

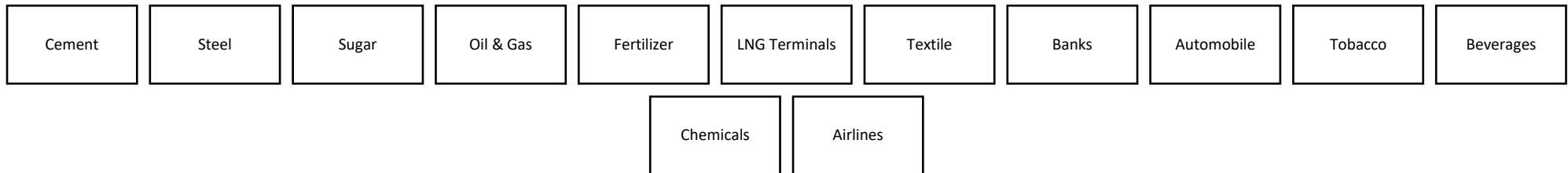
# 10% Super Tax Imposed on the Corporate Sector; Impact?

Friday, 24 June, 2022



Prime Minister Shehbaz Sharif on Friday announced that the government will be imposing a 10% "Super Tax" on large-scale industries in a bid to shore up revenues for supporting the country's poor amid rising inflation. The super tax of 4% will be applicable to all sectors. But for the specified 13 sectors, another 6% will be added for a total of 10%. So, their tax rate will go from 29% to 39%. This is a one-time tax needed to curtail the previous budget deficits.

Specified sectors that will be charged a 10% super Tax are as follows:



Other sectors which will be charged a 4% super Tax are as follow:



Furthermore, high net worth individuals will also be subject to a "poverty alleviation tax".

- 1% tax imposed on Rs 150 million per annum income
- 2% tax imposed on Rs 200 million per annum
- 3% tax imposed on Rs 300 million income per annum

This in our view has paved the way for the restoration of the IMF program. The SBP might also raise the policy rate by around 100-200 bps in the coming days after which the IMF will release its trench of \$1bn. The size and duration of the program are also expected to be increased. Furthermore, we expect the companies to pass on the impact of increased taxation to consumers. Hence, the profitability of those companies would not be affected that much. However, the loss of buying power will cause the contraction of the economy in the coming year. We suggest our investors to consider the dip as buying opportunity and accumulate the recommended stocks with high dividend yields and low debt-to-equity ratios.

## DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever.

### VALIDITY OF THE PUBLICATION OR REPORT

The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

### DEFINITION OF TERMS

<b>TP</b>	Target Price	<b>DDM</b>	Dividend Discount Model	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>JPB</b>	Justified Price to Book

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

### VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

### RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

#### RESEARCH ANALYST

M. Fawad Naveed  
Phone: (+92) 42 38302028  
Ext: 117  
Email: fawad@abbasiandcompany.com

#### RESEARCH OFFICER

Saif Ali  
Phone: (+92) 42 38302028  
Ext: 116  
Email: saif.ali@abbasiandcompany.com

#### HEAD OFFICE

6 - Shadman, Lahore  
Phone: (+92) 42 38302028  
Email: support@abbasiandcompany.com  
web: www.abbasiandcompany.com

#### BRANCH OFFICE

42 - Mall Road, Lahore  
Phone: (+92) 42 37320707  
Email: support@abbasiandcompany.com  
web: www.abbasiandcompany.com