



# ACPL DIGEST

(Oct-22)

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 45 scrips from 14 sectors which constitute around 60% of the market capitalization of the KSE 100 index

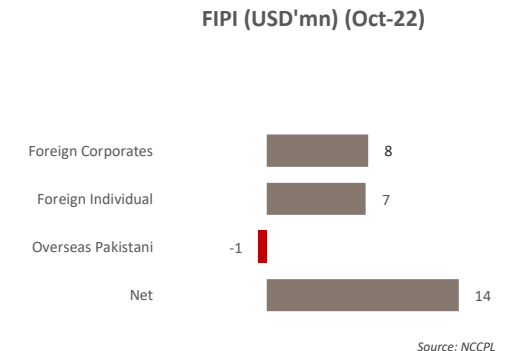
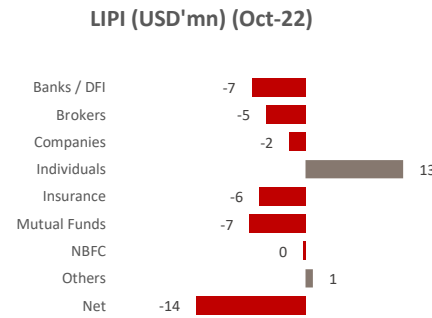
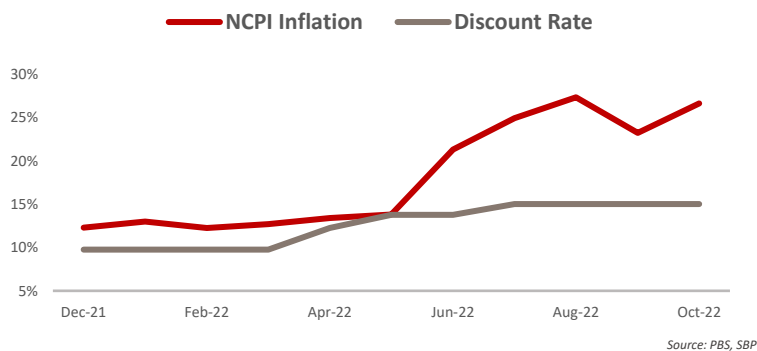
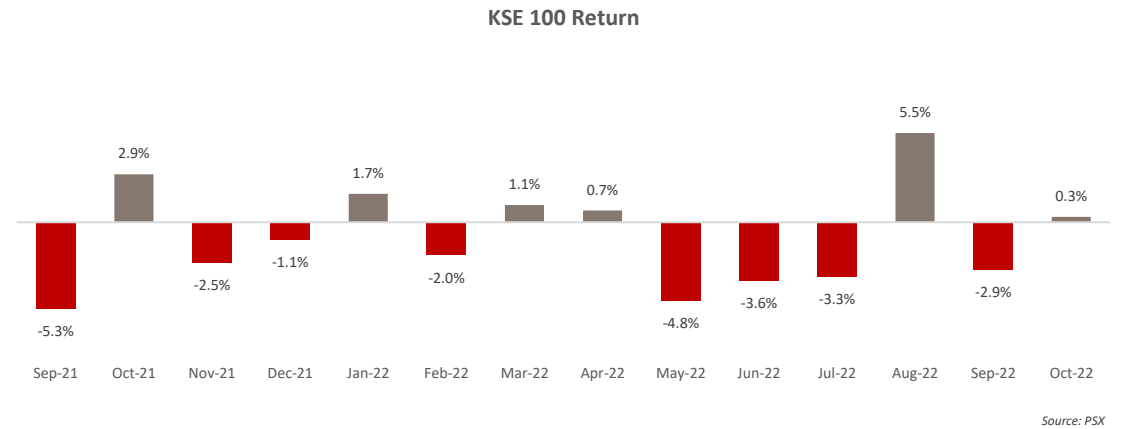


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Remittances			Exports			Imports			Current Account	
3MFY23	3MFY22	Change	3MFY23	3MFY22	Change	3MFY23	3MFY22	Change	3MFY23	3MFY22
\$7.7 bn	\$8.2 bn	▼ -6.1%	\$7.1 bn	\$7.0 bn	▲ 1.9%	\$16.3 bn	\$18.7 bn	▼ -12.8%	-\$2.2 bn	-\$3.5 bn

