# News Alert

## Daily Updates

## Wednesday, December 19, 2012

# News Contents

# Taxation: *Pakistan*

# Transfers and postings in FBR

December 19, 2012

The Federal Board of Revenue (FBR) has transferred and posted 3 officials of Pakistan Customs Service (Grade-19) with immediate effect.

According to a notification issued here on Tuesday, Syed Tanveer Ahmad (Pakistan Customs Service/BS-19), Collector, (OPS) Model Customs Collectorate of Port Muhammad Bin Qasim, Karachi has been posted and transferred as Project Director, (OPS) WeBoc Project, Karachi; Dr Jawwad Owais Agha (Pakistan Customs Service/BS-19) from Collector, (OPS) Model Customs Collectorate of Exports, Karachi to Collector, (OPS) Model Customs Collectorate of Port Muhammad Bin Qasim, Karachi and Wasif Ali Memon (Pakistan Customs Service/BS-19), Additional Director, Directorate of Intelligence & Investigation, FBR, Karachi has been posted and transferred as Collector, (OPS) Model Customs Collectorate of Exports, Karachi.-PR



# FBR's disciplinary action on FTO orders: LHC disposes of tax official's petition seeking stay

December 19, 2012

Lahore High Court (LHC) has disposed of a writ petition filed by a tax employee of the Regional Tax Office (RTO) Multan against the Federal Tax Ombudsman (FTO) Dr Muhammad Shoaib Suddle seeking a stay of disciplinary action/inquiry initiated by the Federal Board of Revenue (FBR) against him as per directions/recommendations of the FTO.

The FTO had taken punitive action against IR officials of RTO, Multan, accused of taking bribes from taxpayers and asked the Chairman NAB to initiate a criminal investigation.

The Punjab chapter of NAB had already ordered persons concerned to attend inquiry proceedings under Section 19 of the National Accountability Ordinance of 1999. A tax employee filed a writ petition before the LHC seeking stay, contending that his appeal was pending before the President.

According to official documents, M/s Umer Trading through Javeria Sohail Amin, M/s Jeddah Traders and Zamindara Corporation of Gaggoo Mandi, Burewala through Sohail Amin registered their complaints to the FTO through their counsel Waheed Shahzad Butt, against maladministration of RTO Multan officials.

The case is first of its kind where the FTO forwarded a copy of his recommendations to the Chairman NAB for initiating a criminal investigation. At the same time, the FTO also directed the FBR to take disciplinary action against the relevant RTO-Multan officials involved in demanding bribes from taxpayers, sources said.

These complaints are against illegal and arbitrary demand of tax Rs 21,418,998 ostensibly raised under Section 161 of the Income Tax Ordinance, 2001, extortion of Rs 200,000 as bribe and raising a further demand for additional tax of over Rs 3,000,000.

According to the FTO's findings, although complainants' grievance to the extent of illegal tax demand had been redressed after the intervention of the Federal Tax Ombudsman, the alleged acts of omission and commission committed by officials of RTO, Multan, tantamount to maladministration as defined under Section 2(3) of FTO Ordinance 2000.

The FTO has recommended the FBR to take necessary corrective/disciplinary action as provided under section 13 of the FTO Ordinance against the relevant officials, and give compliance report within 30 days. On merit, the Dept first defended the action under Section 161 as justified, denying that the Complainants had been discriminated against in any manner but during the course of complaint proceedings successor Commissioner IR himself vacated/deleted the whole demand of tax under section 122A well before disposal of complaints by the FTO.

This contention of the complainant ultimately proved correct, when, during the course of investigation, the department vacated the orders passed by Inland Revenue Officer (IRO). The concerned IRO initially justified the tax demand raised by him, as also his refusal to rectify the tax demand. However, when confronted with the evidence that he himself at one stage had advised the Commissioner Inland Revenue, Saleem Raza Asif, and his successor, Basharat Ahmad Qureshi that the tax demand raised under Section 161 of the Ordinance was not tenable in law and needed to be struck down, IRO acknowledged that the tax demand was indeed bereft of any objective basis and need to be vacated, FTO order added.

The said tax employee IRO had also filed a Writ Petition before the LHC seeking stay of investigation by the NAB authorities, but the said writ was disposed of by a Division Bench of LHC. The same tax employee, IRO of RTO, Multan, moved a writ petition against the FTO order, seeking a stay of disciplinary action/inquiry initiated by the FBR, which had now been dismissed by the Chief Justice Lahore High Court.



# Pral and I&I restructuring: FBR not paying heed to FTO advice: experts

December 19, 2012

SOHAIL SARFRAZ

The Federal Board of Revenue is delaying implementation of a crucial recommendation of the Federal Tax Ombudsman (FTO) Dr Muhammad Shoaib Suddle to restructure Pakistan Revenue Automation Limited (Pral) and Investigation & Intelligence preventing sales tax frauds in future.

Tax experts told *Business Recorder* on Tuesday that FTO had recommended restructuring of the PRAL transforming them into proactive agents of sales tax fraud prevention and detection and set up a task force to investigate all aspects of sales tax fraud. The FTO has given these instructions on a complaint filed by a Lahore-based tax lawyer Waheed Shahzad Butt in C.No 192/LHR/ST(48)/390/2012 dated 23.08.2012.

They said that FBR has neither preferred representation before the President under section 32 of the FTO Ordinance, 2000 nor any review has been filed before the FTO, however, implementation on the recommendations issued by the FTO are pending despite lapse of three months.

The complainant has referred to the role of PRAL as being especially suspect. Moreover, reports published in the media also suggest that a significant number of accounts of existing registered sales tax persons may have been deliberately created as dummy entities for use in input tax scams.

FTO has also asked the FBR to set up a task force to investigate all aspects of sales tax fraud and propose effective countermeasures. Other than this, the FBR has been asked to review Investigation and Intelligence staffing policy and ensure that only highly qualified professionals with demonstrated expertise in uncovering cases of online crime be assigned key investigative roles.

FTO has instructed the FBR to proceed against tax employees found involved in perpetration of fraud, particularly those in higher ranks. The FBR has been asked to hire high quality prosecutors to handle complex tax fraud prosecutions. Dr Suddle asked the FBR to enable prospective buyers to deal only with legitimate sellers. He termed the procedure for blacklisting and listing as inactive must be telescoped so that doubtful firms do not remain in the field to dupe innocent buyers.

The FTO asked the FBR to implement the recommendation within three months and report implementation to the FTO office. During the investigation, the FTO found that sales tax fraudsters in Pakistan have become adept at targeting the online system of claiming input tax credit but after the lapse of three months order is still unimplemented.

Lack of sufficient pre-registration checks is a critical reason why criminal elements get so many dummy entities registered with relative ease. As online registration is the first step for a participant in the automated sales tax system, it is only reasonable to expect that due attention is paid to build effective checks in the system. PRAL does not appear to have learned lessons from the ease with which dummy entities have been set up in the past. Moreover, Investigation & Intelligence kept suspect registered persons active long after their fraud was discovered. It needs to take up the matter with PRAL so that ways could be found to 'red flag' a suspect entity at the earliest possible stage in the fraud chain, thereby giving a timely warning to potential buyers.

The FTO finds that both PRAL and Investigation & Intelligence appear to have failed in devising an effective automated online system for registered sales tax persons. Complicity of rogue tax employees with outside criminal elements has not been ruled out.

The complainant mentioned that a feature of the existing e-FBR Web Portal is the categorisation of registered sales tax persons as active and inactive. This categorisation is meant to act as a ready reckoner for the purchasers of goods to determine whether there were at any risk attached to making purchases from the registered sales tax persons listed as suppliers of goods. In other words, a person involved in issuance of fake invoices would have to be listed as inactive. In practice, however, the system does not work in such a manner as to be of any practical assistance to intending purchasers of goods. This is because many registered persons, who are known to have indulged in tax fraud, manage to remain listed as active taxpayers long after their fraudulent practices have been discovered. Resultantly, numerous innocent purchasers of goods end up interacting with them. By the time they discover that their sales tax payments are not getting deposited into the government account, it is often too late, expert said.

The complainant further pointed out that it is not a simple case of hacking into a system. The deliberate creation of dummy entities, for instance, illustrates that all this cannot happen without insider involvement.

According to the FTO decision, when confronted, both Pral and Investigation & Intelligence responded to the points raised by the complainant. PRAL emphasised the important role it had played in setting up a complex, electronic system to facilitate fraud-free transactions involving payment of sales tax. It claimed to have created the right tools to detect tax fraud within the e-FBR system. Downplaying the complainant's suspicions of Pral's involvement in aiding and abetting criminal elements in sales tax fraud, it was pointed out that PRAL was only a technology provider and a responder to departmental requirements by design, implementation and maintaining e-systems according to given specifications. It had no direct role in the day-to-day working of field formations. Investigation & Intelligence also did not provide any insight on how the fraud could have been perpetrated on such a scale without access to passwords, pin codes and user IDs that are created and maintained by Pral, they added.

# Taxation: *World*

# Boehner holds troops in line on 'fiscal cliff' deal talks

December 19, 2012

A deal to avert a "fiscal cliff" of US tax hikes and spending cuts looked closer on Tuesday after House of Representatives Speaker John Boehner kept the support of his Republican colleagues for compromises in talks with President Barack Obama.

Despite concerns of a revolt by Republicans in the House, Boehner emerged from a meeting with his members unscathed and pledged to press forward on negotiations with the White House. Boehner's concession last week to consider higher tax rates on the wealthiest Americans - an idea long fought by his party - signalled that a deal was possible ahead of a year-end deadline.

Republican Representative Darrell Issa, a key committee chairman, said House Republicans "were supportive of the speaker. ... I saw no one there get up and say, 'I can't support the speaker.'" Boehner is the top Republican in Congress. Boehner told reporters after meeting his caucus - which includes a core of fiscal conservatives aligned with the Tea Party movement opposed to tax hikes - that Obama's latest offer on taxing the wealthiest Americans is "not there yet," but he remained hopeful of an agreement.

In a major concession to Republican demands, Obama on Monday offered to set a $400,000 threshold for incomes that would face tax increases with the expiration at the end of the year of low tax rates enacted under former President George W. Bush. Obama had previously insisted on setting the threshold at $250,000. Boehner has been seeking a level of $1 million. Analysts said the two may compromise on $500,000. Obama and Boehner are working to avert steep tax hikes and deep spending cuts set to begin taking effect next month. Known as the "fiscal cliff," the measures could trigger another recession, economists warn.

As negotiations have largely overcome ideological differences and turned to increasingly narrow disagreements over numbers, markets turned upward on hopes of a deal. World shares moved toward a three-month high on Tuesday and weakened appetite for safe-haven bonds and the dollar. The benchmark Dow Jones industrial average of 30 major US industrial stocks was up less than 1 percent. The gain followed a steep rally in the previous session.

**'PLAN B'**

As both parties tried to digest details of a possible agreement, Boehner put forward what he called "Plan B" legislation. If brought to the House floor, the bill would let Republicans show that they worked to keep income tax rates low on most Americans. For weeks they have feared a public backlash against them if tax rates rise on January 1. Boehner said a vote on a Republican bill along these lines could come as early as this week in the House.

Obama could face unrest from rank and file fellow Democrats. Liberal Democrats are likely to oppose a key compromise he has offered to permit shrinking cost-of-living increases for all but the most vulnerable beneficiaries of the Social Security retirement program.

The president's proposal calls for using a different formula, known as "chained Consumer Price Index," to determine the regular cost-of-living increases and essentially reduces benefits.

Obama on Monday conceded allowing the extension of low income tax rates begun during the Bush administration for incomes up to $400,000 per household. He had previously insisted setting that cut-off at $250,000. Boehner had earlier conceded to agreeing that Bush-era tax rates can expire for the wealthiest Americans, after opposing for months tax rate increases of any kind. He proposed setting a $1 million income threshold for raising rates.

