

DAY BREAK

Thursday December 24, 2009

News in Focus

IMF Completes Third Review, Approves USD 1.2bn Disbursement

The IMF has completed its third review of Pakistan's economic performance and subsequently approved the fourth tranche of USD 1.2bn. The IMF stated that significant efforts have been made by the Pakistani authorities to follow the course of stabilization and structural reforms. Although a number of macro economic indicators have shown improvement, the IMF mentioned that vulnerabilities remained high due to low revenue collection, subsidies on energy and weak private sector credit. The IMF was also of the view that a cautious monetary policy stance would be essential for counteracting inflationary pressures, going forward.

NML – AES Acquisition: Powerful consolidation

Nishat Mills Limited (NML) recently entered into an agreement with AES Pakistan Holdco Ltd to buy a majority stake holding in AES Lalpir (Pvt) Ltd and AES Pak Gen (Pvt) Ltd. The two power plants have combined generation capacity of 727MW and operate on Furnace Oil. AES Lalpir became operational in CY97, while AES Pak Gen in CY98 with a 30yr Power Purchase Agreement (PPA) with WAPDA, expected to last till CY27. The proposed investment indicates NML's intent to diversify in the power sector and benefit from the stable dividend income generated from these companies.

Deal at a discount

According to the notice issued by NML, the book value per share (BVPS) of AES Lalpir and AES Pak Gen as of Sep30'09 stood at PKR 28.42 and PKR 33.46 respectively. Although the final purchase price has not been agreed between the stakeholders, NML has indicated a maximum price of USD 0.188 per share (PKR 15.89) for AES Lalpir and USD 0.175 per share (PKR 14.79) for AES Pak Gen, respectively. Purchase at these levels indicates a 44% and 56% discount to Sep09 book value of AES Lalpir and AES Pak Gen, respectively.

Acquisition to pent-up bottomline

As per the requirements of the company's ordinance 1984, NML can make investment up to USD 60mn (PKR 5,070mn) for the purchase of stake in AES Lalpir and AES Pak Gen. According to our estimates, the total value of the two power plants stand at PKR 10.99bn. Thus, a maximum of 46% stake is expected to be acquired by NML in the two companies. In our opinion, in line with the earnings projections for the two plants by NML, the acquisition of stake in them should lend support to the bottomline profitability, moving forward.

Outlook

At its last closing of PKR 70.09 per share, NML is trading at FY09 PE of 10.29x. The final decision on the acquisition is expected to be taken in company's Extra Ordinary General Meeting on Jan25'10. In our opinion, a positive development in the said acquisition will lend major support to company's bottomline going forward.

IGI Research

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Daily Summary

Equities

	KSE100	Turnover All Shares (mn)	Market Cap All Shares (PKR bn)
23.12.09	9,302.92	116.95	2,681.10
22.12.09	9,332.47	136.94	2,688.99
Change	(29.55)	(19.99)	(7.89)

Board Meetings

Date	Time	Company
24.12.09	4:00	JS Bank Ltd.
30.12.09	10:00	Fauji Fertilizer Co.

Forex (PKR/USD)

Bid	Offer	O/N	6-month
84.35	84.40	9.55	12.27

Money Market Repo (%)

Bid	Offer	O/N	6-month
84.35	84.40	9.55	12.27

KSE : Top Five Volume (mn)

Scrip	Volume	Chg.	Rate (PKR)	Chg.
AHSL	12.88	6.29	48.76	0.33
NCL	12.52	-0.33	18.66	0.87
PTC	10.43	7.05	17.00	0.53
JSCL	7.67	-0.5	30.61	0.06
FFBL	6.55	4.22	24.74	0.64

Commodity Prices

	Price	Change
WTI (USD/bbl)	75.67	1.92
Gold (USD/oz)	1,087.55	3.55

SCRA

	Balance (USD mn)	Net flow (USD mn)
22.12.09	264.68	0.20

Source: KSE, SBP, Bloomberg & IGI Research

AES - Company Value

	Aes Lal Pir	Aes Pak Gen
Book Value (PKR)	28.42	33.46
Expt Pur. Price (USD)	0.188	0.175
Exchange Rate	84.5	84.5
PKR Purchase Price	15.89	14.79
Number of shares (mn)	345	372
Investment (PKR mn)	5,485.56	5,502.16

Source: Company Notice-NML & IGI Research

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Securities