BUSINESS RECORDER
Thursday, 10th August, 2017

Mitiari transmission line project:
Contractors to be charged WHT rates as per tax law

MUSHTAQ GHUMMAN

The government is to charge rates of withholding tax for corporate and non-corporate contractors of Mitiari transmission line project in accordance with the Income Tax Ordinance 2001 instead of increased rates, well-informed sources told *Business Recorder.* This decision was taken at a recent meeting of Economic Co-ordination Committee (ECC) of the Cabinet.

On July 18, 2017 the ECC deferred consideration of the summary titled "standard implementation agreement under policy framework for private sector transmission line projects, 2015 and project specific transmission services agreement" with the direction to Secretary, Ministry of Water & Power to review the proposal holistically in consultation with Secretary, Law & Justice Division, Chairman, FBR and Chairman, NEPRA; and resubmit it to the ECC for consideration, after consensus.

Accordingly, a series of meetings was held between representatives of Ministry of Water & Power and FBR. After deliberations and discussions on all issues raised by FBR in its earlier letter of May 4, 2017 a consensus was developed between all stakeholders and all issues were resolved. Ministry of Law has already given its concurrence on these agreements subject to approval of PPIB. Nepra also endorsed the terms and conditions as stipulated in Implementation Agreements (IA) and Transmission Services Agreement (TSA) to be signed with Income Tax Credits (ITCs) subject to the commitment that these should be consistent with Nepra tariff determination and special purposes transmission licenses terms.

Ministry of Water & Power submitted the following proposals for consideration of the ECC of the Cabinet: (i) as per Transmission Line Policy 2015 the ITC is liable to withhold and pay to the GoP as full and final income tax liability of its contractors @ 6.5% and 7% tax from corporate and non-corporate contractors, respectively. However, present applicable tax rates under the Income Tax Ordinance 2001 have been increased. It was agreed between FBR and Ministry of Water & Power that rates of withholding tax for corporate and non-corporate contractors shall be as per the Income Tax Ordinance 2001; (ii) as per policy, the reduced customs duty of 5% rate on local manufacturing appearing in part-I of schedule of the Customs Act 1969 shall not be applicable for the period of three years on import of machinery and equipment and other capital goods imported for new transmission lines under the valid contract(s) or letter of credits and total C&F value of such imports for the project is US$ 50 million or above. It was agreed between FBR and Ministry of Water & Power that FBR will implement the policy provision after ECC approval in this regard; and (iii) the policy provides that Sales Tax on import of machinery, equipment and other capital goods, if not exempted under the Sixth Schedule of the Sales Tax Act 1990, shall be charged @ of 5% and shall be nonadjustable/non-refundable. FBR will issue an appropriate SRO to give effect to the aforementioned policy provision.

It was further suggested that the project specific TSA for HVDC transmission project as prepared and finalized by NTDC may be approved and Board of PPIB may be authorized to make and approve any project specific amendments required in the Standard IA during negotiations and/or prior to its execution, provided GOP obligations or liabilities are not increased.

It was also recommended that Board of PPIB and NTDC may further be authorized to make and approve any amendments in the approved Standard IA & the Project Specific TSA respectively required to comply with NEPRA"s Tariff Determination, directives and/or approvals.

After a detailed discussion, the ECC approved the proposal of Water and Power Ministry with following modification: "As per Transmission Line Policy 2015 the ITC is liable to withhold and pay to the GoP as full and final income tax liability of its contractors @ 6.5% and 7% tax from corporate and non-corporate contractors, respectively. However, present applicable tax rates under Income Tax Ordinance 2001 have been increased. It was agreed between FBR and Ministry of Water & Power that rates of withholding tax for corporate and non-corporate contractors shall be as applicable under the Income Tax Ordinance 2001 at the relevant time".

BUSINESS
RECORDER
Thursday, 10th August, 2017

GPFZ investors allowed 23-year tax incentives: NA informed

NAVEED BUTT & AAMIR SAEED

The federal government has allowed 23-year tax incentives, including import and export duties, sales tax, corporate income tax and federal excise duty, to investors registered in Gwadar Port Free Zone (GPFZ). Ministry for Ports and Shipping informed this to the National Assembly on Wednesday during the question hour.

According to the existing Gwadar city master plan, the entire master plan area is divided into major portions; port and industrial areas along the East Bay side of Gwadar and residential, commercial areas and tourism on the West Bay of Gwadar.

The House was informed that on the East Bay side following three industrial economic zones have been established by the government; (i) Gwadar Port Free Zone (owned by Gwadar Port Authority/Ministry of Ports and Shipping) on 2,281 acres of land adjacent to the port area, the construction work on its pilot phase will be completed by December 2017 while the work on next phase will be started from January 2018; (ii) Gwadar Industrial Estate (owned by Gwadar Industrial Estates Development Authority/government of Balochistan) on 2,445 acres of land; (iii) Gwadar Export Promotion Zone (owned by Export Processing Zone Authority/Ministry of Industries) on 1,000 acres of land.

According to the City Master Plan of Gwadar, major tourism related initiatives can be taken onn the west Bay side of Gwadar To another question, Minister for Water Resources Javed Ali Shah informed the House that construction of Diamer-Bhasha dam could not be started yet due to insufficient finance arrangement.

He said that land acquisition and construction of infrastructure/preliminary project like project colony at Thor Valley, Composite Model Village-II at Harpan Das are in process.

