BANK AL-HABIB LIMITED (BAHL)

June 17, 2014

BUY

Price Target : PKR 54.5/share

Closing Price : PKR 43.85/share

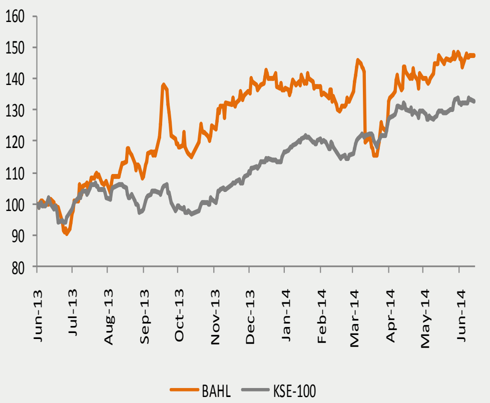
Reuters	BKEQ.KA
Bloomberg	BAHL.PA
KATS Code	BAHL

COMPANY DATA

52-week Price Range (PKR)	44.65-27.19
No. of Shares Outstanding (mn)	1,111.43
Market Cap (PKRmn)	48,736
Market Cap (USDmn)	487.36
Avg. Daily Turnover (mn shares)	816
Avg. Daily Value (USD mn)	309
Free Float (mn shares)	632.43
Year End	Dec

Source: KSE

CHART: STOCK PERFORMANCE



Source: KSE

- **We initiate our coverage on BAHL with BUY rating:** Our Dec-14 PBV based PT of PKR 54.5/share implies 24% upside from current price levels. At yesterday's closing, BAHL trades at CY14E PBR ratio of 1.62x and offers prospective dividend yield of 7.3%.
- **Risk averse banking to expand NIMs:** BAHL followed the industry risk averse trend and have maintained higher IDR compared to ADR. Also, the shift in investment portfolio (investment in PIBs) will derive CY14E earnings.
- **Lower provisioning requirement:** BAHL's high asset quality is one of the key strengths of the bank which has been maintained through its cautious lending approach. Future provisioning will remain on lower side due to additional general provisioning of PKR 2.5bn made by BAHL.
- **Superior return ratios:** BAHL's return ratios are a key highlight among its peers as it remains unmatched at 21% RoE and 1.13% RoA in CY13. We expect profitability ratios to continue performing on the back of strong earnings for CY14/15E.
- **Investment Risks:** Key risks to our valuation are 1) monetary easing, 2) asset quality deterioration, 3) competition for CA deposits, 4) economic downturn and 5) business expansion (upside risk).

BAHL FINANCIAL HIGHLIGHTS

	CY11	CY12	CY13	CY14E	CY15E	CY16E	CY17E
EPS	4.08	4.91	4.64	5.69	6.49	6.93	7.19
DPS	2.50	3.00	2.00	3.00	3.00	3.50	3.50
BV/share	17.76	21.43	22.75	25.44	28.93	32.35	36.05
PE (x)	6.99	6.46	8.96	7.24	6.93	6.50	6.26
PBV (x)	1.61	1.48	1.83	1.62	1.56	1.39	1.25
Dividend Yield	8.8%	9.5%	4.8%	7.3%	6.7%	7.8%	7.7%
ROA	1.32%	1.30%	1.13%	1.31%	1.36%	1.33%	1.26%
ROE	25.3%	25.1%	21.0%	23.6%	23.9%	22.6%	21.0%
Net Profit growth	26%	20%	-6%	22%	14%	7%	4%

Source: Company Accounts, NAEL Research

Sarah Aslam **
sarah@naelcapital.com
(+92-21) 32461812-13

Company Background

Bank Al Habib Limited (BAHL) is a mid-sized bank with a balance sheet size of PKR 491bn and a network of 426 branches along with a wholesale branch in Bahrain and representative offices in Dubai, Istanbul and Beijing. The bank was incorporated in October 1991 and started its operations in January 1992.

Dawood Habib Group, the sponsors of BAHL have a long association with the banking industry dating back to 1920's. They were among the founder members of Habib Bank Limited established in Karachi in 1943 - one of the oldest and distinguished names in Pakistan's banking sector. Banking remains the core business of the Dawood Habib Group but they have expanded their business rapidly into insurance, private equity and asset management, manufacturing, bio-fuels, oil and gas services, textiles and auto motives.

- Subsidiary - Al Habib Capital Markets
- Associates - Habib Sugar Mills Limited and Habib Asset Management Limited

Market Share

The bank is a medium-sized player in Pakistan and has a small footprint in international banking. When measured by lending activities, BAHL has loan book of PKR 168bn as of Mar-14 with a market share of 4.3% of the total gross advances of the industry.

With regard to customer receivables, BAHL has a deposit base of PKR 397bn with a market share of 5.24% of the total banking deposits.

Shareholding Pattern

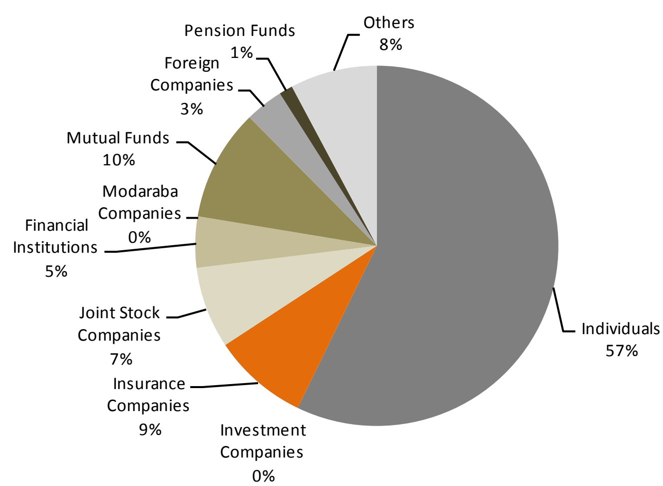
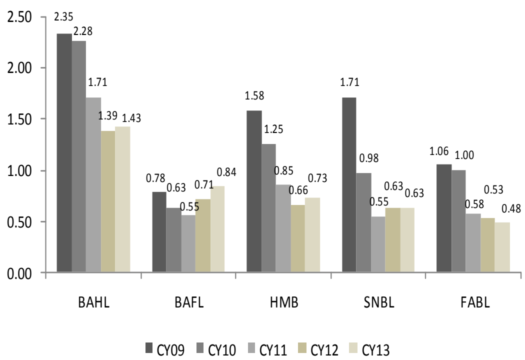


