

Market Overview

Profit-taking at higher levels and technical correction snapped a four-day winning run at the Karachi Stock Exchange (KSE) on Thursday but the main index managed to sustain the crucial 11,500 levels with volumes improving further. The benchmark KSE 100-Index lost 0.28 per cent or 32.13 points to close at 11,515.59 levels.

ABL: Higher NII to behind earning growth

An interest income of the bank likely to enlarge by 12.3% to Rs 50.52 billion for CY11 against Rs 44.99 billion in the same period of last year mainly due to volumetric growth in earning assets and better yields. Interest expense is expected to surge by 13.6% to Rs 25.48 billion compared to Rs 22.42 billion in CY10. Consequently, net interest income (NII) would up by 11% to Rs 25.03 billion against Rs 22.56 billion in CY10.

Investment up 71%, IDR of 54%

Although deposits of the bank grew by 3.7% stood at Rs 384.95 billion, gross Investments surge by 71% at Rs 207.15 billion versus Rs 121.17 billion in 9MCY10. Gross Advances, keeping in line with prudent lending strategy were down by 7.2% at Rs 249.29 billion over the gross advances of Rs 268.53 billion as at September 30, 2010. The balance sheet size stood at Rs 511.27 billion at 9MCY11 versus Rs 449.93 billion in 9MCY10, up by 13.6%. ADR remained at 64.8% while IDR at 53.8% from 32.6% at 9MCY10 due to higher investments and borrowing from financial institutions.

Non-interest income to support profits too

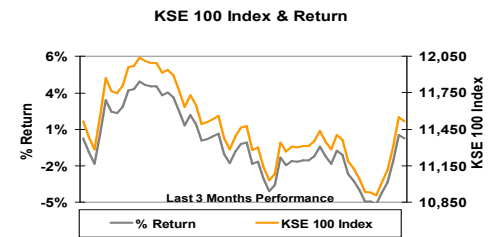
Non Interest Income of the bank is expected at Rs 5.75 billion in CY11 from Rs 5.67 billion last year showing growth of 1.4% YoY whereas it is expected to grow at 3-year CAGR of 4%. Consumer banking business is expected to fuel growth in Fee, commission and brokerage income. ABL has high potential in investment banking and capital markets division which will further boost non-interest income. Furthermore, ABL is expected to capture a major share from the ongoing growth in trade activities of the country on the basis of its large branch network. The share of fee income has always been highest in total non interest income of ABL however; its share in overall revenue has declined owing to healthy growth in net interest income.

	CY10A	CY11E	CY12F	CY13F
EPS (Rs)	9.56	12.23	11.77	12.42
Book Value (Rs/share)	36.23	42.77	49.05	55.47
DPS (Rs)	4.50	5.50	6.00	8.50
P/E (x)	5.96	4.66	4.84	4.59
P/BV(x)	1.57	1.33	1.16	1.03
Dividend Yield (%)	7.89	9.65	10.53	14.91
Dividend Payout (%)	42.8	45.0	51.0	68.4

Source: AZEE Research & Company Reports

Recommendation

Our December end 2012 price target for ABL comes to Rs78.75/share, based on a normalized ROE of 25%, which results in a fair P/B of 1.6x. Therefore, we currently recommend BUY for ABL at these levels.



News Update

Pakistan's foreign exchange reserves were flat at \$16.90 billion in the week ending January 13, unchanged from the previous week, the central bank said on Thursday. Reserves held by the State Bank of Pakistan (SBP) fell to \$12.69 billion from \$12.82 billion a week earlier, while those held by commercial banks rose to \$4.21 billion, compared with \$4.08 billion the previous week.

According to an estimate, Pakistanis have deposited \$200 billion black money in Swiss banks, sources said on Thursday.

Prime Minister Syed Yusuf Raza Gilani Thursday said that due to prudent economic policies of the present government, number of targets in economic sector have been achieved during the first six months of the current fiscal.

NCCPL (U.S \$ in million)		Portfolio Investment U.S \$ in million)		KSE Statistics		January 19, 2012	
FIPI (19-Jan-2012)	1.47	Yearly(Jul, 2011 up to 18-Jan-2012)	-222.76	Indices			
Local Companies (19-Jan-2012)	-2.08	Monthly(Jan, 2012 up to 18-Jan-2012)	-7.87	All Share Index		7,979.01	
Banks / DFI (19-Jan-2012)	-2.08	Daily (18-Jan-2012)	0.13	KSE-30TM Index		10,600.95	
Mutual Funds (19-Jan-2012)	2.28	Total Portfolio Investment (06-Jan-2012)	2231	KSE-100TM Index		11,515.59	
NBFC (19-Jan-2012)	-0.20			Turnover			
Local Investors (19-Jan-2012)	0.54			All Share Index		92,473,960	
Other Organization (19-Jan-2012)	0.07			KSE-30TM Index		42,523,448	
				KSE-100TM Index		70,853,760	

