

April 28, 2010

Pakistan Market

PTCL and NBP results preview

MORNING BRIEFING



KSE100 Index: Closing 10556.39 ↑ (+0.02)

Pakistan Telecom (PTCL) and National Bank of Pakistan (NBP) are scheduled to meet on Apr 29 and Apr 30, 2010, respectively, to announce their quarterly earnings. We estimate PTCL will register unconsolidated earnings of Rs8.0bn (EPS Rs1.57) in 9MFY10 as against earnings of Rs7.2bn (EPS Rs1.42) in the corresponding period last year, an increase of 11%YoY. Moreover, we expect NBP to post profits of Rs4.3bn (EPS Rs3.19) as opposed to profit of Rs4.2bn (EPS Rs3.13) earned in the same period last year, a rise of 2%YoY. We do not expect any payout from either PTCL or NBP.

PTCL: 9MFY10 EPS expected at Rs1.57, up 11%YoY

Pakistan Telecom's board is set to meet on Apr 29, 2010 to announce the 9MFY10 earnings. We estimate the company will post unconsolidated earnings of Rs8.0bn (EPS Rs1.57), an increase of 11%YoY. The growth is expected to come from higher non operating income in the period.

Overall revenues are expected to fall 2%YoY to Rs43.9bn-the decline would have been more so, owing to lower domestic voice proceeds, but this effect will be mitigated by rising receipts from broadband and value added services. Going forward, we may see some recovery in local voice revenues, post the revision of domestic call rates effective Feb 2010, although the quantum is difficult to ascertain. Other operating income too is likely to remain strong on account of higher short term investments and interest earned on loans to its subsidiary – Ufone. We also expect Rs500mn in dividends from Ufone in the current period. Finance costs are expected to be down 64%YoY to Rs327mn, because of absence of short term borrowing. Moreover, performance on a consolidated basis is anticipated to be even better as Ufone remains a stalwart in the cellular services industry.

We reiterate our 'Buy' call on the scrip, which trades at a 2010E EV/EBITDA and PE of 3.3x and 10.6x respectively. Although, we rule out a dividend payout in the current period, we expect PTCL to announce an interim payout of

Rs1.75/share close to the fiscal year end, as was the case last year.

PTC 9MFY10 earnings estimates

(Rs mn)	9MFY10E	9MFY09A	Δ%
Revenue	43,929	45,021	-2%
Operating Cost	(35,087)	(35,946)	-2%
Operating Profit	8,843	9,075	-3%
Operating Margin	20.1%	20.2%	0%
Other operating income	3,742	2,964	26%
Financial Cost	(327)	(912)	-64%
Profit/(Loss) Before Taxation	12,258	11,126	10%
Taxation	(4,268)	(3,902)	9%
Profit/(Loss) After Taxation	7,990	7,224	11%
Earning per share	1.57	1.42	11%

Source: JS Research & Company accounts

NBP: 1Q2010 EPS expected at Rs3.19, up 2%YoY

National Bank's management will announce the 1Q2010 earnings on Apr 30, 2010. We estimate the bank will report earnings of Rs4.3bn (EPS Rs3.19) as compared to earnings of Rs4.2bn (EPS Rs3.13) in the same period last year, a rise of 2%YoY. Earnings are expected to normalize in this quarter, after a one off NIT gain and tax benefit drove earnings up in 4Q2009.

Net Interest Income is expected to post a decent growth of 5% to Rs9.9bn in the 1Q2010, despite NIM's dropping 50bps YoY to 5.4%, primarily due to strong growth in advances in the final quarter of last year. However, we believe, the sudden jump in cost of funds in 4Q2009 will spill over to 1Q2010, due to increase in expensive fixed deposits, and push interest paid to Rs12.6bn, up 35%YoY. Non Interest income too is estimated to rise 5%YoY to Rs3.5bn, primarily due to 48% higher Fee income and higher capital gains.

Provisions for NPLs are expected to fall 26%QoQ to Rs1.8bn, but will rise on a YoY basis as the bank recorded provisions Rs1.6bn in 1Q2009. Admin expenses are surmised to rise 8%YoY to Rs5.5bn due to inflationary pressures, but will drop

23%QoQ, owing to a one off pension fund expense incurred in 4Q2009. Provisions and quantum of capital gains remain a risk to our earnings call.

We currently recommend a 'Buy' stance on the scrip, which trades at a 2010E PBV and PE of 0.8x and 5.7x, respectively.

Financial highlights - NBP

(Rs mn)	1Q2010E	1Q2009A	Δ%
Mark- up interest earned	22,527	18,796	20%
Mark-up interest paid	(12,604)	(9,330)	35%
Net interest income	9,923	9,467	5%
Provisions/write offs	(1,838)	(1,701)	8%
	8,085	7,765	4%
Non interest income	3,850	3,659	5%
Operating expenditures	(5,630)	(5,121)	10%
Profit before tax	6,305	6,303	0%
Taxation	(2,007)	(2,089)	-4%
Profit after taxation	4,299	4,214	2%
Diluted earning per share	3.19	3.13	2%

Source: JS Research & Company accounts

mustafa.bilwani@js.com
92 (21) 111-574-111 (ext. 3100)

Also in focus**PC to raise US\$3bn from convertible bonds**

Privatization Commission (PC) has indicated its plan to raise US\$3bn by issuing convertible bonds for OGDC, PPL and PSO in the next three months. Out of the total planned amount, upto US\$1bn would be raised through OGDC's bonds. In addition, PC has also approached SECP for the introduction of a margin financing product to improve volumes and market prices of the stocks, which would help PC in fetching better prices for the proposed bonds.

JS Global Capital Limited

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

JS RESEARCH IS AVAILABLE ON BLOOMBERG, CAPITALIQ & THOMSON REUTERS