

INFLATION PREVIEW (May-21)

NCPI inflation to clock in at 11.6% YoY as compared to 11.1% YoY in last month

Tuesday, 25 May, 2021

National		Urban		Rural	
YoY	▲ 11.6%	YoY	▲ 11.5%	YoY	▲ 11.6%
MoM	▲ 0.7%	MoM	▲ 0.8%	MoM	▲ 0.6%

We expect the national CPI inflation (NCPI) for May-21 to stand at 11.6% YoY (0.7% MoM) as compared to 11.1% YoY (1.0% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 11.5% YoY (0.8% MoM) and 11.6% YoY (0.6% MoM) respectively as compared to 11.0% YoY (1.3% MoM) and 11.3% YoY (0.6% MoM) respectively in last month.

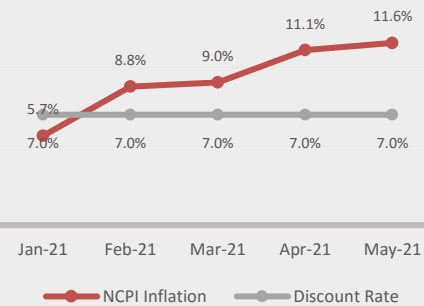
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 18.53% YoY during May-21. Particularly, increase in the prices of wheat flour (28.94% YoY), rice (6.89% YoY), meat (11.85% YoY), chicken (52.51% YoY), fresh milk (15.32% YoY), cooking oil (20.80% YoY), vegetable ghee (22.2% YoY), sugar (17.25% YoY) and condiments (26.91% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of Motor FUEL (24.66% YoY), cotton cloth (12.18% YoY), education (1.19% YoY), and readymade food (10.71% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Potatoes, Onions, Pulse Gram, Gram Whole, Pulse Moong, and Pulse Masoor decreased by 10.75% YoY, 31.07% YoY, 1.13% YoY, 0.18% YoY, 16.94% YoY, and 6.42% YoY respectively.

The SBP in its recent MPC meeting decided to keep the policy rate unchanged at 7%. However, the recent increase in inflation is due to supply chain disruptions caused by COVID-19 restrictions and strong aggregate demand. Given this underlying inflation trajectory, the MPC felt that the existing accommodative stance of monetary policy remained appropriate to support the recovery while keeping inflation expectations well-anchored and maintaining financial stability. As we expect the inflation to average out at around 9% during FY21. Therefore, our expectation of a rate hike of around 50-100 bps in July-21 is actually in line with the policy of achieving mildly positive real interest rates. However, we expect the interest rate to remain unchanged in the upcoming MPC meeting scheduled on 28th May 2021.

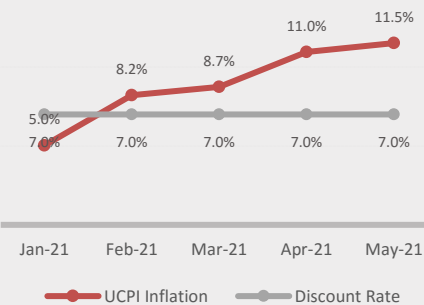
National	Weight	May-20	Urban	Weight	May-20	Rural	Weight	May-20
Food	35%	155	Food	30%	156	Food	41%	153
Utilities	24%	140	Utilities	27%	141	Utilities	18%	137
Clothing	9%	149	Clothing	8%	146	Clothing	9%	152
Restaurant	7%	142	Restaurant	7%	141	Restaurant	6%	143
Transport	6%	141	Transport	6%	142	Transport	6%	139
Misc.	5%	151	Education	5%	147	Misc.	5%	151
Furnishing	4%	141	Misc.	5%	151	Furnishing	4%	142
Education	4%	144	Furnishing	4%	140	Health	4%	153
Health	3%	153	Comm.	2%	112	Education	2%	137
Comm.	2%	110	Health	2%	153	Comm.	2%	107
Recreation	2%	125	Recreation	2%	122	Recreation	1%	131
Tobacco	1%	144	Tobacco	1%	154	Tobacco	1%	135
CPI		146	CPI		146	CPI		146

Key Statistics

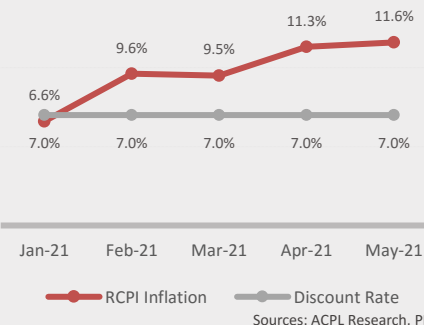
National CPI vs Discount Rate



Urban CPI vs Discount Rate



Rural CPI vs Discount Rate



Sources: ACPL Research, PBS

Muhammad Nauman Naem

Phone: (+92) 42 38302028; Ext: 116

Email: nauman@abbasiandcompany.com

DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

DEFINITION OF TERMS

TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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

RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com