Fig: 1 **Peer Comparison - 5 year Avg. P/BV**



Source: Nael Research

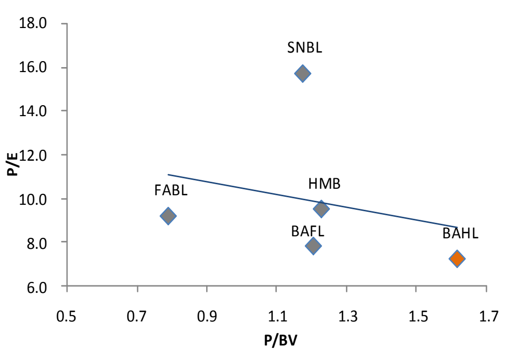
Valuation

We initiate our coverage on Bank Al Habib Limited (BAHL) with a PBR based Dec-14 PT of PKR 54.5/share implying an upside of 24% from current levels and dividend yield of 7.3% for CY14E. We have arrived at a Dec-14 PT of PKR 54.5/share on the basis of an implied PBR of 1.62x and Dec-14 BV of PKR 25.4/share. We have used a sustainable ROE of 21.8%, terminal growth of 10.9% and discount rate of 16% to calculate our target PBR of 2.1x.

Risk averse banking

The banks in recent years had been quiet averse to private lending owing to muted demand and bad debts accumulation. As for BAHL, the management has remained risk averse since CY09 and had vigorously invested in risk-free government securities, maintaining its IDR above 60% and ADR less than 45%. We expect BAHL's IDR to remain around 64% in CY14E due to heavy participation in long term bonds.

Fig: 2 **Peer Comparison - Current Price Multiples**



Source: Nael Research

Better margins in near term

For BAHL revenue growth in CY14E will derive from high yield government bonds which will ease off the NIMs contraction of 51bps witnessed in CY13. As a result, we expect strong revenue growth of 23% in CY14E.

Lower provisioning requirement to keep earnings growth steady

As credit growth for BAHL came through quality accounts, we expect NPL accretion to remain on lower side resulting in stable earnings growth. Lower provisioning requirement along with improvement in asset quality will further add value to revenue growth in CY14E.

Relative valuation attractive: Initiate with BUY rating

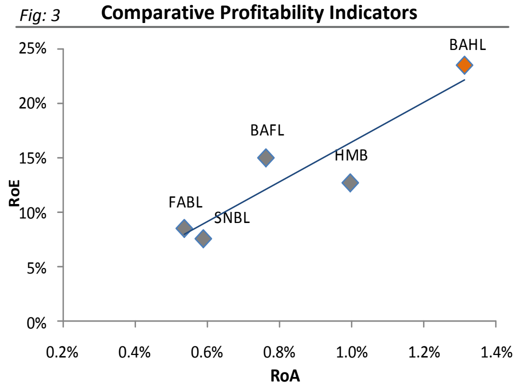
Relative valuation shows that in terms of P/BV BAHL is an expensive scrip, trading at 1.62x compared to mid-tier banks average P/BV of ~1.2x. BAHL's direct competitor BAFL is trading at cheap multiples (P/BV 1.2x P/E 7.8x) and looks attractive in terms of price multiples but our investment case for BAHL is based on three strong factors:

1) historically BAHL trades at higher P/BV multiple (5-yr avg.) compared to its peers *(refer to Fig:1)*

2) Best return ratios among mid-tier banks, RoE and RoA of ~21% and ~1.13% respectively in CY13 *(refer to Fig:3)*

3) strong management along with vast banking experience

Fig: 3 **Comparative Profitability Indicators**

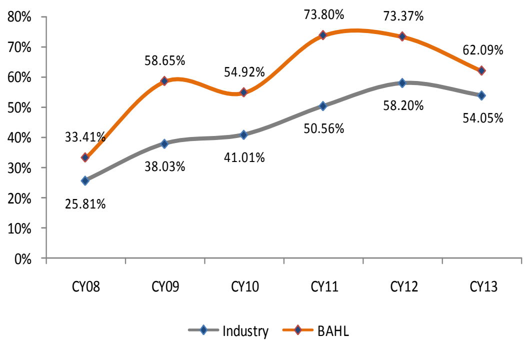


Source: Nael Research

We estimate that the bank will maintain its return ratios for the coming years and will deliver ~23% and ~1.30% RoE and RoA respectively in CY14E. While on P/E ratio, BAHL is trading at CY14E P/E ratio of 7.24x much lower than mid-tier banks average P/E of 9.9x.

Nevertheless, compared to its direct peers such as BAFL, FABL and HMB, BAHL is clearly among the top players in Pakistan. As of last close, BAHL is trading at CY14E/15E PBV ratio of 1.62x/1.56x respectively which looks attractive. We initiate coverage with a **BUY** rating at a target price of PKR 54.5/share with a potential upside of 24% from current levels.

