NEWSLETTER FOR FMC CLIENTS

FAZAL MAHMOOD AND COMPANY 147, Shadman Colony 1, Lahore

REMINDER

July 21, 2014

Dear Valued Client,

Please note that every Company is required to maintain statutory records under Companies Ordinance, 1984. It includes preparation of following books regarding day to day affairs of the Company as under;

1. Register of debenture holders.
2. Index Register of members.
3. Index Register of debenture holders.
4. Minutes Books.
5. Proxy Register.
6. Register of contracts.
7. Register of officers i.e. directors, manager and secretary.
8. Register of Shareholding of the directors.
9. Register of beneficial ownership.
10. Register of investments.
11. Register of deposits.
12. Register of charges.
13. Application and allotment books.
14. Register of transfer.
15. Register of share certificate.
16. Register of transfer certificate.
17. Agenda book.
18. Register of list of dividend.
19. Dividend warrants register.
20. Register of power of attorney.
21. Register of probate.
22. Register of directors' attendance.
23. Register of sundry documents.
24. Seal book.
25. Plus and Minus Book.

We suggest your good self to kindly maintain statutory records to avoid penalty proceedings by S.E.C.P. and to safeguard the interests of shareholders/Company.

Find attached herewith News Letter as on July 21, 2014.

Contents

1. PSM SEEKS DELAY IN SELL-OFF

Pakistan Steel Mills' (PSM) management has secretly proposed to the federal government to delay privatisation of the entity for three years under the guise of up gradation/expansion plan, well informed sources told *Business Recorder*. In April this year, Economic Co-ordination Committee (ECC) of the Cabinet had approved an Rs 18.5 billion restructuring plan to turn around PSM prior to its privatisation.

The incumbent Chief Executive Officer (CEO), Major General Zaheer Khan (retired), has given his personal surety to the Finance Minister Senator Ishaq Dar that he will achieve the production targets given in the restructuring plan.

The government is disbursing the committed amount as per plan to the management with the objective of converting this loss-making entity into a profitable national asset. However, PSM management has started writing letters to the Secretary Ministry of Industries and floating different proposals to delay privatisation process.

"Both the Secretary MoI&P and CEO, PSM are writing letters on this issue," the sources continued.

In a recent communication, PSM management stated that it would be more prudent to demonstrate capability of the plant to meet its capacity potential for investors to see before offering their bids. PSM management maintains that without demonstrated capacity utilization, investors will remain unconvinced of its potential.

"It would be sensible to either carry out essential repair of core equipment at a cost of Rs 7-8 billion in two years for a sustainable and reliable capacity or to upgrade/ expand to 1.5mypy production capacity in three years by spending about Rs 30 billion and then obtain the price of Rs 200-250 billion from its privatisation," the sources quoted the PSM management as saying in a recent letter to the Ministry of Industries.

The Finance Minister has informed the International Monetary Fund (IMF) that the government has appointed a professional board and approved a comprehensive restructuring plan in April 2014 to prepare for potential strategic private sector participation in the company.

The notified Chairman PSM Board Zafar Khan did not accept the position of chairman for personal reasons. The Prime Minister has appointed M. Ashraf Bawanay, MD/ CEO M/s Linde Pakistan and Mansure Khan, MD, M/s Pak Kuwait Investment Company as new members of the PSM Board.

Unconfirmed reports suggest that bureaucracy's "Lahori group" has not consulted the Ministry of Industries and Production prior to making appointment of new Board members. Minister for Industries and Production, Ghulam Murtaza Jatoi reportedly had no input.

IMF was assured that the government is working towards reforming or privatising Public Sector Enterprises (PSEs) focusing on limiting poor performance and improving public sector resource allocation.

Analysts who are closely monitoring the performance of PSM fear that the recently approved package of Rs 18.5 billion will be siphoned off, like the previous package of Rs 50 billion.

Chairman Privatisation Commission, Muhammad Zubair first refused to comment but later he stated that there is no truth in this story.

