

## Market Overview

Ongoing recovery in international oil prices not only helped local oil scrips to remain in limelight but also aided market to reach its all time high. The benchmark KSE-100 index closed up by 232.44 point to close at 34,676.31 points.

## EFERT: Result Preview for CY14

The meeting of the board directors of Engro Fertilizer Company Limited (EFERT) is scheduled to be taken place on 9th February, 2015.

### Earnings likely to increase by 45%

On back of higher volumetric sales of Urea along with likely increase in other income and lower finance cost, Engro Fertilizer is expected to earn a profit after taxation (PAT) of Rs 7.96 billion (EPS: Rs 6.13) in CY14 versus Rs 5.49 billion (EPS: Rs 4.24) in CY13. In 4QFY14 alone, we anticipate 15% QoQ growth in profitability as it would surge to Rs 2.45 billion (EPS: Rs 1.89) compared to Rs 2,137 million (EPS: Rs 1.65) in 3QCY14. This would be attributed to higher sales and hike in other income. Furthermore, we expect company would announce cash dividend of Rs 1.5/share.

### Sales revenue to jump 23% in CY14

Company's net revenue likely to hike by 23% YoY to Rs 61.49 billion in CY14 against Rs 50.12 billion in CY13 on back of higher urea sales and surge in urea prices. Average urea prices increase by 4% to Rs 1,790/bag in CY14 versus Rs 1,710/bag in CY13 due to partial passing on increase in GDIC. With the support of increased availability of gas to the company, the company managed to produce more urea. As a result, urea offtake surge by 17% to 1.82 million tons in CY14 against 1.56 million tons in CY13 due to better demand.

### Gross profit expected to hike

Gross profit is expected to marginally rise by 1% amounting to Rs 22.39 billion compare to Rs 22.12 billion in CY13 due to higher volumetric sales. We expect gross margins to decline by 8ppts at 36.4% in CY14 against 44.1% in CY13 due to partial increase in urea prices due to increase in GDIC.

### Other income to surge, finance cost to decline,

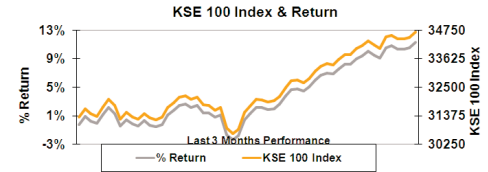
The bottom line of the company would also be well supported from drop in finance cost by 21% YoY in CY14 to Rs 6.85 billion due to decline in interest rates and reduction in debt during CY14. On the other side, the 121% YoY rise in other income in CY14 to Rs 2.43 billion owing to higher cash balances too would benefit the company.

Rs in million	CY14E	CY13A	YoY	4QCY14E	4QCY13A	YoY
Net Sales	61,491	50,129	23%	17,799	16,035	11.0%
Cost of Sales	39,097	28,008	40%	11,320	9,993	13.3%
Gross Profit	22,394	22,121	1%	6,479	6,042	7.2%
Selling & Distribution Cost	4,277	3,511	22%	1,214	1,094	11.0%
Administrative Expenses	717	601	19%	179	161	11.0%
Operating Profit	17,400	18,009	-3%	5,086	4,788	6.2%
Other Income	2,439	1,105	121%	784	653	20.0%
Other Expenses	1,154	2,060	-44%	319	277	15.0%
Finance Cost	6,856	8,670	-21%	1,891	1,894	-0.1%
Profit before Taxation	11,830	8,384	41%	3,657	3,270	11.9%
Taxation	3,868	2,887	34%	1,207	1,133	6.5%
Profit after Taxation	7,962	5,497	45%	2,450	2,137	14.7%
EPS (Rs)	6.13	4.24		1.89	1.65	

Source: AZEE Research

## Recommendation

We are positive on the stock which is trading at a price of Rs 84.97/share offering an upside potential of 22% to our Dec'15 target price of Rs 104/share.



