

Market Overview

Market continued its bearish trend as it closed in the red zone for the fourth trading day. The benchmark KSE-100 index closed down by 82.50 point to close at 33,762.80 points.

1HFY15: Double digit growth by the cement sector

As majority of the liquid cement companies have announced its results, so we are analyzing financials of 1HFY15 in which we include 9 listed companies. Our sample companies represent 90% of sector market capitalization.

Earnings surge by 14% in 1HFY15

Earning momentum of the top listed companies continued in 1HFY15 as companies profit after taxation surged by 14% at Rs 16.70 billion in 1HFY15 compared to Rs 14.62 billion in 1HFY14 mainly due to better earnings form mostly all companies. The growth is primarily on account of 5% higher local cement prices resulted into 3% hike in retention prices, surge in volumetric sales by 6%, lower financing cost and higher other income during the period.

QoQ even remain impressive

In 2QFY15 alone, earnings notably up by 42% to Rs 9.79 billion versus Rs 6.91 billion in 1QFY15 due to better margin on account lower coal prices and rise in cement dispatches along with lower effective taxation of 22% in 2QFY15 versus 26% in 1QFY15. Operating profit surged by 28.5% QoQ to Rs 13.01 billion in 2QFY15 versus Rs 10.11 billion in 1QFY15.

Combined P&L of 9 Cement Companies

| Rs in million | 1HFY15 | 1HFY14 | YoY | 2QFY15 | 1QFY15 | QoQ |
|------------------------|--------|--------|--------|--------|--------|--------|
| Net Sales | 74,641 | 70,046 | 6.6 | 39,094 | 35,547 | 10.0 |
| Cost of Sales | 47,586 | 44,603 | 6.7 | 24,489 | 23,097 | 6.0 |
| Gross Profit | 27,055 | 25,443 | 6.3 | 14,605 | 12,451 | 17.3 |
| Operating Expenses | 3,933 | 4,435 | (11.3) | 1,602 | 2,331 | (31.3) |
| EBIT | 23,122 | 21,008 | 10.1 | 13,002 | 10,119 | 28.5 |
| Finance Cost | 1,315 | 2,162 | (39.2) | 490 | 825 | (40.7) |
| Profit before Taxation | 21,807 | 18,845 | 15.7 | 12,513 | 9,294 | 34.6 |
| Taxation | 5,103 | 4,219 | 20.9 | 2,720 | 2,383 | 14.1 |
| Profit after Taxation | 16,704 | 14,626 | 14.2 | 9,793 | 6,911 | 41.7 |

Source: Company Accounts & AZEE Research

Top line hikes 7% YoY

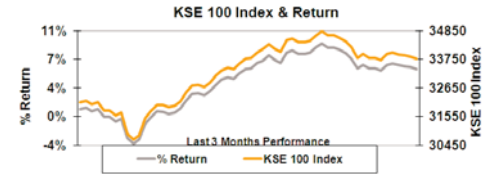
The cumulative net sales revenue of the sector totaled Rs 74.64 billion in 1HFY15 against Rs 70.04 billion in 1HFY14 due to 6% YoY rise in volumetric sales and higher local cement prices. Due to increased electricity prices, the cost of sales also increase by 7% YoY resultantly gross profit rises by 6% to Rs 27.05 billion in 1HFY15 up from Rs 25.44 billion in 1HFY14.

PIOC, DGKC, FCCL secured top positions

Among the major players, Pioneer Cement was the best performer in terms of profitability growth as its earning rose by 87% YoY in 1HFY15 to earning per share of Rs 5.69. PIOC was followed by D.G. Khan Cement and Fauji cement as their earning climbed by 27% and 33% respectively. On the other hand laggards have been Fecto cement, Cherat cement, Kohat cement and Maple leaf cement by 10%, 9.9%, 7.3% & 3.3% respectively during 1HFY15.

Recommendation

We expect cement demand in the country to remain higher moving forward on construction of private sector and housing schemes. Similarly, lower coal prices would further improve the gross margin of the sector. At current levels, we have a market weight stance on the sector as DGKC has expansion plan and we need further clarity over cement prices stability.



News Update

Kuwait will provide additional loan of 32 million dollars to Pakistan for Neelum-Jhelum Hydro Power Project. Agreement to this effect was signed in Islamabad Thursday. Secretary Economic Affairs Division Saleem Sethi and Deputy Director General Kuwait Fund, Hamad Al-Omar signed the agreement on behalf of their respective governments in Islamabad. Finance Minister Ishaq Dar and Ambassador of Kuwait Nawaf Abdul Aziz Alenezi witnessed the signing ceremony. On completion the Neelum-Jhelum project will generate 969 MW of electricity. Kuwait, it may be added has already been co-financing this project with an amount of USD 42 million.

