

Market Overview

Political terms between PTI and MQM are going from bad to worse which led market to carry on its depressive stance for 2nd trading day of the week. The benchmark KSE-100 index closed down by 137.41 point to close at 34,432.89 points.

Mughal Iron & Steel Industries Limited IPO: 'Subscribe'

Mughal Iron & Steel Industries Limited (MISIL), is all set to be listed at the Karachi & Lahore Stock Exchanges, offering 27.35 million shares at a price band of Rs 20/share to Rs 34/share. Company was established in 1950 and one of the leading companies of Pakistan in the iron and steel sector. The Company is involved in multidimensional activities from making billets of Mild Steel, Spring Steel, Deformed bar, Re-bar, Cold Twisted Rebar and a huge range of Sections such as I.Beams, L.Sections, C.Section, H.Beam, T.Bar etc. in the downstream industry.

Over subscription likely in book Building

The Company is issuing 27.35 million ordinary shares (25% of post issue paid-up-capital) in a price band of Rs 20/share to Rs 34/share. The first phase of 75% of the total offering (20.51 million shares) will be offered to Institutional Investors and High Net Worth Individuals through book-building that would be taken place from February 16, 2015. Whereas in second phase, remaining 25% (3.25 million shares) will be offered to the general public at the Strike Price which will be determined through the Book Building Process.

Key purpose

We expect company would generate around Rs 930 million from current offer which would utilize to acquire a new 7.5MW Induction Furnace and to balance modernize & replace its Re-rolling mill. New 7.5MW induction melting furnace likely reduces the overall cost of production. While upgradation of re-rolling mill would hike production by 30%.

Earning grew at CAGR of 91% during FY12-14

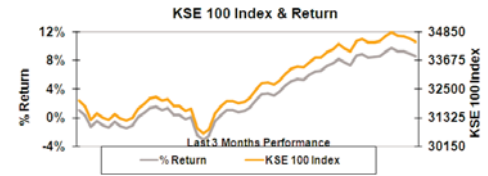
Company profitability rises at a 3 year CAGR of 91% (FY12-14) to Rs 391 million (EPS: Rs 3.57) in FY15 against Rs 107 million (EPS: Rs 0.98) in FY12 due to gigantic revenue growth and better margin. We expect this trend would continue and company to post robust growth of 35% in FY15 as profit after taxation to clock at Rs 527 million (EPS: Rs 4.81) in FY15 mainly driven by higher demand of steel product. However company has extraordinary inventories in hand which is worrisome as it rises by 641% to Rs 3,504 million against Rs 473 million as on June 30, 2013.

	FY11A	FY12A	FY13A	FY14A	FY15E
EPS (Rs)	0.38	0.98	1.17	3.57	4.81
Book Value (Rs/share)	5.7	6.7	8.7	12.1	25.4
P/E (x)	88.6	34.8	29.1	9.5	7.1
P/BV(x)	5.9	5.1	3.9	2.8	1.3
ROE (%)	7	15	13	29	19
Gross Margin (%)	8.9	8.2	9.5	12.4	15
Net Margin (%)	1.4	2.9	3.3	6.7	7.1

Source: AZEE Research

Recommendation

As company earnings stream looks positive, we estimate Dec' 15 target price of Rs 41/share providing upside potential of 105% and 20% from price of Rs 20/share and Rs 34/share respectively. We have applied PE multiple of 8.5x to calculate target price against KSE multiple of 9.5x.



News Update

Overseas Pakistani workers remitted \$10,358.81 million in first seven months (July to January) of FY15, showing an impressive growth of 14.6 percent compared with \$9,038.4 million received during the same period of FY14. A statement of State Bank of Pakistan (SBP) issued on Tuesday said that during January 2015, the inflow of worker's remittances amounted to \$1,377.14 million, which is 13% lower than December 2014 and 10% higher than January 2014.

The Institute for Policy Reforms has issued today a Fact Sheet revealing the true impact of the recent SRO for increase of GST on petroleum products. In terms of its revenue impact, IPR ranks it the largest SRO in Pakistan's history. In one stroke, government has increased proportionate tax rate on petroleum by 60%. The Fact Sheet estimates total welfare loss of Rs. 80 billion to the people. This SRO negates the potential benefits to the economy from falling oil prices.

Pakistan Telecommunication Company Limited (PTCL) has announced its annual results for 2014, riding on the back of its growing fixed and wireless broadband business. Of the total 2014 revenues of Rs. 81.5 billion earned by PTCL, the broadband revenues significantly increased by 34 per cent. The Company's profitability remained stable in spite of extraordinary expenses on account of a successfully completed voluntary separation scheme as well as losses due to fire and floods.