Fig: 4 **IDR - Industry vs. BAHL**



Investment Argument

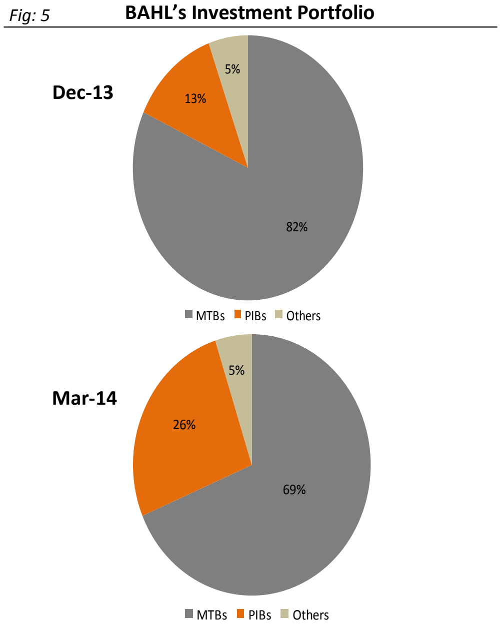
Our investment view on BAHL is based on strong earnings growth for CY14-15E on the back of:

- higher spreads owing to heavy participation in long term bonds
- superior asset quality
- change in deposit mix to lower cost of funds
- exceptional return ratios

Shift in BAHL's investment portfolio - a positive stimulus

Amid subdued credit demand the banks increased their exposure towards government securities with banking sector's IDR at 59% and ADR at 54% in Apr-14. Banks doubled their PIB positions from PKR 744bn in Dec-13 to PKR 1,844bn by Apr-14 at the cost of shedding T-bills and advances. We expect aggressive PIB investments by the industry to defuse the impact of lower credit spreads witnessed in CY13 and in 1QCY14.

Fig: 5 **BAHL's Investment Portfolio**



Source: Company Accounts

BAHL following the industry trend has shifted its investment focus towards long term bonds by increasing PIB investment to PKR 72bn from PKR 30bn, 138% increase QoQ. At present, BAHL's total investment portfolio is of around PKR 272bn of which 26% constitutes of high yielding long tenure PIBs (doubled its position from 12.5% in Dec-13).

We expect shift in investment portfolio to be a positive stimulus for BAHL as it will considerably improve its margins. Banks who have heavily invested in long term bonds will significantly expand their NIMs in CY14; however those with higher ADR (NBP, FABL and SNBL) may lag behind due to low credit spreads *(refer to Fig:6).*

Fig: 6 **ADR comparison across banks**

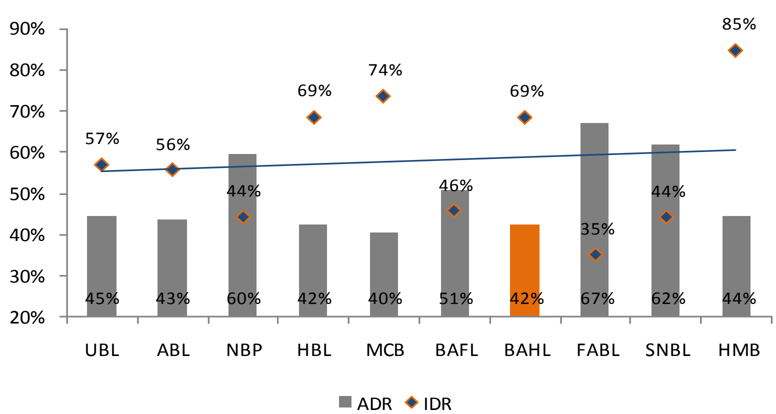
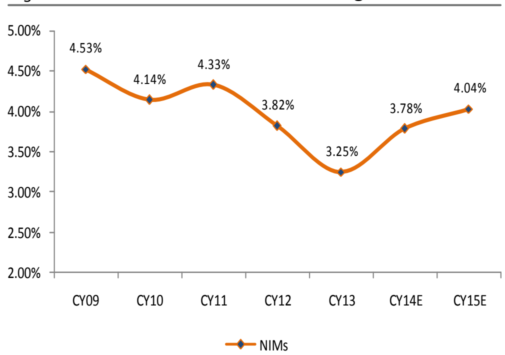


Fig: 7 **BAHL's Net Interest Margin**



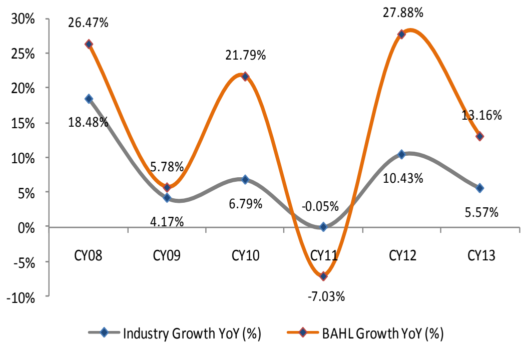
Source: Company Accounts, Nael Research

NIMs to revive after CY13 compression

In CY13 the banking sector witnessed NIM compression on the back of lower lending and investment yields and higher cost of funds. For BAHL, NIMs dropped by 57bps from 3.82% to 3.25% between CY12-13.

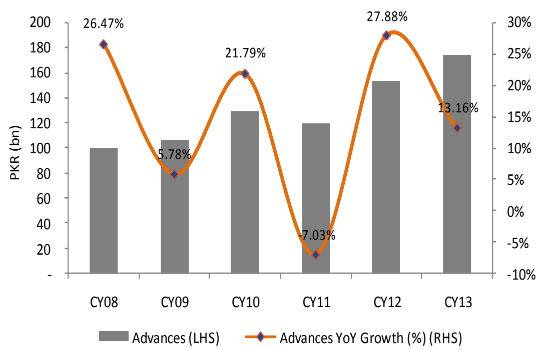
We believe banking sectors NIM compression is likely to ease off due to higher investment yields (long term bonds) which will increase NII for CY14. In case of BAHL, NIMs is likely to expand by 53bps from 3.25% in CY13 to 3.78% in CY14E. Resultantly, NII for CY14E is expected to clock in at PKR 17.5bn, 23% YoY increase.

