

Market Overview

After the absorption of interest rate cut effect announcement season anticipations helped market to remain in green zone. Declining coal prices on global front kept cements in public interest. The benchmark KSE-100 index closed up by 71.92 point to close at 34,538.45 points.

Result Preview: FFBL CY14

The meeting of the board of directors of Fauji Fertilizer Bin Qasim (FFBL) to announce the corporate results for the period ended 31 December, 2014 is scheduled to be taken place January 29, 2015.

Earning to dip but recovery expected in 4QCY14

Company would post profit after taxation of Rs 3.89 billion (EPS: Rs 4.17) down by 31% YoY as against Rs 5.61 billion (EPS: Rs 6.01) in CY13. This is primarily expected due to lower offtake of urea & DAP, lower DAP prices, higher financing cost and fall in other income. In 4QCY14, company likely to surge in earning by 118% QoQ to Rs 2.11 billion (EPS: Rs 2.27) in 4QCY14 versus Rs 971 million (EPS: Rs 1.04) in 3QCY14. This is mainly attributable to higher volumetric DAP sales as it would rise by 67% to 314k tons in 4QCY14 versus 188k tons in 3QCY13.

Cash dividend of Rs 25% likely to announce

We expect FFBL board to announce Rs 2.5/share in 4QCY14 along with results. Previously company declared an interim dividends of 17.5% (Rs 1.75/share) taking full year payout to Rs 4.25/share for the year ending December 31, 2014.

Lower DAP sales likely drag revenue growth

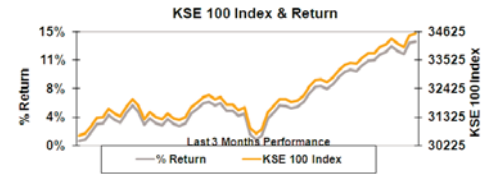
Revenue of the company likely to drop by 9.5% to Rs 49.28 billion versus Rs 54.45 in CY13 mainly due to lower offtake of DAP & Urea along with decline in DAP prices. DAP sales decreased by 7.5% to 715k tons in CY14 versus 773k tons in CY13 while urea offtake fall by 7.6% to 209k tons versus 226k tons in CY13 mainly due to gas curtailment. On the other hand urea prices increases by 1,790/bag in CY14 against price of Rs 1,718/bag recorded in CY13. However, average DAP price decreased by 5% to Rs 3,518/bag in CY14 against price of Rs 3,695/bag recorded in CY13. Gross profit squeeze by 22% to Rs 11.39 billion against Rs 14.51 billion recorded in CY13 owing to lower volumetric sales and reduction in primary margin which squeezed by 3% to \$249/ton versus \$256/ton in CY13.

Rs in million	CY14E	CY13A	YoY	4QCY14E	3QCY14A	QoQ
Net Sales	49,288	54,455	-9.5%	20,631	12,908	59.8%
Cost of Sales	37,898	39,943	-5.1%	15,382	9,984	54.1%
Gross Profit	11,390	14,513	-21.5%	5,249	2,924	79.5%
Distribution Cost	3,559	3,453	3.1%	1,267	956	32.5%
Administrative Expenses	1,370	1,048	30.8%	384	375	2.5%
Financial Charges	1,643	1,515	8.5%	612	634	-3.5%
Other Operating Expenses	414	629	-34.2%	238	93	156.1%
Other Income	636	657	-3.3%	148	152	-2.4%
Share of Associate	376	(163)	-330.4%	190	292	-34.9%
Profit before Taxation	5,415	8,362	-35.2%	3,086	1,310	135.6%
Taxation	1,524	2,749	-44.5%	968	340	185.0%
Profit after Taxation	3,891	5,613	-30.7%	2,118	971	118.3%
EPS (Rs)	4.17	6.01		2.27	1.04	

Source: Company Reports & AZEE Research

Recommendation

At last closing price of Rs 50.36/share, the scrip trading 2% higher to our Dec'15 target price of Rs 49.20/share, thus we recommend Hold for stock.



News Update

Prices of petroleum products are expected to trim down across country from February 1. According to the sources of Petroleum Ministry, petrol price is to be reduced by Rs 14 per litre whereas the price of high-speed diesel and light diesel is to be reduced by Rs 8.50 and Rs 11 per litre, respectively. Price of high-octane and kerosene oil is to be slashed by Rs 14 and Rs 12 per litre, respectively as well.

Gross outstanding housing finance of all banks and development finance institutions (DFIs) registered a growth for the third consecutive quarter, according to the latest housing data released by the State Bank of Pakistan (SBP). It amounted to Rs52.9 billion at the end of September 2014, which is up Rs268.2 million or 0.51% on a quarter-on-quarter basis. "Housing finance has started picking up after 2008. It is expected that the SBP's stance of reducing policy rate will further help in enhancing affordability and demand for housing finance in Pakistan," the SBP wrote in its brief commentary on the housing data.

