MMSPL Research

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Morning Update

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Foreign Investors Portfolio Investment (FIPI)

(USD mn)	Buy Value	Sell Value	Net Value
Foreign Individuals	0.08	(0.03)	0.05
Foreign Corporates	8.30	(4.55)	3.75
Overseas Pakistani	0.74	(0.61)	0.13
Grand Total	9.12	(5.20)	3.92

Local Investors Portfolio Investment (LIPI)

(USD mn)	Buy Value	Sell Value	Net Value
Indvid.	46.38	(47.33)	(0.95)
Comp.	29.21	(27.43)	1.78
B/DFI	4.87	(6.69)	(1.82)
NBFC	0.93	(1.18)	(0.25)
M.Fund	3.14	(5.87)	(2.73)
Oth.Org	0.86	(0.81)	0.05
Grand Total	85.38	(89.30)	(3.92)

Special Convertible Rupee Account - Equities Section

USD '000	Inflow	Outflow	Net
FY13 YTSD	410,610	355,564	55,046
MTSD Feb 13	8,730	3,017	5,713
Last Setld Feb 04	5,322	1,909	3,413

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Govt raises Rs214 billion through T-bills

The government raised Rs214 billion through the auction of treasury bills on Wednesday, according to the central bank. The latest auction result released by the State Bank of Pakistan (SBP) revealed that it accepted bids amounting to Rs214.50 billion in three-, six- and 12-month maturities against total face value of Rs223 billion for the auction. The accepted bids were lower than the amount of Rs250 billion target set for the auction. The cutoff yields of three-, six-, and 12-month treasury bills remained unchanged at 9.0942 percent, 9.1645 percent and 9.2553 percent, respectively. The government raised highest amount of Rs135.60 billion through the sale of six-month treasury bills.

Largest consignment of crude oil arrives at Byco Terminal

A largest consignment of crude oil ever to be brought into Pakistan through a single oil tanker was discharged at Byco's deep sea Single Point Mooring (SPM) facility on Wednesday. The crude oil parcel was brought by M T Quetta of PNSC which moored at the floating terminal with a cargo of around 70,000 tons of crude oil from the UAE. The crude oil will be processed at Byco oil refining complex situated at Mouza Kund site in Balochistan. This is second ship to off-load its cargo through the SPM set up on the coast of Arabian Sea at a distance of around 14km from the oil refinery complex of the Byco. With a draft of 25 metres the Byco single point mooring can accommodate vessels carrying crude petroleum of over 100,000 tons. Presently smaller parcels of sixes of petroleum products are being imported through Karachi and Qasim port due to draft limitations of both the ports. M T Quetta discharged this crude oil parcel to the Byco oil refiner storage tanks which are also the single largest capacity storage tanks of crude oil in the country and will feed the 35,000bpsd refinery as well as the undergoing pre-commissioning of Pakistan's largest oil refinery rated at 120,000bpsd.

Marginal fields: gas pricing criteria approved by ECC

The Economic Coordination Committee (ECC) of the Cabinet has approved marginal gas fields" gas pricing criteria, according to which additional premium of $0.25 per mmbtu will be given for the three zones. According to official documents, the ECC was informed on January 29, 2013 that at present 85 percent demand of the country for oil is met through imports, while local supplies of gas amounting to 6.0 billion cubic feet (bcf) are sufficient to meet only 50 percent of the demand. The production of gas from some critical fields is declining, which will give rise to the gap that is projected to increase to 7.0 bcf by 2022, unless new fields to replace them are found. Technically, entire gas from a field cannot be extracted as the recovery factor ranges from 70-75 percent of the reservoir for a constant supply of pipeline quality gas. In order to make efficient use of such gases from the existing fields (called Marginal Fields), the following incentives would help the E & P companies to develop and produce flared/low pressure gases, which will help increase the overall availability of gas supplies in the country:

(i) an oil or gas reservoir that cannot be exploited economically under the existing E&P Policies, pricing structure and available technologies is defined as a "Marginal Field";

(ii) Marginal Fields Gas Prices will be set in accordance with Petroleum Exploration & Production Policy 2012 with an additional premium of $0.25/mmbtu

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for the three zones as defined in Petroleum Exploration & Production Policy 2012. The Price determined in accordance with this clause will be hereinafter referred as "Base Price" will be allowed for pipeline specification;
(iii) The government shall have the first right to purchase pipelines specification gas from the Marginal Gas Fields at a price to be determined in accordance with the policy;
(iv) Government shall exercise this right within ninety (90) days from the date of application for declaration of a Marginal Gas Field under this Policy by the E&P Company;
(v) in case the government does not exercise its rights, the E & P Company will be free to sell the gas to the third party at negotiated rates either through pipeline or virtual pipeline;
(vi) in case of third party sale there would be no requirement of further review by any other Authority or government body;(vii) for the sale of gas from Marginal gas field to third parties windfall levy above the base price will be applicable to extent of 50 percent on the difference between the applicable base price arid the 3rd party sale price and;
(viii) All the benefits of windfall levy may be equally divided between the Federal Government and Provincial Government concerned.

New investment policy unveiled

The Investment Policy for 2013 and a Investment Strategy 2013-17 were unveiled here on Wednesday at the meeting of the Board of Investment, chaired by Prime Minister Raja Pervez Ashraf. Under the new policy, 'all restrictions on minimum investments' have been removed, Minister of State for Finance, Salim H. Mandviwalla. Discussing the two new investment policy documents, the prime minister said: "It was ironic that Pakistan despite having one of the best investment policies on paper, has failed to attract foreign investments." He emphasized the need for simplification of existing procedures to attract foreign investment into the country. After thorough discussion, it was resolved that the draft Investment Policy 2013 and Investment Strategy 2013-2017 would be sent to the cabinet for approval. The prime minister directed the BoI to evolve a mechanism to become more effective in facilitating investments. The prime minister said that the present process of approval of projects was cumbersome and involved a large number of departments before a project could see the light of the day. This, he said, was discouraging investors and needed to be simplified.

FBR collection falls short by Rs65bn

The Federal Board of Revenue witnessed a shortfall of around Rs65 billion in the first seven months of this fiscal year as against the projected target due to a slowdown in economic growth and poor tax compliance. The revenue collected fell to Rs1,020 billion in seven months ended Jan 31, as against the proposed target of Rs1,085bn, showing a decline of six per cent. FBR had already revised downward the collection target to Rs2,231bn for 2012-13 from earlier projected budgetary target of Rs2,381bn. Despite this downward revision, the FBR is still facing a huge shortfall because of drastic reduction in collection in income tax and sales tax. This means that tax officials will have to collect Rs1,211bn in the next five months (February-June) to reach closer to the revised target. If political situation remains unstable during the caretaker setup and post-election period, the revenue collection is expected to deteriorate even further in the second half of the fiscal year, which could widened the budget deficit to an un-manageable level.

$300m loan from World Bank

Pakistan is seeking a soft investment loan of $300 million from the World Bank for the extension of an education sector project in Sindh to be carried out over a period of 2013-17 to raise school participation by improving sector governance and accountability and measure student achievement. The loan sought from the World Bank-affiliate International Development Association (IDA) will be utilized for the second phase of Sindh Education Sector project, for which the Sindh government will allocate $2300 million. The Sindh government views poor sector governance and accountability and weak administrative systems as the principal problem in public education in the province. Under the second phase of the project, the provincial government aims to intensify efforts to address this problem in order to improve the quality of service delivery.

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