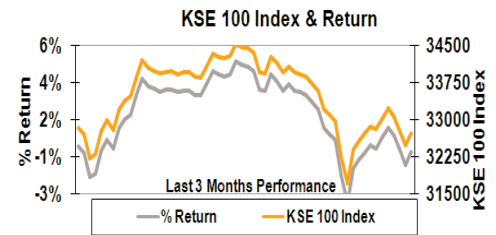


Thursday, December 17, 2015

[Morning Report]

Market Overview

After witnessing negativity for past few trading session market took a gasp. Recovery in international oil prices boost local oil scrips this became foremost reason of positivity in market. Fresh interest from foreigners boosted local investor confidence which in terms enhance participation volumes. The benchmark KSE-100 index closed higher by 247.56 points to close at 32,714.60 points. KSE All Share Index increased by 125.18 to end at 22,663.54 KSE 30-Index got better by 213.23 points to conclude at 19,280.05, whereas KMI 30-Index improved by 545.23 points to finish the day at 54,626.60 level.



LOTCHEM: Losses continues

In our today morning report we would discuss the performance of Lotte Chemical Pakistan (LOTCHEM) during the 9MCY15.

Losses decrease by 41% YoY

Lotte Chemical posted loss after taxation of Rs 505 million (LPS: Rs 0.33) for 9MCY15 against Rs 853 million (LPS: Rs 0.56) in same period last year mainly due to relatively better primary margin comparing previous year but still below breakeven level. However, in 3QCY15 company losses increase by 16% YoY to Rs 268 million (LPS: Rs 0.18) versus Rs 230 million (LPS: Rs 0.15) in 9MCY14 due to lower primary margins of \$80/ton in 3QCY15 versus \$88/ton in 3QCY14.

Sharp decline in PTA prices drag revenue

Net sales of the company register drop by 32% at Rs 25.63 billion as against Rs 37.67 billion during 9MCY14 on account of lower average Purified Terephthalic Acid (PTA) prices which decreased by 34% to \$735/ton in 9MCY15 against \$1,116/ton in 9MCY14. Similarly, volumetric sales fall by 1% to 346k tons versus 348k tons in 9MCY14.

Lower primary margin causes gross loss

Company incurred gross loss of Rs 205 million against Rs 620 million in 9MCY14 due to relatively lower primary margin of PTA-PX. Primary margin increased by 19% YoY to \$87/ton versus \$73/ton in 9MCY14. Other income drop by 21% to Rs 71 million compared to Rs 90 million in 9MCY15 mainly due to lower mark-up on bank deposits.

Rs in million	9MCY15	9MCY14	YoY	3QCY15	3QCY14	YoY
Net sales	25,635	37,679	-32%	7,357	12,874	-43%
Cost of Sales	25,839	38,299	-33%	7,606	13,020	-42%
Gross Profit	(205)	(620)	-67%	(249)	(146)	71%
Distribution & Selling Expenses	63	145	-56%	18	37	-50%
Administration Expenses	254	317	-20%	93	90	3%
Other Income	71	90	-21%	22	24	-11%
Other Expenses	2	58	-97%	1	15	-94%
Operating Profit	(453)	(1,050)	-57%	(340)	(264)	29%
Finance cost	30	(39)	-176%	6	(0)	-3694%
Profit before Taxation	(483)	(1,011)	-52%	(346)	(264)	31%
Taxation	22	(158)	-114%	(78)	(33)	132%
Profit after Taxation	(505)	(853)	-41%	(268)	(230)	16%
EPS (Rs)	(0.33)	(0.56)		(0.18)	(0.15)	

Source: AZEE Research & Company Report

Recommendation

PTA industry has been struggling globally due to the overcapacity in the region and the prices & margins to remain under pressure. We maintain market weight stance on stock due to current low margin of PTA-PX despite our June 2016 LOTCHEM target price of Rs 8.90/share provides an upside potential of 34% from yesterday closing price of Rs 6.67/share.

News Update

Pakistan Petroleum Limited (PPL) on Tuesday announced that it had struck the country's biggest gas discovery from any well in the past 10 years, raising hopes of acceleration in drilling activity. The state-owned company hit a find of 56 million cubic feet per day (mmcf) of gas in Matiari, Sindh. This volume might not appear big in the overall context of gas consumption in Pakistan - 4,000 mmcf - but it is still significant since many petroleum exploration companies have struggled to replace depleting gas fields with new finds. The Hatim X-1 well was spud in the Gambat South Block in October 8 and was drilled to the depth 3,800 meters on November 26 where tests were run to determine its potential. Company officials say further drilling is expected to increase the gas output to 80 mmcf. "We will drill the appraisal well in the next three months. We won't be announcing that because it won't be a discovery. But this is major find," said an official.

