



# ACPL DIGEST

(Feb-23)

Abbasi and Company (Pvt.) Limited (ACPL) is amongst the notable financial brokerage firms in Pakistan. The company is a TREC holder of Pakistan Stock Exchange Limited (PSX) and is a universal member of Pakistan Mercantile Exchange Limited (PMEX). Pakistan Credit Rating Agency (PACRA) has assigned the initial broker rating of “BMR 2” and “BFR 2” with “Stable” outlook to Abbasi and Company (Pvt.) Limited.

ACPL Research covers 46 scrips from 14 sectors which constitute around 60% of the market capitalization of the KSE 100 index

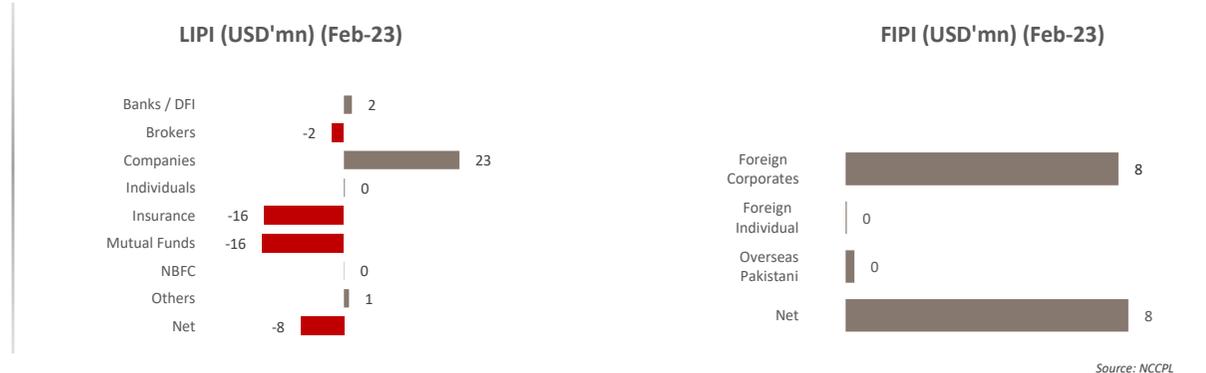
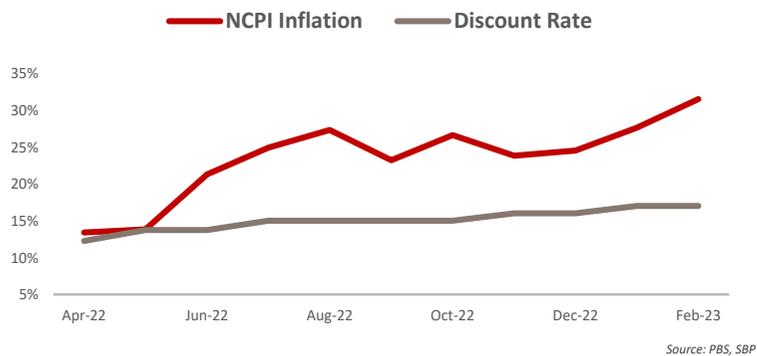
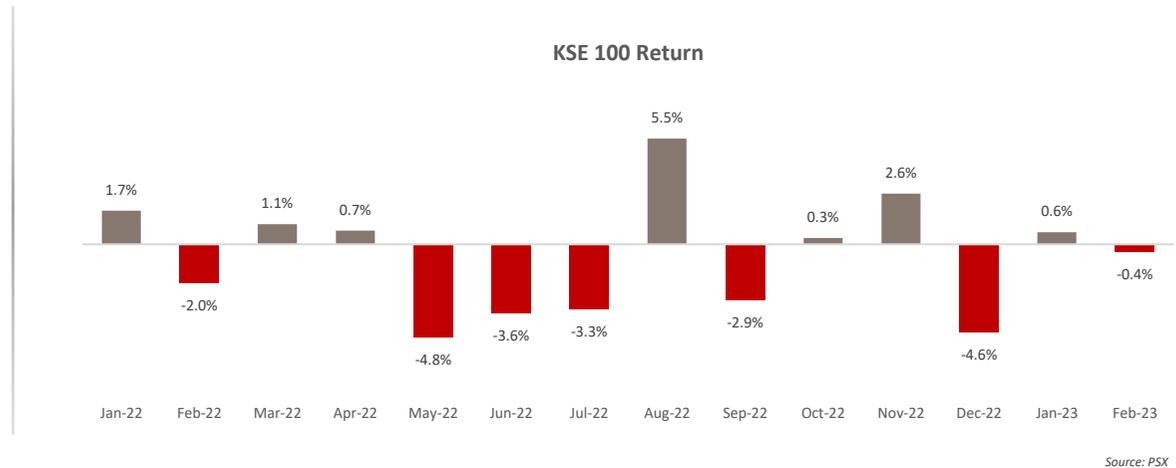


