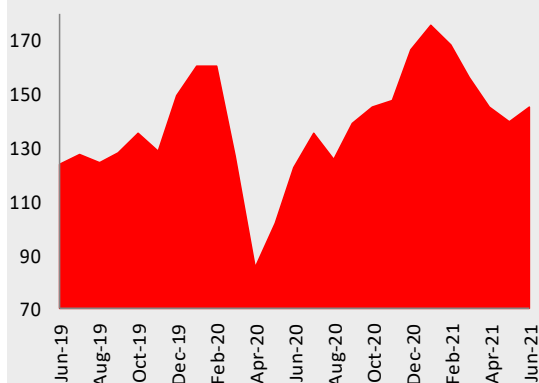


PAKISTAN



Quantum Index of Manufacturing



Source: PBS, Foundation Research, Aug 2021

Sector	Weight	Jun-21	Jun-20	FY21	FY20
Textile	20.9%	11.8%	-6.8%	15.3%	-10.4%
Food, Bev. & Tbco.	12.4%	2.0%	23.1%	11.0%	-1.8%
Coke & Petroleum	5.5%	38.9%	-9.8%	18.1%	-20.1%
Iron & Steel Prod.	5.4%	32.9%	-21.8%	15.6%	-17.4%
Non Metallic Min.	5.4%	32.6%	19.9%	26.7%	-2.2%
Automobiles	4.6%	88.9%	-30.0%	51.1%	-44.6%
Fertilizers	4.4%	10.0%	-8.0%	7.2%	4.4%
Pharmaceuticals	3.6%	10.8%	23.6%	12.0%	-2.7%
Paper & Board	2.3%	4.9%	-4.2%	3.4%	0.4%
Electronics	2.0%	10.6%	-63.0%	-4.4%	-33.3%
Chemicals	1.7%	24.5%	5.3%	19.2%	4.9%
Leather Products	0.9%	24.4%	-44.0%	-26.5%	-9.1%
Wood Products	0.6%	-53.7%	-41.6%	-39.4%	-39.3%
Engineering Prod.	0.4%	5.1%	-34.2%	-15.4%	-18.7%
Rubber Products	0.3%	-25.4%	1.6%	-15.0%	2.8%
		18.4%		14.9%	

Source: PBS, Foundation Research, Aug 2021

Analyst

Zeeshan Azhar zeeshan@fs.com.pk
+92 213 5612290 Ext 331

Foundation Securities (Pvt) Ltd
Monday, August 23, 2021

Large Scale Manufacturing

Strong rebound in FY21 growth

LSM grew by 14.9% YoY in FY21

LSM grew by 18.4/4.4% YoY/MoM during Jun'21 on the back of recovery in economic activity and a low base give lockdown last year which cumulated into FY21 growth of 14.9% YoY. MOI/BOS indices grew by 17.1/9.2% YoY while OCAC increased by 18.1% YoY during FY21. Growth in FY21 was seen in Textile (↑15.3%), Food Beverage & Tobacco (↑11.0%), Coke & Petroleum (↑18.1%), Iron & Steel (↑15.6%), Non Metallic Minerals (↑26.7%), Autos (↑51.1%), Fertilizers (↑7.2%), Pharmaceuticals (↑12.0%), Paper & Board (↑3.4%) and Chemicals (↑19.2%). Whereas YoY decline was observed in Electronics (↓4.4%), Leather (↓26.5%), Wood (↓53.7%), Engineering (↓15.4%) and Rubber (↓25.4%).

Automobiles, NMM and Textile boosted the Index

Autos registered a whopping growth of 51.1% YoY on the back of 66.6/63.6/54.8/36.5% YoY growth in Jeeps and Cars/LCVs/tractors/motor cycles due to low base effect. Improving macro indicators, reduction in taxes and low auto financing cost would keep demand strong and allow the sector to grow going forward.

NMM jumped by 26.7% YoY due to 27.3% YoY rise in cement production as dispatches increased by 23.8/18.9% YoY in South/North market. This was primarily because of low base effect and robust domestic demand on the back of extension in incentives for construction sector announced by the Gov't.

Textile sector grew by 15.3% YoY on the back of 23% YoY increase in exports during FY21 due to low base effect. Looking ahead, we are moderately optimistic as export markets have recovered amid mass vaccinations despite COVID persisting globally.

Iron/Steel, Chemical and Petrol increased

Iron and Steel production was up by 15.6% YoY as billots and ingots inclined by 51.0% YoY on the back of uptick in industrial and construction activity.

Chemicals increased by 19.2% YoY due to paints (solid)/hydrochloric acid/sulphuric acid/chlorine inclining by 73.5/15.7/80.0/7.9% YoY. We expect the sector to report growth going forward on the back of continued upswing in industrial and construction activity.

Coke and Petroleum inclined by 18.1% YoY as MS/HSD/FO depicted incline of 27.6/23.9/14.7% YoY given higher run rate of refineries due to higher crude imports by 32% YoY.

Pharmaceuticals and FBT also inclined

Pharmaceuticals grew by 12.0% YoY given 28.4/22.3/20.1% YoY increase in syrups/capsules/injections largely due to low base effect.

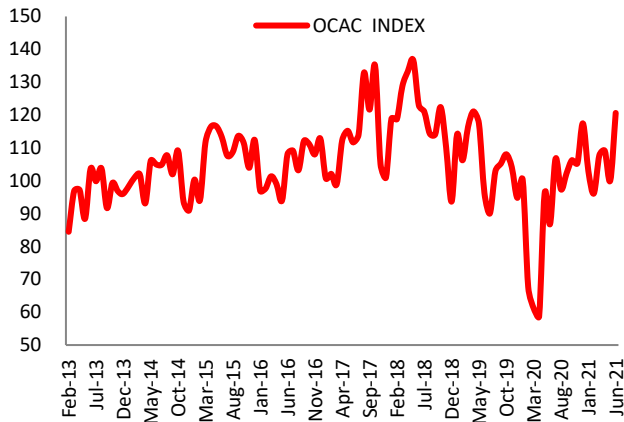
FBT increased by 11.0% YoY due to 41.6% YoY incline in wheat and grain milling due to gov't channeling wheat/grain to mills in order to secure the supply chain. Moreover, soft drinks rose by 7.5% YoY due to rebound in economic recovery.

Outlook

We expect LSM growth would be 7-9% in FY22 on the back of (1) persistence of economic growth given declining impact of COVID globally, (2) accommodative monetary policy, (3) expansionary fiscal policy including enhanced development spending and (4) continuation of incentives to construction sector.

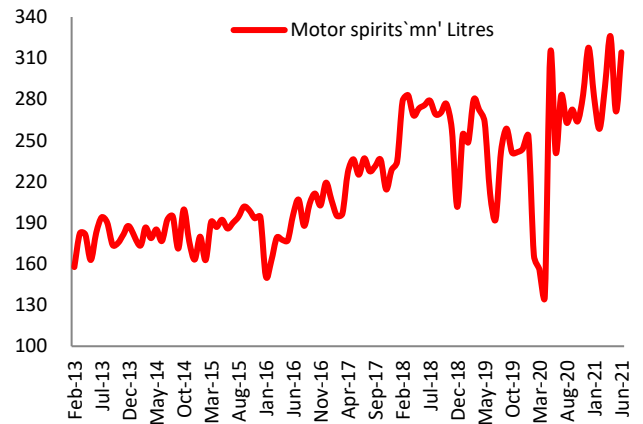
OCAC Index constituent's performance bounced after COVID disruption last year

Fig 01: OCAC Index has recovered above pre COVID levels...



