

PAKISTAN



Sector of Large Scale Manufacturing	Weight	Mar'22	9MFY22
Textile	18.2%	5.1%	3.2%
Food	10.7%	85.0%	11.7%
Coke & Petroleum Products	6.7%	8.1%	2.0%
Chemicals	6.5%	17.0%	7.8%
Wearing Apparel	6.1%	78.6%	34.0%
Pharmaceuticals	5.2%	12.6%	-0.4%
Non Metallic Mineral Products	5.0%	4.2%	1.1%
Fertilizers	3.9%	16.9%	3.3%
Beverages	3.8%	-6.0%	0.7%
Iron & Steel Products	3.4%	11.2%	16.5%
Automobiles	3.1%	25.8%	54.1%
Chemicals Products	2.5%	17.1%	15.2%
Tobacco	2.1%	-1.4%	16.7%
Electrical Equipment	2.0%	-1.5%	-1.1%
Paper & Board	1.6%	11.6%	8.5%
Leather Products	1.2%	-7.6%	1.5%
Other Transport Equipment	0.7%	-11.7%	-10.2%
Furniture	0.5%	186.5%	301.8%
Fabricated Metal	0.4%	-6.1%	-7.2%
Machinery and Equipment	0.4%	-10.9%	8.9%
Other Manufacturing (Football)	0.3%	64.1%	37.8%
Rubber Products	0.3%	0.2%	-20.6%
Wood Products	0.2%	32.6%	157.0%
Computer, electronics & optical prod	0.0%	6.0%	1.0%
		26.6%	10.4%

Source: PBS, Foundation Research, May 2022

Analyst

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

Foundation Securities (Pvt) Ltd
 Tuesday, May 17, 2022

Large Scale Manufacturing

Robust growth in March

LSM grows by 26.6% YoY in Mar'22

LSM witnessed growth of 26.6% YoY (up 8.2% MoM) during Mar'22 amid robust economic activity given buoyant domestic demand. Moreover, 9MFY22 growth was recorded at 10.4% YoY. During Mar'22, MOI/BOS/OCAC index grew by 34.4/21.0/8.1% YoY. Sectors which continued to power ahead YoY were Food (↑85.0%), Wearing Apparel (↑78.6%), Chemicals (↑17.0%), Non Metallic Minerals (↑4.2%), Fertilizers (↑16.9%), Iron & Steel (↑11.2%), Autos (↑25.8%), Chemical Products (↑17.1%), Pharmaceuticals (↑12.6%), Coke & Petroleum Products (↑8.1%) Paper & Board (↑11.6%) and Computer/Electronics (↑6%). Whereas YoY decline was observed in Beverages (↓6.0%), Leather products (↓7.6%), Electrical Equipment (↓1.5%) and Tobacco (↓1.4%).

Food, Wearing Apparel and Automobile showed exponential growth

Food inclined by 85.0% YoY in Mar'22 on the back of increase in Sugar/cooking oil/starch & its products by 527.3/26.5/10.8% YoY. Wearing Apparel witnessed growth of 78.6% YoY in Mar'22 given strong global demand for Pakistani made products amid currency depreciation.

Autos registered growth of 25.8% YoY in Mar'22 due to increase in Cars/LCV/Buses by 31.1/19.6/15.0% YoY. Whereas, Trucks/Diesel Engines & Motorcycles declined by 17.2/8.6/12.0% YoY. Going forward, we believe with the contraction in overall economy, coupled with higher interest rates and rising car prices, would slowdown growth for automobiles in medium term.

Coke/Petroleum, Iron, Fert, Pharma and Chemicals also increased

Coke and Petroleum inclined by 8.1% YoY as MS/HSD/FO were up by 10.6/9.0/2.7% YoY given strong domestic demand and higher run rate of refineries. Iron and Steel grew by 11.2% YoY in Mar'22 given that billets & ingots inclined by 19.6% YoY and HRC/CRC were up by 6.4% YoY.

Fertilizer sector increased by 16.9% YoY on the back of growth in Phos/Nit fertilizers by 16.7/17.0% YoY. Pharmaceuticals inclined by 12.6% YoY given that Syrups/ointments inclined by 94.8/43.6% YoY. Chemicals witnessed an increase of 17.0% YoY due to 83.7/45.6/20.0% YoY incline in toilet soaps/sulphuric acid/soaps & detergents.