Fig: 8 **Advances - Industry vs. BAHL**



Source: SBP, Company Accounts

Fig: 10 **BAHL's Advances Growth Trend**

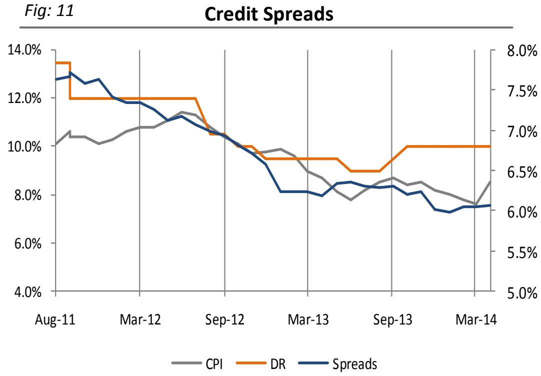


Source: Company Accounts

Economic Indicators (%)	**FY14**	**FY13**
GDP	4.14	3.70
- Agriculture	2.1	2.9
- Industrial	5.8	1.4
- Services	4.3	4.9
Per capita income (growth)	3.5	1.44
Fiscal Deficit	3.2	4.7
Inflation	8.7	7.7

Source: MoF, PBS

Fig: 11 **Credit Spreads**



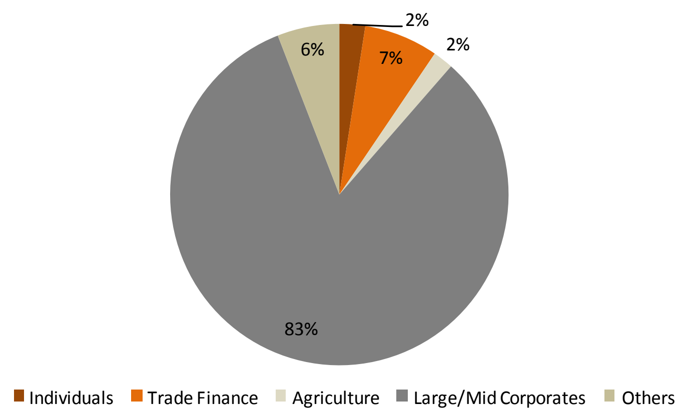
Source: SBP, PBS

Credit off-take to resume in medium term

BAHL has maintained its advances growth above the industry for the past two years. Bank's advances have grown at a CAGR of 10.4% over the period of CY09-13. In CY13, the bank has reported a 13% YoY advances growth to PKR 174bn while industry reported a 5.6% YoY advances growth.

Out of the bank's total advances, Trade Finance and Large/Mid corporate advances contained 7% and 83% respectively. The bank's strong relationship with the corporates, hassle free customer services and strong risk management makes it a preferred choice among the mid-tier banks.

Fig: 9 **Break-up of Advances (Dec-13)**



We anticipate credit demand to increase in medium term due to better performance of macroeconomic indicators in FY14 compared to FY13 *(refer to table)*. As the investor confidence revives in PML-N's business friendly government, sectors like power, telecom, textile and consumer goods are set to increase their credit appetite which in turn will benefit the banking system. On the flip side, Pakistan's security outlook remains a point of concern for foreign investors.

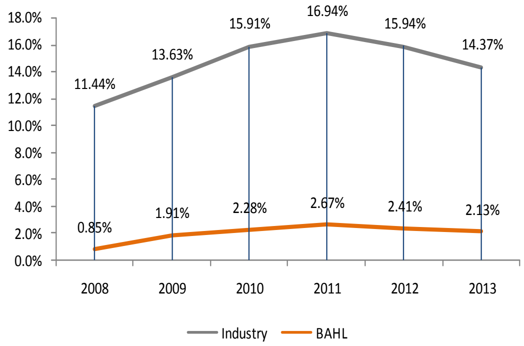
Status quo on monetary policy bodes well for banks

Since Nov-13, SBP has maintained status quo on monetary policy (DR at 10%) due to volatility in inflation and exchange rate in FY14.

As banks continue to prefer investments in government securities over lending to private sector, status quo on DR may not effect their business. It can bode well for banks who have invested in long term bonds as yields are higher than DR which would keep them profitable. In this regard, banks who continue to participate in PIB auction will boost their Net Interest Income (NII) considerably.

Going forward, we anticipate status quo to prevail in Jul-14 MPS on account of higher CPI expectation in coming months but we can expect 50bps DR cut for Sep-14 or Nov-14 MPS.

Fig: 12 **Asset Quality of BAHL vs. Industry**



Source: SBP, Company Accounts

BAHL's superior asset quality outstands

Since CY10 the bank has maintained its superior asset quality led by higher coverage ratio and lower infection ratio. Although the infection ratio increased from 0.85% in CY08 to 2.13% in CY13, it still remains the lowest among its peers as well as in the banking industry of Pakistan *(refer to Fig:13)*.

Fig: 13 **Strong asset quality in the banking sector (Mar-14)**

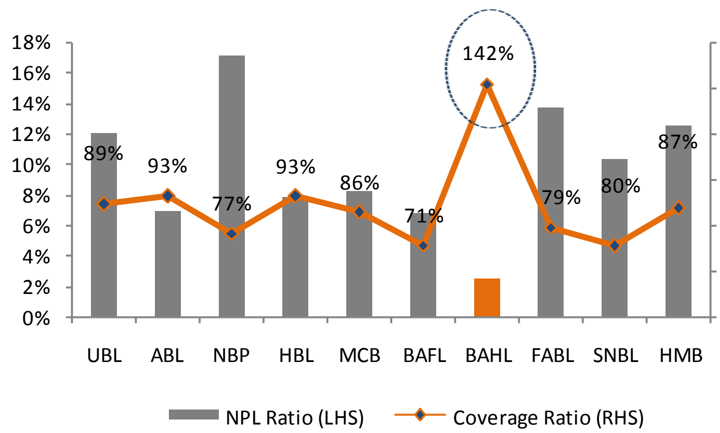
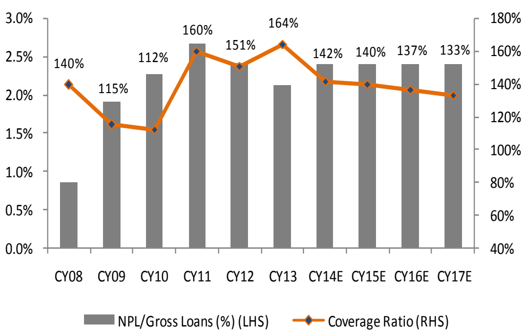