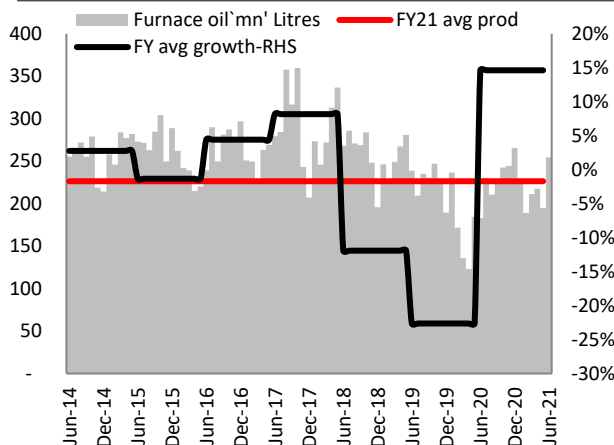
Source: PBS, Foundation Research, August 2021

Fig 02: MS production production on an unstoppable upward trajectory...



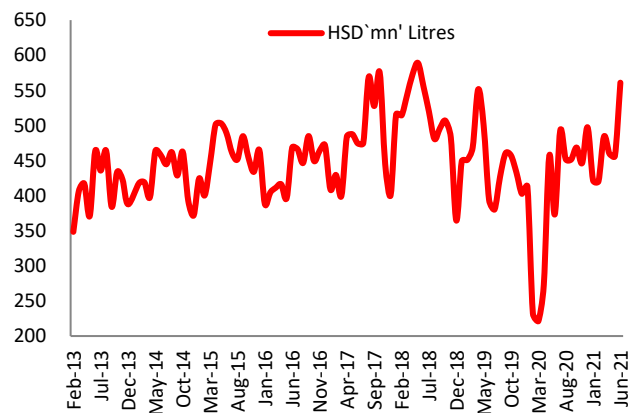
Source: PBS, Foundation Research, August 2021

Fig 03: FO demand grew after declining in preceding 2 years



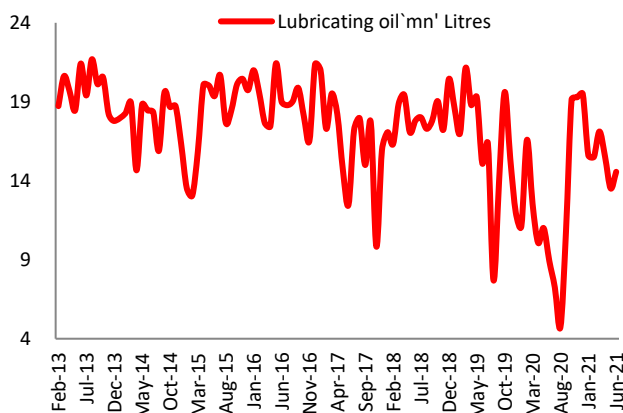
Source: PBS, Foundation Research, August 2021

Fig 04: HSD production has reached highs seen 3 years ago...



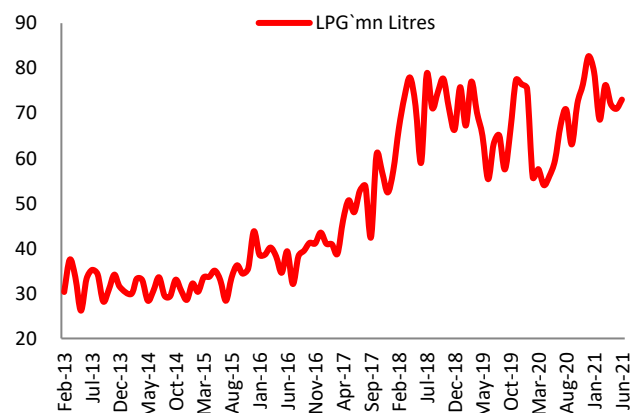
Source: PBS, Foundation Research, August 2021

Fig 05: Lube market on recent downward trajectory after COVID bounce....



Source: PBS, Foundation Research, August 2021

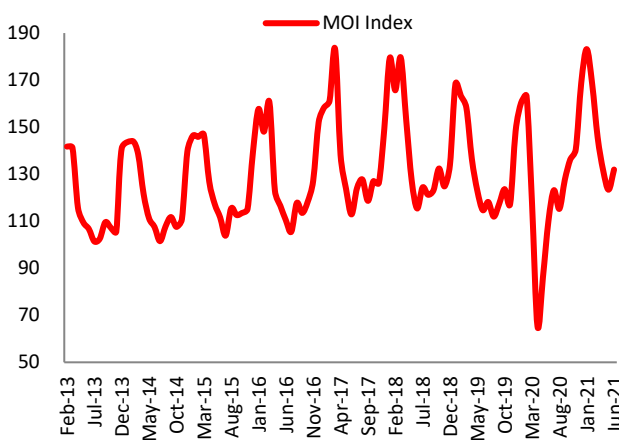
Fig 06: LPG production remains high...



Source: PBS, Foundation Research, August 2021

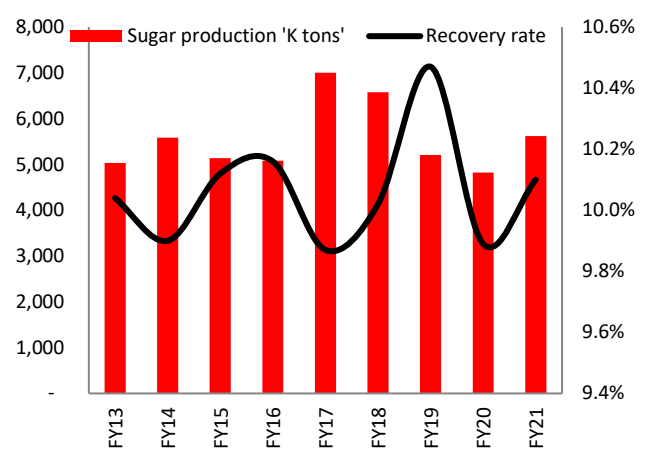
MOI Index performance returned to long term growth trend after declining for 2 years

Fig 07: Economy started to roar given govt stimulus post slow down in FY19/FY20



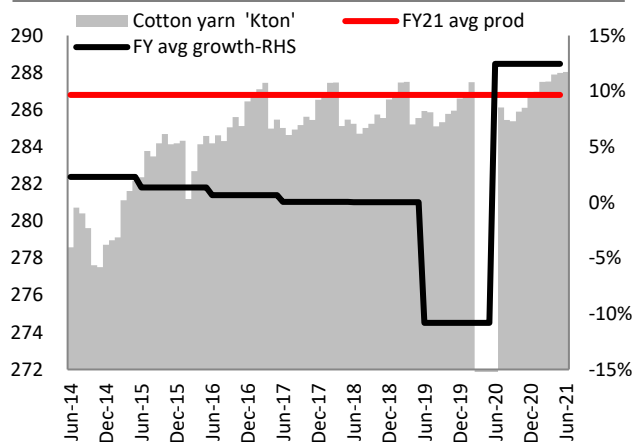
Source: PBS, Foundation Research, August 2021

Fig 08: Sugar production rises again after 2 dull years



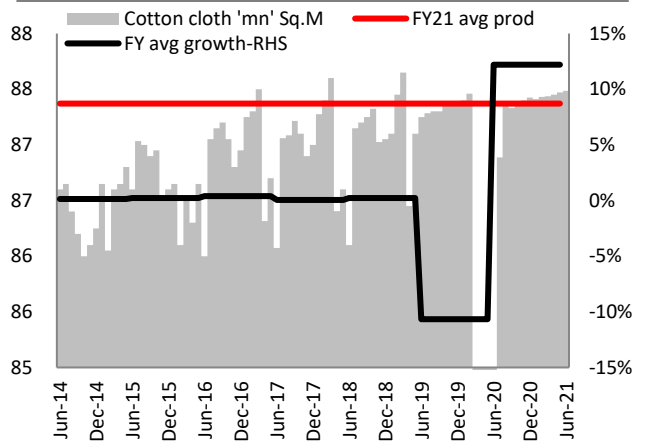
Source: PBS, PSMA, Foundation Research, August 2021