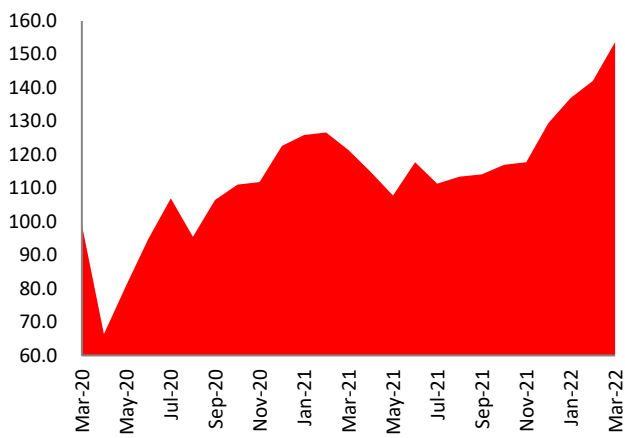
Beverages, Electrical Equipment, Leather & Tobacco declined

Beverages fell by 6.0% YoY in Mar'22 as soft drinks/fruit Juices declined by 16.1/17.3% YoY. Manufacture of electrical equipment decreased by 1.5% YoY given decline in refrigerators/Electric motors/storage batteries by 8.9/26.2/2.3% YoY. Leather products posted negative growth of 7.6% YoY due to decrease in upper leather by 31.4%. Moreover, tobacco declined 1.4% YoY given decline in cigarettes production by 1.4% YoY.

Outlook

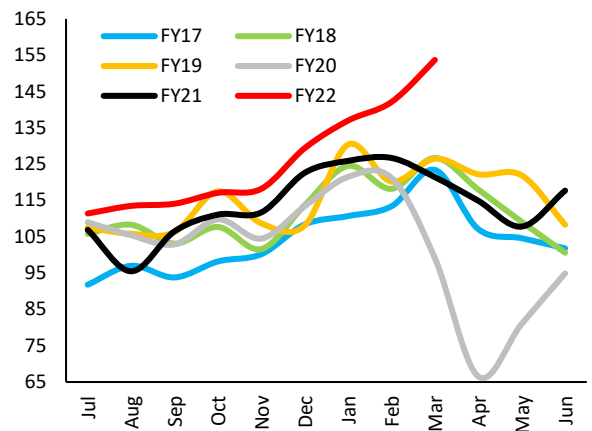
As FY22 draws near to a close, we project strong growth for the full year based on high 9MFY22 base despite mounting political and economic uncertainty. In FY23, we expect moderation in domestic demand amid high interest rates and spiraling inflation due to elevated int'l oil/commodity prices given global supply chain snarls and war in Europe. However, we foresee support from greater reliance on domestic products given high Rs-US\$ depreciation.

Fig 01: Monthly LSM index swells to new highs



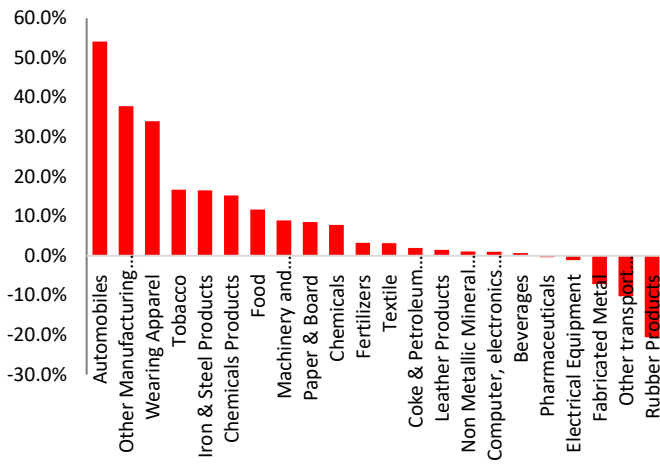
Source: PBS, Foundation Research, May 2022

Fig 02: LSM index displays marked seasonality...



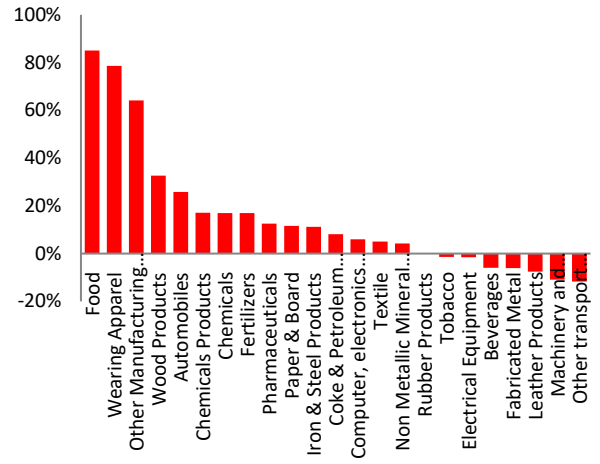
Source: PBS, Foundation Research, May 2022

Fig 03: Growth rate of various sectors during 9MFY22



Source: PBS, Foundation Research, May 2022

Fig 04: Growth rate of various sectors during Mar'22



Source: PBS, Foundation Research, May 2022

Abbreviations

OCAC	Oil companies advisory committee
MOI	Ministry of Industries
BOS	Bureaus of statistics
FBT	Food Beverages and Tobacco
NMM	Non Metallic Mineral Products
MoM	Month on Month
YoY	Year on Year
MS	Motor Spirit
HSD	High Speed Diesel
FO	Furnace Oil
FY	Fiscal year
PCs	Passenger Cars
LCVs	Light Commercial Vehicle
RLNG	Re-Liquefied Natural Gas
LNG	Liquefied Natural Gas
Gov't	Government

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.