"We have reviewed with PSM management the progress regarding restructuring and the subsequent privatisation process. No three year delay request has been received from PSM management. We expect the mill to come to a level of 50 percent operational level. In the meantime the privatisation process will start in a couple of months' time," he added.

2. BRICS SHAKE UP GLOBAL ECONOMIC ARCHITECTURE

By creating their own multilateral financial institutions, the BRICS emerging-market powers are shaking up global economic governance but remain far from dismantling the post-war system dominated by the West. For the past 70 years, the International Monetary Fund and the World Bank have been the pillars of the world's economic system, coming to the rescue of countries in trouble and supporting development projects, respectively.

But the Bretton Woods institutions are regularly criticised for their inability to reflect the growing and important contributions of the major emerging economies to the global economy. China, the world's second-largest economy, continues to have just slightly more voting power in the IMF than Italy, about five times smaller. And, since their creation in 1944, the IMF and the World Bank have only been led by Americans and Europeans.

"Broader global governance reforms have become stalled, despite the many commitments made by advanced economies to emerging markets to give them a more prominent role in international financial institutions and other international forums," said Eswar Prasad, a trade policy professor at Cornell University and a former IMF expert.

In this context, the launch Tuesday of a development bank and an emergency reserve fund by the BRICS - Brazil, Russia, India, China and South Africa - appears to be a concrete attempt to address those inequities.

"If the existing institutions were doing their jobs perfectly, there would be no need to go to the trouble of creating a new bank, a new fund," said Paulo Nogueira Batista, who represents Brazil and 10 other countries at the IMF, in an interview.

The mere creation of the two BRICS institutions sends a strong signal to Western powers, where some doubt the ability of the five powerhouses to surmount their individual needs and ambitions. The launches "are significant actions that represent a game changer as they turn statements and rhetoric about co-operation among these countries into reality," Prasad said.

Still, many areas of uncertainty cloud the new BRICS structures, giving the IMF and the World Bank a long lead on their fledgling rivals.

For now, only the BRICS countries will be able to draw from the $50 billion in the New Development Bank and $100 billion in the Contingent Reserve Arrangement.

However, proof of the new institutions' effectiveness will come when other countries knock at their door for money.

"Will the BRICS take the financial risk to lend to other countries? And what conditions will they impose?" said an IMF official, who spoke on condition of anonymity.

Accustomed to bailing out a country, and being reimbursed, in exchange for austerity conditions, the IMF has the kind of expertise that "doesn't happen overnight," the official said.

Some also have concerns that the BRICS institutions - dominated by China - will be less careful about safeguarding the environment or fighting corruption when they make their financing deals.

Aware of their current limitations, the BRICS made a point to say they were working closely with the IMF. Some of their financing would be available only to countries already receiving Fund assistance.

Dilma Rousseff, the president of Brazil, said the creation of the BRICS institutions did not mean her country was moving away from the IMF. "We have not the least interest in distancing ourselves from the IMF," she said. "On the contrary, we wish to democratise it and make it as representative as possible."

Unsurprisingly, the Bretton Woods institutions responded with offers of co-operation. The IMF managing director, Christine Lagarde, said in a statement Wednesday that her staff would be "delighted" to work with the BRICS team on the reserve fund.

The World Bank, facing other new development rivals and undergoing a major internal restructuring, welcomed the arrival of an "invaluable partner" in the battle against poverty, a bank spokesman told AFP.

This display of friendliness, however, could in time give way to rivalries and battles for influence in the corridors of the 188-nation institutions, based in Washington. "The new institutions aren't created against anyone," said Nogueira Batista, the IMF representative. "But they are a first step toward a multilateral world."

3. THE RUPEE: SHARP FALL RESISTED

The rupee, somehow, managed to resist sharp decline against the dollar on the money market during the week ended on July 19. On the interbank market, the rupee drifted lower by 15 paisa in terms of the dollar for buying and selling at Rs 98.93 and 98.95, they said.