## News Update

International Halal food market, one of the fastest growing segments of the worldwide food industry and currently worth \$1.1 trillion globally, occupies an integral part of Gulfood 2015, the 20th anniversary of the food and hospitality trade show. In all, more than 1,000 international Halal food brands and companies will convene at Dubai World Trade Centre (DWTC) from February 8-12 to display thousands of Halal products at the second annual Halal World Food, Arab news reported. These include energy drinks, vegan and vegetarian foods to meat and poultry, canned goods, gourmet and fine foods.

Pakistan Agricultural Research Council (PARC) Monday signed a Memorandum of Understanding with CAB International (CABI) and All Pakistan Fruit and Vegetable Exporters, Importers and Merchants Association (PFVA) Karachi. The PARC through its regional center Southern-zone Agricultural Research Center (SARC) at University of Karachi signed the MoU here at National Agricultural Research Center (NARC) Islamabad. Under this MoU, CAB International will provide funding through the USDA funded project to work on the control of Papaya Mealy bug and Apple Mites and Codling Moth in Pakistan.

Islamabad Chamber of Commerce and Industry (ICCI) on Monday welcomed the decision of the Capital Development Authority to stop contractors from collecting sign board tax from traders and deploy its own staff to collect this tax from shopkeepers in cooperation with market unions.

NCCPL (U.S \$ in million)		Portfolio Investment U.S \$ in million)		KSE Statistics		February 2, 2015	
FIPI (02-Feb-2015)	-31.63	Yearly(Jul, 2014 up to 30-Jan-2015)	103.95	<b>Indices</b>			
Local Companies (02-Feb-2015)	-3.66	Monthly(Jan, 2015 up to 30-Jan-2015)	17.86	All Share Index		24,880.76	
Banks / DFI (02-Feb-2015)	1.08	Daily (30-Jan-2015)	-2.78	KSE-30TM Index		22,494.18	
Mutual Funds (02-Feb-2015)	11.38	Total Portfolio Investment (23-Jan-2015)	6476	KSE-100TM Index		34,676.31	
NBFC (02-Feb-2015)	1.44			<b>Turnover</b>			
Local Investors (02-Feb-2015)	23.39			All Share Index		327,604,130	
Other Organization (02-Feb-2015)	-2.01			KSE-30TM Index		127,667,350	
				KSE-100TM Index		234,971,620	

## MILESTONE

Tuesday, February 3, 2015

**[ Morning Report ]**
**Pivot Analysis**

Company	CR	RSI	Buy 1	Buy 2	Sell 1	Sell 2	Pivot
KSE 100 INDEX	34676.31	76.38	34,502	34,328	34,792	34,907	34,618
Attock Cement	213.24	63.77	211.35	209.45	215.75	218.30	213.90
Adamjee Insurance	56.32	74.52	55.95	55.55	56.90	57.50	56.50
Askari Bank	24.58	62.52	24.35	24.15	24.85	25.10	24.65
Azgard Nine	6.03	47.44	5.95	5.85	6.15	6.30	6.05
Attock Petroleum	535.00	40.06	527.85	520.70	544.30	553.65	537.15
Attock Refinery	194.93	42.13	193.75	192.60	197.05	199.20	195.90
Bank Al-Falah	33.76	55.78	33.60	33.40	34.05	34.30	33.85
BankIslami Pak	9.83	39.51	9.80	9.75	9.90	9.95	9.85
Bank.Of.Punjab	10.62	51.50	10.45	10.35	10.85	11.05	10.70
Fauji Cement	31.75	80.35	30.90	30.05	32.20	32.70	31.35
Fauji Fert Bin	52.51	75.97	51.95	51.35	53.30	54.05	52.70
Fauji Fertilizer	132.39	67.83	131.65	130.90	133.20	134.05	132.50
Habib Bank Ltd	211.53	46.12	210.35	209.20	212.60	213.70	211.45
Hub Power	85.61	63.53	84.30	82.95	86.35	87.05	85.00
ICI Pakistan	484.80	43.37	480.90	476.95	490.85	496.90	486.95
Jah Siddiq Co	19.47	44.21	18.85	18.20	19.80	20.15	19.20
Lucky Cement	528.30	60.47	520.95	513.65	535.65	543.05	528.35
MCB Bank Ltd	334.50	69.89	331.65	328.85	336.65	338.85	333.85
Maple Leaf Cement	55.24	78.70	53.90	52.60	55.90	56.55	54.60
National Bank	68.89	49.32	68.10	67.35	70.15	71.45	69.40
NIB Bank	2.41	52.07	2.35	2.25	2.45	2.55	2.40
Oil & Gas Dev. XD	216.86	55.68	214.00	211.10	218.50	220.10	215.60
P.S.O. XD	389.05	64.06	382.10	375.15	393.40	397.75	386.45
Sui North Gas	28.06	51.15	27.80	27.50	28.55	29.05	28.30

