16	Automotive - Parts & Accessories	3	60	4.0	2.4
17	Carpets & Rugs	3	60	4.0	2.4
18	Construction	3	60	4.0	2.4
19	Energy - Power (Generation & Distribution)	3	60	4.0	2.4
20	Information Technology	3	60	4.0	2.4
21	Pharmaceuticals	3	60	4.0	2.4
22	Sports Products	3	60	4.0	2.4
23	Surgical, Precision, Optical Equipment	3	60	4.0	2.4
24	Telecommunications	3	60	4.0	2.4
25	Agro-Chemicals	4	40	4.0	1.6
26	Leather Products	5	20	4.0	0.8
27	Metallic Products (Iron & Steel)	5	20	4.0	0.8
28	Sugar	5	20	4.0	0.8
29	Textiles - Fabrics (Weaving)	5	20	4.0	0.8
30	Textiles - Knits & Knit Apparel	5	20	4.0	0.8
31	Textiles – Spinning	5	20	4.0	0.8
32	Textiles - Synthetic Fibers/Polyester	5	20	4.0	0.8
33	Textiles - Woven Apparel	5	20	4.0	0.8
34	Tobacco Products	5	20	4.0	0.8

COMPOSITE RANKING BY PROFITABILITY/FINANCIAL STRENGTH

S.No.	Sector	Maximum Score	Score
1	Energy - Oil & Gas Exploration	60.0	53.6
2	Textiles – Composite	60.0	47.4
3	Pharmaceuticals	60.0	45.4
4	Tobacco Products	60.0	43.8
5	Sports Products	60.0	42.9
6	Surgical, Precision, Optical Equipment	60.0	42.2
7	Fertilizers	60.0	41.3
8	Automotive - Parts & Accessories	60.0	41.2
9	Chemicals (inc. Plastic & Rubber Products)	60.0	40.4
10	Leather Products	60.0	40.3
11	Glass & Ceramics	60.0	39.2
12	Automotive - Assemblers/Manufacturers	60.0	37.6
13	Information Technology	60.0	36.7
14	Financial Institutions	60.0	35.8
15	Energy - Power (Generation & Distribution)	60.0	34.9
16	Cement	60.0	34.0
17	Edible Oil	60.0	33.8
18	Food, Beverages & Consumer Products	60.0	33.5
19	Machinery & Equipment	60.0	33.3
20	Construction	60.0	32.8
21	Telecommunications	60.0	32.7
22	Textiles - Woven Apparel	60.0	31.8
23	Textiles - Knits & Knit Apparel	60.0	31.4
24	Metallic Products (Iron & Steel)	60.0	31.0
25	Energy - Gas Generation & Distribution	60.0	30.9
26	Energy - Oil (Petroleum Distribution/Marketing)	60.0	30.7
27	Carpets & Rugs	60.0	26.8
28	Textiles – Spinning	60.0	26.7
29	Sugar	60.0	23.9
30	Textiles - Synthetic Fibers/Polyester	60.0	22.2
31	Energy - Oil (Petroleum Refining)	60.0	19.8
32	Textiles - Fabrics (Weaving)	60.0	19.8
33	Transport – Air	60.0	18.0
34	Agro-Chemicals	60.0	15.6

BY BUSINESS OUTLOOK & MACROENVIRONMENT

BY BUSINESS OUTLOOK

Sector ranking, by Business Outlook (this represents an assessment of the industry outlook in terms of expansion / contraction of business, earnings and cash flows etc) is as follows:
Rank 1: Business outlook is stable
Rank 5: Business outlook is unstable

S. No.	Sector	Rank	% of Score	Maximum Score	Score
1	Energy - Gas Generation & Distribution	2	80	12.0	9.6
2	Energy - Oil & Gas Exploration	2	80	12.0	9.6
3	Food, Beverages & Consumer Products	2	80	12.0	9.6
4	Pharmaceuticals	2	80	12.0	9.6
5	Telecommunications	2	80	12.0	9.6
6	Agro-Chemicals	2	80	12.0	9.6
7	Cement	3	60	12.0	7.2
8	Chemicals (inc. Plastic & Rubber Products)	3	60	12.0	7.2
9	Construction	3	60	12.0	7.2
10	Edible Oil	3	60	12.0	7.2
11	Energy - Oil (Petroleum Distribution/Marketing)	3	60	12.0	7.2
12	Energy - Power (Generation & Distribution)	3	60	12.0	7.2
13	Fertilizers	3	60	12.0	7.2
14	Financial Institutions	3	60	12.0	7.2
15	Information Technology	3	60	12.0	7.2
16	Sports Products	3	60	12.0	7.2
17	Surgical, Precision, Optical Equipment	3	60	12.0	7.2
18	Textiles – Composite	3	60	12.0	7.2
19	Textiles - Fabrics (Weaving)	3	60	12.0	7.2
20	Textiles - Knits & Knit Apparel	3	60	12.0	7.2
21	Textiles – Spinning	3	60	12.0	7.2
22	Textiles - Woven Apparel	3	60	12.0	7.2
23	Tobacco Products	3	60	12.0	7.2
24	Energy - Oil (Petroleum Refining)	3	60	12.0	7.2
25	Carpets & Rugs	4	40	12.0	4.8
26	Glass & Ceramics	4	40	12.0	4.8
27	Leather Products	4	40	12.0	4.8
28	Machinery & Equipment	4	40	12.0	4.8
29	Metallic Products (Iron & Steel)	4	40	12.0	4.8
30	Sugar	4	40	12.0	4.8
31	Textiles - Synthetic Fibers/Polyester	4	40	12.0	4.8
32	Transport – Air	3	60	12.0	7.2
33	Automotive - Assemblers/Manufacturers	5	20	12.0	2.4
34	Automotive - Parts & Accessories	5	20	12.0	2.4

BY INDUSTRY/BUSINESS LIFE CYCLE

Sector ranking, by Industry/Business Life Cycle (the factor is an assessment of the stage of life cycle of the industry. This is critical to evaluate the business future growth, stability or decline) is as follows:
Rank 1: Business Life Cycle is largely steady
Rank 5: Business Life Cycle is unsteady

S. No.	Sector	Rank	% of Score	Max Score	Score
1	Financial Institutions	1	100	3.0	3.0
2	Agro-Chemicals	2	80	3.0	2.4
3	Chemicals (inc. Plastic & Rubber Products)	2	80	3.0	2.4
4	Edible Oil	2	80	3.0	2.4
5	Energy - Gas Generation & Distribution	2	80	3.0	2.4
6	Energy - Oil & Gas Exploration	2	80	3.0	2.4
7	Energy - Oil (Petroleum Distribution/Marketing)	2	80	3.0	2.4
8	Energy - Power (Generation & Distribution)	2	80	3.0	2.4
9	Fertilizers	2	80	3.0	2.4
10	Food, Beverages & Consumer Products	2	80	3.0	2.4
11	Sports Products	2	80	3.0	2.4
12	Surgical, Precision, Optical Equipment	2	80	3.0	2.4
13	Cement	3	60	3.0	1.8
14	Construction	3	60	3.0	1.8
15	Glass & Ceramics	3	60	3.0	1.8
16	Information Technology	3	60	3.0	1.8
17	Pharmaceuticals	3	60	3.0	1.8
18	Textiles – Composite	3	60	3.0	1.8
19	Textiles - Fabrics (Weaving)	3	60	3.0	1.8
20	Textiles - Knits & Knit Apparel	3	60	3.0	1.8
21	Textiles – Spinning	3	60	3.0	1.8
22	Textiles - Synthetic Fibers/Polyester	3	60	3.0	1.8
23	Textiles - Woven Apparel	3	60	3.0	1.8
24	Tobacco Products	3	60	3.0	1.8
25	Transport – Air	3	60	3.0	1.8
26	Automotive - Assemblers/Manufacturers	4	40	3.0	1.2
27	Automotive - Parts & Accessories	4	40	3.0	1.2
28	Carpets & Rugs	4	40	3.0	1.2
29	Energy - Oil (Petroleum Refining)	4	40	3.0	1.2
30	Machinery & Equipment	4	40	3.0	1.2
31	Metallic Products (Iron & Steel)	4	40	3.0	1.2
32	Telecommunications	4	40	3.0	1.2
33	Leather Products	5	20	3.0	0.6
34	Sugar	5	20	3.0	0.6

BY CORRELATION WITH GDP GROWTH

Sector ranking, by Correlation with GDP Growth (represents the relationship of sector's performance with the performance of the overall economy) is as follows:
Rank 1: Less correlated with GDP growth
Rank 5: Highly correlated with GDP growth

S. No.	Sector	Rank	% of Score	Maximum Score	Score
1	Surgical, Precision, Optical Equipment	1	100	3.0	3
2	Agro-Chemicals	2	80	3.0	2.4
3	Carpets & Rugs	2	80	3.0	2.4
4	Edible Oil	2	80	3.0	2.4
5	Leather Products	2	80	3.0	2.4
6	Pharmaceuticals	2	80	3.0	2.4
7	Sports Products	2	80	3.0	2.4
8	Sugar	2	80	3.0	2.4
9	Tobacco Products	2	80	3.0	2.4
10	Chemicals (inc. Plastic & Rubber Products)	3	60	3.0	1.8
11	Energy - Gas Generation & Distribution	3	60	3.0	1.8
12	Energy - Oil & Gas Exploration	3	60	3.0	1.8
13	Energy - Oil (Petroleum Distribution/Marketing)	3	60	3.0	1.8
14	Energy - Oil (Petroleum Refining)	3	60	3.0	1.8
15	Energy - Power (Generation & Distribution)	3	60	3.0	1.8
16	Fertilizers	3	60	3.0	1.8
17	Food, Beverages & Consumer Products	3	60	3.0	1.8
18	Information Technology	3	60	3.0	1.8
19	Textiles – Composite	3	60	3.0	1.8
20	Textiles - Fabrics (Weaving)	3	60	3.0	1.8
21	Textiles - Knits & Knit Apparel	3	60	3.0	1.8
22	Textiles – Spinning	3	60	3.0	1.8
23	Textiles - Synthetic Fibers/Polyester	3	60	3.0	1.8
24	Textiles - Woven Apparel	3	60	3.0	1.8
25	Automotive - Assemblers/Manufacturers	4	40	3.0	1.2
26	Automotive - Parts & Accessories	4	40	3.0	1.2
27	Cement	4	40	3.0	1.2
28	Construction	4	40	3.0	1.2
29	Financial Institutions	4	40	3.0	1.2
30	Glass & Ceramics	4	40	3.0	1.2
31	Machinery & Equipment	4	40	3.0	1.2
32	Metallic Products (Iron & Steel)	4	40	3.0	1.2
33	Telecommunications	4	40	3.0	1.2
34	Transport – Air	4	40	3.0	1.2

BY REGULATORY/GOVT.SUPPORT-FUTURE EXPECTATIONS

Sector ranking, by Regulatory/Govt. Support-Future Expectations (this factor reflects the future expectations / likelihood in the upcoming financial year for a particular sector to avail significant support from the government. This factor takes into account the regulatory policy direction (driven by sector's contribution in GDP / sector's relative importance to economy etc.) reflected through subsidies, tax rebates, government guarantees, and sectoral development initiatives etc.) is as follows:

Rank 1: High future expectations to avail significant support from government

Rank 5: Low future expectations to avail significant support from government

S. No.	Sector	Rank	% of Score	Maximum Score	Score
1	Cement	2	80	7.0	5.6
2	Chemicals (inc. Plastic & Rubber Products)	2	80	7.0	5.6
3	Construction	2	80	7.0	5.6
4	Energy - Oil & Gas Exploration	2	80	7.0	5.6
5	Energy - Power (Generation & Distribution)	2	80	7.0	5.6
6	Financial Institutions	2	80	7.0	5.6
7	Sugar	2	80	7.0	5.6
8	Textiles – Composite	2	80	7.0	5.6
9	Textiles - Fabrics (Weaving)	2	80	7.0	5.6
10	Textiles - Knits & Knit Apparel	2	80	7.0	5.6
11	Textiles – Spinning	2	80	7.0	5.6
12	Textiles - Synthetic Fibers/Polyester	2	80	7.0	5.6
13	Textiles - Woven Apparel	2	80	7.0	5.6
14	Transport – Air	2	80	7.0	5.6
15	Energy - Gas Generation & Distribution	3	60	7.0	4.2
16	Energy - Oil (Petroleum Distribution/Marketing)	3	60	7.0	4.2
17	Fertilizers	3	60	7.0	4.2
18	Food, Beverages & Consumer Products	3	60	7.0	4.2
19	Information Technology	3	60	7.0	4.2
20	Metallic Products (Iron & Steel)	3	60	7.0	4.2
21	Pharmaceuticals	3	60	7.0	4.2
22	Agro-Chemicals	4	40	7.0	2.8
23	Automotive - Assemblers/Manufacturers	4	40	7.0	2.8
24	Automotive - Parts & Accessories	4	40	7.0	2.8
25	Carpets & Rugs	4	40	7.0	2.8
26	Edible Oil	4	40	7.0	2.8
27	Energy - Oil (Petroleum Refining)	4	40	7.0	2.8
28	Leather Products	4	40	7.0	2.8
29	Machinery & Equipment	4	40	7.0	2.8
30	Sports Products	4	40	7.0	2.8
31	Surgical, Precision, Optical Equipment	4	40	7.0	2.8
32	Telecommunications	4	40	7.0	2.8
33	Tobacco Products	4	40	7.0	2.8
34	Glass & Ceramics	5	20	7.0	1.4

COMPOSITE RANKING BY BUSINESS OUTLOOK & MACRO ENVIRONMENT

Composite ranking, by the Business Outlook & Macro environment, is as follows:

S. No.	Sector	Maximum Score	Score
1	Energy - Oil & Gas Exploration	25	19.4
2	Energy - Gas Generation & Distribution	25	18.0
3	Food, Beverages & Consumer Products	25	18.0
4	Pharmaceuticals	25	18.0
5	Agro-Chemicals	25	17.2
6	Chemicals (inc. Plastic & Rubber Products)	25	17.0
7	Energy - Power (Generation & Distribution)	25	17.0
8	Financial Institutions	25	17.0
9	Textiles – Composite	25	16.4
10	Textiles - Fabrics (Weaving)	25	16.4
11	Textiles - Knits & Knit Apparel	25	16.4
12	Textiles – Spinning	25	16.4
13	Textiles - Woven Apparel	25	16.4
14	Cement	25	15.8
15	Construction	25	15.8
16	Transport – Air	25	15.8
17	Energy - Oil (Petroleum Distribution/Marketing)	25	15.6
18	Fertilizers	25	15.6
19	Surgical, Precision, Optical Equipment	25	15.4
20	Information Technology	25	15.0
21	Edible Oil	25	14.8
22	Sports Products	25	14.8
23	Telecommunications	25	14.8
24	Tobacco Products	25	14.2
25	Textiles - Synthetic Fibers/Polyester	25	14.0
26	Sugar	25	13.4
27	Energy - Oil (Petroleum Refining)	25	13.0
28	Metallic Products (Iron & Steel)	25	11.4
29	Carpets & Rugs	25	11.2
30	Leather Products	25	10.6
31	Machinery & Equipment	25	10.0
32	Glass & Ceramics	25	9.2
33	Automotive - Assemblers/Manufacturers	25	7.6
34	Automotive - Parts & Accessories	25	7.6

COMPOSITE INDUSTRY RANKINGS – MAY 2020

S. No.	Sector	Score	Category	Range
1	Energy - Oil & Gas Exploration	86.2	Highly Attractive	>80
2	Pharmaceuticals	74.5	Attractive	70-79
3	Textiles – Composite	70.5	Attractive	70-79
4	Tobacco Products	67.7	Average	50-69
5	Surgical, Precision, Optical Equipment	66.9	Average	50-69
6	Chemicals (inc. Plastic & Rubber Products)	65.8	Average	50-69
7	Fertilizers	65.5	Average	50-69
8	Sports Products	63.9	Average	50-69
9	Energy - Power (Generation & Distribution)	63.5	Average	50-69
10	Information Technology	63.0	Average	50-69
11	Financial Institutions	62.5	Average	50-69
12	Energy - Gas Generation & Distribution	62.1	Average	50-69
13	Food, Beverages & Consumer Products	60.2	Average	50-69
14	Cement	59.2	Average	50-69
15	Edible Oil	58.9	Average	50-69
16	Leather Products	58.3	Average	50-69
17	Telecommunications	57.2	Average	50-69
18	Construction	56.3	Average	50-69
19	Glass & Ceramics	55.7	Average	50-69
20	Energy - Oil (Petroleum Distribution/Marketing)	55.2	Average	50-69
21	Automotive - Parts & Accessories	54.6	Average	50-69
22	Textiles - Knits & Knit Apparel	54.5	Average	50-69
23	Textiles - Woven Apparel	54.4	Average	50-69
24	Metallic Products (Iron & Steel)	51.4	Average	50-69
25	Automotive - Assemblers/Manufacturers	51.2	Average	50-69
26	Machinery & Equipment	50.1	Average	50-69
27	Textiles – Spinning	49.6	Watch/Hold	40-49
28	Sugar	49.5	Watch/Hold	40-49
29	Carpets & Rugs	48.2	Watch/Hold	40-49
30	Textiles - Fabrics (Weaving)	42.8	Watch/Hold	40-49
31	Textiles - Synthetic Fibers/Polyester	42.8	Watch/Hold	40-49
32	Energy - Oil (Petroleum Refining)	41.5	Watch/Hold	40-49
33	Transport – Air	41.4	Watch/Hold	40-49
34	Agro-Chemicals	41.3	Watch/Hold	40-49

SME/ MICRO SECTOR RATINGS

SME/ Micro Sector Rankings:

The ranking of the micro sectors is based on the indicative financials provided by SMEDA-prefeasibility for a single business unit rather than of entire industry. The financials provide the optimum business potential of the unit.