Fig: 14 **BAHL - coverage above its requirements**

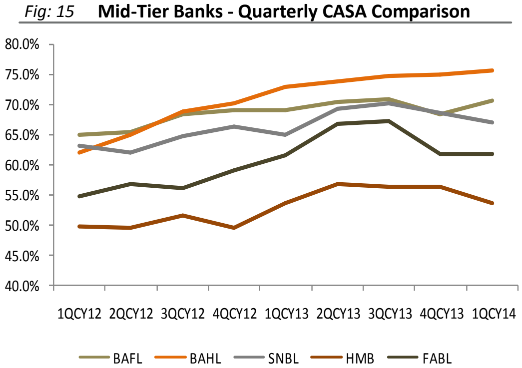


Source: Company Accounts, Nael Research

BAHL's profitability growth owes to its asset quality as the bank barely felt the brunt of high NPLs. Thus, low provisioning enabled the bank to translate its Net Interest Income (NII) to its bottom line much effectively. As of Mar-14, BAHL's NPL ratio is 2.49% against 14.4% of the sector. As the bank has a prudent risk management system, it enables them to keep a stringent check on NPL accretion.

We expect future provisioning to remain low as BAHL has made additional general provisioning of PKR 2.5bn in last two years resulting in coverage ratio of 164% in CY13, over and above its requirements. We believe BAHL's asset quality will present upside trigger if NPL accretion remains subdued and leads to reversals especially from general provisioning created.

Fig: 15 **Mid-Tier Banks - Quarterly CASA Comparison**



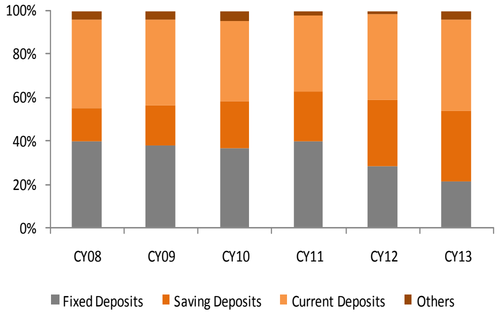
Source: Company Accounts

Deposit growth along with swift change in mix

In last 5 years BAHL grew its deposits at a CAGR of 15% compared to industry CAGR of 11% resulting in a deposit base of PKR 397bn (Mar-14). The bank's liability profile, with CASA deposits constituting of 75% of total deposits, is the best among its peers *(refer to Fig:15)*.

This impressive deposit generation and swift change in deposit mix has enabled BAHL to maintain its spreads. Since CY12 the bank has shed its costlier funds with simultaneous increase in CASA from 58% to 75% during CY11-13. Thus, bank's large customer base has helped the bank in lowering cost of deposits which has lent strength to the bank's liability profile.

Fig: 16 **BAHL's Deposit Mix**



Source: Company Accounts

Higher CA deposits have lowered the cost of funds

Favorable deposit mix (CA= 43%, SA= 32%) has helped BAHL to considerably trim its cost of funds from 6.91% to 4.98% during CY11-13. The bank has improved its cost of funds with the change in deposit mix and is competing well among its peers to lower its cost *(refer to Fig:18)*. We expect tough competition among banks to persist for capturing low cost deposits. Thus, our calculations for BAHL suggest a minimal cut of around 12bps in cost of funds from 4.98% to 4.86% in CY14E, giving further support to earnings.

Fig: 17 **BAHL Cost of Funds vs. Spreads**

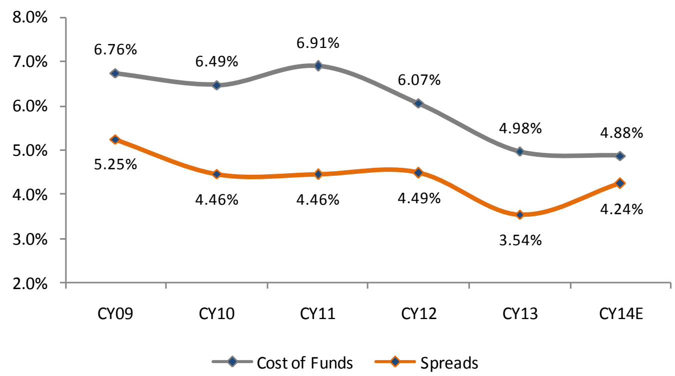
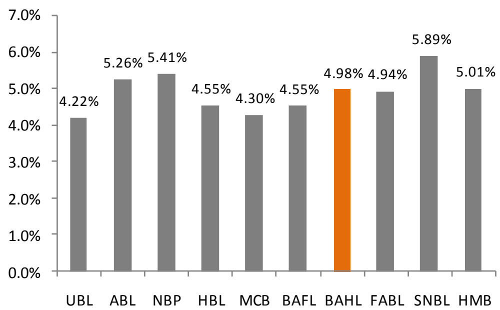


Fig: 18 **Cost of Funds - Peer Comparison**



Source: Company Accounts, Nael Research

Deposit/branch on rise

BAHL has added 180 branches in last 6 years, increasing its branch network by 80%. Moreover, it has the second largest branch network (426) among mid-tier banks with a market share of 5.24% and deposit/branch of PKR 931mn. The bank's deposit/branch has improved over the years from PKR 682mn to PKR 931mn during CY08-13, lower than FABL and HMB but enjoys one of the best profit/branch of PKR 12.10mn among peers *(refer to Fig:19)*.

