

Topline Market Review

KSE-100 Index: 41,960 (-485 pts/-1.14%)

Topline Research
research@topline.com.pk
Tel: +9221-35303330
Topline Securities, Pakistan



www.jamapunji.pk Best Local Brokerage House 2015-16

ASIAMONEY

Best Local Brokerage House
Brokers Poll 2011-14, 2016-17



Stocks continue to slide – index sheds 485 pts

KSE-100

Key Numbers

KSE-100 Index (Aug 16, 2018)	41,960.80
Change (Points)	(485.76)
Change (%)	-1.14%
YTD (Since Dec 29, 2017)	3.7%
KSE Mkt Cap. (Rs bn)	8,620
KSE Mkt Cap. (US\$ bn)	69.4
Total Volume (shares mn)	142.2
Total Value (Rs bn)	7.2
Total Value (US\$ mn)	58.1
Total Future Value (Rs bn)	2.6
Total Future Value (US\$ mn)	20.7

Source: PSX

Top 10 Traded Stocks

Symbol	Value (US\$m)	Vol. (mn shares)	Closing (Rs)	Change (Rs)	Change
DGKC	4.9	5.2	117.4	(5.3)	-4.5%
ENGRO	4.3	1.5	344.4	(8.4)	-2.4%
OGDC	2.8	2.3	152.1	(1.0)	-0.7%
HBL	2.5	2.0	152.0	(4.6)	-3.0%
PAEL	2.5	8.9	34.6	(1.8)	-4.8%
FFC	2.1	2.5	101.7	(0.2)	-0.2%
MLCF	2.0	4.3	56.4	(2.4)	-4.1%
LUCK	1.9	0.4	568.7	(10.2)	-1.8%
UNITY	1.9	6.2	38.4	(1.2)	-3.0%
PSO	1.9	0.7	348.1	(7.4)	-2.1%

Source: PSX

- Pakistan equities went through another tough ride where the index slid to an intraday low of 41,750 level, shedding 696pts. Though the market later recovered to some extent due to investors' interest in select stocks, it closed down 485 pts amid lack of triggers and not-so-excited corporate results.
- ENGRO lost steam at first on poor corporate result announcement and fell 4%. However, it later recovered and managed to close -2.2% as investors took fresh position after they discovered that ENGRO booked one-time non cash expense of Rs2bn on account of prudent tax measures in its JV company.
- Banks, Cement, Fertilizer and Oil & Gas Marketing cumulatively chipped away 156 pts from the index.
- Trading activity remained dull as volumes declined by 2% to 142.2mn shares while value fell 15% to US\$58.1mn.

- Descon Oxychem Limited (DOL) announced its 4QFY18 result posting diluted EPS of Rs0.77 up 5.30x times YoY. Better earnings were a result of improved sales, up 33% YoY and higher margins, up 20ppts YoY to 39% in 4QFY18. DOL also announced dividend on preference shares of Rs12/share.
- Nestle Pakistan (NESTLE) announced its 2Q2018 result with EPS of Rs63.30 down 25% YoY. Lower gross margins, down 4ppts to 35% YoY and increased financial charges by 56% YoY dragged down the company's earnings. NESTLE also announced a dividend of Rs110 per share.
- BAHL announced 2Q2018 consolidated earnings of Rs2.1bn (EPS Rs1.9/share), up 1% YoY. Net Interest Income (NII) of BAHL improved by 21% YoY to Rs7.9bn during the quarter, driven by volumetric deposit growth and higher interest rates. Non-markup income of the bank was down 36% YoY to Rs1.9bn due to lower capital gains.
- Shell Pakistan (SHEL) announced its 2Q2018 result with EPS of Rs2.31 down 74% YoY vs. Rs8.8 in the similar quarter last year. The decline is attributed to lower volumes down by 30% YoY (HSD down 45% YoY & MOGAS down 12% YoY). SHEL announced cash dividend of Rs7 per share.
- Philip Morris Pakistan (PMPK) announced its 2Q2018 result posting EPS of Rs5.18 up 298% YoY vs. LPS of Rs2.65 in the similar period last year. Sales for the company improved by 58% YoY, gross margins were up 3ppts to 41% YoY and financial charges were down 87% YoY, all of which contributed positively to the company's earnings.
- Askari Bank (AKBL) disclosed its 2Q2018 result by where the bank announced EPS of Rs2, down 16.7% YoY vs. EPS of Rs2.4 in the similar period last year.
- PTI nominees Asad Qaiser and Qasim Suri were elected respectively as the Speaker and Deputy Speaker of the National Assembly in yesterday's NA speaker elections.
- Pakistan's Presidential election to be held on Sept 4, 2018, as per Election Commission of Pakistan (ECP).
- The Federal Investigation Agency (FIA) yesterday took former president Asif Zardari's close aide and Omni Group Chairman Anwar Majeed into custody outside the Supreme Court in a case pertaining to money laundering.

Analyst Certification and Disclosures

The research analyst(s), denoted by an “AC” on the cover of this report, primarily involved in the preparation of this report, certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject companies/securities/sectors and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Furthermore, it is stated that the research analyst or its close relative have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months.

Additionally, as per regulation 8(2)(i) of the Research Analyst Regulations, 2015, we currently do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company.

Rating System

Topline Securities employs three tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Stock will outperform the average total return of stocks in universe
Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

For sector rating, Topline Securities employs three tier ratings system, depending upon the sector’s proposed weight in the portfolio as compared to sector’s weight in KSE-100 Index:

Rating	Sector’s Proposed Weight in Portfolio
Over Weight	> Weight in KSE-100 Index
Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

Ratings are updated daily to account for the latest developments in the economy/sector/company, changes in stock prices and changes in analyst’s assumptions or a combination of any of these factors.

Valuation Methodology

To arrive at our 12-months Target Price, Topline Securities uses different valuation methods which include: 1). Present value methodology, 2). Multiplier methodology, and 3). Asset-based methodology.

Research Dissemination Policy

Topline Securities endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time.

Disclaimer

This report has been prepared by Topline Securities and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Topline Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Topline Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Topline Research Department and do not necessarily reflect those of Topline or its directors. Topline as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report.

All rights reserved by Topline Securities. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Topline Securities. Action could be taken for unauthorized reproduction, distribution or publication.