RATING CRITERIA & SCORECARD

Table # 1: The score conversion equivalents applied are as follows:

RANK	% OF SCORE
1	100.0
2	80.0
3	60.0
4	40.0
5	20.0

Table # 2: The SECTOR SCORING FORMULA, which is weighted for each criterion is as follows:

CATEGORY	PERFORMANCE DRIVER	MAX SCORE
Business Environment:	Demand Volatility	5.0
	Supply Volatility	5.0
	Strength of Competition	3.0
	Barriers to Entry	3.0
	Price Elasticity	4.0
Sub Total		20.0
Profitability & Financial Strength:	Gearing *Interest Coverage* *Debt/Equity*	 8.0 8.0
	Liquidity *Current Ratio* *Quick Ratio* *Cash Ratio*	 8.0 8.0 6.0
	Profitability *Net Profit Margin* *Total Assets Turnover* *ROA & ROE*	 8.0 6.0 8.0
Sub Total		60.0
Outlook & Macro Environment:	Business Outlook	20.0
Sub Total		20.0
Total Score		**100.0**

Table # 3: **INDUSTRY RATINGS CLASSIFICATION**:

Category	Out of 100	Explanation (What the rating suggests)
HIGHLY ATTRACTIVE	>80	Seek to Enter/Expand Aggressively
ATTRACTIVE	70-80	Enter/Expand while mitigating/addressing relevant industry risks
AVERAGE	50-69	OK to enter. Reasonable caution.
WATCH/HOLD	40-49	Active monitoring of current portfolio
UNATTRACTIVE/EXIT	< 40	Risks outweigh potential returns; Pursue exit or appropriate risk negation strategy

SMEDA MICRO SECTORS

The following sectors were included on the basis of ready availability of data, from SMEDA.

1. Beauty Clinic
2. Florist Shop
3. Boutique - Women Designer Wear
4. Shrimp/ Inland Fish Farming
5. Cut Flower Farm
6. Gems Stone Lapidary
7. Animal Fattening Farm
8. Stone Crushing
9. Salt Products Manufacturing Unit
10. Restaurant Cum Fast Food - Take Away
11. Steel Products Welding
12. Spices Processing, Packing & Marketing
13. Veterinary Clinic
14. Poultry Farm
15. Fruit Grading & Packing
16. Fodder Production & Trading Company
17. Dairy Farming
18. Day Care Center
19. Distribution Agency
20. Bakery & Confectionery
21. Marble & Onyx Products/ Marble Mosaic Development Center
22. Direct Marketing

BEAUTY CLINIC

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act**/Est	8,164		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	573		
C.	**Financial Charges**	**Act**/Est	149		
D.	**PAT**	**Act**/Est	564		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	4,013		
F.	*Current Assets*	**Act**/Est	2,572		
G.	*Cash & Bank Balances*	**Act**/Est	1,405		
H.	*Total Debt*	**Act**/Est	1,713		
J.	*Total Equity*	**Act**/Est	2,244		
K.	*Current Liabilities*	**Act**/Est	56		
L.	*Total Liabilities*	**Act**/Est	1,769		

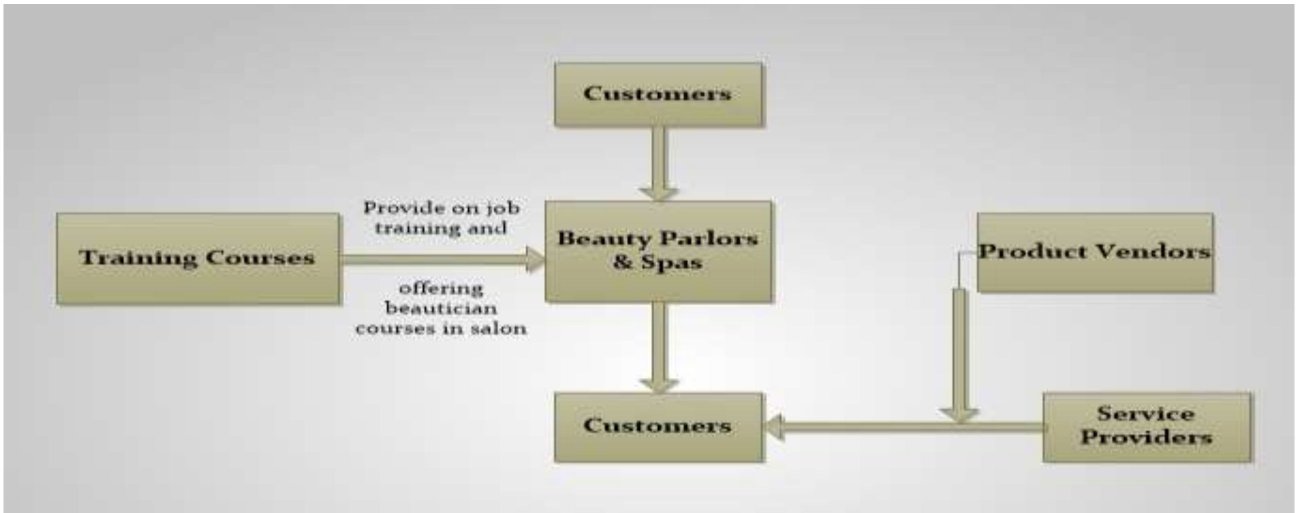
BEAUTY CLINIC

Services sector which accounts for total 53.0% of the GDP is thriving these days. Moreover, it employs 35.0% workforce. In connotation to this, Beauty Industry is playing its role as well. Beauty service industry is stable with no disruption due to inflation or fluctuation in the petrol and fuel prices. This sector is not seasonal but during Eid and wedding seasons, high business activity is observed. With increase in number of working women, which has also led to increase in awareness, has ensured frequent visits of clients to beauty parlors and spas. The businesses do not experience cyclical trends as such with customers requiring beauty parlors and spa services all-round the year. This sector has a very simple and short business cycle with direct interaction with both customers and suppliers and instant revenue collection. Moreover, this sector creates employment opportunities as well for all those having basic knowledge of the sector.

Key Players

Key Players
Toni & Guy
SABS
Nabila‟s
Oxygen
Depelix
Rubinas
Mahrose
Peng Saloon
Alle‟Nora
Zara‟s Salon
Angie‟s Salon & Academy

Business Model



Critical Factors

- ✓ The entrepreneur should have basic knowledge and experience in the requisite field.
- ✓ Efficient sourcing of quality inputs / materials to maintain price and quality relationship.
- ✓ Induction of qualified beauticians and support staff and their regular training.
- ✓ Effective marketing would be the key element in the initial and subsequent success of the beauty clinic.
- ✓ Location of the business addressing accessibility considerations of the target market.

Strengths	Weaknesses
- Low capital investment - Well trained work force - Continuous training of staff - Rising demand by customers including both men and women with rising population - Personalized Customer service	- Expensive raw material - Fragile business and customer relationship - High fixed costs for operations - Strong investment requirements in advertising and brand building
Opportunities	**Threats**
- Rising demand with women entering into job markets needs grooming on regular basis - Attract entrepreneurs for the purpose of business investment	- Cut throat competition - Invention of new electronical gadgets

Prospects for Government

Mostly, the economy of Beauty sector is undocumented. Government can take steps in this regard as it can be highly paid sector which will ultimately promote GDP of Pakistan.

Furthermore, automation and digitization are highly needed and recommended for services sector. By focusing on this, new employment opportunities can be created in IT sector as well which will eventually give rise to new ventures.

Prospects for Commercial Banks

Commercial banks in collision with Government of Pakistan can enforce rules and regulations for documenting the economy. This will eventually let Beauty Clinics to open bank accounts and submit their revenues as deposits with banks. By incentivizing, for instance, by granting loans on low interest rates can help this sector to expand and to boom more.

FLORIST SHOP

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

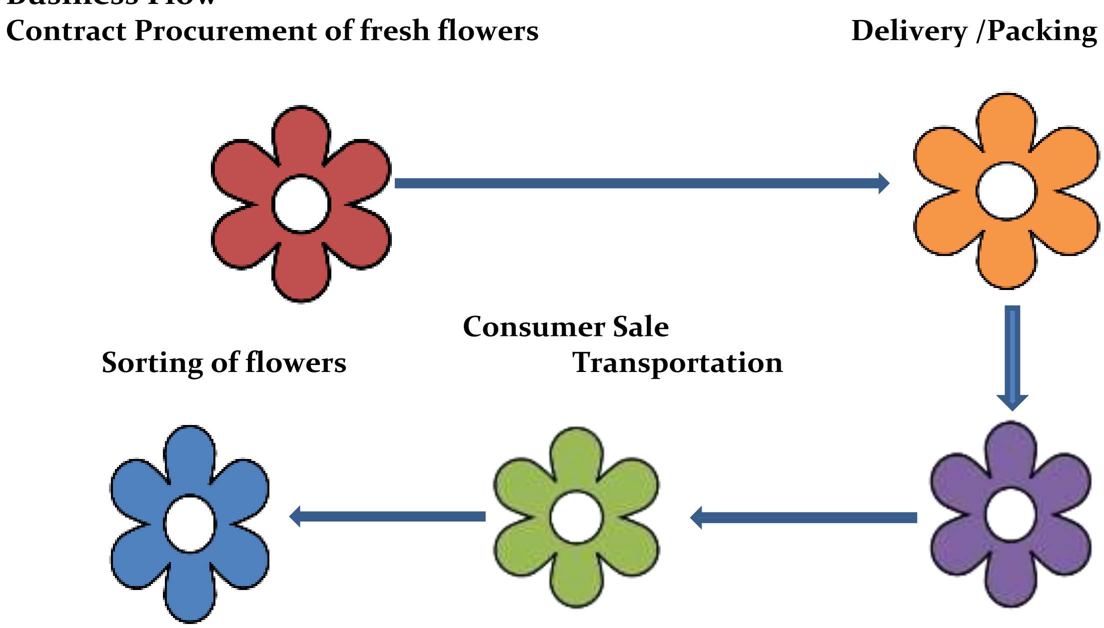
A.	**Estimated Sales**	**Act/Est**	11,087		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	915		
C.	**Financial Charges**	**Act/Est**	110		
D.	**PAT**	**Act/Est**	873		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	3,328		
F.	*Current Assets*	**Act/Est**	2,309		
G.	*Cash & Bank Balances*	**Act/Est**	1,862		
H.	*Total Debt*	**Act/Est**	1,274		
J.	*Total Equity*	**Act/Est**	1,926		
K.	*Current Liabilities*	**Act/Est**	81		
L.	*Total Liabilities*	**Act/Est**	14,101		

FLORIST SHOP

Colorful flowers with pleasant fragrance have been a source of attraction to mankind. Flowers provide pleasure through enlightening colors and spreading fragrance. Therefore, man has always taken support of flowers as a token of expression of kind sentiments on number of occasions and consequently, ever increasing demand of flowers has made the floriculture of paramount importance.

Moreover, Pakistan is an agricultural country, where the agriculture sector directly adds 18.98% to its GDP, provides 42% employment and almost 60% export. Floriculture being the sub-sector of agriculture is a fast-growing sector of Pakistan, which will be the best option of enhancing income under restricted conditions. As Pakistan is blessed by favorable agro-climatic conditions, cheap labor and easily available variety of soils, it has the potential to develop a strong floriculture sector. The floriculture industry is famous around big cities like Karachi, Hyderabad, Lahore, Rawalpindi, Islamabad, Faisalabad, Multan and Quetta where flowers consumption is high. Furthermore, Pattoki near Lahore serves as the "**Center Market**" from which about one million pieces of cut flowers are exported daily to different cities in the country.

Business Flow



Strengths of Floriculture

We have favorable climate and cheap labor for growing these crops, whereas they need much less land and water for production. These crops also give premium prices almost round the year and there is no need to wait for a long time as in the case of other routine crops. Net profit against the investment is much higher from these compared with other conventional crops. The products are in high demand all over the world.

Critical Factors

- Selection of quality flowers on the basis of best analysis of cost and revenues for a given season.
- Location and decor of the shop.
- Appropriate post-harvest arrangement for transportation of flowers to the selling point
- Proper storage arrangement and internal control
- Variety of innovative designs
- Management of events
- Promotional activities
- Processing contract with farmers and traders

Shortcomings of Floriculture

The Pakistani flower industry is not at a higher standard because of the unavailability of suitable facilities for harvest and post-harvest treatments, low productivity and high cost of production, poor cold chain storage facilities, lack of proper disease and pest control, lack of knowledge about the market, non-availability of skilled labor during harvesting and the non-availability of a well-developed internal market. Moreover, lack of cooperation between private and government sectors and inadequate transport facilities aggravate the situation.

Potential growth for Export Sector

In Pakistan, most of the flowers are produced in winter season when Europe sinks in snow and most of the traditional functions are held during that period. In the west, the biting cold of winter months curtails flower production during cold. As this period is the prime cultivation time in Pakistan, the potential is enormous due to favorable agro-climatic conditions, easy availability of land and cheap labor. Pakistan can earn its foreign exchange in billions of US$ through export of fresh flowers and flower buds like the countries Sri Lanka, Iran, India, Singapore and Thailand where the export of floriculture products is ten to hundred times more than export of Pakistan.

BOUTIQUE-WOMEN DESIGNER WEAR

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act/Est**	25,228		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	1,794		
C.	**Financial Charges**	**Act/Est**	214		
D.	**PAT**	**Act/Est**	1,635		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	7,313		
F.	*Current Assets*	**Act/Est**	6,123		
G.	*Cash & Bank Balances*	**Act/Est**	2,309		
H.	*Total Debt*	**Act/Est**	2,471		
J.	*Total Equity*	**Act/Est**	3,588		
K.	*Current Liabilities*	**Act/Est**	1,254		
L.	*Total Liabilities*	**Act/Est**	3,725		

BOUTIQUE – WOMEN DESIGNER WEAR

Dynamics of Boutique Industry

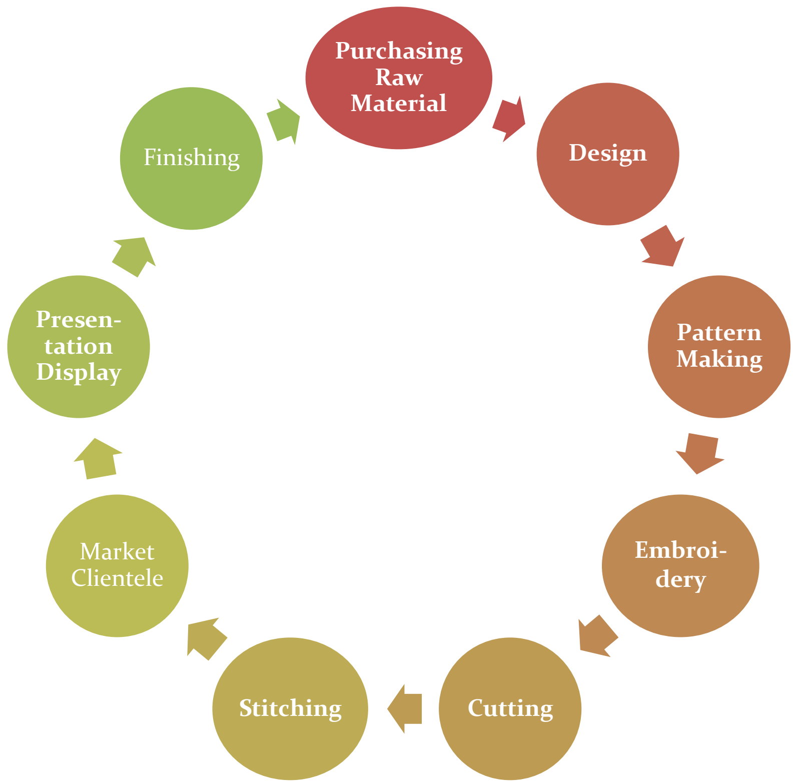
The nation of 197 million has a huge potential for boutique industry to boom and flourish. Moreover, particular types of designer wear are very popular in western countries as well such as Ajrak, Kurtis & shawls etc. The boutique is a growing industry in Pakistan. A large number of boutiques have been introduced in the last few years. Karachi is very famous for its boutiques and designer wears that are well designed and much cheaper as compared to other cities. Lahore is considered as a fashion hub in Pakistan. It is known for its well-known fashion designers and some of the most popular boutiques that make casual as well as formal wear. Islamabad is the capital of Pakistan so various foreigners also live here which has given some modern touch to its boutiques. Traditional as well as modern clothes are found in these boutiques.