Fig: 19 **Business/branch comparison (PKR mn)**

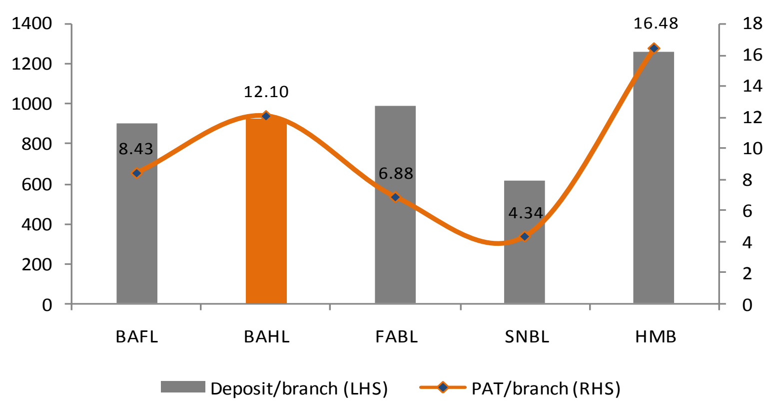
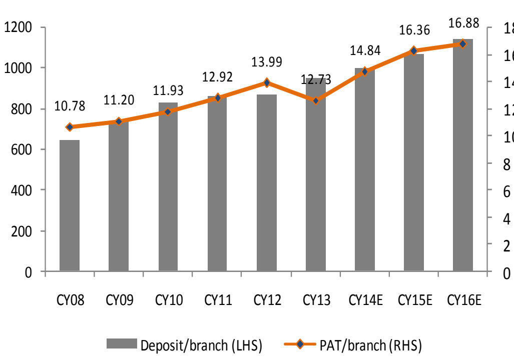


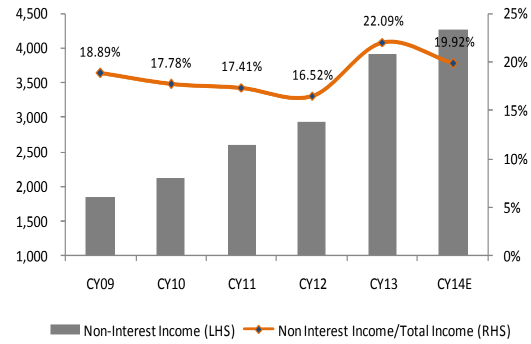
Fig: 20 **BAHL's deposit/branch on rise**



Source: Company Accounts, Nael Research

In our model we have taken a conservative assumption of 15 branch additions per year which will increase deposit/branch to PKR 1002mn and profit/branch to PKR 14.84mn in CY14E *(refer to Fig:20)*.

Fig: 21 **BAHL's Non-Interest Income**



Source: Company Accounts, Nael Research

Healthy growth in non-interest income

During CY13, BAHL's non interest income witnessed robust growth of 32% YoY on account of fee income (26% growth YoY) and sizeable capital gain of PKR 539mn (598% growth YoY) as stock market performed exceptionally well. As of Mar-14, bank's equity portfolio stands at PKR 2.64bn, consists of high dividend yield scrips which will augment decent dividend income in CY14.

Although BAHL has increased its non interest income but in comparison to its peers, it has the lowest non-interest income/total income at 22% in CY13 *(refer to Fig:22)*. Fee based income is one area where BAHL has room to expand and further add value to its earnings. As per our estimates, we expect non-interest income to clock in a decent growth of 10% YoY in CY14E.

Fig: 22 **Non-Interest Income/Total Income lowest among peers**

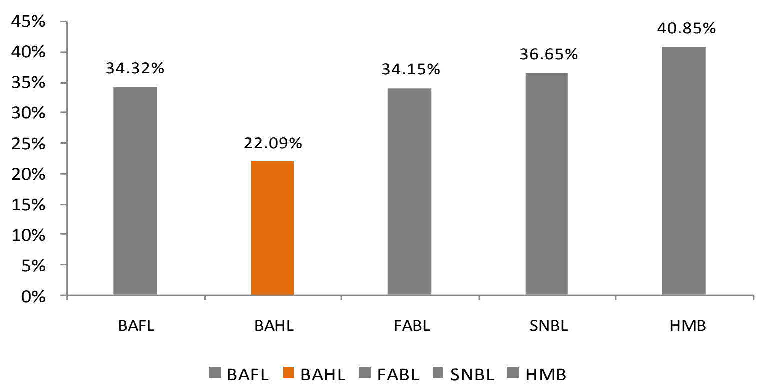
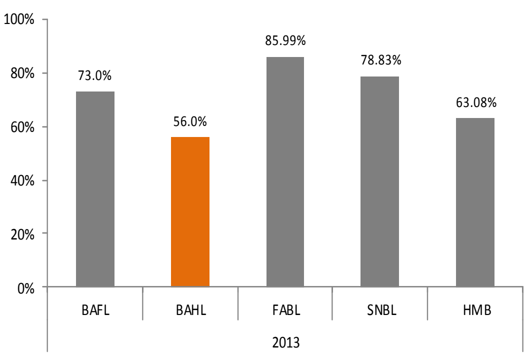


Fig: 23 **Lowest cost/income ratio among peers**



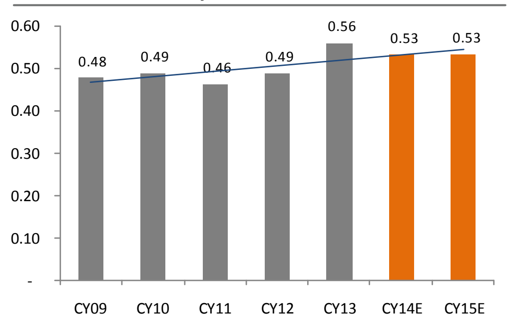
Source: Company Accounts

Cost to income ratio

The bank has a low opex structure with its cost to income ratio at 56%, best among the peers. The low cost structure could be attributed to higher core earnings on account of lower provisioning charges, strong presence in retail segment and limited branch addition in the last five years helped in keeping a check on the operating expenditure.