The stock market started the month of Oct-22 on a positive note over the optimism of the removal of Pakistan from the FATF grey list. However, later on, it lost the impetus and reversed almost all of its gains while concluded the month at 41,265, posting a return of a mere 0.3% amid the killing of a famous journalist Arshad Sharif and the announcement of the long march by PTI. PKR appreciated by around 3.3% during the period to close at Rs220.89. Moreover, on October 31<sup>st</sup>, Prime Minister Shehbaz Sharif announced a special package of Rs1,800 billion to promote the agriculture sector, including the provision of free seeds and inexpensive loans and bringing down the prices of fertilizers and electricity for tubewells. Going forward, we expect the loss of crops and infrastructure due to heavy floods will keep inflation elevated for the coming months. Furthermore, inflation for the month of Oct-22



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clocked at 26.6% as compared to 23.2% in the last month. Furthermore, the SBP maintained the policy rate at 15% in the last MPC meeting with the view that the existing monetary policy stance strikes an appropriate balance between managing inflation and maintaining growth in the wake of the floods. However, going forward higher food prices could raise average headline inflation in FY23 somewhat above the pre-flood projections. Lastly, we expect that political and macroeconomic uncertainties will keep the market volatile. **Therefore, we suggest our investors consider the dips as buying opportunity and accumulate the scrips from the cement and steel sectors as the rehabilitation after the floods will uplift the demand for construction-related products. Furthermore, the continuous decline in coal prices and cheap multiples have made the cement sector much more attractive. In addition, having 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, CHCC, LUCK, MUGHAL, NCL and BAH, as they can yield good returns in the mid-term.** Please refer to the fourth page of this document for further scrip recommendations.

		(USD' mn) (Oct-22)										
		Cement	Banks	Fertilizer	Food	E&P	OMC	Power	Tech	Textile	Others	Gross
<b>LIPI Portfolio</b>	Banks / DFI	-1.04	2.68	0.63	-0.16	-0.88	-0.35	-2.10	-5.26	0.08	-0.91	-7.29
	Broker Proprietary Trading	-0.16	-0.04	0.01	0.29	1.15	-1.31	0.07	-5.98	0.19	0.63	-5.15
	Companies	2.91	-2.43	0.68	-0.38	-2.40	0.13	-0.01	-1.59	-0.01	1.01	-2.10
	Individuals	-2.07	4.11	0.58	-0.19	2.40	1.36	5.48	-2.74	-0.10	3.97	12.79
	Insurance Companies	-0.68	2.19	-0.86	-0.32	-0.13	-0.14	-3.79	-1.75	0.15	-0.75	-6.08
	Mutual Funds	-0.01	-1.00	-1.10	0.26	-1.90	-0.46	-0.51	-0.89	-0.29	-1.19	-7.10
	NBFC	-0.03	-0.02	0.01	-0.01	-0.00	-0.03	-0.02	-0.01	-0.00	-0.21	-0.33
	Other Organization	0.15	-0.54	1.84	0.50	0.09	0.02	-0.67	-0.12	-0.01	-0.35	0.92
<b>LIPI Total</b>	<b>-0.92</b>	<b>4.94</b>	<b>1.79</b>	<b>-0.00</b>	<b>-1.67</b>	<b>-0.78</b>	<b>-1.55</b>	<b>-18.35</b>	<b>-0.01</b>	<b>2.21</b>	<b>-14.33</b>	
		<hr/>										
		Cement	Banks	Fertilizer	Food	E&P	OMC	Power	Tech	Textile	Others	Gross
<b>FIPI Portfolio</b>	Foreign Corporates	1.01	-5.51	-1.34	0.00	1.14	0.05	0.35	13.48	0.00	-1.60	7.58
	Foreign Individual	0.03	0.00	0.00	0.00	0.00	0.00	0.00	7.45	-0.07	-0.01	7.41
	Overseas Pakistani	-0.12	0.57	-0.44	0.00	0.53	0.73	1.20	-2.59	0.07	-0.58	-0.62
	<b>Total</b>	<b>0.92</b>	<b>-4.94</b>	<b>-1.79</b>	<b>0.00</b>	<b>1.67</b>	<b>0.78</b>	<b>0.62</b>	<b>18.35</b>	<b>0.01</b>	<b>-2.18</b>	<b>14.37</b>

