

## What's cooking in conglomerates ENGRO & FFBL...

# REK-66

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### Engro Corporation ~ banging the drum

- ENGRO to sell **24%** stake of EFERT which would approximately have an EPS impact of **Rs17.8/sh** (assuming 65 rupees per share, discount to market price)
- ENGRO decides to sell partial stake of EFOODS, as per media reports, to a foreign entity. At present ENGRO is holding **87.07% stakes** which represents 667mn shares. We believe that if offer made equal to main sponsor and general public ENGRO would be offloading around 340mn shares which would have an EPS impact of **Rs52.9** (assuming price level of Rs130/sh);
- If the deal materialises above from the rates mentioned then ENGRO EPS will increase proportionately.

**Engro Corporation is diversifying; hence capital is flowing into other sectors. CY16 seems to be a good year for ENGRO. Here we would like to analyse few more things**

- Will new projects would be able to generate that return?
- Pak economy is growing and the standard of living whilst purchasing power is improving. Is it feasible to divest from cash cow EFOODS?

### Fauji Fertilizer Bin Qasim ~ it's time.....

- Fauji Meat Limited: Construction phase has completed. The products are expected to come online by Mar' 2016 as per FFBL director's report.

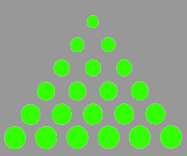
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- Investment in Noon Pakistan Limited : FFBL have tapped one the biggest and growing sector of Pakistan. Management expects a company (Noon Pak Limited) with a turnover of Rs2bn/annum to hit Rs30bn by 2020 (*management report FFBL*)
- Launching of new brand by Noon Pakistan Limited is a signal to other players that the company is ready to eat the market share. The mass advertisement will allow the company to gain an edge and we see their marketing campaign “eye-catching” and appealing
- Fauji Foods Limited (FFL) is providing strategic direction and operational expertise to Noon Pakistan Limited. This mean FFL has formally entered into the dairy segment business. We expect official launching of FFL is long overdue & time is drawing near as per company director reports.
- Import of LNG: Shortage of gas to fertilizer sector might be overcome since cargos from Qatar would start flowing. Continuation of gas supply would help FFBL to run its core business profitably.

**We see this as a breakthrough for FFBL as these investments have huge potential and we see massive demand ahead in the dairy and other FMCG products.**

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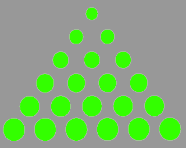
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