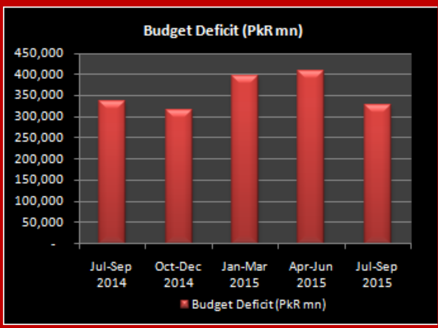
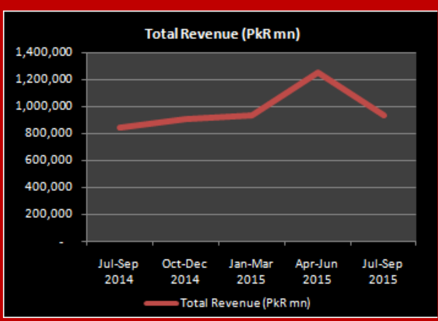
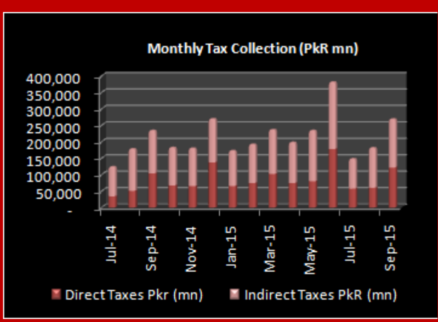
Mini Budget – Additional Taxes







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ECC – Additional taxes to meet Revenue Shortfall

The Govt., as anticipated from quite some time, approved the ECC recommendation to impose additional taxes in order to meet the revenue shortfall of PkR40bn and to comply by the IMF demands before the next meet in Dec'15. However, additional taxes are imposed on the Imported Items to protect and support the local manufacturers, and to curb down the imports where local industry exists. We believe the major beneficiaries of this tax hike would be the automobile sector and the local consumer appliance manufacturers, as the competition from the imports would ease off, providing much needed space for the businesses to prosper.

Pressure from IMF – an Obedient Government!!!

The government in Dubai agreed to the IMF conditions to increase the revenue shortfall by raising additional taxes. The economic managers are fine tuning their guidelines before the next meet in Dec'15, for approval of the tenth tranche of the extending facility worth $505mn.

Taxes Applied

1) The revenue enhancement measures include 1% additional customs duty, applicable across the board including Preferential Trade Agreements (PTA's) and Free Trade Agreements (FTA's), expected to generate PkR 21bn,

2) The Regulatory Duty (5%) has been increased on the import of 289 items with an estimated revenue of PkR 4.5 billion,

3) The increase in Federal Excise Duty on cigarettes would have a revenue impact of PkR 6.5 billion,

4) The 61 new items have been subjected to a 5% to 10% RD at import stage expected to have a revenue impact of PkR 4.5 billion,

5) Increase of 10% in the Fixed Duty of Used Imported Vehicles (above 1000cc) and

6) Extended the time period of 0.3% reduced rate of advance income tax (WHT) on non-filers up to 31 December 2015.

Beneficiaries and Losers

We believe the major beneficiary would be the automobile sector, since the competition from imported used vehicles is expected to reduce with a possible price hike to remain at par with the imports.

The increased RD on import of electrical appliance would be positive for companies involved in local manufacturing of consumer electronics.

On the other hand, we expect the losers to pass on the price impact to end consumers, which would eventually have no material impact on their financial positions.

Analyst Certification

The research analyst(s), Danish M Owais, for this report certifies that: (1) all of the views expressed in this report accurately reflect his personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

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