Fig 09: Strong post COVID bounce witnessed in yarn production



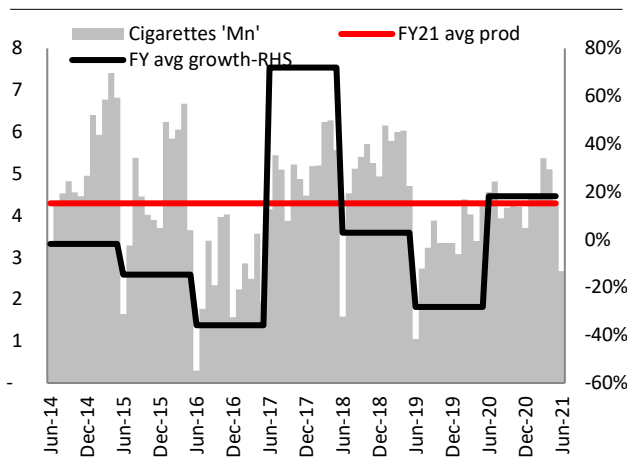
Source: PBS, Foundation Research, August 2021

Fig 10: Growth picking up in export market



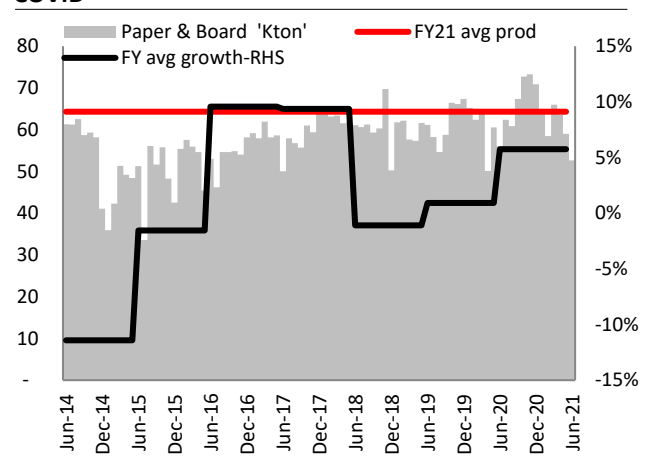
Source: PBS, Foundation Research, August 2021

Fig 11: Demand remained intact post COVID



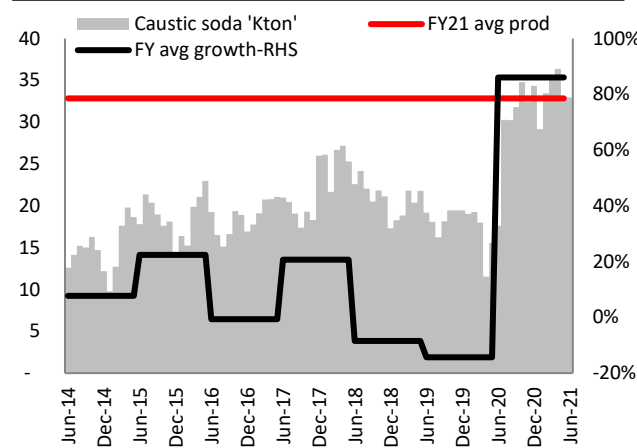
Source: PBS, Foundation Research, August 2021

Fig 12: Paper and board industry was unaffected by COVID



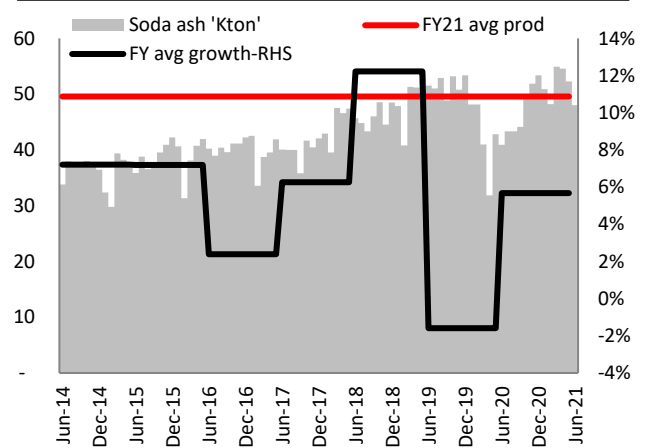
Source: PBS, Foundation Research, August 2021

Fig 13: Domestic caustic production ramped up in FY21 given growth in textile sector



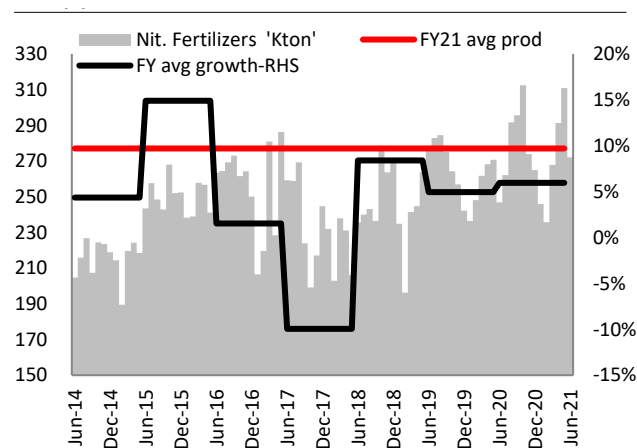
Source: PBS, PSX, Foundation Research, August 2021

Fig 14: Increased soda ash demand by higher domestic glass/paper/board/soap production



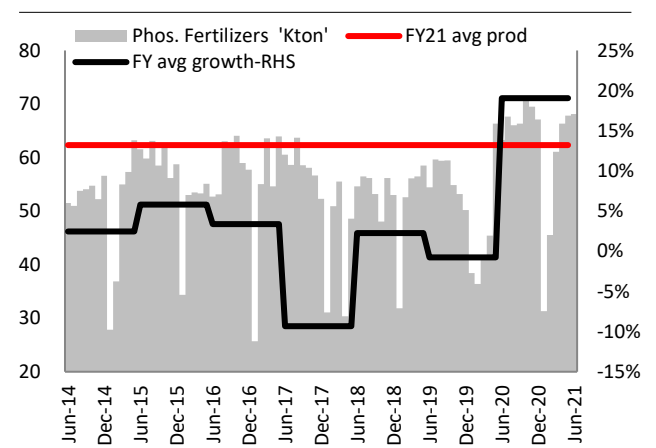
Source: PBS, Foundation Research, August 2021

Fig 15: Higher production due to subsidized RLNG



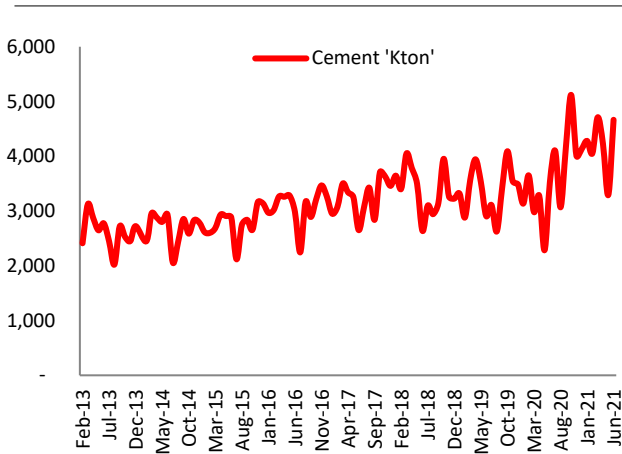
Source: PBS, Foundation Research, August 2021

