

## Market Overview

Market continued its upbeat stance backed by recovery in international oil prices. The benchmark KSE-100 index closed up by 207.35 point to close at 33,324.82 points. Foreigners took active buying which also helped market to end on high. Scripts of oil & gas sector led the Bull Run.

## DGKC: Rising to new high

In our today's morning report we would present our forecast on future performance of D.G. Khan Cement Company Ltd. (DGKC) in the coming years.

### Earnings are expected to grow at 3-year CAGR of 10%

Earnings of the company will grow at a 3 year CAGR of 10% to Rs 7.24 billion (EPS Rs 16.53) in FY16 against Rs 5.96 billion (EPS Rs 13.62) in FY14 mainly due to higher cement prices and lower coal prices. We expect higher retention prices in FY15 which may surge to Rs 7,038/ton increasing by 6% YoY likely driven by increase in the cement prices by 8% during the ongoing fiscal year. Gross margins likely to further improved to 37.2% in FY15 against 34.9% in FY14.

### Easing monetary policy & reduction in debt- one more advantage

In last two months, the central bank is adopting a policy of monetary easing due to which it had reduced the key discount rates by 50 bps. This would help the company to reduce its financial cost by 35% YoY to Rs 394 million in FY15 against Rs 609 million in FY14. Company has significantly reduced its debt along with decline in KIBOR which will keep the markup cost on lower side

### MCB dividend boost other income

Other income of the DGKC remained sizeable owing to decent dividend payout by the associated companies. Other income likely to surge by 7% to Rs 1,766 million versus Rs 1,647 million in FY14 mainly due to higher dividend received from MCB which contributed around 78% of other income.

### DGKC outperformed KSE by 10%

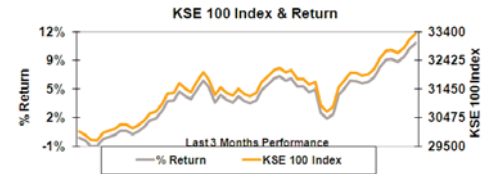
Even though DGKC posted return of 32.6% in CY14, outperformed KSE 100 Index by 10% owing to higher cement prices and enormously bullish trend in cement stocks, we maintain positive stance for DGKC, with SOTP valuation of Rs 131/share after applying 25% discount on portfolio value. While its existing investment portfolio (majority in MCB, NML, NCL & AICL) is worth of Rs 33.66 billion (Rs 76.85/share) at current level contribute dividend income as well as provide Cement cum mutual fund.

	FY13A	FY14A	FY15E	FY16F
EPS (Rs)	12.56	13.62	15.62	16.53
Book Value (Rs/share)	109.46	140.41	142.69	158.24
DPS (Rs)	3.00	3.50	4.00	4.00
P/E (x)	8.80	8.12	7.2	6.8
P/BV(x)	1.01	0.79	0.8	0.75
Dividend Yield (%)	2.71	3.17	3.6	3.6
Payout (%)	23.9	25.7	25.6	24.2

Source: Company reports & AZEE Research

## Recommendation

The scrip of the company is currently trading at a price Rs 115/share of offering an upside potential of 14% from our Dec'15 target price of Rs 131/share. Therefore we would give a 'BUY' call for the scrip.



## News Update

Finance Minister, Senator Mohammad Ishaq Dar Sunday stressed the need for further strengthening the capacity of Implementation and Economic Reforms Unit (IERU) of the Finance Division to contribute towards implementation of economic reforms. The minister held a meeting with IERU here, which among others was attended by Finance Secretary, senior officers of Finance Division, Director General IERU and IERU officers. He emphasized that IERU was playing a pivotal role in implementation of economic reform agenda of the government to help improve economic conditions. Finance Minister appreciated the performance of IERU and desired regular briefings to review progress of key reforms and implementation of economic decisions.

State Bank of Pakistan (SBP) injected Rs 689.15 billion into market for 10 days during its open market operation (OMO). The bids offered were of Rs 694.150 billion. The rate of return is 9.3 per cent per annum, said SBP statement.

Federal Minister for Commerce, Engr. Khurram Dastagir Khan said the Government and Federation of Pakistan Chambers of Commerce and Industry (FPCCI) will jointly work for revival of the economy in 2015. An FPCCI statement said during his visit to the Federation House the Minister informed FPCCI members that Prime Minister Nawaz Sharif has already initiated various measures for the development of infrastructure and enhancement of trade and investment in the country. The focus is on two main issues shortage of energy, law and order and concrete steps are being taken in this regard and in the coming few months the results will start coming.

