

21 March 2008  
 KASB Research  
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# Market Monitor

Weekly

## Indices Movement



## News This Week

- Domestic petroleum products prices increased by 7%
- Cellular subscribers surge to 80.3mn
- SECP – KSE to meet on CFS MK II

## Stock Market Overview

- The KSE-100 Index witnessed a WoW decline of 0.62% to close at 14993.87 on Friday. Average daily volumes also decreased by 8.18% WoW to average at 223.13Mn shares.
- Pioneer Cement, Soneri Bank, Bata (Pakistan), EFU General Insurance and JS Global Capital were major gainers while Samin Textile, Pakistan Cement, Wazir Ali Industries, Lakson Tobacco and EFU Life Assurance were major losers at the KSE.

## Inside:

**Market Review: -Heavyweights save the day!**

## Market Review: Heavyweights save the day

Date	Open	High	Low	Close	% Change	Volume
17-Mar-08	15,122.93	15,139.02	14,999.13	15,043.81	-0.29	155,068,780
18-Mar-08	15,051.08	15,051.08	14,506.01	14,728.47	-2.10	240,608,540
19-Mar-08	14,808.74	14,990.04	14,740.67	14,964.42	1.60	250,453,600
20-Mar-08	15,001.73	15,049.15	14,822.57	14,993.87	0.20	246,411,040

Source: KSE

### Market This Week

In a week cut short by religious holiday, the market recovered from fears of a global meltdown and prevailing domestic political uncertainty, losing just 94 points WoW to close at 14,994 points. The KSE-100 index kicked the week off on a cautious note before rumors of an internal rift among the PPP elected candidates and imposition of emergency made investors jittery on Tuesday with the market losing more than 500 points in intraday trading. However, a significant discovery (46mmfcd gas + 2,881bpd oil) at Mamikhel turned around market sentiment and allowed POL, PPL and OGCC to lead a market recovery. Pakistan State Oil was also in the limelight during the week as rising oil prices built expectations of inventory gains while Lucky Cement gained as Pakistan's cement companies were cleared to export to South Africa. Average daily volumes remained lukewarm at 222mn share.

### Outlook for the Future

With the new parliament sworn in, all eyes are now on the announcement of the next Prime Minister set for next week. In our view, however, regardless of who comes to office, the new Government's relations with the President going forward and its stance on the revival of the judiciary will be key issues which will determine investors' sentiments in the medium-term. As market would see a changeover to new leverage financing mechanism next week, we do note rule the possibility of some nervous reaction in the market. Overall, we remain firm believers of Pakistan's underlying fundamental strength and favor the domestic demand theme with our top picks POL, OGDC, PPL PSO (E&P), FFC (Fertz), NBP and UBL (Banks). Also, note that next week is the last before the end of the quarter and focus will now gradually shift to next quarterly results.

### Fundamental Changes

The major developments this week were:

- **Domestic petroleum products prices increased by 7%.** The Oil and Gas Regulatory Authority (OGRA) has raised domestic petroleum product prices by 7%, second consecutive increase in prices within a month. OGRA has raised prices of gasoline to PRs62.81/liter, HOBC to PRs74.77/liter, kerosene oil to PRs41.44/liter, light diesel oil to PRs38.59/liter. As per the government officials, the government will still bear a PRs16.5bn subsidy every month even after the recent price hike. We believe the recent price hike will have a nominal positive impact on oil marketing companies.
- **Cellular subscribers surge to 80.3mn.** Cellular subscriber numbers crossed 80mn in Feb-08, as per details released by the PTA. Cellular growth during the month remained relatively muted with the addition of only 1.6mn subs in Feb-08 as compared to an average net addition of 2.2mn subs/month in the past six months. However, Telenor maintained the leading market share of net additions for the 5<sup>th</sup> time in 6 months and now has a market share of 20%, following closely on the heels of Ufone with 21% market share. Mobilink remains the market leader with 39% market share while Warid, Paktel, and Instaphone have 17%, 2.5%, 0.5% market share, respectively.
- **SECP – KSE met on CFS MK II.** A meeting of the Securities and Exchange Commission of Pakistan (SECP) and the Board of Directors of the Karachi Stock Exchange (KSE) scheduled to be held on March 25<sup>th</sup> to discuss CFS Mk II. Amid concerns on the 25% cash requirement under MK II, (under current CFS, the entire 50% margin acceptable in the form of securities), speculation is on regarding a potential delay in the implementation of CFS MK II. Participants have argued that the cash margin requirement would greatly enhance their financial costs while adding potential risk to trading volumes.