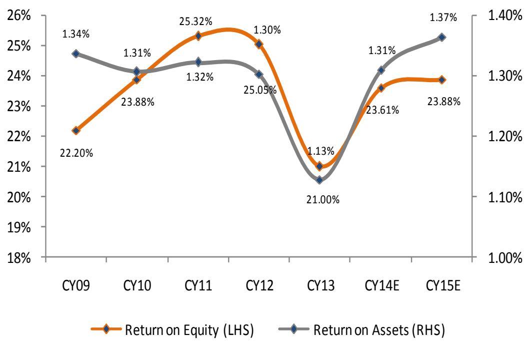
We estimate cost to income ratio to remain in the range of 53%-57% for CY14-17E as core earnings are expected to increase. However, if management decides for aggressive branch expansion plan then the opex may increase.

Fig: 24 **Healthy cost/income ratio**



Source: Company Accounts, Nael Research

Fig: 25 **BAHL's RoE & RoA trend**



Source: Company Accounts, Nael Research

Consistent return ratios makes BAHL attractive

The key highlight for BAHL is its exceptional profitability ratios which the bank maintained even under macro and micro stress. The bank has managed well and kept return ratios healthy for CY13 with its RoA at 1.13% (lowest since CY09) and RoE at 21%.

BAHL has maintained its RoE for last 5 years at an average of 23% from CY09-13. Among top-7 banks BAHL enjoys the superior RoE on the back of profitable leverage. We expect the profitable leverage of BAHL's balance sheet to increase the RoE to 23.6% along with improvement in RoA to 1.31% in CY14E, making it the most attractive among its peers.

Fig: 26 **Healthy return ratios amongst its peers**

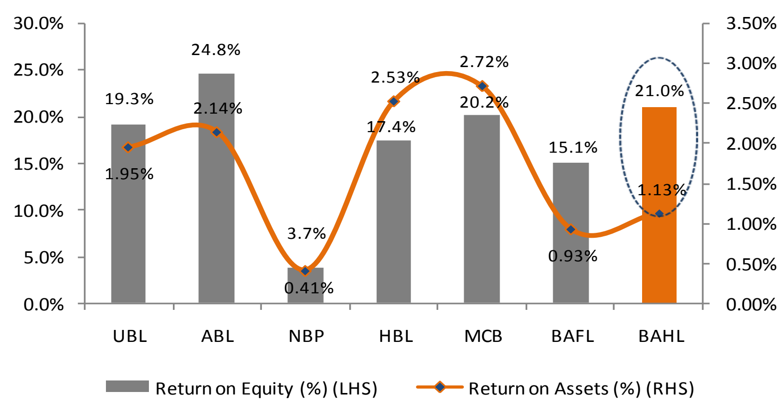
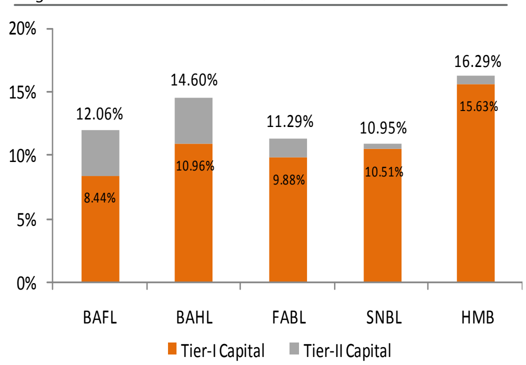


Fig: 27 **Capital Adequacy Ratio**



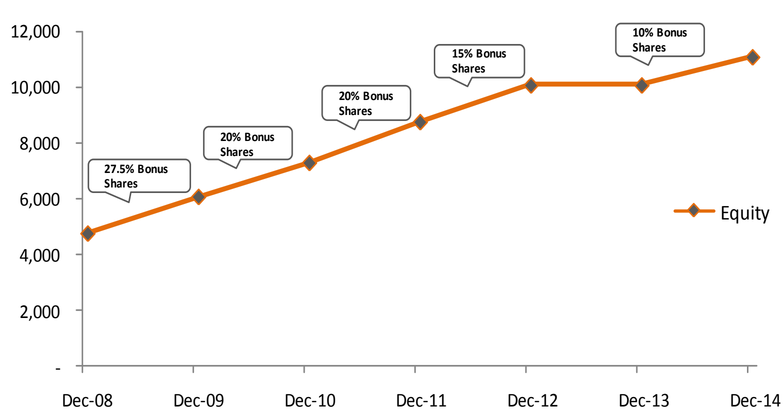
Source: Company Accounts

Capital adequacy ratio in comfortable zone

The bank's capital adequacy ratio at 14.6% with Tier-1 capital ratio of 10.96% in Dec-13 is in the comfortable range and well above the regulated CAR of 10% stipulated by SBP under BASEL III.

Cautious lending and high inclination towards risk free investments has resulted in maintaining high CAR. The bank raised its capital to PKR 11.11bn through 10% bonus shares in Dec-13 which will further boost the CAR for CY14. Going forward, high IDR is expected to persist but if the credit demand from private sector increases, BAHL is well positioned to improve its lending portfolio.

Fig: 28 **Equity capital raising over the years (PKR mn)**



PT Sensitivity

Figure: A

		Terminal Value						
		5%	6%	7%	8%	9%	10%	11%
	13%	53	57	63	70	82	100	138
	14%	48	50	54	59	65	75	92
DR	15%	43	45	47	50	54	60	69
	16%	39	40	42	44	47	50	55
	17%	36	37	38	39	41	43	46
	18%	33	34	34	35	36	38	39

Source: Nael Research

Investment Risks

Upside Risks

1. Business expansion - In short run ff management opts for business expansion for CY14E by entering in new products and expanding branch network, it will be an upside risk to our valuation.

Downside Risks

1. Monetary Easing - Average inflation at 8.69% for FY14 which remained under SBP's expectation of 10% along with stable macro economic indicators, can pave way for a relaxed monetary stance, a downside risk to our valuation.

2. Asset quality deterioration - BAHL enjoys one of the best asset quality in the industry (NPL Ratio of 2.13%) but any economic upheaval or aggressive loan growth can deteriorate asset quality.

3. Competition for CA deposits - The bank may face severe competition for current account (CA) deposits from other banks. Moreover, any policy change to make savings account (SA) deposits costlier could hurt bank's margins.