Some analysts expect a compromise could come at $500,000. "That still looks like a safe bet," said Greg Valliere, chief political strategist at Potomac Research Group. Obama also moved closer to Boehner on the proportion of a 10-year deficit reduction package that should come from increased revenue, as opposed to cuts in government spending. Obama is now willing to accept a revenue figure of $1.2 trillion, down from his previous $1.4 trillion proposal.

# Business & Economy

## Pakistan allows 500,000 tonnes sugar exports

Tuesday, 18 December 2012 20:20

Posted by Shoaib-ur-Rehman Siddiqui

ISLAMABAD: Pakistan has allowed another 500,000 tonnes of sugar exports, the government said, bringing the total to 1.2 million so far this year, as it seeks to generate foreign exchange for state coffers and revenue for cash-strapped mills.

Pakistan returned to the export market earlier this year for the first time since 2009 and is becoming a significant exporter in Asia after Thailand. Its mills often sell abroad at a discount, which can exert downward pressure on global prices.

The latest tranche of exports has no quantitative restrictions on individual mills, but exporters need to ship quantities within 90 days after registering for exports, a government statement said on Tuesday.

"For the government and for mills, allowing exports was necessary. The government needs foreign exchange; mills need cash to pay farmers," said Muhammad Najib Balagamwala, chairman of Karachi-based SeaTrade group.

He said the fact there is no individual quota for mills would speed up exports.

"Currently export deals are getting done at $508 to 530 (per tonne). Saudi Arabia, Sudan, East African countries and Afghanistan are buying sugar," Balagamwala said.

March white sugar on Liffe was down 0.25 percent at $519.50 per tonne on Tuesday.

"Local prices are weak. To make money mills can offer a discount," an exporter based in Karachi said.

Pakistan is likely to produce 5 million tonnes of sugar in the October 2012 to end-September 2013 season, against local demand of around 4.3 million tonnes.



## Shipment of 55000 mt coal from Australia reaches at PS jetty

Tuesday, 18 December 2012 20:17

Posted by Shoaib-ur-Rehman Siddiqui

KARACHI: A ship carrying 55,000 metric tons of coal for Pakistan Steel (PS) reached Port Qasim after a long journey from Australia, said a spokesman of Pakistan Steel (PS) here on Tuesday.

He said that unloading of coal has been started through the 4.2 Km conveyer belt from Port Qasim Jetty to Pakistan Steel raw material stockyard.

He said that government is taking keen interest for the revival of PS and the procurement of raw materials from the bailout package is successfully started by PS management.

He added that the shortage of raw materials is the major cause of all problems currently facing by PS and management is fully exercising to solve this problem, as once the supply chain of raw material is started then all problems will be solved.

This coal was purchased from an Australian company through a long term contract with Pakistan Steel. Regarding iron ore availability PS spokesman said that the management achieved great success.In iron making process during the shortage of imported iron ore with the utilization of local iron ore.

He said that about 0.1 million tonns of local iron ore from Balochistan has been utilized by PS in this financial year.On the other hand two contracts of imported iron are finalized and about 30,000 metric tonns of iron ore will reach PS in next 20 days.

He added that many tenders for procurement of iron ore are under process, after completion of all legal paper work process two contracts of more than 100,000 metric tons of imported iron ore will be finalized.



# KCCI invites Romanian investors

Tuesday, 18 December 2012 18:42

Posted by Shoaib-ur-Rehman Siddiqui

KARACHI: The Karachi Chamber of Commerce and Industry (KCCI) President Muhammad Haroon Agar has asked the Ambassador of Romania to invite Romanian investors to invest in Pakistan.

Exchanging views with the Romanian Ambassador to Pakistan, Emilian Ion,he highlighted the real and true potential of Pakistan with all its strengths.

A KCCI statement here on Tuesday said that Agar stated that Romania is a seventh largest European Union market and has enormous potential for Pakistani products especially in textiles.

He was of the view that there is an excellent opportunity for Pakistani entrepreneurs to collaborate in textile and leather sectors in Romania.

KCCI chief was of the view that Pakistan can supply cotton yarn and fabrics for processing and value addition in Romania.

He said that Pakistan has benefited a great deal from Romania in industrial equipment for cement factories, refinery, power equipment, agricultural equipment,transport means and machine tools.

Agar pointed out that Romania has been importing textile goods, leather, rice, and other food products, confectioneries, pharmaceuticals, sports goods from Pakistan.

He added the current level of overall bilateral trade is insignificant.Similarly, Pakistan may constitute an access gateway for Romania to SAARC region and Central Asian Republics, he stated.

Pakistan as a profitable destination for investors and offers attractive packages to Romanian investors for increasing capital inflows just as it happened in the past through their comprehensive technical offers in oil-refining, cement factories, power equipment, food, metal and wood processing in machinery, agricultural machinery etc.

He appreciated the initiative of Pakistan-Romania Business Council constituted to facilitate the business persons of both countries under the patronage of Romanian Ambassador.

He also invited Romanian exhibitors through Ambassador to participate in KCCI annual `My-Karachi, Oasis of Harmony' Exhibition scheduled to be held in July 2013 which is a showcase and B2B & B2C platform wherein local and foreign exhibitors participate.

He assured the Karachi Chamber's best support and cooperation for match-making with their Pakistan counterparts, particularly KCCI members with Romanian businesspersons.

Ambassador of Romania to Pakistan, Emilian Ion, recognized the KCCI's vital role as leading Chamber in the promotion of trade and industry and for socio-economic development of Pakistan.

He said that Pakistan and Romania enjoy good political relations however, the bilateral trade volume needs to be enhanced as per existing trade potential.

Romanian exports to Pakistan in 2011 were $46mn while the imports from Pakistan were $22mn and total volume of trade in 2011 stood around $68mn.

Top three Romanian exports to Pakistan were plants and products of plant, electrical devices and parts whereas as top three imports from Pakistan were textile products, livestock, plastic and rubber products.

He was of the view that exchange of business delegations was imperative to explore bilateral trade prospects.

The initiative to establish Pakistan-Romania Business Council was to bridge together the business communities of two countries and explore new avenues of commercial cooperation and organizing of single country exhibitions in respective countries, he informed.

Senior Vice President KCCI Shamim Firpo, Vice President Nasir Mehmood and Managing Committee Members and Chairman of Pakistan-Romania Business Council Sohail Shamim Firpo also participated in the meeting.



# Initiative to facilitate vegetable markets of Muslim countries

Tuesday, 18 December 2012 15:35

Posted by Parvez Jabri

MULTAN: Secretary General Federation of Pakistan Chambers of Agriculture and Livestock (FPCAL), Faqeer Nusrat Hussain, said on Tuesday that Islamic Bank would spend a huge amount to introduce Internet linkage among Islamic countries on information sharing on food and agricultural products and their trade.

Addressing a ceremony at the Bahawalpur Chamber of Commerce and Industry, he said there would be food security issues in future in Asia and especially in Islamic countries.

He said the Federation of Chambers of Agriculture and Livestock would organise a three-day exhibition at Musqat, Oman, from January 21, 2013, where agricultural produce through tunnel farming including vegetables, flowers, fresh fruits, dried fruits and chilled meat would be displayed.

He said that they would also organise exhibitions in Indonesia in February and in Sri Lanka in March.

Faqeer Nusrat urged farmers to grow quality products earn handsome returns. "There is a huge potential in vegetable and fruit markets of Muslim countries," he added.

Local progressive farmers, breeders and industrialists demanded creation of an export processing unit in Bahawalpur to facilitate traders of south Punjab.

They also called for organising international agriculture festivals in Multan and Bahawalpur to attract foreign investors to boost local agriculture and livestock.

Vice President Chamber of Commerce and Industry Bahawalpur Iftikhar Ameen, Secretary General Jameel Arshid, Dr Rana Tariq, President Chamber of Agriculture and Livestock Syed Fida Hussain Shah, Vice chairman PCG Bahawalpur circuit Naveed Arshid, progressive farmer Azra Shiekh and others participated in the programme.

# FPCCI expresses concern over rupee situation

Tuesday, 18 December 2012 14:51

Posted by Parvez Jabri

ISLAMABAD: The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) on Tuesday expressed grave concern over continued fall of rupee against dollar terming it harmful for the economy.

Blaming policy and political uncertainty, Tariq Mehmood, Director Pak-UK Business Council said that SBP interventions to stabilise rupee has left much to be desired which call for additional measures.

Government should immediately convene a high-level consultation with all stakeholders to check the decline of rupee which has plunged to life-time low, he demanded.

Talking to business community, he said that a 50 basis points cut in key interest rate has failed to excite investors at Karachi Stock Exchange which indicated suppressed sentiments. Insecurity has been pushing investors to the safe-haven US currency which is depreciating local unit with fast pace, he said.

Tariq Mehmood said that government should immediately take business community into confidence with the help of national business leaders.

We cannot afford to have one of the worst-performing currencies in Asia which is result of deficits and lack of capital inflows, depletion reserves to 8.6 billion, flight of capital, and failure to push through economic reforms.

Prolonged local currency weakness has been reversing optimism among local and foreign investors as little has been done to fix economic imbalances, said Tariq Mehmood, who is also former president Attock Chamber of Commerce.

Pessimism prevails as many think that policymakers lack a coherent plan to stabilize the currency which will force business community to start looking at opportunities in other countries, he warned.

Tariq Sayeed, former president of FPCCI and Saarc CCI, can play an important role at this critical juncture that supports immediate auction of 3G licence to generate non-tax revenue to boost forex reserves, he said.

# PARC, FAO to organize Farmers Share Mela

Tuesday, 18 December 2012 13:32

Posted by Parvez Jabri

ISLAMABAD: Pakistan Agricultural Research Council (PARC) in collaboration with Food and Agriculture Organization (FAO) of the United Nations is organizing a Farmers Share Mela to promote the agri-sector of the country.

The event will be held here on December 19 (Wednesday) at National Agriculture Research Center (NARC) where agriculture experts from public and private sector organization would share their knowledge and experience to produce cost effective high yielding crops.

The non governmental organizations, progressive farmers, farmers organization from the provinces including Azad Jammu Kashmir will participate in the mela to share their expertise and demonstrate the latest technologies and advancement in the agro-livestock sector in the country.

The PARC and NARC scientists and agriculture experts will enlightened the growers about the latest techniques of irrigation like sprinkle and drip irrigation system besides efficient use of other inputs like fertilizers and pesticides and cultivation of quality seeds to enhance per acre crop out put for maximizing the farm income to alleviate poverty from the country.

Besides, the private sector organization producing different tools of agriculture will introduce their technology with the farmers for mechanization and modernization of the agri-sector of the country.



# Shopkeepers displaying NTNs to face no action: FBR

Tuesday, 18 December 2012 11:20

Posted by Imaduddin

RECORDER REPORT

ISLAMABAD: The Federal Board of Revenue will ensure that the field formations of the Regional Tax Offices (RTOs) would not harass compliant taxpayers including business units, shopkeepers and retail outlets, etc, who would display their National Tax Numbers (NTNs) outside the business premises prominently.

It is learnt here on Monday that the assurance has been given by Chief Commissioner Regional Tax Office (RTO) Aftab Ahmed during a meeting with the delegation of the Rawalpindi Chamber of Commerce and Industry (RCCI) led by the president Manzar Khurshid Sheikh at his office here.

FBR official said that the tax department wanted to create a friendly atmosphere for compliant taxpayers who are ready to display their NTNs as per provisions of the Income Tax Rules. The tax department would ensure that the staff should not visit or create any problem for the taxpayers, who would voluntarily display their NTNs outside their business premises and shops/retail outlets. They would be facilitated by the tax department for complying with the tax laws.

The Chief Commissioner Regional Tax Office (RTO) Aftab Ahmed has said that all the problems of business community regarding income tax and sales tax will be resolved on priority basis.

He said that RTO will promote friendly atmosphere for taxpayers and facilitate them in every possible way to generate maximum revenue. ”Display of income tax certificate or national tax number is mandatory for every businessman at his/her business center to avoid any untoward situation”, he added.