The joint venture between Pakistan Railways (PR) and Four Brothers Group for a privately-operated Pak-Business Express is proving to be profitable for PR as the state-owned corporation earned Rs2.48 billion in the first three years of the train's operations. The amount PR has earned is in the form of daily rentals, which were initially Rs3.2 million at 88% occupancy before being revised to Rs2.2 million at 65% occupancy ratio.

Prime Minister Nawaz Sharif has said that the country's exports will be enhanced to 50 billion dollars during the next three years. Inaugurating the 9th Pakistan Expo 2015 in Karachi Thursday, the Prime Minister said Pakistan is producing high quality products and services which are recognized at the international level. He said there are vast opportunities of investment in the country and assured the government will provide all possible facilities to the investors in order to achieve its objective of economic prosperity.

| NCCPL (U.S \$ in million) | | Portfolio Investment (U.S \$ in million) | | KSE Statistics | February 26, 2015 |
|----------------------------------|-------|--|--------|-----------------|-------------------|
| FIPI (26-Feb-2015) | -2.59 | Yearly(Jul, 2014 up to 23-Feb-2015) | 113.50 | Indices | |
| Local Companies (26-Feb-2015) | -0.23 | | | All Share Index | 24,155.52 |
| Banks / DFI (26-Feb-2015) | 1.77 | Monthly(Feb, 2015 up to 23-Feb-2015) | 9.56 | KSE-30TM Index | 22,027.35 |
| Mutual Funds (26-Feb-2015) | 0.90 | | | KSE-100TM Index | 33,762.80 |
| NBFC (26-Feb-2015) | -0.02 | Daily (23-Feb-2015) | 2.84 | Turnover | |
| Local Investors (26-Feb-2015) | 1.41 | Total Portfolio Investment (06-Feb-2015) | 6554 | All Share Index | 169,615,490 |
| Other Organization (26-Feb-2015) | -1.23 | | | KSE-30TM Index | 62,408,750 |
| | | | | KSE-100TM Index | 105,341,280 |

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[Morning Report]
Pivot Analysis

| Company | CR | RSI | Buy 1 | Buy 2 | Sell 1 | Sell 2 | Pivot |
|-------------------|----------|-------|--------|--------|--------|--------|--------|
| KSE 100 INDEX | 33762.80 | 46.36 | 33,644 | 33,525 | 33,939 | 34,116 | 33,820 |
| Attock Cement | 194.89 | 34.90 | 193.05 | 191.25 | 196.65 | 198.45 | 194.85 |
| Adamjee Insurance | 53.82 | 51.93 | 53.70 | 53.55 | 54.00 | 54.15 | 53.85 |
| Askari Bank | 22.70 | 34.06 | 22.60 | 22.50 | 22.85 | 22.95 | 22.75 |
| Azgard Nine | 5.49 | 33.59 | 5.40 | 5.35 | 5.55 | 5.65 | 5.50 |
| Attock Petroleum | 536.50 | 44.80 | 533.85 | 531.15 | 540.35 | 544.15 | 537.65 |
| Attock Refinery | 179.59 | 27.56 | 178.55 | 177.50 | 181.30 | 183.05 | 180.30 |
| Bank Al-Falah | 31.38 | 35.88 | 31.00 | 30.65 | 31.90 | 32.45 | 31.55 |
| BankIslami Pak | 10.23 | 58.80 | 10.15 | 10.05 | 10.35 | 10.45 | 10.25 |
| Bank.Of.Punjab | 10.60 | 50.11 | 10.50 | 10.45 | 10.70 | 10.85 | 10.65 |
| Fauji Cement | 30.37 | 48.90 | 29.75 | 29.15 | 31.15 | 31.95 | 30.55 |
| Fauji Fert Bin | 54.72 | 69.87 | 54.10 | 53.50 | 55.75 | 56.75 | 55.15 |
| Fauji Fertilizer | 142.20 | 75.90 | 141.35 | 140.45 | 143.65 | 145.10 | 142.75 |
| Habib Bank Ltd | 203.23 | 40.35 | 196.90 | 190.55 | 207.70 | 212.15 | 201.35 |
| Hub Power | 88.51 | 58.73 | 87.65 | 86.80 | 89.95 | 91.40 | 89.10 |
| ICI Pakistan | 452.05 | 35.80 | 448.05 | 444.00 | 458.05 | 464.00 | 454.00 |
| Jah Siddiq Co | 22.15 | 44.21 | 21.85 | 21.50 | 22.50 | 22.90 | 22.20 |
| Lucky Cement | 508.89 | 41.14 | 501.95 | 494.95 | 517.40 | 525.95 | 510.45 |
| MCB Bank Ltd | 317.08 | 51.64 | 315.60 | 314.10 | 319.25 | 321.40 | 317.75 |
| Maple Leaf Cement | 55.10 | 57.12 | 54.50 | 53.85 | 56.00 | 56.95 | 55.40 |
| National Bank | 67.78 | 50.30 | 66.95 | 66.10 | 68.80 | 69.85 | 67.95 |
| NIB Bank | 2.09 | 32.62 | 2.05 | 2.00 | 2.15 | 2.20 | 2.10 |
| Oil & Gas Dev. XD | 209.48 | 42.82 | 208.65 | 207.85 | 210.45 | 211.45 | 209.65 |
| P.S.O. XD | 388.03 | 48.62 | 383.70 | 379.35 | 393.70 | 399.35 | 389.35 |
| Sui North Gas | 24.38 | 29.54 | 24.15 | 23.95 | 24.60 | 24.80 | 24.35 |

