Capital Market Daily

Company Update

OGDC 2Q FY12 – Result Preview

OGDC is scheduled to announce its result for 2Q FY12 on Feb 23'12 and we expect the company to post earnings of PKR 22.58bn (EPS PKR 5.25), up by 52% YoY from PKR 14.89bn (EPS PKR 3.46) in the corresponding quarter of last year. Sequentially, earnings are anticipated to edge up by 3% from PKR 21.92bn (EPS PKR 5.10) in 1Q FY12. Cumulatively, net profit for 1H FY12 works out to PKR 44.50bn (EPS PKR 10.35), up by 41% YoY. We also expect the company to announce a 2nd interim dividend of PKR 1.50/share, bringing total payout FY12TD to PKR 3.00/share.

	3mo ending		%	6mo ending		%
PKR mn	**Dec10**	**Dec11E**	**▲**	**Dec10**	**Dec11E**	**▲**
Net sales	41,639	47,280	▲ 14	81,090	91,966	▲ 13
Operating expenses	3,923	4,572	▲ 17	7,908	8,748	▲ 11
Exploration & prosp exp	1,004	784	▼ 22	3,536	1,449	▼ 59
Other income	333	2,303	▲ 591	960	4,624	▲ 381
PBT	27,033	32,256	▲ 19	51,171	63,354	▲ 24
Net profit	14,889	22,579	▲ 52	31,598	44,495	▲ 41
EPS (PKR)	3.46	5.25		7.35	10.35	
DPS (PKR)	-	1.50		1.50	3.00	

Source: Company accounts, Global estimates

Multitude of factor support growth

Gas production is up by 7% YoY primarily on the back of higher production from Qadipur and Uch – 8% YoY and 28% YoY respectively – while growth was arrested by a decline of 87% and 19% from Buzdar & Buzdar South and Kadanwari respectively. Oil production on the other hand is up by a marginal 3%. On the pricing front, realized price for gas is estimated to decline by 5% YoY during 2Q FY12 while realized price for oil is likely to go up by 19% YoY.

Other income is expected to extend key support to bottomline accretion, contributing PKR 0.48/share to net earnings against PKR 0.07/share in the corresponding period of last year. The increase in other income stems from higher cash & equivalents which stood at PKR 59bn as of Sep11 compared to an average of PKR 23bn during 2Q FY11. Bottomline growth during the outgoing quarter is also backed by a lower ETR of 30% against 45% in the corresponding quarter of last year, augmenting a rise of 19% in PBT into 52% net earnings growth. At current levels, OGDC is trading at a premium of 1% to our Jun12 TP of PKR 161/share and we recommend **HOLD** on the scrip.

INDU 1H FY12 - Result Preview

INDU is scheduled to announce its 1H FY12 result on Feb 22'11. The company is expected to post after tax earnings of PKR 1.74bn (EPS of PKR 22.15), higher by 92% YoY from PKR 908mn (EPS of PKR 11.55) in 1H FY11.

During 2Q FY12, we expect the company to increase its profit after tax by 143% to PKR 803mn (EPS PKR 10.22), while on a sequential basis, earnings are expected to go down by 14% as compared to PKR 937mn (EPS of PKR 11.93) in Sep11, mainly on account of lower volumes due to year end effect. We also expect an interim dividend of PKR 5.00/share.

	3mo ending		%	6mo ending		%
PKR (in mn)	**Dec10**	**Dec11E**	**▲**	**Dec10**	**Dec11E**	**▲**
Net revenue	12,485	16,047	▲ 29	26,828	33,193	▲ 24
Net profit	330	803	▲ 143	908	1,741	▲ 92
EPS (PKR)	4.20	10.22		11.55	22.15	
DPS (PKR)	5.00	5.00		5.00	5.00	

Source: Company Accounts, Global estimates

Increased localization to benefit bottomline

Topline is expected to grow by 24% to PKR 33.19bn during 1H FY12 primarily on the back of 1) Higher volumes by 7% YoY to 24,066 units; and 2) Upward revision in car prices by an average of 7% YoY. However, price revision announced towards the end of Dec11 will not be visible during the quarter as the new prices are applicable on fresh orders. During 2Q FY12 alone, topline is expected to jump up by 29% YoY for the same reasons where volumetric increase by 6% YoY and price hike of 3% during the period augmented the growth. However, decline in volumes by 12% QoQ will reflect 6% QoQ lower topline in 2Q FY12.

On the flip side, cost of production rose by 21% in 1H FY12 on account of rising steel prices by 11% and devaluation of PKR against JPY by 11% to PKR 1.13/JPY. Consequently, gross margin for the said period is expected to the tune of 7.1% as compared to 5.2% in 1H CY10. Moreover, we expect EBIT/unit to clock in at PKR 110k as compared to PKR 69k last year. Furthermore, other income during 1H FY12 is expected to increase by 38% YoY to PKR 1.05bn, on account of advances and higher cash and cash balances. Moreover, financial charges are expected to be significantly lower by 71%, mainly due to high base effect, where the company reversed marked to market gains during 2Q FY11.

Equities	Feb 20'12	% Δ
KSE100	12,517.90 ▲	0.18
Market Cap (PKR bn)	3,264.59 ▲	0.23
Volume (shares mn)	232.85 ▼	0.18
Value (PKR mn)	4,628.68 ▼	34.30

Fixed Income	Feb 20'12	
T-bills	**Bid**	**Bp Δ**
3 months	11.73%	-
6 months	11.84%	-
12 months	11.92%	-

PIBs	Bid	
2 yr	12.27% ▲	1
5 yr	12.77% ▲	1
9 yr	12.91%	-

KIBOR	Feb 20'12	Bp Δ
1 month	11.98% ▼	3
3 months	11.87% ▼	1
6 months	11.92% ▼	1

Exchange Rate	Bid	Offer
PKR/USD	90.80 ▲	90.82

Crude Oil	USD/barrel	% Δ
OPEC basket	118.60 ▲	0.40
US light sweet (WTI)	103.24 ▲	0.91

Major Events

Feb 22'12	T-bill Auction

Board Meetings

Feb 21'12	MCB Bank Ltd.
Feb 21'12	United Bank Ltd.
Feb 21'12	Arif Habib Corporation Limited
Feb 21'12	Bank AL-Habib
Feb 22'12	Indus Motor
Feb 22'12	Al-Abbas Cement
Feb 22'12	P.T.C.L.A
Feb 23'12	Oil and Gas Development
Feb 24'12	Nishat Mills Limited
Feb 24'12	Habib Bank Ltd

AGMs / EOGM

Feb 28'12	Fauji Fertilizer Co.
Mar 03'12	Lotte Pakistan PTA

Global Research
research@gslpk.com
+92.21.3245.7500