List of Reputable Boutiques of Pakistan	Location	Online Presence	International Delivery
Exclusive	Karachi	✓	✓
Couture	Karachi	✓	✓
Ideas by Gul Ahmed	Karachi, Lahore, Islamabad	✓	✓
Feminine Touch	Karachi	✓	✓
Maria B	Karachi, Lahore, Islamabad	✓	✓
Popular Style	Karachi	✓	✓
Jabeen's Fashion	Karachi	✓	✓
Generation	Karachi, Lahore, Islamabad	✓	✓
Chinyere by Breezé	Karachi, Lahore, Islamabad	✓	✓
Nishat Linen	Karachi, Lahore, Islamabad	✓	✓
Sapphire	Karachi, Lahore, Islamabad	✓	✓
Khaadi	Karachi, Lahore, Islamabad	✓	✓
Kayseria	Karachi, Lahore, Islamabad	✓	✓
Fantasia	Lahore	✓	×
Cotton Ginny	Lahore and Islamabad	✓	✓

Strengths

They have online presence as well which makes the boutique industry more available and accessible for all and sundry. Furthermore, their trend of discounts and 50% flat off, offers attract a wide array of women to buy the ready-made garments in one go which eventually add to their booming profits.

Production Process



CRITICAL FACTORS

- ✓ Ability to produce / acquire unique designs and safe guarding such design from piracy
- ✓ Selection of affordable and quality raw materials i.e. fabric, accessories, etc.
- ✓ Emphasis on quality i.e. stitching and finishing, appropriate labeling, display and packaging.
- ✓ Marketing and promotion through various channels.
- ✓ Right product mix, proper inventory management, emphasis on customer services.
- ✓ Employing and retaining skilled labor

SHRIMP FARMING

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act/Est**	4,998		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	985		
C.	**Financial Charges**	**Act/Est**	204		
D.	**PAT**	**Act/Est**	581		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	4,414		
F.	*Current Assets*	**Act/Est**	1,720		
G.	*Cash & Bank Balances*	**Act/Est**	1,035		
H.	*Total Debt*	**Act/Est**	2,357		
J.	*Total Equity*	**Act/Est**	1,869		
K.	*Current Liabilities*	**Act/Est**	87		
L.	*Total Liabilities*	**Act/Est**	2,545		

SHRIMP/ INLAND FARMING

In the next few decades, aquaculture will play a very importing role in the contribution to global food security. The world faces an inescapable fact; we need to feed more people, with changing diets, using finite resources. More food will have to be produced over the next 50 years than has been produced during the past 10,000 years combined. Shrimp harvesting in Pakistan will increase seafood exports, but the stakeholders need government support for the underdeveloped fisheries sector. Moreover, Pakistan, China, India, Indonesia, Bangladesh, Japan, and some other Asian nations contribute more than half to the world's total fish production, said the Food and Agriculture Organization (FAO) of the United Nations.

Critical Factors

Feed for the shrimp should contain a minimum recommended protein content of 32-45%. The percentage of feed depends on the size of the shrimp. The diet should include protein, lipid, carbohydrates, vitamins, minerals etc.

Shrimp farming needs best quality water in terms of oxygen levels. The pond or tank in which the shrimp are farmed should be aerated 24 hours a day, 7 days a week. The other parameters of water that are equally important are temperature, pH, alkalinity, hardness, etc. The pH of the water should always be less than 10 because beyond this level it causes mortality.

Important Dynamics

- ✓ It is recommended to put 10 small shrimp per gallon of water.
- ✓ Generally, each shrimp has 20-30 eggs, which take 2 to 3 weeks to hatch. Normally the egg is green or yellow in colour and it gets darker until the young shrimp hatch after 3 weeks.
- ✓ Farming shrimps in a freshwater tank is not economical because shrimps are extremely territorial and cannibalistic, which causes poor survival in tanks. Freshwater culture is not recommended for shrimp farming.
- ✓ The general stocking density of shrimp per acre of land is 16,000 to 24,000 shrimps. This value again depends on the size of the shrimp being farmed. When shrimp are farmed in low densities, they grow to large size

Steps for taking care of shrimps

- ✓ The tank setup should be of minimum 5 gallons.
- ✓ Get a filter and air pump for the tank.
- ✓ Prepare a gravel or sand bed at the bottom of the tank.
- ✓ Feed the shrimp two times a day.
- ✓ Maintain the temperature of water in the tank at around 18 to 28°C.
- ✓ Create a good plant environment.

CUT FLOWER FARM

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act/Est**	4,828		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	1,723		
C.	**Financial Charges**	**Act/Est**	239		
D.	**PAT**	**Act/Est**	1,487		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	6,082		
F.	*Current Assets*	**Act/Est**	2,562		
G.	*Cash & Bank Balances*	**Act/Est**	2,164		
H.	*Total Debt*	**Act/Est**	2,748		
J.	*Total Equity*	**Act/Est**	3,475		
K.	*Current Liabilities*	**Act/Est**	20		
L.	*Total Liabilities*	**Act/Est**	2,607		

CUT FLOWER FARM

Cut Flower Farm is important segment of Pakistan's local economy because all florist shops depend on the production of cut flower farm. Moreover, growing cut flowers, especially roses, is a very profitable business if done properly on commercial basis. Demand for cut flowers, especially roses, is growing tremendously as more and more people are becoming aware of the beauty of flowers as decorative items. Weddings, birthday parties, seminars, and other such social gathering events are incomplete without floral decorations. Besides earning money, one also helps keep the environment clean and beautiful. Though it is a capital-intensive project, the high returns as compared to any other agricultural venture makes it economically viable. Low cost of labor combined with very reasonable land lease rates and helpful climatic conditions for most part of the year serve as the basis for making this project attractive. Rose plants are easily available and are very cheap.

Process Flow

Key Success Factors

The proposed project would have a number of competitive advantages:

- ✓ Low cost of labor.
- ✓ Lower rent rate of available land.
- ✓ Growing local market.
- ✓ Country profile suites this project.

Threats

Flowers are perishable products with a limited life span. Without any life enhancing treatment, its shelf life is three days to four days maximum. Therefore, flowers should be transported from the field as soon as possible in order to take advantage of its short life.

There are certain diseases that can affect flowers detrimentally, but timely pesticide sprays act as a defense against such threats

Critical Factors

- Selection of land
- Selection of flowers
- Proper Irrigation of flowers
- Regular Pesticide spray to prevent them from pests
- Provision of proper fertilization
- Storage area with all necessary pre-requisites for sorting
- Availability of Farm Fixtures & Tools
- Careful packing and transportation

GEM STONE LAPIDARY

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act**/Est	151,706		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	10,655		
C.	**Financial Charges**	**Act**/Est	116		
D.	**PAT**	**Act**/Est	7,645		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	26,127		
F.	*Current Assets*	**Act**/Est	24,239		
G.	*Cash & Bank Balances*	**Act**/Est	6,535		
H.	*Total Debt*	**Act**/Est	1,723		
J.	*Total Equity*	**Act**/Est	6,059		
K.	*Current Liabilities*	**Act**/Est	6,369		
L.	*Total Liabilities*	**Act**/Est	8,042		

GEMSTONE LAPIDARY

Despite its abundant reserves of precious and semi-precious gemstones and rich history of jewelry manufacturing, Pakistan has been unable develop an internationally competitive gems and jewelry industry. Capitalizing on its vast natural resources, low labor costs, and skilled craftsmen and growing national and international demand, Pakistan has the potential to position itself as a regional hub for precious stone cutting and jewelry manufacturing. Developing this potential will have a significant impact on Pakistan's economy in terms of increase in employment and entrepreneurship, income generation, export revenues, and poverty alleviation. Consisting of mainly small and medium entities, growth of this sector will also have positive externalities for social indicators such as health and education.

Gemstone of Pakistan

Nature has bestowed Pakistan with largesse treasures of Gemstones. Some of these make Pakistan prominent in the mineral world. World's most desired colored gemstones, such as Emerald, Ruby, Sapphire, Topaz, Aquamarine, and Tourmaline are found in Pakistan. The northern and northwestern parts of Pakistan are shrouded by the three world-famous ranges called Hindukush, Himalaya and Karakorum. These mountains have been found to be extremely rich in the mineral deposits. Deep green Emerald of Sawat valley and rare pink Topaz of Katlang are one of the most precious gemstones in the world market.

Challenges for Gemstones Lapidary Sector

As per Local reports Pakistan has the fifth largest reservoirs of gemstones in the world. However, despite huge potential and abundance of raw materials, the country failed to establish its fame like Sri Lanka or Tanzania in the international markets, and it could not even find a place in the top 10 gem exporters in Asia. Moreover, Local businessmen believes that primitive methods and archaic tools during exploring the gemstones are the major reasons of Pakistan's failure in the industry and it is also a basic evidence of negligence of the sector. Currently following technique is used for extraction, production and distribution.

"First, gemstones are extracted by blasting inside the mines then the pieces of broken rock are collected, washed to strain gemstones and then they are taken to the market."

In blasting technique sometimes, the whole stone gets broken from inside and when it is later cut, there is nothing but broken pieces. Henceforth, over 50 percent of the precious stones get wasted as miners neither have modern equipment nor related knowhow. According to the State Bank of Pakistan, capital investment in gem and jewelry sector is very low as compared to the business revenues it can generate. Another factor of the crippled development of the industry, according to people related to the sector, is that Pakistan lacks branding and marketing of its gems. Annually one or two exhibitions in the country cannot attract enough international buyers and locals have less purchasing power to buy the expensive jewels.

Future Prospects

With the implementation of the Special Economic Zone (SEZ) under the China-Pakistan Economic Corridor (CPEC), Pakistan's gem and jewelry sector are going to embrace more opportunities in terms of technology transfer. Moreover, this sector will attract more investors as well which will eventually be increasing the worth of this sector and definitely will decrease smuggling of precious jewels. In connotation to this, the gems merchants and experts say the establishment of gem exchanges is a must to check movement of raw gemstones. They believe if there are better selling opportunities for miners and traders of raw gemstones inside Pakistan, they will not even think of smuggling.

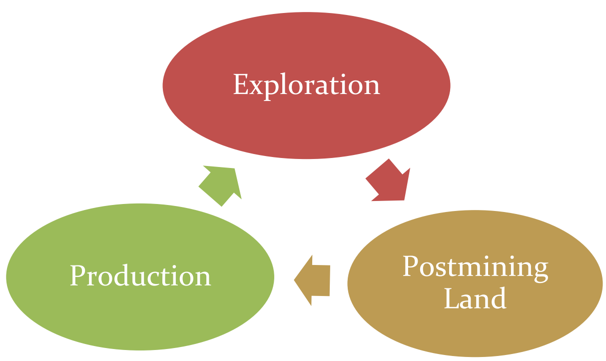
Key Success Factors

Modern technologies for cutting and polish of gemstones in order to avoid the waste of the precious minerals and producing quality and standard produces to fetch foreign exchange reserves for the country. Moreover, last year it was reported in the event organized by All Pakistan Commercial Exporters Association (APCEA) in collaboration with Trade Development Authority of Pakistan (TDAP) that annually Pakistan’s exports gems and stones worth $3.7 billion. However, local gemologists believe that the revenue generated from the sector are just peanuts compared to its huge potential, as more than 80% of the revenue came from unprocessed, raw gemstones.

Methods of Mining

There are four main mining methods.

Process of Mining



ANIMAL FATTENING FARM

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act**/Est	18,984		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	1,385		
C.	**Financial Charges**	**Act**/Est	203		
D.	**PAT**	**Act**/Est	1,287		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	7,591		
F.	*Current Assets*	**Act**/Est	7,252		
G.	*Cash & Bank Balances*	**Act**/Est	2,503		
H.	*Total Debt*	**Act**/Est	2,342		
J.	*Total Equity*	**Act**/Est	4,181		
K.	*Current Liabilities*	**Act**/Est	844		
L.	*Total Liabilities*	**Act**/Est	3,410		

ANIMAL FATTENING FARM

Animal Fattening includes the intensified feeding of animals to obtain the greatest quantity of high-quality meat. Cattle, swine, sheep, poultry, and rabbits are fattened. In cattle raising several types of fattening are used to obtain dietetic veal, regular veal, baby beef, and beef. Moreover, Cattle beef fattening involves the feeding of beef cattle with a protein balanced, high-energy diet for a period of 90 days under confinement to increase live weights and improve degree of finish and thus obtain better grades at the abattoir. Beef fattening enables the cattle to express fully their genetic potential for growth.

In Pakistan alone nearly 10 million animals are slaughtered on Eid days costing over US$2.0 billion.

Critical Factors for Animal Fattening Farmland, Housing and Equipment

A large enough area must be available for erecting the necessary feedlots. A beef cattle feedlot/pen is a confined yard area with watering and feeding facilities where cattle are completely hand or mechanically fed for the purpose of beef fattening. Feeding is done under confinement to prevent loss of energy through movement. Proper housing is important in successful beef fattening business. Adequately protect animals against the adverse effects of weather when they are raised in relatively small areas. Cattle housing must offer very easy access to food and water, freedom of movement, ventilation that prevents harmful effects from poor air quality and natural ventilation and light.

Feed and Nutrition

It’s very essential to give the right quantity and type of feed to cattle. The success of cattle fattening business depends on the ability of the cattle to gain weight and to produce high quality beef. These factors are affected by the quality and quantity of feed. The proper feeding techniques will ensure that the cattle will grow and utilize the feed efficiently and produce good quality beef. There are companies which sell cattle fattening stock feeds. These are complete, balanced feeds, which are designed for fattening cattle in feedlots over 90 days. The stock feeds are high energy fattening meals which contain all the nutrients necessary for ad lib cattle pen fattening. Homemade cattle beef fattening feeds can also be used. The amount of feed consumed by the cattle daily will depend on factors such as live weight and age of the cattle. Normally, it averages between 8-15kg per head per day or 3.4% of a steer’s live mass per day. The average daily weight gain at 350Kg live mass is about 1.6Kg.

Capital

The amount of capital required for cattle fattening business depends on the scale of the cattle pen fattening project. Startup Capital is needed for constructing the feedlots, buying the cattle, buying the stock feeds etc. Sources of capital include bank loans, and equity investors.

Market for Cattle and Beef

The market for beef is very huge and is ever increasing. The annual global demand of beef is 58 million tons. Cattle/beef can be supplied to individual households, butchers, auctions, farmers, schools, restaurants, companies, supermarkets, organizations, events, abattoirs etc. Moreover, Cattle can be sold live, or slaughtered beef can also be sold.

The export market for beef is also very huge! Beef can be exported to other countries as well. The largest importers of beef are Russia, United States of America, Japan, China, South Korea, European Union, Hong Kong, Egypt, Canada, Chile and Malaysia. Currently, the top producers of beef are United States of America, Brazil, European Union, China, India, Argentina, Australia, Mexico, Pakistan, Turkey and Russia.

Some Facts of Fiscal Year (2019 -2020)

Exports of meat and meat preparations amounted to $242.799 million in the last fiscal year, up 7.61% over the preceding fiscal year. The exports accounted for merely 1.1% of the country's total exports of $22.979 billion in FY2019. Pakistan is self-sufficient in meat production

Pakistan barely exports four percent of beef and veal produced in a year as absence of livestock policy hinders tapping of potential overseas markets and gives unorganized sector a leeway to fleece consumers.

This is despite a fact that the country is among the top 10 beef and veal producers in the world. The country annually produces 1.8 million tons of beef and veal.

List of Countries with highest meat producer in year 2019
United States was the biggest producer with 12.7 million tons.
Brazil produced 10.2 million tons.
Europen Union produced 7.8 million tons.
China produced 7.4 million tons.
India produced 4.3 million tons.
Argentina produced 3.0 million tons.
Australia produced 2.2 million tons.
Mexico produced 2 million tons.
Turkey and Russia produced 1.4 million tons each.

List of Countries with the highest meat consumption (kg per person)
1. US: 120 kg per Person
2. Australia: 111 kg per Person
3. Spain: 97 kg per Person
4. Israel: 96 kg per Person
5. Canada: 94 kg per Person
6. Italy: 90 kg per Person
7. Germany: 88 v
8. France: 87
9. Brazil: 85 kg per Person
10. UK: 84 kg per Person
11. Russia 69 Kg per Person
12. China 58 Kg per Person
13. Saudi Arabia 54 Kg per Person
14. Turkey 25 Kg per Person
15. Indonesia 11 Kg per Person

STONE CRUSHING

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act/Est**	139,224		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	17,958		
C.	**Financial Charges**	**Act/Est**	0		
D.	**PAT**	**Act/Est**	12,450		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	91,694		
F.	*Current Assets*	**Act/Est**	49,519		
G.	*Cash & Bank Balances*	**Act/Est**	48,829		
H.	*Total Debt*	**Act/Est**	0		
J.	*Total Equity*	**Act/Est**	91,694		
K.	*Current Liabilities*	**Act/Est**	0		
L.	*Total Liabilities*	**Act/Est**	0		

STONE CRUSHING

Stone Crushing is one of the potential businesses nowadays due to the mounting construction sector in the country. The Stone Crushing setup can be located at any rocky or barren type area distant from the urban settings like Hub, Superhighway, Manghopir, Jhampir or Nooriabad that are in near proximity of Karachi while other similar areas can be around Lahore, Multan, Faisalabad, Peshawar and Quetta where real estate development and construction projects are on peak.

Stone Crushing - Production Process

The main machinery involved in the stone crushing industry is Hammer Crusher, Vibrators, Rotor, Conveyers and Support Structure. The process involved is to feed the stone into the Hammer Crushers to make it further smaller in size as required by the customer. In the hammer crusher, the stone is crushed. The crushed stone is screened to separate the produce in different sizes by the separator. The crushed stone is conveyed by the conveyors to trucks for transport to the marketplace or storage area.

Material Sourcing

Hard Limestone is the basic raw material which is used for the production of quality crushed stone.

