

- .....stock market investors – **Mix bag**
- **Capital Gains Tax (CGT)** for investors is now flat for three slabs i.e. 15% (discouraging for long term investors)
- **However, this may have been done to encourage trading** (number of volumes) & thus ensure earnings for newly listed PSX
- Capital gain for non-filers will be 20% - Negative investor perception

- .....stock market investors – **Mix features**
- Tax on dividends given by mutual funds has been increased to 12.5% from 10%; Mutual fund industry size is stated to be Rs700bn – NEGATIVE perception
- Tax on cash dividend increased to 15% – NEGATIVE perception
- Companies have to pay dividend (if earning at least 40% of paid up) as previous condition withdrawn - **Positive**
  - May be a case for certain banks & textiles to comply with

- **Stock market**.....*Picks post finance bill*
- **Supply side measures** i.e. *Rs1 trillion PSDP earmarked for motorways, hydroelectric & dams*
- **Cements**... Mostly Positive – Fauji Cement, road quality cement producer, (est.EPS Rs 2.45/sh) given resumption of ‘own’ Line 2 in Nov-Dec..... Contracts with agencies as per company books
- **Steel Rebar**...Mostly Positive – Amreli Steel (est.EPS Rs3.9/sh; post expansion FY18EPS Rs15-18 given variation in capacity utilization)..... Capacity announcements at PSX & company books

- **Stock market.....***Picks post finance bill*
- **Steel CRC...** Non event to a larger extent – ISL (est. Rs7.9/sh; post CRC expansion FY18EPS Rs13/sh ....as per company books & our research
- **Fertilizer.....** Slight Positive for farmers – rationalizing FED on DAP fertilizers
  - FFBL is sole DAP producer (no recommendation)
  - GST of 5% will remain their for Urea players – Neutral for fertilizers

- Stock market.....*Picks post finance bill*
- Power....reduction in duty of coal from 5% to 3%— release of amount under 'circular debt' hasn't been provisioned
  - HUBC (est. final dividend Rs2.5/sh) — neutral
- Pharma..... Positive – GLAXO (est.EPS Rs 10.5/sh inclusive of sensitivity on Rota virus)
  - Limit for sales promotion by pharmaceutical companies to be enhanced; limit for expenditure incurred by on sales promotion, ads is being enhanced from 5% to 10% of turnover – Positive

- **Stock market**.....*Picks post finance bill*    (general non events)
- **Banks**.....Positive – BAFL (est. EPS Rs 6.6-7/sh based on proactive investment banking activities)
  - JSBL (est. EPS Rs Re 1.1/sh based on stock broker exposures & credit lines)
- **Textiles**.....Positive – SAIF Textile (3Q-4Q turnaround in earnings given increase in specialized yarn sales / export attempts; est.EPS Rs 3-3.5/sh)
  - General arrangements on textiles from time to time by the GoP may be positive as a whole

## .....Federal excise duty (FED) ... relevant sectors

- Increase in Federal Excise Duty on cement Federal Excise Duty on cement is proposed to be enhanced from Rs. 1 per kg to Rs. 1.25 per kg – pass through to endusers as per previous practice
  - Neutral for cement players
- Reduction in Federal Excise Duty on Telecommunication Services. Federal Excise Duty on telecommunication services is proposed to be reduced from 18.5% to 17%
  - Pakistan Telecomm. (PTC) is main player in the segment (no recommendation)

.....Sales Tax... relevant sectors

- Fixation of minimum sales tax on supply of locally produced coal
- Minimum sales tax @ Rs425 per ton is proposed to be provided for locally produced coal
  - Engro Corp Sindh Thar Coal project – Positive development in the country
- Reduction of sales tax on fertilizers to replace subsidy
  - Non urea suppliers to benefit as per budget doc



## .....Sales Tax... relevant sectors

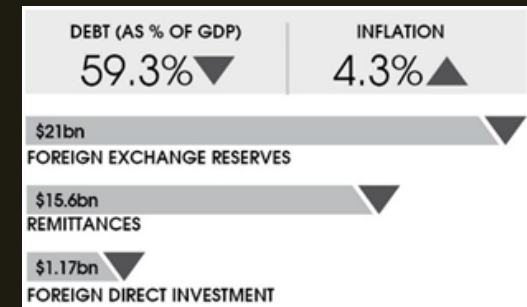
- Reduction in rate of sales tax on poultry machinery
- Sales tax on import of seven types of poultry machinery is proposed to be reduced to 7%
  - Al-Shaheer Corp (ASC) is one listed entity which is dealing in meat (no recommendation)
- Exemption from sales tax on combined harvesters
- Presently, combined harvesters are subject to sales tax at 7%
  - Al Ghazi Tractors dealing in combined harvesters as per company books (no recommendation)

- Total outlay: Rs4.778 trillion
- Development budget: Rs1,001 bn
- Defence budget: 940 bn
- Recommendation to allocate Rs1,401 bn for interest payments on loans
- Recommendation to increase FBR's tax collection target by 15%
- Proposal to allocate Rs230 bn for subsidies & grants
- Proposal to allocate Rs123 bn for BISP
- Proposal to allocate Rs90 bn for rehabilitation of homeless people & security arrangements
- **Proposal for GDP growth in upcoming fiscal year: 6%**
- **Estimated inflation [CPI]: 6%**

- Total outlay – Rs4.752trn - Great improvement from last year
- Tax revenue – Rs4.33trn
- FBR taxes- Rs4trn
- Non tax revenue- Rs979.9bn
- Bank borrowings- Rs390bn
- External receipts- Rs511.4bn
  
- Federal PSDP – Rs 1.001trn
- Interest payments – Rs1.36trn
- Total expenditure – 4.752trn

## • ECONOMIC INDICATORS

- **Forex Reserves:** \$20.67bn
- **SPI:** 0.06 over previous week
- **Monthly CPI:** 4.3% YoY April 2017
- **Remittances:** \$15.59bn July-April FY17
- **Exports:** \$16.91bn July-April FY17
- **Trade Balance:** \$-26.55bn July-April FY17
- **Annual 2015/2016 GDP:** Rs29.598 tn
- **Fiscal Deficit:** 4.6 %
- **FDI:** \$1.17bn



# Proposed Budget FY17 - May 26, 2017

## *scstrade* RAR 2015

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