Fig 16: Phosphate fertilizer production jumps



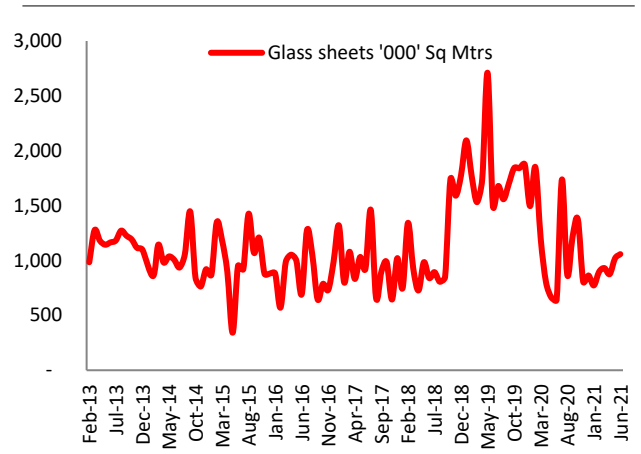
Source: PBS, Foundation Research, August 2021

Fig 17: Cement production maintains upward trend



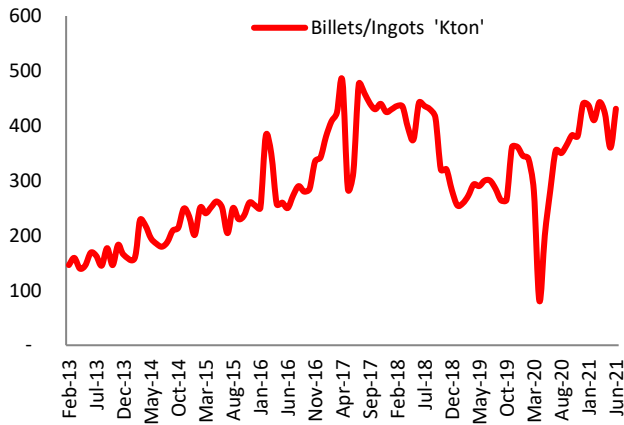
Source: PBS, Foundation Research, August 2021

Fig 18: Glass production remains below potential...



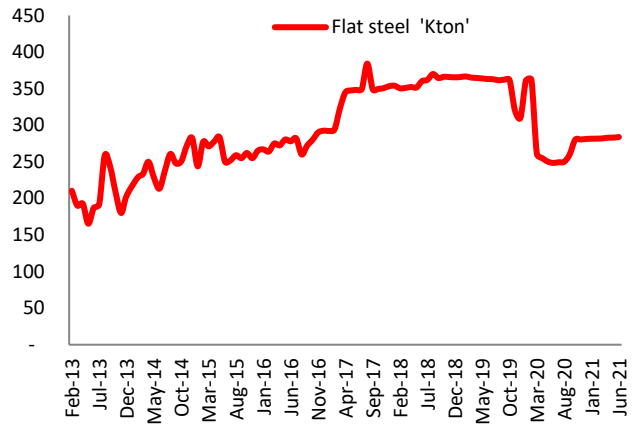
Source: PBS, Foundation Research, August 2021

Fig 19: Steel production maintains upward momentum



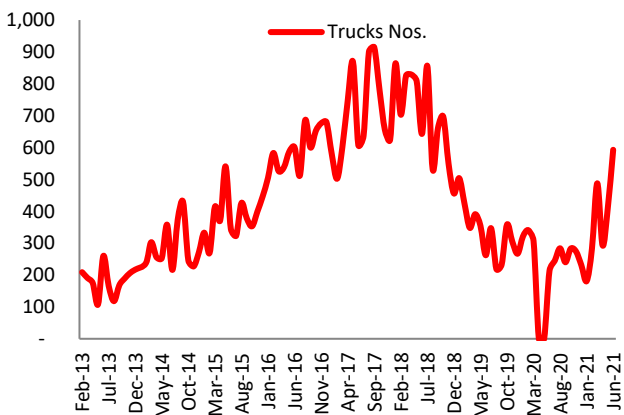
Source: PBS, Foundation Research, August 2021

Fig 20: Flat steel fails to recover...



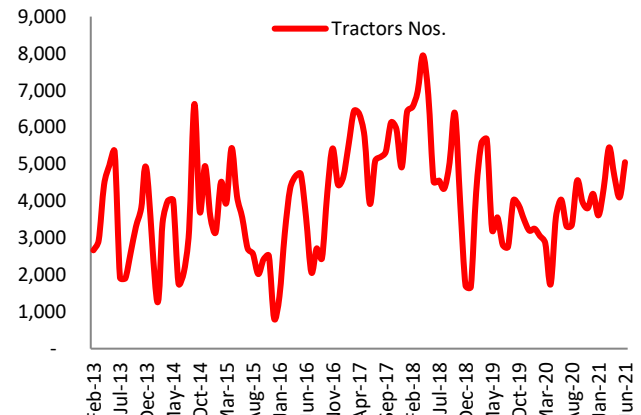
Source: PBS, Foundation Research, August 2021

Fig 21: Truck production shows steep recovery given higher inland trade



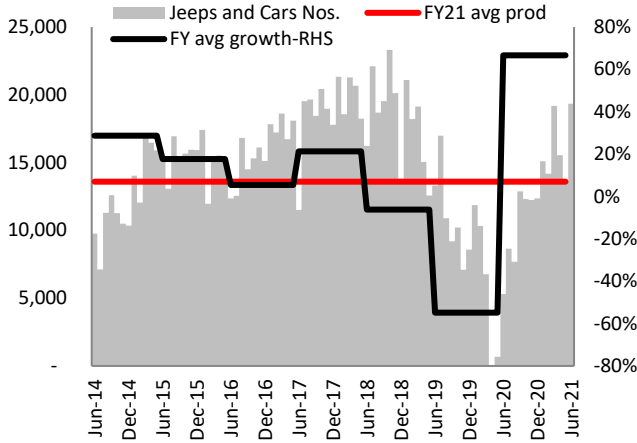
Source: PBS, Foundation Research, August 2021

Fig 22: Tractors also recovering due to better agronomics



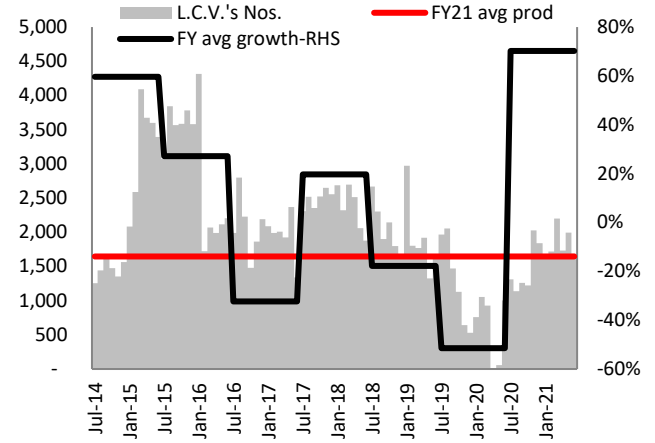
Source: PBS, Foundation Research, August 2021

Fig 23: Lower interest rates and improving macros cause Cars and Jeeps production to rise...