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Remittances			Exports			Imports			Current Account	
7MFY23	7MFY22	Change	7MFY23	7MFY22	Change	7MFY23	7MFY22	Change	7MFY23	7MFY22
\$16.0 bn	\$18.0 bn	▼ -11.0%	\$16.5 bn	\$17.7 bn	▼ -7.0%	\$36.1 bn	\$46.6 bn	▼ -22.5%	-\$3.8 bn	-\$11.6 bn

The stock market opened the month of Feb-23 on a bullish note and continued to rise during the first half of the month as investors hoped for a resolution of the gas sector’s circular debt as well as the resumption of the IMF program. However, political uncertainty, delay in the staff-level agreement, and diminishing foreign exchange reserves caused the market to plunge and concluded the month at 40,510 by posting a negative return of 0.4%. Due to the realization of export proceeds and a higher flow of remittances through legal channels, as well as China's \$700 million financial support, the PKR gained around 2.4% against the USD and closed at Rs261.50. Furthermore, Moody's has downgraded the country's local and foreign currency issuer and senior unsecured debt ratings from Caa1 to Caa3 due to the country's increasingly fragile liquidity and external position. The government recently enacted Rs.170 billion in taxes to meet IMF conditions, which



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will assist the government in covering its fiscal deficit. With the recent increase in petroleum and energy prices, as well as higher food prices and the PKR's depreciation, we expect inflation to rise further in FY23 which has already reached 31.5% in Feb-23 as compared to 27.6% in the last month. Moving forward, the SBP is expected to raise the policy rate by 200 basis points at the March 2 MPC meeting. With foreign exchange reserves below \$4 billion, the government will need to obtain rollover of the \$3 billion China SAFE deposits and secure refinancing from Chinese commercial banks to meet external debt payments. The government's willingness to implement robust reforms such as the imposition of further taxes and the discontinuation of the power subsidy to reach a staff-level agreement with IMF are a beam of hope as the revival of the program is crucial to pull the country out of the worsening forex exchange crisis. **Therefore, we suggest our investors consider the dips as buying opportunity and accumulate the scrips from the banking sector as the elevated interest rates will improve net interest earnings. Furthermore, having noncyclical and high dividend-yielding stocks in the portfolio would also provide a constant stream of income during depressed times. We recommend building positions in EFERT, SYS, HUBC, MEBL and UBL as they can yield good returns in the mid-term.** Please refer to the fourth page for further scrips.

		(USD' mn) (Feb-23)										
		Cement	Banks	Fertilizer	Food	E&P	OMC	Power	Tech	Textile	Others	Gross
<b>LIPI Portfolio</b>	Banks / DFI	-1.14	0.88	1.04	0.06	0.70	-0.25	-1.17	1.45	0.28	-0.26	1.59
	Broker Proprietary Trading	-0.07	-2.40	0.33	0.33	-0.25	-0.09	-0.16	-0.06	-0.21	-0.19	-2.77
	Companies	6.22	0.21	6.48	-0.08	0.00	0.17	-0.52	0.03	5.68	5.06	23.25
	Individuals	-1.37	1.53	-5.17	0.03	1.73	1.40	2.40	0.78	-0.42	-0.86	0.05
	Insurance Companies	-1.89	-0.76	-0.84	-0.06	-3.73	-0.54	-1.19	-0.22	-5.09	-1.15	-15.46
	Mutual Funds	-1.62	-2.87	-2.40	0.07	-5.57	-1.47	0.68	-0.25	-1.17	-1.71	-16.30
	NBFC	-0.02	0.02	0.02	0.01	0.01	-0.02	0.00	0.02	-0.00	0.01	0.05
	Other Organization	0.35	0.88	0.08	-0.43	-0.10	0.06	-0.08	0.16	-0.00	0.19	1.12
<b>LIPI Total</b>		<b>0.46</b>	<b>-2.52</b>	<b>-0.46</b>	<b>-0.07</b>	<b>-7.21</b>	<b>-0.73</b>	<b>-0.03</b>	<b>1.91</b>	<b>-0.94</b>	<b>1.10</b>	<b>-8.48</b>
<b>FIPI Portfolio</b>	Foreign Corporates	0.08	2.68	0.19	-0.01	7.53	0.42	0.42	-2.06	0.48	-1.54	8.18
	Foreign Individual	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	0.06	0.00	0.00	0.03
	Overseas Pakistani	-0.54	-0.16	0.27	0.08	-0.32	0.30	-0.35	0.09	0.46	0.45	0.27
	<b>Total</b>	<b>-0.46</b>	<b>2.52</b>	<b>0.46</b>	<b>0.07</b>	<b>7.21</b>	<b>0.73</b>	<b>0.39</b>	<b>-1.91</b>	<b>0.94</b>	<b>-1.10</b>	<b>8.48</b>

