

Market Overview

Bears continued to hold Karachi Stock Exchange (KSE) on Wednesday on account of selling in oil and textile sector over possible selling of foreigners. The benchmark KSE-100 index was down by 209.14 point to close at 30,667.14 points.

HUBC - Attractive dividend yield

In our today's morning report we would discuss the performance of Hub Power Company Limited (HUBC) in 1QFY15 and will give our recommendation on the scrip.

Hubco earning surge owing to lower maintenance cost

Hub Power Company Limited (HUBC) profit after taxation hike by 15.4% to Rs 2.09 billion compared Rs 1.81 billion profits during the 1QFY14. The earning per share of the Hubco remained at Rs 1.81 as against Rs 1.57 in 1QFY14. This was mainly attributed to increase in Project Cost Equity (PCE), lower maintenance cost and higher penal income. Similarly, profitability rise by 35% QoQ to Rs 2.09 billion against Rs 1.55 billion in 4QFY14 owing to lower maintain cost as rehabilitation works carried out in one boiler during 4QFY14.

Higher load factor spurs revenue growth

Revenue hike by 20% to Rs 45.75 billion from Rs 38.05 billion in 1QFY14 mainly due to higher load factor. During the period under review the Hub plant operated at an average load factor of 77% (64% in 1QFY14) whereas electricity sold to WAPDA was 2,042 Gwh (1,691 Gwh in 1QFY14). On the other hand Narowal plant operated an average load factor of 88% (81% in 1QFY14) while Narowal plant sold 413 GWh (382 Gwh in 1QFY14) to NTDC. Operating cost also increased by 20% due to higher load at Rs 42.19 billion compared to Rs 35.24 billion in 1QFY14. Gross profit swell by 26.5% to Rs 3.55 billion in 1QFY15 versus Rs 2.81 billion in corresponding period last year.

Financing cost remain higher

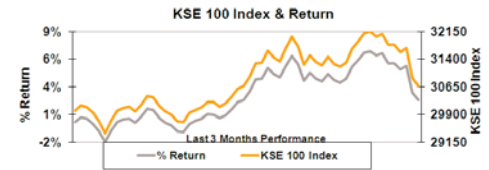
Financing cost hike by 39% to Rs 1,306 million versus Rs 939 million in 1QFY14 due to higher short term borrowing. Hubco's trade debt hike to Rs 96.7 billion in which Wapda to pay overdue amount of Rs 76 billion. As a result of the outstanding amounts from WAPDA Company currently owes Rs 77.41 billion to Pakistan State Oil for fuel supplied to the Power Station of which Rs 57.68 billion is classified as overdue.

Rs in million	1QFY15	1QFY14	YoY	4QFY14	QoQ
Turnover	45,754	38,055	20.2%	40,591	12.7%
Operating costs	42,195	35,242	19.7%	37,508	12.5%
Gross Profit	3,559	2,813	26.5%	3,083	15.4%
Other Income	7	56	-88.2%	3	160%
General & Administration Exp	165	114	45.1%	244	-32.5%
Financing Costs	1,306	939	39.0%	1,285	1.7%
Profit for the Year	2,094	1,815	15.4%	1,555	35%
EPS (Rs)	1.81	1.57		1.30	

Source: AZEE Research

Jun-15 TP raised to Rs 79/share

We have rolled over Hubco target price to June'15, coupled with adjusting our model with a new risk free rate (10 -year PIB at 12%). We maintain a BUY on Hubco which is currently trading at a discount of 10% to our DDM based June 2015 target price of Rs 79/share and offers dividend yields of 11% and 12% for FY15E and FY16F, respectively. At current price of Rs 71.62, Hubco Rupee Nominal IRR is 13.2% (US\$ IRR 8.8%).



News Update

The World Bank has approved US\$138 million additional financing to the Sindh Water Sector Improvement Project to further improve efficiency and effectiveness of the distribution system of irrigation water in the province. The project will be executed in water boards of three areas - Ghotki, Nara and Left Bank - in the Sindh province, said a statement of the Bank issued here on Wednesday. The credit is financed from the International Development Association (IDA), the World Bank Group's grant and low-interest arm. It will be on standard IDA terms, with a maturity of 25 years, including a grace period of five years.

The Asian Development Bank (ADB) has approved a loan of \$42.9 million to provide reliable irrigation for farmlands and non-cultivated lands in the Federally Administered Tribal Areas (FATA) in Pakistan. Irrigated farmlands in FATA will boost productivity and enable farmers to earn higher incomes by producing higher-value crops, including vegetables, said Donnell Walton, an ADB Principal Natural Resources and Agriculture Specialist. This will reduce poverty and boost household food security.

The Neelum-Jhelum 500 KV double circuit transmission line to Gujranwala will cost Rs 22.582 billion, including Foreign Exchange Component (FEC) of Rs 13.553 billion. Official sources told APP that the Economic Coordination Committee (ECC) had also approved in principle financing facility of Rs 17 billion from local banks for the laying of 500 KV double circuit transmission line from Neelum Jhelum Hydro Power Plant to Gujranwala. However, they said that it would be subject to approval of terms and conditions of borrowing by the Ministry of Finance.