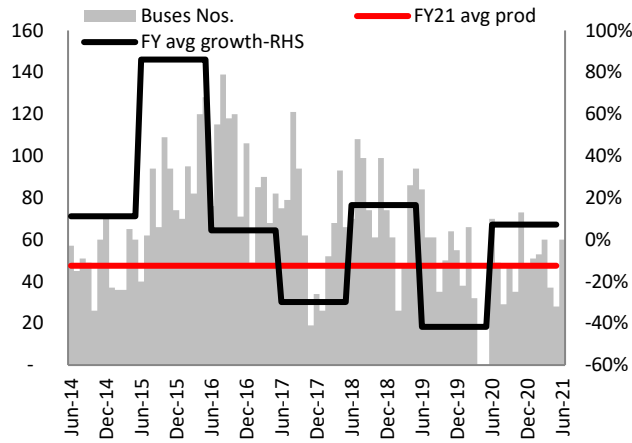
Source: PBS, Foundation Research, August 2021

Fig 24:same affecting L.C.V.'s



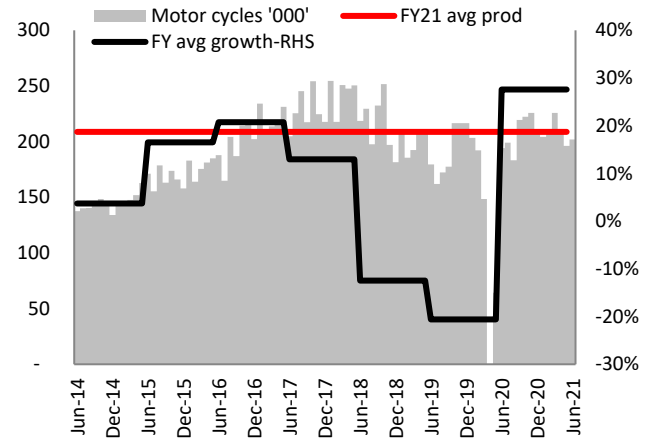
Source: PBS, Foundation Research, August 2021

Fig 25: Buses productions remains tepid...



Source: PBS, Foundation Research, August 2021

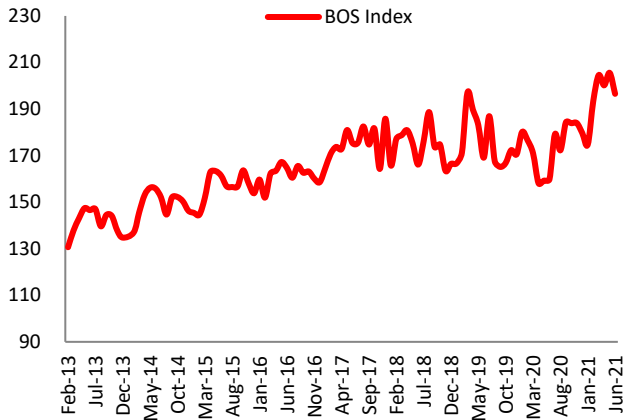
Fig 26: Motorcycles production registers strong growth in ecommerce amid economic recovery



Source: PBS, Foundation Research, August 2021

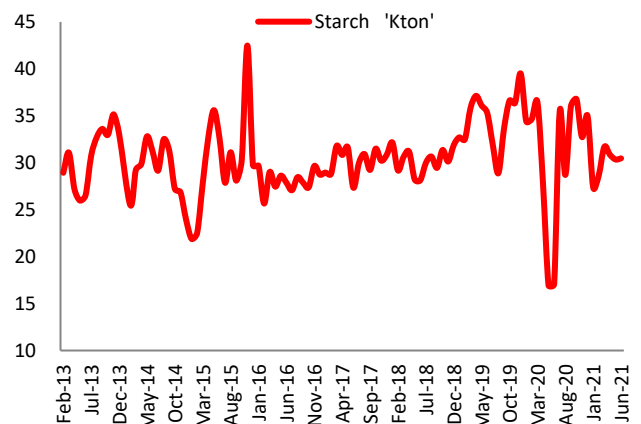
BOS Index performance back in growth mode

Fig 27: Growth in cyclicals due to economic rebound pushed BOS index to new highs



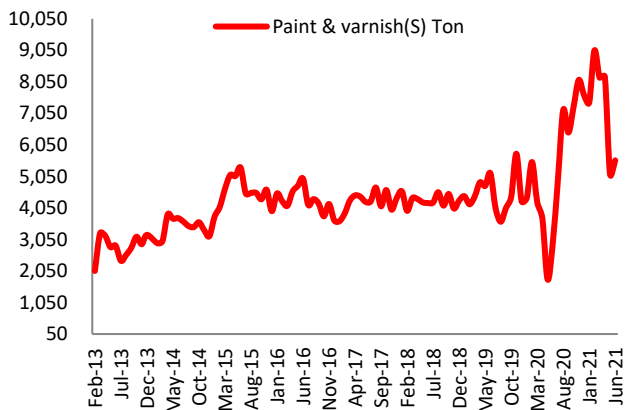
Source: PBS, Foundation Research, August 2021

Fig 28: Starch production remained limited despite record maize crop



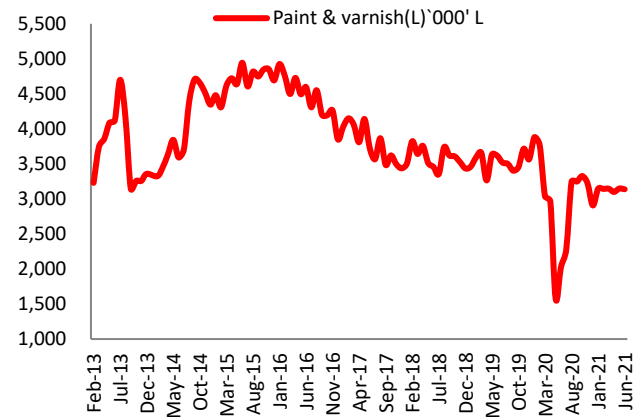
Source: PBS, Foundation Research, August 2021

Fig 29: Solid paint usage surged amid boom in construction activities



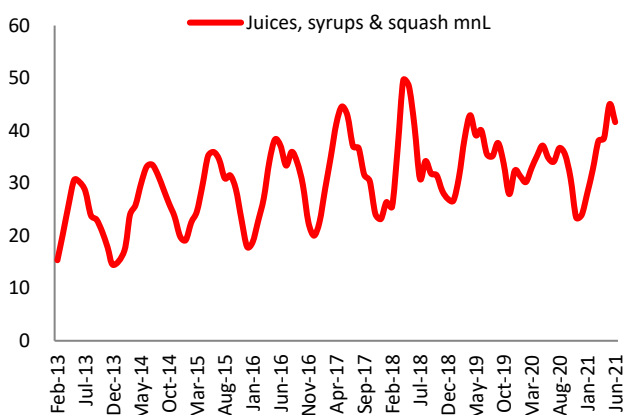
Source: PBS, Foundation Research, August 2021

Fig 30: Liquid paint production maintained its level...



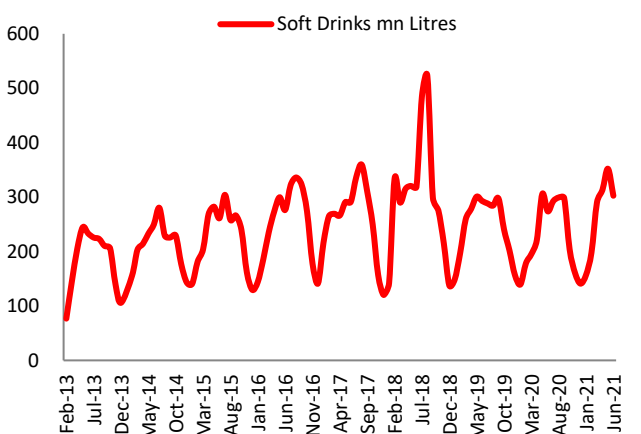
Source: PBS, Foundation Research, August 2021

Fig 31: Subdued growth (ex-seasonal effect) due to declining incomes amid pandemic....