Source: NCCPL

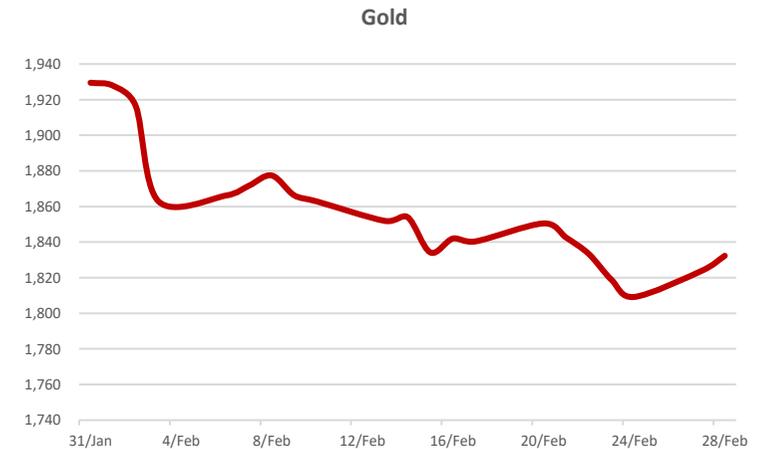
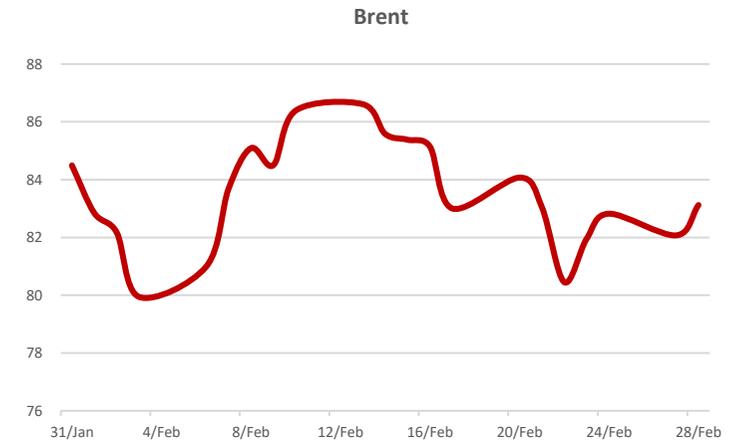
# COMMODITIES OVERVIEW

## Crude Oil

Brent Oil closed the month at 83.12, down by 1.6% in Feb-23 amid the fear of global recession. Brent oil is currently trading at around \$83.28, down from the \$120-130 levels seen after the Russian invasion of Ukraine. Higher crude inventories coupled with signs of slowing U.S. gasoline demand, indicate that crude consumption in the world's largest oil consumer remains under pressure, as the country grapples with high inflation and rising interest rates. However, the strong Chinese economic activity fed into bets that going forward, a recovery in the Asian giant will drive oil demand to record highs in 2023.