Prospects for Pakistan

God has bestowed Pakistan with huge reserves of mineral wealth which are spreading all over the country and especially enormous reserves of Hard Limestone are generally found around the country in all provinces. Specifically, limestone deposits are found in Jhelum, Dera Ghazi Khan, Moghul Kot, Hyderabad, Manghopir, KotDiji and Ranipur. It is used for making cement and is also used in paper, soap and glass industries. This sector has growing prospects in Pakistan, with rising population and urbanization. Moreover, it generates employment opportunities as well.

Target Market

The demand of Stone Crushing units is increasing across the country which is proportionate to the increased growth of Real Estate and Construction Sector reflecting improved economic growth and rising consumerism. Therefore, the potential target market for the proposed Stone Crushing setup are the construction and engineering firms, builders and contractors having alive projects in densely populated cities like Karachi, Lahore, Multan, Faisalabad, Peshawar and Quetta.

Environmental Hazards

- Emission during unloading of mined stones at crusher site.
- Emission during unloading of mined stones at crushing operations.
- Emission during material movement and transfer.
- Emission during vibratory screening operations.
- Emission during loading of crushed stone products.
- Emission during vibratory screening operations.
- Secondary emissions from stockpiles.

SALT PRODUCTS MANUFACTURING UNIT

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act**/Est	23,638		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	6,631		
C.	**Financial Charges**	**Act**/Est	505		
D.	**PAT**	**Act**/Est	5,088		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	29,514		
F.	*Current Assets*	**Act**/Est	12,353		
G.	*Cash & Bank Balances*	**Act**/Est	6,193		
H.	*Total Debt*	**Act**/Est	2,948		
J.	*Total Equity*	**Act**/Est	22,983		
K.	*Current Liabilities*	**Act**/Est	820		
L.	*Total Liabilities*	**Act**/Est	6,531		

SALT PRODUCTS MANUFACTURING UNIT

The salt products manufacturing project entails production of ***rock salt crystal products*** ranging from ***lamps, tiles, candle stands, salt soaps and various decorative shapes / pieces***.

> Pakistan is the only country for having the world's largest salt mines with proven reserves of about 10 billion ton in 3 mines including more than 6.687 billion ton only in the Khewra rocky salt mine, located in the area of district Jhelum. Other two salt mines are Warcha and Kalabagh.

There is a growing demand of salt products in western countries due to its healing properties for their natural curative properties and distinctive color composition for decorative items. Pakistan's salt products are well known all over the world for their distinctive composition and craftsmanship. Pakistan holds one of the largest reserves of salt deposits in the world. Growing international demand for salt products, availability of cheap and skilled labor coupled with abundant raw material offers new start-ups a very promising opportunity to venture into salt products manufacturing. Moreover, Pakistan has world 2ndlargest Salt mine known as Khwera Salt Mine.

Production Process

Blocks of salt are cut into small pieces by cutters. Lathe machines are used to shape and size salt pieces into lamps and candle stands etc. Finishing operations are carried out on a grinder and drill machine. Natural profile products (natural shape) are made on grinders and hand drills.

Geographical Spanning

Khewra, Jhelum, Warcha, Mianwali, Kalabagh and Mianwali districts possess the salt in abundance.

Potential Target Customers / Markets

Salt products manufactured in this unit will be sold to exporters for European countries such as UK, Germany, France, Italy, and Spain. In addition to these countries, Korea, Japan and Australia are also potential markets of salt products.

> Pakistan has exported around 647,978 Metric Ton (MT) rock salt, which is known in the world due to its best quality, and generated Rs 7.776 billion income during the last five years.

Critical Factors

Before making the decision, whether to invest in setting up the salt products manufacturing business or not, one should carefully analyze the associated risk factors. The most critical considerations or factors for success of the salt products manufacturing unit are:

- Awareness / knowledge of international markets and the demand trends for salt products.
- Availability of skilled labor and good quality raw material.
- Strict management / supervision controls to minimize wastage.
- Regular training and capacity building of the entrepreneur and employees.
- Prior experience / education in the related field of business.
- Ventilation and adequate safety measures.

- The production process is highly manual and requires high involvement of manpower, therefore, strong management control in production operation is required.
- Ability to generate work orders through networking, direct marketing and negotiating long term contracts. The most important factor for the success of the project would be the quality products and customer satisfaction in order to get a comparative advantage.

Pink Salt and the Story Behind

In the US Himalayan pink salt has become popular in a variety of uses, from cooking to spa treatments. You can even buy lamps made from it. But its origins are rarely highlighted or even mentioned on products — perhaps because Pakistan, where most of this salt comes from, isn't a place one associates with pink salt. Instead, the salt is often marketed as coming from some amorphous Himalayan mountain, perhaps an icy glacier. In connotation to this, it was discovered that the country was selling cheap salt to India, where it was being processed and sold at a markup — and worse, without listing the country of origin. The revelation triggered a viral campaign last year.

Salt Export Policy '(SEP)

Last year in March, the mining experts called for evolving a comprehensive annual 'Salt Export Policy '(SEP) to regularize country's salt trade and to develop a branding mechanism to sell the commodity in the international market on competitive prices. Despite being world's largest salt producer, Pakistan drags at number 20 in the exporters' category, and is unable to make its place in the lucrative world salt market.

Global Indication Law (GIL)

It is also because of absence of Global Indication Law (GIL) which became a major cause of huge loss to the national economy as Pakistan could not directly export the commodity with its own branding.

Role of State

As Pakistan is yet to implement Geographical Indication Law ever since it was drafted in the year 2000. The GI Law, which is pending for a long time, must be passed urgently to protect commercial heritage of the country's products, including basmati rice, Peshawari chappal, MultaniHalwa, Sindhi Ajrak, Sargodha's Kinnow, Kasurimethi, Sindhri Mango, Dir Knives, Swati Wild Mushrooms, Nili-Ravi Buffalo, Chaman Grapes, Pashmina Shawls, Gilgit Baltistan's Apricot etc.

Types of Salt

Refined Salt (Regular Table Salt)
Sea Salt
Himalayan Pink Salt
Kosher Salt
Celtic Salt

RESTAURANT CUM FAST FOOD- TAKE AWAY

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act**/Est	15,560		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	2,541		
C.	**Financial Charges**	**Act**/Est	0		
D.	**PAT**	**Act**/Est	2,033		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act**/Est	8,182		
F.	***Current Assets***	**Act**/Est	4,949		
G.	***Cash & Bank Balances***	**Act**/Est	3,672		
H.	***Total Debt***	**Act**/Est	0		
J.	***Total Equity***	**Act**/Est	7,827		
K.	***Current Liabilities***	**Act**/Est	223		
L.	***Total Liabilities***	**Act**/Est	354		

RESTAURANT CUM FAST FOOD

As per UN estimates global population is about 7.7 Billion surpassing 7.2 Billion from 2015. It is growing at the rate of 1.1% per year. This trend shows enormous potential in fast food chains. As with growing population and economic equality, men and women both are working, and this compels fast food industry to grow by leaps and bounds. Global fast food net worth is about $198.9 B and it is expected to rise by $223 B in 2020 (almost 12.0% increase in just 3 years). Moreover, fast food generates revenue of over $570 B annually that is bigger than the economic value of most countries. This shows alarming trend of fast food consumption globally and this trend has also impact Pakistan.

Food hailing apps and cluttered taste have revolutionized food industry in Pakistan

Food hailing apps like food panda, careem's available facility like "**Phone lagaokhanapakao**" has provided ease to Pakistani population to order food at their doorsteps. Moreover, lucrative discounts also have strengthened this food chain. In this regard, cluttered food and innovation of new recipes have become the focus of ballooning population as well. "Howdy" restaurant has been the one in this chain.

How Fast food can be the source of Healthy Food

Fast food is typically loaded with calories, sodium and unhealthy fat, often enough for the whole day in one meal. It also tends to be low in nutrients and almost lacking in fruits, vegetables and fiber. Here is the list of factors, through which provision of nutritious food can be ascertained.

- ✓ Provision of food that are low in fat and high in protein and fiber.
- ✓ Provision of food items that are relatively low in saturated fats.
- ✓ Provision of food having low sodium intake – meals must be cooked without added salts.
- ✓ Provision of grilled or roasted lean meats
- ✓ Provision of fresh juices and lime water instead of saturated beverages.
- ✓ Provision of fresh salads.

STEEL PRODUCTS WELDING

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act/Est**	7,713		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	1,054		
C.	**Financial Charges**	**Act/Est**	86		
D.	**PAT**	**Act/Est**	974		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	2,876		
F.	*Current Assets*	**Act/Est**	2,344		
G.	*Cash & Bank Balances*	**Act/Est**	1,654		
H.	*Total Debt*	**Act/Est**	991		
J.	*Total Equity*	**Act/Est**	1,788		
K.	*Current Liabilities*	**Act/Est**	-		
L.	*Total Liabilities*	**Act/Est**	1,087		

STEEL PRODUCTS WELDING

The consumption of steel in Pakistan is around 35 kg per capita. Domestic steel production is to reach 4.5 million ton by mid-2019. Additional steel capacity of 1.7 million ton was expected to come online by mid-2019, as major players in the domestic industry are pursuing aggressive expansion plans at a cost of around Rs15 billion to cash in on the rising domestic demand. This would augment the local steel production capacity to 4.5 million ton from the current 2.8-million-ton capacity.

Demand Side has declined temporarily

On the domestic front, steel bar sales have slumped amid slow demand due to suspension of mega projects by the government and private sector developers. The construction industry is passing through a critical period due to the existing ban on construction of high rise buildings in Karachi. Ban on high rise have hurt the construction industry as around 600 projects are currently awaiting approval, investments in the sector have stopped and more than 500,000 people are rendered jobless. Government projects account for nearly 50% of the total steel bar sales, 35% come from private high rise and housing projects and remaining from the individual construction by consumers.

Future Prospects

The steel industry can catch up fast in the future as sooner ban is lifted. This will eventually increase the demand. The demand of steel has been fueled by a wave of capital expenditure aimed at capturing the swelling demand of quality steel products that will come about as a result of infrastructure projects such as power plants, dams, airports and road networks along with public and private housing schemes. The rehabilitation and expansion cycle in oil, gas and other industries, along with planned pipelines projects, would require huge quantities of steel pipes as well. Manufacturing growth led by investments in the auto and appliance sector can also give rise in the demand of flat steel once the impasse passes on.

Improvisation of Technology

Government must take steps for the introduction of new technologies regarding iron exploration and steel production. Moreover, the Pakistan Association of Large Steel Producers (PALSP), the Pakistan Steel Melter's Association and the National Steel Advisory Council must be strengthened to meet the international standards.

Role of Government

The government needs to use various mechanisms such as anti-dumping and other protection agreements, to save the local industry. And access what incentives will be provided to domestic steel makers in Pakistan to help them invest in new projects. Also provide them easy loans to encourage investment and able to gain competitive advantage in export.

Steps taken so far by the Government

Keeping in view the importance and necessity for supporting the steel sector of Pakistan and after success of Automotive Development Policy (ADP 2016-21) which supported the automotive sector of the country with $ 1 billion of FDI, the Ministry of Industries and Production drafted a steel sector development policy to create a technologically advanced, globally competitive and self-sufficient steel industry in the country.

The purpose of the policy is to:

- Revive the local steel industry of Pakistan and meet the entire demand of high grade automotive electrical, and special steels and alloys for strategic applications domestically
- Import substitution
- Increase per capita steel consumption to 160kgs (world average 228kg per capita)
- Build globally competitive industry with crude steel capacity of 300 metric ton per annum
- Increase domestic availability of washed coking-coal to reduce import dependence by 50%, within the next decade.

Once the recessionary environment in the country shades off, steel production and consumption can increase significantly.

Historical Background

After independence in 1947, it did not take long for Pakistan to come to the realization that progressive industrial and economic development would be impossible without the possession of a self-reliant iron and steel making plant. The dependence on imports would cause serious setbacks to the country along with an extortionately high import bill which would be impossible to support.

The initial idea for a domestic iron and steel mill was put forward in the 1st 5-year plan of Pakistan (1955 - 1960). Debates over the manufacturing process, supply sources of the requisite machinery and raw materials, plant site, domestic ore versus imported ore, ownership pattern, product mix and above all foreign financing credit kept the project on hold for a considerable time.

In 1968 besides other factors, it was considered by the Government of Pakistan that a basic steel industry should be established in the public sector, as public sponsorship of the project would enable integrated development of the steel industry in the country. In light of this, the government decided that the Karachi Steel Project should be sponsored in the public sector for which a separate Corporation under the Companies Act be formed.

SPICES PROCESSING, PACKING & MARKETING

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act/Est**	106,585		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%)	Best			
	(Next 1-2 Yrs)	Guess			
B.	**PBT**	**Act/Est**	6,066		
C.	**Financial Charges**	**Act/Est**	-		
D.	**PAT**	**Act/Est**	6,043		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability	Best			
	(Next 1-2 Yrs)	Guess			
E.	*Total Assets*	**Act/Est**	24,924		
F.	*Current Assets*	**Act/Est**	22,048		
G.	*Cash & Bank Balances*	**Act/Est**	13,287		
H.	*Total Debt*	**Act/Est**	0		
J.	*Total Equity*	**Act/Est**	16,380		
K.	*Current Liabilities*	**Act/Est**	8,273		
L.	*Total Liabilities*	**Act/Est**	8,273		

SPICES PROCESSING, PACKING & MATERIALS

Business Model

Processing Section - Where processing, mixing and making of products are done as per production plan.

Packing Section – Where the packing of all products is performed.

Storage Section - where finished goods and raw material is stored.

Marketing & Sales Section – Where customer service, order booking & delivery, cash handling etc. takes place.

Dependencies

- Population growth and child to adult conversion rate.
- Ratio of younger people in the population (according to 1998 census 64.7% belongs to age group of between 15 to 64).
- Increase in urban life phenomenon.
- Conversion from popular homemade curries to ready to use curries.

Potential Challenges

- Number of existing competitors.
- Type of products and schemes being offered by them.
- Customer perception about the competitors' quality.
- Product prices and schemes offered to Customer.
- Almost one-third of the production is unbranded.

Usually customer traffic is divided where two or more companies offering same products, therefore there is a need to ensure competitive prices and promotion schemes aligned with customer interest/demand is maintained from the competitors to avoid unnecessary business concentration and to capture the untapped market. Too many businesses give fierce competition forcing the profit margins to go down thereby creating sustainability issue.

Future Prospects

Following international standards on quality management and quality assurance such as ISO 9000, ISO 22000, the ISO version of Hazards Analysis and Critical Control Point (HACCP) can help spices industry to effectively document the quality system elements needed to maintain an efficient quality system. This practice will help in local trade as well as international trade of spices produced in Pakistan. Moreover, by following **Global Indication Law (GIL)**,Pakistan can also label its products and sell them in international market directly.

Stakeholders of Spices Industry
PURO – Puro Food
NATIONAL – National Foods
SHAN – Shan Foods
MEHRAN – Mehran Spice & Food Industries
AHMED FOODS – Ahmed Foods
SPICEO – Spice O Foods
PHOOL – AR Foods
KAUSAR – Shahzaib Food Industries
NOSH – Nosh Food Industries
ZAIQA – Zaiqa Food Industries
TOOBA – Zaiqa Food Industries
SANFAZ – Mersi Foods Industries
MILAN – Milan Foods
MAIZONA – Maizon Pvt. Ltd
NASEEM – Naseem Foods international
DAALI – Daali Earth Foods

Some Facts

Pakistan is the 6thmost spices producing country.
Pakistan annually produces 70,000 tons.
In spices industry, Pakistan has almost 2.6% of world share.

Top Spices Producing Countries
India
Turkey
Bangledesh
China
Indonesia
Pakistan

Highlights of Current Fiscal Year (2019-2020)

The exports of spices from the country dipped by 4.34% during the 1st 5 months of current financial year 2019-20, against the exports of the corresponding period of last year. The spices exports from the country were recorded at $31.285 million during July-November (2019-20) against the exports of $32.706 million during July-November (2018-19), showing negative growth of 4.34%, according to the Pakistan Bureau of Statistics (PBS). In terms of quantity, the exports of spices declined by 3.12% by going down from 8,180 metric tons to 7,925 metric tons, according to the data.