The Securities and Exchange Commission of Pakistan (SECP) briefed the Pakistan Microfinance Network (PMN) and Pakistan Poverty Alleviation Fund (PPAF) about the roadmap for smooth transition of existing Micro Finance Institutions (MFIs) into Non-Bank Micro Finance Companies (NBMFCs). The SECP has recently introduced the regulatory framework for Non-Bank Micro Finance Companies (NBMFCs). As part of its commitment towards the regulation of Non-Bank Micro Finance Institutions (NBMFIs), the SECP holds a briefing session for Pakistan Microfinance Network (PMN) and Pakistan Poverty Alleviation Fund (PPAF). The objective of the session was to discuss the recently introduced regulatory framework for Non-Bank Micro Finance Companies (NBMFCs).

NCCPL (U.S \$ in million)		Portfolio Investment U.S \$ in million)		KSE Statistics		December 16, 2015	
FIPI (16-Dec-2015)	-6.86	Yearly(Jul, 2015 up to 14-Dec-2015)	-386.28	Indices			
Local Companies (16-Dec-2015)	0.30	Monthly(Dec, 2015 up to 14-Dec-2015)	-37.34	All Share Index		22,663.54	
Banks / DFI (16-Dec-2015)	0.15	Daily (14-Dec-2015)	-6.51	KSE-30TM Index		54,626.60	
Mutual Funds (16-Dec-2015)	1.98	Total Portfolio Investment (20-Nov-2015)	6132	KSE-100TM Index		32,714.60	
NBFC (16-Dec-2015)	1.71			Turnover			
Local Investors (16-Dec-2015)	0.91			All Share Index		149,012,250	
Other Organization (16-Dec-2015)	0.26			KSE-30TM Index		35,837,900	
				KSE-100TM Index		107,924,340	

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[Morning Report]
Pivot Analysis

Company	CR	RSI	Buy 1	Buy 2	Sell 1	Sell 2	Pivot
KSE 100 INDEX	32714.60	43.15	32,539	32,363	32,818	32,922	32,643
Attock Cement	171.00	47.14	169.65	168.35	172.65	174.35	171.35
Adamjee Insurance	56.88	50.63	56.20	55.50	57.50	58.10	56.80
Askari Bank	20.86	41.00	20.75	20.60	21.05	21.20	20.90
Azgard Nine	4.28	35.05	4.20	4.15	4.30	4.35	4.25
Attock Petroleum	468.36	29.50	464.90	461.45	471.90	475.45	468.45
Attock Refinery	199.45	48.48	197.25	195.00	201.95	204.40	199.70
Bank Al-Falah	28.77	47.71	28.60	28.45	29.00	29.25	28.85
BankIslami Pak	11.25	55.11	11.10	10.90	11.35	11.40	11.15
Bank.Of.Punjab	9.36	55.66	9.20	9.00	9.50	9.60	9.30
Fauji Cement	35.51	54.61	35.20	34.90	35.75	35.95	35.45
Fauji Fert Bin	52.91	38.13	52.60	52.25	53.25	53.55	52.90
Fauji Fertilizer	114.48	28.79	114.05	113.55	114.95	115.40	114.50
Habib Bank Ltd	215.27	60.71	213.55	211.85	216.45	217.65	214.75
Hub Power	102.11	41.24	101.85	101.55	102.60	103.05	102.30
ICI Pakistan	480.01	39.80	478.55	477.05	483.00	485.95	481.50
Jah Siddiq Co	18.57	44.21	18.00	17.45	18.85	19.15	18.30
Lucky Cement	493.73	43.42	487.85	482.00	497.75	501.75	491.85
MCB Bank Ltd	216.72	45.34	213.00	209.30	218.90	221.10	215.20
Maple Leaf Cement	71.21	56.24	70.45	69.65	71.70	72.15	70.90
National Bank	54.15	45.26	53.85	53.60	54.55	55.00	54.30
NIB Bank	1.94	48.40	1.90	1.85	2.00	2.05	1.95
Oil & Gas Dev. XD	113.48	28.73	112.30	111.15	115.00	116.55	113.85
P.S.O. XD	332.01	55.65	329.45	326.85	336.15	340.25	333.55
Sui North Gas	26.50	29.20	25.60	24.70	28.00	29.45	27.05

Board Meetings

Company	DATE	TIME
Siemens (Pak) Engineer Co. Ltd	17-12-2015	3:00
Archroma Pak	17-12-2015	11:00
Faran Sugar Mills Ltd	17-12-2015	4:00
Sindh Abadgar's Sugar Mills	18-12-2015	4:00
Associated Services Ltd	18-12-2015	12:00
Haseeb Waqas Sugar Mills	19-12-2015	4:00
Fauji Fertilizer Bin Qasim Ltd	21-12-2015	10:00
Noon Pakistan Limited	21-12-2015	12:30