Syed Khurram Ghufraan (021-111-222-000)

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**This Week's Top Stories**

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**Monday, March 17, 2008****Raising Oil estimates, Buy reiterated on E&P**

- We are upgrading medium term oil (Dubai Light) price forecasts by 10-24% over 2008-2011, however we maintain our long term oil price forecast of US\$65/bbl.
- We have marked down FY09 Pindori production estimates to 2000bpd from 4000bpd due to limited success in EOR project and low production flow.
- We upgrade earnings of PPL, POL & OGDC by 2-9% over FY08-FY11E and raise PO by 3-8%. We reiterate Buy on PPL (33% upside), POL (35% upside, 22% excluding Pindori) and OGDC (13% upside).

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**Tuesday, March 18, 2008****PTCL- Estimates revised; Reiterate Buy!**

- We reiterate our liking for PTCL, following successful completion of a cornerstone restructuring initiative, the Voluntary Separation Scheme (VSS).
- With cost and number of employees beating expectations, we cut FY08E bottom-line to loss of PRs0.24/sh (earnings of PRs1.44/sh previously). We raise estimates post-FY08 by 2-3% due to higher salary savings going forward.
- We maintain PO at PRs51/sh and reiterate Buy on PTCL with a 13% upside.

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**Wednesday, March 19, 2008****NML: Margin pressure, slower growth- Sell**

- We cut our earnings estimates for Nishat Mills by 6-39% over FY08-11E and lower our rating from Buy to Sell, cutting our fair value by 28% to PRs97/share.
- We believe 2QFY08 negative surprises i.e. (1) sharp downtrend in gross margins and (2) stagnating top line growth will linger over the next 18 months as well, resulting in weak core earnings.
- Given weak core earnings momentum, we believe NML's core performance should overshadow excitement on increase in portfolio value. We have already seen a widening of the gap between stock and portfolio value and believe this may continue going forward.

**Farrah Marwat**  
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**Thursday, March 20, 2008****E&P: Significant find at Mamikhel**

- MOL announced a significant discovery at Mamikhel drilling (Tal block) on 19th March, the third in the last eight years. Mamikhel carries all signs of a big size structure (potentially 1tcf of gas and 50mmbbl of oil).
- In terms of relative gains for listed E&Ps, we see POL as the biggest beneficiary. We reiterate Buy on PPL, OGDC and POL.