MILESTONE

Friday, January 20, 2012

[Morning Report]
Pivot Analysis

Company	CR	RSI	Buy 1	Buy 2	Sell 1	Sell 2	Pivot
KSE 100 INDEX	11515.59	54.56	11459.90	11404.15	11612.00	11708.45	11556.30
Allied Bank Limited	57.00	52.92	56.55	56.05	57.35	57.70	56.85
Attock Cement	53.14	57.85	51.80	50.50	54.70	56.30	53.40
Arif Habib Limited	14.81	53.23	14.55	14.30	15.30	15.75	15.00
Adamjee Insurance	48.79	63.85	48.45	48.10	49.45	50.10	49.10
Askari Bank	10.36	58.31	10.25	10.15	10.45	10.60	10.35
Azgard Nine	3.31	59.93	3.05	2.75	3.60	3.90	3.35
Attock Petroleum	435.07	70.57	431.40	427.70	437.90	440.70	434.20
Attock Refinery	111.65	54.12	109.05	106.50	114.35	117.10	111.80
Bank Al-Falah	11.50	52.24	11.40	11.35	11.60	11.70	11.55
BankIslami Pak	3.21	49.66	3.15	3.10	3.25	3.30	3.20
Bank.Of.Punjab	5.73	59.28	5.55	5.40	5.90	6.05	5.75
D.G.K.Cement	20.62	63.32	20.30	19.95	20.90	21.15	20.55
Fauji Cement	3.64	58.30	3.55	3.50	3.70	3.80	3.65
Fauji Fert Bin	46.51	52.43	46.10	45.70	47.10	47.70	46.70
Fauji Fertilizer	165.95	61.73	164.75	163.50	167.65	169.40	166.45
Habib Bank Ltd	109.01	51.76	108.20	107.35	110.40	111.85	109.60
Hub Power	34.27	46.35	34.05	33.80	34.65	35.00	34.40
ICI Pakistan	142.08	75.92	138.05	134.05	145.55	149.05	141.55
J.O.V.and CO	1.21	57.22	1.10	0.95	1.30	1.40	1.20
Lotte Pakistan	9.99	53.79	9.85	9.70	10.25	10.45	10.10
Lucky Cement	81.10	61.31	80.15	79.20	82.60	84.10	81.65
MCB Bank Ltd	152.39	64.95	150.70	149.00	154.40	156.45	152.70
Maple Leaf Cement	2.07	61.20	2.00	1.95	2.10	2.15	2.05
National Bank	41.29	43.44	40.75	40.20	42.25	43.15	41.65
Nishat Mills	42.52	60.02	42.15	41.75	43.10	43.65	42.70
P.S.O. XD	238.91	56.03	236.35	233.85	243.55	248.25	241.05
Sui North Gas	15.89	43.49	15.55	15.25	16.40	16.95	16.10

CR = Yesterday's Closing Rate; RSI = 14 day RSI.

RSI Indication: Less than 30 Indicate oversold position & Greater than 70 Indicate overbought position.

Risk Disclosure

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Board Meetings

Company	DATE	TIME
Wateen Telecom Ltd	20-01-2012	5:00
Sindh Abadgar's Sugar Mills Ltd	21-01-2012	12:00
Engro Foods Ltd.	24-01-2012	9:30
Honda Atlas Cars (Pak) Ltd	24-01-2012	10:00
Byco Petroleum Pak Ltd	24-01-2012	3:50
Pak Petroleum Ltd	25-01-2012	11:00

Key Data
Money Market

T-Bills (3 Mths)	11-Jan-2012	11.78%
T-Bills (6 Mths)	11-Jan-2012	11.83%
T-Bills (12 Mths)	11-Jan-2012	11.89%
Discount Rate	08-Oct-2011	12.00%
Kibor (1 Mth)	19-Jan-2012	12.04%
Kibor (3 Mths)	19-Jan-2012	11.88%
Kibor (6 Mths)	19-Jan-2012	11.93%
Kibor (9 Mths)	19-Jan-2012	12.22%
Kibor (1 Yr)	19-Jan-2012	12.27%
P.I.B (3 Yrs)	19-Jan-2012	12.04%
P.I.B (5 Yrs)	19-Jan-2012	12.46%
P.I.B (10 Yrs)	19-Jan-2012	12.48%
P.I.B (15 Yrs)	19-Jan-2012	13.00%
P.I.B (20 Yrs)	19-Jan-2012	13.10%
P.I.B (30 Yrs)	19-Jan-2012	13.20%

Commodities

Crude Oil (brent)\$/bbl	111.49
Crude Oil (WTI)\$/bbl	101.76
Cotton \$/lb	97.70
Gold \$/ozs	1,663.90
Silver \$/ozs	30.61
Malaysian Palm \$	1,017
GOLD (NCEL) PKR	48,401
KHI Cotton 40Kg PKR	5,894

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