Source: NCCPL

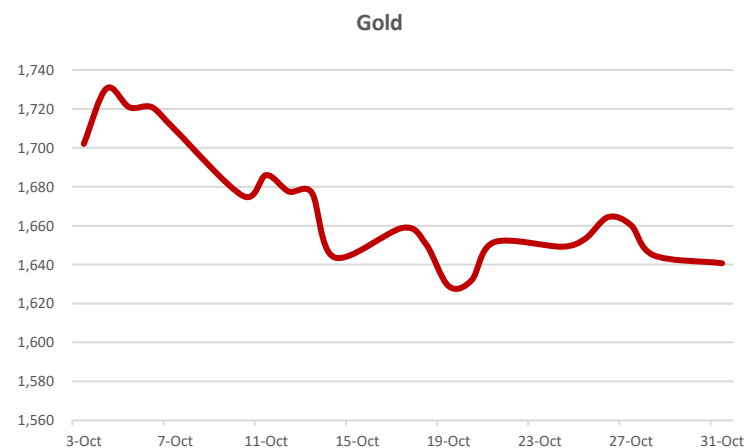
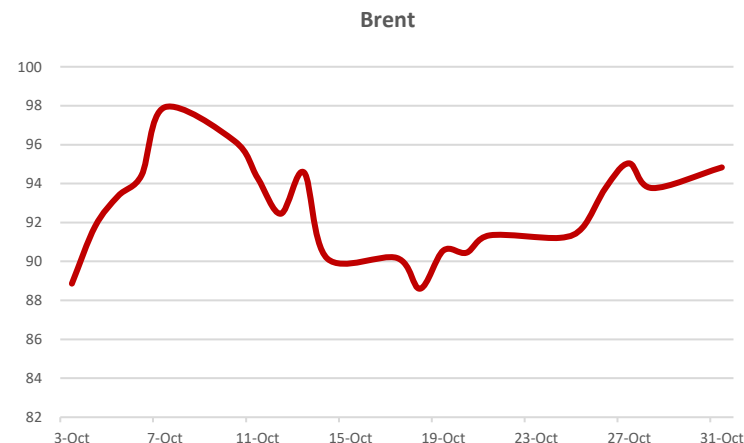
## COMMODITIES OVERVIEW

### Crude Oil

Brent Crude Oil closed the month at 94.83, up by 7.8% in Oct-22 amid record U.S. crude exports and as the nation's refiners operated at higher-than-usual levels for this time of year. The dollar's weakness added support, as the greenback's strength of late has been a notable factor inhibiting oil market gains. Furthermore, the Organization of the Petroleum Exporting Countries surprised markets with a larger-than-expected cut to its output targets earlier this month. Oil analysts anticipate supply will tighten in coming months after that move, and as Europe is expected next month to ban oil imports from Russia and restrict Russian shippers from the global shipping insurance industry. Going forward, we believe the oil price will be strongly influenced by the availability of tankers that are willing to transport Russian oil rather than global supply-demand fundamentals, keeping oil price elevated.

### Gold

Gold declined by 1.9% during Oct and concluded the month at \$1,640.70. The precious metal has fallen for seven straight months due to aggressive tightening by the Fed, which has been boosting the dollar and U.S. Treasury yields. This marked the longest losing streak in more than five decades. Going forward, the Fed could face increasing pressure to also shorten the tightening cycle heading into a recession, so as to minimize the severity of economic contraction. However, a reversal in monetary policy is not likely to happen in Q4'22 or early 2023 as the US CPI remains high, capping the gold price.