In order to prepare financing strategy for the project, he said that a committee has been formed by the Ministry of Water which will submit recommendations to the Cabinet Committee on Energy for approval. The minister said the project has been bifurcated into two parts: Dam Part and Power Generation Part.

To another question, he said the Council of Common Interests (CCI) has approved National Flood Protection Plan-IV on May 2, 2017. The Phase-I of it with a cost of Rs 177.661 billion would be implemented in the first five years ie 2017-18 to 2021-22.

This plan inter alia includes studying options of construction of small and medium dams to store rain and floodwater to reduce the flood peaks, he said. The house was informed that a total of 24 dams with a capacity of 8.15 million acre-feet are being constructed across the country including Diamer-Bhasha Dam with a capacity of 6.4 MAF in Gilgit-Baltistan.

According to the data, a total of three dams with a capacity of 0.014 MAF are under construction in Punjab, two dams with a capacity of 0.247 MAF in Sindh, six dams in Khyber Pakhtunkhwa with a capacity of 1.013 MAF and 13 dams in Balochistan with a capacity of 0.445 MAF. As per timeline given in PC-I, the dams will be operational in about 10 years after commencement of work related to the construction of these dams.

During the Question Hour, Pakistan Peoples Party member Abdul Sattar Bachani pointed out the quorum and the speaker suspended the house proceedings till completion of the quorum. Later, the House was adjourned due to lack of quorum.

BUSINESS
RECORDER
Thursday, 10th August, 2017

PPIB issues LoS

RECORDER REPORT

Private Power and Infrastructure Board (PPIB) has issued Letter of Support (LoS) to 660 kV Matiari-Lahore HVDC Transmission Line Project. The project will have bipole HVDC technology, having approximately 880 kilometres length, with two converter stations one each at both Matiari and Lahore ends. The line will have transfer capability of transmitting 4000MW. This is the first ever transmission line project in the private sector in Pakistan and first project under the Transmission Line Policy 2015 approved by the present government to incentivize private sector for development of transmission lines in order to support huge new power generation.

Being implemented under the China-Pakistan Economic Corridor (CPEC) agreement, the project sponsors are China Equipment and Technology Corporation (CET), which is a subsidiary of State Grid Co-operation of China (SGCC). The project is being developed on Build-Own-Operate-Transfer (BOOT) basis for a term of 25 years. NEPRA has approved its tariff on 4th May 2017, and the Letter of Support (LoS) has been issued on 4th August 2017, after which the sponsors are required to achieve financial close.

The Commercial Operations of the project is targeted in 2020. The project will primarily be used for evacuation of power from Thar based power generation projects which is another success of the present government to utilize the unused indigenous coal; at Thar lying unexploited for decades.

Currently, PPIB is handling portfolio of 32 multiple fuel (coal, hydro and R-LNG) based independent power projects (IPPs) having cumulative capacity of more than 19,500MW worth multi-billion dollars. The portfolio contains sixteen hydropower project of 6,430MW, 13 coal-based projects of 9,491MW (five imported coal based projects of 4,423MW, seven Thar coal-based projects of 4,950MW) and three R-LNG based combined cycle gas turbine projects of 3,633MW. These projects are at different stages of development, some are in testing and commissioning phase, and some are under construction, while others are under Financial Closing and Pre-Financial Closing stages. It is targeted that 7500MW are completed by 2018 and 14,000MW by 2021 from the private sector.

The HVDC transmission system is considered technically and economically more viable for power transmission over longer distances due to its higher transmission capacity, higher efficiency, lower losses and cost effectiveness etc. The Matiari-Lahore Transmission Line will be first ever HVDC transmission line in Pakistan.-PR

BUSINESS
RECORDER
Thursday, 10th August, 2017

Fiscal Year 2018 revenue target seems more challenging, intricate

ZAHEER ABBASI

The Federal Board of Revenue (FBR) would be required to collect Rs 650 billion additional revenue to achieve extremely ambitious target of Rs 4,013 billion in the current fiscal year. The FBR officials in a brief presented to the Senate Standing Committee on Finance, which met on August 2, 2017, stated that around 19 percent growth would be required in the current fiscal year over provisional collection of Rs 3362.1 billion in the just concluded fiscal year.

The committee was given briefing on the revenue collection achieved during the last fiscal year as well as on the revenue collection. According to FBR in 2016-17, Rs 250 billion additional revenue was collected against the budgetary target of Rs 508.3 billion over and above the collection of Rs 3112.7 realized in 2015-16. The revenue target of Rs 4,013 billion for fiscal year 2017-18 is based on the premise of 22.4 percent growth in customs, 22.4 percent in federal excise duties, 18.6 percent indirect taxes and 18.5 percent in sales tax.

The meeting was informed that Rs 1594.9 billion collection would be required in direct taxes against the provisional collection of Rs 1344.5 billion for the last fiscal year, followed by Rs 1579.2 billion in sale tax as opposed to Rs 1332.3 billion for the last fiscal year.

The government has estimated Rs 231.5 billion in federal excise duty (FED) and Rs 607.4 billion in customs for the current fiscal year against Rs 189.2 billion in FED and Rs 496.1 billion in customs respectively for the last fiscal year to achieve 19 percent increase. The tax authorities also claimed that monthly revenue collection target for the month of July 2017 projected at Rs 200 billion was surpassed but the exact figures are being reconciled.

The meeting was further stated that in July 2016 revenue collection of Rs 164 billion by Pakistan Revenue Automation Limited (PRAL) was reduced to Rs 158.4 billion after reconciliation with Accountant General Pakistan Revenue (AGPR) and State Bank of Pakistan (SBP). The increase in revenue was stated to be very encouraging for the month of July 2017 during the last five years.