Domestic power consumers are set to receive a major relief of Rs3.20 per unit in electricity tariff on account of fuel price adjustment for December 2014. The Central Power Purchase Agency (CPPA) has sought a Rs3.20 per unit reduction in power rates from the National Electric Power Regulatory Authority (Nepra) for all distribution companies (except K-Electric) because of the cheaper cost of fuel for power generation.

NCCPL (U.S \$ in million)		Portfolio Investment U.S \$ in million)		KSE Statistics		January 27, 2015	
FIPI (27-Jan-2015)	-1.10	Yearly(Jul, 2014 up to 23-Jan-2015)	94.85	Indices			
Local Companies (27-Jan-2015)	-7.18			All Share Index	24,860.96	KSE-30TM Index	22,435.72
Banks / DFI (27-Jan-2015)	-1.42	Monthly(Jan, 2015 up to 23-Jan-2015)	8.76	Turnover			
Mutual Funds (27-Jan-2015)	3.93			All Share Index	340,272,260	KSE-30TM Index	172,223,100
NBFC (27-Jan-2015)	-0.36	Daily (23-Jan-2015)	5.31				
Local Investors (27-Jan-2015)	5.65	Total Portfolio Investment (09-Jan-2014)	5551				
Other Organization (27-Jan-2015)	0.48						

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[Morning Report]
Pivot Analysis

Company	CR	RSI	Buy 1	Buy 2	Sell 1	Sell 2	Pivot
KSE 100 INDEX	34538.45	77.76	34,405	34,272	34,649	34,760	34,516
Attock Cement	211.25	63.10	209.30	207.35	213.40	215.55	211.45
Adamjee Insurance	52.03	54.44	51.75	51.50	52.45	52.90	52.20
Askari Bank	24.42	62.84	24.30	24.20	24.65	24.85	24.50
Azgard Nine	6.04	47.50	5.95	5.85	6.15	6.25	6.05
Attock Petroleum	549.91	47.15	541.60	533.25	560.90	571.85	552.55
Attock Refinery	217.71	68.93	210.00	202.35	222.90	228.10	215.25
Bank Al-Falah	33.68	55.18	33.35	33.05	34.00	34.35	33.70
BankIslami Pak	9.92	44.33	9.85	9.75	9.95	10.00	9.90
Bank.Of.Punjab	10.98	62.93	10.80	10.60	11.20	11.35	11.00
Faysal Bank	18.27	49.57	18.10	17.95	18.50	18.75	18.35
Fauji Cement	29.13	69.65	29.00	28.80	29.35	29.60	29.20
Fauji Fert Bin	50.36	70.94	49.10	47.80	51.10	51.80	49.80
Fauji Fertilizer	135.50	82.22	133.40	131.30	137.70	139.90	135.60
Habib Bank Ltd	211.36	41.96	210.15	209.00	213.40	215.40	212.20
Hub Power	85.63	65.88	84.55	83.45	86.35	87.05	85.25
ICI Pakistan	495.92	48.75	493.30	490.65	500.30	504.65	497.65
Lucky Cement	535.70	69.89	519.25	502.80	544.40	553.05	527.95
MCB Bank Ltd	332.49	68.77	330.15	327.80	334.75	337.05	332.45
Maple Leaf Cement	50.21	70.23	49.20	48.25	51.60	53.00	50.60
National Bank	69.86	58.97	69.45	69.10	70.25	70.65	69.90
Nishat Mills	133.70	60.63	132.60	131.45	135.35	136.95	134.20
Pak Petroleum	177.48	44.02	177.00	176.55	177.95	178.45	177.50
P.T.C.L.A	26.41	65.89	25.85	25.25	26.85	27.25	26.25

Board Meetings

Company	DATE	TIME
The General Tyre & Rubber	28-01-2015	11:00
Mehran Sugar Mills Ltd	28-01-2015	11:00
Jauharabad Sugar Mills Ltd	28-01-2015	11:00
Pak Int. Cont. Term Ltd	28-01-2015	11:15
Shahtaj Sugar Mills Ltd	28-01-2015	11:30
Adam Sugar Mills Ltd	28-01-2015	11:30

Key Data
Money Market

T-Bills (3 Mths)	21-Jan-2015	8.96%
T-Bills (6 Mths)	21-Jan-2015	8.99%
T-Bills (12 Mths)	21-Jan-2015	8.86%
Discount Rate	24-Jan-2015	8.50%
Kibor (1 Mth)	27-Jan-2015	8.84%
Kibor (3 Mths)	27-Jan-2015	8.63%
Kibor (6 Mths)	27-Jan-2015	8.63%
Kibor (9 Mths)	27-Jan-2015	8.90%
Kibor (1 Yr)	27-Jan-2015	8.96%
P.I.B (3 Yrs)	27-Jan-2015	9.05%
P.I.B (5 Yrs)	27-Jan-2015	9.45%
P.I.B (10 Yrs)	27-Jan-2015	10.06%
P.I.B (15 Yrs)	27-Jan-2015	10.95%
P.I.B (20 Yrs)	27-Jan-2015	11.10%
P.I.B (30 Yrs)	27-Jan-2015	11.25%

Commodities

Crude Oil (brent)\$/bbl	48.33
Crude Oil (WTI)\$/bbl	45.45
Cotton \$/lb	58.74
Gold \$/ozs	1,288.94
Silver \$/ozs	18.04
Malaysian Palm \$	597
GOLD (PMEX) PKR	42,315
KHI Cotton 40Kg PKR	4,983

CR = Yesterday's Closing Rate; RSI = 14 day RSI.
 RSI Indication: Less than 30 Indicate oversold position & Greater than 70
 Indicate overbought position.

