



Thursday, January 26, 2012

IMF board to meet on 3rd Feb for evaluating Pakistan's economy:

The Executive Board of the International Monetary Fund (IMF) is scheduled to meet on February 3, 2012 in Washington for evaluating Pakistan's economic situation, which suffers from the fears of rising fiscal and current account deficit reaching PkR 1 trn and USD 2.154 bn respectively at current levels. IMF's evaluation on the country's economic situation is being considered critical by external lenders as the outcome would decide whether the IMF would issue a Letter of Comfort (LoC) to Pakistan or not. Issuance of a Letter of Comfort (LoC) would enable the country to receive external inflows in the form of programmed loans by multilateral and bilateral donor agencies which would help in containing the current account deficit at a certain level and would also provide funds to meet its fiscal expenditures. So far Pakistan's economy in FY12 has relied on borrowings from the banking system to meet its fiscal deficit however with the widening current account deficit and with debt repayments of USD 1.4 bn to IMF in FY12, we believe a new bailout package from the IMF and issuance of a Letter of Comfort (LoC) would help the economic managers to improve fiscal discipline in the economy and would prevent the currency from a steeper devaluation by providing a cushion to the foreign exchange reserves.

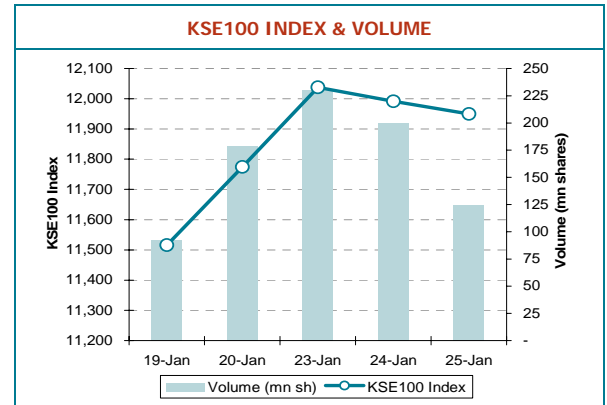
T-bills cut-off yields reduced:

The cut-off yields of Market Treasury Bills (T-bills) were reduced in the recent auctions held on Wednesday i.e. January 25, 2012. The auction held on Wednesday showed some excitement from the participants as the bids had reached to PkR 297.365 bn against the State Bank target of PkR 225 bn. 12-month T-bills have achieved the highest investment of worth PkR 46.97 bn and its cut-off yield declined by 16bps from 11.89% to 11.73% while, the bids accepted for 6-months T-bills stood at PkR 32.55 bn and its cut-off yield declined by 20bps to 11.63%. Furthermore, the cut off-yield for 3-months T-bills was cut by 18 bps to 11.59% through which PkR 27.91 bn were raised. A decline in T-bills rates gives an indication of a modest interest rate cut in the upcoming monetary policy on account of a reduction in CPI inflation which stood at 9.75% in December 2011. A cut in the policy rate would be taken positively by the market as the fair values of stocks would inch upwards thus providing an opportunity to investors to gain handsome returns.

FBR to issue SRO on changes in CGT mechanism:

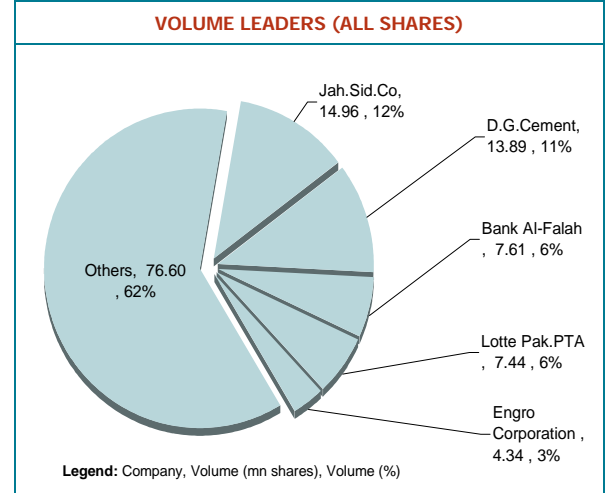
Federal Board of Revenue (FBR) is expected to issue a SRO shortly to provide legal cover to the changes in the capital gains tax regime announced by the finance minister in the visit to the Karachi Stock Exchange last week. The amendment will be applicable by April 1st, 2012 after approval from the law ministry. However, the changes will also be presented before the parliament for approval through a Finance Bill in Federal Budget FY13. The proposals accepted by the finance minister included: capping the present capital gains tax rate

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KSE STATISTICS

| | 25-JAN-12 | 24-JAN-12 | CHANGE % |
|------------------------|-----------|-----------|----------|
| KSE 100 Index | 11,950 | 11,991 | -0.3% |
| Trading Volume (mn sh) | 124.85 | 200.06 | -37.6% |
| Trading Value (PkR bn) | 4.49 | 6.89 | -34.9% |
| Market Cap. (PkR bn) | 3,103 | 3,114 | -0.3% |