BUSINESS
RECORDER
Thursday, 10th August, 2017

THE RUPEE: Rates inert

RECORDER REPORT

Firm trend was seen on the money market on Wednesday as the rupee showed no change in relation to the dollar in the process of trading, dealers said. The rupee was unmoved versus the dollar for buying and selling at Rs 105.39 and Rs 105.40 respectively, they said.

INTER-BANK MARKET RATES: OPEN MARKET RATES: In line with the inter-bank market, the rupee did not move any side against the dollar for buying and selling at Rs 106.70 and Rs 106.90 respectively, they said.

The rupee picked up 80

Open Bid	Rs. 106.70
Open Offer	Rs. 106.90

Interbank Closing Rates: Interbank Closing Rates for Dollar on Tuesday.

Bid Rate	Rs. 105.39
Offer Rate	Rs. 105.40

RUPEE IN LAHORE: The Pakistani rupee appreciated versus the US dollar and British pound in the local currency market on Wednesday.

According to currency

paisas in terms of the euro for buying and selling at Rs 124.80 and Rs 125.80 respectively.

In the third Asian trade, the yen gained against the dollar and other peers on Wednesday on the latest bout of geopolitical tensions stemming from the Korean Peninsula.

North Korea said on Wednesday it is "carefully examining" plans for a missile strike on the US Pacific territory of Guam, just hours after US President Donald Trump told the North that any threat to the United States would be met with "fire and dealers, the dollar resumed trading on a negative note following lack of buyers' interest in the market. Consequently, it slid to Rs 106.60 and Rs 106.85 on buying and selling side as compared to the overnight closing rates of Rs 106.65 and Rs 106.95 respectively, they added.

Versus the pound sterling, the local currency also followed the same suit. The pound's buying and selling rates drifted from Tuesday's closing rates of Rs 138.20 and Rs 139.20 to Rs 137.80 and Rs

fury".

The dollar weakened against the yen, which is often sought in times of geopolitical tension. The US currency was down 0.4 percent at 19.865 yen, following a retreat to 109.835, its weakest since mid-June.

The dollar was trading against the Indian rupee at Rs 63.763, the US currency was at 4.286 in terms of the Malaysian ringgit and the greenback was at 6.693 versus the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Wednesday: 80.70-80.70 (previous 80.70-80.70).
138.80 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The rupee remained firm against the dollar at the open currency markets of Islamabad and Rawalpindi here on Wednesday.

The dollar opened at Rs 107.10 (buying) and Rs 107.20 (selling) against same last rate. It closed at Rs 107.10 (buying) and Rs 107.20 (selling) in evening session.

BUSINESS

RECORDER

Thursday, 10th August, 2017

Two stages:

Rs 26.4 billion ST refunds credited into taxpayers" bank accounts

RECORDER REPORT

The Federal Board of Revenue (FBR) Wednesday credited an amount of Rs 26.4 billion sales tax refunds, in two stages, directly into the taxpayers" bank accounts. Sources told *Business Recorder* here on Wednesday that an amount of Rs 26.4 billion has been paid to the taxpayers in two stages. The sales tax refunds have been directly credited to the bank accounts of the taxpayers.

The refund payments were made through direct electronic transfer to claimants" bank accounts through State Bank of Pakistan (SBP) in November 2016. Since November 2016, sales tax refund has been credited directly into the account of the taxpayers within 24 hours. The arrangements have been made to ensure that the amount of refund should be credited directly into the account of the taxpayers within 24 hours.

The FBR has cleared the backlog of refunds dues where Refund Payment Orders (RPOs) were issued till April 30, 2017 in case of over Rs one million. It was announced by the finance minister in the budget speech for the year 2017-18 that taxpayers" long outstanding demand for payment of refunds will be addressed soon and the sales tax refunds against refund payment orders (RPOs) issued up to 30th April, 2017, shall be paid in two stages. Firstly, payments against RPOs involving amount up to Rs 1 million were to be paid by 15th July, 2017; and in the second stage refund against RPOs of amount more than Rs 1 million were to be paid by August 14, 2017, he had said.

The refund payments up to Rs 1 million were paid on 15th July, 2017 whereas payments against RPOs exceeding Rs 1 million are being issued today (Tuesday), well before the date earlier announced. He added that total refund including refund issued in the first phase come out to Rs 26.43 billion covering 10,439 RPOs.

BUSINESS
RECORDER
Thursday, 10th August, 2017

SBP issues guidelines on "compliance risk management"

RIZWAN BHATTI

In order to further align the local banking practices with international standards, the State Bank of Pakistan (SBP) has developed guidelines on "Compliance Risk Management" to provide the industry a uniform benchmark for identification, assessment and management of compliance risk in their operations.

Given the increasingly complex nature of banking operations owing to wide spread use of technology, product innovations and competitiveness in the industry, Financial Institutions (FIs) have confronted significant risk management and corporate governance challenges, particularly with respect to "compliance risks" that transcend business lines, legal entities, and jurisdictions of operation.

The SBP being a progressive regulator has strived to foster the requisite Risk, Compliance & Governance (RCG) practices in the banking industry in line with changing consumer behavior and complexity of industry players to safeguard depositors" interest and bring the domestic industry at par with international standards and best practices.

