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Asia Frontier Capital Positive on Pakistan for Next 12-18 Months

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
- Cyclicals 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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