



Monetary Policy ^ Bringing some life in companies

State Bank of Pakistan (SBP) in its *Monetary Policy* reduced benchmark interest rates by 100bps, thus discount rate stands at 7%. We expect this reduction shall bring some life in shape of profitability in our coverage companies. We have calculated the impact on our coverage companies that are in growth phase.

Reduction in discount rate ^ Impact on earnings

- + Engro Fertilizer ^ We expect this reduction would have an EPS impact of Re0.25/sh
- + Fauji Fertilizer ^ FFC to have an EPS impact of Re0.03/sh
- + MUGHAL Steel ^ We believe that steel maker to have a favourable impact of Re0.41/sh (refer to our detailed published report)
- + International Steel ^ We expect ISL to have an impact of Re0.26/sh (refer to our published report)
- + Pak Telecom ^ No massive impact on PTC due to low gearing level of this entity
- + Ghani Glass ^ GHGL to have a favourable EPS impact of Re0.16/sh (refer to our detailed published report)
- + Synthetic Product ^ SPEL to have a minimal EPS impact of Re0.06/sh (refer to our detailed published report)
- + K-Electric ^ We believe that KEL EPS to improve by 0.03/sh only

We like above mentioned companies based on robust financial outlook (please see triggers in side column).

Stocks | Short Overview

Engro Fertilizer ^

- Concessionary playing its role
- Company might get stay if govt. decides to impose GIDC on new plant
- Higher urea off-take | battling for market share
- FY15E EPS to be around 12.01/sh (assuming no GIDC on new plant)

Fauji Fertilizer ^

- Expected Dividend yield of 10%
- Company has already done provisioning so no margin contraction
- Cash outflow could be there in term of GIDC payments

Pakistan Telecom ^

- PTC is not a high leverage company so no massive impact on profitability due to reduction in DR
- PTC | Slow but steady growth
- Consistently growing broadband segment
- Higher broadband users

K-Electric ^

- Consistently improve margins
- Massive earnings growth on yearly basis
- New strategies ^ new policies recovery ratios to improve
- We expect dividend of Re0.525/sh to get approve in last quarter

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