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MTS Leverage Position

	Unrel Volume	Unrel Value	MTS Volume	MTS Value	Total Volume	Total Value	MTS Rate
27-Jan-15	87,020,100	3,596,563,625	10,943,150	551,970,443	97,963,250	4,148,534,068	14.61
26-Jan-15	83,956,500	3,614,668,667	11,049,650	536,361,721	95,006,150	4,151,030,388	15.65
Chg DoD %	3.65%	-0.50%	-0.96%	2.91%	3.11%	-0.06%	-1.04 bps
Symbol	Unrel Volume	Unrel Value	MTS Volume	MTS Value	Total Volume	Total Value	MTS Rate
AHCL	904,200	23,567,677	660,000	18,211,714	1,564,200	41,779,391	14.50
AICL	1,898,200	82,961,326	80,000	3,538,174	1,978,200	86,499,500	15.43
AKBL	3,831,500	78,801,030	335,000	6,970,201	4,166,500	85,771,231	15.27
ATRL	217,300	37,203,641	61,300	11,340,258	278,600	48,543,899	15.50
BAFL	1,171,000	33,138,976	68,000	1,948,612	1,239,000	35,087,588	14.09
BAHL	48,000	2,041,781	-	-	48,000	2,041,781	-
BOP	19,953,700	176,948,130	1,616,000	15,123,844	21,569,700	192,071,975	16.28
CHCC	593,000	37,898,470	47,000	3,127,819	640,000	41,026,289	15.53
DGKC	1,421,000	141,741,794	170,000	18,214,423	1,591,000	159,956,217	13.94
EFOODS	335,400	34,481,115	63,600	7,252,351	399,000	41,733,466	14.63
ENGRO	4,694,000	1,001,272,901	427,700	104,050,001	5,121,700	1,105,322,902	13.96
FABL	3,203,500	49,481,807	310,500	4,844,887	3,514,000	54,326,694	13.96
FATIMA	5,789,500	179,574,703	113,500	3,676,141	5,903,000	183,250,844	14.01
FCCL	3,237,700	78,101,682	312,500	7,761,661	3,550,200	85,863,343	14.84
FFBL	1,250,000	50,998,064	1,546,000	66,374,652	2,796,000	117,372,716	14.16
FFC	1,910,700	209,173,662	159,300	18,340,919	2,070,000	227,514,581	14.10
HUBC	1,816,500	124,380,419	69,500	4,973,073	1,886,000	129,353,491	14.00
KEL	5,744,750	43,923,010	1,115,000	8,571,388	6,859,750	52,494,397	15.94
LPCL	6,336,500	94,001,366	206,000	3,083,039	6,542,500	97,084,405	15.27
LUCK	66,600	28,379,501	44,700	20,373,591	111,300	48,753,092	14.82
MCB	5,000	1,352,264	-	-	5,000	1,352,264	-
MLCF	1,688,000	68,341,480	1,153,500	48,976,304	2,841,500	117,317,784	15.80
NBP	2,303,000	135,985,138	112,000	6,652,408	2,415,000	142,637,546	14.75
NCL	1,555,000	60,989,804	167,000	6,532,274	1,722,000	67,522,078	14.36
NML	408,700	44,283,975	11,600	1,312,883	420,300	45,596,858	14.39
NPL	10,000	391,161	5,000	191,318	15,000	582,479	13.00
OGDC	22,000	3,898,882	-	-	22,000	3,898,882	-
PAEL	3,648,000	149,888,871	457,500	19,511,129	4,105,500	169,400,000	16.24
PIOC	1,149,500	82,509,543	411,500	31,323,396	1,561,000	113,832,939	15.16
PKGP	49,500	1,284,213	-	-	49,500	1,284,213	-
PPL	832,050	125,494,224	128,250	19,358,588	960,300	144,852,812	14.08
PSO	120,300	36,562,571	186,700	60,837,031	307,000	97,399,602	14.12
PTC	2,620,500	55,627,442	664,500	14,889,161	3,285,000	70,516,603	14.74
SNGP	659,500	15,567,923	40,000	954,435	699,500	16,522,358	15.07
SSGC	7,039,500	232,789,108	143,000	4,955,119	7,182,500	237,744,228	14.40
UBL	486,500	73,525,971	57,000	8,699,652	543,500	82,225,622	14.11
TOTAL	87,020,100	3,596,563,625	10,943,150	551,970,443	97,963,250	4,148,534,068	14.61

Risk Disclosure

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