VETERINARY CLINIC

FINANCIAL SNAPSHOT

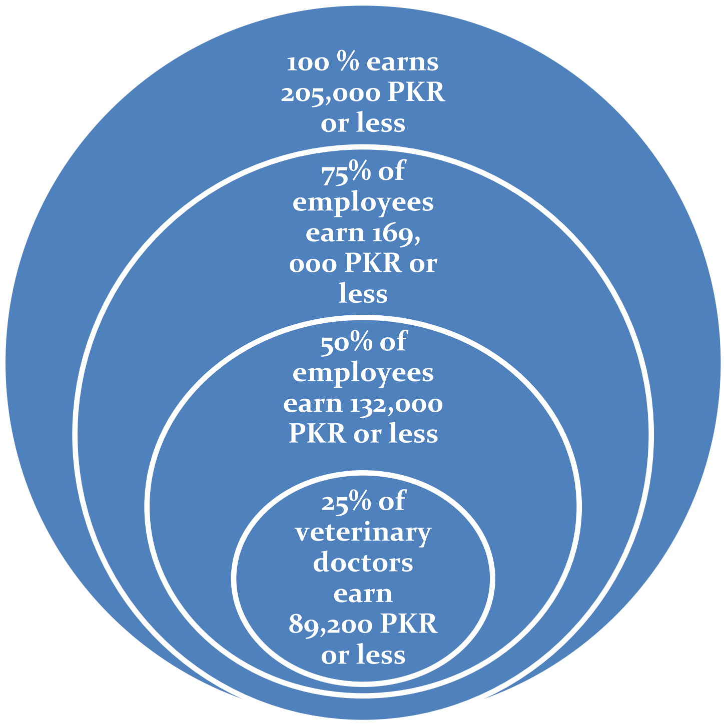
All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act/Est**	3,792		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	3,967		
C.	**Financial Charges**	**Act/Est**	38		
D.	**PAT**	**Act/Est**	3,967		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act/Est**	1,183		
F.	*Current Assets*	**Act/Est**	901		
G.	*Cash & Bank Balances*	**Act/Est**	748		
H.	*Total Debt*	**Act/Est**	435		
J.	*Total Equity*	**Act/Est**	748		
K.	*Current Liabilities*	**Act/Est**	-		
L.	*Total Liabilities*	**Act/Est**	-		

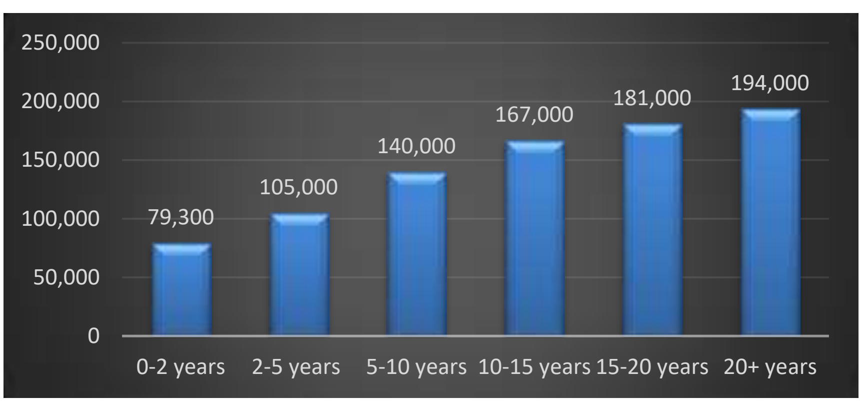
VETERINARY CLINIC

A veterinarian (vet), also known as a veterinary surgeon or veterinary physician, is a professional who practices veterinary medicine by treating diseases, disorders, and injuries in non-human animals. The importance of veterinarian doctor is huge in Pakistan, as they are many people who keep pets and they need regular checkups. Moreover, growing dairy and poultry industry also needs veteran doctors. However, the ratio of graduate veterinary doctors is low in Pakistan. In addition to these, very few opt willingly for this field. This is the reason that veterinary doctors in Pakistan are highly paid due to the dearth of professional veterinary doctors.

Veterinarian Salary Distribution in Pakistan



Veterinarian Salary Comparison by Years of Experience



POULTRY FARM

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act**/Est	53,783		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	10,593		
C.	**Financial Charges**	**Act**/Est	841		
D.	**PAT**	**Act**/Est	7,945		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	50,572		
F.	*Current Assets*	**Act**/Est	26,963		
G.	*Cash & Bank Balances*	**Act**/Est	20,735		
H.	*Total Debt*	**Act**/Est	9,527		
J.	*Total Equity*	**Act**/Est	41,045		
K.	*Current Liabilities*	**Act**/Est	-		
L.	*Total Liabilities*	**Act**/Est	-		

POULTRY FARM

Poultry farming is the form of animal husbandry which raises domesticated birds such as chickens, ducks, turkeys and geese to produce meat or eggs for food. Poultry – mostly chickens – are farmed in great numbers. More than 60 billion chickens are killed for consumption annually.

Historical Background of Poultry Farming in Pakistan

Since long time ago, People used to raise hens for meat and eggs purpose at their homes. Prior to 1963 the native breed "Desi" was mainly raised in Pakistan with maximum production of 73 eggs per year under local conditions. Increase in nutritional demand of people has led to induction of various breeds in our farming system. Now days RIR, Fayoumi, LSB and cross breeds are more commonly being reared due to increased egg production (200-250 eggs per annum). Moreover,two types of chickens are raised known as layers and boilers.

Layer Farming

Layer poultry farming means raising eggs, laying poultry birds for the purpose ofcommercial egg production. They start laying eggs commercially from 18-19 weeks of age. They remain laying eggs continuously till their 72-78 weeks of age. They can produce about 300 eggs in a year. There are various types of highly egg productive layer breeds available throughout the world which includes Hysex, Hyline, LSL, Novagen and Nick Chick.

Broiler Farming

Broiler is the chicken which is kept for meat purpose. It is a tender meat chicken which grows from hatch weight of 40 grams to adult weight of 1.5kg to 2 kg in 6 weeks after consuming about 3.5 kg of feed. The demand of broiler consumption is increasing day by day in a fast pace. Hubbard, Cobb, Ross, Arboracre, Starbro are common broiler breeds being reared. Broiler today has emerged as one of the fastest growing poultry segment due to increased acceptance of its meat in rural and urban areas as well as internationally.

Highlights of Current Fiscal Year (2019-2020)

This year has turned out to be another low-growth year for Pakistan's poultry sector, which is at its all-time low, owing to various tax anomalies and an unfavorable export environment.Pakistan failed to leave its mark in the $3.7 trillion international Halal food market. Due to unjustified taxation policies, the poultry industry was able to process less than 5% of the total broilers produced this year despite being the world's 9thlargest chicken-producing nation with about 1.2 million broilers produced in 2019.

Global Parameters

On the other hand, the rest of the world's major broiler producers and countries with a marginal poultry production process more than 95% of the total broilers produced.

Challenges faced by Poultry Farm during Current Fiscal Year (2019-2020)

To make things worse, finished poultry products under the FTA with Malaysia are imported in Pakistan with no import duty or sales tax and from China at a preferential rate of 10% customs duty. In contrast, the Pakistan government has imposed a heavy customs duty, sales tax and additional regulatory duties on the import of raw materials for producing poultry feed and for processed, value-added chicken products, thus making it impossible for local poultry producers to compete in the international poultry market

Regulatory Measures for Growth of Poultry Farm

To restrict the import of value-added poultry products, the government must immediately impose a regulatory duty of at least 40% on imports of finished products, processed chicken and tab eggs. This will give the poultry exporter's space they require for growth.

Furthermore, conditions (a), (b) and (c) of Para 4 of SRO 711(1)/2018 dated June 8, 2018, should be amended to provide 4% drawback to poultry exporters, while there should be no condition of giving 2% initially and another 2 percent on achieving 10% growth in exports in subsequent years.

To curb illegal imports, global chicken importers must comply with Pakistan's Halal Standards, and every consignment of poultry product reaching Pakistan must be accompanied by a certificate issued and authenticated by the Halal Regulatory Authority nominated by the importing country. This practice is quite common in other Muslim countries.

Snapshot – As per Pakistan Poultry Association

- Over 2000 farms across the country.
- Annual Egg Production 18000 M table eggs.
- Almost 1.2 B Broilers produced per annum.
- Growth rate of poultry business is 10-12% per annum.
- 2250 million kg meat production per year.
- Daily protein requirement for human is 27 grams while public is consuming 17 grams only.

FRUIT GRADING & PACKING

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act/Est**	651,004		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act/Est**	204,274		
C.	**Financial Charges**	**Act/Est**	27,950		
D.	**PAT**	**Act/Est**	132,778		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act/Est**	930,333		
F.	***Current Assets***	**Act/Est**	432,833		
G.	***Cash & Bank Balances***	**Act/Est**	230,135		
H.	***Total Debt***	**Act/Est**	236,768		
J.	***Total Equity***	**Act/Est**	648,473		
K.	***Current Liabilities***	**Act/Est**	37,985		
L.	***Total Liabilities***	**Act/Est**	281,860		

FRUIT GRADING & PACKING

Grading is sorting of vegetables and fruits into different grades according to the size, shape, color, and volume to fetch high price in market.

The process of grading involves following steps:

- ✓ Separation of damaged and disease-ridden fruits
- ✓ Picking of mature fruits to sell in the market
- ✓ Picking well colored, size and shape of fruit.

Advantages of Grading

- ✓ Losses the selling price due to presence of substandard products or specimen can be easily avoided.
- ✓ It increased marketing efficiency by facilitating buying and selling a produce without personal selection.
- ✓ Grading enhanced to set good price for graded products.
- ✓ Heavy marketing cost in packing and transportation can be avoided by grading. In grading, diseased and defected specimen are not damaged due to contact of diseased specimens and thus gets high price in market.
- ✓ By grading, there is fairness to both Buyers and Sellers.
- ✓ Properly graded vegetables and fruits are purchased by the consumer easily without inspection

Grading Classes	
Extra Class	The extra class is of superior quality possess the shapes and color of the variety and without internal defect likely to affect the inherent texture and flavor. A 5% tolerance is allowed for errors.
Class I	Almost having a same quality is like the Extra Class except that a 10% tolerance is allowed. Individual fruit is allowed a slight defect in shape, color and miner skin defect which do not affect the general appearance for keeping qualities.
Class II	This class product may exhibit some external or internal defects provided they are fit for consumption while fresh. This class is best fitted for local or short distance market. This category will satisfy the needs of customers who are not too demanding and for whom price is more important than quality.

Packing

Packaging is the backbone in taking the fresh fruits and vegetables from grower to consumer in the right condition. The produces reach to the consumers in different types and sizes of packaging like crates, bags, bulk bins, and the most frequently used pallets.

Types of Food Packing

1- Wood:

Wood is the most frequently used and the oldest packaging material for fruits and vegetables. The wooden packaging can be in the form of crates, pallets or other designs and it is suitable for many types of fruits and vegetables. It is particularly useful when handling and transporting large fruits like watermelons or pumpkins.

The advantages of wooden packaging are that the wood is resistant to different weather conditions and is a sturdy material. If the produce has to cover longer distances, then wooden crates can be taken to more than one journey and are also suitable for both land and air journey. The wooden packaging offers good ventilation and can be cooled quickly. The packaging can be manufactured locally.

The downside of the wood packaging is that untreated wood is prone to fungal and mildew growth. Due to its hardness, wood can damage the soft fruit like berries, and an additional layer of soft material must be added. Even though it is bio degradable, it is often used only once and end up in the landfill. Because of the local manufacturing, there is a lack of standardization in wooden packages.

2- Fiberboard boxes:

The fiberboard boxes are commonly used and makeup Quality Packaging and Supplies soft fruits like berries. These boxes are low-weight and are available in different sizes and shapes. Treated with wax, the fireboard boxes can be significantly resistant to water and moisture, and it makes them an appropriate packaging material for soft fruits. The advantages of the fireboard boxes is that they are usually manufactured flat, they take up less space and can be assembled on site.

The disadvantages of the packaging material are that it has low rigidity and can bend and damage with slight mishandling. The material needs to have ventilation of pores. Due to fragility, the boxes are not reusable but are bio degradable.

Due to packing and grading Pakistan can improve its fruit exports to importing countries. Kinnow and mango are the major fruits which are being exported from Pakistan and liked by many countries including western countries such as Australia. Mangos which have been dominating Pakistan's fruit market can be exported to countries like UAE, UK, Oman, and Saudi Arabia where its demand is high.

FODDER PRODUCTION & TRADING COMPANY

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	Act/Est	27,587

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	Act/Est	4,409
C.	**Financial Charges**	Act/Est	61
D.	**PAT**	Act/Est	3,527

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	Act/Est	19,315
F.	*Current Assets*	Act/Est	12,074
G.	*Cash & Bank Balances*	Act/Est	11,844
H.	*Total Debt*	Act/Est	1,072
J.	*Total Equity*	Act/Est	-
K.	*Current Liabilities*	Act/Est	-
L.	*Total Liabilities*	Act/Est	-

FODDER PRODUCTION & TRADING COMPANY

SIGNIFICANCE

Livestock is a vital part of the agricultural sector as it contributes 58% in Agricultural sector and provides freedom to carry different activities, such as, to produce milk and their bi products. The basic need to make animal healthy and productive round the year is their diet which must be good and persistent throughout the year.

Types of Fodder

Commercial fodder & Fodder Crops

Fodder crops are the crops grown exclusively for the livestock feed. The Fodder crops reduce a lot of financial burden for the farmers who own dairy farms, goat farm or sheep farms from buying commercial fodder. Fodder crops are the main source of nutrients for the livestock. But the availability of fresh fodder having same proportionate ingredients throughout the year is restricted by the natural circumstances. To preserve fodder in the shape of hay by rinsing it with water and moisture by approximately 85% helps to feed animals with the same quality forage round the year.

Fodder crops are broadly classified into four types**:**

Grasses and Legume fodder comes under Forage crops. Basically, Forage crops are the crops that have purposes other than livestock feed. For example, Forage crops help to reduce weed population on the farm, prevent soil erosion and regenerate soil fertility. Forage crops require less maintenance, more beneficiary for cattle grazing, sheep and goats. For those with larger growing areas, forage crops can prove ideal. Grasses contain crude fibers, crude protein, and some minerals. Legumes are particularly rich in proteins and minerals. Fodder is fed to animals, either as a green feed or as hay, i.e. crops harvested dry or dried after harvesting. Even can be fed as Silage. Silage refers to green fodder preserved without drying by fermentation that retards spoiling.

Types of Fodder
Cereal fodder
Grasses
Legume fodder
Tree fodder

Fodder production problem in Pakistan

Pakistan is blessed with intensive form of livestock population. In Pakistan current livestock population is almost163.0 million heads. The livestock population increases at the rate of 4.2% per year. To fulfill the requirement of animals as respect to fodder increase day by day. Fodder production and fodder production marketing leading toward a deep crisis in Pakistan. Thereis no communication interaction between farmer and researcher. No interest of government in fodder production. Fodder production having dropped from 5m acres to 4.3m acres in Pakistan.

Contribution of different sources to feed livestock in Pakistan	
Sources	Contribution (%)
Fodder and crop residues	51
Forage/grazing	38
Cereal by-products	6
Post harvest grazing	3
Oilcakes, meals, animal protein	2

DAIRY FARM

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act**/Est	9,329

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act**/Est	1,987
C.	**Financial Charges**	**Act**/Est	289
D.	**PAT**	**Act**/Est	1,799

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act**/Est	10,594
F.	*Current Assets*	**Act**/Est	2,744
G.	*Cash & Bank Balances*	**Act**/Est	1,299
H.	*Total Debt*	**Act**/Est	3,336
J.	*Total Equity*	**Act**/Est	7,064
K.	*Current Liabilities*	**Act**/Est	193
L.	*Total Liabilities*	**Act**/Est	3,529

DAIRY FARMING

Dairy Farming being the integral part of Agricultural Sector of Pakistan possesses enormous importance for the economic activity; if all the segments of dairy farming are properly channelized. However, the agriculture sector's performance remained below target as the sector registered a marginal growth of 0.8% in FY19compared to a notable growth of 3.9% last year. After two consecutive years of commendable performance in FY17and FY18, the sector's growth contracted due to subdued crops sector output. Nevertheless, among the 4 major sectors of Agricultural Sector such as crop, livestock, forestry and fishing, the livestock sub-sector sustained contribution which kept agriculture sector growth in the positive territory. This growth in livestock sectorwas attributable to contributions by milk and poultry production. Moreover, Pakistan is 3^{rd}largest milk producer country.

Sectoral Shares in GDP %		
Sector/ Industry	**2018**	**2019**
Agricultural Sector (1 to 4)	**18.53**	**18.98**
1. Crops (i+ii+iii)	7.1	6.5
i) Important Crops	4.5	4.1
ii) Other Crops	2.1	2.1
iii) Cotton Ginning	0.5	0.4
2. Livestock	11.1	11.2
3. Forestry	0.4	0.4
4. Fishing	0.4	0.4

[Source: SBP]

Average Yield of Milk per Animal per day and total Milk production per day in Lts	
Average Yield of milk per cow	6.146
No of cows in milk	8,684,435
Production of milk per day	53,093,387.98
Average Yield of milk per buffalo	7.927
No of buffaloes in milk	10,219,673
Production of milk per day	82,061,310.21
Average yield of milk per goat	1.417
No of goats in milk whose milk is being used for human consumption	4,598,039
Production of milk per day	4,598,039
Total production of milk per day	141,447,791.12

Dairy Farming & Role of Pakistan's Dairy Association

As per PDA, Pakistan is the third largest milk producing nation in the world. Over 10 million farming families are producing +59 billion liters of milk annually with almost 11.30% share in GDP.Pakistan's Dairy farming is characterized by fragmented, smallholder farmers operating at subsistence level. Absence of dairy farming knowledge limits their opportunities for commercial benefits. A viable solution to these problems is the basic motive of PDA. It is; therefore, PDA is striving hard to render technical, managerial, supervisory and advisory assistance to members for competitiveness in the market.