**Board Meetings**

Company	DATE	TIME
Engro Polymer & Chemicals Ltd	03-02-2015	9:30
Oil & Gas Development Co	04-02-2015	11:00
Gauhar Engineering Ltd	04-02-2015	2:00
Kohat Cement	06-02-2015	11:00
Engro Fertilizer Ltd	09-02-2015	9:30
Allied Bank Ltd	10-02-2015	11:00

**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)	02-Feb-2015	8.62%
Kibor (3 Mths)	02-Feb-2015	8.53%
Kibor (6 Mths)	02-Feb-2015	8.54%
Kibor (9 Mths)	02-Feb-2015	8.81%
Kibor (1 Yr)	02-Feb-2015	8.81%
P.I.B (3 Yrs)	02-Feb-2015	8.80%
P.I.B (5 Yrs)	02-Feb-2015	9.15%
P.I.B (10 Yrs)	02-Feb-2015	9.75%
P.I.B (15 Yrs)	02-Feb-2015	10.55%
P.I.B (20 Yrs)	02-Feb-2015	10.70%
P.I.B (30 Yrs)	02-Feb-2015	10.90%

**Commodities**

Crude Oil (brent)\$/bbl	52.89
Crude Oil (WTI)\$/bbl	48.09
Cotton \$/lb	59.23
Gold \$/ozs	1,273.93
Silver \$/ozs	17.20
Malaysian Palm \$	591
GOLD (PMEX) PKR	41,689
KHI Cotton 40Kg PKR	5,037

