

Wednesday, December 9, 2015

[Morning Report]

Market Overview

Market after witnessing positivity for past few trading sessions took a breather and observed mix to volatile activities. Ongoing decline in international oil prices became the foremost reason for market volatility. Higher level of foreigner selling also triggered negativity in market.

KAPCO: Higher cost dent profitability

Kot Addu Power Company Limited (KAPCO) announced its first quarter results for the period ended September 30, 2015 according to which the profit after tax was accumulated Rs 2.1 billion, which is 12.6% lesser than Rs 2.4 billion that it achieved during the same period last year. The decline was caused due to lower penal income and higher repair & maintenance cost. The earnings per share were resulted in Rs 2.39/share vis-à-vis Rs 2.74/share.

Top line fall by 38%

Net sales of the company decrease by 38% YoY to Rs 21.98 billion as against Rs 35.21 billion same period last year mainly due to lower generation. The net output from the plant was 1,953 GWh of electricity (1QFY15: 2,177 GWh), resulting in a load factor of 65.8% (1QFY15: 73.3%) and an overall commercial availability of 96.3%. During the quarter, operating costs witnessed a decline of 40%YoY to Rs 18.93 billion as compared to Rs 31.30 billion in the same period last year. Finance cost also witnessed massive decline by 55%YoY to Rs 0.84 billion in 1QFY16 from Rs 1.88 billion in 1QFY15 as a result of lower mark-up rate.

Rupees in Million	1QFY16	1QFY15	Change	4QFY15	Change
Sales	21,988	35,215	-38%	26,744	-18%
Cost of sales	18,927	31,300	-40%	22,288	-15%
Gross Profit	3,061	3,915	-22%	4,456	-31%
Administrative Expenses	154	109	41%	156	-1%
Other income	948	1,630	-42%	1,100	-14%
Profit from operations	3,855	5,436	-29%	5,401	-29%
Finance Cost	840	1,875	-55%	982	-14%
Profit before tax	3,015	3,562	-15%	4,419	-32%
Tax	907	1,152	-21%	1,743	-48%
Profit after tax	2,107	2,410	-13%	2,676	-21%
EPS	2.39	2.74		3.04	

Source: Company Report and AZEE Research

Receivables surging

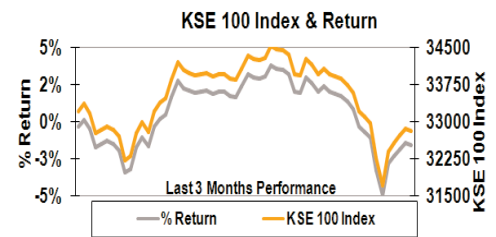
Total receivables from Water and Power Development Authority (WAPDA) amounted to Rs 68.8 billion, for which the company is constantly follow the off-taker as well as the concerned government ministries for the settlement of outstanding. On the other hand, WAPDA continued to raise invoices related to liquidated-damages for Kapco's failure to dispatch due to fuel oil shortage that was caused by the off-taker's payment defaults. Total invoiced value so far accumulated to Rs 27.9 billion for the period 2008-09 to 2014-15.

Government plan of share divestment

The government plans to divest its shareholding in KAPCO as its Power Purchase Agreement is set to expire in 2021. Its assumed that favorable terms for PPA extension along with the divestment will unlock the value. Furthermore, company is currently evaluating feasibility of 660MW coal based power plant with an estimated cost of US\$ 1billion.

Recommendation

Company is currently trading at Rs 83.66/share, reflecting an upside potential of 7.5% against our June 2016 target price of Rs 90/share.



News Update

Construction of the much-anticipated Turkmenistan-Afghanistan-Pakistan-India (Tapi) gas pipeline will begin next week in Turkmenistan, some 25 years after the inception of the project, said Mobin Saulat, managing director of Interstate Gas Systems Private Ltd - the Pakistani company responsible for import of gas into Pakistan via the project. Prime Minister Nawaz Sharif along with the Afghan and Indian leaders will attend the groundbreaking ceremony of the \$10 billion project in Ashgabat, the capital of Turkmenistan. Saulat said the dialogue to import gas for energy-starved Pakistan was initiated with Turkmenistan in 1990, adding that work on the pipeline will finally commence on Dec 13. Interstate Gas Systems, along with Turkmenistan's Turkmengas, Afghanistan's Afghan Gas Enterprise and India's Gail Ltd has equal shareholding in the Tapi Pipeline Company Limited (TPCL).