**Moahmmad Fawad Khan**  
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## Stock Market Last Week in Pictorials

Chart 1: KSE-100 Index

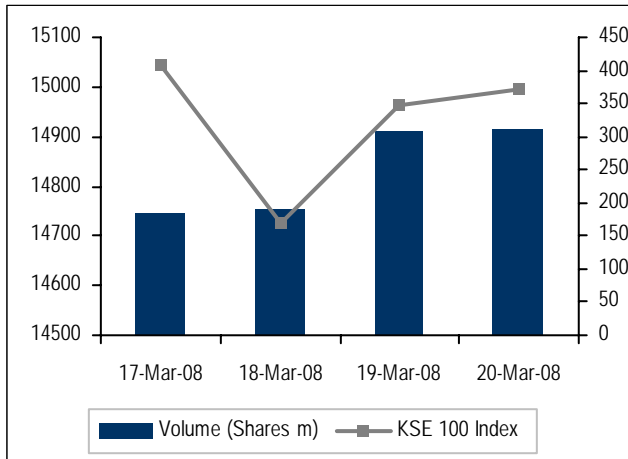


Chart 2: Advance Decline Ratio

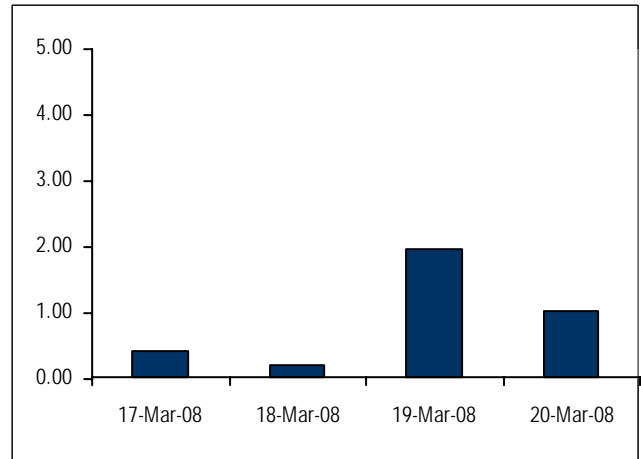


Chart 3: Badla Situation

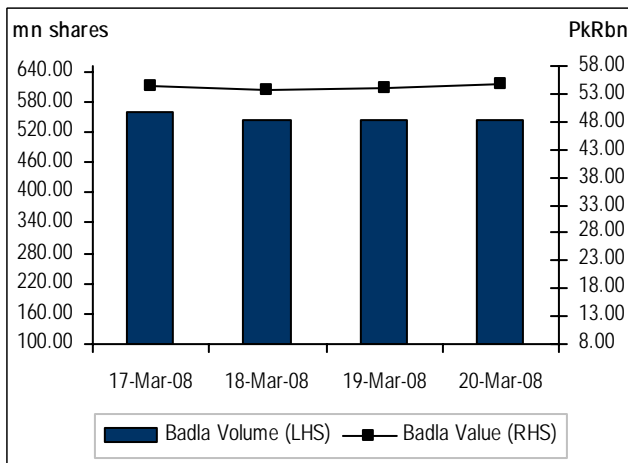


Chart 4: Average Badla Rates

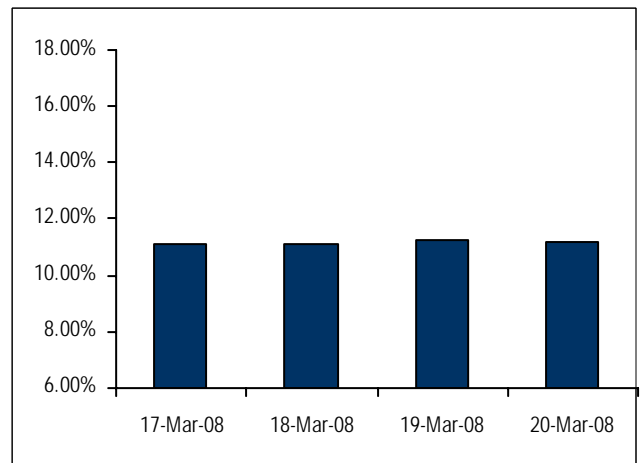
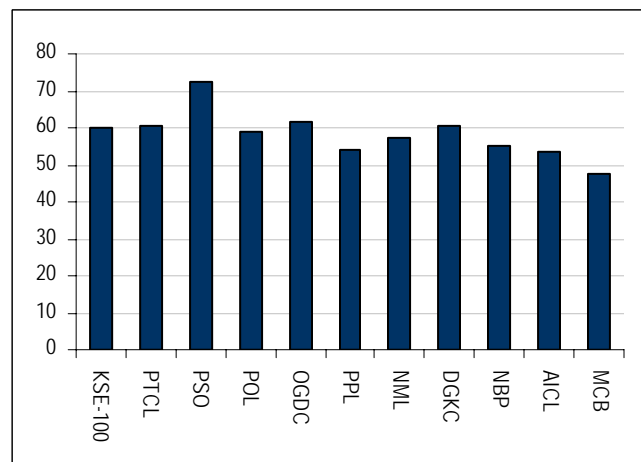


Chart 5: Price to Money



Chart 6: RSI of top 10 stocks



## Economy Watch

Chart 13: Revenue Collection (PRsbn)

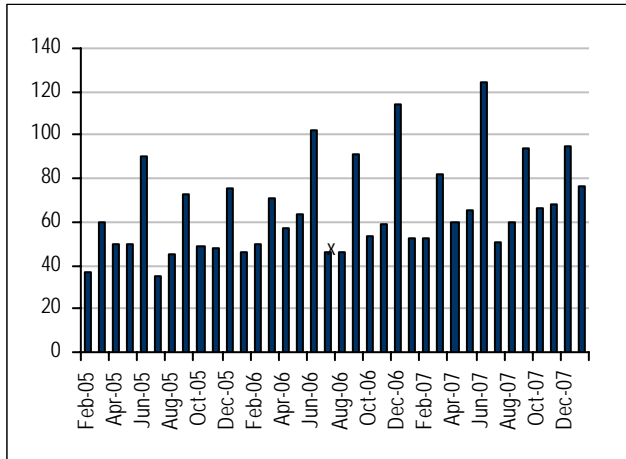


Chart 14: Forex Reserves (US\$m)