NCCPL (U.S \$ in million)		Portfolio Investment U.S \$ in million)		KSE Statistics	February 10, 2015
FIPI (10-Feb-2015)	0.31	Yearly(Jul, 2014 up to 06-Feb-2015)	123.51	Indices	
Local Companies (10-Feb-2015)	1.89	Monthly(Feb, 2015 up to 06-Feb-2015)	19.56	All Share Index	24,802.10
Banks / DFI (10-Feb-2015)	3.57			KSE-30TM Index	22,362.50
Mutual Funds (10-Feb-2015)	-1.38	Daily (06-Feb-2015)	7.07	KSE-100TM Index	34,432.89
NBFC (10-Feb-2015)	0.48	Total Portfolio Investment (30-Jan-2015)	6511	Turnover	
Local Investors (10-Feb-2015)	-4.74			All Share Index	265,017,940
Other Organization (10-Feb-2015)	-0.13			KSE-30TM Index	77,553,750
				KSE-100TM Index	151,280,080

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[Morning Report]
Pivot Analysis

Company	CR	RSI	Buy 1	Buy 2	Sell 1	Sell 2	Pivot
KSE 100 INDEX	34432.89	64.36	34,165	33,898	34,716	35,000	34,449
Attock Cement	212.16	57.17	211.30	210.40	213.45	214.75	212.60
Adamjee Insurance	55.80	65.01	55.30	54.80	56.50	57.20	56.00
Askari Bank	24.94	61.32	24.70	24.45	25.30	25.70	25.05
Azgard Nine	6.03	48.39	5.90	5.80	6.20	6.40	6.10
Attock Petroleum	549.89	49.42	546.90	543.95	552.90	555.95	549.95
Attock Refinery	196.13	44.57	193.80	191.50	198.70	201.30	196.40
Bank Al-Falah	32.60	39.81	32.05	31.50	33.45	34.25	32.85
BankIslami Pak	9.94	48.65	9.90	9.80	10.00	10.05	9.95
Bank.Of.Punjab	10.44	45.73	10.35	10.25	10.60	10.80	10.50
Fauji Cement	31.73	69.23	31.15	30.60	32.20	32.70	31.65
Fauji Fert Bin	51.61	67.04	51.10	50.65	52.15	52.70	51.70
Fauji Fertilizer	137.77	74.01	135.85	133.95	139.35	140.90	137.40
Habib Bank Ltd	204.36	34.44	202.60	200.85	207.05	209.75	205.30
Hub Power	87.12	67.32	85.70	84.25	88.30	89.45	86.85
ICI Pakistan	476.99	39.17	472.85	468.70	479.30	481.65	475.15
Jah Siddiq Co	21.59	44.21	20.65	19.65	22.25	22.95	21.30
Lucky Cement	539.44	64.96	531.95	524.50	546.95	554.45	539.50
MCB Bank Ltd	314.32	40.94	313.15	311.95	315.95	317.55	314.75
Maple Leaf Cement	57.59	77.88	56.45	55.25	58.35	59.15	57.20
National Bank	67.99	43.01	67.60	67.20	68.65	69.25	68.25
NIB Bank	2.40	49.92	2.35	2.25	2.50	2.55	2.40
Oil & Gas Dev. XD	217.45	54.16	214.40	211.30	219.25	221.10	216.20
P.S.O. XD	400.71	65.04	395.40	390.05	407.30	413.85	401.95
Sui North Gas	26.97	43.39	26.30	25.65	27.40	27.85	26.75

Board Meetings

Company	DATE	TIME
Lotte Chemical Pak Ltd	11-02-2015	10:30
MCB Bank Ltd	12-02-2015	11:00
Askari Bank Ltd	13-02-2015	10:00
Fauji Cement Ltd	16-02-2015	11:00
The Hub Power Co. Ltd.	16-02-2015	10:00
Mari Petroleum Comp	17-02-2015	10:00

Key Data
Money Market

T-Bills (3 Mths)	04-Feb-2015	8.43%
T-Bills (6 Mths)	04-Feb-2015	8.47%
T-Bills (12 Mths)	04-Feb-2015	8.39%
Discount Rate	24-Jan-2015	8.50%
Kibor (1 Mth)	10-Feb-2015	8.59%
Kibor (3 Mths)	10-Feb-2015	8.49%
Kibor (6 Mths)	10-Feb-2015	8.52%
Kibor (9 Mths)	10-Feb-2015	8.79%
Kibor (1 Yr)	10-Feb-2015	8.82%
P.I.B (3 Yrs)	10-Feb-2015	8.50%
P.I.B (5 Yrs)	10-Feb-2015	8.80%
P.I.B (10 Yrs)	10-Feb-2015	9.78%
P.I.B (15 Yrs)	10-Feb-2015	10.40%
P.I.B (20 Yrs)	10-Feb-2015	10.75%
P.I.B (30 Yrs)	10-Feb-2015	11.10%