On the open market, the rupee depicted no change against the dollar for buying and selling at Rs 98.80 and Rs 99.00, while it picked up Rs 1.25 versus the euro for buying and selling at Rs 133.25 and Rs 133.50, they added.

The rupee moved in a narrow band versus the dollar, experts said. In the meantime, according to the State Bank of Pakistan (SBP), country's foreign exchange reserves fell to 14.513 billion from 14.637 billion dollars. "If dollar's demand emerges, how the rupee will tackle the situation, it is difficult to predict," they added.

According to the reports, SBP decided to leave its key policy rate unchanged at 10 percent for the subsequent two months. Reports said that in recent months the rupee remained stable as Pakistan has rebuilt its foreign exchange reserves following the successful sale of a two billion dollar Eurobond, an auction of 3G and 4G phone licenses, and an injection of cash from bilateral and multilateral lenders.

Besides, the exports showed decline in the recent months because of an appreciation in the rupee's value. In the meantime, it looks that rupee's value stabilised versus the dollar as the SBP directed exporters to bring back export proceeds within three months instead of six months or one-year.

INTER-BANK MARKET RATES: On Monday, the rupee shed four paisa against the dollar for buying and selling at Rs 98.78 and Rs 98.80. On Tuesday, it shed two paisa against the dollar for buying at Rs 98.80 and it also dropped by one paisa for selling at Rs 98.81.

On Wednesday, it recovered two-paisa against the dollar for buying at Rs 98.78 and it also gained one-paisa for selling at Rs 98.80, while on Thursday, it was down by four-paisa in relation to the dollar for buying and selling at 98.82 and Rs 98.84. On Friday, the rupee lost 11- paisa in relation to the dollar for buying and selling at 98.93 and Rs 98.95.

OPEN MARKET RATES: On July 14, the rupee gained four-paisa versus the dollar for buying and selling at Rs 98.80 and Rs 99.00; however it fell by 25-paisa in terms of the euro.

On July 15, it gained five-paisa versus the dollar for buying and selling at Rs 98.75 and Rs 98.95, and rose by 50-paisa against euro for buying and selling. On July 16, the rupee retained last levels versus the dollar for buying and selling at Rs 98.75 and Rs 98.95, while it managed to gain sharply by Rs 1.05 versus euro. On July 17, it recovered five-paisa against the dollar but shed five-paisa against euro.

On July 18, the rupee lost 10-paisa versus the dollar for buying and selling at Rs 98.80 and Rs 99.00, but gained Rs 1.10 against the euro.

On July 19, the rupee stayed put in terms of dollar for buying and selling at Rs 98.80 and Rs 99.00, and recovered gains of Rs 1.10 versus the euro for buying and selling at Rs 134.25 and Rs 133.50.

OVERSEAS OUTLOOK FOR DOLLAR: In the first Asian trade, the dollar edged up slightly against its Japanese counterpart though major currency pairs largely stuck close to recent ranges, as investors awaited events this week including Federal Reserve Chair Janet Yellen's congressional testimony for cues on the outlook for US monetary policy. The dollar was trading against the Indian rupee at Rs 59.99, the greenback was at 3.1770 in terms of the Malaysian ringgit and the US currency was available at 6.207 versus the Chinese yuan. Interbank buy/sell rates for the taka against the dollar on Monday: 77.60-77.60.

In the second Asian trade, the dollar edged up against the yen after the Bank of Japan tweaked its growth forecast lower, although currency moves were small as investors waited for Federal Reserve Chair Janet Yellen's congressional testimony later in the session. The dollar was trading against the Indian rupee at Rs 60.21, the greenback was available at 3.1790 in terms of the Malaysian ringgit and the US currency was at 6.2103 versus the Chinese yuan. Interbank buy/sell rates for the taka BDT against the dollar on Tuesday: 77.60-77.60.

In the third Asian trade, the dollar clung to modest gains after bulls latched on to a comment by Federal Reserve head Janet Yellen that rates could rise sooner if employment continued to improve.