MARKET PERFORMERS (KSE30)

| | 25-JAN-12 | 24-JAN-12 | CHANGE % |
|----------------------|-----------|-----------|----------|
| D.G.K.Cement | 23.18 | 22.11 | 4.8% |
| Nestle PakistanXD | 3,361.53 | 3,218.75 | 4.4% |
| Nishat Mills Limited | 46.96 | 46.07 | 1.9% |
| Kot Addu Power | 42.00 | 41.60 | 1.0% |
| Lucky Cement | 85.77 | 84.98 | 0.9% |
| Bank AL-Habib | 31.99 | 31.74 | 0.8% |
| Hub Power Co. | 36.00 | 35.74 | 0.7% |
| Attock Refinery | 122.37 | 121.81 | 0.5% |
| Fauji Fertilizer | 176.18 | 175.41 | 0.4% |
| P.T.C.L.A | 11.70 | 11.65 | 0.4% |

Source: KSE Website, Alfalah Securities Research

of 10% for investments kept for less than 6 months; tax immunity from declaring source of income till 2014; tax deduction directly by National Clearing Company of Pakistan (NCCPL); each stock member allowed exposure of PkR 50 mn; and abolishing the withholding tax on sale of shares to avoid double taxation. The changes have resulted in increase trading volumes in the stock market.

Market Outlook:

The market is expected to remain neutral to positive for the day mainly due to expectations of good corporate earnings announcements and possibility of an interest rate cut. We continue to recommend fundamentally strong scrips like POL, HUBC, LUCK and MCB.

Board Meeting:

| COMPANY | SCHEDULED ON | DAY | TIME | PLACE | TO CONSIDER |
|-------------------------------|--------------|-----------|----------|-----------------|---------------------------|
| Fauji Fertilizer Bin Q. Ltd. | 26-Jan-2012 | Thursday | 10:30 AM | Rawalpindi | Annual Accounts – FY11. |
| Lotte Pakistan PTA Ltd. | 26-Jan-2012 | Thursday | 01:30 PM | Karachi | Annual Accounts – FY11. |
| Colgate Palmolive Pakistan | 27-Jan-2012 | Friday | 10:30 AM | Karachi | Half yearly account FY12. |
| Byco Petroleum Ltd. | 27-Jan-2012 | Friday | 05:00 PM | Karachi | Annual Accounts – FY11. |
| National Refinery Ltd. | 28-Jan-2012 | Saturday | 10:30 AM | Karachi | Half yearly account FY12. |
| Netsol Technologies Ltd. | 30-Jan-2012 | Monday | 03:00 PM | Lahore | Half yearly account FY12. |
| Lucky Cement Ltd. | 30-Jan-2012 | Monday | 11:30AaM | Karachi | Half yearly account FY12. |
| Clariant Pakistan Ltd. | 30-Jan-2012 | Monday | 11:00 AM | Karachi | Annual Accounts – FY11. |
| Fauji Fertilizer Co. Ltd. | 30-Jan-2012 | Monday | 10:00 AM | Rawalpindi | Annual Accounts – FY11. |
| International Industries Ltd. | 31-Jan-2012 | Tuesday | 10:30 AM | Karachi | Half yearly account FY12. |
| International Steels Ltd. | 31-Jan-2012 | Tuesday | 10:30 AM | Karachi | Half yearly account FY12. |
| Askari Bank Ltd. | 31-Jan-2012 | Tuesday | 10:00 AM | Rawalpindi | Annual Accounts – FY11. |
| Attock Cement Ltd. | 01-Feb-2012 | Wednesday | 11:30 AM | Dubai, UAE | Half yearly account FY12. |
| Attock Refinery Ltd. | 01-Feb-2012 | Wednesday | 10:30 AM | Damascus, Syria | Half yearly account FY12. |
| Attock Petroleum Ltd. | 01-Feb-2012 | Wednesday | 01:30 PM | Dubai, UAE | Half yearly account FY12. |
| Pakistan Oilfields Ltd. | 01-Feb-2012 | Wednesday | 04:30 PM | Dubai, UAE | Half yearly account FY12. |
| Unilever Pakistan Foods Ltd. | 03-Feb-2012 | Friday | 2:30 PM | Karachi | Annual Accounts – FY11. |
| Unilever Pakistan Ltd. | 09-Feb-2012 | Thursday | 2:30 PM | Karachi | Annual Accounts – FY11. |
| IGI Insurance Ltd. | 14-Feb-2012 | Tuesday | 2:00 PM | Karachi | Annual Accounts – FY11. |
| Kot Addu Power Co. Ltd. | 15-Feb-2012 | Wednesday | 12:30 PM | Lahore | Half yearly account FY12. |