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## Asia Frontier Capital Positive on Pakistan for Next 12–18 Months

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By Faseeh Mangi

(Bloomberg) -- Pakistan's economy will improve and the stock market should perform over the next 12–18 months, with a likely cut in interest rates providing a boost, says [Ruchir Desai](#), fund manager at Asia Frontier Capital.

- [Borrowing costs](#) can drop to 15% over the next year from record 22% at present, Desai says in webinar organized by brokerage KTrade
  - Cyclical such as cement and auto perform well during such times
  - Pakistan needs to follow through on the new IMF program, given its debt situation and all sides seem to be on the same page: Desai
  - AFC Asia Frontier Fund has increased its allocation to Pakistan to 9.6% in April from 5.5% a year ago, and added further in May
  - It entered Systems after recent correction and Pakistan Stock Exchange's shares could do well, Desai says
  - If Pakistan can go through the current economic recovery cycle without any major crisis, there's huge scope for multiples to re-rate, he says
    - The current P/E of 4.4x is well below previous low seen in past economic downturns
  - Major holdings: Lucky Cement, Indus Motor and Colgate–Palmolive Pakistan
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To contact the reporter on this story:

[Faseeh Mangi](#) in Karachi at [fmangi@bloomberg.net](mailto:fmangi@bloomberg.net)

To contact the editors responsible for this story:

[Shikhar Balwani](#) at [sbalwani@bloomberg.net](mailto:sbalwani@bloomberg.net)

[Ravil Shirodkar](#)