According to a circular issued on Wednesday, the increasing competition and enhanced regulatory expectations in terms of fairness to customers, financial stability and compliance with applicable laws and regulations expose banks to significant challenges.

In this challenging macro environment, the effective compliance with regulatory requirements, best practices and internal policies has particularly become a key determinant for financial institutions" performance and stability. Therefore, policy-makers and financial institutions around the globe have modified the compliance risk management frameworks. These global initiatives mainly focus on refinements in corporate governance, risk management and internal control frameworks and inculcation of enabling culture that duly appreciates the importance of compliance risk, the circular said.

Therefore, the SBP, in line with best international practices, has developed guidelines on "compliance risk management" to provide banking industry a uniform and systematic approach for identification, assessment and management of compliance risk. The guidelines aim to promote enabling "compliance culture" in banks and strengthen the effectiveness of compliance function by adopting structured and risk focused approach.

The SBP is expecting that these guidelines will supplement the role and responsibilities of compliance function as already prescribed in regulation G-1 of Prudential Regulations for Corporate/Commercial Banking as amended from time to time. All banks/DFIs/MFBs are advised by SBP to comply with these guidelines in letter and in spirit. Keeping in view their size, nature & scope of business and complexities of operations, the banks/DFIs/MFBs are advised to bring their compliance functions, policies and procedures in line with requirement of guidelines by December 31, 2017.

BUSINESS
RECORDER
Thursday, 10th August, 2017

FBR detects 3,434 suspicious import transactions

MUHAMMAD ALI

The Federal Board of Revenue (FBR) has detected some 3,434 suspicious import transactions whereby taxpayers have claimed input tax amounting to Rs 4.4 billion; it was learnt. According to sources, the board has monitored the import data from April 2016 to April 2017 and found some 3434 suspicious import transactions whereby taxpayers have made input tax claims amounting to Rs 4.4 billion.

They said that the importers claimed input tax in their sales tax returns against taxable imports amounting to around Rs 29 billion through these transactions. Replying to a question, sources said the FBR had compiled a jurisdictional-wise list of these 3434 suspicious import transactions and communicated the same to all concerned Regional Tax Offices (RTOs) and Large Taxpayers Units (LTUs) for the verification of tax deposited in government treasury.

They said that taxpayers had taken credit of sales tax in their returns on the basis of these import transactions through provisional cleared Goods Declarations (GDs), which were submitted to customs department through online WeBOC system. Sources further said the FBR in this regard issued a circular, directing all concerned RTOs and LTUs to verify from the examination of GDs and payments made at import stage that input tax claimed by the taxpayers were fully deposited in government treasury on priority basis.

They answered that the field formation of tax offices after getting said directions from FBR would examine GDs and payments made at import stage and then obtain copies of sales tax paid at input stage in order to verify the tax deposited in national kitty.

BUSINESS RECORDER
Thursday, 10th August, 2017

KE's net profit grows 16 percent in fiscal year 2015-16

MUHAMMAD SHAFA

K-Electric's net profit grew by 16 percent, or more than Rs 4.4 billion, during the fiscal year 2015-16. In its financial results issued to the PSX, KE declared profits of Rs 32.75 billion, including deferred taxes of Rs 7.95 billion, during the period, compared to Rs 28.32 billion during the same period of FY 2015.

At the same time, the company's earnings per share (EPS) increased to Rs 1.19 per share, compared to Rs 1.03. The power utility said the main reason for the improvement is the reduction in transmission and distribution losses. The losses decreased to 22.2 percent, compared to 23.7 percent the previous year, showing a reduction of 1.5 percent.

The reduction in transmission and distribution losses, together with the gains resulting from higher electricity units, sent out (FY 2016: 16,545 GWh; FY 2015: 16,111 GWh), have led to an improvement in EBITDA by 28.1 percent. The company earned a total revenue of Rs 189.9 billion in FY16 as against Rs 190.3 billion in the previous corresponding year. KE has earned revenue of some Rs 166.7 billion from the sale of energy in FY16, against Rs 148.5 billion during the previous corresponding year.

The power utility's tariff adjustment reduced drastically from Rs 41.8 billion in FY15 to Rs 22.2 billion in FY16. The company's total cost of sales stood around Rs 131.4 billion during the year under review as against Rs 147 billion in the corresponding period. The company said it had spent Rs 54.3 billion in purchase of electricity during the year, against Rs 71.4 billion in the corresponding period of last year, a reduction of Rs 17 billion.

It spent Rs 57.26 billion in consumption of fuel and oil in FY-16, against Rs 59.9 billion in the corresponding preceding year. Expenses incurred in generation, transmission and distribution were calculated at Rs 19.8 billion, against Rs 15.6 billion in FY-15-an increase of Rs 4.2 billion. Consumer services and administrative expenses have significantly gone up to Rs 30.7 billion, against 21.7 billion in FY15, which meant a surge of Rs 9 billion.

According to Tayyab Tareen, the CEO of K-Electric, the financial results showed "a sustained improvement over the years. KE's transformation continues to be recognized as a success story of privatization and strengthens our position as a progressive power utility. "The growth in EPS and EBITDA is yet another reflection of our strong performance, sustained investments in our systems and infrastructure to enhance fleet efficiency and services to our customers. We are optimistic that we will continue to build infrastructure for enhancing our ability to serve our customers."

Meanwhile, in recognition of the continuing improvement plan by K Electric across all operations, the KE Board decided not to declare any dividend, and to reinvest the profit earned in the business. According to the KE announcement, the Board has observed that a favorable result of company's review petition on Multi-Year Tariff (MYT) determination 2017 pending with NEPRA is critical for sustaining the transformation, efficient operations and profitability of the company.