The dollar was trading against the Indian rupee at Rs 60.17, the greenback was at 3.1905 in terms of the Malaysian ringgit and the greenback was available at 6.2075 in relation to the Chinese yuan. Interbank buy/sell rates for the taka BDT against the dollar on Wednesday 77.60-77.61.

In the fourth Asian trade, the euro wallowed at five-month lows against the yen and held near a two-year trough on sterling, having weakened broadly overnight in a move that should provide some comfort to the European Central Bank.

The dollar was trading against the Indian rupee at Rs 60.12, the greenback was at 3.1820 versus the Malaysian ringgit and the US currency was available at 6.2028 in terms of the Chinese yuan. Interbank buy/sell rates for the taka BDT against the dollar on Thursday: 77.58-77.60.

In the final Asian trade, the yen hit a five-month high versus the euro and held some of its overnight gains against the dollar as investors saw the currency as a safe haven after the downing of an airliner over Ukraine and the Gaza conflict stoked geopolitical tension. The Malaysian Airlines passenger jet was brought down over eastern Ukraine.

The dollar was trading against the Indian rupee at Rs 60.17, the US currency was available at 3.1880 in relation to the Malaysian ringgit and greenback was at 6.2042 versus the Chinese yuan.

At the week-end, the euro briefly dipped below $1.35 for first time since February. The currency shared by 18 nations has been declining for weeks and under pressure from speculation US

officials may raise interest rates earlier than markets expect next year. It traded as high as $1.37 on July 1 and on Friday was last at $1.35.

4. INDEX CROSSES 30,000 LEVEL

Karachi Stock Exchange registered a spectacular rally in the last two day of the outgoing week as the benchmark KSE-100 Index surpassed the psychological barrier of 30,000 points to hit an all-time high of 30,224.06 points. The index gained an overall 907 points during the week on strong triggers.

A mixed sentiment was seen at KSE throughout the week that ended on July 18, 2014. Despite uncertainty about the monetary policy announcement, investors remained active after Moody's raised outlook on Pakistan's economy to 'stable' from 'negative'.

Analysts at KASB Securities said the KSE-100 index breached the psychological level of 30,000, closing at 30,225, up 3.1 percent WoW. Volumes surged by 120 percent WoW supported by Moody's upgrade and start of results season, with average daily trading volume clocking in at 131 million shares. Average daily value rose by a staggering 175.4 percent WoW to Rs 7.44 billion. Portfolio investment moved up by a massive 192 percent WoW to $24.2 million, they said.

Cherat Cement, Thal Limited, ICI Pakistan, Kohat Cement and Bank Al-Habib Ltd were the top gainers while E.F.U. General Ins., Shezan International, Pak Services, Allied Rental Modaraba and Grays of Cambridge were the top losers this week, he added.

Major highlights of the week were DAP sales plunged on subsidy issue. Decision on increase in gas tariff put off. PSO be allowed to borrow more, ministry urged. Government borrowed over Rs 56.1 billion via PIB auction. Privatisation Commission (PC) board will approve Financial Advisors for PIA privatisation on July 21, he maintained.

Average daily value increased by 175.86 percent to Rs 7.448 billion during the outgoing week compared to Rs 2.7 billion a week earlier. Average daily volume also surged by 120 percent to 131.015 million shares against 59.551 million shares during last week. The market capitalisation gained Rs 183 billion to Rs 7.083 trillion up from Rs 6.901 trillion.

Raheel Ashraf, an analyst at JS Global, said after maintaining a positive momentum during the outgoing week, the KSE 100-index closed above the psychological level of 30,000. Moody's revision in the outlook of Pakistan's foreign currency government bond rating to stable from negative followed by revision in the rating of Pakistan's top five banks - ABL, HBL, MCB, NBP and UBL to stable from negative kept investors' interest in the market intact, he added.

Moreover, Pakistan Telecom (PTC) initiated the June-end result where it posted an earnings growth of 11 percent YoY with a cash dividend of Re 1 per share, he added.