Commodities

Crude Oil (brent)\$/bbl	58.25
Crude Oil (WTI)\$/bbl	52.31
Cotton \$/lb	63.05
Gold \$/ozs	1,235.50
Silver \$/ozs	16.94
Malaysian Palm \$	643
GOLD (PMEX) PKR	40,375
KHI Cotton 40Kg PKR	5,251

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
10-Feb-15	93,970,750	4,021,489,639	8,032,600	512,924,441	102,003,350	4,534,414,080	15.73
9-Feb-15	95,503,900	4,062,494,575	6,417,850	403,004,159	101,921,750	4,465,498,734	13.99
Chg DoD %	-1.61%	-1.01%	25.16%	27.28%	0.08%	1.54%	174 bps
Symbol	Unrel Volume	Unrel Value	MTS Volume	MTS Value	Total Volume	Total Value	MTS Rate
AHCL	964,000	28,204,371	-	-	964,000	28,204,371	-
AICL	1,210,700	55,756,542	51,500	2,435,008	1,262,200	58,191,550	16.71
AKBL	4,225,000	87,958,425	147,500	3,135,932	4,372,500	91,094,357	16.00
ATRL	181,500	30,071,164	16,100	2,690,197	197,600	32,761,361	16.71
BAFL	1,246,500	35,544,247	334,500	9,238,349	1,581,000	44,782,596	13.74
BAHL	61,500	2,630,807	1,000	43,366	62,500	2,674,173	13.50
BOP	24,638,200	221,230,563	1,181,500	10,471,693	25,819,700	231,702,256	16.71
CHCC	1,418,500	101,443,773	90,000	6,539,913	1,508,500	107,983,686	16.71
DGKC	1,032,000	108,061,304	51,000	5,594,397	1,083,000	113,655,701	13.23
EFOODS	670,400	74,123,933	54,800	5,941,668	725,200	80,065,601	16.71
ENGRO	5,471,800	1,255,780,711	612,900	153,629,744	6,084,700	1,409,410,454	16.66
FABL	3,862,000	58,847,169	106,000	1,598,057	3,968,000	60,445,226	13.28
FATIMA	4,355,500	136,663,746	63,000	1,997,548	4,418,500	138,661,293	14.55
FCCL	4,171,200	109,852,296	453,000	12,211,657	4,624,200	122,063,953	16.71
FFBL	1,927,000	84,741,795	52,500	2,303,510	1,979,500	87,045,305	13.62
FFC	772,400	89,144,832	134,000	15,723,945	906,400	104,868,777	13.33
HUBC	1,896,000	134,476,770	-	-	1,896,000	134,476,770	-
KEL	7,319,750	52,291,447	9,000	64,288	7,328,750	52,355,735	16.00
LPCL	4,536,500	68,028,252	71,500	1,081,900	4,608,000	69,110,151	16.06
LUCK	233,800	105,265,247	62,700	28,738,106	296,500	134,003,353	15.37
MCB	1,000	268,309	-	-	1,000	268,309	-
MLCF	1,919,500	85,422,213	1,644,500	80,551,557	3,564,000	165,973,769	16.71
NBP	1,781,000	104,324,839	123,500	7,142,597	1,904,500	111,467,436	16.64
NCL	1,268,500	48,993,870	536,500	21,190,179	1,805,000	70,184,049	13.52
NML	359,200	39,440,938	224,200	25,527,387	583,400	64,968,324	14.39
NPL	100,000	3,824,030	-	-	100,000	3,824,030	-
OGDC	33,100	6,043,892	100	18,495	33,200	6,062,387	14.00
PAEL	3,636,500	160,880,785	494,000	24,698,385	4,130,500	185,579,170	16.69
PIOC	1,518,000	111,392,594	73,000	5,289,084	1,591,000	116,681,677	16.71
PKGP	211,500	6,013,358	10,000	281,904	221,500	6,295,262	16.71
PPL	907,100	133,955,246	59,900	8,943,194	967,000	142,898,440	13.73
PSO	289,600	96,217,257	118,900	40,592,377	408,500	136,809,634	12.81
PTC	2,783,000	59,828,318	302,500	6,574,291	3,085,500	66,402,608	13.45
SNGP	1,460,500	32,558,387	311,000	7,140,716	1,771,500	39,699,103	16.71
SSGC	7,093,500	229,785,498	636,500	20,723,801	7,730,000	250,509,299	16.71
UBL	414,500	62,422,714	5,500	811,199	420,000	63,233,913	14.39
TOTAL	93,970,750	4,021,489,639	8,032,600	512,924,441	102,003,350	4,534,414,080	15.73

Risk Disclosure

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