# 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	28.0	Jun 23 45	60.7 ▲	27.95	99.2	0.3	FY23E 5.00	17.9	FY22 31.10	FY23E 22.99	1.2	240	108
ILP	60.0	Jun 23 75	25.0 ▲	59.82	27.7	2.2	FY23E 4.50	7.5	1QFY23 5.31	FY23E 22.35	2.7	898	135
GATM	27.5	Jun 23 40	45.5 ▲	27.82	53.3	0.5	FY23E -	0.0	1QFY23 2.23	FY23E 8.93	3.1	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	70.0	Jun 23 110	57.1 ▲	70.06	199.8	0.4	FY23E 8.50	12.1	1QFY23 12.39	FY23E 36.45	1.9	4,301	645
PPL	51.0	Jun 23 75	47.1 ▲	51.54	159.4	0.3	FY23E 3.50	6.8	1QFY23 9.78	FY23E 32.32	1.6	2,721	667
POL	390.0	Jun 23 480	23.1 ▲	385.96	179.9	2.1	FY23E 90.00	23.3	1QFY23 29.59	FY23E 117.42	3.3	284	130
MARI	1675.0	Jun 23 2,200	31.3 ▲	1682.84	934.9	1.8	FY23E 160.00	9.5	1QFY23 95.31	FY23E 319.30	5.3	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	140.0	Jun 23 180	28.6 ▲	140.26	443.1	0.3	FY23E 3.00	2.1	1QFY23 2.55	FY23E 25.03	5.6	469	211
APL	290.0	Jun 23 350	20.7 ▲	281.98	301.8	0.9	FY23E 42.00	14.9	1QFY23 34.48	FY23E 96.13	2.9	100	25