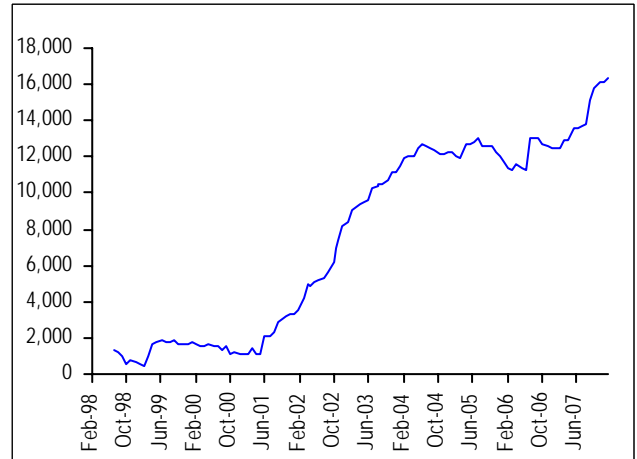


Chart 15: Import & Export (US\$m)

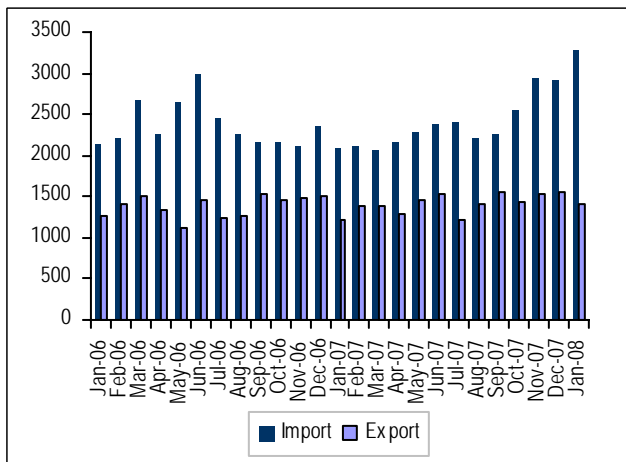


Chart 16: Foreign Exchange Rate (PRs/US\$)

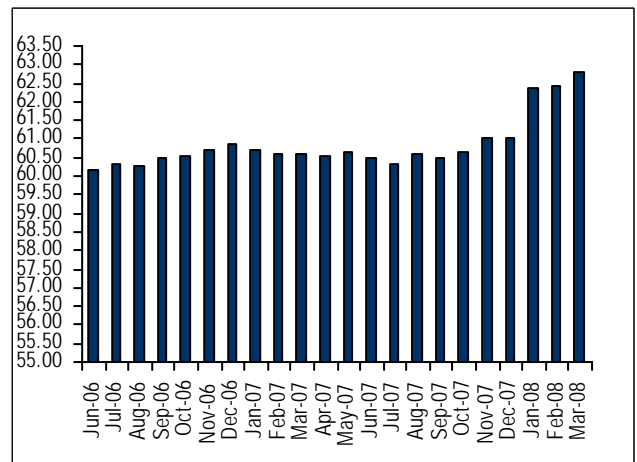


Chart 17: 6-mth T-Bill Yield (%)