Other key highlights of the week were Foreign Direct Investment (FDI) registered an increase of 12 percent YoY to $1.6 billion in FY14; Pakistan Investment Bond (PIBs) fetching Rs 56 billion against the target of Rs 100 billion; and textile exports amounting to $13.8 billion in FY 14 up by 3.9 percent, Raheel maintained.

On Monday, the stock market bounced back sharply and the benchmark 100 index surged by 387.01 points to close at 29,705 points.

On Tuesday, the equity market witnessed a mixed trend and the benchmark KSE-100 index plunged by 21 points to close at 29,683.97.

On Wednesday, the investors remained active and the benchmark KSE-100 index rose by 92 points to close at 29,776.17.

On Thursday, the share market crossed the psychological barrier of 30,000 points to close 30,177 points, up by 400 points.

On the last trading day of the week, Friday, the benchmark KSE-100 index hit an all-time high of30, 225 points, up by 48 points.

"As KSE-100 closed above the 30,000 points, we expect further upside targeting the 31,500 level in August. E&P, autos and cements are the preferred sector plays," analysts at BMA Capital said.

5. FUTURES SPREAD DOWN BY 208 BASIS POINTS

The futures spread decreased by 208 basis points to 8.35 per cent during the outgoing week ended on July 18, 2014. Trading activity on the future counter witnessed upward trend and average daily volumes surged by 197.3 percent to 11.78 million shares. The average daily trading value was stood at Rs 1.284 billion, up by 225.2 percent.

6. SBP LEAVES POLICY RATE UNCHANGED AT 10%

Despite the fact that most economic indicators show an improvement the State Bank of Pakistan decided not to change its policy rate (10 percent) because of a mild up-tick in the inflation rate, weak growth in deposits and the real interest rate being negative. The Central Board of Directors met in Karachi, on Saturday, with Governor Ashraf M. Wathra in the chair.

The Directors found very little connectivity between SBP's policy rate and the worsening governance issues, weakening security issues and increasingly troubling energy issues. It was noted that exports are stagnant and it could take a year for the country to take advantage of GSP- Plus and that new product lines would need to be developed within the textile sector. Further, the real cause of hemorrhaging of the budget remains the public sector enterprises (SOEs). It was noted that the improved foreign exchange position would provide stability and could kick-start the economy. But rising political uncertainty and potential repercussion of the ongoing North Waziristan operation could have negative repercussions. Therefore, SBP Directors felt that it was necessary to take a cautious approach and maintain the policy rate at 10 percent for the next two months at least.

A press release issued by SBP on Governor Wathra's Press Conference says: "The State Bank of Pakistan has decided to keep the policy rate unchanged at 10.0 percent. This was announced by the Governor SBP, Ashraf Mahmood Wathra, while unveiling the Monetary Policy Statement (MPS) for the next two months at a press conference held at SBP head office, Karachi. The decision was taken during a meeting of the Central Board of Directors of SBP held under his chairmanship in Karachi on Saturday. Henceforth, the Board has also decided to publish the summary of minutes of monetary policy proceedings of the Board meeting in four weeks.

According to Wathra, economic conditions are certainly better at the beginning of FY15 than a year ago but a detailed assessment of the economy indicates that challenges and vulnerabilities remain. Continuation of prudent policies and reforms are needed to build on positive developments and to achieve a protracted stability.

Governor SBP stated that SBP is effectively managing market sentiments by supplementing the monetary policy stance with calibrated liquidity operations in the interbank market, adding that "this has contributed in achieving stability in the foreign exchange market and in building foreign exchange reserves." This has also facilitated the shift in banks' investment from T-bills to PIBs, improving domestic debt maturity profile of the government.

Wathra said that despite significant injections by SBP, appetite for liquidity remained sufficiently high in the market. It resulted in higher short-term interest rates, making rupee liquidity more expensive. "This reduced pressure on exchange rate as it discouraged speculative holdings of foreign exchange and made trade financing through foreign currency deposits held by banks more attractive, " said Wathra.