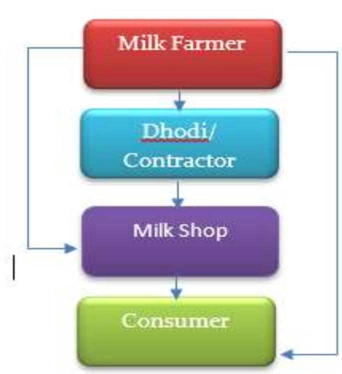
SWOT Analysis

Strengths	Weaknesses
• Possession of Vast livestock prove to be a vital asset for the country and unlike many other natural resources which will deplete over the years, a sustainable livestock production system will continue to propel Pakistan's economy. • Surplus production of milk can be exported this will eventually help in boasting forex.	• Unhygienic keeping of livestock animals which can be the major source of any disease outbreak. • Usage of unpackaged and raw milk. • Unchanneled production, collection and distribution system also leads to undocumented economy.
Opportunities	**Threats**
• New business start-ups can be promoted in this sector as it is the major contributor of GDP.	• Lack of institutional support can cause a setback in the growth of this sector. • Dearth of Farmers' education on modern management practices.

Role of Government and Commercial Banks

As per Food and Agriculture Organization, about 35 million people, living in rural areas, are directly supported or employed by the dairy industry in Pakistan over the course of a year. Moreover, the livestock subsector for the agricultural industry in Pakistan accounts for 52% of the revenues that are generated, which equates to about 11.30% of the country's overall GDP. Henceforth, this sector provides lucrative means for further growth and production. Government of Pakistan along with financial institutions must take measures to upgrade this sector by providing business or entrepreneurial loans. This will eventually help in more liters of raw as well as packaged milk production which can also be exported into regional as well as global countries. Furthermore, Pakistan's dairy sector has a lot of potential as only 10% of the country's total milk consumption is processed milk and 90% is raw milk, which comes straight from cows or the buffalos into the market. This raw milk can be converted into packaged milk which will leads its storage as well as preserving capacity as well.

Pakistan's milk Production, Collection and Distribution system



DAY CARE CENTER

FINANCIAL SNAPSHOT

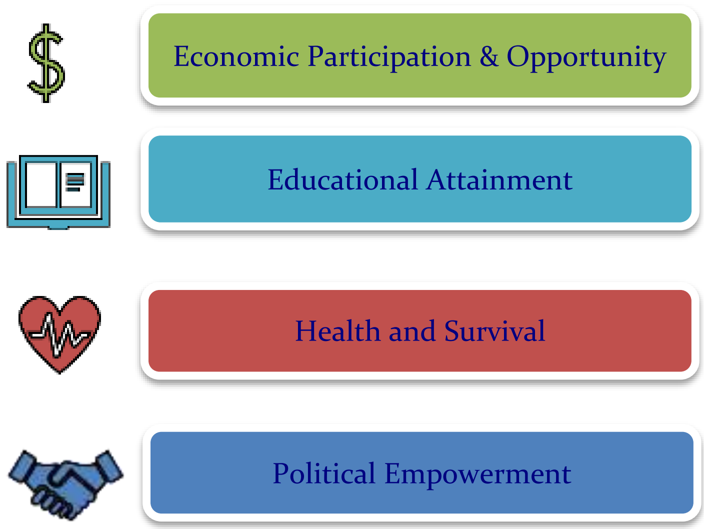
All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act**/Est	5,880		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	1,754		
C.	**Financial Charges**	**Act**/Est	147		
D.	**PAT**	**Act**/Est	1,754		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	5,713,		
F.	*Current Assets*	**Act**/Est	4,623		
G.	*Cash & Bank Balances*	**Act**/Est	3,426		
H.	*Total Debt*	**Act**/Est	1,696		
J.	*Total Equity*	**Act**/Est	4,016		
K.	*Current Liabilities*	**Act**/Est	-		
L.	*Total Liabilities*	**Act**/Est	1,696		

DAY CARE CENTER

Women are such a segment of society who needs ultimate focus to get flourished and by this way they can be the part of Global as well as national GDP – Gross Domestic Product. Women who are almost 50% of world's population, if left unattended then world can lose half of its economy. Same goes true for Pakistan. McKinsey Global Institute (MGI) has rightly reported that $12 trillion could be added to global GDP by 2025 by advancing women's equality.

Correspondingly, Word Economic Forum in its report entitled "Global Gender Gap Report 2020" has highlighted the same issue. It has measured the prevailing gender gap on following 4parameters.



and it remains 31.4% yet, in spite of multiple efforts to frame an inclusive model for men and women as well. Out of these 4 parameters, 2 are worst performing such as Economic Participation and Opportunity which stands at 58.0% and Political Empowerment which stands at 25.0%. This widening gap is because of multitude of factors such as appalling work environment, sexual harassment at workplace, societal barriers and many more. Out of these, non-provision of facilities to promote the working women is chronic one. Under these auspices, non-provision of day care centers is at the top.

The condition of Pakistan is not different. Though women constitute 49% of Pakistan's population, they constitute only 24% of the labor force. The ILO data indicates that Labor Force Participation Rate (LFPR) for men (82.5%) is more than three times higher than women (24.8%). It is therefore, Pakistan has held the third-to-last spot on the Global Gender Gap Index 2020. Now the question arises, how Pakistan can improve its condition and make women empowered so that they can equally grow and contribute in the GDP of Pakistan.

This goal can be attained by multifaceted efforts and one of these is provision of day care centers at corporate as well as government sectors. This will eventually help all willing and educated mothers, to enter into workforce.

Key Success Factors

- Provision of Spacious space and building is primary factor of day care centers and this leads to their sustainability as well.
- Diligent working staff is second most important factor of day care centers.
- Assuring health and safety is third most prime ingredient of day care center.
- Indulging and involving parents is fourth most key factor of day care centers.
- Maintain child and staff record is utmost duty of day care centers.
- Taking care of proper nutrition and immediate reporting to guardians in case of any injury or incident, are also counted as prime success factors for day care centers.

Targets to be achieved

- To facilitate safe and healthful care of a child in a day care center established.
- To support families by providing care that promotes emotional, cognitive, communicative, perceptual-motor, physical and social development of children.
- To promote the welfare, development and learning of children through day-care facilities.
- To help and support working women.

Role of Senate

Senate can play its role by legislating such rules which bound every organization in the country to have day care centers. The way maternity and paternity paid leave bill was recently passed by senate.

Role of Developmental Financial Institutions

Developmental financial institutions along with government can help organizations to establish day care centers by providing them grants or loans on minimum paid interests. This will serve the purpose of all stakeholders, developmental financial institutions, organizations and the government. Government will get working women which will eventually contribute in the economy of Pakistan. Organization will get funding for establishing day care centers and developmental financial institutions will either get interests or deposits of all those day care centers whom, they have funded. This whole sum activity will boast economic activity domestically as well globally.

Establishment of Day Care Centers and Growth to Gender Parity in the Fourth Industrial Revolution

This all measures can help Pakistan to grow in the field of 4^{th}Industrial Revolution as well. As it is the future of the globe and needs equal participation from both men and women. Otherwise, Pakistan will lag behind all other countries.

DISTRIBUTION AGENCY

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act**/Est	223,226		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	6,375		
C.	**Financial Charges**	**Act**/Est	246		
D.	**PAT**	**Act**/Est	740		
			Expected to Increase	Expected to Remain Same	Expected to Decline
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	*Total Assets*	**Act**/Est	5,559		
F.	*Current Assets*	**Act**/Est	4,775		
G.	*Cash & Bank Balances*	**Act**/Est	1,770		
H.	*Total Debt*	**Act**/Est	_		
J.	*Total Equity*	**Act**/Est	2,730		
K.	*Current Liabilities*	**Act**/Est	_		
L.	*Total Liabilities*	**Act**/Est	2,829		

DISTRIBUTION AGENCY

Distribution Agency is one of the potential businesses nowadays due to the mounting rising consumption patterns especially in the Fast-Moving Consumer Goods (FMCG) sector. This setup can be located at any densely populated city such as Karachi, Lahore, Rawalpindi, Peshawar or Quetta for distribution of FMCGs such as branded tea, packaged milk, biscuits and confectionary items to the local market. This business can also be undertaken in all small second tier towns, in addition to suburban towns of large cities. Product(s) to be distributed includes tea, packaged milk, biscuits & confectionary items i.e. toffee & candies.

Most significant consideration(s)

- Selection of products/brands to be distributed.
- Location of the Warehouse.
- Target market/area.
- Timely recovery of cash from wholesalers/retailers.
- Capacity/space optimization.
- Fuel & maintenance costs of the vehicle
- On time delivery of orders

Challenges faced by Distributors

- Increasing Competition from Manufacturers
- Retailers Demanding Faster Delivery
- Dependence on Fuel Prices
- Worker Safety Concerns
- Inventory Management

BAKERY & CONFECTIONERY

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act/Est**	22,504

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

B.	**PBT**	**Act/Est**	573
C.	**Financial Charges**	**Act/Est**	149
D.	**PAT**	**Act/Est**	1,088

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act/Est**	4,013
F.	*Current Assets*	**Act/Est**	2,572
G.	*Cash & Bank Balances*	**Act/Est**	2,883
H.	*Total Debt*	**Act/Est**	2,218
J.	*Total Equity*	**Act/Est**	2,244
K.	*Current Liabilities*	**Act/Est**	56
L.	*Total Liabilities*	**Act/Est**	1,769

BAKERY & CONFECTIONERY

Baking industry is characterized with a variety of different products that daily find their place on the market. According to Pakistan Biscuit & Confectionery Manufacturers Association, Pakistan's Bakery and Confectionary Industry is growing on rapid phase. As with rising population, demand for bakery and confectionery items is also increasing. Moreover, trend of birthday parties, marriage anniversaries and celebration of other occasions also acquire ready-made cakes. In addition to this, demand of tea-time biscuits is increasing day by day. Demand of other bakery items is also increasing rapidly as white bread, brown bread, rusk and many other items. It is because, it is handy to use and used by many working women to feed their families timely. Demand of confectionery items such as chocolates and sweets is also increasing as they are given in the form gifts as well on special occasions. Thereof, there are lucrative chances for this segment to grow by adopting innovative techniques and understanding different geographic dynamics.

Critical Factors

Following are the factors critical for the success of this business venture;

- ✓ Background knowledge and experience of the entrepreneur in the bakery business.
- ✓ Induction of trained human resource for production of requisite items.
- ✓ Maintenance of quality and hygiene standards.
- ✓ Pricing strategy & understanding requirements of the target customers.
- ✓ Decor presentation and layout of the shop and products.
- ✓ Location considerations for easy access of the customers.

MARBLE MOSAIC DEVELOPMENT CENTER

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act**/Est	6,727		
			High (>15%)	**Medium (5-15%)**	**Low (<5%)**
	Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			
B.	**PBT**	**Act**/Est	2,776		
C.	**Financial Charges**	**Act**/Est	179		
D.	**PAT**	**Act**/Est	2,362		
			Expected to Increase	**Expected to Remain Same**	**Expected to Decline**
	Net Profitability *(Next 1-2 Yrs)*	Best Guess			
E.	***Total Assets***	**Act**/Est	6,724		
F.	***Current Assets***	**Act**/Est	6,012		
G.	***Cash & Bank Balances***	**Act**/Est	3,181		
H.	***Total Debt***	**Act**/Est	1,533		
J.	***Total Equity***	**Act**/Est	3,983		
K.	***Current Liabilities***	**Act**/Est	1,208		
L.	***Total Liabilities***	**Act**/Est	3,949		

MARBLE MOSAIC DEVELOPMENT CENTER

The Pakistan Stone Development Company (PASDEC) was established in June 2006 for development of marble and granite sector of Pakistan the mandate of PASDEC is to establish model project for development of value chain to introduce new technology, practices and to meet skill development needs of the sector. Marble mosaic development sector has huge potentials. As sooner the government projects; shelter for shelter less starts, its revenues will be multiplied. Moreover, it creates employment in the society as well. Additionally, other projects like, development of malls and plazas, multi-story buildings, construction of offices, institutions, hotels and restaurants all use marble. This is the fact that there is a wide use of marble industry in Pakistan.

Critical Factors

The following factors should be considered thoroughly

- ✓ Efficient and cost-effective procurement system of raw material.
- ✓ Market knowledge and trends about the international and domestic market.
- ✓ Availability, training, and retention of skilled labor.
- ✓ Availability of electricity, water supply and proximity to variety of supply sources and markets. Know-how about mesh mounted products.
- ✓ Effective marketing campaign.

DIRECT MARKETING

FINANCIAL SNAPSHOT

All figures in Pak Rupees (000)

A.	**Estimated Sales**	**Act**/Est	35,351

		High (>15%)	Medium (5-15%)	Low (<5%)
Projected Sales Growth (%) *(Next 1-2 Yrs)*	Best Guess			

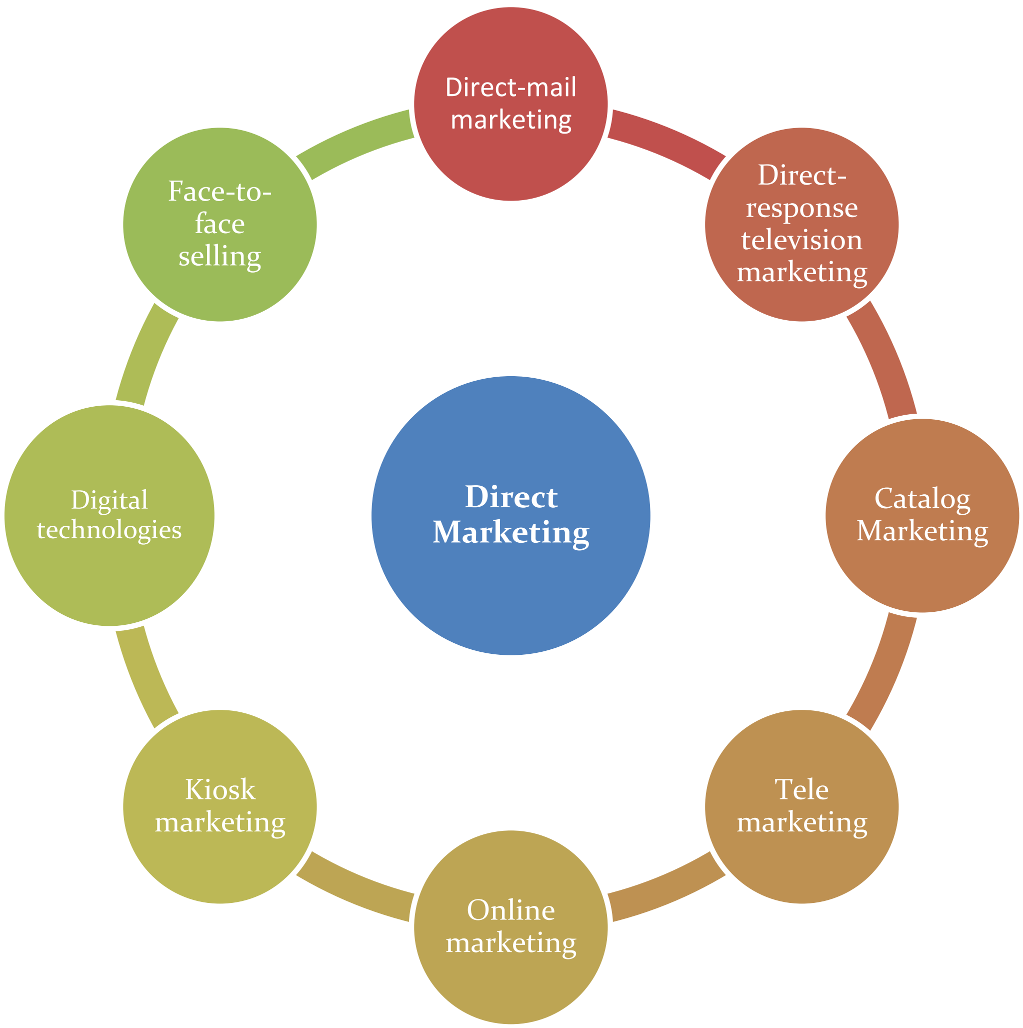
B.	**PBT**	**Act**/Est	2,416
C.	**Financial Charges**	**Act**/Est	-
D.	**PAT**	**Act**/Est	2,295

		Expected to Increase	Expected to Remain Same	Expected to Decline
Net Profitability *(Next 1-2 Yrs)*	Best Guess			

E.	*Total Assets*	**Act**/Est	11,064
F.	*Current Assets*	**Act**/Est	7,758
G.	*Cash & Bank Balances*	**Act**/Est	5,325
H.	*Total Debt*	**Act**/Est	1,734
J.	*Total Equity*	**Act**/Est	11,064
K.	*Current Liabilities*	**Act**/Est	_
L.	*Total Liabilities*	**Act**/Est	_

DIRECT MARKETING

Direct marketing is one of the 5 methods used by companies to advertise their products. With this method, companies are connecting directly with their target market. Recently, the direct marketing is the fastest-growing form of advertising because the direct aspect of this method is convenient for both customers and companies. Indeed, companies target smaller market segments, it's more efficient than targeting the all population. And in consequence advertisements can be more specific, customers feel more interested. Moreover, for sellers, direct marketing is one the cheapest means of communications.



Future of Direct Marketing Agency in Pakistan

The future of direct marketing agency in Pakistan is growing by leaps and bounds and becoming increasingly popular. From its inception, the brands that have adapted accordingly and have offered creative on-ground experience to the customers have been rewarded with strong sales growth and well-built brand equity. In the face of rising competition and brand wars, a nearly insatiable demand to be the most recognizable brand will continue to drive the sales of direct marketing services. In this scenario, direct marketing agencies have to be more creative and innovative so that sales of brands thrive by leaps and bounds and continuously.

