

KSE 100 Index Jan 20 2006 - 10,227.82 (+ 237.63)
 KSE 100 Index Jan 19 2005 - 6,746.28 xxxxx
 Highest Ever Mar15 2005 - 10,303.13 xxxxx
 Shares Traded in Dec 2005 - 7,414.97 Million
 Shares Traded in Dec 2004 - 10,379.20 Million

Hafiz Investors Service

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(For "HIS" MEMBERS only)

ISSUES and VIEWS on STOCK MARKET

January 20, 2006.

OIL PRICE has CHANGED MANY THINGS. The last year has seen the world price of oil double to around \$60 per barrel. Most analysts feel that the era of cheap oil is over and prices will not decrease any time soon. Naturally, such a major increase in the world's primary source of energy has significantly altered most of the world's economies, including Pakistan. But what exactly has the oil price done to the economy?

FERTILIZERS have BECOME COSTLY GLOBALLY. The rate hike in oil has resulted in a significant increase in the prices of all energy sources, including coal & natural gas. Since natural gas is the basic component for agricultural fertilizers, there has been a sharp rise in production costs worldwide. In Pakistan however, fertilizer is heavily subsidized. As a result local prices are comparatively lower than global prices. For an agricultural economy, this is a *major* change!

ALTERNATIVE ENERGY SOURCES are in DEMAND. Not only have oil exploration activities increased, but there has been a

marked increase in production of alternative sources of energy by countries trying to reduce oil bills. One such source of energy is Ethanol; a fuel produced from sugar cane. Ethanol is already used as a substitute for oil in major sugar producing countries like Brazil. With the recent hike in oil price, these economies are diverting more of their sugarcane resources towards Ethanol production leading to much increased price of refined sugar. The resultant hike in sugar prices will benefit lesser sugarcane growing economies like Pakistan.

TRANSPORT COSTS are DIRECTLY LINKED to OIL. This has had a direct effect on transportation costs of commodities like cement that have high volume/unit cost ratio. As a result cement imports have become significantly expensive. This is of obvious benefit to economies that have local cement industries.

OIL EXPLORATION has RISEN. This has increased demand for both exploration companies & local engineering industries.

FOREIGN BASED COMPANIES 2004 STUDY is included.