He said a significant reduction in government borrowings from the banking system is contributing towards low inflationary expectations and has provided necessary space to the private sector to borrow from the banking system. However, persistent energy shortages and deteriorating security conditions hint at some risks to credit demand.

He maintained that sustainability of lower government borrowings from the banking system, including SBP, is contingent upon further reduction in the fiscal deficit and continuation of external financing, adding that government needs to watch the fiscal position of FY15 i.e. the revenue side cautiously.

Wathra said that the growth in domestic debt during FY14 had decelerated to 14.5 percent, which was significantly lower than the average growth of around 27 percent during the last three years. "This bodes well from the point of view of country's risk perception and could help in attracting investment in the economy."

He reminded that the increase in external borrowings since February 2014 had provided a much needed respite and a short-term stability to the balance of payments (BoP) position. These foreign inflows resulted in a capital and financial account surplus of $6.1 billion which comfortably financed the current account deficit of $2.6 billion and led to a significant increase in SBP's foreign exchange reserves. By 4th July, SBP's foreign exchange reserves had increased to $9.6 billion.

He said the increase in SBP's foreign exchange reserves brought about a shift in sentiments in the foreign exchange market and stabilised the exchange rate. "The Moody's Investors Service has revised the outlook on Pakistan's foreign currency government bond rating to stable from negative."

According to the Governor SBP, the impetus of positive sentiments together with continuation of an IMF programme and government's privatisation plan is expected to result in further strengthening of the external position in FY15. However, sustaining this trend in the medium term, especially in the post-IMF programme years, would require additional efforts and reforms.

He said that despite challenging security conditions and energy shortages, the real GDP grew by 4.1 percent in FY14. However, investment expenditures as a percentage of GDP have declined, which indicates erosion in economy's future productive capacity, he added.

Wathra said the average CPI inflation in FY14, 8.6 percent, was in a single digit for the second consecutive year. For FY15, the SBP expects average CPI inflation to remain in the range of 7.5 percent to 8.5 percent. "However, international oil price uncertainty and unanticipated price shocks pose risks to the inflation outlook," he concluded.

7. GOVERNMENT TRYING TO ADOPT POLICY TO CONTROL INFLATION

Punjab Food Minister Bilal Yasin has said that government is following a concrete and comprehensive policy to control inflation and facilitate the masses. He said that the Chief Minister Punjab himself is monitoring the performance of the administrations of all the Ramazan bazaars so as people should not face any sort of difficulty and have access to subsidised items.

He said that this monitoring and other government steps had helped controlling the prices of daily use items in these bazaars and people have access to eatables on government controlled rates.

Bilal was talking to consumers during his visit to different Ramazan bazaars here on Saturday. He claimed that there had been no increase in the prices of eatables rather these were available on controlled rates.

He directed the administration that it was their duty that consumers should have access to subsidised items. He said no leniency would be tolerated in this regard. He also claimed that 10 kilograms flour bag was available throughout the province in these bazaars at Rs 310 per bag.

Similarly, potatoes, sugar, tomatoes and fruits were available on control rates in these bazaars, the minister claimed and warned that nobody would be allowed to sell eatables on higher rates in these bazaars.

8. FPCCI LAUDS DECISION TO SELL SHARES OF PIA, FESCO

The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) on Sunday lauded the decision of the government to sell shares of Pakistan International Airlines (PIA) with management control. "Privatisation is the integral part of the ongoing process of economic reforms, which must be carried out very cautiously," it said.

FPCCI Vice-President Naima Ansari said that the sale of shares and transfer of management control of the bleeding state-owned entities (SOEs) would help government raise billions to reduce budget deficit besides saving Rs 500 billion per annum needed to keep these white elephants alive.

Speaking to the business community of Islamabad, she stressed on transparency so that the case of steel mills could not be repeated, which kept privatisation process stalled for nine long years.

Naima said that defaulters and developers should be kept away from the whole process and authorities should try to avoid charges of nepotism.

