

China Pakistan free trade agreement (phase-2) unleashes opportunities for listed entities

- China Pakistan free trade agreement phase 2 (CPFTA 2) is come into effect in real terms with many unleashing opportunities for Pakistani exporters.
- The CPFTA 2 provides opportunities in 313 products and a result of efforts of current commerce ministry for some time.
- The potential for exports could go as high as \$8bn - \$9bn in three years as per initial understanding of the list of 313 items.
- We see many listed entities already vying for exports. Already many entities are exporting goods and products wherein many options are also in the air with existing product lines.
- Pakistani textile sector has the biggest option of exporting apparel, garments, bed-wear wherein we see GATM, NML, FML, KML, ILP geared up for opportunities in a vast market. We see ILP can export sportswear.
- There is a silverlining for Pakistani cement manufacturers wherein lot of excess capacities could be sent to Chinese markets wherein we see LUCK, DGKC, ACPL are some of the few that could take advantage in some way.
- We see EPCL could be one of the companies geared up to tap PVC market.
- Also LOADS is a producer of muffler, exhaust systems etc
- Float glass producer viz. Tariq Glass is a major producer in the country.

Impact of Tariff Elimination on Potential companies

Product	Company
AC & refrigerator	WAVES, PAEL
Bed-wear	NML, GATM, FML, KML
Bumpers & parts of motor vehicles	SPEL, AGIL, THALL
Chemical Products	DOL, ICL, NICL, ICI, ARPL
Combed cotton yarn	GADT, NCL
Electric conductors	PAKOXY
Ensembles of cotton	ILP
Float glass	TGL, GHGL
Garments of cotton	NML, GATM
Glucose	DAWH, MFL
Ice cream	FCEPL
Meat	ASC
Milk & Cream	FCEPL, NESTLE, FFL, SML
Mineral Water	NESTLE
Portland Cement	LUCK, DGKC, MLCF, FCCL
Preform	ECOP
PTA	LOTCHER
PVC	EPCL
Radiator, Mufflers and exhaust pipes	LOADS
Sacks & bags	CPPL
Shock absorber	AGIL, THALL
Sport wear	ILP
Sweet biscuits	ISIL
Tractor	MTL, AGTL
Vegetable Fats	UNITY

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Following research techniques adopted to calculate target price/recommendation

Price to earnings & Price to Book, EV-EBITDA multiple

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