## Gold

Gold Futures decreased by 5% during Feb-23 and concluded the month at \$1832.30. During the month, the prices of the precious metal cooled down and hit the lowest levels since December as a series of strong U.S. inflation readings and hawkish signals from the Fed drove investors out of non-yielding assets, chiefly metals. Going forward, the markets are betting that a slowdown in the U.S. economy this year will push the Fed into pausing its rate hike cycle, which could benefit gold. However, the Fed has given no such indication on when it will pause its rate hikes, and has also said that it is seeking a further cooling in the economy.



# SCRIP RECOMMENDATIONS

## Textile Composite

	Buying Area	Target Price		Upside (%)	LDCP	BV (T)	P/B (T)	Dividend		D/Y - F (%)	EPS		EPS	P/E (F)	Shares ('mn)	Free Float ('mn)	
NCL	19.0	Dec 23	25	31.6 ▲	20.22	99.2	0.2	FY23E	-	0.0	1HFY23	(7.65)	FY22E	(11.57)	-1.7	240	108
ILP	48.0	Dec 23	62	29.2 ▲	49.75	37.4	1.3	FY23E	4.50	9.0	1HFY23	5.31	FY23E	22.35	2.2	898	135
GATM	18.0	Dec 23	25	38.9 ▲	19.56	58.6	0.3	FY23E	-	0.0	1HFY23	2.64	FY23E	5.88	3.3	617	154

## Oil & Gas Exploration Companies

	Buying Area	Target Price		Upside (%)	LDCP	BV (T)	P/B (T)	Dividend		D/Y - F (%)	EPS		EPS	P/E (F)	Shares ('mn)	Free Float ('mn)	
OGDC	80.0	Dec 23	120	50.0 ▲	82.62	216.0	0.4	FY23E	10.50	12.7	1HFY23	22.09	FY23E	44.18	1.9	4,301	645
PPL	61.0	Dec 23	85	39.3 ▲	62.93	169.8	0.4	FY23E	4.00	6.4	1HFY23	17.98	FY23E	38.80	1.6	2,721	667
POL	418.0	Dec 23	480	14.8 ▲	429.82	159.5	2.7	FY23E	80.00	18.6	1HFY23	50.57	FY23E	103.52	4.2	284	130
MARI	1400.0	Dec 23	1,770	26.4 ▲	1439.60	1016	1.4	FY23E	179.00	12.4	1HFY23	178.87	FY23E	357.30	4.0	133	27

## Oil & Gas Marketing Companies

	Buying Area	Target Price		Upside (%)	LDCP	BV (T)	P/B (T)	Dividend		D/Y - F (%)	EPS		EPS	P/E (F)	Shares ('mn)	Free Float ('mn)	
PSO	110.0	Dec 23	155	40.9 ▲	112.69	489.0	0.2	FY23E	7.00	6.2	1HFY23	(7.16)	FY23E	59.26	1.9	469	211
APL	290.0	Dec 23	350	20.7 ▲	297.69	310.4	1.0	FY23E	25.00	8.4	1HFY23	44.51	FY23E	82.93	3.6	100	25

## Pharmaceuticals

	Buying Area	Target Price		Upside (%)	LDCP	BV (T)	P/B (T)	Dividend		D/Y - F (%)	EPS		EPS	P/E (F)	Shares ('mn)	Free Float ('mn)	
HINOON	465.0	Dec 23	560	20.4 ▲	473.00	145.5	3.3	CY23E	62.73	13.3	CY22	57.71	CY23E	62.73	7.5	42	19
SEARL	51.9	Dec 23	70	34.9 ▲	54.57	79.4	0.7	FY23E	1.00	1.8	1HFY23	1.61	FY23E	3.13	17.4	390	176
AGP	54.0	Dec 23	70	29.6 ▲	56.73	34.1	1.7	CY23E	2.50	4.4	CY22	5.10	CY23E	6.55	8.7	280	84
CPHL	23.2	Dec 23	30	29.3 ▲	23.81	20.2	1.2	FY23E	-	0.0	1HFY23	1.93	FY23E	3.70	6.4	228	80