\*Bonus and dividend-adjusted

## 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	540.0	Jun 23 650	20.4 ▲	547.00	150.3	3.6	CY23E 27.50	5.0	9MCMY22 41.37	CY22E 55.12	9.9	42	19
SEARL	75.0	Jun 23 95	26.7 ▲	74.47	98.4	0.8	FY23E 1.00	1.3	1QFY23 0.75	FY23E 3.21	23.2	390	176
AGP	72.0	Jun 23 90	25.0 ▲	73.88	35.5	2.1	CY23E 2.75	3.7	9MCMY22 3.50	CY22E 4.73	15.6	280	84
CPHL	28.0	Jun 23 40	42.9 ▲	28.01	20.2	1.4	FY23E -	0.0	FY22 2.78	FY23E 3.23	8.7	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	430.0	Jun 23 600	39.5 ▲	443.72	41.9	10.6	CY23E 8.25	1.9	9MCMY22 17.30	CY22E 23.10	19.2	276	166
AIRLINK	34.4	Jun 23 45	30.8 ▲	34.56	29.1	1.2	FY23E -	0.0	1QFY23 0.67	FY23E 3.91	8.8	395	119
OCTOPUS	68.5	Jun 23 85	24.1 ▲	66.91	12.8	5.2	CY23E -	0.0	9MCMY22 3.67	CY22E 4.89	13.7	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	33.5	Jun 23	40	19.4 ▲	33.51	55.8	0.6	FY23E	-	0.0	1QFY23	1.80	FY23E	4.19	8.0	122	31
TOMCL	22.6	Jun 23	30	32.7 ▲	22.31	24.9	0.9	FY23E	-	0.0	1QFY23	0.83	FY23E	3.57	6.2	135	60
UNITY	19.5	Jun 23	25	28.2 ▲	19.54	17.3	1.1	FY22E	-	0.0	9MFY22	1.66	FY22E	2.22	8.8	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	13.6	Jun 23	15	6.6 ▲	13.91	26.6	0.5	FY23E	1.75	12.6	1QFY23	0.43	FY23E	1.73	8.0	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	120.0	Jun 23	160	33.3 ▲	121.66	146.0	0.8	CY23E	23.00	18.9	9MCMY22	16.75	CY22E	19.99	6.1	1,185	415
BAHL	53.0	Jun 23	80	50.9 ▲	53.06	77.1	0.7	CY23E	9.00	17.0	9MCMY22	13.47	CY22E	17.65	3.0	1,111	722
BAFL	30.9	Jun 23	40	29.4 ▲	31.08	58.8	0.5	CY23E	7.50	24.1	9MCMY22	7.93	CY22E	11.23	2.8	1,777	622
BOP	5.1	Jun 23	8	52.9 ▲	5.20	18.8	0.3	CY23E	1.00	19.2	9MCMY22	2.55	CY22E	3.72	1.4	2,974	1,256
HBL	69.0	Jun 23	90	30.4 ▲	69.73	168.7	0.4	CY23E	9.50	13.6	9MCMY22	14.79	CY22E	19.84	3.5	1,467	733
UBL	107.0	Jun 23	140	30.8 ▲	107.15	166.8	0.6	CY23E	18.00	16.8	9MCMY22	15.33	CY22E	20.30	5.3	1,224	490
MEBL	106.0	Jun 23	150	41.5 ▲	105.32	55.3	1.9	CY23E	8.50	8.1	9MCMY22	15.98	CY22E	20.17	5.2	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	14.0	Jun 23	20	42.9 ▲	14.12	12.6	1.1	FY23E	-	0.0	1QFY23	0.94	FY23E	3.43	4.1	2,180	759
ACPL	77.0	Jun 23	100	29.9 ▲	78.75	127.8	0.6	FY23E	1.50	1.9	1QFY23	0.84	FY23E	3.37	23.4	137	27
MLCF	26.0	Jun 23	40	53.8 ▲	26.41	38.9	0.7	FY23E	-	0.0	1QFY23	1.13	FY23E	4.74	5.6	1,073	483
CHCC	120.0	Jun 23	150	25.0 ▲	121.25	85.6	1.4	FY23E	3.50	2.9	1QFY23	7.63	FY23E	26.38	4.6	194	117
DGKC	52.0	Jun 23	70	34.6 ▲	52.15	169.8	0.3	FY23E	1.00	1.9	1QFY23	0.89	FY23E	3.97	13.1	438	219
LUCK	480.0	Jun 23	630	31.3 ▲	485.28	617.7	0.8	FY23E	-	0.0	1QFY23	11.91	FY23E	47.02	10.3	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	60.0	Jun 23 85	41.7 ▲	60.50	59.0	1.0	FY23E 3.00	5.0	1QFY23 2.60	FY23E 11.74	5.2	336	84
ASTL	23.5	Jun 23 35	48.9 ▲	23.50	53.1	0.4	FY23E -	0.0	1QFY23 0.69	FY23E 2.93	8.0	297	74
AGHA	13.8	Jun 23 18	30.4 ▲	13.91	25.7	0.5	FY23E -	0.0	1QFY23 0.25	FY23E 1.85	7.5	605	151
ISL	51.4	Jun 23 70	36.2 ▲	51.43	46.7	1.1	FY23E 5.50	10.7	1QFY23 1.03	FY23E 6.65	7.7	435	152
ASL	8.7	Jun 23 12	37.9 ▲	8.76	14.5	0.6	FY23E -	0.0	1QFY23 (1.53)	FY23E (4.94)	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	25.5	Jun 23 35	37.3 ▲	25.88	39.2	0.7	FY23E -	0.0	1QFY23 (1.59)	FY23E (3.84)	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	102.5	Jun 23 130	26.8 ▲	103.15	80.7	1.3	CY23E 17.00	16.5	9MAY22 11.67	CY22E 15.62	6.6	1,272	700
EFERT	81.0	Jun 23 100	23.5 ▲	80.73	29.0	2.8	CY23E 15.00	18.6	9MAY22 7.19	CY22E 11.28	7.2	1,335	601
FFBL	18.3	Jun 23 23	23.0 ▲	18.33	28.3	0.6	CY23E -	0.0	9MAY22 1.33	CY22E 2.26	8.1	1,291	452
FATIMA	35.0	Jun 23 50	42.9 ▲	35.45	50.5	0.7	CY23E 4.50	12.7	9MAY22 4.71	CY22E 6.63	5.3	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	80.0	Jun 23 110	37.5 ▲	79.74	92.9	0.9	FY23E 2.00	2.5	1QFY23 2.05	FY23E 8.23	9.7	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	44.7	Jun 23 60	34.2 ▲	45.32	14.8	3.1	CY23E 3.00	6.6	9MAY22 6.83	CY22E 10.07	4.5	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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