Aftab Ahmed said that broadening of tax base is the common demand of the business community and the government to generate revenue for the motherland, reducing the burden on the existing taxpayers. He said that soon computer software would be provided to business community for better management of their accounts.

Speaking on the occasion, President RCCI Manzar Khurshid Sheikh said that business community is facing immense problems in E-filing of income tax and sales tax returns and demanded of the RTO to immediately resolve the issue for betterment of the said community. He said that taxpayers are facing tremendous problems on change of Tax Form every year adding that Tax Form must be changed after five years and it should be in easy language to avoid any difficulty in filling the form. Manzar Khurshid said that business community supports government stance of broadening the tax base to reduce pressure on existing taxpayers.

Senior Vice President Pervaiz Ahmed Warraich, Vice President Nadeem Rauf, group leader Najamul Haq Malik, former presidents and members’ executive committee were also part of the delegation.

# Industries & Sectors

# Rs910mn detection bill charged from power pilferers

Tuesday, 18 December 2012 19:56

Posted by Shoaib-ur-Rehman Siddiqui

LAHORE: Lahore Electric Supply Company (LESCO) Chief Executive Officer Muhammad Saleem said on Tuesday that the Company charged a total of Rs. 910 million as detection bill from power pilferers in the recent campaign to control power theft.

Briefing media here at LESCO Headquarters, he said that strict action is being taken against the power thieves irrespective of their social status or political association, while, the LESCO was also taking to task the officers and other staffers involved in over-billing.

He said the LESCO has also initiated an effective check and balance system to control power theft, citing that in a mega campaign against power pilferage, the Company detected theft of electricity in various localities of the provincial metropolis and charged a total of Rs. 910 million as detection bill from the violators. While, strict departmental action has also been taken against 33 LESCO officials, who were found involved in the power theft, he added.

To a question, the CEO said that LESCO has constituted Special Squads consisting of officials from the Company's sections of Surveillance and Investigation, and Metering and Testing as well as its security personnel. An Assistant Director, he added, has also been tasked to join the Squad during raids against power thieves.

"Yes, the LESCO takes on spot departmental action against its erring official by issuing them a charge-sheet or a show cause notice as the case may be," he responded to a questioner.

Muhammad Saleem said that LESCO is the major distribution company having 21 percent quota from the national grid, claiming that its recovery rate is very high, while the line losses are very low when compared to other distribution companies of the country.

To another question, he said, the LESCO is observing three and six hours' load-shedding for domestic and industrial consumers respectively. "We have to suspend electricity supply for a few hours in surrounding areas of the under construction Metro Bas Service project and some other projects in the metropolitan city, however, such outages should not be assumed as load-shedding."

To a query, he said that Punjab government has yet to pay a total of Rs. 6.015 billion electricity bill, while the federal government has an outstanding power bill of Rs 530 million with its Pakistan Railways Department has to pay Rs 43 million electricity charges.

The LESCO Chief also urged the public to ensure minimal or necessary use of electricity and also help the Company in its efforts to control power theft to end the menace of load-shedding, which is hitting almost every sector of life.

He also urged the media to play its effective role in the LESCO's campaign to knockdown the electricity stealers.

Provision of all possible facilities to its consumers is the top priority of the LESCO, which is utilizing all its resource to fulfill this task, he maintained.



# PR has capacity to repair eight engines monthly

Tuesday, 18 December 2012 14:32

Posted by Parvez Jabri

ISLAMABAD: Pakistan Railways (PR) has the capacity to repair around 8 engines every month, subject to availability of spare -parts and funds.

An official of Pakistan Railways told APP that Railways workshop had repaired numbers of locomotives, which would be used in freight service and for passenger purposes.

He said work on dualization of Lodhran-Sahiwal track has been completed while dualization of Raiwind- Sahiwal section is underway.

The official mentioned that the completion of this project would help reduce travelling time between Lahore and Karachi.

To a question he said according to an estimate, running about 15 to 20 goods trains can steer the Railways out of prevailing financial crunch if operated on regular basis.

Work on replacement of obsolete signalling system on Lodhran-Shahdara Bagh section would be completed by 2013.

The PC-1 for the project of replacement of Old Obsolete Signalling Gear (OBSG) on Ladhran-Shahrara Bagh section was approved by Executive Committee of the National Economic Council (ECNEC) on Feb 6, 2008 at a cost of Rs10.720 billion including FEC Rs7.899 billion.

The contract agreement was signed with the consortium of M/s Bombardier Sweden and China Railways Signal and Communications Corporation (CRSC) on December 30, 2009. Islamic Development Bank has agreed to give US$ 140 million for the project.

Under, computer based interlocking (CBI) with colour light signals and electric Point Machines would be provided at 31 Railway stations including the cities of Lodhran, Shujaabad, Multan, Khanewal, Mian Channu, Chichawatine, Sahiwal, Okara, Pattoki, Raiwind and Lahore.

Auto Bock System on 433 km length along with Railways track and Automatic Train Protection (ATP) system in 160 Diesel Electric Locomotives will be provided on Lodhran Shahdrara Bagh section.

With the ATP system, train would stop automatically before red signal in case the train driver fails to apply brakes due to any reason, he added.

To a question he said Public private partnership is being introduced for good governance in Railways; as it would bring transparency in the ticketing system.



# Shipping activity at Port Qasim

Tuesday, 18 December 2012 14:07

Posted by Imaduddin

KARACHI: Five ships carrying cement, chemical, coal and furnace oil were allotted berth at Multi Purpose Terminal, EVTL, IOCB and FOTCO Terminals during last 24 hours.

Meanwhile three more ships scheduled to load/offload containers and diesel oil also arrived at outer anchorage of Port Qasim during last 24 hours, said PQA press release on Tuesday.

Berth occupancy was 55% at the Port on Tuesday where total number of six ships namely Princess-K, Sai Eyemity, Harsanadi, STX Hero, Shang Dong Hai Chang and Overseas Leyte are currently occupying berths to load/offload cement, wheat, chemical, coal and diesel oil respectively during last 24 hours.

A cargo volume of 40700 tonnes comprising 35416 tonnes imports and 5284 tonnes exports were handle at the Port during last 24 hours.

# OGDCL spends Rs42.75mn on development projects at Nashpa oil field

Tuesday, 18 December 2012 13:34

Posted by Parvez Jabri

ISLAMABAD: The public sector exploration and production company-Oil and Gas Development Company Limited (OGDCL) has spent Rs42.75 million on development projects for villages around Nashpa Oil Field in District Karak.

The projects launched under social corporate responsibility include water supply schemes, healthcare and construction of roads and those initiatives would go a long way in supporting communities and inhabitants in the vicinity of Nashpha Field, says the company's spokesperson.

Giving details, he said, the water supply projects had been undertaken in the village's Manzlai, Alwargi, Sanda Khuram at a cost of Rs27.00 million to provide clean drinking water through water boozers and installation of 25 pressure pumps.

Similarly, he added, the company had been facilitating the local community residing in the surrounding of Nashpa Field area through establishment of free medical dispensary including provision of ambulance for shifting of critical patients to DHQ Hospitals Karak and Kohat.

He said the OGDCL conducted free eye camps to facilitate the patients providing free of cost check up, provision of eye sight glasses and feco operations to a huge number of patients of this area every year.

He said all these services are provided free of cost, even the company entertain the patients during camp. OGDCL has spent Rs3.861 million in health sector for the local communities.

Construction of Nashpa Banda Road with an amount of Rs11.948 million is underway, this road will connect villages to the market and will boost economic growth and poverty reduction in the Nashpa Field area. Other small projects i.e. levelling of Katcha road was also executed.

To convert the young generation into a positive, competent and trained manpower, OGDCL established a Technical Training Centre at District Karak in 2006.

Every year 100 students are enrolled for training in various disciplines of Petroleum Industry and so far an amount of Rs27.860 million was spent for training including stipends to the students. Company also providing free pick and drop facility to the local students.

A number of mega schemes have been planned and will be executed very soon. Some of these schemes include, Water supply schemes at Rs208.07 million, construction of road Rs44.937 million and establishment of permanent set up of dispensary in the area.

# Fuel and Energy: *Pakistan*

# CNG pricing formula: ECC inches towards resolution

December 19, 2012

ZAHEER ABBASI

The Economic Co-ordination Committee (ECC) of the Cabinet on Tuesday allowed Trading Corporation of Pakistan to dispose of 700 metric tons (MTs) imported stock of sugar and constituted a committee to decide about the regulating authority of the CNG sector.

Sources said that there was a consensus on a proposal made to the ECC for fixing per kg CNG price comparable to 80 per cent cost of per liter petrol, however, the problem was whether Petroleum Ministry or Oil and Gas Regulatory Authority (Ogra) was constitutionally and legally empowered to regulate the CNG sector. They said that the committee was constituted to determine the regulator of the CNG sector and moving a summary in this regard.

However, a statement said that the ECC discussed in detail the guidelines for CNG sector submitted by Ministry of Petroleum and Natural Resources and observed that it is an important issue of public interest and there is a lack of unanimity among the stakeholders to agree on a pricing formula acceptable to all. The ECC decided to constitute a committee with the Law Minister as Chairman and Minister for Petroleum and Natural Resources, Chairman Ogra and Secretary Cabinet Division as its members to formulate guidelines to determine pricing formula in consultation with all the stakeholders. The said the committee will submit its report in the next ECC meeting for final approval.

On a summary moved by the Ministry of Commerce, the ECC allowed TCP after discussing all the factors to dispose of 700 MT in an appropriate and transparent manner. The Ministry of Petroleum and Natural Resources submitted a summary to the ECC for allocation of natural gas to the fertiliser sector from alternate sources for a short-term till the time they develop new discoveries and lay dedicated pipelines.

The meeting was informed that fertiliser industry is located in close proximity of two fields, Mari and RetiMaru, and gas supply can commence from the new fields in a short period of time. The fertiliser industry can develop the said gas fields and will lay their own dedicated pipelines for supply of natural gas at an agreed price mechanism.

The ECC formed a committee comprising Secretaries of Petroleum and Natural Resources and Water and Power to present a detailed report to the ECC on an agreed mechanism to determine how natural gas from new discoveries should be developed and dedicated to the power and fertiliser sectors. The ECC also approved in principle to allocate natural gas to fertiliser plants from new dedicated sources for long-term. The ECC further directed Ministry of Petroleum and Natural Resources to devise a detailed mechanism for long-term allocation of gas to fertiliser sector.

# Stations found closed to be sealed: Ogra

December 19, 2012

The Oil and Gas Regulatory Authority (Ogra) has decided in principle, to take disciplinary action against CNG stations that have either closed or are reluctant to sell gas on prices fixed by the authority following apex court"s 5 October, 2012 directives. According to sources in Ogra, the regulatory authority has directed its enforcement department to form teams for visiting the CNG station in different areas to take stock of the situation.

If any CNG station was found closed, it will be sealed or a heavy penalty will be imposed as per relevant law, they added. "We have dispatched teams to such CNG stations that have shut down in protest against SC directives and strict action will be taken against them," sources added. The enforcement department"s teams will collect details of the CNG station and present the report to the authority by tomorrow evening.



# Gas consumers: MoP all set to impose DDS

December 19, 2012

ABDUL RASHEED AZAD

The Ministry of Petroleum is all set to impose District Development Surcharge (DDS) @ Rs 15 per Million British Thermal Unit (mmbtu) on all gas consumers with an objective to utilise the fund on the development of gas producing areas. According to Petroleum Ministry officials privy to the deliberations, the ministry will forward a proposal in this regard to the Council of Common Interests (CCI) and the Parliament to get the formal approval.

The government would generate Rs 1 billion per month if the CCI and the Parliament should approve the surcharge, officials added. "The amount generated through the tax would be utilised on the uplift of the gas producing districts of the country. Local parliamentarians and District Co-ordination Officer (DCO) of the particular district would be authorised to use these funds," officials said.