Key Data
Money Market

T-Bills (3 Mths)	09-Dec-2015	6.39%
T-Bills (6 Mths)	09-Dec-2015	6.39%
T-Bills (12 Mths)	09-Dec-2015	6.31%
Policy Rate	21-Nov-2015	6.00%
Kibor (1 Mth)	16-Dec-2015	6.51%
Kibor (3 Mths)	16-Dec-2015	6.50%
Kibor (6 Mths)	16-Dec-2015	6.52%
Kibor (9 Mths)	16-Dec-2015	6.79%
Kibor (1 Yr)	16-Dec-2015	6.80%
P.I.B (3 Yrs)	16-Dec-2015	7.05%
P.I.B (5 Yrs)	16-Dec-2015	8.12%
P.I.B (10 Yrs)	16-Dec-2015	9.24%
P.I.B (15 Yrs)	16-Dec-2015	10.25%
P.I.B (20 Yrs)	16-Dec-2015	10.50%
P.I.B (30 Yrs)	16-Dec-2015	11.00%

Commodities

Crude Oil (brent)\$/bbl	37.38
Crude Oil (WTI)\$/bbl	36.16
Cotton \$/lb	63.23
Gold \$/ozs	1,075.35
Silver \$/ozs	14.18
Malaysian Palm \$	557
GOLD (PMEX) PKR	36,423
KHI Cotton 40Kg PKR	5,626

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
15-Dec-15	97,226,700	3,914,299,387	6,907,400	337,645,695	104,134,100	4,251,945,082	9.62
14-Dec-15	98,112,800	4,037,644,049	6,460,000	243,655,998	104,572,800	4,281,300,047	9.65
Chg DoD %	-0.90%	-3.05%	6.93%	38.57%	-0.42%	-0.69%	-3 bps
Symbol	Unrel Volume	Unrel Value	MTS Volume	MTS Value	Total Volume	Total Value	MTS Rate
AHCL	695,500	29,164,037	-	-	695,500	29,164,037	-
AICL	499,500	23,850,438	41,000	1,987,092	540,500	25,837,530	12.00
AKBL	2,145,500	38,092,134	33,000	582,196	2,178,500	38,674,330	10.00
ATRL	266,800	44,631,777	142,300	23,750,401	409,100	68,382,178	11.00
BAFL	915,500	22,260,585	24,000	589,704	939,500	22,850,289	9.00
BOP	20,048,000	152,537,386	1,938,500	15,475,958	21,986,500	168,013,344	11.00
CHCC	130,000	9,116,259	14,000	1,029,675	144,000	10,145,934	12.00
DGKC	1,664,900	185,557,937	100,100	11,633,262	1,765,000	197,191,199	9.00
EFERT	932,500	64,777,402	30,500	2,101,221	963,000	66,878,623	9.00
EFOODS	362,300	44,743,341	22,200	2,728,469	384,500	47,471,810	11.00
ENGRO	1,733,600	397,217,864	61,400	14,081,696	1,795,000	411,299,560	9.00
FABL	328,000	4,193,522	4,500	58,154	332,500	4,251,676	9.00
FATIMA	1,364,500	47,982,420	38,500	1,342,383	1,403,000	49,324,803	9.00
FCCL	2,874,900	83,141,549	310,900	9,280,640	3,185,800	92,422,189	9.00
FFBL	2,135,500	94,641,340	84,000	3,784,558	2,219,500	98,425,898	9.00
FFC	529,000	52,024,324	84,700	8,195,981	613,700	60,220,305	9.00
HBL	7,500	1,302,927	-	-	7,500	1,302,927	-
HUBC	183,500	15,943,134	22,000	1,907,871	205,500	17,851,005	9.00
HUMNL	8,000	90,275	-	-	8,000	90,275	-
KEL	18,203,500	113,512,565	264,000	1,676,686	18,467,500	115,189,251	9.00
LUCK	132,900	55,193,308	10,900	4,476,190	143,800	59,669,498	9.00
MLCF	1,844,500	105,835,682	559,000	33,102,706	2,403,500	138,938,388	9.00
NBP	345,500	15,765,174	6,000	275,551	351,500	16,040,725	12.00
PAKCEM	965,200	14,112,785	56,100	819,641	1,021,300	14,932,426	10.00
PIOC	1,503,000	104,407,562	326,000	23,590,984	1,829,000	127,998,546	11.00
PPL	535,200	48,865,988	90,300	8,552,407	625,500	57,418,395	9.00
PSO	437,700	116,271,082	32,800	9,206,013	470,500	125,477,095	9.00
PTC	3,618,200	49,437,055	138,500	1,863,933	3,756,700	51,300,988	9.00
SNGP	4,596,200	109,767,533	247,500	5,786,941	4,843,700	115,554,474	10.00
SSGC	11,893,700	413,712,641	964,500	33,745,208	12,858,200	447,457,849	10.00
UBL	7,187,500	948,439,600	542,100	71,195,184	7,729,600	1,019,634,784	9.00
TOTAL	97,226,700	3,914,299,387	6,907,400	337,645,695	104,134,100	4,251,945,082	9.62

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