

Topline Market Review

KSE-100 Index: 37,898 (-1,328 pts/-3.4%)

Topline Research

research@topline.com.pk

Tel: +9221-35303330, Ext: 133

Topline Securities, Pakistan

ASIAMONEY

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



www.jamapunji.pk



Best Local Brokerage House 2015-16

Index down by 3.4% due to continued economic uncertainty

KSE-100

Key Numbers

KSE-100 Index (Oct 8, 2018)	37,898.29
Change (Points)	(1,328.06)
Change (%)	-3.39%
YTD (Since Dec 29, 2017)	-6.4%
KSE Mkt Cap. (Rs bn)	7,828
KSE Mkt Cap. (US\$ bn)	63.0
Total Volume (shares mn)	186.0
Total Value (Rs bn)	6.3
Total Value (US\$ mn)	50.7
Total Future Value (Rs bn)	2.1
Total Future Value (US\$ mn)	16.7

Source: PSX

Top 10 Traded Stocks

Symbol	Value (US\$m)	Vol. (mn shares)	Closing (Rs)	Change (Rs)	Change
UBL	4.5	4.1	137.7	(7.2)	-5.0%
DGKC	2.2	3.1	86.0	(4.5)	-5.0%
HUBC	2.1	3.0	84.4	(2.6)	-3.0%
SNGP	2.1	3.2	81.0	(4.0)	-4.9%
PPL	2.0	1.2	204.0	(6.0)	-2.9%
LUCK	2.0	0.5	480.4	(24.0)	-5.0%
HBL	1.9	1.8	135.0	(7.1)	-5.0%
TRG	1.6	8.1	24.7	(1.3)	-5.0%
BOP	1.5	18.4	10.1	(0.9)	-7.8%
MLCF	1.3	4.1	39.9	(2.1)	-5.0%

Source: PSX

- KSE-100 index registered largest single day loss of 3.4% after 15 months, where index closed below 38k level at 37,898 and touched a 27 months low. This is because the newly elected government has failed to entice investors amid lack of clarity over decision to enter International Monetary Fund (IMF) program, we believe.
- To note, market is down by 28% from its peak of May'17 where KSE-100 index has lost US\$36bn in its market capitalization, which is currently at US\$63bn. Today was the 6th consecutive trading session in which market has recorded negative returns, taking these 6 sessions losses to 3,100 points (or 7.8%).
- Among top laggards were Commercial Banks, Oil & Gas Exploration and Fertilizer sector, which pulled down index by 713 points. Decline in Commercial Banks was led by HBL (-5%) and UBL (-5%), contributing 185 points to index fall.
- Heavy volumetric trading was witnessed in small cap stocks, where, BOP, KEL and WTL topped volume leaders chart with cumulative traded volume of 41mn shares. This led overall volumes to grow at 21% while on the other hand, traded value was up by 17% to US\$51mn.

- Roshan Packages Limited announced its 4Q2018 results, in which it posted a loss of Rs109mn vs a profit of Rs1.9mn last year. Although the company recorded a ~4x increase in other income YoY, the bottom line was hurt by a fall in gross margin by 7ppts, an increase in Distribution & Selling expenses by 99% YoY and increase in other expenses by 2.4x YoY.
- Kohinoor Power Company Limited and Saritow Spinning Mills Limited notified the exchange about their decision to merge with and into one entity. The scheme still has to be approved by the board and sanctioned by the Lahore High Court.
- Azgard Nine Limited confirmed that the facility it rented from Irfan Textiles (Private) Limited in January has become fully functional and has started operations.
- Urea manufacturers have raised prices by around Rs130 per bag in an attempt to pass the impact of gas price hike on to consumers despite government assurances that the state will pay subsidy to them.
- Mari gas fields, the prime source of feedstock to a key fertilizer industry, are left with only 10 years of reserves, calling for expeditious exploration of new resources, a senior industry official said.
- Aiming at massive reshuffle in the bureaucracy and diplomatic circle, the government has issued notices to those officials who, it believes, have been appointed on a “political basis” or have been sticking to their positions for over five years.
- As per news reports, after weeks of dithering, Pakistan has decided to approach the International Monetary Fund (IMF) for US\$8-10bn program to overcome the acute financial problems and improve its credibility at the international level. It has been learnt that Finance Minister Asad Umar, along with his team, had briefed the prime minister on the country’s financial position and presented a plan to approach the IMF for a package the ministry is reluctant to call a “bailout”.
- In its South Asia Economic Focus titled ‘Budget Crunch’, The World Bank has said that Pakistan’s ability to withstand external shocks has diminished and risks will remain predominantly on the downside with declining reserves and elevated debt ratios. Appropriate policy responses to correct these imbalances and increased buffers to absorb future shocks will reduce these risks and support a positive growth outlook.
- A seven-member Asia Pacific Group (APG) evaluation team on money laundering will arrive in Pakistan today to review compliance of country on Financial Action Task Force (FATF) Action Plan and global obligations against money laundering and terror financing.

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.