The human and strategic cost must be carefully weighed, as some enterprises were vital for national security while others were critical for providing employment, she stressed. "The government needs to dispel the impression that international lenders force developing countries to sell national assets at throwaway prices," she added.

Naima was of the view that the privatisation would not be of any help if the policy of supporting tax dodgers, assisting looters of public wealth and wastage of precious resources continued. "The country will soon have to carry the begging bowl again if funds rose from the sale of PIA and Fesco are wasted," she warned.

9. SBP EXPECTS FX RESERVES TO EXCEED $13 BILLION MARK

The State Bank of Pakistan expects the foreign exchange reserves to exceed 13 billion dollars by end June 2015 on the back of continued financial inflows. The main risks to this assessment, according to SBP, are uncertainty over international oil prices and possible delays in planned foreign inflows.

According to SBP, exports to grow in the range of four to six percent in FY15 while imports to rise by six to eight percent in FY15. This projection translates into a trade deficit of 17.1 to 18.4 million dollars i.e. 5.5 to seven percent of GDP. Assuming 1.2 billion dollars in CSF, 300 million dollars from the sale of 4G license and workers remittance of 16.5 billion dollars the external account deficit is expected to stay within one percent of GDP, SBP forecasts.

In addition, says SBP, planned privatisation of OGDCL and other public sector entities, planned issuance of the Eurobond ($ 500 million) and Sukuk ($ 500 million) in international markets and programme financing from multilateral donors under the IMF programme would also help in maintaining the upward trajectory in foreign exchange reserves in FY15.

Nevertheless, says SBP, the sustainability of the external sector in the medium term could become challenging especially in the post-IMF programme years. Sustaining the recent improving trends over the medium term needs additional efforts to ensure better law and order, address energy sector issues, carry out fiscal reforms and improve economic governance. This would restore investors' confidence and create non-debt creating inflows which remain at the heart of external sector sustainability, according to SBP.

10. ENERGY CRISIS RESTRICTS TEXTILE EXPORTS TO BELOW $ 14 BILLION MARK: PTEA

Acute energy shortage has badly hindered export growth and restricted textiles exports below the mark of $14 billion as it remained at $13.84 billion with growth of 3.9 percent in 2013-14 against last fiscal year. Textile exports to the European Union, however, increased by 18 percent but rest of the world registered negative growth of 3.5 percent.

Resenting on the situation, Sheikh Ilyas Mahmood, Chairman and Adil Tahir, Vice Chairman of Pakistan Textile Exporters Association (PTEA), said the textile sector could reap even greater benefits but severe energy crisis was the biggest issue besetting the industries that has slowed down economic activities and restricted the figures under $14 billion.

"In the fiscal year 2012-13, textile exports were $13.06 billion and we were confident to cross the bar of $15 billion this year, but severe energy shortage, lack of necessary funds, deteriorating economic conditions and negative edge of competitiveness in regional and global markets badly affected the industrial activities," they said. They appreciated 18 percent increase in textile exports to EU as it touched to $5 billion in outgoing fiscal. The factor behind this increase is just duty waiver facility by EU, they opined. GSP plus status, no doubt, a big achievement in outgoing year which provide some cushion to the sagging economy of the country, however, much will depend on the availability of a regular supply of gas and electricity to run the manufacturing units. Textile exporters will not be able to get complete benefit from the duty free access unless the government takes serious measures to resolve energy shortage that holds back the textile industry, they added.

PTEA Chairman Sheikh Ilyas Mahmood expressed grave concerns over 3.5 percent negative growth in textile exports for other than EU. Terming declining trend of investment in textile sector compared to other regional countries a matter of serious concern, he urged to the government to redesign and bring consistency in policies on taxes, ensure availability of energy, bring interest rate down and release the liquidity on drawbacks and refunds as the textile sector is the only hope for revival of the economy. With better access to the EU market, Pakistan is expected to add at least $1 billion to textile exports every year and would achieve $25 billion mark in five years, however, he continued to demand better energy supplies to achieve their export targets. Commenting on the coming textile policy, he said it should encapsulate the entire textile spectrum providing directions for financial and industrial facilities as well as removing hurdles and provision of necessary incentives to value added sector to enhance textile exports. Key initiatives of previous textile policy were not fully implemented as the government discharged only Rs 28 billion against the commitment of Rs 188 billion, he added.