A senior Iranian official said that negotiations are being held to build a \$4.5 billion undersea gas pipeline from Iran to India following New Delhi's rejection of the proposal for an on-land pipeline that would pass through Pakistan. "Negotiations are under serious consideration," said National Iranian Gas Export Company managing director Alireza Kameli at the World Energy Policy Summit in India. Necessary approvals and agreements for gas sale and purchase are yet to be signed, the official said. The pipeline from the Iranian coast via the Oman Sea and Indian Ocean to Gujarat will likely to be built in two years and will carry about 31.5 million standard cubic metres gas per day. "We welcome India's participation. At the moment, Iran is in negotiations with South Asia Gas Enterprise (SAGE) for construction of an undersea line," Kameli said.

NCCPL (U.S \$ in million)		Portfolio Investment U.S \$ in million)		KSE Statistics		December 8, 2015	
FIPI (08-Dec-2015)	-3.03	Yearly(Jul, 2015 up to 07-Dec-2015)	-369.84	Indices			
Local Companies (08-Dec-2015)	-0.36	Monthly(Dec, 2015 up to 07-Dec-2015)	-20.90	All Share Index		22,853.51	
Banks / DFI (08-Dec-2015)	1.58	Daily (07-Dec-2015)	-1.81	KSE-30TM Index		19,208.43	
Mutual Funds (08-Dec-2015)	2.22	Total Portfolio Investment (20-Nov-2015)	6132	KSE-100TM Index		32,791.71	
NBFC (08-Dec-2015)	2.04			Turnover			All Share Index
Local Investors (08-Dec-2015)	-0.90			All Share Index		192,635,660	
Other Organization (08-Dec-2015)	0.34			KSE-30TM Index		97,636,400	
				KSE-100TM Index		124,636,080	

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Pivot Analysis

Company	CR	RSI	Buy 1	Buy 2	Sell 1	Sell 2	Pivot
KSE 100 INDEX	32791.71	41.58	32,678	32,565	32,974	33,157	32,861
Attock Cement	172.13	48.57	171.95	171.80	172.35	172.60	172.20
Adamjee Insurance	56.92	52.81	55.85	54.75	57.75	58.55	56.65
Askari Bank	20.94	38.42	20.85	20.75	21.10	21.25	21.00
Azgard Nine	4.43	38.57	4.30	4.15	4.55	4.70	4.45
Attock Petroleum	476.00	30.92	472.35	468.65	482.35	488.65	478.65
Attock Refinery	201.15	51.59	197.95	194.70	204.45	207.70	201.20
Bank Al-Falah	29.19	55.33	28.90	28.65	29.50	29.85	29.25
BankIslami Pak	11.36	59.14	11.10	10.80	11.55	11.75	11.30
Bank.Of.Punjab	9.12	53.33	9.00	8.90	9.25	9.40	9.15
Faysal Bank	14.90	30.23	14.80	14.65	15.05	15.25	14.95
Fauji Cement	35.79	58.98	35.55	35.30	36.10	36.40	35.85
Fauji Fert Bin	54.32	44.50	53.90	53.45	55.10	55.85	54.65
Fauji Fertilizer	117.35	33.55	116.55	115.70	118.70	120.00	117.85
Habib Bank Ltd	211.23	55.62	209.20	207.20	213.00	214.80	211.00
Hub Power	102.90	44.30	101.95	100.95	104.20	105.45	103.20
ICI Pakistan	481.75	40.19	478.15	474.60	485.15	488.55	481.60
Lucky Cement	494.14	39.55	489.70	485.25	499.00	503.85	494.55
MCB Bank Ltd	212.21	35.53	210.80	209.40	213.80	215.40	212.40
Maple Leaf Cement	69.96	51.61	68.85	67.70	70.95	71.90	69.80
National Bank	54.39	46.17	53.90	53.45	54.70	55.05	54.25
Nishat Mills	97.19	43.44	96.20	95.25	97.90	98.65	96.95
Pak Petroleum	112.46	29.02	110.00	107.55	114.30	116.15	111.85
P.T.C.L.A	16.43	42.96	16.30	16.15	16.55	16.65	16.40

Board Meetings

Company	DATE	TIME
Sanghar Sugar Mills Ltd	12-Dec	10:15
Grays of Cambridge (Pak) Ltd	15-Dec	11:00
Archroma Pakistan Limited	17-Dec	11:00
Siemens (Pak) Engineer Co. Ltd	17-Dec	3:00