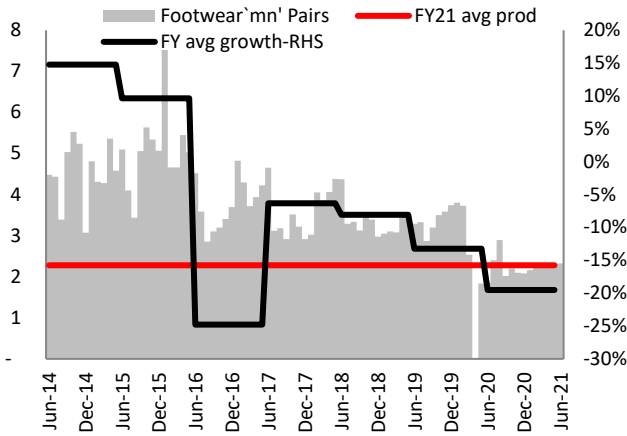
Source: PBS, Foundation Research, August 2021

Fig 32: ...similarly translated into soft drink demand



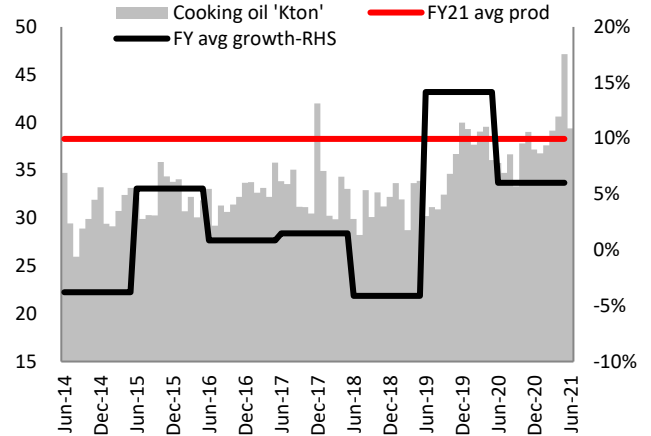
Source: PBS, Foundation Research, August 2021

Fig 33: Higher reliance of Chinese imports by major footwear players kept local production in check



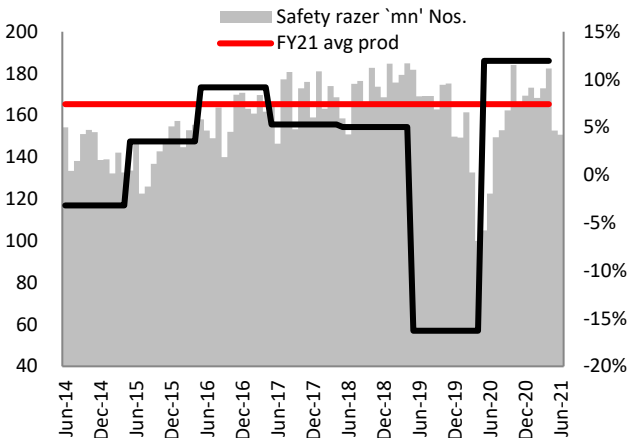
Source: PBS, Foundation Research, August 2021

Fig 34: Higher prices led to lower growth in cooking oil



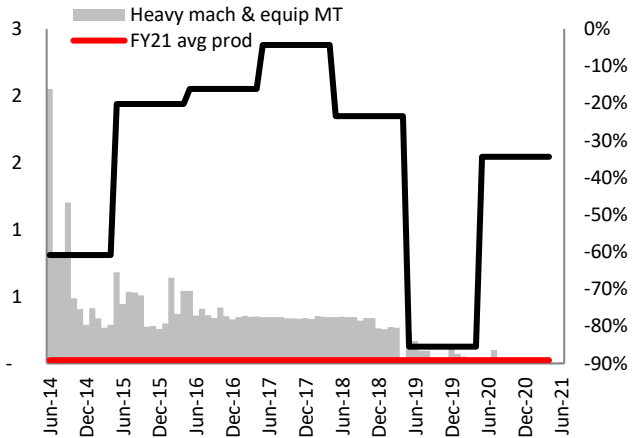
Source: PBS, Foundation Research, August 2021

Fig 35: Higher domestic production due to rupee deval limiting imported razer's



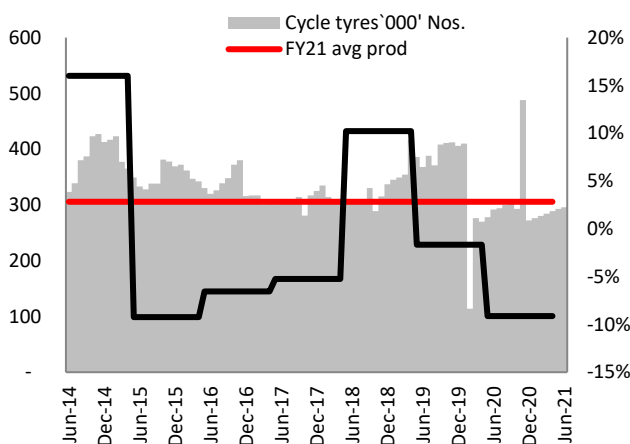
Source: PBS, Foundation Research, August 2021

Fig 36: ↑ reliance on imported machinery for industrial activity kept local order book in check



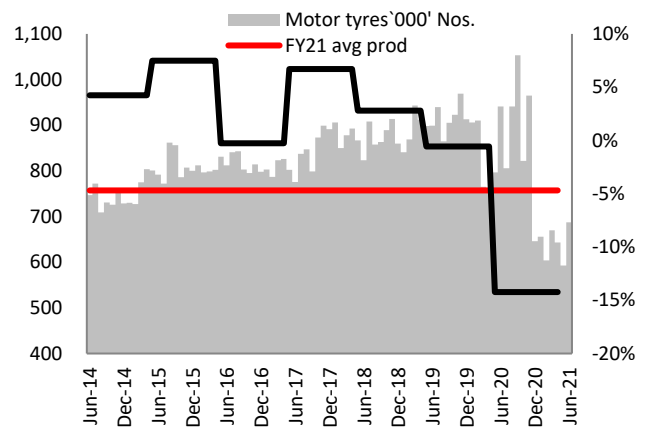
Source: PBS, Foundation Research, August 2021

Fig 37: Charm remained with imported products due to limited availability of quality options



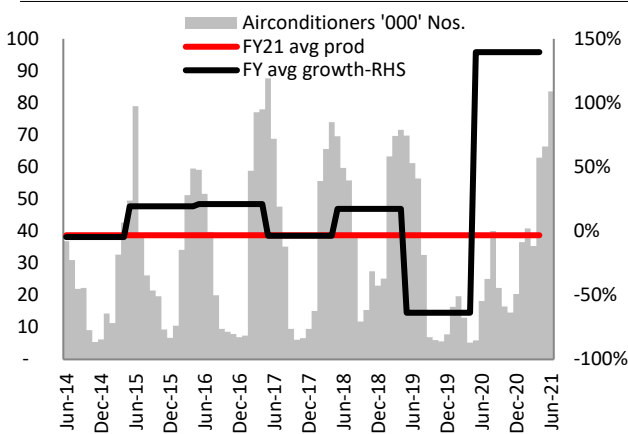
Source: PBS, Foundation Research, August 2021

Fig 38: Smuggled product availability in market to cause limited growth despite jump in Auto prod



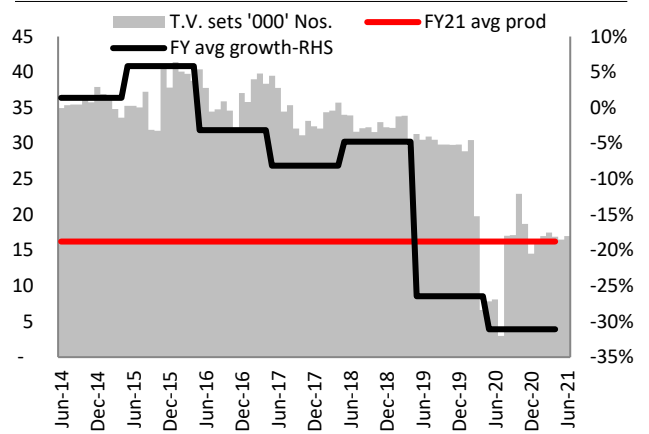
Source: PBS, Foundation Research, August 2021