NCCPL (U.S \$ in million)		Portfolio Investment U.S \$ in million)		KSE Statistics	January 9, 2015
FIPI (09-Jan-2015)	1.05	Yearly(Jul, 2014 up to 08-Jan-2015)	87.54	<b>Indices</b>	
Local Companies (09-Jan-2015)	-0.97			All Share Index	24,298.23
Banks / DFI (09-Jan-2015)	-0.88	Monthly(Jan, 2015 up to 08-Jan-2015)	1.46	KSE-30TM Index	21,620.36
Mutual Funds (09-Jan-2015)	2.75			KSE-100TM Index	33,324.82
NBFC (09-Jan-2015)	0.89	Daily (08-Jan-2015)	5.87	<b>Turnover</b>	
Local Investors (09-Jan-2015)	-2.57			All Share Index	355,081,470
Other Organization (09-Jan-2015)	-0.26	Total Portfolio Investment (26-Dec-2014)	6095	KSE-30TM Index	108,500,350
				KSE-100TM Index	230,176,020



## MILESTONE

Monday, January 12, 2015

## [ Morning Report ]

## Pivot Analysis

Company	CR	RSI	Buy 1	Buy 2	Sell 1	Sell 2	Pivot
KSE 100 INDEX	33324.82	74.45	33,137	32,949	33,493	33,661	33,305
Attock Cement	209.86	66.62	207.25	204.60	213.25	216.60	210.60
Adamjee Insurance	52.18	65.64	51.75	51.30	52.70	53.20	52.25
Askari Bank	24.20	72.20	23.55	22.90	24.65	25.05	24.00
Azgard Nine	6.05	52.06	6.00	5.95	6.10	6.20	6.05
Attock Petroleum	537.29	53.52	528.90	520.55	543.80	550.35	535.45
Attock Refinery	206.85	67.91	201.20	195.60	211.80	216.70	206.15
Bank Al-Falah	33.92	62.44	33.60	33.25	34.25	34.60	33.90
BankIslami Pak	10.23	57.30	10.15	10.05	10.30	10.35	10.20
Bank.Of.Punjab	10.66	62.84	10.55	10.45	10.85	11.05	10.75
Faysal Bank	18.66	68.97	18.35	18.00	18.90	19.10	18.55
Fauji Cement	28.20	79.84	27.80	27.45	28.60	29.00	28.20
Fauji Fert Bin	46.85	64.81	46.65	46.50	47.20	47.50	47.00
Fauji Fertilizer	120.50	60.15	119.90	119.30	120.90	121.30	120.30
Habib Bank Ltd	217.54	54.93	215.15	212.70	219.80	222.10	217.40
Hub Power	80.51	64.27	80.35	80.15	80.85	81.15	80.65
ICI Pakistan	497.64	51.67	494.15	490.70	503.90	510.20	500.45
Lucky Cement	513.04	62.34	508.35	503.70	516.85	520.70	512.20
MCB Bank Ltd	311.05	61.23	307.70	304.35	316.20	321.35	312.85
Maple Leaf Cement	47.62	76.36	47.10	46.55	48.60	49.55	48.05
National Bank	68.94	65.97	68.60	68.30	69.20	69.50	68.90
Nishat Mills	130.84	61.04	128.75	126.70	132.15	133.50	130.10
Pak Petroleum	186.14	55.73	183.85	181.60	187.55	189.00	185.30
P.T.C.L.A	26.50	78.70	26.10	25.70	27.10	27.65	26.65

## Board Meetings

Company	DATE	TIME
First Paramount Modaraba	13-01-2015	11:00
International Steel	20-01-2015	10:30
Kot Addu Power Co. Ltd	18-02-2015	2:00
Unilever Pakistan Foods	04-03-2015	2:30

## Key Data

## Money Market

T-Bills (3 Mths)	07-Jan-2015	9.14%
T-Bills (6 Mths)	07-Jan-2015	9.25%
T-Bills (12 Mths)	07-Jan-2015	9.15%
Discount Rate	15-Nov-2014	9.50%
Kibor (1 Mth)	09-Jan-2015	9.76%
Kibor (3 Mths)	09-Jan-2015	9.40%
Kibor (6 Mths)	09-Jan-2015	9.41%
Kibor (9 Mths)	09-Jan-2015	9.58%
Kibor (1 Yr)	09-Jan-2015	9.56%
P.I.B (3 Yrs)	09-Jan-2015	9.25%
P.I.B (5 Yrs)	09-Jan-2015	9.60%
P.I.B (10 Yrs)	09-Jan-2015	10.40%
P.I.B (15 Yrs)	09-Jan-2015	11.20%
P.I.B (20 Yrs)	09-Jan-2015	11.45%
P.I.B (30 Yrs)	09-Jan-2015	11.75%

## Commodities

Crude Oil (brent)\$/bbl	49.23
Crude Oil (WTI)\$/bbl	47.50
Cotton \$/lb	60.59
Gold \$/ozs	1,216.30
Silver \$/ozs	16.45
Malaysian Palm \$	665
GOLD (PMEX) PKR	39,432
KHI Cotton 40Kg PKR	5,251

