



Today's Daily

■ Pakistan Textiles: Sector update Dec'17

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KSE 100 - Index

Current	44,897.69
Previous	44,178.83
Chg.	1.63%

Mkt Cap. (Pkrbn/US\$bn)

Current	9,223 / 83.43
Previous	9,093 / 82.26
Chg.	1.43%

Daily Turnover (mn)

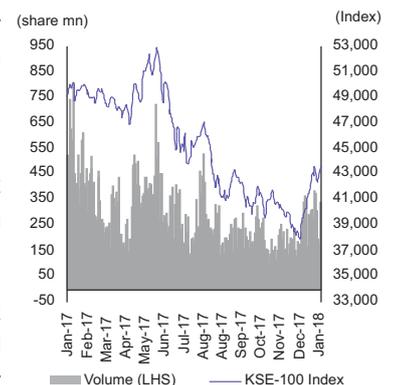
Current	294.35
Previous	209.47
Chg.	40.5%

Value Traded (Pkrmn/US\$mn)

Current	13,251 / 119.88
Previous	10,748 / 97.23
Chg.	23.3%

News and Views

- The NAB on Monday filed a supplementary reference against the former prime minister Muhammad Nawaz Sharif, his children and son-in-law in the Avenfield London apartments corruption reference.
- The World Economic Forum (WEF) has ranked Pakistan ahead of India in terms of emerging economies of the world. The WEF ranked India at 62nd position in the list of emerging economies, while China and Pakistan were ranked at 26th and 47th position respectively.
- As per news report, the GoP has drafted a new plan to broaden the tax net in phases as part of a revenue drive. The plan will soon be submitted to Prime Minister Shahid Khaqan Abbasi for approval after getting further feedback in the last meeting on broadening of the tax base.
- The GoP is likely to allow two major OMCs (PSO and SHELL) to recover two year old claims of Pkr482mn on account of regulatory duty on petrol and HSD.

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Export recovery loses momentum in Dec'17: As per recent data released by SBP, textile exports during Dec'17 fell 6.4%MoM to reach at US\$1.03bn (though remaining 3%YoY higher), where both value and low value added segment witnessed sequential decline of 6.8%/5.3%MoM. Category wise, value added exports tapered off to US\$764mn (-6.8%MoM), where major categories namely knitwear and bed-wear exports went down by 9.4%MoM and 8.2%MoM, respectively. In the value added segment, garment was the only exception which posted growth of 10.2%MoM. Low value added segment continued to remain an underperformer, with segment exports declining 5.3%MoM to US\$274mn. The decline was led by segment heavy weight cotton cloth exports, which plunged 8.3%MoM to US\$164mn, whereas cotton yarn exports moved up 7.3%MoM.

Dec'17: Textile Exports

(USD' mn)	Dec'17	Nov'17	MoM	Dec'16	YoY	6MFY18	6MFY17	YoY
Cotton Yarn	104	97	7%	91	14%	601	544	10%
Cotton Cloth	164	179	-8%	181	-9%	1,052	1,067	-1%
Total Low Value	274	289	-5%	283	-3%	1,717	1,689	2%
Knitwear	194	214	-9%	175	11%	1,281	1,150	11%
Bedwear	186	202	-8%	176	5%	1,175	1,069	10%
Garments	215	196	10%	174	24%	1,216	1,099	11%
Total Value Added	764	820	-7%	720	6%	4,006	3,629	10%
Total	1,038	1,109	-6%	1,003	3%	6,576	6,102	8%

Source: SBP & AKD Research

Export outlook: Registering broad based recovery in 1HFY18, textile exports are expected to continue their upward trajectory, as the confluence of recent rupee depreciation and the export package should stoke up first



half momentum. That said, news flows suggest likely announcement of yet another export package, where GoP intends to offer further incentives in the form of electricity tariff reduction by PkR3.53/KwH. Enhancing competitiveness, approval of said package should address some of the structural issues faced by the domestic industry, leading to higher exports going forward.

Investment perspective: Amongst our textile cluster, we continue to favor NML, as the conglomerate offers unique exposure to various sectors with textile/power (likely to gain from rupee devaluation), cement (expected to gain from ongoing infrastructural activity) and Bank (anticipated to recover from expected monetary tightening in CY18). Being key beneficiary from PkR depreciation, NML has gained 21% since Dec 08'17, hovering close to our TP of PkR169.5/sh. Having said that, further price performance cannot be ruled out following announcement of new package and developments over the NML's auto venture (not incorporated currently).



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