BUSINESS
RECORDER
Thursday, 10th August, 2017

Towel export goes down by 2 percent

RECORDER REPORT

The country's towel export went down by over two percent to $786.606 million last fiscal year 2017, official figures say. Towel export fall stands at $16.36 million last fiscal year as compared to the textile product export of $802.966 million in fiscal year 2016, Pakistan Bureau of Statistics shows. Export quantity of towel also declined by one percent or 1,606 metric tons to 182,873 metric tons last fiscal year from 184,479 metric tons in fiscal year 2016.

In June 2017, Pakistan's export of towel however mounted by 19.35 percent or $12.184 million to $75.164 million from $62.980 million in June 2016. In term of volume, towel export soared by 15 percent or 2,099 metric tons to 16,150 metric tons in June 2017 from 14,051 metric tons in June 2014.

BUSINESS
RECORDER
Thursday, 10th August, 2017

Spinners indulge in forward buying of fine cotton

RECORDER REPORT

Spinners and mills indulged in forward buying of fine cotton to cover their requirements, dealers said on the cotton market on Wednesday. The official spot rate was unchanged at Rs 6450, they said. In the ready session over 15,000 bales of cotton changed hands between Rs 6500-6700, they said.

In Sindh, seed cotton rates were at Rs 2800-3250 per 40 kg, they said. In the Punjab, phutti prices were at Rs 3000-3300, they said. Better flow of phutti (seed cotton) coupled with huge availability of quality lint helped generate trading activity, they added. Strong demand from spinners likely to persist in the coming days, they added. Most spinners are running out of cotton as no carryover stock from previous crop are there while a delay in phutti picking caused by recent rains affected the supply, they said.

Commenting on the sustained buying of cotton, cotton analyst, Naseem Usman said that cautious spinners and mills were busy in purchasing of fine cotton to cover forward buying ahead of Eid-ul-Azha holidays. Adds Reuters: ICE cotton futures rose for a second straight session on Monday to a seven-week high on forecasts for strong US crop demand before turning lower before the market closed.

The December cotton contract on ICE Futures hit 70.94 cents a lb earlier in the session before settling down 0.07 cent, or 0.10 percent, at 70.55 cents per lb. The US Department of Agriculture's World Agricultural Supply and Demand Estimates (WASDE) report and the weekly US export sales data will be released on Thursday.

The following deals reported: 800 bales of cotton from Mirpurkhas at Rs 6500, 2000 bales from Sanghar, 1600 bales from Hyderabad, 800 bales from Kotri, 3200 bales from Shahdadpur, 2800 bales from Tando Adam, 200 bales from Noakot 400 bales from Jhole and 200 bales from Moro all finalised at the same level, 1000 bales from Burewala at Rs 6700, 800 bales from Haroonabad, 100 bales from Sahiwal, 300 bales from Vehari and 200 bales from Chichawatni all done at the same rate, they said.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi	Spot Rate Ex-Karachi As on 08.08.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,450	145	**6,595**	**6,595**	NIL
40 Kgs	6,912	155	**7,067**	**7,067**	NIL

BUSINESS
RECORDER
Thursday, 10th August, 2017

Cotton futures end near flat ahead of WASDE report

RECORDER REPORT

ICE cotton futures ended almost flat in low volume trading on Wednesday as markets waited for the key supply and demand estimates report on Thursday. Cotton contracts for December settled down 0.02 cent, or 0.03 percent, at 71.11 cents per lb. The contract touched a high of 71.20 cents, a peak since June 14.

The US Department of Agriculture's World Agricultural Supply and Demand Estimates (WASDE) report and the weekly US export sales data will be released on Thursday. "Our market will certainly take direction from Thursday's numbers ... This is the first month where actual field data will be included," Ron Lee, general manager at McCleskey Cotton in Bronwood, Georgia, said in a note. "My current guess on the crop is 19.4 million bales, while the USDA has been carrying 19.0 million bales since acreage was set in May. Most in the industry are thinking the crop is 18.0 - 18.5 million bales, which if realized should keep a firm bid to the market."

Total futures market volume fell by 1,448 to 17,608 lots. Data showed total open interest gained 2,129 to 219,092 contracts in the previous session. The dollar index was down 0.11 percent. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was up 0.26 percent. Certificated cotton stocks deliverable as of August 8 totalled 20,135 480-lb bales, down from 22,338 in the previous session.

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct'17	71.37	71.94	71.21	71.82	14:45 Aug 09	71.82	-0.09	75	71.91
Dec'17	71.19	71.20	70.41	71.11	14:45 Aug 09	71.11	-0.02	12049	71.13
Mar'18	70.82	70.82	70.16	70.76	14:45 Aug 09	70.76	-0.03	4521	70.79

BUSINESS
RECORDER
Thursday, 10th August, 2017

Oil price decline

RECORDER REPORT

The claim made by the reappointed Finance Minister Ishaq Dar that he had not passed on the full impact of the Oil and Gas Regulatory Authority's (Ogra) recommendation to decrease the price of petrol and High Speed Diesel (HSD) to absorb the impact of the recommended increase in the price of kerosene and light diesel oil (LDO) was demonstrably inaccurate.