## Technology & Communication

	Buying Area	Target Price		Upside (%)	LDCP	BV (T)	P/B (T)	Dividend		D/Y - F (%)	EPS		EPS	P/E (F)	Shares ('mn)	Free Float ('mn)	
SYS	480.0	Dec 23	600	25.0 ▲	479.48	45.4	10.6	CY23E	8.25	1.7	9MAY22	17.30	CY22E	23.10	20.8	276	166
AIRLINK	20.3	Dec 23	28	37.9 ▲	21.40	29.1	0.7	FY23E	-	0.0	1HFY23	1.70	FY23E	2.85	7.5	395	119
OCTOPUS	51.0	Dec 23	65	27.5 ▲	52.15	13.8	3.8	CY23E	-	0.0	9MAY22	3.67	CY22E	4.89	10.7	137	27

# SCRIP RECOMMENDATIONS

## Food & Personal Care Products

	Buying Area	Target Price		Upside (%)	LDCP	BV (T)	P/B (T)	Dividend		D/Y - F (%)	EPS		EPS	P/E (F)	Shares ('mn)	Free Float ('mn)	
MFL	29.5	Dec 23	36	22.0 ▲	30.39	55.8	0.5	FY23E	-	0.0	1HFY23	2.09	FY23E	4.10	7.4	122	31
TOMCL	20.0	Dec 23	24	20.3 ▲	20.32	24.2	0.8	FY23E	-	0.0	1QFY23	0.83	FY23E	3.57	5.7	135	60
UNITY	12.5	Dec 23	17	36.0 ▲	12.91	17.7	0.7	FY23E	-	0.0	1QFY23	(1.88)	FY23E	(4.10)	-3.1	1,194	478

## Real Estate Investment Trust

	Buying Area	Target Price		Upside (%)	LDCP	BV (T)	P/B (T)	Dividend		D/Y - F (%)	EPS		EPS	P/E (F)	Shares ('mn)	Free Float ('mn)	
DCR	13.3	Dec 23	14	5.3 ▲	13.42	26.6	0.5	FY23E	1.65	12.3	1HFY23	0.86	FY23E	1.73	7.8	2,224	556

## Commercial Banks

	Buying Area	Target Price		Upside (%)	LDCP	BV (T)	P/B (T)	Dividend		D/Y - F (%)	EPS		EPS	P/E (F)	Shares ('mn)	Free Float ('mn)	
MCB	115.0	Dec 23	150	30.4 ▲	116.86	142.6	0.8	CY23E	28.00	24.0	CY22	27.63	CY23E	38.00	3.1	1,185	415
BAHL	51.0	Dec 23	65	27.5 ▲	52.48	82.5	0.6	CY23E	8.00	15.2	CY22	14.91	CY23E	22.30	2.4	1,111	722
BAFL	29.5	Dec 23	40	35.6 ▲	31.04	58.1	0.5	CY23E	4.00	12.9	CY22	10.24	CY23E	10.66	2.9	1,777	622
BOP	4.3	Dec 23	6	39.5 ▲	4.43	21.7	0.2	CY23E	1.00	22.6	CY22	3.64	CY23E	3.75	1.2	2,974	1,256
HBL	68.0	Dec 23	90	32.4 ▲	69.37	172.3	0.4	CY23E	7.00	10.1	CY22	21.04	CY23E	27.81	2.5	1,467	733
UBL	111.5	Dec 23	130	16.6 ▲	113.02	164.9	0.7	CY23E	25.00	22.1	CY22	26.19	CY23E	37.26	3.0	1,224	490
FABL	21.5	Dec 23	29	34.9 ▲	22.97	46.0	0.5	CY23E	5.25	22.9	CY22	7.40	CY23E	8.42	2.7	1,518	379
MEBL	92.5	Dec 23	120	29.7 ▲	94.93	58.0	1.6	CY23E	13.00	13.7	CY22	25.15	CY23E	33.84	2.8	1,627	407