Ambitious export target was fixed without giving due thought sluggish industrial and trade business environment which remained unachieved. The textile policy also guaranteed to dispense regular supply of gas and power to the textile industry. However, it has failed to provide this as large number of textile units have shut operations due to energy constraints, resulting in huge loss to the industry.

The PTEA urged the government to resolve the crisis as challenges like energy crisis, high interest rate, liquidity crunch, and financial stress was holding this mainstay of national economy back from growing up to full potential. The government should concentrate upon some truly

visionary steps and address genuine concerns of the industry with innovation and extraordinary solutions in the upcoming textile policy.

11. CORPORATE TAX TO BE SCALED DOWN TO 30 PERCENT IN 5 YEARS: FBR

The Federal Board of Revenue has said the government is committed to reducing the corporate income tax to 30 percent in 5 years, by reducing it 1 percent every year. According to the income tax circular 2 of 2014 issued by the FBR, prior to Finance Act, 2013, the rate of tax for companies other than banking companies, was 35 percent. However, through the Finance Act, 2013, the Government has committed to reduce the same to 30 percent in 5 years, by reducing 1 percent every year.

In line with the comment, the rate of tax for Tax Year 2014 was reduced to 34 percent through Finance Act, 2013 and now, through the Finance Act, 2014, the rate of tax for companies, other than banking companies has further been reduced to 33 percent for the Tax Year 2015.

The FBR said that 50 percent reduction in tax liability is available for a taxpayer of the age not less than 60 years on the first day of that tax year if the taxable income, other than income on which tax deduction is final, does not exceed one million rupees. A similar reduction has been provided to the disabled persons through the Finance Act. 2014 winch provides that persons holding a National Database Registration Authority's Computerised National Identity Card for disabled persons, the tax liability shall he reduced by fifty percent if the taxable income of the disabled person in a tax year other than income on which the deduction of tax is final, does not exceed one million rupees.

Prior to the Finance Act, 2014, the rate of collection of tax under section 236 was 15 percent in the case of subscribers of mobile or sale of telephone and prepaid telephone cards or bill price of pre-paid sale of units through any electronic telephone card, medium or whatever form. The rate has been reduced to 14 percent through the Finance Act, 2014.

The FBR said that the section 236D "as introduced through the Finance Act, 2013 as per which 10 percent advance tax was collected on the total amount of bill from a person holding or arranging a function or a gathering.

Although, the tax collected was adjustable against the 'tax liability of the year, the rate of 10 percent was perceived higher in certain categories of project in Sindh supplying coal exclusively to power generation projects are exempt from income tax.

In order to attract foreign direct investment, tax rate for a company setting up an industrial undertaking other than a banking company shall be 20 percent if 50 percent of the cost of the project including working capital is financed through owner's equity through foreign direct investment, i.e., foreign remittance through normal banking channels.

This is subject to the condition that industrial undertaking is set up between July 1, 2014 to June 30, 2017. The reduced rate of 20 percent shall be available for a period of five years

beginning from the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later, the FBR added.

Note; this is an information message and the firm takes no responsibility for any omission or error. Before taking any action under law, please consult us.
Regards

Fazal Mahmood FCA, FCA (England & Wales), FPA
Senior Partner
FAZAL MAHMOOD AND COMPANY (Member Firm of *jhi* **&** *TASK International***)**
CHARTERED ACCOUNTANTS

Address: 147-Shadman Colony 1
Lahore, 54000
Pakistan

Telephones: +92-42-37426771-3
Cell Number: +92-300-8477383
Facsimile: +92-42-37426774

Website: www.fmc.com.pk