NCCPL (U.S \$ in million)		Portfolio Investment U.S \$ in million)		KSE Statistics	December 17, 2014
FIPI (17-Dec-2014)	-19.42	Yearly(Jul, 2014 up to 11-Dec-2014)	122.84	Indices	
Local Companies (17-Dec-2014)	4.70	Monthly(Dec, 2014 up to 11-Dec-2014)	-20.91	All Share Index	22,299.12
Banks / DFI (17-Dec-2014)	1.04			KSE-30TM Index	19,781.36
Mutual Funds (17-Dec-2014)	-4.03	Daily (11-Dec-2014)	-5.67	KSE-100TM Index	30,667.14
NBFC (17-Dec-2014)	-0.96	Total Portfolio Investment (28-Nov-2014)	6029	Turnover	
Local Investors (17-Dec-2014)	7.98			All Share Index	199,190,220
Other Organization (17-Dec-2014)	10.69			KSE-30TM Index	111,565,400
				KSE-100TM Index	143,458,430

MILESTONE

Thursday, December 18, 2014

[Morning Report]
Pivot Analysis

Company	CR	RSI	Buy 1	Buy 2	Sell 1	Sell 2	Pivot
KSE 100 INDEX	30667.14	37.63	30,439	30,211	31,018	31,370	30,790
Attock Cement	191.87	63.31	187.10	182.35	195.50	199.15	190.75
Adamjee Insurance	48.88	49.63	48.45	48.00	49.55	50.25	49.15
Askari Bank	21.78	38.20	21.50	21.25	22.15	22.55	21.90
Azgard Nine	5.75	46.62	5.50	5.25	6.20	6.60	5.95
Attock Petroleum	509.12	32.28	497.15	485.20	530.95	552.75	518.95
Attock Refinery	186.79	37.07	184.70	182.65	189.15	191.55	187.10
Bank Al-Falah	30.27	44.41	29.80	29.35	30.70	31.15	30.25
BankIslami Pak	9.96	42.90	9.90	9.85	10.00	10.05	9.95
Bank.Of.Punjab	10.15	75.78	10.05	9.90	10.35	10.50	10.20
Faysal Bank	16.61	28.84	16.45	16.25	16.90	17.15	16.70
Fauji Cement	23.79	55.82	23.55	23.35	24.05	24.35	23.85
Fauji Fert Bin	43.07	51.77	42.55	42.05	43.85	44.65	43.35
Fauji Fertilizer	116.26	37.33	115.30	114.30	117.90	119.50	116.90
Habib Bank Ltd	207.99	49.96	206.65	205.30	208.70	209.40	207.35
Hub Power	71.62	47.87	70.40	69.20	73.40	75.20	72.20
ICI Pakistan	476.04	22.24	471.35	466.70	484.40	492.80	479.75
Lucky Cement	465.47	47.16	456.25	447.10	477.25	489.10	468.10
MCB Bank Ltd	286.18	43.49	280.95	275.75	292.45	298.75	287.25
Maple Leaf Cement	40.72	66.71	40.20	39.70	41.40	42.10	40.90
National Bank	64.91	53.80	64.10	63.25	65.65	66.45	64.85
Nishat Mills	118.54	39.79	115.70	112.90	124.20	129.80	121.35
Pak Petroleum	172.52	25.06	169.20	165.85	176.65	180.75	173.30
P.T.C.L.A	21.61	43.72	21.30	21.05	21.90	22.20	21.60

CR = Yesterday's Closing Rate; RSI = 14 day RSI.

RSI Indication: Less than 30 Indicate oversold position & Greater than 70 Indicate overbought position.

Risk Disclosure

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Board Meetings

Company	DATE	TIME
Tameer Microfinance Bank	18-12-2014	2:00
Siemens (Pak)	19-12-2014	10:00
Shahmurad Sugar Mills	19-12-2014	11:30
Fauji Fertilizer	22-12-2014	11:00
Al-Noor Sugar Mills Ltd	22-12-2014	11:30
Dewan Sugar Mills Ltd	22-12-2014	4:00

Key Data
Money Market

T-Bills (3 Mths)	10-Dec-2014	9.46%
T-Bills (6 Mths)	10-Dec-2014	9.49%
T-Bills (12 Mths)	10-Dec-2014	9.50%
Discount Rate	15-Nov-2014	9.50%
Kibor (1 Mth)	17-Dec-2014	9.91%
Kibor (3 Mths)	17-Dec-2014	9.65%
Kibor (6 Mths)	17-Dec-2014	9.65%
Kibor (9 Mths)	17-Dec-2014	9.94%
Kibor (1 Yr)	17-Dec-2014	9.97%
P.I.B (3 Yrs)	17-Dec-2014	10.40%
P.I.B (5 Yrs)	17-Dec-2014	10.73%
P.I.B (10 Yrs)	17-Dec-2014	11.65%
P.I.B (15 Yrs)	17-Dec-2014	12.10%
P.I.B (20 Yrs)	17-Dec-2014	12.20%
P.I.B (30 Yrs)	17-Dec-2014	12.40%

Commodities

Crude Oil (brent)\$/bbl	59.63
Crude Oil (WTI)\$/bbl	55.23
Cotton \$/lb	59.65
Gold \$/ozs	1,194.03
Silver \$/ozs	15.79
Malaysian Palm \$	619
GOLD (PMEX) PKR	38,740
KHI Cotton 40Kg PKR	4,983

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