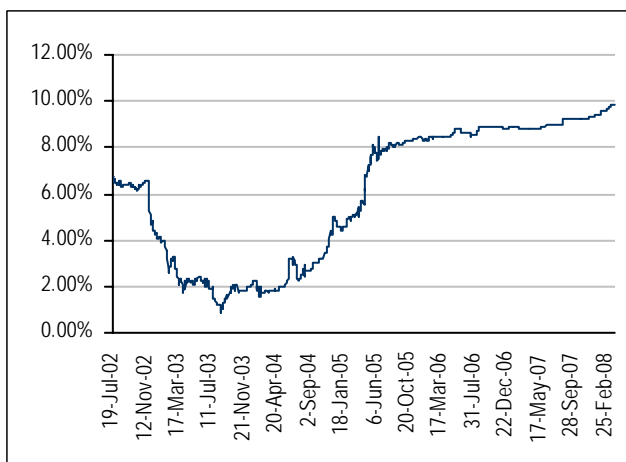
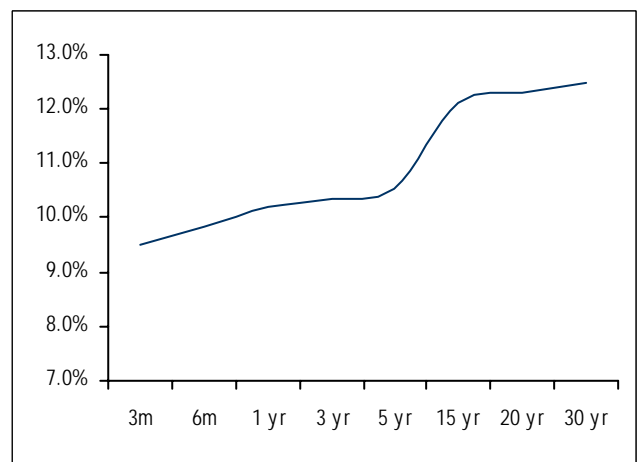


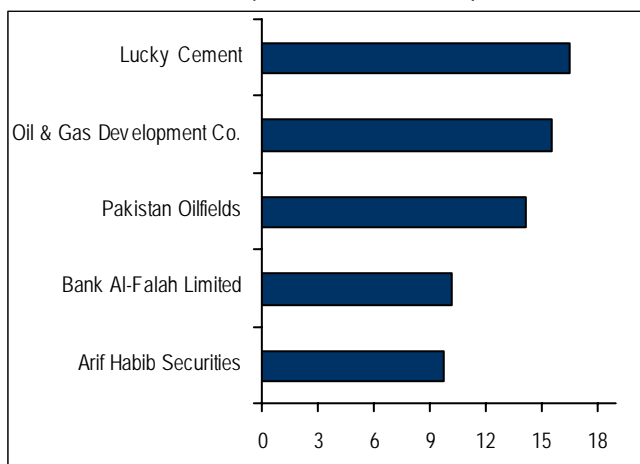
Chart 18: Yield Curve (%)



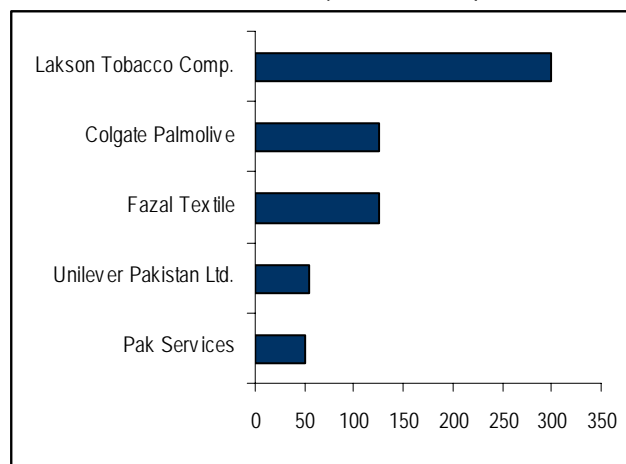
## Stock Market Synopsis

	Last week	This week	% Change	1M	3M	12M
Mkt. Cap (US\$bn)	74.00	73.03	-1.31%	74.48	74.20	50.66
Avg. Dly T/O (mn. shares)	243.00	223.13	-8.18%	271.82	248.65	264.75
Avg. Dly T/O (US\$ mn.)	460.39	489.16	6.25%	553.98	433.73	427.61
No. of Trading Sessions	5	4		21	61	248
KSE 100 Index	15087.47	14993.87	-0.62%	14971.97	14658.83	11296.62
KSE ALL Share Index	10714.35	10625.11	-0.83%	10603.43	10363.56	7543.81

