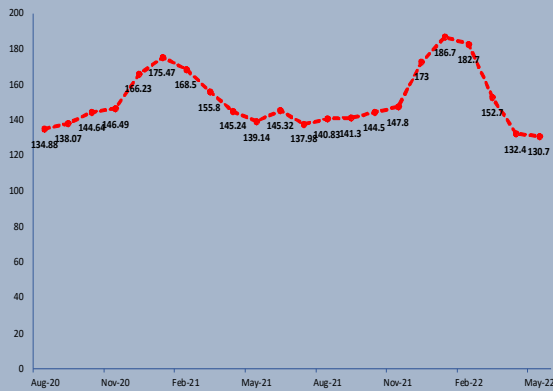


LSMI output recorded 1.3% MoM decline in May-22

Jul 19, 2022

Monthly Quantum Index of Manufacturing



Source: PBS, WE Research

- ◆ Large scale manufacturing (LSM) observed decline in output by 1.3% MoM in May'22, whereas on YoY basis the output surged by 21.5%.
- ◆ The sectors that led to decline in monthly output mainly include Food, Beverages & tobacco (-20.8%), Fertilizers (-6.7%) and Leather products (-6.7%).
- ◆ While sectors that observed growth in production include automobiles (+50.5%), Pharmaceuticals (+45.9%) and iron and steel products (+19.2%), Chemicals (+13.1%) & Non Metallic Mineral Products (+10.4%)
- ◆ Cumulatively, LSM output increased 11.7% YoY during 11MFY22 due to improved industrial activity.

LSM output recorded 1.3% MoM decline in May'22

As per the latest data released by PBS for May'22, large scale manufacturing observed 21.5% YoY growth to arrive at 130.7.

Sector wise, Iron & steel products recorded 19.2% YoY growth in output as billets manufacturing grew 33.5% YoY whereas flat steel recorded 7.5% YoY growth. Moreover, automobiles production has massively increased by 50.5% YoY as jeeps, cars, trucks and buses production grew by 113% YoY, 48.8% YoY, 8.5% and 103% YoY respectively while motorcycles production dropped by 6.9% YoY. Further, non-metallic mineral products output surged by 10.4% YoY during the month under review as glass plates & sheets surged by 82.7% YoY while cement continued downward momentum by 4.4%YoY. On the other hand, food, beverages & tobacco declined by 20.8% YoY on the back of reduction in cooking oil, vegetable ghee ,wheat & rice milling & tea blended products by 1.3% YoY, 8.5% YoY, 2.5% YoY & 34.7% YoY.

On cumulative basis, LSM output during 11MFY22 recorded 11.7% YoY growth. Going forward we expect LSM growth to remain subdued due to economic slowdown and rising interest rate environment.

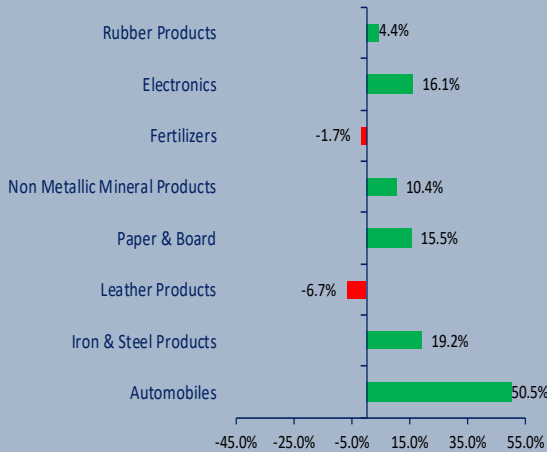
Large Scale Manufacturing Industries (LSM)

	May'22	May'21	YoY	Apr'22	MoM	11MFY22	11MFY21	YoY
LSM	130.7	107.6	21.5%	132	-1.3%	127	114	11.7%

Sector Wise Growth		YoY Change		YoY Growth Impact	
Manufacturing Items	Weight	May'22	11MFY22	May'22	11MFY22
Textile	18.20%	8.2%	4.1%	1.9%	0.9%
Food, Beverages & Tobacco	16.60%	-20.8%	22.4%	-1.6%	2.0%
Coke & Petroleum Products	6.70%	8.1%	1.7%	0.6%	0.1%
Iron & Steel Products	3.40%	19.2%	16.5%	0.9%	0.7%
Non Metallic Mineral Products	5.00%	10.4%	0.5%	-0.3%	0.0%
Automobiles	3.10%	50.5%	52.7%	1.6%	1.5%
Fertilizers	3.90%	-1.7%	2.8%	-0.1%	0.1%
Pharmaceuticals	5.20%	45.9%	7.4%	3.3%	0.5%
Paper & Board	1.60%	15.5%	8.9%	0.3%	0.2%
Electronics	2.00%	16.1%	1.8%	0.7%	0.1%
Chemicals	6.50%	13.1%	9.0%	1.1%	0.7%
Leather Products	1.20%	-6.7%	0.6%	-0.1%	0.0%
Wood Products	0.20%	5.6%	125.0%	0.0%	0.0%
Rubber Products	0.20%	4.4%	-17.3%	0.0%	0.0%

Source: PBS, WE Research

Top/Worst Performing Sectors in May-22



Source: PBS, WE Research

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WE Financial Services Ltd. uses three rating categories, depending upon return form current market price, with Target period as December 2018 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Potential to target price	
Buy Upside	More than +10% from last closing price
HOLD	In between -10% and +10% from last closing price
SELL	Less than -10% from last closing price

Equity Valuation Methodology

WE Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Relative valuation (P/E, P/B, P/S)
- Equity & Asset return based (EVA, Residual income)

Risks

The following risks may potentially impact our valuations of subject security(ies);

- Market Risk
- Interest Rate Risk
- Exchange rate risk

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