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

## MILESTONE

Tuesday, February 3, 2015

# MTS Leverage Position

	Unrel Volume	Unrel Value	MTS Volume	MTS Value	Total Volume	Total Value	MTS Rate
2-Feb-15	87,394,250	3,744,295,895	13,948,200	659,316,073	101,342,450	4,403,611,968	12.86
30-Jan-15	85,010,250	3,655,065,810	12,590,200	630,495,923	97,600,450	4,285,561,733	13.17
Chg DoD %	2.80%	2.44%	10.79%	4.57%	3.83%	2.75%	-0.31 bps
Symbol	Unrel Volume	Unrel Value	MTS Volume	MTS Value	Total Volume	Total Value	MTS Rate
AHCL	1,041,500	29,252,750	1,068,000	34,254,799	2,109,500	63,507,549	13.23
AICL	1,691,700	75,800,411	166,500	7,956,787	1,858,200	83,757,199	13.15
AKBL	4,181,000	85,701,928	280,000	5,833,533	4,461,000	91,535,461	14.28
ATRL	163,600	27,228,072	20,700	3,432,421	184,300	30,660,493	14.87
BAFL	1,407,000	39,918,357	33,000	947,004	1,440,000	40,865,361	12.24
BAHL	42,500	1,793,116	1,500	63,799	44,000	1,856,915	13.50
BOP	22,918,700	206,012,771	1,633,500	14,909,296	24,552,200	220,922,068	15.89
CHCC	972,000	67,050,404	501,000	37,441,064	1,473,000	104,491,468	12.70
DGKC	1,134,500	115,378,698	142,000	16,060,665	1,276,500	131,439,363	12.14
EFOODS	594,100	68,002,745	109,800	12,533,831	703,900	80,536,576	12.46
ENGRO	5,152,500	1,152,949,751	428,500	107,119,265	5,581,000	1,260,069,017	12.17
FABL	3,646,000	56,326,291	238,000	3,706,073	3,884,000	60,032,364	13.31
FATIMA	4,548,500	143,013,982	128,000	4,206,461	4,676,500	147,220,443	11.59
FCCL	1,810,700	43,569,568	1,545,500	41,525,047	3,356,200	85,094,616	12.29
FFBL	995,000	43,300,586	786,500	35,236,470	1,781,500	78,537,056	12.35
FFC	1,739,800	190,475,433	199,300	22,436,802	1,939,100	212,912,235	12.34
HUBC	1,588,500	109,886,081	345,500	25,103,008	1,934,000	134,989,089	12.33
KEL	6,542,750	48,662,141	1,336,000	9,923,136	7,878,750	58,585,277	15.05
LPCL	5,520,000	82,324,174	588,500	9,041,696	6,108,500	91,365,870	14.93
LUCK	144,000	63,054,507	70,800	31,755,768	214,800	94,810,275	12.44
MCB	6,000	1,639,369	-	-	6,000	1,639,369	-
MLCF	2,355,000	98,984,255	723,500	33,983,327	3,078,500	132,967,581	13.01
NBP	1,658,500	98,011,953	154,000	9,013,400	1,812,500	107,025,353	12.61
NCL	1,153,500	44,427,149	412,000	16,170,703	1,565,500	60,597,852	12.33
NML	391,600	42,489,009	103,500	11,818,957	495,100	54,307,966	12.08
NPL	100,000	3,813,560	-	-	100,000	3,813,560	-
OGDC	16,300	2,939,645	6,100	1,125,463	22,400	4,065,108	12.00
PAEL	3,226,000	135,877,379	535,000	25,303,822	3,761,000	161,181,201	15.86
PIOC	1,187,000	88,571,624	320,500	24,513,862	1,507,500	113,085,485	13.76
PKGP	43,000	1,133,074	3,500	101,792	46,500	1,234,866	16.76
PPL	923,900	135,147,823	107,800	15,788,472	1,031,700	150,936,295	12.04
PSO	303,300	95,395,452	111,600	36,793,621	414,900	132,189,073	12.05
PTC	2,683,000	57,634,507	443,000	9,605,257	3,126,000	67,239,764	12.33
SNGP	750,000	17,834,497	223,500	5,323,225	973,500	23,157,722	13.90
SSGC	6,381,000	213,149,230	1,143,500	40,496,465	7,524,500	253,645,695	13.49
UBL	381,800	57,545,600	38,100	5,790,782	419,900	63,336,382	12.37
<b>TOTAL</b>	<b>87,394,250</b>	<b>3,744,295,895</b>	<b>13,948,200</b>	<b>659,316,073</b>	<b>101,342,450</b>	<b>4,403,611,968</b>	<b>12.86</b>

## Risk Disclosure

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## CORPORATE OFFICE.

Suite # 208 2nd floor, Business & Finance Centre,  
Main I.I. Chundrigar Road, Karachi, Pakistan.  
Tel: 111-293-293, 021-2467131-40  
Email: info@azeetrade.com

## Karachi Stock Exchange (Guarantee) Ltd. (Registered)

33, Ground Floor, Karachi Stock Exchange, Stock  
Exchange Road, Karachi – 74000, Pakistan.  
Tel: 021-2473513-22 Fax: 021-2473519  
Email: info@azeetrade.com

CALL: 111-AZE-AZE

URL: <http://www.azeetrade.com>

Email: info@azeetrade.com