

Friday, February 6, 2015

**[ Morning Report ]**

## Market Overview

After witnessing Positivity for past few days market attained technical correction as most investors preferred to book profits. The benchmark KSE-100 index closed down by 154.26 point to close at 34,672.25 points.

## ABL: CY14 Result Preview

Allied Bank Limited (ABL) is scheduled to hold its board meeting on Tuesday, 10th February, 2015 to announce its CY14 results. In today's Morning report we are discussing our expectations of ABL's unconsolidated accounts which are as follows.

### Profitability to increase by 10%

We expect ABL to post higher earnings growth of 10% as profit after tax to surge at Rs 16.05 billion which translates into EPS of Rs 14.02 in CY14 against Rs 14.64 billion (EPS: Rs 12.79) in CY13. This is expected due to higher net interest income, reversal of provisions and rise in non-interest income. In 4QCY14, we expect bank to post after tax profit of Rs 4.50 billion (EPS: Rs 3.93) in 4QCY14 against Rs 4.45 billion (EPS: Rs 3.89) in 3QCY14, up by 1% QoQ due to higher net interest income. Moreover, a cash payout of Rs 2/share is also expected with the earnings, taking the total cash dividend of Rs 6.50/share for CY14 along with 10% bonus

### Massive surge in non funded income expected

Bank's non-interest income is expected to increase by 50% to Rs 13.72 billion versus Rs 9.60 billion. This is expected due to higher gain on sale of securities which likely robustly up 226% to Rs 4.06 billion versus Rs 1.24 billion in CY13. Furthermore, dividend income rises by 6% to Rs 3.60 billion in CY14 against Rs 3.40 billion in CY13.

### Net interest income on the rise

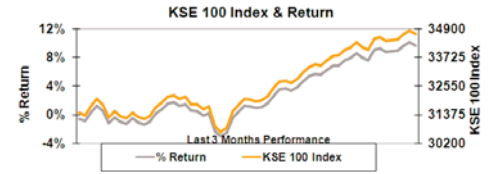
Interest income is expected to surge by 20% to Rs 65.23 billion versus Rs 54.22 billion in CY13 due to growth in earning assets and investments in PIBs. However, Interest expense rise by 16% to Rs 37.88 billion compared to Rs 32.55 billion in CY13 due to rise in saving rate. As a result, net interest income likely to up by 26% to Rs 27.35 billion in CY14 from Rs 21.67 billion in CY13 owing to higher yields on the large government securities portfolio which has been repositioned towards longer tenors i.e. PIBs.

Rs in million	CY14E	CY13A	YoY	4QCY14E	3QCY14A	QoQ
Mark-up Earned	65,239	54,222	20%	16,900	16,568	2%
Mark-up Expensed	37,880	32,552	16%	9,365	9,606	-3%
Net Interest Income	27,358	21,670	26%	7,534	6,963	8%
Provisions	-63	565	-111%	-18	-46	-60%
Non Interest Income	13,720	9,603	43%	3,660	3,894	-6%
Operating Expenses	17,188	15,947	8%	4,496	4,443	1%
Profit before Tax	23,953	14,761	62%	6,716	6,460	4%
Tax	7,896	118	NM	2,216	2,006	10%
Profit after Tax	16,057	14,643	10%	4,500	4,453	1%
EPS (Rs)	14.02	12.79		3.93	3.89	

Source: AZEE Research

## Recommendation

At current level of Rs 113.29/share, ABL is trading at attractive level with CY15E PE and PB of 7.7x & 1.5x respectively. Our December end target price for ABL stands at Rs 140 based on Justified PBV method offers 23% upside potential.



## News Update

State Bank of Pakistan (SBP) accepted bids of Rs 174.39409 billion for selling 3-month, 6-month and 12-month Government of Pakistan Market Treasury Bills (MTBs) through primary dealers. The face value of these accepted bids is Rs 184.304036 billion, said SBP statement.

President, Lasbella Chamber of Commerce and Industry (LCCI) Yakoob H. Karim has welcomed the cut in the export refinance rate (ERR) to 6 per cent from 7.5% by State Bank of Pakistan (SBP). In a statement issued, Yakoob H. Karim said that LCCI appreciates the kind gesture of SBP Governor Ashraf Mehmood Wathra as he quickly responded to the demand of LCCI in this regard and hoped that this move would help promote exports of the country.

The United States Agency for International Development (USAID) and the University of Veterinary and Animal Science (UVAS) Lahore in a meeting agreed to sign two MoUs to establish a centre for Applied Policy Research in Livestock (CAPRIL) and initiate more training programmes in the dairy sector for rural youth. The meeting also discussed modalities of their partnership and collaboration, and enhancing their partnership in various areas of common interest.