Board Meetings

| Company | DATE | TIME |
|----------------------------|------------|-------|
| First Paramount Modaraba | 27-02-2015 | 9:30 |
| Aisha Steel Mills Ltd | 27-02-2015 | 10:00 |
| Noon Pak Ltd | 27-02-2015 | 10:00 |
| Century Insurance Co. Ltd. | 27-02-2015 | 10:30 |
| Capital Assets Leasing | 27-02-2015 | 11:00 |
| S.S Oil Mills Ltd. | 27-02-2015 | 11:00 |

Key Data
Money Market

| | | |
|-------------------|-------------|--------|
| T-Bills (3 Mths) | 18-Feb-2015 | 8.37% |
| T-Bills (6 Mths) | 18-Feb-2015 | 8.38% |
| T-Bills (12 Mths) | 18-Feb-2015 | 8.29% |
| Discount Rate | 24-Jan-2015 | 8.50% |
| Kibor (1 Mth) | 26-Feb-2015 | 8.47% |
| Kibor (3 Mths) | 26-Feb-2015 | 8.44% |
| Kibor (6 Mths) | 26-Feb-2015 | 8.44% |
| Kibor (9 Mths) | 26-Feb-2015 | 8.70% |
| Kibor (1 Yr) | 26-Feb-2015 | 8.69% |
| P.I.B (3 Yrs) | 26-Feb-2015 | 8.65% |
| P.I.B (5 Yrs) | 26-Feb-2015 | 9.08% |
| P.I.B (10 Yrs) | 26-Feb-2015 | 9.80% |
| P.I.B (15 Yrs) | 26-Feb-2015 | 10.50% |
| P.I.B (20 Yrs) | 26-Feb-2015 | 10.80% |
| P.I.B (30 Yrs) | 26-Feb-2015 | 11.10% |

Commodities

| | |
|-------------------------|----------|
| Crude Oil (brent)\$/bbl | 61.15 |
| Crude Oil (WTI)\$/bbl | 49.43 |
| Cotton \$/lb | 65.93 |
| Gold \$/ozs | 1,209.65 |
| Silver \$/ozs | 16.61 |
| Malaysian Palm \$ | 620 |
| GOLD (PMEX) PKR | 39,771 |
| KHI Cotton 40Kg PKR | 5,305 |

