

Another Rising week for the ZSE despite slow activity...

	Previous	Current	Change	%Change	YTD %
Industrial	99.59	99.83	0.2400	0.24	13.08
Mining	26.35	26.35	0.0000	0.00	11.18

It was a third successive week on week rise for the market in the month of August 2016 despite thinning trades across the board as interest in the market continues to dwindle. The market's woes however are entrenched in the difficult operating environment in which the underlying companies find themselves which is increasing the uncertainty of the outlook period. For the week under review the main stream Industrial Index jumped by a cumulative 0.24% and ended pegged at 99.83pts, the gain helped narrow the year to date loss to 13.08% as the bourse struggles to recover from the loss endured earlier in the year. The mining index was flat at 26.35pts after a hugely inactive trading week to see the benchmark's year to date return hold at 11.18%.

Weekly Risers

RISERS	PRICE	% Change
BARC.ZW	0.0170 ↑	13.33
AXIA.ZW	0.0320 ↑	6.67
CFI.ZW	0.0950 ↑	3.26
OML.ZW	2.4805 ↑	2.51
FBC.ZW	0.0650 ↑	1.56
PHL.ZW	0.0982 ↑	1.24
INN.ZW	0.1915 ↑	0.79
HIPO.ZW	0.2000 ↑	0.50
MEIK.ZW	0.0732 ↑	0.27
ECO.ZW	0.1995 ↑	0.25

Ten counters registered improved prices over the week to spearhead the weekly gains. Leading the charge was banking group Barclays which rallied 13.33% to \$0.0170 as the market welcomed its much improved first half to June 2016 financial performance in which after tax profit surged 152% to \$3.3m. Retail group Axia enjoyed a rising week putting on 6.67% and ended trading at \$0.0320 as CFI sustained its ascendancy notching 3.26% to \$0.0950. Old Mutual was 2.51% firmer at \$2.4805 as banking group FBC followed on a 1.56% lift to \$0.0650. Padenga's solid demand in recent weeks drove the group 1.24% higher to \$0.0982 while, Innscor put on 0.79% on resurgent demand. Sugar manufacturers Hippo added 0.50% to \$0.2000 as Meikles and Innscor completed the risers on gains of 0.27% and 0.25% to \$0.0732 and \$0.1995 respectively.

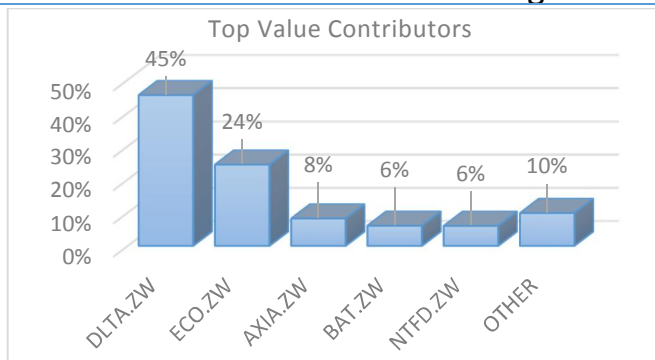
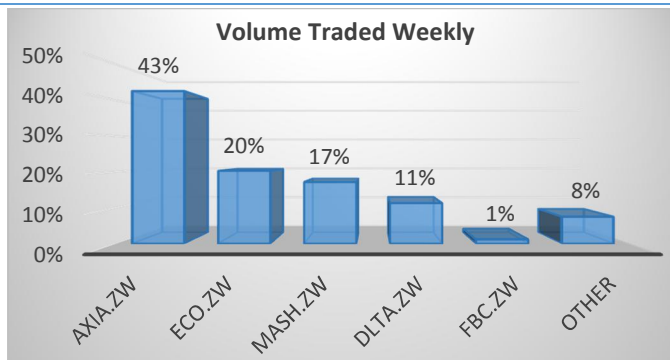
Weekly Fallers

FALLERS	PRICE	% Change
ASUN.ZW	0.0121 ↓	19.33
TSL.ZW	0.1450 ↓	3.33
AFDS.ZW	0.4400 ↓	2.22
MASH.ZW	0.0164 ↓	0.61

There were four counters that traded softer as the market established a positive breadth of six stocks. African sun led the shakers of the week on a 19.33% slump to \$0.0121 with TSL following on a 3.33% decline to \$0.1450. Spirits manufacturers Afdis were down 2.22% at \$0.4400 where demand could be established while, Mash completed the fallers after succumbing 0.61% to \$0.164 in its first trade since May 2016.

Underlining the depressed activity across the board all the activity aggregates were softer relative to the prior week with the market spend shedding 61.26% to \$1.45m.

	Previous	Current	Change	%Change
Values	3,732,406.02	1,445,984.53	2,286,421.50	61.26
Volumes	13,846,561	8,734,071	5,112,490.00	36.92



Delta emerged as the main driver of the value of trades after claiming 45% of the aggregate as other notable trades were registered in Econet, claiming, 24% and Axia that had 8% of the dollar turnover. Likewise volumes of the week were subdued shedding 36.92% and the back of low activity more-so with trades being skewed towards the market's higher value momentum stocks. The main drivers of the aggregate emerged to be Axia Econet, Mash and Delta which together accounted for 91% of the total shares traded on the bourse.

