



Mr. Aqeel Karim Dhedhi
Chairman, AKD Group

“Management accountants are an invaluable asset in the capital and stock markets, given their inquisitive mind at work founded on the basis of their learning about the company's financials and an environment in which the company operates”

ICMA Pakistan: What are your views on the current state of the economy? Are the policies of the Government economic-friendly?

AKD: Pakistan's economy is showing promising signs of recovery from the pandemic shock, with the majority of leading indicators pointing towards a strong rebound. Cement, consumer loan, and diesel offtakes have witnessed double-digit growth over the past three months. I think this trend will continue in the coming months. Developments on the external front continued to surprise positively, with the country recording a CA surplus of US\$792 million in 1Q FY21 vs. CA deficit of US\$1,492 million last year. Exports, though down 10.5%YoY in 1Q FY21, have strongly rebounded in Sep'20, registering a growth of 29%MoM. The Rupee has gained its ground against the Greenback, with the domestic currency appreciating 2.2% over the last 30 days. Tax collection despite the pandemic has been above the target, with PKR1 trillion raised in 1Q FY21. The incumbent PTI government deserves all the credit for the turnaround, in my opinion. The pre-emptive policy response, both from the federal government in the form of an economic stimulus package (2.5% of GDP) and State Bank of Pakistan (SBP) in the form of interest rate cuts and loan deferment have played a pivotal role in the recovery.

ICMA Pakistan: Group has a strong network of companies in diversified sectors of financial services, telecom, infrastructure, manufacturing, and natural resources.

How do you assess the impact of the COVID-19 pandemic in these sectors?

AKD: Diversification has its benefits where the group's stock trading and technology arms recorded a strong performance, both during and post COVID-19 related disruptions. To highlight, average stock market volumes since Mar'20 stand at 430.5 million shares compared to 277.6 million shares in the previous 8 months to Feb'20 as investor sentiments improved, gaining from pro-growth policies of the Government. COVID-19 disruption has increased adoptions of technology tools with cumulative registered Internet Banking and Mobile Banking users standing at 12.5 million as of June'20 against 8.8 million users as of June'19. Other businesses particularly Construction was impacted by lockdown however, prudent policies of the Government for resuming economic activity, not-to-forget Construction package, have pulled the industry out of murky waters.

ICMA Pakistan: What challenges and threats, arising from the pandemic, still haunt the Pakistan economy to perform better?

AKD: The pandemic has made it more challenging for the government to execute its reform agenda. We have seen the government rightly putting on hold macro-adjustments, namely hike in electricity/gas prices. With a marked improvement in economic activity, the government should gradually start executing reforms particularly in the energy chain, which is facing a severe liquidity crunch.



Exclusive Interview

On the external front, I think remittances - which have so far surprised positively are expected to take a hit from layoffs in the key source countries, putting pressure on external finances.

ICMA Pakistan: What new opportunities are emerging for the business and industry in the next one or two years?

AKD: On a standalone basis, Pakistan's market penetration is relatively low at 0.1% of the total population compared to India's 2.5% which provides immense opportunities for industry players to grow. AKD Securities also plans to leverage its current scale where plans to further extend outreach are in the implementation phase. Additionally, with the economic outlook improving and strong activity being witnessed in the market, we see the IPO market returning, providing revenue growth opportunities for stock brokerage houses.

“ Professional bodies such as ICMA Pakistan have a key role in formulating economic policies of any Government, particularly in countries like Pakistan where unplanned investments and tax evasion bleed core Government finances, leading into massive borrowing levels ”

ICMA Pakistan: How do you see the performance of the Pakistani Stock Market in the post-COVID-19 period?

AKD: Pakistani stock market has gained 48% from Mar'20 lows on the back of stimulus package by the Government (aggressive interest rate cuts, construction/social package) and at the same time, successful handling of COVID-19 spread. The market is still trading at one year forward P/E of 7.8x as against historical mean P/E of 9.6x implying a discount, despite recording a run-up in valuations. With Govt's pro-growth policies set to continue (such as Govt's subsidized housing scheme that has gained interest nationwide) while at the same time structural sectoral issues being addressed such as in power sector, I see the bull run continuing in the market. Lastly, the cut in interest rates has turned fixed income securities unattractive, while likely pressure on commodities due to global concerns on economic recovery (developed countries are again moving towards lockdown), and small real estate market due to size of investment required, has increased attractiveness of the stock market.

ICMA Pakistan: What are your suggestions for the development of the Capital market, especially to increase the investor base?

AKD: Development of investor base is directly influenced by Government policies where I would like to congratulate current Government in taking steps for documenting economy and introducing measures to attract investments from expatriates (Roshan Digital Account is gaining appreciation from Pakistani diaspora residing abroad). Further, I would like the authorities to overhaul the regulatory aspects of the market to make it investor-friendly and introduce more products where the

recently launched ETFs are a step in the right direction. A sustained emphasis on building strong international linkages for trade and capital flows is essential.

ICMA Pakistan: How do you see the Government's incentive package for boosting the real estate and construction sector?

AKD: The incentive package of the Government, while addressing long-standing issues relating to tax regimes and smoothing of the process particularly in transfer cases, also provides short term relief relating to the documentation that has started to provide a bump to construction activities across the country as indicated by Cement sales that was up 18.7%YoY during Jul-Sep'20. Moreover, relief has been given on tax payment, to be paid in a staggered manner providing cash flow relief to builders. In the said package, the Government has awarded the construction sector the status of 'industry', entailing better transparency and documentation. Approval and formation of a Real Estate / Construction Industry board/trust will ensure better regulation, resulting in improved oversight, particularly given previous experiences of fraudulent and illegal construction activities. For incentivizing buyers, the government has introduced subsidized mortgages which should push up demand for real estate and increase affordability.

ICMA Pakistan: What new projects and ventures you are planning to launch in the next one or two years?

AKD: AKD group already has a pedigree in the Capital Markets and Real Estate space. Moving ahead, I see immense potential in the country's real estate market particularly after the announcement of low-cost housing schemes. AKD has partnered with NAPHA in promoting low-cost housing and plans to launch two schemes, work on which has been already initiated, in the next one to two years.

ICMA Pakistan: Please comment on the expected role of professional bodies like ICMA Pakistan in the economic recovery of Pakistan?

AKD: Professional bodies such as ICMA Pakistan have a key role in formulating economic policies of any Government, particularly in countries like Pakistan where unplanned investments and tax evasion bleed core Government finances, leading into massive borrowing levels. Bodies like ICMA, and indeed its members, help establish a system of accountability and identify weak controls, which has gained importance in the age of digitization. Moreover, these bodies help regulatory agencies in effectively playing a role in developing the confidence of investors and the general public.

ICMA Pakistan: How management accountants can provide their professional services in the capital and stock market?

AKD: Management accountants are an invaluable asset in the capital and stock markets, given their inquisitive mind at work founded on the basis of their learning about the company's financials and an environment in which the company operates. These professionals in business assist with corporate strategy and planning, analyzing structural trends, and are active promoters and adopters of change necessary for the sustainability of an organization.

The Editorial Board thanks Mr. Aqeel Karim Dhedhi - Chairman, AKD Group for giving his exclusive interview for Management Accountant Journal.