The first order of business after Ishaq Dar took oath as the federal finance minister was to announce a reduction in the price of petrol by 1.8 rupees per litre (instead of the 3.67 rupees per litre recommended by Oil and Gas Regulatory Authority) and high speed diesel (HSD) by 2.5 rupee per litre (instead of the 5.7 rupees per litre recommended by Ogra). The sales tax on these products is on a percentage basis hence any reduction/increase in their price will have an automatic negative impact on budgeted revenue collections which, in turn, accounts for frequent adjustments in the rate of tax as and when the international prices of these products decline or rise. The Statutory Regulatory Order (SRO) issued by the Federal Board of Revenue noted that the sales tax on petrol will remain unchanged however it reduced the sales tax on HSD from a whopping 40 percent to a not so low 35.5 percent. The net outcome of the decision specific to these two petroleum products would be to generate an additional 3.26 billion rupees for August in comparison to July.

Kerosene is not taxed while light diesel oil (LDO) was taxed at the rate of 1.5 percent in July. The consumption of these two products is largely by the poorer sections of society; it has, therefore, little or no prospect of any meaningful boost. However, based on the rise in their international price Ogra, adhering to a strictly stipulated formula, recommended that kerosene price be raised by 13 rupees per litre and LDO by 10.01 rupees. Dar rightly decided not to raise the price of either of these products and, as per the SRO, reduced the rate of tax on LDO from 1.5 percent to zero. However, given the low consumption of these two products and the fact that kerosene was not taxed and LDO was taxed at a very low rate Dar's decision to keep their prices constant would require a subsidy of only 230 million rupees.

Or in other words, once the math is done, the actual net increase in government revenue sourced to petroleum and products for August would be a whopping just under 3 billion rupees (3.26 billion rupees minus 230 million rupees) and therefore the claim that the government did not pass on the Ogra recommended lower price for petrol and HSD because of the need to absorb the recommended price rise of kerosene and LDO is simply hogwash. It is extremely unfortunate that such decisions taken frequently by Finance Minister Dar with the overarching objective of keeping the budget deficit within sustainable levels, account for a widening differential between the input costs of domestic manufacturers with their regional competitors and are a major reason for falling exports in recent months.

To conclude, it is baffling that the Finance Minister continues to make inaccurate claims by, no doubt, relying on the inability of the general public to challenge his claims. This is extremely unfortunate and one would hope that he adjusts his perceptions that are rooted in 1999's Pakistan (the time the party was last in power) when the state-controlled media could effectively contain all challenges to flawed policies and obviously inaccurate claims. A more meaningful approach would be to engage in a cost benefit analysis to determine the pros and cons of any and all decisions.

DAWN
Thursday, 10th August, 2017

Brexit inflation pushing British shoppers to cheaper goods

Reuters

LONDON: British firms are keeping a lid on pay and automating more production while some shoppers, faced with rising prices, are switching to cheaper products, the Bank of England said on Wednesday.

The findings came in a report from around the country that showed Brexit is hurting households, mainly though the weaker pound.

Businesses serving British consumers are suffering compared with export-focused manufacturers, as the weaker exchange rate and higher inflation following last year's vote to leave the European Union feeds through the economy.

Last week BoE Governor Mark Carney said Britain's economy was suffering from uncertainty and higher prices caused by the referendum decision in June 2016, and the central bank cut its forecasts for future growth and wages.

Wednesday's report by the BoE's regional staff – which fed into last week's forecasts – showed businesses planned to offer pay awards of between 2 and 3 per cent, despite growing recruitment difficulties.

"Overall employment intentions remained modest," the BoE said. "Growth in manufacturing (employment) intentions was stable and was dampened by a stronger focus on productivity improvements and automation over job creation," it added.

The BoE forecast last week that economic growth would slow to 1.7pc this year and 1.6pc in 2018, while wages are seen rising by 2pc and then 3pc.

After unexpectedly outperforming other big advanced economies last year, in 2017 Britain had its slowest first half of the year since 2012.

Firms reported prices for goods and services rose at the fastest pace in four years, in line with official measures of inflation, and consumer spending growth slowed.

"Some contacts ascribed this to increased caution among consumers, and to consumers trading down to cheaper products or brands," the BoE said.

Sales at consumer services businesses grew at their slowest pace in over four years, while manufacturing exports saw their fastest expansion since 2011.

DAWN
Thursday, 10th August, 2017

Brisk buying continues as quality cotton supply improves

The Newspaper's Staff Reporter

KARACHI: Aggressive buying continued on the cotton market on Wednesday amid improved supply of quality lint as spinners rushed to cover up their positions ahead of Eidul Azha. Strong demand for Sindh variety pushed up its prices as flow of phutti (seed-cotton) also increased. Brokers said its low price compared to its Punjab counterpart was a major factor which attracted buyers.

Reports from the cotton field indicate that there are some signs of pest attack particularly of Whitefly but this is still at a smaller scale.

Experts have urged the agriculture departments to immediately go for spraying and guiding growers before the attack intensifies.

The world's leading cotton markets were steady. New York cotton, after gaining a day earlier, came under profit selling and closed easy.

The Karachi Cotton Association (KCA) kept its spot rates steady at overnight level.