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

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

## MILESTONE

Monday, January 12, 2015

# MTS Leverage Position

	Unrel Volume	Unrel Value	MTS Volume	MTS Value	Total Volume	Total Value	MTS Rate
9-Jan-15	75,620,300	3,223,698,032	9,784,400	438,426,918	85,404,700	3,662,124,950	16.05
8-Jan-15	77,216,840	3,273,708,019	7,480,300	361,061,022	84,697,140	3,634,769,041	16.14
Chg DoD %	-2.07%	-1.53%	30.80%	21.43%	0.84%	0.75%	-9 bps
Symbol	Unrel Volume	Unrel Value	MTS Volume	MTS Value	Total Volume	Total Value	MTS Rate
AHCL	220,200	5,188,360	5,000	119,951	225,200	5,308,310	17.74
AICL	2,829,200	121,347,254	860,900	38,227,207	3,690,100	159,574,461	16.07
AKBL	1,410,000	27,255,739	997,000	20,510,406	2,407,000	47,766,145	17.81
ATRL	326,400	52,191,952	23,500	4,156,627	349,900	56,348,579	16.05
BAFL	2,182,000	60,615,268	82,000	2,365,464	2,264,000	62,980,732	16.30
BAHL	75,500	3,112,407	4,000	170,065	79,500	3,282,472	14.00
BOP	19,068,100	167,962,561	892,600	8,108,807	19,960,700	176,071,368	17.82
CHCC	273,500	17,348,408	158,500	10,413,014	432,000	27,761,422	17.08
DGKC	1,682,500	158,479,628	448,500	44,243,326	2,131,000	202,722,954	14.18
EFOODS	698,200	66,532,345	114,500	12,002,282	812,700	78,534,627	17.50
ENGRO	4,950,100	941,649,505	165,100	34,468,653	5,115,200	976,118,158	17.38
FABL	3,871,000	58,694,000	140,000	2,211,047	4,011,000	60,905,046	16.62
FATIMA	5,399,000	162,324,411	1,049,500	33,197,484	6,448,500	195,521,895	13.57
FCCL	1,801,000	39,749,614	146,500	3,502,036	1,947,500	43,251,650	15.23
FFBL	1,548,000	60,989,443	26,000	1,035,830	1,574,000	62,025,273	15.70
FFC	136,500	13,792,905	8,900	911,971	145,400	14,704,876	15.56
HUBC	1,831,000	118,664,713	-	-	1,831,000	118,664,713	-
KEL	4,569,000	35,681,388	186,000	1,569,902	4,755,000	37,251,290	17.13
LPCL	5,895,500	87,524,538	365,500	5,514,596	6,261,000	93,039,133	16.53
LUCK	58,400	24,507,225	30,800	13,337,216	89,200	37,844,440	15.82
MCB	58,800	15,749,171	10,500	2,767,839	69,300	18,517,010	14.36
MLCF	1,633,000	64,154,568	620,000	25,092,199	2,253,000	89,246,767	17.72
NBP	1,432,500	82,338,481	162,000	9,479,375	1,594,500	91,817,856	14.46
NCL	1,049,000	42,010,083	505,500	21,918,290	1,554,500	63,928,373	14.08
NML	448,000	46,094,195	39,800	4,443,936	487,800	50,538,131	15.66
NPL	6,000	234,247	-	-	6,000	234,247	-
OGDC	68,800	12,127,119	4,700	872,906	73,500	13,000,025	15.96
PAEL	1,450,000	53,153,949	1,113,500	45,754,062	2,563,500	98,908,011	17.82
PIOC	1,359,000	96,212,144	93,000	6,658,772	1,452,000	102,870,915	15.13
PKGP	319,500	8,045,178	1,000	26,949	320,500	8,072,127	17.45
PPL	666,200	99,919,398	16,500	2,611,054	682,700	102,530,452	16.51
PSO	539,300	162,588,140	124,100	37,465,910	663,400	200,054,050	14.49
PTC	596,000	11,939,246	46,500	1,048,256	642,500	12,987,501	15.55
SNGP	303,000	7,024,191	213,500	5,201,775	516,500	12,225,967	17.73
SSGC	6,135,500	192,198,389	1,119,500	37,608,095	7,255,000	229,806,483	17.11
UBL	730,600	106,297,872	9,500	1,411,619	740,100	107,709,491	16.00
<b>TOTAL</b>	<b>75,620,300</b>	<b>3,223,698,032</b>	<b>9,784,400</b>	<b>438,426,918</b>	<b>85,404,700</b>	<b>3,662,124,950</b>	<b>16.05</b>

## Risk Disclosure

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