

March 10, 2010

Pakistan Market**Agritech: ANL's fertilizer offering****MORNING BRIEFING**

KSE100 Index: Closing 9787.03 ↑ (+46.84)

After the successful listing of Fatima Fertilizer Company Limited, Agritech Limited (Agritech), formerly known as Pak-American Fertilizer Limited is due for listing at the KSE, with Initial Public Offering (IPO) on March 11-13, 2010. With Rs1.87bn already been raised through Pre-IPO placement to institutional investors and high networth individuals, Azgard Nine Limited (ANL), the parent company of Agritech, intends to raise a further Rs500mn through an offer to the general public of 16.67mn ordinary shares with a Green Shoe Option (GSO) of 16.67mn ordinary shares at a fixed price of Rs30 per share. Agritech has a name plate capacity of 346k tons per annum (BMR to increase the capacity to 483k tons of urea) and an additional 90k tons of Single Super Phosphate (SSP) which comes from Hazara Phosphate Fertilizer (Pvt) Limited (HPFL), a 100% subsidiary of Agritech. Agritech is also involved in importing and selling of DAP, making it one of the traditional fertilizer players in the market.

Though we do not have a research recommendation on the company, we believe 1) the first mover advantage of the incremental urea capacity 2) marketing SSP (available at cheaper rates than DAP) as a substitute to other phosphatic fertilizers due to its lower price advantage and 3) government's focus on pro agriculture policies to be major triggers for the company. However, we do not rule out tough conditions in marketing SSP to the conventional farmer.

The offer

ANL intends to raise a total of Rs2.37bn through a combination of Pre-IPO Placement to individual investors & high networth individual and IPO of 16.67mn ordinary shares to the general public (on March 11-13, 2010) with an additional GSO of 16.67mn ordinary share. This cumulatively add upto tp 24.3% of Azgard Nine's total holding in the company. To date, 62.3mn ordinary shares have already been subscribed through Pre-IPO while another 16.7mn shares will be issued to the general public at a fixed price of Rs30 per share. The projected receipts from this offering will

be Rs2.87bn if the GSO is subscribed.

Agritech Limited

Agritech Company Limited (formerly known as Pak-American Fertilizer Limited), is a 100% owned subsidiary of ANL (one of the leading denim manufacturers in Pakistan) which is backed by reputable sponsors, namely, JS Group and the Sheikh family. Agritech has a nameplate capacity of 346k tons of urea which is expected to increase to 483k tons after the ongoing BMR. Moreover, Agritech is also involved in importing and trading of DAP which makes it similar to the conventional urea & DAP manufacturers (the Fauji group & Engro) in the country.

However, what makes Agritech a different player in the market is its Single Super Phosphate (SSP) product, which is manufactured by its 100% owned subsidiary, Hazara Phosphate Fertilizer Limited. HPFL has a current nameplate capacity of 90k tons which is projected to be enhanced to 162k tons by end of 1H2010. SSP is argued to be a close substitute of DAP due to its phosphate component and is expected to act as a potential growth driver for the company.

For more details please refer to our short report titled "Agritech: ANL's fertilizer offering".

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Also in focus**Foreign portfolio flows drive market activity**

Net foreign inflows in the first two trading sessions of the week have stood at US\$8.7mn, while banks and companies have adopted a bearish stance, coming out as net sellers of US\$9.3mn. To highlight, net foreign inflows have come in at US\$359mn since July 2009 and US\$68mn since the calendar year, which is reflective of increased foreign confidence in Pakistan's macro economic outlook.

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