Key Data
Money Market

T-Bills (3 Mths)	25-Nov-2015	6.39%
T-Bills (6 Mths)	25-Nov-2015	6.39%
T-Bills (12 Mths)	25-Nov-2015	6.31%
Policy Rate	21-Nov-2015	6.00%
Kibor (1 Mth)	08-Dec-2015	6.53%
Kibor (3 Mths)	08-Dec-2015	6.51%
Kibor (6 Mths)	08-Dec-2015	6.54%
Kibor (9 Mths)	08-Dec-2015	6.80%
Kibor (1 Yr)	08-Dec-2015	6.82%
P.I.B (3 Yrs)	08-Dec-2015	7.20%
P.I.B (5 Yrs)	08-Dec-2015	8.30%
P.I.B (10 Yrs)	08-Dec-2015	9.38%
P.I.B (15 Yrs)	08-Dec-2015	10.50%
P.I.B (20 Yrs)	08-Dec-2015	10.65%
P.I.B (30 Yrs)	08-Dec-2015	11.10%

Commodities

Crude Oil (brent)\$/bbl	40.29
Crude Oil (WTI)\$/bbl	37.54
Cotton \$/lb	64.49
Gold \$/ozs	1,075.13
Silver \$/ozs	14.15
Malaysian Palm \$	559
GOLD (PMEX) PKR	36,935
KHI Cotton 40Kg PKR	5,573

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
7-Dec-15	90,791,850	3,663,191,815	9,226,950	469,038,850	100,018,800	4,132,230,665	9.21
4-Dec-15	94,106,650	3,953,024,432	5,659,450	234,087,607	99,766,100	4,187,112,039	8.56
Chg DoD %	-3.52%	-7.33%	63.04%	100.37%	0.25%	-1.31%	65 bps
Symbol	Unrel Volume	Unrel Value	MTS Volume	MTS Value	Total Volume	Total Value	MTS Rate
AHCL	420,500	16,981,161	276,500	11,507,727	697,000	28,488,888	10.29
AICL	557,000	26,450,266	47,000	2,238,271	604,000	28,688,537	9.17
AKBL	2,003,000	35,393,019	64,500	1,151,605	2,067,500	36,544,624	8.83
ATRL	251,600	40,864,262	7,700	1,314,574	259,300	42,178,836	11.19
BAFL	732,000	17,525,944	61,500	1,516,338	793,500	19,042,282	8.68
BOP	15,934,000	115,448,583	1,315,500	10,234,356	17,249,500	125,682,940	10.77
CHCC	143,500	9,889,434	1,500	106,822	145,000	9,996,256	13.98
DGKC	1,716,500	186,200,536	114,600	13,192,799	1,831,100	199,393,335	8.86
EFERT	1,013,000	69,806,625	231,500	16,840,012	1,244,500	86,646,637	8.56
EFOODS	182,900	21,874,784	146,900	18,734,649	329,800	40,609,433	9.71
ENGRO	1,254,100	281,086,474	637,200	153,802,376	1,891,300	434,888,850	9.31
FABL	424,000	5,441,392	1,500	19,130	425,500	5,460,522	10.00
FATIMA	1,314,000	45,562,792	170,000	6,285,837	1,484,000	51,848,629	8.91
FCCL	3,457,300	98,387,979	318,500	9,667,267	3,775,800	108,055,246	8.97
FFBL	2,027,500	88,630,325	207,000	9,695,586	2,234,500	98,325,911	9.40
FFC	594,200	59,611,514	41,400	4,188,075	635,600	63,799,589	8.91
HBL	71,300	12,190,161	-	-	71,300	12,190,161	-
HUBC	203,000	17,586,557	4,000	356,573	207,000	17,943,130	8.50
HUMNL	29,000	335,423	-	-	29,000	335,423	-
KEL	16,926,000	103,690,327	1,561,500	9,837,450	18,487,500	113,527,777	9.00
LUCK	56,100	22,882,601	10,300	4,352,307	66,400	27,234,909	9.00
MLCF	1,784,600	100,255,557	136,900	8,013,707	1,921,500	108,269,264	8.98
NBP	268,500	12,107,738	14,500	660,794	283,000	12,768,532	9.65
PAKCEM	852,300	12,425,212	117,500	1,738,494	969,800	14,163,707	13.98
PIOC	1,269,300	84,258,738	81,200	5,771,655	1,350,500	90,030,393	10.00
PPL	476,600	45,875,347	123,500	11,698,275	600,100	57,573,622	8.51
PSO	475,700	126,200,691	24,500	6,605,207	500,200	132,805,898	8.84
PTC	3,593,200	49,147,422	554,500	7,712,700	4,147,700	56,860,122	8.68
SNGP	4,916,700	115,848,098	638,500	16,269,704	5,555,200	132,117,802	9.51
SSGC	11,436,800	385,124,158	562,700	19,806,528	11,999,500	404,930,686	9.19
UBL	6,899,000	907,112,968	244,400	31,895,542	7,143,400	939,008,510	8.53
TOTAL	90,791,850	3,663,191,815	9,226,950	469,038,850	100,018,800	4,132,230,665	9.21

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