COMPANY UPDATES AND RESULTS
Pro Plastics Six Months Results to 30 June 2016

Revenue	5,879,529	6,604,857	-11%
Cost of sales	-4,663,153	-5,181,985	-10%
Gross profit	1,216,376	1,422,872	-15%
Profit before Tax	89,056	354,069	-75%
Profit for the Period	91,343	262,896	-65%
Assets			
Fixed Assets	3,919,574	4,721,922	
Current Assets	8,039,423	7,194,754	
Total Assets	11,958,997	11,916,676	
Equity	8,846,957	8,732,606	
Non-Current Liabilities	840,893	595,459	
Current Liabilities	2,271,147	2,588,611	
Total Liabilities	3,112,040	3,184,070	

Highlights

- Turnover dropped 11% to \$5.88m on reduced selling prices
- Volumes maintained at last year's levels
- Gross profit margin eased to 21% from 22%
- Gross profit down 15% to \$1.22m
- Overheads up 11% on the back of staff rationalisation expenses
- Finance costs down 15% due to favourable borrowing rates
- EBITDA 33% down at \$0.53m
- PBT down 75% at \$88,956
- PAT down 65% at \$91,243
- Gearing level at 8% while the effective borrowing rate is 8.6%
- Cash and cash equivalents closed at \$0.98m

Comment

Pro Plastics is one of the new comers to the ZSE and it being a spin off from the construction group Masimba Holdings; within that group Zimbabwe's economic malaise had left Pro-plastics as the sole profitable entity as the pipes market continued to be buoyant despite the depressed activity in the construction sector. Despite declines across major performance lines the group rode out the depressed margins on the back of falling prices and managed to remain profitable. The group's modernisation program which is being implemented in phases looks set to improve efficiencies as well as cost savings. Based on their H1 performance trajectory which we believe that the group can easily sustain through to year end we forecast that they will turnover \$11.8m and the group should be able to post after tax profit of \$0.20m (equating to 0.08c EPS). This performance would imply a forecast decline in annual profitability of 72% and these forecast earnings when taken against current price imply that that the group is trading at a forward earnings multiple of 37.5x which is by all means too high. We believe that the market has clearly overvalued the stock and at current level of USc 3 investors should consider taking profits with the intention of regaining exposure when the stock has rerated downwards. **SELL.**

In the news:

Delta invests \$78m in Chibuku super plants

Delta Corporation has invested about \$78 mln towards upgrading Chibuku Super plants in the past two years while further investments will depend largely on state of the economy.

<http://www.herald.co.zw/delta-invests-78m-in-chibuku-super-plants/>

Govt clears concerns on HCCL equipment

Government has cleared suspicion that Hwange Colliery Company may have acquired second-hand mining equipment following a series of faults that affected its performance, but insisted that the new machinery should perform.

<http://www.herald.co.zw/govt-clears-concerns-on-hccl-equipment/>

Agribank to cut non-performing loans to below 10pc

Agribank is looking to whittle down the level of its non-performing loans to below 10% of the loan book by December this year, managing director Sam Malaba has said.

<http://www.herald.co.zw/agribank-to-cut-non-performing-loans-to-below-10pc/>

RBZ will not force public to use bond notes

The Reserve Bank of Zimbabwe will not force the public to use bond notes but is rather trying to monetise the 5% export incentive without doing away with the multi-currency regime, Central Bank Governor John Mangudya said.

<http://www.herald.co.zw/rbz-wont-force-public-to-use-bond-notes/>

NMBZ to launch low cost bank account

NMB Bank Zimbabwe is set to launch a low cost bank account, NMBlite, which with no monthly bank charges, as part of its drive to make banking accessible to everyone.

<http://www.herald.co.zw/nmbz-to-launch-low-cost-bank-account/>

ZB Financial holdings backs treasury bills

ZB FINANCIAL Holdings Limited spent US\$13 million on Treasury Bills (TBs) during the half year ended June 30, 2016, even as fears of potential default by the cash-strapped government mounted.

<http://www.financialgazette.co.zw/zb-financial-holdings-backs-treasury-bills/>

Barclays boss takes government to task

GOVERNMENT should be guided by factual data and statistics when crafting policies instead of relying on guesswork, Barclays Bank of Zimbabwe Limited managing director, George Guvamatanga, has said

<http://www.financialgazette.co.zw/barclays-boss-takes-government-to-task/>

Annual inflation sheds 0.24 pc

Zimbabwe's annual inflation for the month of July 2016, as measured by the all Items Consumer Price Index, shed 0.24 percentage points to -1.60% from June's -1.37%, the Zimbabwe National Statistics Agency (Zimstats) reported yesterday.

<http://www.herald.co.zw/annual-inflation-sheds-024-percent/>

Weekly gold exports up 33pc

Weekly gold exports have increased by 33.3 % to \$16 mln over the past four months largely driven by the 5% export incentive introduced by the Reserve Bank of Zimbabwe in May this year.

<http://www.herald.co.zw/weekly-gold-exports-up-33pc/>

This document has been prepared by EFE Securities (Private) Limited (EFE), for the information of its clients. Although the statements of fact in this report have been obtained from sources that the company believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and estimates included in this report constitute the company's judgment as of the date of this report and are subject to change without notice. The securities discussed and mentioned in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors they believe necessary. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. EFE and any of the individuals preparing this report may at any time have a long and/ or short position in any securities of companies in this report. In addition EFE may from time to time perform investment banking or other services for, or solicit investment banking or other business from any entity mentioned in this report. EFE may at times buy and sell shares on an agency or principal basis to its clients. Shares may rise or fall and investors may end up with a reduced amount from their initial capital invested. Additional information on EFE's recommended securities is available on request.