"HIS" SELECTED SCRIPS

| Selected | | | | On 20/01/2006 | | | Market | | View | Comments |
|----------------------|--------------------|-----|---------|---------------|--------|-------|--------|----------|--------|-----------------------------|
| Company | Industry | YE | Date | Adj. Cost | Price | Yield | P - E | Interest | | |
| (As Per KSE Listing) | | | | Rs. | Rs. | % | | | | |
| 1 BRR Modaraba | Leasing | Jun | Oct, 03 | 7.50 | 9.00 | 12.22 | 4.57 | Medium | Buy | |
| 2 Orix Bank | Investment Bk. | Jun | Sep, 05 | 20.91 | 29.25 | 10.26 | 6.56 | Medium | Buy | |
| 3 Askari Bank | Comm. Bank | Dec | Apr, 05 | 89.00 | 136.60 | 3.17 | 10.79 | High | Buy | |
| 4 Bank Al-Habib | Comm. Bank | Dec | Sep, 03 | 17.28 | 80.90 | 5.56 | 11.52 | High | Buy | |
| 5 Pak Reinsurance | Reinsurance | Dec | Jul, 03 | 60.00 | 110.25 | 3.17 | 13.41 | Medium | Buy | |
| 6 Premier Insurance | Gen. Ins. | Dec | Nov, 04 | 17.50 | 33.10 | 6.04 | 6.81 | High | Buy | |
| 7 Fatima Enterprise | Ginning/ghee etc | Jun | Feb, 05 | 34.00 | 23.00 | 6.52 | 2.38 | Low | Buy | |
| 8 Ashfaq Textile | Cloth | Jun | Dec, 05 | 7.60 | 9.00 | 8.33 | 5.00 | Medium | Buy | |
| 9 Faisal Spinning | Yarn/Cloth | Jun | Aug, 03 | 50.50 | 75.00 | 2.00 | 5.54 | High | Buy | |
| 10 Suraj Cotton | Composite | Jun | Apr, 04 | 34.50 | 46.70 | 6.42 | 4.05 | High | Buy | |
| 11 Al-Noor Sugar | Sug/Lasani wood | Sep | Jun, 05 | 12.70 | 24.75 | # | 6.06 | 3.94 | Medium | Buy 10% Final Cash Dividend |
| 12 Dewan Sugar | Sugar/Dist. | Sep | Jul, 04 | 14.20 | 15.50 | # | 6.45 | 11.40 | Medium | Buy |
| 13 Gharibwal Cement | Cement | Jun | May, 04 | 10.80 | 14.95 | 5.02 | 8.85 | Medium | Buy | |
| 14 Hub Power | IPP | Jun | Oct, 04 | 25.30 | 25.10 | 16.33 | 5.31 | Medium | Buy | |
| 15 Southern Electric | IPP | Jun | Apr, 04 | 16.05 | 10.25 | 14.63 | 5.20 | Low | Buy | |
| 16 Crescent Steel | Steel pipes & yarn | Jun | Mar, 03 | 27.29 | 85.00 | 5.29 | 6.26 | Low | Buy | |
| 17 Ghandhara Nisan | Trucks assembly. | Jun | Mar, 04 | 17.65 | 47.70 | 5.24 | 7.10 | High | Buy | |
| 18 Pak Suzuki | Automaker | Dec | Jan, 04 | 143.64 | 280.80 | 0.71 | 8.43 | Medium | Buy | |
| 19 General Tyre | Tyres | Jun | Oct, 05 | 34.45 | 43.25 | 5.78 | 12.61 | Medium | Buy | |
| 20 PNSC | Shipping | Jun | Jan, 04 | 25.45 | 122.90 | 3.25 | 5.15 | High | Buy | |
| 21 Pak Datacom | Data communication | Jun | Oct, 02 | 3.25 | 90.00 | 4.44 | 6.58 | High | Buy | |
| 22 Fauji Bin Qasim | DAP, Urea | Dec | Aug, 05 | 29.15 | 39.70 | 5.04 | 13.41 | High | Buy | |
| 23 Highnoon Labs | Drugs & Medicines | Dec | Jan, 03 | 7.71 | 48.60 | 5.66 | 12.09 | High | Buy | |
| 24 Biafo Ind. | Explosives | Jun | Mar, 05 | 13.10 | 18.75 | - | 7.05 | Medium | Buy | |
| 25 Clariant Pakistan | Ind. Chemicals | Dec | May, 02 | 15.50 | 215.90 | 7.41 | 8.38 | High | Buy | |
| 26 Pakistan PTA | Chemicals | Dec | Dec, 04 | 12.00 | 7.80 | - | 7.50 | High | Buy | |
| 27 Pak Leather | Leather exporter. | Jun | Oct, 04 | 9.95 | 18.60 | 8.06 | 6.60 | Medium | Buy | |
| 28 Shifa Int Hospit. | Hospitals. | Jun | May, 03 | 4.50 | 22.50 | 5.56 | 8.75 | Medium | Buy | |

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| "HIS" Portfolio Average P-E Ratio: | 7.69 | +0.59 | Avg of "HIS" 28 scrips based on estimated EPS |
| KSE 100 Index Weekly Avg. P-E Ratio - Current | 14.28 | +0.39 | Average of 94 scrips, based on reported EPS |
| KSE 100 Index Weekly Avg. P-E Ratio - Yr 2004. | 12.17 | xxx | Average of 93 scrips, based on reported EPS |
| KSE Index P-E Ratio Highest Ever: | 21.16 | xxx | Average of 78 scrips on Mar.22 1994 |
| KSE Index P-E Ratio Lowest Ever: | 5.98 | xxx | Average of 80 scrips on Dec.04 1998 |

OVERALL INVESTMENT: 30% in real estate, 10% in Government securities/bonds, 45% in shares and 15% in cash.

INVESTMENT STRATEGY: Buy selected shares. Look for 30% to 40% returns by investing for 12 to 18 months.

*Adjusted for Dividends, Bonus on right shares issued after the date of selection.

Earning Per Share for P-E revised after recently declared results.