According to Petroleum Ministry officials, the government is already collecting Gas Infrastructure Development Surcharge (GIDS) from all the consumers for the uplift of the gas producing regions, which are distributed among the provincial governments, but these governments have failed in utilising these funds on the development of these areas. Gas producing areas like District Dera Bugti in Balochistan, Badin in Sindh and Karak in Khyber-Pakhtunkhawa are among the most backward areas of the country, the government is aiming to spend these funds on the basic infrastructure.

# Clarification

December 19, 2012

Apropos a news item carried by various newspapers, Ministry of Petroleum and Natural Resources has clarified that Saeedullah Shah is a senior and seasoned officer of the Ministry and has been transferred from the post of DG (Gas) to DG Special Projects as a routine matter. Inter-transfers between the Directorates of the Ministry are a normal occurrence in the Policy Wing of the Ministry of Petroleum & Natural Resources. Such changes would continue in future as well, as per routine.

-PR



# High-rise buildings: OGDCL conducts drill

December 19, 2012

An emergency evacuation drill was carried out at Oil and Gas Development Corporation Limited (OGDCL) House in Blue Area, Islamabad on Tuesday at 3:00pm under the dynamic leadership of Masood Siddiqui Managing Director/CEO. This drill was conducted to create awareness among OGDCL employees to respond in event of an emergency. OGDCL Health Safety Environment and Quality (HSEQ), Administration and Security Department coordinated the event in smooth and timely manner.

Total 1657 employees evacuated the building in 11 minutes. All clear signal was announced 3:24pm hours and employees resumed their normal duties. It will be an ongoing practice for OGDCL House and the same is already in vogue at field locations. Emergency drill was started after hearing constant fire alarm and announcement through public address system of the building, all the employees left their duty places for muster points swiftly, lifts were switched off and the employees used their nearest stair cases and exits.

Security staff guided the employees towards the marked muster points. The purpose of such exercises was to train the employees to meet any emergency and remained discipline and organised in case of fires. Fire points were checked and extinguisher updated. OGDCL carried out this exercise to ensure awareness and quickness of its employees for emergency evacuation as per HSEQ procedure.-PR



# LPG distributors and dealers: LHC extends order against 'harassment' by Ogra

December 19, 2012

The Lahore High Court on Tuesday extended its order against alleged harassment to LPG distributors and dealers by Oil and Gas Regulatory Authority (Ogra), as counsel of Ogra sought time to file reply to the petitions. The court allowing the request postponed hearing to January 11 and restrained the Ogra from taking any coercion measures against the petitioners.

LPG distributors /dealers had filed petitions challenging actions taken by Ogra against them for not selling the gas as per new price fixed by the authority. The petitioners also assailed a fresh notification issued on December 8 last increasing the gas price. The petitioners pleaded that they had challenged a notification of Ogra issued on July 5, 2012 and the authority had undertaken before the court that it would not issue fresh notification till disposal of the case.

They said Ogra had betrayed the court and issued a fresh notification forcing the companies and shopkeepers to sale gas on Rs 125 per kilogram. They said the fresh notification was issued without consulting the LPG association and other stakeholders. They, therefore, prayed to the court to take notice of the 'illegal' actions of Ogra and restrain it from taking any illegal action against the petitioners.



# Implementation Agreement for another 100 megawatts wind power projects inked

December 19, 2012

Foundation Wind Energy-I Limited and Foundation Wind Energy-II (Pvt) Limited entered into an Implementation Agreement (IA) with the Government of Pakistan for the establishment of two wind power projects of 50 MW each, in Gharo, Sindh, here on Tuesday. Formal Financial Close of the two wind power projects would be done, shortly.

Foundation Wind Energy Limited- I and Foundation Wind Energy Limited- II are two independent subsidiaries of a prestigious national organisation, Fauji Foundation. The agreement was signed by Brigadier Dr Ghulfam Alam (Retd), Member Board / Project Director of the two power project entities, on behalf of Foundation Wind Energy-I Ltd and Foundation Wind Energy II Ltd and Mr Arif Alauddin, CEO AEDB, on behalf of the Government of Pakistan.

Managing Director of the two companies, Lieutenant General Muhammad Mustafa Khan (Retd) speaking on the occasion briefed about the projects. He informed that the two wind farms having total project cost of approx. US $251 Million are being financed by Asian Development Bank and Islamic Development Bank and syndicate of local banks led by National Bank of Pakistan.

The debt financing, which is 75percent of the project cost, is purely Sharia Complaint and is the first of its kind in Pakistan. The remaining 25 percent of the project cost is being financed via equity investment, arranged by Fauji Foundation group (Fauji Foundation and Fauji Fertiliser Bin Qasim Ltd), CapAsia Singapore and Tapal Group Karachi.

He said that the Engineering, Procurement and Commissioning (EPC) Contractor of both the projects is with a consortium comprising M/s Nordex Germany & M/s Descon Engineering Limited, Pakistan. Both the projects are being installed with a cumulative of forty Nordex Wind Turbines each having a capacity of 2.5 MW. The combined total energy output of both the projects in approx. 288 Gwh per annum.

He said that the two projects were targeting to have their Energy Purchase Agreement, signed in December 2012 and achieve financial closure immediately thereafter. Financing agreement was signed in May, 2012. The completion period, of each project, is 15 month from Financial Close, and both the projects are being targeted to be operational during second quarter of 2014. He said that FFC Wind Energy Limited (FFCEL) has already established a 50MW Wind project, which is ready to be commissioned during the current month.

# Fuel and Energy: *World*

# Oil rises on 'cliff' optimism, refinery problems

December 19, 2012

Oil prices rose on Tuesday as signs of progress in talks to resolve the US budget crisis eased concerns that the world's top economy could slip into recession. As the White House and Republicans appeared to edge closer to a resolution to avert the "fiscal cliff" that would increase income taxes for most Americans on January 1, investors poured cash into riskier asset classes such as oil and equities.

"Everything is keying on the 'cliff' hopes, because people are assessing if we're closer to a deal," said Mark Waggoner, president at Excel Futures Inc. The budget debate and the ongoing euro zone crisis have weighed on oil markets for months, raising worries that sluggish fuel demand in developed economies could fall even further. Investors have balanced consumption concerns against potential supply disruptions because of rising unrest in the Middle East.

Gasoline and heating oil futures led the oil complex higher on Tuesday, on word Motiva Enterprises would again halt some production on the 325,000-barrel-per-day (bpd) crude distillation unit at its Port Arthur, Texas, refinery for more repairs. The unit was shut down shortly after being launched this year due to problems with pipes. Front-month Brent crude oil prices rose $1.12 to $108.76 a barrel by 2:06 pm (1906 GMT), briefly topping the 14-day moving average of $108.87 a barrel.

January US crude oil futures gained 57 cents to trade at $87.77 a barrel, breaking above the 50-day moving average of $87.64 a barrel after testing that level during Monday's trade. RBOB gasoline and heating oil futures rose by 1.5 and 1.6 percent, respectively.

"Problems with the crude unit at the Motiva refinery in Texas have helped lift gasoline and heating oil futures," said John Kilduff, partner at Again Capital LLC in New York.

Motiva's decision to reduce production to conduct maintenance on a "minor leak" comes one day after a small fire broke out on the troubled unit, called VPS-5, which has spent more time being repaired than in production since it started up for the first time in late April.

As Brent crude prices headed toward the end of the year close to levels where they started 2012, Ali al-Naimi, oil minister of Opec kingpin Saudi Arabia, said the market was well balanced with prices above $100 a barrel. The world's largest exporter has tried to achieve that level by adjusting production levels over the last two years.

Average Brent crude prices have been relatively stable over the past two years, though they have at times spiked toward $120 and above as supplies from the Middle East have been disrupted by the Arab Spring and as Western sanctions cut Iranian oil exports. Traders were also awaiting weekly US inventory data, due out late Tuesday and early Wednesday, for market direction. A Reuters poll forecast the data would show a drawdown in crude stockpiles by US refineries during the week to December 14 for year-end tax purposes.

# EU puts 1.2 billion euros into pilot renewable energy projects

December 19, 2012

The European Commission announced Tuesday that it was putting 1.2 billion euros ($1.56 billion) into renewable energy demonstration projects but had found no carbon capture ventures to back. EU Climate Change Commissioner Connie Hedegaard said the funding came in part from the EU's carbon trading system, so that in effect polluters were paying, while the private sector would provide another 2.0 billion euros investment.

"This will help the EU keep its front-runner position on renewables and create jobs here and now, in the EU," Hedegaard said. The "aim is to successfully demonstrate technologies that will subsequently help scale-up production from renewable sources across the EU substantially."

Construction work on the 23 projects will generate several thousand jobs and require 1,000 full-time employees once operational. Hedegaard said it was unfortunate that no Carbon Capture and Storage (CCS) projects, where CO2 gas blamed for global warning is collected and stored to minimise the environmental impact, made it to the funding stage in this round.



# Germany's small power grids could be next investor darlings

December 19, 2012

Germany's small power grids could be the next target for large infrastructure investors and pension funds craving stable returns amid volatile equities and low interest rates. These smaller grids, typically owned by a local municipality and which supply power to a town or city, number about 900 so there is plenty of scope for activity.

Europe's biggest economy has already been a magnet for infrastructure investors in recent years, attracting the likes of Australia's Macquarie, Europe's top insurer Allianz and the world's largest reinsurer Munich Re. Prime targets included large high-voltage power and gas grids - so called transmission system operators (TSOs) - which transport power or gas over long distances and offer returns on equity guaranteed by the state.

Infrastructure investors and pension funds have spent about 6.3 billion euros ($8.3 billion) on these assets in recent years. But with most of those TSOs already sold, mainly due to regulation that forced the country's top utilities to divest them, investors are beginning to eye smaller and more regional distribution system operators, or DSOs.

"It can be an interesting asset class for investors. Some have already shown interest in buying DSOs," said Ralph Drebes, a partner at law firm Linklaters specialising in private equity and M&A transactions. Drebes said he expected transactions in the sector as many investors seek stable returns over high-risk asset classes such as equities, commodities and emerging market bonds.

A key appeal of these power networks is that the industry regulator has set relatively high guaranteed returns as a way of attracting investment into the sector. "Given historically low bond yields, investors are crying out for ways to generate visible returns. These assets potentially offer such an opportunity," said Alastair Bishop, fund manager at BlackRock, the world's largest money manager.

German grid regulator Bundesnetzagentur has set the pretax return on equity (ROE) for gas and electricity networks at 9.29 percent and 7.56 percent, respectively, as part of its effort to attract infrastructure investors. Those rates change to a 9.05 percent flat ROE starting January 1, 2013, for gas networks and January 1, 2014, for electricity.

This may be lower than the 12.5 percent pretax ROE - defined as pretax profit divided by shareholder equity - achieved by around 500 of the biggest companies in the euro zone, according to latest data from researchers StarMine, but returns on grid investments are guaranteed by triple-A rated Germany and are not subject to market volatility.

Grid investments also beat stable government bonds. Yields for two-year German bonds, for instance, have of late regularly moved into negative territory, meaning investors buying the assets are actually paying for the privilege of parking their money in a safe haven. So where do DSO deals look most attractive? Potential deals will likely focus on operators around large German cities and with more than 100,000 customers, two sources familiar with such deals said, adding the value of acquisitions could range from 250 million euros to 1 billion.

Bidders could include companies that have already participated in TSO auctions, including Macquarie, Allianz and Munich Re. Munich Re for instance was part of consortiums buying Open Grid Europe (OGE) from Germany's top energy group E.ON, as well as electricity TSO Amprion from the country's No 2 utility RWE. "We could invest principally (on our own), but given the fact that we are already invested in Amprion and Open Grid Europe, this is not our focus," said Holger Kerzel, a managing director at Munich Re's asset management unit MEAG.

# Markets

# Pakistan Stock outperforms among Global Market during last six months

Tuesday, 18 December 2012 19:53

Posted by Shoaib-ur-Rehman Siddiqui

ISLAMABAD: Pakistan Stock Markets has outperformed from June 30 to December, 7 of the current year among Global Stock Markets including India, China, Hong Kong, Tokoyo, USA and UK.