Fig 39: Air Conditioners depicted positive growth due to low base effect



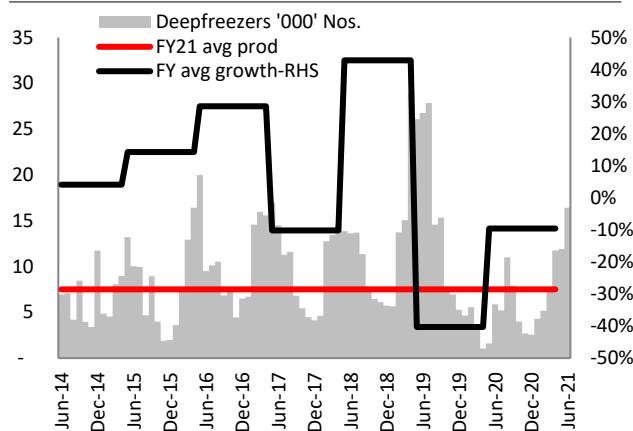
Source: PBS, Foundation Research, August 2021

Fig 40: Technological domestic limitations and charm of imported products kept production in pressure



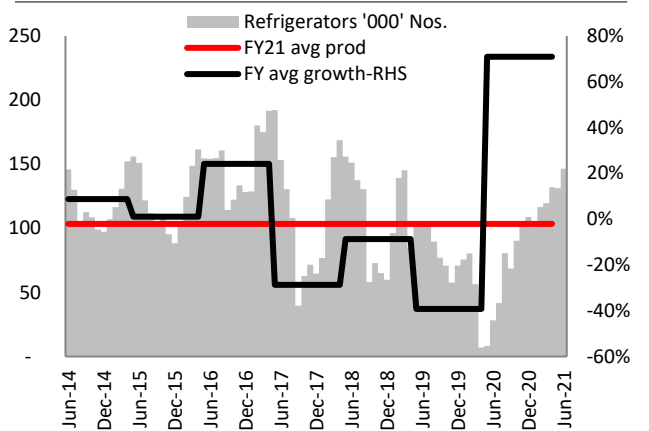
Source: PBS, Foundation Research, August 2021

Fig 41: lower production due to reduced demand from cold supply chain



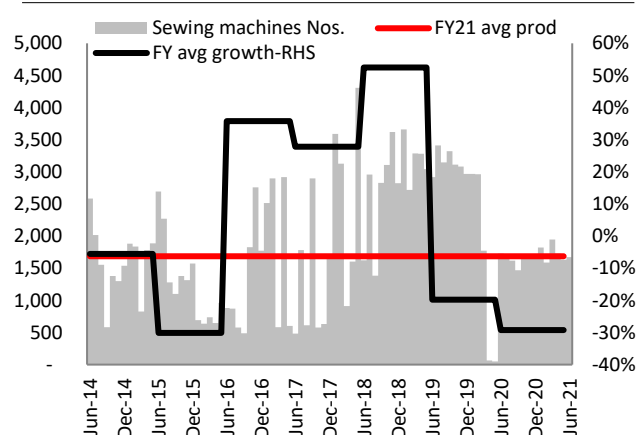
Source: PBS, Foundation Research, August 2021

Fig 42: Refrigerators production increased given higher income levels



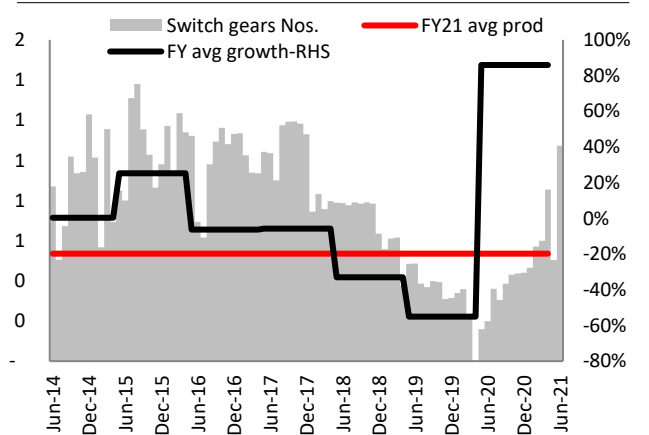
Source: PBS, Foundation Research, August 2021

Fig 43: Production of sewing machines declined post COVID given reliance on cheaper Chinese imports



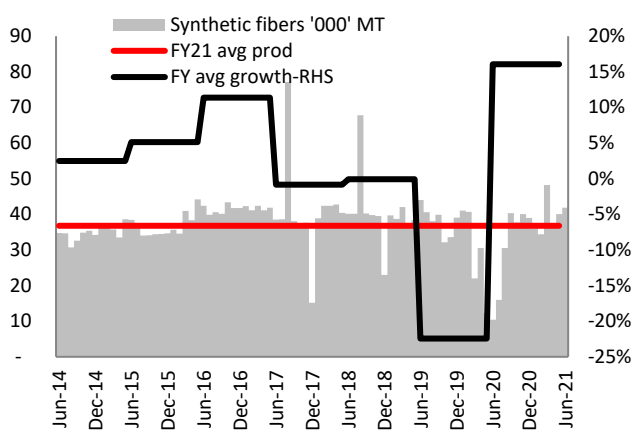
Source: PBS, Foundation Research, August 2021

Fig 44: Strong recovery in switch gear production as construction activity recovered



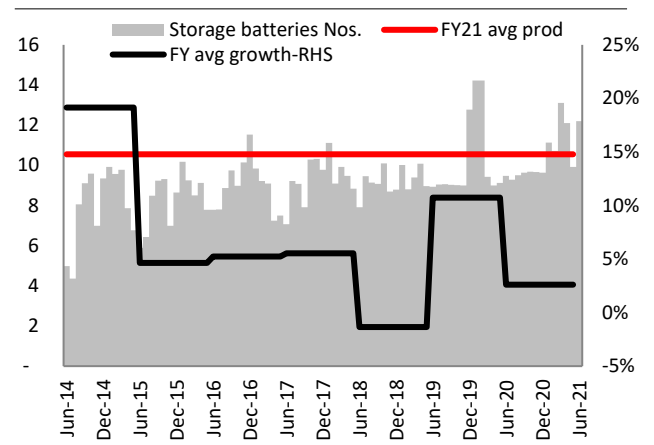
Source: PBS, Foundation Research, August 2021

Fig 45: Production bounced post COVID due to growth in textiles and limited capacities



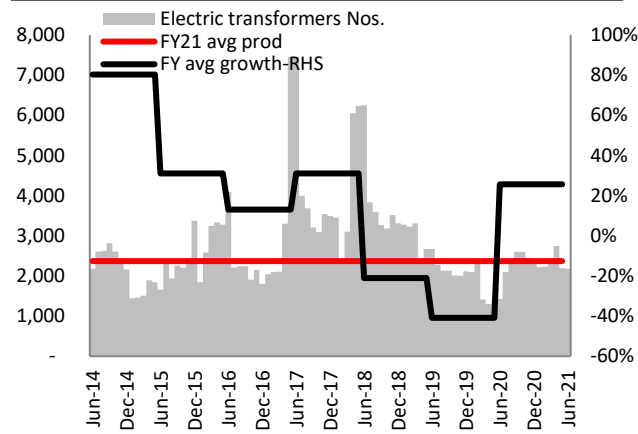
Source: PBS, Foundation Research, August 2021

Fig 46: Storage batteries demand remained stable...



