



AKD Securities Limited

TREC Holder & Registered Broker
Pakistan Stock Exchange

Equity Research / Pakistan



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Today's Daily

■ Pakistan Telecom: Sector update

Painting a dismal picture, telecom indicators in 1HFY17 have failed to excite broadly. 3G has emerged as the only bright spot with penetration now reaching 19% vs. 7% in FY14. The pace of growth in 3G/4G subscribers is also encouraging, up 18.2% since Jul'16. Surprisingly, Warid has taken the lead in this segment, growing by 73% in the last 6 months followed by Zong (+31%) and Mobilink (+21%). Cellular subscribers for 1HFY17 clocked in at 136mn subscribers growing by 2.4% since Jun'16, however still remain 3mn subs short of their peak level of 139mn in FY14, predominantly due to the re-verification drive last year. Amongst the cellular operators, Mobilink continues to head the list with the highest number of additions whereas Ufone lagged behind, losing 912k subscribers since Jul'16. Broadband statistics also remain dismal with growth trends stagnating in DSL and EVDO. That said, a clear shift in technology and preference is evident with mobile broadband growing by a staggering 16.6% in the last 6m. We continue to remain upbeat on 3G potential in the country, expecting double digit growth across the medium term.

KSE100 - Index

Current 49,588.30
Previous 49,214.15
Chg. 0.76%

Mkt Cap. (PkRbn/US\$bn)

Current 9,817 / 93.66
Previous 9,735 / 92.87
Chg. 0.85%

Daily Turnover (mn)

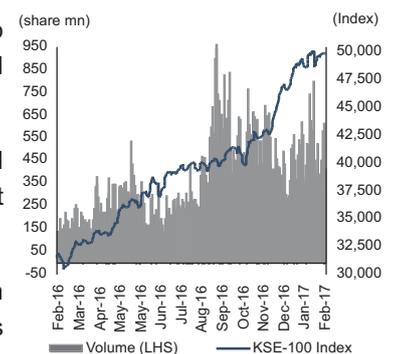
Current 263.26
Previous 417.53
Chg. -36.9%

Value Traded (PkRmn/US\$m)

Current 14,272 / 136.16
Previous 17,468 / 166.64
Chg. -18.3%

News and Views

- Federal Commerce Minister Khurram Dastgir has said that the PM's incentive package for the exporters is not limited to just PkR180bn as the government's rebate might surpass this limit depending on higher exports volumes. The minister agreed to the proposal of the industry to establish a Pakistan Apparel Council in line with the Indian Apparel Council to promote the textile exports.
- A parliamentary committee on Thursday noted that the government had paid PkR480bn to IPPs in a single day to clear circular debt without conducting an audit, which was in violation of rules.
- MOL has won 6 new licences in the fourth Hungarian hydrocarbon exploration tender and the concession contracts have been signed. As a result, MOL can start hydrocarbon exploration on nearly 4,200 square KM in addition to the almost 4,200 square KM area covered by mining authority decisions and concessions already acquired.
- As per SBP, Foreign exchange reserves fell a nine-month low level of US\$21.824bn during the week ended Feb 10'17 as the government used forex for external debt payments. Reserves held by SBP reserves fell US\$224mn to US\$16.993mn in the week under review.



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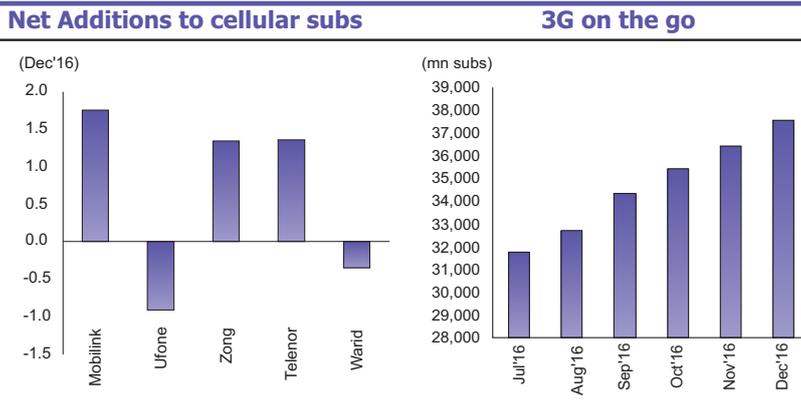
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3G continues to expand... Expanding its subscriber base by 18.2% since Jul'16, 3G has become the fastest growing technology in the country. Adoption is on the rise where 3G penetration of 19% presents tremendous room for further growth. 3G revenues however are yet to pick pace as cellular operators continue to compete on price to gain market share. In this regard, Warid has taken the lead in this segment, growing by 73% in the last 6 months followed by Zong (+31%) and Mobilink (+21%).



Source: PTA & AKD Research

...while growth in other key indicators stagnates: Other than 3G, telecom indicators continue to remain unexciting. While cellular subscribers for 1HFY17 clocked in at 136mn subscribers growing by 2.4% since Jun'16, they still remain short of their peak level of 139mn in FY14, predominantly due to the re-verification drive last year. Broadband statistics also remain dismal with growth trends stagnating in DSL and EVDO however mobile broadband was the only exception that grew by a staggering 16.6% in the last 6m.



Data services to lead the way forward: With higher usage of internet enabled devices, decreasing handset prices and cheap data tariffs creating a suitable environment of continued growth in the country, we remain upbeat on 3G's outlook going forward, expecting double digit growth across the medium term.



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