JS Research

December 04, 2009

Pakistan Market

MORNING BRIEFING

Refineries: 5MFY10 production update

KSE100 Index: Closing 9096.23 ↑ (+8.53)

Based on provisional numbers, refinery production in 5MFY10 has witnessed a decline of 8%YoY. Similarly, on a MoM basis, production in November 09 witnessed a fall of 6% and stood at around 650K tons. Currently, we maintain a 'Market Weight' stance on the sector and a 'Buy' recommendation on National Refinery (NRL).

5MFY10 production down 8%

During Jul-Nov 2009, total refined oil production stood at 3.5mn tons compared to 3.8mn tons in the corresponding period last year, a fall of 8%YoY. Furnace oil too saw a decline in its production of 16%YoY. The only product registering an increase in production was Mogas, showing a growth of 3% on YoY basis. The overall dip in production can be attributed to the persisting circular debt situation. A scheduled maintenance shut down at NRL in July 09 was another causal factor behind the slump.

Table: Refinery production (000 tons)

	Jul-Nov 2009						YoY-Growth					
	IND	PARC	NRL	PRL	ATRL	BOSI	IND	PARC	NRL	PRL	ATRL	BOSI
HSD	1,366	561	259	213	201	133	-5%	-3%	-19%	9%	0%	-14%
FO	1,054	377	124	255	149	149	-16%	-6%	-30%	-23%	-2%	-26%
MS	565	291	40	55	149	30	3%	-4%	-26%	28%	14%	63%
SKO	53	32	1	2	18	-	-30%	-31%	-63%	-53%	-19%	0%
LDO	31	9	21	-	1	-	-24%	21%	-33%	0%	-38%	0%
JP	398	184	60	85	69	-	0%	9%	-15%	2%	-7%	0%
Total	**3,468**	**1,453**	**506**	**611**	**586**	**312**	**-8%**	**-3%**	**-23%**	**-7%**	**1%**	**-17%**

Source: OCAC, excluding Non-Energy products

PARC=PARCO, IND = Industry

Reviewing refineries individually, PARCO maintained its leader position, infact, enhanced its market share to 42% from 40% earlier. This gain was primarily a consequence of a relatively better performance in FO, HSD and Jet fuel segments, where the company was able to improve market share by 4%, 1% and 4%, respectively. Attock Refinery (ATRL) too saw an improvement in its market share (+2%). This was mainly led by a comparatively better performance in its FO production, where it witnessed a YoY decline of 2% versus a 16% fall experienced by the industry. A flat HSD production level in this period also helped ATRL in improving its overall market share.

NRL and Bosicor on the other hand, lost ground by 3% and 1% respectively. PRL's share remained unchanged staying around 18%.

MoM fall of 6% witnessed in production

Total refinery production in the month of November 2009 stood at 649K tons witnessing a decline of 6% vis a vis last month. The was mostly because of the FO Production being 15% lower, arriving at 188k tons. HSD production also fell by 6% and stood at 247k tons. However, a 20% recovery in Jet fuels mitigated the impact of low HSD and FO production to an extent, in volumetric terms.

Market weight maintained

At present, we maintain our market weight stance on the sector, with a 'Buy' call on NRL.

umer.ayaz@js.com

92 (21) 111-574-111 (ext. 3103)

Also in focus

Cumulative cotton arrivals up by 25%YoY

According to the latest numbers released by Pakistan Cotton Ginners Association (PCGA), as of 1 December 2009, this season's cotton arrivals stood at 10.4mn bales versus 8.3mn bales last year, translating to a significant growth of 25%. The fortnightly cotton flows during 16 Nov- 1 Dec stood at 1.16mn bales, almost flat YoY. Overall, these figures are encouraging for Pakistan and we believe that the cotton production will arrive at almost 13mn bales during the current season. As cotton has a share of 2.2% of the total GDP, the 15% expected growth during the current fiscal year will boost total economic growth.

Silk Bank to issue right shares

According to a notice issued to the Exchange yesterday, Silk Bank's BoD has approved the issuance of 2.8bn right shares (or a 311% rights issue). The right is to be issued at Rs2.5 per share, which is at a discount of 75% to its face value. The bank is expected to raise Rs7bn from this, helping it to meet the minimum paid up capital requirement of Rs6bn by 31st Dec 2009.

As of Sept 30th, the paid up capital of the bank (net of losses) is Rs1.8bn, which will rise to Rs8.8bn after the issue. The current break up value per share without surplus is Rs1.96, and will rise to Rs3.69 after the inclusion of the revaluation surplus. After the rights issue, the break up value without surplus will be Rs2.37, and adding on the surplus will increase to Rs2.79 per share.

JS Global Capital Limited

6th Floor, Faysal House, Main Shahrah-e-Faisal, Karachi

Research: Tel: +92 (21) 32799005

Equity Sales: Tel: +92 (21) 32799513

JS RESEARCH IS AVAILABLE ON BLOOMBERG, CAPITALIQ & THOMSON REUTERS