

# MINI BUDGET REVIEW (2021-22)

Friday, 31 December, 2021

After several delays, finally, it got approved by the cabinet and now the government has presented the Mini Budget in the parliament to fetch Rs343bn. This was supposed to be a prerequisite for the revival of the IMF program. The government has proposed to waive off several tax exemptions given earlier to stimulate the economy. Additionally, some new taxes have also been imposed on various items such as imported machinery and food items. These measures will push the inflation towards the north, but in order to control the surging CAD, these measures were essential.

In a nutshell, the Mini budget has largely hit the auto sector. The government has increased the FED on the import of cars. On locally manufactured cars, there is no change up to 1000cc. However, GST has been increased for 850cc-1000cc cars. Furthermore, the government proposed 17% GST on imported plant and machinery, dairy products, meat/poultry, pharmaceutical raw materials, beauty products, food supplements, computers, baggage of overseas Pakistanis, cotton/sunflower/canola seeds, mobile phones (exceeding US\$200), branded iodized salt, energy saver lamps/tube lights and imported re-meltable scrap, jewelry, and silver. On the other hand, the GST on locally manufactured tractors remained at 5%. Furthermore, the government has proposed to slash the rate of sales tax on the import of petroleum crude products from 17% to 0% which will decrease the cash requirement for the local refineries.

We expect the budget to remain neutral for the market as the proposed fiscal tightening is the need of the hour. However, the resumption of the IMF program, recovery in PKR, and stability in the external account would be the positive triggers for the market in our view.

Sector	Measure	Impact
Food	Sales tax to be increased on poultry feed	Neutral
	Sales tax to be increased on packaged milk, butter, ghee, yogurts, cheese	Negative
Autos	GST to be increased on cars above 800cc	Negative
	FED on imported cars above 1000cc cars increased	Positive
	FED increased on locally assembled vehicles of above 1000cc	Negative
	FED Increased on locally assembled & imported double cabin (4x4)	Negative
Pharma	Imposition of GST on all active ingredients	Negative
IT &Tech	A surge in taxes imposed on telephonic calls and sim recharge	Negative
	Imposition of GST on all imported machines for mobile manufacturing and CBU mobile phones (above USD 200)	Negative
Textiles	GST increased on raw cotton	Negative
Refineries	Zero-rating of petroleum crude oil from 17% currently	Positive

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<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>LDCP</b>	Last Day Closing Price

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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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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