The following deals were reported on Wednesday: 800 bales, Mirpurkhas, at Rs6,500; 2,000 bales, Sanghar, at Rs6,500; 1,600 bales, Hyderabad, at Rs6,500; 3,200 bales, Shah-dadpur, at Rs6,500; 2,800 bales, Tando Adam, at Rs6,500; 1,000 bales, Burewala, at Rs6,700; 800 bales, Haroonabad, at Rs6,700; 100 bales, Sahiwal, at Rs6,700; 300 bales, Vehari, at Rs6,700; and 200 bales, Chichawatni, at Rs6,700.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**
37.324 Kgs Equivalent	**6,400**	**135**	**6,545**
40 Kgs	**6,859**	**145**	**7,014**

DAWN

Thursday, 10th August, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.30	105.50	106.70	106.90
UK	136.75	137.01	138.75	139.75
Euro	123.57	123.81	124.80	125.80
S.Arabia	28.08	28.13	28.30	28.55
UAE	28.67	28.72	29.00	29.25
Japan	0.9586	0.9604	0.9637	0.9837

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.90	6.15
One year	5.96	6.46

LIBOR

Special US dollar bonds for Aug 8

Three months	1.30944 %
Six months	1.45222 %

THE NEWS
Thursday, 10th August, 2017

PM directs ministries to control circular debt

ISLAMABAD: Prime Minister Shahid Khaqan Abbasi on Wednesday asked power stakeholders to find out the reasons behind technical and distribution losses and devise measures to reduce circular debt in the energy sector.

He was presiding over a meeting attended by Minister for Finance Ishaq Dar, Minister of State for Petroleum Jam Kamal Khan and senior officials, a statement said.

Prime Minister Abbasi directed the finance and power divisions to jointly work out revalidation of individual factors, "contributing to the circular debt, focus on improving efficiencies and out-of-the-box solutions for resolving the issue."

When the last government took the helm of affairs, it inherited a huge circular debt of Rs480 billion. The government, however, managed to clear the debt haunting the entire chain of energy sector from oil market companies to power distribution companies. It established a special unit, namely Power Holding Company Limited to cope up with the issue of circular debt. Yet, circular debt again rose to Rs800 billion as compared Rs600 billion a couple of months back.

There has been an improvement in collection of electricity bills. Recoveries rose more than 90 percent in the fiscal years of 2015 and 2016 as compared to 88 percent in 2014. Technical and distribution losses fell to 17.8 percent by end-December 2016 from 19 percent in 2014, generating Rs116 billion in savings for power sector.

Besides, generation companies, which raked in Rs7.78 billion in losses in 2013/15, turned profitable by the end of fiscal year of 2015/16 with a profit of Rs5.77bn in 2015/16.

The International Monetary Fund (IMF) warned the government of relapse in arrears. IMF, in its report, asked the government to "swiftly address the resumption in the accumulation of arrears to ensure a financially viable and growth-supporting power sector." IMF said the power sector's arrears accumulated to Rs53 billion during the first half of the last fiscal year of 2016/17. In July, Economic Coordination Committee of the Cabinet approved proposals of the ministry of water and power to borrow Rs185 billion from a syndicate of local banks to set off liabilities of power distribution companies. Prime Minister Abbasi, in the meeting, said each power distribution company should come up with 'workable solutions' to further reduce line losses.

He also directed the officials to plan for conversion of agricultural tube-wells to solar power in view of sustainable power supply and reducing the burden of subsidy. "This shall be started from the province of Balochistan, on priority," he said. "Ensuring energy security is the highest priority of the government and provision of clean and affordable power to consumers is the key to development," he added.

THE NEWS
Thursday, 10th August, 2017

PSO mulls Rs40 billion in investment to retain market share

KARACHI: Pakistan State Oil (PSO), the country's leading oil marketing company, is weighing a massive Rs40 billion in investment to improve storage capacity, build retail outlets and upgrade a joint venture in downstream sector, analysts said on Tuesday.

"Amid rising demand of POL (petroleum, oil and lubricants) products, PSO management plans to double capacity of Pakistan Refinery Limited (PRL) in three to four years by investing $500 million, of which Rs25 billion to Rs30 billion would be equity financed," said Waqas Ahmed, an analyst at Taurus Securities.

Ahmed said PSO management, during a briefing, told analysts that the company won a legal battle for stake acquisition of PRL, which had effectively ensured its supply lines. Now, the company is the majority shareholder in the refinery.

The analyst said the company intends to retain its market leadership position. PSO's market share clocked in at 54.8 percent during the fiscal year ended June 30, 2017 vis-à-vis 55.9 percent a year ago.

Almost all major products of PSO saw growth in sales during the last fiscal year. Sales of furnace oil was up 11 percent, motor gasoline rising nine percent, lubes soaring 28 percent and jet fuel increasing 18 percent in FY2017. The company's market share, however, declined owing to stiff competition from smaller oil marketing companies.

"The management reiterated its resolve to protect and enhance its market share, which it has lost owing to intensifying competition in the industry," said Faizan Ahmed, an analyst at JS Global. "We believe that huge investment is aimed to support the next leg of growth in the company."

Analysts said although margins of white and black oil improved 3 percent and 23 percent, respectively, the matter of increase in margins in line with average annual consumer price index inflation of 4.16 percent for FY2017 is yet to be resolved.

"The OMC (oil marketing company) industry and Oil Companies Advisory Council are pushing the ministry for price increase," Ahmed said.

"We believe that the matter may face some delays given ongoing political turmoil in the country." Currently, margins for motor gasoline and high speed diesel stand at Rs2.41/litre, while it stands at Rs1,243/million tonnes for furnace oil.

PSO's major receivables stood at Rs283.9 billion as on August 7 compared with Rs286.7 billion recorded as on June 30. Yet, the company posted a 77 percent growth in profit to Rs18.225 billion for the year ended June 30, 2017.