Stock Analyst, Zaheer Ahmed told APP that the participation of foreign investment was the main reason behind the better performance of Karachi Stock Exchange (KSE).

In addition, the better return on Pakistan Stocks has also attracted the foreigners which they did not find in the other Global Markets, he added.

The Analyst said that aside from this, the local investors had found the best avenue in the capital market because of consecutive decline in the discount rate.

KSE-100 Index has witnessed an increase of 21.8 per cent from 13801.41 to 16807.91 during period of last six month.

In the same way, the US S&P 500 has registered an increase of 3.8 per cent while the UK FTSE 100 was up by 5.8 per cent during the period under view.

The Index of Tokoyo NIKKEI 225 stood at 9,527.39 with an increase of 5.8 per cent as compared to 9,006.78 during the last six months.

Besides, The Hong Kong went upward by 14.1 per cent but China Shanghai Composite witnessed a decline of 7.4 per cent.

Aside this, Bombay Sensex Index stood at 19,424.10 against 17,429.98 during the last six months with enhancement of 11.4 percent.

Meanwhile, Total Market Capitalization has witnessed an increase of 19.7 per cent from $37.24 billion to $44.58 billion during the period of last six months.

# LSE sheds 12.23 points

Tuesday, 18 December 2012 19:51

Posted by Shoaib-ur-Rehman Siddiqui

LAHORE: Bearish trend prevailed in Lahore Stock Exchange on Tuesday as it shed 12.23 points, following the LSE-25 index opened with 4089.10 and closed at 4076.87 points.

The market's overall situation, however, corresponded to an upward trend as it remained at 2.408 million shares to close against previous turnover of 2.164 million shares, showing an upward move of 244,600 shares. While, out of the total 109 active scrips 23 moved up, 23 shed values and 63 remined equal.

Fauji Fertilizer Company, Fecto Cement Limited and D.G.Khan Cement Company were Major Gainer of the day by recording increase in their per share value by Rs. 1.50, Rs. 1.42 and Re 0.87 respectively. Dawood Hercules Corporation, Pak Electron Limited and Dewan Cement Limited lost their per share value by Re. 0.35, Re. 0.25 and Re. 0.25 respectively.

The Volume Leader of the day included NIB Bank Limited with 640,000 shares, Fauji Cement Company Limited with 415,500 shares and The Bank of Punjab Limited with 252,500 shares.



# Sufficient wheat, sugar stocks available for domestic consumption

Tuesday, 18 December 2012 15:39

Posted by Parvez Jabri

ISLAMABAD: Sufficient wheat and sugar stocks (as on December 2, 2012) of over 7.1 million tones and 1.26 million tones respectively available with the government reserves for domestic consumption.

The wheat and sugar stocks during corresponding period of last year were recorded at 7.891 million tones and 0.775 million tones respectively, official sources said.

The marketing year of wheat starts from May and continue till April and up to beginning of December 2012, about 7.1 million tones of wheat stock was available in the government stores.

The sources informed that as on December 2012, Punjab possessed total wheat stock of 3.369 million tones, while it had 4.495 million wheat stock during same period of last year.

Similarly Sindh, Khyber Pakhtunkhwa and Balochistan have 1.014, 0.348 and 0.165 million tones respectively of wheat stock against 1.044, 0.285 and 0.125 million tones during corresponding period of last year.

Pakistan Agricultural Storage and Services Corporation (PASSCO) possessed about 2.206 million tones against 1.942 million tones during last year, the sources added.

Elaborating on sugar stock in the country, the sources informed that the provinces retain 0.953 million tones (as on December 6, 2012) as against 0.65 million tones of sugar on December 8, 2011.

Similarly, Trading Corporation of Pakistan (TCP) possessed sugar stock of about 0.307 million tones whereas during corresponding period of last year the TCP had stock of 0.125 million tones.

According to the sources the country was in comfortable position in terms of wheat and sugar production and consumption due to bumper crops achieved during last years.

They informed during the year 2010-11 about 25.21 million tones wheat was produced while in 2011-12 the total output of the wheat was recorded at 24 million tones and in 2011-12 it was recorded at 23.34 million tones.

Up to May 1, 2012 about 3.51 million tones of wheat carry forward stock was available in addition to about 23.34 million tones of current year's production, which mounted the local out put to over 27 million tones against the domestic consumption of 25 million tones, the sources added.

The current wheat marketing year is likely to end with 2 million tones of wheat surplus which enables the country to export the commodity and fetch foreign exchange for the country.



# Over 10.7mn cotton bales reach ginneries

Tuesday, 18 December 2012 15:38

Posted by Parvez Jabri

MULTAN: Over 10.7 million bales of cotton reached 962 ginneries across the country till December 15, showing an increase of 2.42 as compared to last year during the same period, stated a report issued by Pakistan Cotton Ginners Association here on Tuesday.

According to the report, cotton arrival was recorded to be 1,07,68,861 and 1,01,87,909 bales were ginned. The report stated that exporters purchased 1,71,946 bales while 88,53,314 bales were bought by textile units.

According to the report, Trading Corporation of Pakistan has not started purchasing of the cotton.

# BR Research: *All*

# The usual suspects lend to small-time growth in LSM

December 19, 2012

BR RESEARCH

LSM output for the month of October has managed to grow by 2.46 percent over last year, according to data compiled by Pakistan Bureau of Statistics.

Overall, The Quantum Index Numbers of Large scale manufacturing at the end of the 1QFY13 shows a small growth, standing at 106.04 points, against 104.02 points during the July-October period last year.

While a number of weighty sub-sectors in the LSM basket continue to churn out ailing production figures, spear heading growth in the first quarter of FY13 were all the usual suspects- Food and Beverages aided by Tobacco, Iron and Steel, Paper and Board as well as Coke and Petroleum products, which cumulatively lent to an overall 1.95 percent uptick in the production output from the local LSMI.

The textile sector, with the greatest weight age of 20.91 percent, on the other hand, managed to muster up a very slight increase of 0.45 percent in the October, with the production figures for cotton yarn and cotton cloth during the first quarter showing a decrease of 0.25 and 0.17 percent respectively year-on-year.

Despite growing demand for both Pakistani textile products in the international market, these modest growth figures indicate a dearth of proper policy-making that could lead to a better utilisation of the sectors potential.

However, many analysts are considering the 50 bps policy rate cut announced by the State Bank of Pakistan (SBP) in its monetary policy as a factor which will greatly help the export-oriented textile industrial sector, with the decline in interest rates helping to slice off the sectors cost of doing business.

Moreover, the sectors production figures are all set to get better in time for the PBSs next LSM update, as export data compiled by PBS for the month of September shows a volumetric increase of 45.8 percent for the sector, with the country exporting cotton yarn worth 201.6 million dollars during the last month alone, with demand from China helping revive local production of low value added produce.

On the automobile front, the news remains subdued, as production remains depressed on account of dwindling sales. Car sales have reportedly plunged by 32 percent during 1QFY13 on an year-on-year basis with total sales hovering around 34,990 units as against 51,755 units during the same period last year.

Consequently, the sectors production figures during the first quarter of FY13 have shrunk drastically by 9.68 percent over the same period last year.

Additionally, the production figures for November are set to lend an even bigger blow to the overall LSM production as car sales during the month of October hit a 16-month low of 8,184 units as compared to 13,690 during October FY12.

Another industry which continues to leach away from the LSMIs growth is the fertilizer industry, which has had to bear the brunt of an 18.99 percent negative growth in production during 1QFY13.

Production figures from the sector have remained stagnated as cheaper imports continue to flood the market, while the country sits on a record inventory of urea- currently reported to be hovering around the one million ton mark.

Additionally, winter termination of gas supply to the fertilizer industry and lower demand on account of higher urea prices is very likely to mean that the sectors production figures are very likely to remain subdued within the next few months.

| Manufacturing items | Weight | Growth %Oct-12 | Jul-Oct 12 |
|---|---|---|---|
| Food/Beverages & Tobacco | 12.73 | 8.15 | 7.64 |
| Iron & Steel products | 5.39 | 3.34 | 12.81 |
| Fertilizers | 4.44 | 13.78 | -18.99 |
| Electronics | 1.96 | 11.41 | -6.91 |
| Textile | 20.91 | 0.45 | -0.26 |
| Automobiles | 4.61 | -27.99 | -9.68 |
| Coke & Petroleum products | 5.51 | 19.42 | 7.21 |
| Pharmaceuticals | 3.62 | 1.12 | 4.14 |

Source: PBS

# Mission: MBA; Destination: China!

December 19, 2012

BR RESEARCH

These are changing times for global trade and economies across the world. The power of developed nations has been passed on to quite an extent to emerging economies like China and India, the former being particularly important.

And yet, despite the shift of economic influence towards the Asian giant, preference for overseas higher education amongst Pakistani students has not shifted towards these countries yet. Four Chinese business schools are in the top 50 schools according to Financial Times Global MBA Rankings 2012, while six are in the top 100. Two Indian business schools are in the top 20 in the same rankings.

For the development of effective human capital locally, the importance of being educated in these growing markets cannot be stressed enough. And thats why Dignosco, a social enterprise that focuses on creating human capital in Pakistan, has convinced the China Europe International Business School (CEIBS) to expand the sphere of business education to students in Pakistan as well.

To date, the school has only accepted a single Pakistani student and that too through Dignosco. Talha Amjad pursued his MBA from the CEIBS, and shares quite positive comments about his experience.

"Dignosco guided me to move out of my comfort zone and learn business skills in a completely new environment... All the major companies across the business landscape like IBM, GE, Honey Well, Monsanto etc... that are downsizing in EU and US are exponentially growing in China. With this growth, CEIBS is right at the centre of this economic activity," says Amjad.

Whats further remarkable about the programme is its relatively lower costs compared to fees for top MBA programmes from other well-known schools. Amjad claims that CEIBS, which is ranked number 24 in FTs Global MBA rankings, is the only MBA programme in the top 25, which offers a scholarship of around 50-100 percent to roughly half the class.

"Cost was half of the standard at any one-year top MBA around the world and was reduced to about 20,000 dollars through scholarship," he further explained.

The strengths of this MBA programme are its mission to teach about the Chinese and global economy integrative, as well as a strong faculty having experience across the Chinese business landscape. An economics professor there is Chinas main economic advisor, while the mayor of Shanghai, governor of Beijing, and CEO of Ali Baba - a global e-commerce company are all distinguished alumni.

Dignosco has initiated a strategic collaboration with this top B-School of China to try and increase business links and potentially hold a Pak-China business summit along with sessions for informing Pakistani students about the programme and the school.

"Almost all trade corridors in China are linked through CEIBS, and good business schools are the gateway into the business community in any country. Creating liaisons with Chinese business schools, such as CEIBS, is a surefire way of increasing networking opportunities with business leaders of this emerging economy. Education also exposes you to the culture of a particular country and how business is done there, so this can be a great opportunity for Pakistani graduates," Ataur Rahman, CEO of Dignosco explains.

This is an English-based programme so language shouldn be an issue, while students are also taught Chinese to help them through their stay in the country. The typical profile of a student who can get admission here is someone with an excellent academic record, as well as five to 10 years of sound work experience.

All in all, this is a strong indication that the academic sphere of Pakistan also needs to be moulded according to the changing global dynamics. And the sooner local students, academia domestic industries realize this, the better.

Having said that it is a welcome step that youth-led private enterprises like Dignosco are coming up with innovative solutions to create targeted human capital in Pakistan.

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Top Business Schools in India and China

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| Business School | 2012 Rank |
| --- | --- |
| Hong Kong UST Business School | 10 |
| Indian Institute of Management, Ahmedabad | 11 |
| Indian School of Business | 20 |
| China Europe International Business School (CEIBS) | 24 |
| Chinese University of Hong Kong Business School | 28 |
| University of Hong Kong | 37 |
| Peking University: Guanghua | 54 |
| Hult International Business School | 65 |

============================================================ Source: Financial Times

# Immediate need for prioritizing public spending on education

December 19, 2012

BR RESEARCH

Much has been said about the long-term neglect of educational reform in the country; with low rates of participation at both Primary and Secondary levels continuing to cripple the cause.