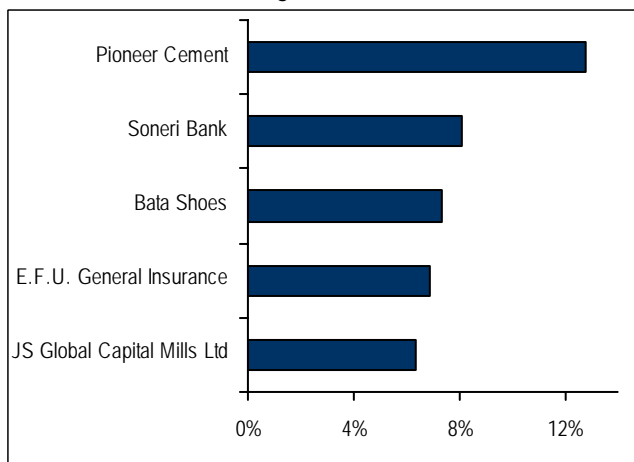
**KSE-100 Active Issues (ADTO-million shares)**



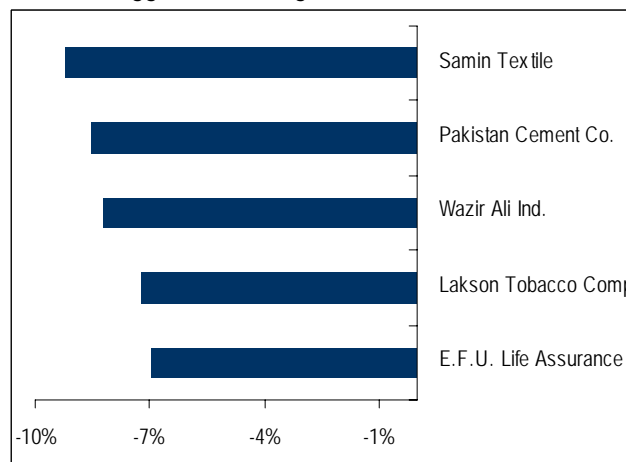
**KSE-100 Least Traded Issues (ADTO- shares)**



**KSE-100 Leaders (% change)**



**KSE-100 Laggards (% change)**



## Macro Economic Indicators

	FY05A	FY06A	FY07	FY08F	FY09F
Real GDP growth %	9.0	6.6	7	6.9	6.3
Agriculture growth %	6.5	1.6	5	3.64	2.88
LSM growth %	19.9	10.7	8.8	8.3	7.7
Services growth %	8.5	9.6	8	7.5	7.0
Exports USD billion	14.4	16.5	17.1	18.9	21.7
Imports USD billion	20.6	28.6	30.4	35.4	34.5
Trade account balance USD billion	-6.2	-12.1	-13.3	-16.5	12.8
Remittances USD billion	4.2	4.6	5.4	6.0	6.0
Current account balance USD billion	-1.5	-5	-7	-9.0	-7.5
CPI	9.3	8	7.8	9.0	6.5
Money Supply (M2) growth %	19.2	15.2	19.3	13.5	12.8
Exchange rate PRs/USD	59.5	60.2	60.4	62.5	63.9
6m T-bill WAY%	8.0	8.5	8.9	9.5	7.5
Population (million)	152.5	155.4	158.2	161	163.9
Per Capita income (USD)	733.0	833	925	1003	1076
Development Expenditure (PRs billion)	202.0	306	435	520	
Foreign Exchange reserves (USD million)	12,386.0	13,128.00	15,500.00	15,100.00	15,100
Tax Revenues in (PRs million)	588,500.0	700,000.00	835,000.00	1,000,000.00	
Foreign Direct Investment (USD million)	1,521.0	3,500.00	4,500.00	3,800.00	4,000.0
Pakistan External Debt (USD million)	35,834.0	37,265.00	39,265.00	42,265.00	45,265.00
Domestic Debt (PRs million)	2,129,094.0	2,296,869.00	2,596,981	2,778,769.67	2,973,283.55
Debt Servicing as % of GDP	2.7%	2.20%	2.10%	1.80%	2.00%
Pakistan External Debt as % of GDP	32.7%	27.40%	26.80%	26.40%	25.80%
Pakistan Domestic debt as % of GDP	30.0%	29.10%	27.70%	27.80%	26.50%
Pakistan total debt as % of GDP	62.8%	56.50%	54.50%	54.20%	52.30%
Budget deficit as % of GDP	3.0%	4.20%	4.50%	4.50%	4.00%
Investment as % of GDP	18.1%	21.80%	23.00%	23.00%	23.00%
Saving as a % of GDP	15.6%	16.40%	18.00%	18.20%	18.70%

Source: SBP, FBS and KASB estimates

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