## Cement

	Buying Area	Target Price		Upside (%)	LDCP	BV (T)	P/B (T)	Dividend		D/Y - F (%)	EPS		EPS	P/E (F)	Shares ('mn)	Free Float ('mn)	
FCCL	11.3	Dec 23	15	32.7 ▲	11.64	24.5	0.5	FY23E	-	0.0	1HFY23	2.07	FY23E	4.08	2.9	2,180	759
ACPL	53.4	Dec 23	70	31.1 ▲	54.66	128.1	0.4	FY23E	3.50	6.4	1HFY23	4.08	FY23E	8.12	6.7	137	27
MLCF	24.3	Dec 23	33	35.8 ▲	24.85	38.9	0.6	FY23E	-	0.0	1HFY23	3.31	FY23E	5.73	4.3	1,073	483
CHCC	100.0	Dec 23	140	40.0 ▲	103.70	96.6	1.1	FY23E	4.00	3.9	1HFY23	15.64	FY23E	30.32	3.4	194	117
DGKC	39.2	Dec 23	54	37.8 ▲	40.05	159.2	0.3	FY23E	1.00	2.5	1HFY23	2.13	FY23E	4.25	9.4	438	219
LUCK	406.0	Dec 23	520	28.1 ▲	413.66	646.5	0.6	FY23E	-	0.0	1HFY23	22.04	FY23E	41.89	9.9	323	113

## SCRIP RECOMMENDATIONS

### Engineering

	Buying Area	Target Price	Upside (%)	LDCP	BV (T)	P/B (T)	Dividend	D/Y - F (%)	EPS	EPS	P/E (F)	Shares ('mn)	Free Float ('mn)
MUGHAL	47.6	Dec 23 60	26.1 ▲	49.00	62.1	0.8	FY23E 1.00	2.0	1HFY23 4.00	FY23E 5.60	8.8	336	84
ASTL	16.7	Dec 23 23	37.7 ▲	17.03	51.4	0.3	FY23E -	0.0	1HFY23 (0.62)	FY23E (2.78)	0.0	297	74
AGHA	10.9	Dec 23 14	28.4 ▲	11.29	25.9	0.4	FY23E -	0.0	1HFY23 0.66	FY23E 1.32	8.6	605	151
ISL	39.0	Dec 23 50	28.2 ▲	40.45	46.2	0.9	FY23E -	0.0	1HFY23 0.14	FY23E 0.23	175.9	435	152
ASL	5.8	Dec 23 7	17.2 ▲	6.26	14.5	0.4	FY23E -	0.0	1HFY23 (2.27)	FY23E (3.44)	0.0	925	324

### Automobile Parts & Accessories

	Buying Area	Target Price	Upside (%)	LDCP	BV (T)	P/B (T)	Dividend	D/Y - F (%)	EPS	EPS	P/E (F)	Shares ('mn)	Free Float ('mn)
PTL	15.0	Dec 23 20	33.3 ▲	15.27	39.3	0.4	FY23E -	0.0	1HFY23 (0.81)	FY23E (1.61)	0.0	168	50

### Fertilizer

	Buying Area	Target Price	Upside (%)	LDCP	BV (T)	P/B (T)	Dividend	D/Y - F (%)	EPS	EPS	P/E (F)	Shares ('mn)	Free Float ('mn)
FFC	101.5	Dec 23 120	18.2 ▲	101.80	87.8	1.2	CY23E 12.50	12.3	CY22 15.76	CY23E 15.97	6.4	1,272	700
EFERT	83.9	Dec 23 100	19.2 ▲	84.44	30.9	2.7	CY23E 14.00	16.6	CY22 11.98	CY22E 12.36	6.8	1,335	601
FFBL	11.8	Dec 23 18	52.5 ▲	12.29	28.8	0.4	CY23E -	0.0	CY22 1.80	CY23E 1.85	6.6	1,291	452
FATIMA	28.0	Dec 23 36	28.6 ▲	29.68	47.0	0.6	CY23E 4.50	15.2	9MAY22 4.71	CY22E 6.63	4.5	2,100	315

### Glass & Ceramics

	Buying Area	Target Price	Upside (%)	LDCP	BV (T)	P/B (T)	Dividend	D/Y - F (%)	EPS	EPS	P/E (F)	Shares ('mn)	Free Float ('mn)
TGL	58.0	Dec 23 85	46.6 ▲	60.55	78.1	0.8	FY23E 3.00	5.0	1HFY23 7.49	FY23E 14.69	4.1	172	69

### Miscellaneous

	Buying Area	Target Price	Upside (%)	LDCP	BV (T)	P/B (T)	Dividend	D/Y - F (%)	EPS	EPS	P/E (F)	Shares ('mn)	Free Float ('mn)
PABC	39.0	Dec 23 46	17.9 ▲	39.20	15.9	2.5	CY23E 3.00	7.7	9MAY22 6.83	CY22E 10.07	3.9	361	108

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## 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

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