Pakistan Bureau of Statistics reports that at the Primary level, some 36 percent children are not enrolled in school at the right age, moreover, those who are enrolled have poor learning outcomes. According an independent study, less than 50 percent children in the third grade in rural areas had the proper ability to read a sentence in either Urdu or Sindhi. Additionally, one amongst every 10 out of school children of Primary school age is a Pakistani, placing the country second in the global ranking of out-of-school children.

More than anything else, what this redundant talk of statistics slams home is the immediate reality that the countrys educational system, in its current state is in no position to enroll, retain and educate the children at par with globally acceptable standards.

During a recent dialogue on Public Financing of Education in Pakistan organised by SDPI in Islamabad, a major argument that came forth from the panelists was about the inefficient pattern of public disbursements for education; along with the age old complain that expenditure on public education system has not been enough to expect any positive outcomes in the long-term.

Moreover, panelists also commented that the devolution of education to the provinces has greatly affected the outlay of federal development expenditure on education as data shows that it has been continuously shrinking over the past two years.

A research published by I-SAPS analyzing public spending on education shows that during 2011-12, the federal government allocated Rs 30.14 billion and Rs 14.63 billion for current and development expenditure on education respectively, whereas a breakdown of the allocations shows that about 89 percent of the total budget was earmarked for HEC.

This allocation was higher by 15.79 percent over the previous years allocation, with a majority of the increased amount set to be absorbed in the employee related expenses and operating costs of universities, the Tenure-Track System and other regular programs under the umbrella of HEC.

Moreover, the allocations for HEC in the budget 2012-13 is even higher, making the total amount allocated for tertiary education as high as Rs 35.675 billion -some 74.5 percent of the total amount dispensed for the education sector.

In contrast, there is little incremental change in the current budget for allocations on the account of Pre-Primary and Secondary education affairs and services.

According to some estimates, 63 percent of the total population in Pakistan is under the age of 25. What this means is that in a few decades, Pakistan will have a massive population of youth, greater than what most other nations in the world can boast of. Not only does this scenario represent opportunities, but greater still, some seemingly insurmountable challenges.

Presenting a huge potential of demographic dividend, this situation can be turned around to lead to sustainable economic prosperity and development but what is required for its realisation is a greater investment in human capital formation -something which the country greatly lacks at the moment.

And given that the government is still the dominant provider of the set of services that are required to bring about a change in the situation, unless immediate action is taken, there is a great possibility that the education system will not be able to attain the capability which is needed to tackle the situation in a positive manner.

# Brief Recordings

# Cherat Cement Company Limited

December 19, 2012

RECORDER REPORT

**Introduction:** Cherat Company was incorporated in 1981, and is listed on Karachi, Lahore and Islamabad stock exchanges. It is a part of the Ghulam Faruque Group which also includes Cherat Paperstock Limited and Mirpurkhas Sugar Mills Limited, among others. The factory, located near Nowshera, Khyber Pakhtunkhwa, is built on land bordering the Cherat Hills, the company's source of high-quality limestone.

Cherat Company has an ISO 9001:2000 certification and manufactures high quality grey Portland cement using modern and sophisticated production facilities. It is also equipped with advanced production and quality control systems. The combination of these factors has developed a strong brand presence for Cherat Company in Afghanistan, KPK and Punjab.

**Industry Overview**

After a tough FY11 when the country was hit by the Great Floods of 2010, FY12 saw the cement industry growth by a sturdy 3.45 percent. This growth was largely fuelled by local dispatch expansions fuelled by post-flood reconstruction activities; a boom in the rural economy of Pakistan; and inward remittances from expatriate Pakistanis leading to new construction - all of these factors culminated in an 8.84 percent volumetric growth in local sales. Local cement retention prices also saw an upward trend, lending some price-based support to local cement manufacturers.

Exports, however, continued to stifle the growth of the cement industry. Exports declined by 9.12 percent from FY11. This was largely due to two coinciding factors: the first being surplus capacity for cement production in the Middle East; and the second being a 15.7 percent decrease in exports to India due to persisting non-tariff trade barriers such as deficiencies in transport infrastructure and procedural opacity.

Key challenges to the industry during the year were the exorbitant increases in fuel prices; persisting high costs of borrowing; and low prices in the international market combined with higher import costs due to the depreciating rupee.

**Performance Snapshot FY12**

FY12 showed a remarkable turnaround for Cherat Cement. The company posted a 29 percent increase in turnover, largely driven by better domestic prices for cement coupled with a 7.85 percent increase in local dispatches. This growth was in line with the overall improvement in market conditions for the cement industry, where most cement companies have registered a highly profitable year. The 8.04 percent decline in export dispatches was offset to a great extent by the upward adjustment in the selling price of cement for Afghanistan.

In terms of profitability and overall returns, Cherat Cement increased the Return on Equity to 15.9 percent compared to an ROE of 2.94 percent in FY11. In conducting a DuPont analysis of this return, it is phenomenal that this increase has come in despite a decrease in financial leverage (from 2.3 times to 1.71 times) and a hike in costs of several critical input items such as electricity, freight, furnace oil and packaging material. The rupee depreciation against the dollar also took its toll. In quantitative terms, the cost of production rose by a steep 17 percent, while operating costs were a slightly more dramatic 19.96 percent increase.

However, these factors were offset by improving margins and the company's drive towards alternate sources of energy that are cheaper and more stable in price terms. Much like most other cement companies in the industry, Cherat Cement also saw production costs being reduced to a manageable level due to its efficient utilisation of Water Heat Recovery (WHR) plant coupled with the use of other alternate sources of fuels. This translated into an operating profit margin of 16.17 percent over the 8.05 percent from the yesteryear.

The next big relief was the reduction of financing costs. With the unwinding of non-current liabilities taken on by the company for capital expansions and efficiency-enhancement projects, the Times Interest Earned Ratio increased from 1.19 to 2.84. The recent reduction of 150bps in policy rates by SBP also contributed to this improvement.

The bottom line improved from a margin of 1.62 percent to eight percent - in absolute terms, the year-on-year growth in net profit between FY11 and FY12 was a whopping 536 percent.

In terms of market share, sales in Afghanistan drove a six basis point increase in the exports-segment to 4.56 percent of the export market. However, the decline in the local market share of the company to 2.55 percent caused the company's overall market share to fall from 3.15 percent in FY11 to 3.08 percent in FY12.

In terms of the company's gearing ratios, the retirement of capital expenditure associated non-current liabilities resulted in a healthy improvement in the balance sheet position of the company. The Debt-to-Equity reduced from 1.3 to 0.71. This displays a reduction in the riskiness of the company's earnings, and also reflected in the contribution of reduced financing costs to the augmented net profit margin.

Finally, the liquidity position of Cherat Cement increased to above one. After two years' worth of negative working capital, the company improved its liquidity to a positive position. However, in comparison with an industry where working capital levels were generally above two times, the improvement was inadequate at the least.

**Performance over the years**

FY10 was a particularly harsh year for Cherat Company. Across the industry, surplus capacity led to severe price competition which resulted in margins being squeezed out. Cherat Cement registered net losses of Rs 13.76 million. The operating losses were magnified by the high degree of financing costs which was a result of dichotomous factors - high levels of financial gearing, and high interest rates.

Since then, margins have increased significantly. Operating margins in FY10 were at -3.93 percent and have spiked up to 8.05 percent in FY11, and then to 16.17 percent in FY 12. The spike in net profit margins was even steeper. From -0.4 percent in FY10, they had gone up to 1.62 percent in FY11. Following the retirement of non-current liabilities, the net profit margin soared to eight percent in FY12.

While local market shares have shown an overall stable trend between FY10 and FY12, the high-water mark of 3.28 percent in 2009 has still not been regained. The export market share has shown steady growth patterns from 3.25 percent in FY09 to 4.56 percent in FY12, which is encouraging. However, in terms of total market share, much is left desired in terms of regaining the FY09 position of 3.27 percent as against the FY12 share of 3.08 percent.

**Future Outlook**

The cement sector as a whole is poised for a promising FY13, with favourable budgetary policies, such as an enhancement of PSDP expenditures and reduction in FED. FED on cement was reduced by a further Rs 100 per ton for FY13, and the budgeted increase in PSDP is also more than 19 percent of last year's outlays - aspects that bode well for cement players like Cherat Cement.

More factors are to be watched out for. Local demand is projected to increase based on increased private spending fuelled by increased remittances from expatriate Pakistanis and improvements in the performance of the agricultural sector. Furthermore, with interest rates already slashed by 150bps, and speculations abound for further slashes, the cost of borrowing for the cement sector will likely reduce, which will allow for greater expansion and reduced costs of business. The ICCI President has shown a remarkable amount of interest in the sector which contributes Rs 30 billion to the exchequer on an annual basis and employs approximately 150,000 people - that interest is now translating into a bid to establish export ties with Sri Lanka, where the demand for Pakistani cement is expected to be high.

Furthermore, Cherat's own efforts display healthy prospects. Firstly, the clinker kilns which were down for maintenance during FY12 will now be fully operational, and the benefits of the maintenance and enhancement work will be felt over the coming few years. Furthermore, energy costs are expected to fall further with the new drive towards alternate fuels through RDF technology - a deal has been signed with a German company to implement this cost-management strategy.

The healthy growth in profitability and margins in FY12 have elicited positive comments from research analysts about the company.

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Cherat Cement Company Limited

========================================================================2012 2011 2010 2009

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PROFITABILITY

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Gross profit margin % 21.12% 13.36% 2.57% 14.69%

Interest Burden % 64.79% 16.16% 217.90% 69.20%

Tax Burdern % 76.42% 124.38% 4.63% 62.00%

Operating profit Margin % 16.17% 8.05% -3.93% 8.13%

Net profit margin % 8.00% 1.62% -0.40% 3.49%

ROCE % 11.90% 1.93% -0.43% 4.34%

ROA % 9.27% 1.28% -0.28% 3.36%

ROE % 15.90% 2.94% -0.61% 7.02%

-------------------------------------------------------------------------

LIQUIDITY

-------------------------------------------------------------------------

D/E times 0.71 1.30 1.16 1.09

Net Working capital Rs In mm 249,044 -82,362 -382,934 272,437

Current ratio times 1.24 0.95 0.76 1.25

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ACTIVITY

-------------------------------------------------------------------------

Total asset turnover times 1.16 0.79 0.71 0.96

Inventory turnover times 2.89 2.84 3.58 3.49

Fixed asset turnover times 1.59 1.16 0.96 1.34

Debtor turnover times 39.87 37.16 23.95 26.50

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LEVERAGE

-------------------------------------------------------------------------

Financial Leverage times 1.71 2.30 2.16 2.09

Times Interest Earned times 2.84 1.19 -0.85 3.25

Debt-to-Equity Ratio times 0.71 1.30 1.16 1.09

Debt-to-Asset Ratio times 0.42 0.57 0.54 0.52

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# Miscellaneous News

# On the frontline: ECC constitutes panel to resolve gas pricing issue

By Shahbaz Rana

Published: December 19, 2012

The panel will be headed by the law minister with adviser to the prime minister on petroleum and natural resources, chairman of Ogra and secretary Cabinet division as its members. PHOTO: FILE

**ISLAMABAD:**

**Federal Law Minister Farooq H Naek on Tuesday blocked approval of fresh guidelines, proposed to minimise use of gas in transport sector, after he found the petroleum ministry misusing powers of the Oil and Gas Regulatory Authority (Ogra) in violation of rules of business.**

After Naek's objection, the Economic Coordination Committee (ECC) constituted a panel to resolve the dispute, according to a Finance Ministry official. He added Naeq was of the view that according to the rules of the business it was Ogra's mandate to suggest changes in the compressed natural gas (CNG) policy.

