



KSE 100 Index 23,798.70 (-179.59)

ICI Statistics

Avg Volume (52 Weeks)	63,748.78
Close	185.93
52 Weeks High	205
52 Weeks Low	132
Market Capitalization	17.02bn
Beta	0.85
Total No of Shares	92.36mn
Free-Float Shares	30.76mn

Source: SCS Research

ICI Pakistan

Financial results

(Rupees in mn)	1QFY13	1QFY14	Change
Net sales	8,688	9,055	4.2%
COGS	7,633	8,066	5.7%
Gross Profit	1,055	989	-6.3%
Distr. & admin Expenses	533	476	-10.7%
Operating profit	521	513	-1.7%
Other income	35	65	85.2%
Finance cost	54	95	74.5%
PBT	460	446	-3.2%
NPAT	302	307	1.6%
EPS	3.27	3.32	1.6%

Source: Company announcement

Sales and Margin by SBU

1QFY14	PSF	Soda Ash	Life sciences	Chemicals
Sales (mn)	4,805	2,031	1,356	874
Oper. margin	-6.5%	29.2%	10.7%	9.8%

Source: Company books

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ICI Pakistan – Initiation of coverage | Life sciences & chemical segments in limelight...

ICI Pakistan (ICI) manufactures and trade in diversified range of products under their four main Small Business Units (SBUs) i.e. Polyester, Soda Ash, Chemicals and Life Sciences. This wide range of raw material and finished products sold to both industries and consumers. In December 2012, Lucky Holding Limited acquired shareholding of ICI Omicron B.V and made it part of Yonus Brother Group (YB).

During 1QFY14 ICI reported slightly higher net profit of Rs 307mn (EPS Rs 3.32) against Rs 302mn (EPS Rs 3.27) in 1QFY13. The market penetration and product development in Life science & Chemical SBUs drove the net sales up by 4.2% to Rs 9,055mn in 1QFY14 against Rs 8,688mn in same period last year (SPLY). We consider life science to be most important SBU in the context of Lucky led ICI since it could obtain, as per our hunch, some other medicine business or segments from MNCs which could be acquisition target.

We see increase in quarter wise revenues from soda ash, chemicals and life sciences wherein PSF could improve with YB group being one of the holders of premier textile spinning companies viz. Gadoon Textile and Fazal Textile (we see improvement in backward chain).

PSF is down & soda ash to lead the cart...

Despite an increase of 5.6% in prices of PSF the Polyester Staple Fibre Business (PSF) business remain under pressure and suffered an operating loss of Rs 311.4mn during 1QFY14 against operating profit of Rs 28 mn in SPLY. This loss was due to availability of imported PSF at lower price and also lower production due to gas curtailment. We expect this unit will recover its position only if cotton prices increase (yet at the moment we see cotton prices receding).

While Soda Ash Business reported 57% higher operating profit to Rs 679.9mn in 1QFY14. We expect that this unit will further perform better in 2QFY14 **as Soda Ash Coal Fired Boiler project is expected to be operational within Q2.**

Chemicals segment products are used in different industries including automotives, construction, footwear and Oil and Ghee as raw material and also exported to UAE region and reported 9.8% operating margin in 1QFY14. We expect that export of chemical products to UAE region will increase in coming days and it will add value to the growth of ICI.

Pharmaceutical prices hike- Key trigger in life sciences business:

We expect overall pharmaceutical prices in Pakistan may increase by 10 % to 12 % in coming days as talks are being conducting between government and pharmaceutical manufacturers. **ICI has wide portfolio in Veterinary products and they are high performing.** So an increase in price will have positive impact on overall ICI performance. Moreover, life sciences offer best margin in the context of operations and hence we may see Lucky led group could contemplate to increase portfolio into other segments which could be of great significance.

Our thrust of QoQ increase in earnings means that ICI is undervalued amid unlocking of awesome potential that exist in respective segments wherein pharma segment remain most undervalued.