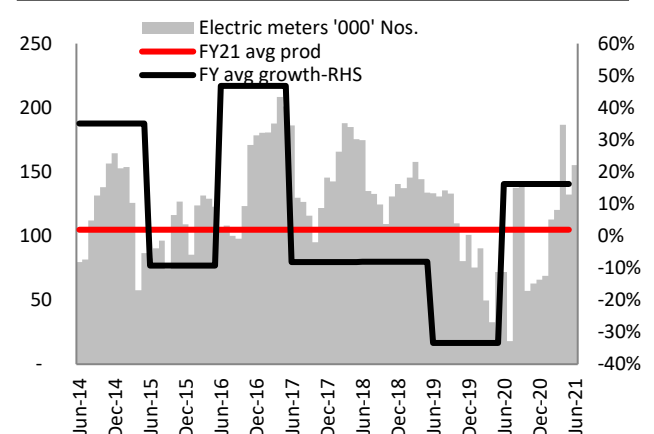
Source: PBS, Foundation Research, August 2021

Fig 47: Delayed investment in CPEC related transmission lines kept production on higher side



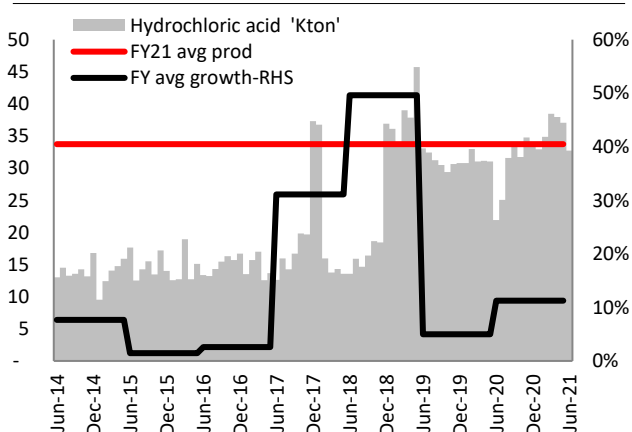
Source: PBS, Foundation Research, August 2021

Fig 48: Production climbed as electricity demand increased by ~7% YoY



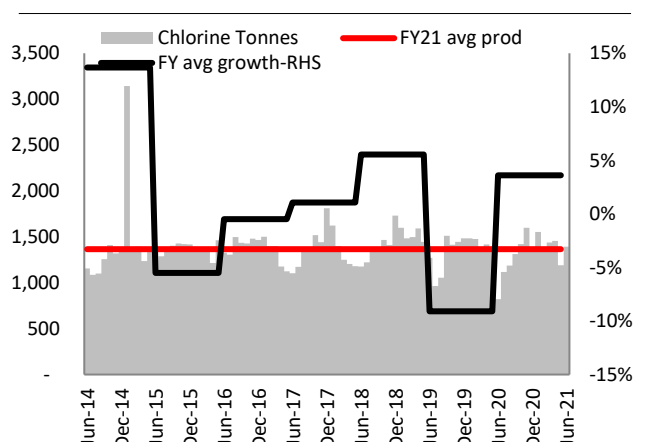
Source: PBS, Foundation Research, August 2021

Fig 49: Domestic production remained stable despite COVID



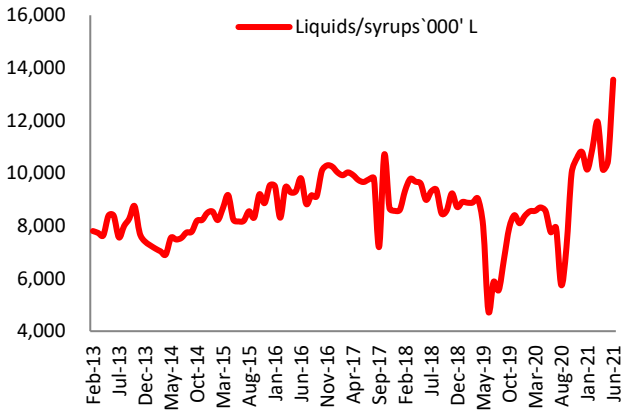
Source: PBS, Foundation Research, August 2021

Fig 50: Stable production due to limited market size



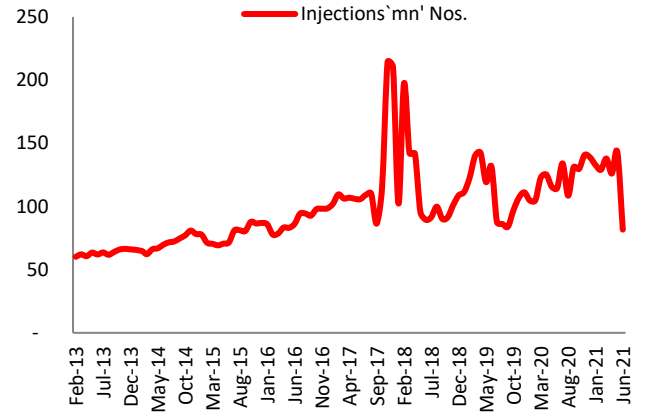
Source: PBS, Foundation Research, August 2021

Fig 51: Liquid/syrups manufacturing made new high amid capacity additions



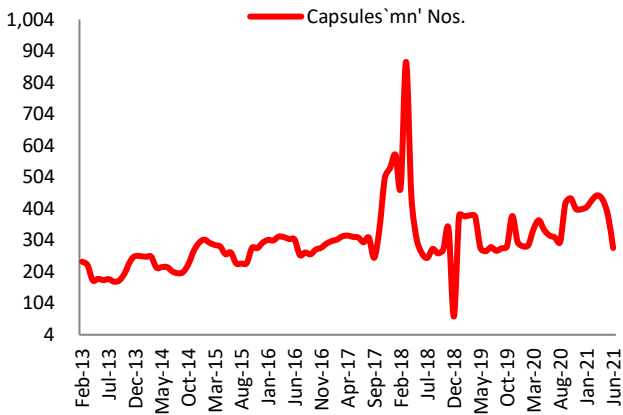
Source: PBS, Foundation Research, August 2021

Fig 52: Injections sales to increases as local players gone for capacity additions



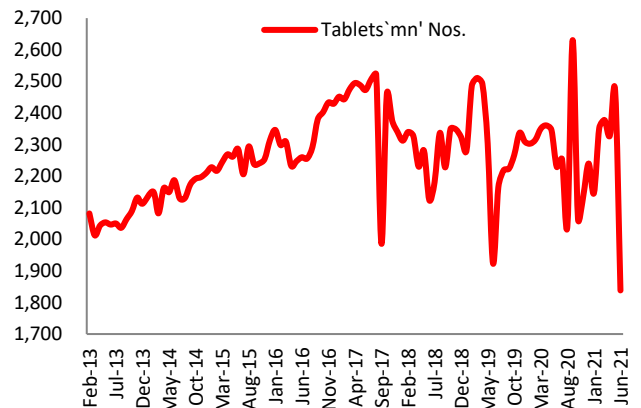
Source: PBS, Foundation Research, August 2021

Fig 53: Avg capsules production remained on higher side



Source: PBS, Foundation Research, August 2021

Fig 54: OPD sales of pharmaceuticals declining post COVID outbreak



Source: PBS, Foundation Research, August 2021

Acronyms

DLTL	Drawback on Local Taxes and Levies
ECC	Economic Coordination Committee of the Cabinet
MoM	Month on Month
YoY	Year on Year
OCAC	Oil companies advisory committee
MOI	Ministry of Industries
BOS	Bureaus of statistics
HSD	High Speed Diesel
LPG	Liquefied Petroleum Gas
OGDC	Oil and Gas Company limited
Kton	Thousand Tones
ADD	Anti Dumping Duty
FY	Fiscal year
RLNG	Re-gasified Liquefied Natural Gas
PMP	Pakistan Maroc Phosphore
TGL	Tariq Glass Limited
PSDP	public sector development program
MTL	Millat Tractors Limited

Important disclosures:

Disclaimer: This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

Research Dissemination Policy: Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Target price risk disclosures: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.