The Securities and Exchange Commission of Pakistan (SECP) has registered 414 new companies during the month of January. A statement issued by the Commission said that around 91 percent of these were registered as private limited companies, while around 5 percent registered as single member companies, 4 percent of the companies were registered as public unlisted, non-profit associations and foreign companies.

NCCPL (U.S \$ in million)		Portfolio Investment U.S \$ in million)		KSE Statistics	February 4, 2015
FIPI (04-Feb-2015)	-7.62	Yearly(Jul, 2014 up to 03-Feb-2015)	108.19	<b>Indices</b>	
Local Companies (04-Feb-2015)	6.37	Monthly(Feb, 2015 up to 03-Feb-2015)	4.25	All Share Index	24,924.33
Banks / DFI (04-Feb-2015)	-2.79			KSE-30TM Index	22,493.04
Mutual Funds (04-Feb-2015)	2.32	Daily (03-Feb-2015)	5.41	KSE-100TM Index	34,672.25
NBFC (04-Feb-2015)	-0.22			<b>Turnover</b>	
Local Investors (04-Feb-2015)	4.83	Total Portfolio Investment (23-Jan-2015)	6476	All Share Index	382,561,980
Other Organization (04-Feb-2015)	-2.89			KSE-30TM Index	105,524,200
				KSE-100TM Index	230,121,490

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**Pivot Analysis**

Company	CR	RSI	Buy 1	Buy 2	Sell 1	Sell 2	Pivot
KSE 100 INDEX	34672.25	72.61	34,493	34,313	34,954	35,235	34,774
Attock Cement	210.15	56.08	208.70	207.20	212.95	215.70	211.45
Adamjee Insurance	56.07	70.22	55.40	54.70	56.85	57.70	56.20
Askari Bank	25.20	69.33	25.05	24.90	25.40	25.60	25.25
Azgard Nine	6.03	47.71	5.95	5.80	6.15	6.30	6.05
Attock Petroleum	545.19	46.68	540.15	535.10	554.10	563.05	549.05
Attock Refinery	197.09	44.78	195.45	193.85	199.85	202.65	198.25
Bank Al-Falah	33.48	51.38	33.25	33.05	33.85	34.25	33.65
BankIslami Pak	9.87	43.26	9.80	9.70	9.95	10.05	9.90
Bank.Of.Punjab	10.57	49.71	10.35	10.15	10.85	11.15	10.65
Fauji Cement	31.16	71.51	30.85	30.55	31.65	32.10	31.30
Fauji Fert Bin	51.93	70.00	51.40	50.85	52.70	53.50	52.20
Fauji Fertilizer	136.20	74.09	134.60	133.05	137.75	139.35	136.20
Habib Bank Ltd	212.91	49.07	210.10	207.25	214.70	216.45	211.85
Hub Power	85.22	61.53	84.65	84.05	85.65	86.05	85.05
ICI Pakistan	485.00	43.74	483.00	481.05	487.00	488.95	485.00
Jah Siddiq Co	20.23	44.21	19.60	19.00	20.55	20.85	19.90
Lucky Cement	525.85	58.70	521.00	516.10	533.90	541.90	529.00
MCB Bank Ltd	331.75	60.62	326.35	321.00	338.55	345.40	333.20
Maple Leaf Cement	54.19	72.62	53.60	52.95	54.85	55.50	54.25
National Bank	69.08	51.00	68.15	67.25	69.85	70.65	68.95
NIB Bank	2.50	57.54	2.35	2.15	2.65	2.75	2.45
Oil & Gas Dev. XD	218.08	55.52	212.85	207.60	225.00	231.90	219.75
P.S.O. XD	404.98	70.88	400.85	396.75	412.25	419.55	408.15
Sui North Gas	27.22	40.96	26.95	26.65	27.75	28.30	27.45

**Board Meetings**

Company	DATE	TIME
Kohat Cement	06-02-2015	11:00
Engro Fertilizer Ltd	09-02-2015	9:30
Allied Bank Ltd	10-02-2015	11:00
Pak Telecommunication Co. Ltd	10-02-2015	1:00
Shabbir Tiles & Ceramics Ltd	17-02-2015	3:00
Kot Addu Power Co. Ltd	18-02-2015	2:00

**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)	04-Feb-2015	8.70%
Kibor (3 Mths)	04-Feb-2015	8.51%
Kibor (6 Mths)	04-Feb-2015	8.51%
Kibor (9 Mths)	04-Feb-2015	8.75%
Kibor (1 Yr)	04-Feb-2015	8.76%
P.I.B (3 Yrs)	04-Feb-2015	8.50%
P.I.B (5 Yrs)	04-Feb-2015	8.80%
P.I.B (10 Yrs)	04-Feb-2015	9.78%
P.I.B (15 Yrs)	04-Feb-2015	10.40%
P.I.B (20 Yrs)	04-Feb-2015	10.75%
P.I.B (30 Yrs)	04-Feb-2015	11.10%