Direct Marketing Company in Pakistan	Functions
Artistry Advertising	Artistry Advertising is a Complete advertising agency helping and assisting clients and companies alike in promoting their businesses across all platforms. We assist small to large scale companies.
WebSoftic	Websoftic is a TOP-RATED social media & digital marketing agency - The perfect partner for any business, with a full set of digital and marketing services.
Found	Found is Pakistan based-SEO agency; having a proven track record in digital marketing, helping the brands to restructure their marketing strategies and attaining higher ROIs.
Digital age	Digital solutions mean online marketing on all digital media such as computer, tablet, smartphone, television, radio.
Mega Marketing Network	Mega Marketing Network started its operations in 2003 with the name of Cybronix Incorporation. Mega Marketing Network is one of the leading firms for online marketing in Pakistan

Key Success Factors

- Conceive the “Winning” Concept
- Longevity
- Consistency
- Market Appeal
- Expandability
- Service Costing
- Selecting Prime Location
- Market Research
- Learning & Adopting New Methods

RANKING BY BUSINESS ENVIRONMENT

BY DEMAND VOLATILITY

Sector ranking, by the Demand Volatility (the variable is a representation of the level of certainty/ uncertainty in the demand of the products. This is mainly concerned with the expected volatility (seasonality) as well as unexpected volatility of the demand) is as follows:

Rank 1: Demand is largely steady

Rank 5: Highly volatile demand which fluctuates tremendously

S. NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Beauty Clinic	1	100	5.0	5.0
2	Distribution Agency	1	100	5.0	5.0
3	Gems Stone Lapidary	1	100	5.0	5.0
4	Steel Products Welding	1	100	5.0	5.0
5	Calf/Goat/Sheep Fattening Farm	2	80	5.0	4.0
6	Dairy/Camel Farming	2	80	5.0	4.0
7	Poultry Farm	2	80	5.0	4.0
8	Restaurant Cum Fast Food - Take Away	2	80	5.0	4.0
9	Spices Processing, Packing & Marketing	2	80	5.0	4.0
10	Bakery & Confectionery	3	60	5.0	3.0
11	Boutique - Women Designer Wear	3	60	5.0	3.0
12	Day Care Center	3	60	5.0	3.0
13	Florist Shop	4	40	5.0	2.0
14	Fodder Production & Trading Company	4	40	5.0	2.0
15	Fruit Grading & Packing	4	40	5.0	2.0
16	Marble & Onyx Products/Mosaic Development Center	4	40	5.0	2.0
17	Salt Products Manufacturing Unit	4	40	5.0	2.0
18	Shrimp/ Inland Fish Farming	4	40	5.0	2.0
19	Stone Crushing	4	40	5.0	2.0
20	Cut Flower Farm	5	20	5.0	1.0
21	Direct Marketing	5	20	5.0	1.0
22	Veterinary Clinic	5	20	5.0	1.0

BY SUPPLY VOLATILITY

Sector ranking, by the Supply Volatility, (the variable is a representation of the level of certainty/ uncertainty in the supply of key materials. It also assesses the industry's ability to continue production with alternate inputs in case of shortage of original inputs) is as follows:
Rank 1: Supply is largely steady
Rank 5: Highly volatile supply which fluctuates tremendously

S. NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Beauty Clinic	1	100	4.0	4.0
2	Fruit Grading & Packing	1	100	4.0	4.0
3	Gems Stone Lapidary	1	100	4.0	4.0
4	Poultry Farm	1	100	4.0	4.0
5	Shrimp/ Inland Fish Farming	1	100	4.0	4.0
6	Steel Products Welding	1	100	4.0	4.0
7	Veterinary Clinic	1	100	4.0	4.0
8	Bakery & Confectionery	2	80	4.0	3.2
9	Boutique - Women Designer Wear	2	80	4.0	3.2
10	Calf/Goat/Sheep Fattening Farm	2	80	4.0	3.2
11	Dairy/Camel Farming	2	80	4.0	3.2
12	Distribution Agency	2	80	4.0	3.2
13	Florist Shop	2	80	4.0	3.2
14	Fodder Production & Trading Company	2	80	4.0	3.2
15	Restaurant Cum Fast Food - Take Away	2	80	4.0	3.2
16	Salt Products Manufacturing Unit	2	80	4.0	3.2
17	Spices Processing, Packing & Marketing	2	80	4.0	3.2
18	Stone Crushing	2	80	4.0	3.2
19	Cut Flower Farm	3	60	4.0	2.4
20	Day Care Center	3	60	4.0	2.4
21	Direct Marketing	3	60	4.0	2.4
22	Marble & Onyx Products/Mosaic Development Center	4	40	4.0	1.6

BY STRENGTH OF COMPETITION

Sector ranking, by the Strength of Competition (this factor assesses the strength of competition; number and size of players within the industry sector) is as follows:
Rank 1: Strength of Competition is low
Rank 5: Strength of Competition is high

S. NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Gems Stone Lapidary	1	100	3.0	3.0
2	Steel Products Welding	1	100	3.0	3.0
3	Distribution Agency	2	80	3.0	2.4
4	Florist Shop	2	80	3.0	2.4
5	Fodder Production & Trading Company	2	80	3.0	2.4
6	Marble & Onyx Products/Mosaic development Center	2	80	3.0	2.4
7	Restaurant Cum Fast Food - Take Away	2	80	3.0	2.4
8	Shrimp/ Inland Fish Farming	2	80	3.0	2.4
9	Spices Processing, Packing & Marketing	2	80	3.0	2.4
10	Veterinary Clinic	2	80	3.0	2.4
11	Boutique - Women Designer Wear	3	60	3.0	1.8
12	Calf/Goat/Sheep Fattening Farm	3	60	3.0	1.8
13	Cut Flower Farm	3	60	3.0	1.8
14	Day Care Center	3	60	3.0	1.8
15	Fruit Grading & Packing	3	60	3.0	1.8
16	Stone Crushing	3	60	3.0	1.8
17	Beauty Clinic	4	40	3.0	1.2
18	Dairy/Camel Farming	4	40	3.0	1.2
19	Direct Marketing	4	40	3.0	1.2
20	Poultry Farm	4	40	3.0	1.2
21	Salt Products Manufacturing Unit	4	40	3.0	1.2
22	Bakery & Confectionery	5	20	3.0	0.6

BY BARRIERS TO ENTRY

Sector ranking, by the Barriers to Entry (this variable assesses the possibility/ likelihood of entry by new participants in the industry taking into account the capital-intensive nature and extent of legal, constructive and technological barriers to the entry. This factor generally defines the dynamics of the competition within the industry) is as follows:
Rank 1: High Barriers to Entry
Rank 5: Low Barriers to Entry

S. NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Steel Products Welding	1	100	3.0	3.0
2	Beauty Clinic	2	80	3.0	2.4
3	Cut Flower Farm	2	80	3.0	2.4
4	Fruit Grading & Packing	2	80	3.0	2.4
5	Gems Stone Lapidary	2	80	3.0	2.4
6	Restaurant Cum Fast Food - Take Away	2	80	3.0	2.4
7	Spices Processing, Packing & Marketing	2	80	3.0	2.4
8	Veterinary Clinic	2	80	3.0	2.4
9	Calf/Goat/Sheep Fattening Farm	3	60	3.0	1.8
10	Dairy/Camel Farming	3	60	3.0	1.8
11	Direct Marketing	3	60	3.0	1.8
12	Florist Shop	3	60	3.0	1.8
13	Fodder Production & Trading Company	3	60	3.0	1.8
14	Marble & Onyx Products/Mosaic development Center	3	60	3.0	1.8
15	Shrimp/ Inland Fish Farming	3	60	3.0	1.8
16	Boutique - Women Designer Wear	4	40	3.0	1.2
17	Day Care Center	4	40	3.0	1.2
18	Distribution Agency	4	40	3.0	1.2
19	Poultry Farm	4	40	3.0	1.2
20	Salt Products Manufacturing Unit	4	40	3.0	1.2
21	Stone Crushing	4	40	3.0	1.2
22	Bakery & Confectionery	5	20	3.0	0.6

BY PRICE ELASTICITY

Sector ranking, by the Price Elasticity (the variable represents the impact of price changes on the demand of the output) is as follows:
Rank 1: Low impact of price changes on the demand of output
Rank 5: High impact of price changes on the demand of output

S. NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Steel Products Welding	1	100	5.0	5
2	Beauty Clinic	2	80	5.0	4
3	Dairy/Camel Farming	2	80	5.0	4
4	Day Care Center	2	80	5.0	4
5	Fodder Production & Trading Company	2	80	5.0	4
6	Gems Stone Lapidary	2	80	5.0	4
7	Spices Processing, Packing & Marketing	2	80	5.0	4
8	Calf/Goat/Sheep Fattening Farm	3	60	5.0	3
9	Direct Marketing	3	60	5.0	3
10	Distribution Agency	3	60	5.0	3
11	Florist Shop	3	60	5.0	3
12	Fruit Grading & Packing	3	60	5.0	3
13	Marble & Onyx Products/Mosaic development Center	3	60	5.0	3
14	Poultry Farm	3	60	5.0	3
15	Restaurant Cum Fast Food - Take Away	3	60	5.0	3
16	Shrimp/ Inland Fish Farming	3	60	5.0	3
17	Veterinary Clinic	3	60	5.0	3
18	Bakery & Confectionery	4	40	5.0	2
19	Boutique - Women Designer Wear	4	40	5.0	2
20	Stone Crushing	4	40	5.0	2
21	Cut Flower Farm	5	20	5.0	1
22	Salt Products Manufacturing Unit	5	20	5.0	1

COMPOSITE RANKING BY BUSINESS ENVIRONMENT

Composite ranking, by the Business Environment, is as follows:

S. NO.	SECTOR	MAXIMUM SCORE	SCORE
1	Salt Products Manufacturing Unit	20	13.0
2	Cut Flower Farm	20	13.4
3	Bakery & Confectionery	20	13.8
4	Direct Marketing	20	14.2
5	Stone Crushing	20	15.4
6	Marble & Onyx Products/Mosaic development Center	20	16.4
7	Boutique - Women Designer Wear	20	16.8
8	Day Care Center	20	18.4
9	Florist Shop	20	18.8
10	Veterinary Clinic	20	19.6
11	Poultry Farm	20	19.8
12	Fruit Grading & Packing	20	20.0
13	Shrimp/ Inland Fish Farming	20	20.0
14	Fodder Production & Trading Company	20	20.2
15	Calf/Goat/Sheep Fattening Farm	20	20.6
16	Dairy/Camel Farming	20	21.0
17	Distribution Agency	20	22.0
18	Restaurant Cum Fast Food - Take Away	20	22.6
19	Spices Processing, Packing & Marketing	20	24.0
20	Beauty Clinic	20	24.6
21	Gems Stone Lapidary	20	27.6
22	Steel Products Welding	20	30.0

RANKING BY PROFITABILITY & FINANCIAL STRENGTH

BY GEARING

BY INTEREST COVERAGE (EBIT/Interest Expense)

Sector ranking, by the Interest Coverage (measures the industry's average ability to pay off interest expense) is as follows:

Rank 1: Ability to pay off interest expense

Rank 5: Ability to pay off interest expense

S. NO.	SECTOR	EBIT	Interest Expense	Interest Coverage Ratio	Rank	% of Score	Max Score	Score
1	Veterinary Clinic	3967	38	104.39	1	100	7.0	7.0
2	Gems Stone Lapidary	10,655	116	91.85	1	100	7.0	7.0
3	Fodder Production & Trading Company	4,409	61	72.28	1	100	7.0	7.0
4	Poultry Farm	3006	43	69.91	1	100	7.0	7.0
5	Marble Mosaic Development Center	2,776	179	15.51	2	80	7.0	5.6
6	Salt Products Manufacturing Unit	6631	505	13.13	2	80	7.0	5.6
7	Steel Products Welding	1054	86	12.26	2	80	7.0	5.6
8	Day Care Center	1,754	147	11.93	2	80	7.0	5.6
9	Boutique - Women Designer Wear	1,794	214	8.38	3	60	7.0	4.2
10	Florist Shop	915	110	8.32	3	60	7.0	4.2
11	Fruit Grading & Packing	204,274	27,950	7.31	3	60	7.0	4.2
12	Cut Flower Farm - Rose	1,723	239	7.21	3	60	7.0	4.2
13	Dairy Farm	1,987	289	6.88	3	60	7.0	4.2
14	Calf Fattening Farm	1,385	203	6.82	3	60	7.0	4.2
15	Shrimp Farming	985	204	4.83	4	40	7.0	2.8
16	Bakery & Confectionery	573	149	3.85	4	40	7.0	2.8
17	Beauty Clinic	573	149	3.85	4	40	7.0	2.8
18	Distribution Agency	740	246	3.01	4	40	7.0	2.8
19	Direct Marketing	2,416	-	#DIV/0!	5	20	7.0	1.4
20	Restaurant Cum Fast Food - Take Away	2541	0	#DIV/0!	5	20	7.0	1.4
21	Spices Processing, Packing & Marketing	6066	0	#DIV/0!	5	20	7.0	1.4
22	Stone Crushing	17958	0	#DIV/0!	5	20	7.0	1.4

BY DEBT/EQUITY

Sector ranking, by the Debt/Equity (measures industry's average gearing level) is as follows:
Rank 1: Gearing level is low
Rank 5: Gearing level is high

S. NO.	SECTOR	Debt	Equity	Debt/ Equity Ratio	Rank	% of Score	Max Score	Score
1	Shrimp Farming	2,375	1,869	1.27	1	100	7.0	7.0
2	Cut Flower Farm - Rose	2,748	3,475	0.79	2	80	7.0	5.6
3	Bakery & Confectionery	1,713	2,244	0.76	2	80	7.0	5.6
4	Beauty Clinic	1,713	2,244	0.76	2	80	7.0	5.6
5	Boutique - Women Designer Wear	2,471	3,588	0.69	3	60	7.0	4.2
6	Florist Shop	1,274	1,926	0.66	3	60	7.0	4.2
7	Veterinary Clinic	435	748	0.58	3	60	7.0	4.2
8	Calf Fattening Farm	2,342	4,180	0.56	3	60	7.0	4.2
9	Steel Products Welding	991	1788	0.55	3	60	7.0	4.2
10	Dairy Farm	3,336	7,064	0.47	4	40	7.0	2.8
11	Day Care Center	1,696	4,016	0.42	4	40	7.0	2.8
12	Marble Mosaic Development Center	1,533	3,983	0.38	4	40	7.0	2.8
13	Gems Stone Lapidary	1,723	6,059	0.28	4	40	7.0	2.8
14	Salt Products Manufacturing Unit	2948	22983	0.13	4	40	7.0	2.8
15	Direct Marketing	-	11,064	0.00	5	20	7.0	1.4
16	Distribution Agency	-	2,730	0.00	5	20	7.0	1.4
17	Fodder Production & Trading Company	-	19,315	0.00	5	20	7.0	1.4
18	Fruit Grading & Packing	-	648,473	0.00	5	20	7.0	1.4
19	Poultry Farm	0	3644	0.00	5	20	7.0	1.4
20	Restaurant Cum Fast Food - Take Away	0	7827	0.00	5	20	7.0	1.4
21	Spices Processing, Packing & Marketing	0	16380	0.00	5	20	7.0	1.4
22	Stone Crushing	0	91694	0.00	5	20	7.0	1.4

BY CURRENT RATIO (Current Assets/Current Liabilities)
BY LIQUIDITY

Sector ranking, by Current Ratio (assesses the industry's average measures of liquidity) is as follows:
Rank 1: Industry’s average measure of liquidity is high
Rank 5: Industry’s average measure of liquidity is low

S. NO.	SECTOR	Current Assets	Current Liabilities	Current Ratio	Rank	% of Score	Max Score	Score
1	Cut Flower Farm - Rose	2,562	20	128.10	1	100	7.0	7.0
2	Bakery & Confectionery	2,572	56	45.93	1	100	7.0	7.0
3	Beauty Clinic	2,572	56	45.93	1	100	7.0	7.0
4	Florist Shop	2,309	81	28.51	1	100	7.0	7.0
5	Restaurant Cum Fast Food - Take Away	4,949	223	22.19	1	100	7.0	7.0
6	Shrimp Farming	1,720	87	19.77	2	80	7.0	5.6
7	Salt Products Manufacturing Unit	12,353	820	15.06	2	80	7.0	5.6
8	Dairy Farm	2,744	193	14.22	2	80	7.0	5.6
9	Fruit Grading & Packing	432,833	37,985	11.39	2	80	7.0	5.6
10	CalfFattening Farm	7,252	844	8.59	3	60	7.0	4.2
11	Marble Mosaic Development Center	6,012	1,208	4.98	3	60	7.0	4.2
12	Boutique - Women Designer Wear	6,123	1,254	4.88	3	60	7.0	4.2
13	Poultry Farm	3,378	798	4.23	3	60	7.0	4.2
14	Gems Stone Lapidary	24,239	6,369	3.81	4	40	7.0	2.8
15	Spices Processing, Packing & Marketing	22,048	8,273	2.67	4	40	7.0	2.8
16	Day Care Center	4,623	-	#DIV/0!	5	20	7.0	1.4
17	Direct Marketing	7,758	-	#DIV/0!	5	20	7.0	1.4
18	Distribution Agency	4,775	-	#DIV/0!	5	20	7.0	1.4
19	Fodder Production & Trading Company	12,074	-	#DIV/0!	5	20	7.0	1.4
20	Steel Products Welding	2,344	-	#DIV/0!	5	20	7.0	1.4
21	Stone Crushing	49,519	-	#DIV/0!	5	20	7.0	1.4
22	Veterinary Clinic	901	-	#DIV/0!	5	20	7.0	1.4

