JS Research

October 19, 2009

Pakistan Market

MORNING BRIEFING

APL & NRL: Results preview

KSE100 Index: Closing 9838.12 ↓ (-7.62)

The board meetings of two Attock Group companies APL and NRL are scheduled today. We expect APL to post an EPS of Rs8.5, down 37% YoY while NRL is expected to post a profit of Rs12 per share versus loss of Rs1.1 per share in 1QFY09. Moreover, we do not expect any payout with the results. APL is trading at FY10E PE of 6.6x while NRL is available at a PE of 4.3x. We maintain our 'Buy' stance on both APL and NRL at current levels.

APL: 1QFY10 EPS expected at Rs8.5

We expect Attock Petroleum (APL) to announce 1QFY10 earnings of Rs491mn (EPS Rs8.5) compared to profit of Rs785mn (EPS Rs13.6) last year, down 37%YoY. Decline in earnings is primarily attributed to fall in furnace oil (FO) sales and lower other income. During 1QFY10, FO sales stood at 65k tons compared to 118k tons last year, down 45%YoY. Moreover, other income is expected to decline due to lower markup earned on bank deposits. This is mainly due to reduction in interest rates and higher receivables from Wapda. We also expect slight pre-tax inventory gains of 70-80mn in this quarter amid increase in product prices by an average 20-22% on major oil products. We do not expect any cash payout with the result.

Going forward, we expect FO sales to revert back amid resolution of the circular debt and higher FO demand in the country. We therefore maintain our 'Buy' stance on APL which is trading at FY10 PE of 6.6x and dividend yield of 7.7%.

Table: APL Financial Highlights

(Rs mn)	1QFY10	1QFY09	Δ%
Net Sales	18,513	19,744	-6%
Cost of products sold	17,721	18,863	-6%
Gross Profit	792	881	-10%
PBT	692	1,107	-38%
PAT	491	785	-37%
Diluted EPS	8.5	13.6	-37%

Source: JS Research & Company accounts

NRL: EPS of Rs12 expected in 1QFY10

We expect NRL to post net profit of Rs958mn (EPS Rs12) in 1QFY10 compared to loss of Rs91mn (loss per share of 1.1) last year. As per our estimates, NRL's average net fuel refining margin is expected to be around US$2per barrel in 1QFY10 versus US$9 per barrel in 1QFY09 (JS estimates). Last year we saw huge inventory and exchange losses which eroded profitability of the company. However, this time we expect slight inventory gains amid increase in oil prices. Moreover, lube earnings are likely to contribute around Rs8-9 per share compared to Rs19 per share last year. Trading at FY10E and FY11F PE of 4.3x and 3.9x, respectively we maintain our 'Buy' stance on NRL at current levels.

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Attock Petroleum

Market Price: Rs365.99	**Kats Code:** APL
Market Cap: Rs21.1bn (US$253mn)	**Bloomberg Code:** APL PA
1-yrs Avg. Daily Volume: 0.2mn shares, Rs58.4mn (US$0.7mn)	**Reuters Code:** APL.KA
1-year High/Low: Rs401.07/137.14	

National Refinery

Market Price: Rs216.58	**Kats Code:** NRL
Market Cap: Rs17.3bn (US$208mn)	**Bloomberg Code:** NRL PA
1-yrs Avg. Daily Volume: 0.1mn shares, Rs16.7mn (US$0.2mn)	**Reuters Code:** NATR.KA
1-year High/Low: Rs236.11/90.41	

Also in focus

Pakistan to receive US$874mn under KLB

According to news reports, Finance Minister Mr Shaukat Tarin has said that Pakistan will receive US$874mn under the Kerry Lugar Bills (KLB) in the current fiscal year. The total aid, which amounts to US$1.5bn for the current year, also includes US$500mn pledged by US in Friends of Democratic Pakistan (FoDP) conference in Tokyo. This aid flow will further strengthen the foreign reserves which currently stand at US$14.5bn.

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