**Commodities**

Crude Oil (brent)\$/bbl	56.48
Crude Oil (WTI)\$/bbl	51.30
Cotton \$/lb	61.37
Gold \$/ozs	1,267.33
Silver \$/ozs	17.39
Malaysian Palm \$	624
GOLD (PMEX) PKR	41,570
KHI Cotton 40Kg PKR	5,091

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
4-Feb-15	96,275,450	4,059,246,905	7,276,500	461,082,652	103,551,950	4,520,329,557	13.77
3-Feb-15	93,317,550	3,923,219,049	9,784,400	585,899,835	103,101,950	4,509,118,883	13.08
Chg DoD %	3.17%	3.47%	-25.63%	-21.30%	0.44%	0.25%	0.69 bps
Symbol	Unrel Volume	Unrel Value	MTS Volume	MTS Value	Total Volume	Total Value	MTS Rate
AHCL	1,604,500	49,280,559	90,000	2,870,053	1,694,500	52,150,611	16.63
AICL	1,365,700	62,096,687	464,500	22,201,294	1,830,200	84,297,981	15.49
AKBL	4,273,500	88,329,562	695,000	14,881,598	4,968,500	103,211,160	15.05
ATRL	220,800	36,735,358	25,500	4,271,909	246,300	41,007,266	16.52
BAFL	1,392,500	39,596,758	102,000	2,897,677	1,494,500	42,494,435	13.00
BAHL	35,000	1,479,169	2,500	107,331	37,500	1,586,500	13.50
BOP	25,011,700	225,235,966	839,000	7,660,958	25,850,700	232,896,924	15.44
CHCC	1,259,500	89,631,327	213,000	15,982,573	1,472,500	105,613,900	15.36
DGKC	987,500	102,717,083	107,000	11,671,110	1,094,500	114,388,193	12.43
EFOODS	619,300	70,334,336	82,600	9,418,839	701,900	79,753,174	14.26
ENGRO	5,370,400	1,220,951,252	258,200	63,030,221	5,628,600	1,283,981,473	13.76
FABL	4,007,000	62,045,782	26,000	401,469	4,033,000	62,447,251	12.00
FATIMA	4,510,000	142,509,503	147,000	4,799,663	4,657,000	147,309,166	12.07
FCCL	3,014,200	76,826,473	460,000	12,205,106	3,474,200	89,031,579	15.52
FFBL	1,626,000	72,335,945	700,500	30,853,522	2,326,500	103,189,466	12.47
FFC	1,614,700	178,626,603	1,087,400	126,441,362	2,702,100	305,067,965	12.91
HUBC	1,910,000	134,582,876	46,000	3,326,547	1,956,000	137,909,423	11.99
KEL	7,684,250	56,335,246	290,500	2,070,148	7,974,750	58,405,394	16.43
LPCL	5,410,000	81,128,147	239,500	3,632,328	5,649,500	84,760,475	14.24
LUCK	168,500	74,658,970	46,200	20,736,882	214,700	95,395,852	12.39
MCB	6,000	1,643,131	-	-	6,000	1,643,131	-
MLCF	2,438,500	107,588,508	74,500	3,453,261	2,513,000	111,041,769	14.99
NBP	1,721,500	100,765,414	52,500	3,080,372	1,774,000	103,845,785	14.77
NCL	1,314,500	50,887,143	51,500	1,980,185	1,366,000	52,867,328	12.99
NML	384,100	42,179,520	12,800	1,416,072	396,900	43,595,592	12.25
NPL	100,000	3,820,100	-	-	100,000	3,820,100	-
OGDC	15,300	2,767,569	16,000	2,993,061	31,300	5,760,630	12.94
PAEL	3,528,500	153,077,561	858,000	40,536,325	4,386,500	193,613,886	16.48
PIOC	1,559,000	116,236,965	20,000	1,467,061	1,579,000	117,704,026	15.96
PKGP	46,500	1,239,548	8,000	231,306	54,500	1,470,854	16.69
PPL	919,700	135,189,052	88,300	13,304,139	1,008,000	148,493,191	12.96
PSO	232,800	75,481,403	77,400	26,699,334	310,200	102,180,737	12.29
PTC	2,904,500	62,426,342	23,500	512,526	2,928,000	62,938,868	12.00
SNGP	1,164,000	27,639,177	10,000	231,714	1,174,000	27,870,891	14.00
SSGC	7,451,500	251,841,581	30,500	1,040,065	7,482,000	252,881,647	16.58
UBL	404,000	61,026,292	31,100	4,676,641	435,100	65,702,933	12.61
<b>TOTAL</b>	<b>96,275,450</b>	<b>4,059,246,905</b>	<b>7,276,500</b>	<b>461,082,652</b>	<b>103,551,950</b>	<b>4,520,329,557</b>	<b>13.77</b>

## Risk Disclosure

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