BY QUICK RATIO

Sector ranking, by Quick Ratio (assesses the industry's average measures of liquidity) is as follows:
Rank 1: Industry’s average measure of liquidity is high
Rank 5: Industry’s average measure of liquidity is low

S. NO.	SECTOR	CA	Inv	CL	Quick Ratio	Rank	% of Score	Max Score	Score
1	Bakery & Confectionery	2,572	305	56	40.48	1	100	7.0	7.0
2	Beauty Clinic	2,572	346	56	39.75	1	100	7.0	7.0
3	Florist Shop	2,309	175	81	26.35	1	100	7.0	7.0
4	Restaurant Cum Fast Food - Take Away	4949	268	223	20.99	1	100	7.0	7.0
5	Shrimp Farming	1,720	52	87	19.17	1	100	7.0	7.0
6	Dairy Farm	2,744	701	193	10.59	2	80	7.0	5.6
7	Salt Products Manufacturing Unit	12353	4237	820	9.90	2	80	7.0	5.6
8	Fruit Grading & Packing	432,833	141,455	37,985	7.67	2	80	7.0	5.6
9	Marble Mosaic Development Center	6,012	1,152	1,208	4.02	3	60	7.0	4.2
10	Poultry Farm	3378	345	798	3.80	3	60	7.0	4.2
11	Calf Fattening Farm	7,252	4,719	844	3.00	3	60	7.0	4.2
12	Gems Stone Lapidary	24,239	8,913	6,369	2.41	3	60	7.0	4.2
13	Spices Processing, Packing & Marketing	22048	5124	8273	2.05	3	60	7.0	4.2
14	Day Care Center	4,623	-	-	#DIV/0!	4	40	7.0	2.8
15	Direct Marketing	7,758	-	-	#DIV/0!	4	40	7.0	2.8
16	Distribution Agency	4,775	-	-	#DIV/0!	4	40	7.0	2.8
17	Fodder Production & Trading Company	12,074	-	-	#DIV/0!	4	40	7.0	2.8
18	Steel Products Welding	2344	353	0	#DIV/0!	4	40	7.0	2.8
19	Stone Crushing	49519	0	0	#DIV/0!	4	40	7.0	2.8
20	Veterinary Clinic	901	112	0	#DIV/0!	4	40	7.0	2.8
21	Boutique - Women Designer Wear	6,123	16,909	1,254	-8.60	5	20	7.0	1.4
22	Cut Flower Farm - Rose	2,562	5,875	20	-165.65	5	20	7.0	1.4

BY CASH RATIO

Sector ranking, by Quick Ratio (assesses the industry's average measures of liquidity) is as follows:
Rank 1: Industry's average measure of liquidity is high
Rank 5: Industry's average measure of liquidity is low

S. NO.	SECTOR	C&BB	CL	Cash Ratio	Rank	% of Score	Max score	Score
1	Cut Flower Farm - Rose	1,239	20	61.95	1	100	6.0	6.0
2	Bakery & Confectionery	971	56	17.34	1	100	6.0	6.0
3	Restaurant Cum Fast Food - Take Away	2441	223	10.95	1	100	6.0	6.0
4	Florist Shop	812	81	10.02	1	100	6.0	6.0
5	Beauty Clinic	427	56	7.63	2	80	6.0	4.8
6	Salt Products Manufacturing Unit	5136	820	6.26	2	80	6.0	4.8
7	Dairy Farm	1,001	193	5.19	2	80	6.0	4.8
8	Shrimp Farming	373	87	4.29	3	60	6.0	3.6
9	Poultry Farm	2611	798	3.27	3	60	6.0	3.6
10	Fruit Grading & Packing	102,708	37,985	2.70	3	60	6.0	3.6
11	Spices Processing, Packing & Marketing	9681	8273	1.17	3	60	6.0	3.6
12	Marble Mosaic Development Center	1,377	1,208	1.14	3	60	6.0	3.6
13	Boutique - Women Designer Wear	1,078	1,254	0.86	4	40	6.0	2.4
14	Gems Stone Lapidary	4,318	6,369	0.68	4	40	6.0	2.4
15	Calf Fattening Farm	348	844	0.41	4	40	6.0	2.4
16	Day Care Center	1,354	-	#DIV/0!	5	20	6.0	1.2
17	Direct Marketing	2,560	-	#DIV/0!	5	20	6.0	1.2
18	Distribution Agency	16	-	#DIV/0!	5	20	6.0	1.2
19	Fodder Production & Trading Company	4,239	-	#DIV/0!	5	20	6.0	1.2
20	Steel Products Welding	862	0	#DIV/0!	5	20	6.0	1.2
21	Stone Crushing	8595	0	#DIV/0!	5	20	6.0	1.2
22	Veterinary Clinic	343	0	#DIV/0!	5	20	6.0	1.2

BY PROFITABILITY

BY NET PROFIT MARGIN (Net Profit after Tax/Sales)

Sector ranking, by Net Profit Margin (profit margin and analysis of its stability and growth is important when deciding whether the sector will sustain its status as going concern) is as follows:
Rank 1: High Profit Margins
Rank 5: Low Profit Margins

S. NO.	SECTOR	NPAT	Sales	Net Profit Margin	Rank	% of Score	Max score	Score
1	Veterinary Clinic	3,967	3,792	104.6%	1	100	6.0	6.0
2	Marble Mosaic Development Center	2,362	6,727	35.1%	1	100	6.0	6.0
3	Cut Flower Farm - Rose	1,487	4,828	30.8%	1	100	6.0	6.0
4	Day Care Center	1,754	5,880	29.8%	1	100	6.0	6.0
5	Salt Products Manufacturing Unit	5,088	23,638	21.5%	1	100	6.0	6.0
6	Fruit Grading & Packing	132,778	651,004	20.4%	1	100	6.0	6.0
7	Poultry Farm	2,611	13505	19.3%	2	80	6.0	4.8
8	Dairy Farm	1,799	9,329	19.3%	2	80	6.0	4.8
9	Restaurant Cum Fast Food - Take Away	2,033	15,560	13.1%	2	80	6.0	4.8
10	Fodder Production & Trading Company	3,527	27,587	12.8%	2	80	6.0	4.8
11	Steel Products Welding	974	7713	12.6%	2	80	6.0	4.8
12	Shrimp Farming	581	4,998	11.6%	2	80	6.0	4.8
13	Stone Crushing	12,450	139,224	8.9%	3	60	6.0	3.6
14	Florist Shop	873	11,087	7.9%	3	60	6.0	3.6
15	Beauty Clinic	564	8,164	6.9%	3	60	6.0	3.6
16	Calf Fattening Farm	1,287	18,984	6.8%	3	60	6.0	3.6
17	Direct Marketing	2,295	35,351	6.5%	3	60	6.0	3.6
18	Boutique - Women Designer Wear	1,635	25,228	6.5%	3	60	6.0	3.6
19	Spices Processing, Packing & Marketing	6,043	106,585	5.7%	4	40	6.0	2.4
20	Gems Stone Lapidary	7,645	151,706	5.0%	4	40	6.0	2.4
21	Bakery & Confectionery	1,088	22,504	4.8%	5	20	6.0	1.2
22	Distribution Agency	740	223,226	0.3%	5	20	6.0	1.2

BY TOTAL ASSETS TURNOVER (Sales/Total Assets)

Sector ranking, by Total Assets Turnover (assesses the industry's average turnover) is as follows:
Rank 1: The industry is sufficiently using its assets in generating revenues
Rank 5: The industry is inefficient in generating revenues

S. NO.	SECTOR	Sales	Total Assets	Total Assets Turnover	Rank	% of Score	Max score	Score
1	Distribution Agency	223,226	5,559	40.16	1	100	4.0	4.0
2	Gems Stone Lapidary	151,706	26,127	5.81	2	80	4.0	3.2
3	Bakery & Confectionery	22,504	4,013	5.61	2	80	4.0	3.2
4	Spices Processing, Packing & Marketing	106,585	24,924	4.28	2	80	4.0	3.2
5	Boutique - Women Designer Wear	25,228	7,313	3.45	3	60	4.0	2.4
6	Florist Shop	11,087	3,328	3.33	3	60	4.0	2.4
7	Veterinary Clinic	3,792	1,183	3.21	3	60	4.0	2.4
8	Direct Marketing	35,351	11,064	3.20	3	60	4.0	2.4
9	Poultry Farm	13,505	4,488	3.01	3	60	4.0	2.4
10	Steel Products Welding	7,713	2,876	2.68	3	60	4.0	2.4
11	Calf Fattening Farm	18,984	7,591	2.50	3	60	4.0	2.4
12	Beauty Clinic	8,164	4,013	2.03	3	60	4.0	2.4
13	Restaurant Cum Fast Food - Take Away	15,560	8,182	1.90	4	40	4.0	1.6
14	Stone Crushing	139,224	91,694	1.52	4	40	4.0	1.6
15	Fodder Production & Trading Company	27,587	19,315	1.43	4	40	4.0	1.6
16	Shrimp Farming	4,998	4,414	1.13	4	40	4.0	1.6
17	Day Care Center	5,880	5,713	1.03	4	40	4.0	1.6
18	Marble Mosaic Development Center	6,727	6,724	1.00	4	40	4.0	1.6
19	Dairy Farm	9,329	10,594	0.88	5	20	4.0	0.8
20	Salt Products Manufacturing Unit	23,638	29,514	0.80	5	20	4.0	0.8
21	Cut Flower Farm - Rose	4,828	6,082	0.79	5	20	4.0	0.8
22	Fruit Grading & Packing	651,004	930,333	0.70	5	20	4.0	0.8

BY ROA (Net Profit/Total Assets) & ROE (Net Profit/Total Equity)

Sector ranking, by ROA/ROE (assesses the industry's average measures of profitability) is as follows:
Rank 1: Industry's average measure of profitability is high
Rank 5: Industry's average measure of profitability is low

S. NO.	SECTOR	Net Profit	Total Assets	Total Equity	ROA	ROE	Rank	% of Score	Max Score	Score
1	Veterinary Clinic	3,967	1,183	748	3.35	5.30	1	100	6.0	6.0
2	Poultry Farm	2,611	4,488	3,644	0.58	0.72	2	80	6.0	4.8
3	Marble Mosaic Development Center	2,362	6,724	3,983	0.35	0.59	2	80	6.0	4.8
4	Steel Products Welding	974	2,876	1,788	0.34	0.54	2	80	6.0	4.8
5	Day Care Center	1,754	5,713	4,016	0.31	0.44	2	80	6.0	4.8
6	Gems Stone Lapidary	7,645	26,127	6,059	0.29	1.26	3	60	6.0	3.6
7	Bakery & Confectionery	1,088	4,013	2,244	0.27	0.48	3	60	6.0	3.6
8	Florist Shop	873	3,328	1,926	0.26	0.45	3	60	6.0	3.6
9	Restaurant Cum Fast Food – Take Away	2,033	8,182	7,827	0.25	0.26	3	60	6.0	3.6
10	Cut Flower Farm - Rose	1,487	6,082	3,475	0.24	0.43	3	60	6.0	3.6
11	Spices Processing, Packing & Marketing	6,043	24,924	16,380	0.24	0.37	3	60	6.0	3.6
12	Boutique - Women Designer Wear	1,635	7,313	3,588	0.22	0.46	3	60	6.0	3.6
13	Direct Marketing	2,295	11,064	11,064	0.21	0.21	3	60	6.0	3.6
14	Fodder Production & Trading Company	3,527	19,315	19,315	0.18	0.18	4	40	6.0	2.4
15	Salt Products Manufacturing Unit	5,088	29,514	22,983	0.17	0.22	4	40	6.0	2.4
16	Dairy Farm	1,799	10,594	7,064	0.17	0.25	4	40	6.0	2.4
17	Calf Fattening Farm	1,287	7,591	4,180	0.17	0.31	4	40	6.0	2.4
18	Fruit Grading & Packing	132,778	930,333	648,473	0.14	0.20	5	20	6.0	1.2
19	Beauty Clinic	564	4,013	2,244	0.14	0.25	5	20	6.0	1.2
20	Stone Crushing	12,450	91,694	91,694	0.14	0.14	5	20	6.0	1.2
21	Distribution Agency	740	5,559	2,730	0.13	0.27	5	20	6.0	1.2
22	Shrimp Farming	581	4,414	1,869	0.13	0.31	5	20	6.0	1.2

COMPOSITE RANKING BY PROFITABILITY/FINANCIAL STRENGTH

Composite ranking, by the Profitability & Financial Strength, is as follows:

S. NO.	SECTOR	MAXIMUM SCORE	SCORE
1	Florist Shop	50	38.0
2	Bakery & Confectionery	50	36.4
3	Cut Flower Farm - Rose	50	34.6
4	Beauty Clinic	50	34.4
5	Shrimp Farming	50	33.6
6	Salt Products Manufacturing Unit	50	33.6
7	Marble Mosaic Development Center	50	32.8
8	Restaurant Cum Fast Food - Take Away	50	32.8
9	Poultry Farm	50	32.4
10	Dairy Farm	50	31.0
11	Veterinary Clinic	50	31.0
12	Fruit Grading & Packing	50	28.4
13	Gems Stone Lapidary	50	28.4
14	Calf Fattening Farm	50	27.6
15	Steel Products Welding	50	27.2
16	Day Care Center	50	26.2
17	Boutique - Women Designer Wear	50	26.0
18	Spices Processing, Packing & Marketing	50	22.6
19	Fodder Production & Trading Company	50	22.6
20	Direct Marketing	50	17.8
21	Distribution Agency	50	16.0
22	Stone Crushing	50	14.6

RANKING BY OUTLOOK & BUSINESS ENVIRONMENT
BY BUSINESS OUTLOOK

Sector ranking, by Business Outlook (this represents an assessment of the industry outlook in terms of expansion / contraction of business, earnings and cash flows etc) is as follows:
Rank 1: Business outlook is stable
Rank 5: Business outlook is unstable

S. NO.	SECTOR	RANK	% of SCORE	MAXIMUM SCORE	SCORE
1	Boutique - Women Designer Wear	2	80	20.0	16.0
2	Calf/Goat/Sheep Fattening Farm	2	80	20.0	16.0
3	Cut Flower Farm	2	80	20.0	16.0
4	Direct Marketing	2	80	20.0	16.0
5	Fodder Production & Trading Company	2	80	20.0	16.0
6	Shrimp/ Inland Fish Farming	2	80	20.0	16.0
7	Spices Processing, Packing & Marketing	2	80	20.0	16.0
8	Steel Products Welding	2	80	20.0	16.0
9	Stone Crushing	2	80	20.0	16.0
10	Beauty Clinic	3	60	20.0	12.0
11	Dairy/Camel Farming	3	60	20.0	12.0
12	Distribution Agency	3	60	20.0	12.0
13	Fruit Grading & Packing	3	60	20.0	12.0
14	Gems Stone Lapidary	3	60	20.0	12.0
15	Marble & Onyx Products/Mosaic DevelopmentCenter	3	60	20.0	12.0
16	Poultry Farm	3	60	20.0	12.0
17	Restaurant Cum Fast Food - Take Away	3	60	20.0	12.0
18	Salt Products Manufacturing Unit	3	60	20.0	12.0
19	Veterinary Clinic	3	60	20.0	12.0
20	Bakery & Confectionery	4	40	20.0	8.0
21	Florist Shop	4	40	20.0	8.0
22	Day Care Center	5	20	20.0	4.0

COMPOSITE MICRO SECTOR RATINGS

Composite industry ranking of SMEDA micro sectors is as follows:

S. NO.	SECTOR	MAX SCORE	SCORE	CATEGORY	RANGE
1	Beauty Clinic	100	73.2	Attractive	70-80
2	Cut Flower Farm	100	71.0	Attractive	70-80
3	Restaurant Cum Fast Food - Take Away	100	69.6	Average	50-69
4	Shrimp/ Inland Fish Farming	100	68.0	Average	50-69
5	Dairy/Camel Farming	100	67.4	Average	50-69
6	Veterinary Clinic	100	64.8	Average	50-69
7	Direct Marketing	100	64.2	Average	50-69
8	Calf/Goat/Sheep Fattening Farm	100	64.2	Average	50-69
9	Stone Crushing	100	64.0	Average	50-69
10	Marble & Onyx Products/Mosaic Development Center	100	64.0	Average	50-69
11	Spices Processing, Packing & Marketing	100	62.6	Average	50-69
12	Steel Products Welding	100	62.6	Average	50-69
13	Fodder Production & Trading Company	100	61.2	Average	50-69
14	Fruit Grading & Packing	100	60.4	Average	50-69
15	Bakery & Confectionery	100	58.8	Average	50-69
16	Poultry Farm	100	58.8	Average	50-69
17	Distribution Agency	100	58.6	Average	50-69
18	Salt Products Manufacturing Unit	100	50.2	Average	50-69
19	Florist Shop	100	50.0	Average	50-69
20	Boutique - Women Designer Wear	100	48.6	Watch/Hold	40-49
21	Day Care Center	100	48.0	Watch/Hold	40-49
22	Gems Stone Lapidary	100	46.0	Watch/Hold	40-49