The fresh guidelines had been submitted by the Ministry of Petroleum and Natural Resources. According to the rules of business Ogra comes under the cabinet division and hence cannot be directed by the petroleum ministry.

According to an official handout, the ECC observed that CNG was an issue of public interest and there was a lack of unanimity among the stakeholders to agree on a pricing formula acceptable to all.

The ECC noted that the CNG pricing dispute was of public interest and stakeholders remain undecided on a formula

The panel will be headed by the law minister with adviser to the prime minister on petroleum and natural resources, chairman of Ogra and secretary Cabinet division as its members. The panel will formulate guidelines to determine pricing formula in consultation with all the stakeholders and resolve the dispute over the abuse of the rules of business by the petroleum ministry. The panel will submit its report in the next ECC meeting for final approval.

It was for the second time in less than a month when a federal ministry had been accused of working in violation of rules of business of the government that explicitly stated the functions and responsibilities of every government department and ministry.

Earlier, as stated in the summary the Ministry of Industries managed to get the age-limit of used cars reduced from five years to three years, a fact which the ECC overlooked as all matters relating to trade falls within the jurisdiction of the Ministry of Commerce.

In a meeting of the Public Accounts Committee (PAC), Sardar Ayaz Sadiq of PML-N alleged that Rs970 million in bribes were given for reducing the age limit of used cars. Secretary Industries Shafqat Naghmi who was also present in the PAC meeting did not confront Sadiq.

The misuse of Ogra's powers by the petroleum ministry gives voices to apprehensions that the petroleum ministry was working on behest of the Liquefied Petroleum Gas (LPG) lobby that wanted the CNG business phased out and replaced by another alternative fuel option – LPG.

One of the recommendations of the petroleum ministry was that the CNG stations gradually be converted into LPG stations. They also suggested banning the use of CNG in private transport, increasing the CNG prices and bringing them at 80% parity of the petrol prices and continuous ban on CNG cylinders and kits.

The proposal to fix CNG prices at 80% parity of the petrol prices is in violation of the directives of the Supreme Court that earlier delinked the CNG-petrol parity.

In October, the apex court had annulled a memorandum of understanding between CNG associations and the government that resulted in one-third reduction in gas prices. Since then, the majority of the CNG stations had gone on strike by claiming that the business was no more profitable. This caused inconvenience for the CNG consumers. The memorandum allowed the CNG stations to fleece consumers as they were transferring all expenses onto consumers.

The ECC on Tuesday also allowed the Trading Corporation of Pakistan (TCP) to dispose 700 tons of imported sugar. The ECC discussed in detail all factors on the issue and decided to allow TCP to dispose.

**Fertiliser sector to be given gas from dedicated sources**

The ECC on Tuesday also approved in principle to allocate natural gas to fertiliser plants from new dedicated sources for long term.

This decision of the ECC was over a summary moved by the Ministry of Petroleum and Natural Resources.

The decision will help develop newly discovered sources of gas and will reduce pressure on existing transmission lines, according to the official statement.

ECC was informed that the fertiliser industry was located in close proximity of two gas fields –Mari and RetiMaru – and gas supply can commence from these new fields in a short period of time.

The fertiliser industry can develop the said gas fields and will lay their own dedicated pipelines for supply of natural gas at an agreed price mechanism.

The ECC further directed Ministry of Petroleum and Natural Resources to devise a detailed mechanism for long term allocation of gas to fertiliser sector.

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# Facts behind depreciation: Foreign currencies worth $12m funnelled out daily

By Our Correspondent

Published: December 19, 2012

Says his 'target' as the minister of state for finance was to bring the dollar's value down to Rs90.

**KARACHI:**

**Minister of State for Finance Saleem Mandviwalla said that foreign currencies worth up to $12 million are being smuggled out of Pakistan on a daily basis, thus weakening the rupee against the dollar.**

Speaking to a group of journalists at the Board of Investment on Tuesday, Mandviwalla said the dollar was overvalued in Pakistan, adding that its recent uptick against the rupee was inexplicable given the sound level of foreign exchange reserves in the country.

The dollar was selling for Rs99 in the open market on Tuesday evening.

"We had a meeting at the State Bank on Monday to look for reasons behind rupee's recent devaluation against the dollar. While some people blamed it on the media, saying it has created unnecessary hype, nobody could actually pinpoint the exact cause," Mandviwalla said.

SAFE AND SOUND

80%

of the total foreign exchange, including currencies other than the dollar, is being smuggled every day to Dubai alone

Saying that almost 80% foreign exchange, including currencies other than the dollar, being smuggled every day is going to Dubai alone, the minister of state added that the central bank and his ministry were taking urgent steps to control the currency outflows.

"If the customs and the Airport Security Force fail to check the trend, I am going to involve a third agency to ensure that the rupee remains stable," he said, adding that he was also taking authorities in Dubai on board over this issue.

Referring to some exporters' practice of holding their dollars back in anticipation of an increase in the value of the dollar, Mandviwalla said speculations were also creating a credit crunch in the market.

"The value of dollar against the rupee is going to come down next week. Those who are indulging in speculation are in for a surprise," he said, adding that his 'target' as the minister of state for finance was to bring the dollar's value down to Rs90.

> ❞ Mandviwalla: The value of the dollar against the rupee is going to come down next week. My target as the minister of state for finance is to bring the dollar's value down to Rs90
>
> Minister of State for Finance **Saleem Mandviwalla**

Commenting on fears about drying up of foreign exchange reserves, he said the country will be left with enough reserves to survive for up to six months even after meeting all monetary obligations to international financial institutions.

**Forex dealers**

Mandviwalla said that although the number of registered foreign exchange companies was only in hundreds, roughly 30,000 currency dealers were currently operating in the country.

> Pakistan has enough reserves to survive six months even after meeting all monetary obligations to international financial institutions

In order to curb the outflow of foreign currencies to the Middle East through illegal means so that dollars could be bought and hoarded in anticipation of the resulting insufficient liquidity back at home, he said a crackdown on unregistered foreign exchange dealers had already begun. "Somebody is trying to bring the government into disrepute. I will not let that happen," he claimed.

Mandviwalla also hinted at ending the practice of forward booking – ie trading currency while minimising the risk of volatile exchange rates through signing a contract specifying the future rate of exchange – if it was found to have played any role in the recent surge of the dollar against the rupee.

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# Low pressure gas: Petroleum ministry proposes $6-8 per unit price

By Zafar Bhutta

Published: December 19, 2012

Exploration and Production companies have been given exclusive right to develop and produce from the field. The gas having low pressure is being flared at various fields. PHOTO: FILE

**ISLAMABAD: In an attempt to stimulate investment, the Ministry of Petroleum and Natural Resources has proposed a price of $6 to $8 per million British thermal units (mmbtu) for flare gas – a type of low pressure gas – and exploration companies will sell this gas through competitive bidding.**

According to guidelines set by the ministry in the proposed flare gas exploration policy 2012, the price of gas will vary from $6 to $8 per mmbtu depending on the zone where the gas is produced.

Flare gas is a low pressure gas that is wasted during extraction from wells. With the help of new technology, the government is trying to consume this gas to ease energy shortage in the country.

Documents show that under the proposed policy state-owned oil and gas exploration companies will be exempt from paying production bonus and undertaking social welfare programmes for local community based on the production of flare gas. These companies will also be eligible to sell gas to third parties, other than Sui gas companies, whom the producers are bound to sell all normal gas.

The guidelines say every operating company will have to take prior approval of the government before entering into gas sale-purchase agreement with selected buyers. A proper metering system for sale of gas will be installed and allocation of gas will be done on the basis of flow rates supported by third party certification.

Gas price of the applicable policy and petroleum concession agreement (PCA) will be used for determining windfall levy. Income tax and royalty will be paid as per applicable PCA provision.

> The government is trying to utilise the gas that is wasted during extraction from wells to ease energy shortage in the country

Obligation of leases as indicated in draft policy 2012 will be applicable.

Windfall levy will be applicable to the difference between PCA price and third party sale price and 50% levy will be given to the government.

In January 1998, the director general gas of the petroleum ministry had introduced a mechanism to consume low pressure gas. This gas has a low quantity of 0.2 to 0.5 million cubic feet per day (mmcfd) and is not accepted by gas utilities – Sui Northern Gas Pipelines (SNGPL) and Sui Southern Gas Company (SSGC).

However, for extraction, a multi-stage compressor is required, which is fuel guzzling, costly and is not technically and commercially viable. Therefore, exploration companies are required to make their own arrangements for utilising the low pressure gas after obtaining approval of the government.

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# Pakistan can achieve 7-8% growth despite hurdles

By Our Correspondent

Published: December 19, 2012

“Unless we give importance to accountability, we will not be able to attract domestic and foreign investment necessary to take GDP growth from present 3-4% to 7-8%,” says Burki. PHOTO: FILE

**KARACHI:**

**Despite enormous economic challenges, Pakistan can still achieve sustained economic growth of 7% to 8% in the next couple of years provided it starts giving importance to regional trade, especially with India and improve governance right from the start of next government, says a former top official of the World Bank.**

“Improvement in regional trade, especially with India, will automatically increase GDP growth of Pakistan by 2%,” suggested Shahid Javed Burki, former vice president of World Bank. “But the most important thing the next government has to do is to improve governance to regain confidence of investors.”

He was speaking at the 13th MAP convention, organised by the Management Association of Pakistan under the theme of ‘Leadership, People, Innovation’ here on Tuesday.

Burki said sustained economic growth cannot be expected with the present level of bad governance, which is responsible for slow growth in recent years.

> ” Unless we give importance to accountability, we will not be able to attract domestic and foreign investment
>
> World Bank’s former vice president **Shahid Javed Burki**

He cited the example of several countries, especially those in South America, which have started a crackdown on corruption and built anti-corruption mechanisms that has improved confidence of domestic and foreign investors in their economies.

"Unless we give importance to accountability, we will not be able to attract domestic and foreign investment necessary to take GDP growth from present 3-4% to 7-8%," he added.

Unfortunately, Burki said, Pakistan is not using the services of 8 million overseas Pakistanis living in different parts of the world. But, again they will only engage with the government when they see better governance and accountability.

In her presentation on 'Pakistan – Strategic Perspectives in the New Context and the New Challenges', Senior Lecturer at University of London and Fellow Royal Society of Arts, UK Dr Marie Lall was of the view that unfortunately security issues, especially along the Pak-Afghan border, may continue to bleed Pakistan's economy in the near future.

OVERSEAS WORKERS

8m

Pakistanis live abroad who have the potential to support the economy

"After the withdrawal of international troops from Afghanistan in 2014, Afghanistan will become a bigger challenge for Pakistan," she said. "To avoid repercussions for its economy, Pakistan needs to cooperate with Afghanistan and India on economic issues and increase regional trade."

Other speakers believed that energy shortages are expected to continue to hurt the economy before the country completes major gas pipeline projects like Turkmenistan-Afghanistan-Pakistan-India (TAPI) and Iran-Pakistan (IP) pipelines.

They underlined the need for aggressive regional trade to counter the negative aspects of energy shortages and security issues that have been hurting the economy for the last couple of years.

SingTel Head of Living Analytics & Group Digital Life Mike Sherman said China and India are steering the world growth as well as consumption and the growth will only get faster because of their growing middle class and huge population.

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# Accord signed: Fauji Foundation invests $251m in wind power

By Our Correspondent

Published: December 19, 2012

Debt financing, which is 75% of the project cost, is Shariah-complaint and is the first of its kind in Pakistan.. PHOTO: FILE

**ISLAMABAD: Subsidiaries of Fauji Foundation – Foundation Wind Energy-I Limited and Foundation Wind Energy-II Limited – are making an investment of $251 million in setting up two wind power projects of 50 megawatts each in Gharo, Sindh.**

In this connection, the two companies and the government signed an implementation agreement here on Tuesday. The accord was inked by Brigadier (Retired) Dr Gulfam Alam, Project Director of the two projects and Arif Alauddin, Chief Executive Officer of Alternative Energy Development Board (AEDB), on behalf of the government.