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 |
|--------------|-------------------|----------------------|------------------|--------------------|-------------------|----------------------|--------------|
| 26-Feb-15 | 93,842,700 | 4,158,603,129 | 6,025,900 | 278,077,694 | 99,868,600 | 4,436,680,823 | 14.08 |
| 25-Feb-15 | 94,823,800 | 4,202,766,332 | 4,270,700 | 188,404,489 | 99,094,500 | 4,391,170,821 | 14.36 |
| Chg DoD % | -1.03% | -1.05% | 41.10% | 47.60% | 0.78% | 1.04% | -28 bps |
| Symbol | Unrel Volume | Unrel Value | MTS Volume | MTS Value | Total Volume | Total Value | MTS Rate |
| AHCL | 977,000 | 28,410,767 | 1,000 | 28,291 | 978,000 | 28,439,058 | 14.50 |
| AICL | 1,214,600 | 54,925,661 | 74,100 | 3,389,886 | 1,288,700 | 58,315,547 | 13.95 |
| AKBL | 3,481,000 | 67,775,582 | 123,000 | 2,370,754 | 3,604,000 | 70,146,336 | 14.25 |
| ATRL | 196,800 | 30,321,979 | 1,700 | 260,082 | 198,500 | 30,582,061 | 13.73 |
| BAFL | 1,350,000 | 36,660,155 | 24,500 | 651,220 | 1,374,500 | 37,311,375 | 13.00 |
| BAHL | 35,000 | 1,482,613 | 7,500 | 319,816 | 42,500 | 1,802,429 | 12.49 |
| BOP | 21,833,700 | 193,325,880 | 1,283,000 | 11,622,106 | 23,116,700 | 204,947,986 | 15.96 |
| CHCC | 903,500 | 58,024,879 | 114,500 | 7,228,737 | 1,018,000 | 65,253,616 | 14.15 |
| DGKC | 1,871,000 | 197,320,824 | 38,000 | 4,010,731 | 1,909,000 | 201,331,556 | 12.99 |
| EFERT | 418,000 | 29,998,531 | 4,000 | 287,565 | 422,000 | 30,286,096 | 16.37 |
| EFOODS | 503,900 | 56,019,036 | 64,600 | 7,355,347 | 568,500 | 63,374,383 | 14.38 |
| ENGRO | 4,854,100 | 1,167,694,764 | 169,200 | 42,515,733 | 5,023,300 | 1,210,210,496 | 13.28 |
| FABL | 3,365,300 | 50,837,917 | 110,500 | 1,670,265 | 3,475,800 | 52,508,182 | 14.25 |
| FATIMA | 5,757,500 | 180,473,381 | 131,500 | 4,142,633 | 5,889,000 | 184,616,014 | 12.02 |
| FCCL | 3,332,700 | 87,734,116 | 183,000 | 4,730,609 | 3,515,700 | 92,464,725 | 14.60 |
| FFBL | 4,226,500 | 187,076,672 | 196,500 | 9,156,037 | 4,423,000 | 196,232,709 | 12.22 |
| FFC | 561,700 | 65,825,353 | 114,800 | 13,873,417 | 676,500 | 79,698,770 | 12.11 |
| GATM | 2,000 | 99,577 | - | - | 2,000 | 99,577 | - |
| HUBC | 1,800,000 | 131,302,528 | 11,000 | 827,804 | 1,811,000 | 132,130,332 | 14.50 |
| KAPCO | - | - | 70,500 | 5,015,314 | 70,500 | 5,015,314 | 14.49 |
| KEL | 7,298,400 | 51,794,631 | 146,000 | 1,018,390 | 7,444,400 | 52,813,020 | 14.96 |
| LPCL | 3,619,600 | 54,697,157 | 49,500 | 762,710 | 3,669,100 | 55,459,867 | 14.52 |
| LUCK | 182,300 | 80,347,606 | 5,400 | 2,344,356 | 187,700 | 82,691,962 | 12.92 |
| MLCF | 2,397,000 | 111,108,520 | 433,000 | 20,356,026 | 2,830,000 | 131,464,546 | 15.29 |
| NBP | 1,788,500 | 99,871,036 | 476,500 | 27,414,057 | 2,265,000 | 127,285,093 | 13.41 |
| NCL | 1,588,500 | 58,522,904 | 102,000 | 3,781,110 | 1,690,500 | 62,304,014 | 13.67 |
| NML | 457,300 | 49,065,568 | 2,200 | 234,998 | 459,500 | 49,300,566 | 15.41 |
| NPL | 171,500 | 6,844,182 | - | - | 171,500 | 6,844,182 | - |
| OGDC | 30,800 | 5,508,142 | 1,400 | 249,414 | 32,200 | 5,757,556 | 15.93 |
| PAEL | 4,297,500 | 206,157,756 | 956,500 | 48,743,903 | 5,254,000 | 254,901,659 | 15.75 |
| PIOC | 935,500 | 65,733,619 | 25,000 | 1,773,161 | 960,500 | 67,506,780 | 14.38 |
| PKGP | 485,500 | 13,073,019 | 76,500 | 2,049,213 | 562,000 | 15,122,232 | 16.49 |
| PPL | 883,500 | 130,003,299 | 15,100 | 2,236,689 | 898,600 | 132,239,987 | 13.89 |
| PSO | 614,000 | 203,088,032 | 60,100 | 19,882,394 | 674,100 | 222,970,426 | 12.80 |
| PTC | 3,022,500 | 62,316,328 | 9,000 | 184,047 | 3,031,500 | 62,500,375 | 12.73 |
| SEARL | 71,500 | 14,946,351 | - | - | 71,500 | 14,946,351 | - |
| SNGP | 1,660,500 | 34,533,500 | 310,500 | 6,428,953 | 1,971,000 | 40,962,453 | 13.49 |
| SSGC | 7,222,500 | 222,832,599 | 620,500 | 19,185,433 | 7,843,000 | 242,018,031 | 14.14 |
| UBL | 431,500 | 62,848,666 | 13,800 | 1,976,496 | 445,300 | 64,825,162 | 14.77 |
| TOTAL | 93,842,700 | 4,158,603,129 | 6,025,900 | 278,077,694 | 99,868,600 | 4,436,680,823 | 14.08 |

Risk Disclosure

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