THE NEWS
Thursday, 10th August, 2017

Cotton stable

Karachi

Karachi Cotton Exchange recorded active trading on Wednesday, while spot rates remained unchanged.

The spot rates stood firm at Rs6,450/maund (37.324kg) and Rs6,912/40kg. Ex-Karachi rates also remained unchanged at Rs6,595/maund and Rs7,067/40kg after an addition of Rs145 and Rs155 as upcountry expenses, respectively.

An analyst said the market is going upwards and will move further up until September 15, when arrivals increase from Punjab. “Mills are building their positions that will increase the prices,” he said. “International markets, including China, India and the US are going up, as well.”

KCE recorded 14 transactions of around 15,000 bales at a price of Rs6,500 to Rs6,700/maund. Transactions were recorded from Mirpurkhas, Sanghar, Hyderabad, Kotri, Shahdadpur, Tando Adam, Naokot, Jhole, Moro, Burewala, Haroonabad, Sahiwal, Vehari and Chichawatni.

The Nation on Web
The Nation
Thursday, 10th August, 2017

Govt urged to reduce cotton imports

APP

ISLAMABAD - Cotton growers on Wednesday urged the government to provide level playing field to local farmers in order to reduce the import of cotton into the country, which was discouraging the cotton farmers across the country.

They said that billion of dollars were being spent annually on the import of the cotton to fulfil the domestic requirements of local industry.

They stressed the need for taking necessary measures to check the import of cotton into the country to stabilize the prices of the commodity in the local market to benefit the lint farmers particularly small farmers. They said that cotton imports into the country grew by 10 percent during last financial year that ended on June 30, 2016 as compared the corresponding period of last year.

Talking to APP here on Wednesday, President Kissan Ithad Khalid Khokhar urged the government to take appropriate measures to safeguard the local cotton growers. He asked for reducing the cost of production to compete with the international markets and encouraging the farmers to grow more crop and enhance production.

He said that per 40 kg cost of production of local cotton was recorded at Rs. 2,533 as compared with the prices of the commodity in the neighboring country where it was recorded at Rs. 1,076 per 40 kg. He urged the need for enhancing research expenditures, improved seed varieties and encouraging the local farmers by providing them special incentives to enhance cotton producing to its true potential of 20 million bales.

Meanwhile, commenting on the situation, Cotton Commissioner Dr Khalid Abdulah said that about 2.7 million cotton bales were imported during last year to fulfil the domestic requirements.

He said that exports of raw cotton from the country reduced by 49 percent during the period under review as about 146,000 cotton bales were exported during previous year.

He said that government was taking measure to reduce the imports of cotton and encourage the local farmers by stabilizing the prices in the local markets. The Ministry of Textile Industry would device a comprehensive plan by taking all stakeholders including farmers, ginners and textile industry to reduce the imports of the cotton.

The Nation on Web
The Nation
Thursday, 10th August, 2017

Enhancing exports top priority of govt: Minister

APP

ISLAMABAD - Minister for Commerce and Textile Pervaiz Malik has said that it was the top priority of the government to enhance the country's exports and achieve its trade targets.

While Talking to APP, he said he would evolve a short, medium and long term strategy for enhancing the multilateral trade with different potential markets of the world.He said in European Union (EU)'s markets, Pakistan had a huge opportunity for exporting different goods and after signing the Generalised Scheme of Preferences (GSP-PLUS), Pakistan had increased its exports in EU in different sectors. Replying to a question, he said, "According to the vision of PML-N, we are committed to enhance the trade volume with EU and other regions of the world." The minister said exports of home textile products to EU from Pakistan had increased by 60 percent in 2016 as compared to 2013. Pakistan's exports of carpets and rugs in the EU had increased from 30.30 million Euros in 2013 to 37.92 million Euros in 2016, he added.

He said Pakistan's exports of cotton and other raw materials for value added textiles had grown rather modestly in the EU about 9 percent in 2016 as compared to 2013. The minister said this indicated a healthy trend of increased consumption of raw materials by the downstream industry.

"We are committed to finalise the Free Trade Agreement with Turkey and Thailand for promoting trade ties with these countries," he said. He said commerce ministry would search the new potential markets in different regions of the world for increasing the country's exports.

The Nation on Web
The Nation
Thursday, 10th August, 2017

Diversification of exports demanded

NNI

KARACHI - President Pakistan Businessmen and Intellectuals Forum (PBIF) Mian Zahid Hussain on Wednesday said Pakistan's export base is shrinking, therefore, the government should plan to diversify exports.

Increased imports and reduced exports have resulted in record trade deficit which may result in another foreign loan, therefore, serious efforts are needed to boost exports, he said in a statement released on Wednesday. Mian Zahid Hussain said that exports that were fifteen percent of the economy have gone down to seven percent of the economy due to overreliance on textile sector. Now, the government should eye 300 billion dollars halal sector which is projected to swell by 100 percent in few years, he added.

He said that government should take steps to reduce the cost of doing business of Rs.750 billion poultry industry and offer it the facility of zero-rating which can help country earn handsome foreign exchange.

The poultry sector is facing issue like taxation, duties on import of inputs, problems in processing and value addition which is currently at five percent only, the influx of cheap poultry products from different countries after FTAs etc.

The business leader said that the Russia, Middle Eastern, central Asian countries import around eight billion dollars' worth of chicken meat while there are over fifty million Muslims in the Europe who prefer halal products which offer a good opportunity for the government to bail out the country from the deficits, balance of payment and other such problems.