Speaking on the occasion, Managing Director of the two companies, Lieutenant General (retd) Muhammad Mustafa Khan said the Asian Development Bank (ADB), Islamic Development Bank (IDB) and a syndicate of local banks were providing most of the finance for the wind farms.

Debt financing, which is 75% of the project cost, is Shariah-complaint and is the first of its kind in Pakistan. The remaining 25% of the cost is being financed via equity investment, arranged by the Fauji Foundation group, CapAsia Singapore and Tapal Group Karachi.

ADB and IDB will provide $124 million and the consortium of local banks will arrange $63 million.

> ” Wind projects being installed by Fauji Foundation will cost less than Rs10 per unit
>
> AEDB CEO **Arif Alauddin**

Khan said he was targeting to enter into an energy purchase agreement for the two projects this month and achieve financial close immediately after that. Both projects are expected to start commercial production in the second quarter of 2014.

Fauji Fertiliser Company Wind Energy Limited (FFCEL) has already established a 50MW wind power plant, which would start operation this month.

AEDB CEO Arif Alauddin commented that the two wind projects of Fauji Foundation subsidiaries were trendsetters in many ways and opening doors to investment in the Gharo Keti Bandar wind corridor.

He said 45 wind power projects of around 3,200MW were under process, adding the Sindh government had leased around 26,000 acres of land to AEDB for 18 projects with a cumulative capacity of 906 megawatts, which were at different stages of development.

Of these, projects having combined capacity of 106MW are ready for commencement of operation and projects producing a further 100MW will achieve financial close shortly.

“Wind projects being installed by Fauji Foundation will cost less than Rs10 per unit,” he said, adding wind and solar projects would have their impact on the energy mix and reduce circular debt.

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# Market watch : Despite lacklustre activity, bourse closes in black

By Our Correspondent

Published: December 19, 2012

Trade volumes improved to 119 million shares compared with Monday's tally of 92 million shares.

**KARACHI: Activity remained lacklustre with bourse hovering around previous highs following rupee's resistance as it hovers near 100 to the greenback. The index, however, managed to close in the black as investors hoped that the National Saving Rates will see a cut soon, promoting fresh buying in the market.**

The rupee has already depreciated 3% against the dollar in fiscal 2013 to date, according to a research note from Elixir Securities.

The Karachi Stock Exchange's (KSE) benchmark 100-share index rose 0.34% or 57.66 points to end at the 16,858.68 point level. Trade volumes improved to 119 million shares compared with Monday's tally of 92 million shares.

The fertiliser sector remained on the investors' radar following the news of better than expected sales during December, said Samar Iqbal, equity dealer at Topline Securities.

Moreover, the government's eagerness to resolve gas supply issues of Engro Corporation brought life into the stock, while Hub Power Company (Hubco) – the volume leader – remained under pressure on reported institutional selling, reported Harris Batla, analyst at Elixir Securities.

The financial sector yet again faced the brunt of the new monetary policy as investors anticipated a reduction in their profitability due to lower discount rates. However, MCB Bank again bailed out the sector.

Shares of 382 companies were traded on Tuesday. The value of shares traded during the day was Rs3.70 billion.

Hubco was the volume leader with 10.35 million shares down Rs0.52 to finish at Rs43.98. It was followed by Jahangir Siddiqui and Company with 9.53 million shares losing Rs0.48 to close at Rs16.22 and Byco Petroleum with 8.4 million shares climbing Rs0.15 to close at Rs11.16.

Foreign institutional investors were net buyers of Rs138.88 million, according to data maintained by the National Clearing Company of Pakistan Limited.

Analysts say that all eyes will be on the fluctuation in the exchange rate, but they expect the textile sector to benefit due to high export prices translating into higher margins. On the other hand, the interest rate cut seems to be in favour of the highly-leveraged cement sector as cost of borrowing goes down, translating positive on their books.

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# Pakistan, India: Better trade ties to leave positive effect on S Asia

By Imran Rana

Published: December 19, 2012

The pace of economic growth in South Asia is slow and intra-regional trade in the SAARC bloc stood at only 5%, says Sabharwal. ILLUSTRATION: JAMAL KHURSHID.

**FAISALABAD: Indian High Commissioner Sharat Sabharwal has said improved trade relations between India and Pakistan will step up the pace of development and leave a positive impact on the whole South Asian region.**

Speaking to members of the Pakistan Textile Exporters Association (PTEA) here on Tuesday, he saw great potential for development in Pakistan and called for enhancing cooperation between the two countries in various fields.

He was of the view that productive parleys and subsequent development were not only beneficial for the two countries, but would also lead to integration of the South Asian region.

However, he pointed out that the pace of economic growth in South Asia was slow and intra-regional trade in the South Asian Association for Regional Cooperation (Saarc) bloc stood at only 5%.

This was quite low when compared with 25% intra-regional trade in the Association of Southeast Asian Nations (Asean) and 65% in the European Union.

NEGLIGIBLE

5%

is the intra-regional trade in Saarc compared to 25% in Asean and 65% in EU

Highlighting the progress India and Pakistan have made in economic ties, the high commissioner said they had liberalised the visa regime, gave priority to opening of bank branches in each other's country and Delhi allowed investment from Pakistani investors.

Separately, India has reduced its sensitive list under the South Asia Free Trade Area (Safta) by 30% from 878 to 614 tariff lines. After getting most-favoured nation (MFN) status from Pakistan, India says it will further cut the sensitive list to 100 tariff lines by April 2013.

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# Govt allows another 500,000 tons sugar export

By Reuters

Published: December 19, 2012

Pakistan is likely to produce five million tons of sugar in the October 2012 to end-September 2013 season, against demand of 4.3 million tons. PHOTO: FILE

**ISLAMABAD: Pakistan has allowed another 500,000 tons of sugar exports, the government said, bringing the total to 1.2 million so far this year, as it seeks to generate foreign exchange for state coffers and revenue for cash-strapped mills.**

Pakistan returned to the export market earlier this year for the first time since 2009 and is becoming a significant exporter in Asia after Thailand. Its mills often sell abroad at a discount, which can exert downward pressure on global prices.

The latest tranche of exports has no quantitative restrictions on individual mills, but exporters need to ship quantities within 90 days after registering for exports, a government statement said on Tuesday.

“For the government and for mills, allowing exports was necessary. The government needs foreign exchange; mills need cash to pay farmers,” said Muhammad Najib Balagamwala, chairman of Karachi-based SeaTrade group.

He said the fact there is no individual quota for mills would speed up exports.

“Currently export deals are getting done at $508 to 530 (per ton). Saudi Arabia, Sudan, East African countries and Afghanistan are buying sugar,” Balagamwala said.

March white sugar on Liffe was down 0.25% at $519.50 per ton on Tuesday.

“Local prices are weak. To make money mills can offer a discount,” an exporter based in Karachi said.

Pakistan is likely to produce five million tons of sugar in the October 2012 to end-September 2013 season, against local demand of around 4.3 million tons.

The total of sugar available globally for export is expected to be 53.5 million tons in 2012-13, according to the International Sugar Organization’s latest quarterly report.

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# ‘Railways has capacity to repair 8 engines monthly’

By APP

Published: December 19, 2012

Work on replacement of obsolete signalling system on Lodhran-Shahdara Bagh section will be completed by 2013.

**ISLAMABAD: Pakistan Railways (PR) has the capacity to repair around eight engines every month, subject to availability of spare parts and funds.**

An official of Pakistan Railways said that the railways’ workshop had repaired a number of locomotives, which will be used for freight service and passenger coaches. He said work on dualisation of Lodhran-Sahiwal track had been completed while dualisation of Raiwind-Sahiwal section was underway. The completion of these projects will help reduce travel time between Lahore and Karachi.

To a question, he said, according to an estimate, running about 15 to 20 goods trains can steer the railways out of the prevailing financial crunch if operated on a regular basis. Work on replacement of obsolete signalling system on Lodhran-Shahdara Bagh section will be completed by 2013. The project for replacement of Old Obsolete Signalling Gear (OBSG) was approved by the Executive Committee of the National Economic Council (Ecnec) on February 6, 2008 at a cost of Rs10.72 billion.

The contract was signed with the consortium comprising Bombardier Transportation Sweden and China Railways Signal and Communication Corporation (CRSC) on December 30, 2009. Islamic Development Bank agreed to give $140 million for the project.

Public-private partnership is being introduced for good governance in PR as it will bring transparency in the ticketing system, the official said.

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# OPEN MARKET FOREX RATES

Updated at: 19/12/2012 8:32 AM (PST)

| Currency | Buying | Selling |
|---|---|---|
| Australian Dollar | 103.3 | 104.3 |
| Bahrain Dinar | 258 | 261 |
| Canadian Dollar | 99.7 | 100.8 |
| China Yuan | 13 | 13.5 |
| Danish Krone | 17 | 17.3 |
| Euro | 129.1 | 130.5 |
| Hong Kong Dollar | 12.2 | 12.5 |
| Indian Rupee | 1.7 | 1.8 |
| Japanese Yen | 1.168 | 1.25 |
| Kuwaiti Dinar | 345 | 346.5 |
| Malaysian Ringgit | 28.3 | 28.8 |
| NewZealand $ | 75 | 76 |
| Norwegians Krone | 17.1 | 17.4 |
| Omani Riyal | 252.5 | 255 |
| Qatari Riyal | 26.5 | 27 |
| Saudi Riyal | 26.15 | 26.35 |
| Singapore Dollar | 78 | 79 |
| Swedish Korona | 14.3 | 14.6 |
| Swiss Franc | 102 | 103.5 |
| Thai Bhat | 2.6 | 2.7 |
| U.A.E Dirham | 26.7 | 27 |
| UK Pound Sterling | 159.2 | 160.6 |
| US Dollar | 98.4 | 99 |

# INTER BANK RATES

Updated at: 19/12/2012 8:32 AM (PST)

| Currency | **Bank Buying TT Clean** | **Bank Selling TT & OD** |
|---|---|---|
| Australian Dollar | 102.76 | 102.97 |
| Canadian Dollar | 99.05 | 99.25 |
| Danish Krone | 17.35 | 17.39 |
| Euro | 129.44 | 129.7 |
| Hong Kong Dollar | 12.61 | 12.63 |
| Japanese Yen | 1.1590 | 1.1614 |
| Saudi Riyal | 26.05 | 26.11 |
| Singapore Dollar | 80.15 | 80.32 |
| Swedish Korona | 14.82 | 14.85 |
| Swiss Franc | 107.17 | 107.39 |
| U.A.E Dirham | 26.6 | 26.65 |
| UK Pound Sterling | 158.9 | 159.23 |
| US Dollar | 97.7 | 97.9 |

# Bullion Rates (Gold Prices) in Pakistan Rupee (PKR)

As on Wed, Dec 19 2012, 05:45 GMT

| Metal | Symbol | PKR for 10 Gm | PKR for 1 Tola | PKR for 1 Ounce | |
|---|---|---|---|---|---|
| Gold 24K | XAU | 52,653 | 61,350 | 163,773 | |
| Palladium | XPD | 21,770 | 25,366 | 67,714 | |
| Platinum | XPT | 50,228 | 58,524 | 156,229 | |
| Silver | XAG | 996 | 1,160 | 3,097 | |

Gold Rates in other Major Currencies

| Currency | Symbol | 10 Gm | 1 Tola | 1 Ounce | |
|---|---|---|---|---|---|
| Australian Dollar | AUD | 511 | 596 | 1,590 | |
| Canadian Dollar | CAD | 530 | 618 | 1,650 | |
| Euro | EUR | 406 | 473 | 1,262 | |
| Japanese Yen | JPY | 45,305 | 52,787 | 140,916 | |
| U.A.E Dirham | AED | 1,975 | 2,301 | 6,142 | |
| UK Pound Sterling | GBP | 331 | 385 | 1,028 | |
| US Dollar | USD | 538 | 626 | 1,672 | |