4. Economic downturn - Volatile political situation along with economic downturn can have negative impact on banking sectors profitability.

Financials

Income Statement	CY11	CY12	CY13	CY14E	CY15E	CY16E	CY17E
Interest Earned	36,503	41,468	37,256	41,783	46,995	51,783	56,784
Interest Expensed	22,374	26,106	22,994	24,223	26,401	28,807	31,466
Net Interest Income	**14,129**	**15,362**	**14,261**	**17,560**	**20,594**	**22,975**	**25,318**
Total Provisions	1,821	466	480	360	489	451	460
Net Interest Income after provisions	**12,308**	**14,896**	**13,782**	**17,201**	**20,105**	**22,524**	**24,857**
Non mark-up	2,594	2,947	3,908	4,280	4,373	4,526	4,715
Total Income	**14,902**	**17,843**	**17,690**	**21,480**	**24,478**	**27,050**	**29,572**
Total Expenses	**7,747**	**8,965**	**10,177**	**11,753**	**13,377**	**15,208**	**17,271**
Profit before Taxation	7,155	8,878	7,513	9,727	11,101	11,843	12,301
Total Tax	2,622	3,423	2,358	3,405	3,886	4,145	4,305
Profit after Taxation	**4,533**	**5,455**	**5,155**	**6,323**	**7,216**	**7,698**	**7,995**

Source: Company Accounts, Nael Research

Balance Sheet	CY11	CY12	CY13	CY14E	CY15E	CY16E	CY17E
Cash & Balances	29,701	37,209	34,862	31,329	37,312	42,553	48,620
Lending to FIs	-	994	-	-	-	-	-
Investments	222,959	249,754	239,753	271,552	297,707	327,664	360,630
Advances-net	114,872	147,869	167,579	182,849	199,397	217,515	237,296
Fixed Assets	10,744	11,194	11,795	11,795	11,795	11,795	11,795
other assets	6,007	6,086	6,737	6,737	6,737	6,737	6,737
Total Assets	**384,282**	**453,106**	**460,727**	**504,262**	**552,948**	**606,265**	**665,077**
Bills payable	4,980	5,257	6,173	6,173	6,173	6,173	6,173
Borrowings	43,442	69,622	29,480	29,480	29,480	29,480	29,480
Deposits	302,099	340,393	386,161	426,708	471,512	521,021	575,728
Subordinated loans	7,390	6,489	6,486	6,486	6,486	6,486	6,486
Other liabilities	6,633	7,530	7,145	7,145	7,145	7,145	7,145
Total Liabilities	**364,543**	**429,291**	**435,445**	**475,992**	**520,796**	**570,305**	**625,012**
Share Capital	8,786	10,104	10,104	11,114	11,114	11,114	11,114
Reserves/Retained earn-	8,937	10,954	13,124	15,102	18,983	22,791	26,897
Surplus/(deficit) on re-	2,017	2,756	2,055	2,055	2,055	2,055	2,055
Total Equity	**19,739**	**23,814**	**25,282**	**28,271**			
Equity and Liabilities	**384,282**	**453,106**	**460,727**	**504,262**	**552,948**	**606,265**	**665,077**

Source: Company Accounts, Nael Research

Ratio Analysis	CY11	CY12	CY13	CY14E	CY15E	CY16E	CY17E
EPS (PKR)	4.08	4.91	4.64	5.69	6.49	6.93	7.19
DPS (PKR)	2.50	3.00	2.00	3.00	3.00	3.50	3.50
BVPS (PKR)	17.76	21.43	22.75	25.44	28.93	32.35	36.05
PE (x)	6.99	6.46	8.96	7.20	6.93	6.50	6.26
PBV (x)	1.61	1.48	1.83	1.61	1.56	1.39	1.25
Dividend Yield	8.8%	9.5%	4.8%	7.3%	6.7%	7.8%	7.7%
ROE	25.3%	25.1%	21.0%	23.6%	23.9%	22.6%	21.0%
ROA	1.32%	1.30%	1.13%	1.31%	1.36%	1.33%	1.26%
NIMs	4.33%	3.82%	3.25%	3.78%	4.04%	4.09%	4.10%
Cost : Income	0.46	0.49	0.56	0.54	0.53	0.55	0.57
Leverage	19.5	19.0	18.2	17.8	17.2	16.9	16.6
NPL/Gross Loan	2.67%	2.41%	2.13%	2.40%	2.40%	2.40%	2.40%
Coverage (NPLs)	93.6%	82.6%	95.8%	86.8%	89.5%	90.5%	90.8%

Source: Company Accounts, Nael Research

Chief Executive Officer

Ashraf Bava, CFA	(92-21) 32461812-13	abava@naelcapital.com

Equity Sales

Muhammad Shakeel, Director Equity Sales	(92-21) 32461819-22	shakeel@naelcapital.com
Irshad Ul Haq Khan, Institutional Sales	(92-21) 32461819-22	irshad@naelcapital.com
Nasir Muqeet, Institutional Sales	(92-21) 32461819-22	nmuqeet@naelcapital.com

Research

Sarah Aslam, Research Trainee	(92-21) 32461812-13	sarah@naelcapital.com

****Disclosure Related Author**

The author mentioned on the cover of this report, primarily involved in the preparation of this report, certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject companies/securities and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report. Also, the author is a Research Trainee who has prepared this report under the guidance of Mr.Ashraf Bava, CFA.

Disclaimer

The report has been prepared by Nael Capital (Pvt.) Ltd and is for information purpose only. The information and opinions contained herein have been compiled or arrived at, based upon information obtained from sources, believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, expressed or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be consulted as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments.

Research Dissemination Policy

Nael Capital (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Company Specific Disclosures

Nael Capital (Pvt.) Ltd. as per the applicable law or regulation, prohibits its respective directors, officers, representatives, employees and/or related persons to make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments during the restricted period specified in the company policy.

Other Important Disclosures

Foreign currency denominated securities is subject to exchange rate fluctuations which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.