

Day Break

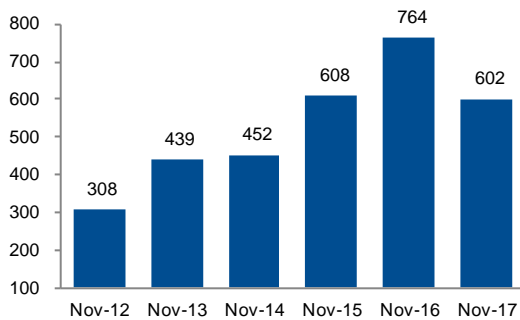
Thursday, 28 December 2017

Sector Update

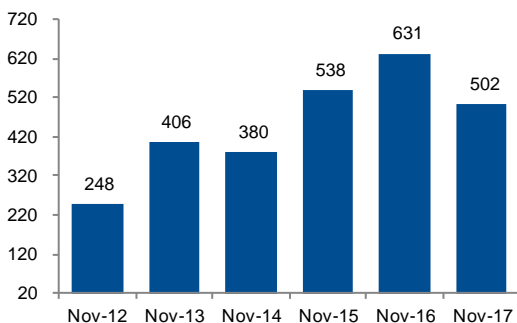
UREA/DAP Offtake (Ktons)

	Nov-17	YoY	11MCY17	YoY
Urea	602	-21%	5,145	12%
DAP	502	-20%	2,229	9%

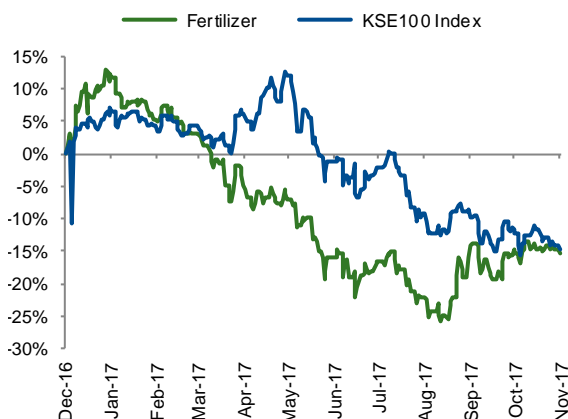
Urea Industry Offtake (Ktons)



DAP Industry Offtake (Ktons)



Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Fertilizer

Nov-17: Urea and DAP offtake pushes up by +60%/30%MoM

- As per the latest available data by NFDC for the month of Nov-17, urea offtake surged by +60%MoM to 602ktons. However, on yearly basis it dropped by 21%YoY in the same month.
- For DAP, monthly sales jumped up by +30%MoM to 502ktons, while on yearly basis it dropped by 20%YoY in the same month. Overall cumulative sales, for the 11MCY17 approaches at 2.2ktons, up by +9%YoY).
- We expect sales of urea and DAP to maintain their offtake level as the Rabi season continues with government scheme pushing up the demand, especially for DAP.
- We have a **"BUY"** call on EFERT, based on our Dec-18 target price of PKR 83/share, offering +25% upside from its last closing. The company is currently trading at CY18E P/E of 8.7x and offers a dividend yield of 7.5%.

Massive growth of +60%MoM witnessed in urea sales to the tune of 602ktons

As per the latest available data by NFDC for the month of Nov-17, urea offtake surged by +60%MoM to 602ktons. However, on yearly basis it dropped by 21%YoY in the same month. But still, cumulative sales for 11MCY17 witnessed positive growth level of +12%YoY to 5.1k, depicting strong demand during the year. Company wise, FFC maintained its healthy offtake level, leading by +45%MoM to 272ktons, followed by EFERT, attaining sales of 195ktons (+56%MoM).

DAP offtake increased by +30%MoM to 502ktons

For DAP, monthly sales jumped up by +30%MoM to 502ktons, while on yearly basis it dropped by 20%YoY in the same month. Overall cumulative sales, for the 11MCY17 clocked in at 2.2ktons, up by +9%YoY. On individual basis, FFBL maintained its major share in the offtake, clocking in at 194ktons by +30%MoM, followed by EFERT up by +58%MoM to 83ktons whereas FFC's offtake was down by 24%MoM to 63ktons.

Outlook

We expect sales of urea and DAP to maintain their offtake level as the Rabi season continues with government scheme pushing up the demand, especially for DAP. With regards to inventory, demand and supply seems relatively in balance as urea inventory stands at 505k tons compared to 1.4ktons in the corresponding month last year. However, if the supply glut situation persists, then exports may seem a viable option in easing down the levels.

Recommendation

We have a **"BUY"** call on EFERT, based on our Dec-18 target price of PKR 83/share, offering +25% upside from its last closing. The company is currently trading at CY18E P/E of 8.7x and offers a dividend yield of 7.5%.

Exhibit:

Company wise off-take

000'Tons	Nov-17	Oct-17	MoM	Nov-16	YoY	11MCY17	11MCY16	YoY
FFC								
Urea	272	187	45%	350	-22%	2,110	2,143	-2%
Dap	63	83	-24%	126	-50%	483	200	2.4x
EFERT								
Urea	195	125	55%	215	-10%	1,616	1,302	24%
Dap	122	77	58%	126	-3%	505	484	4%
Np & Npk	7	13	-49%	17	-60%	116	98	18%
FFBL								
Urea	83	48	72%	73	15%	475	411	16%
Dap	194	146	33%	210	-8%	765	736	4%
FATIMA								
Np	48	63	-24%	57	-15%	377	395	-4%
Can	38	18	2.1x	20	89%	460	299	54%
FATIMA (dhcl)								
Urea	8.26	1.38	0%	37.74	-78%	207.38	179.23	16%
Total								
Urea	602	375	61%	764	-21%	5,145	4,597	12%
Dap	122	77	58%	126	-3%	505	484	4%
Np & Npk	43	46	-7%	2	22x	409	64	6.4x

Source: NFDC, IGI Research

Exhibit:

Product

000'Tons	Nov-17	Oct-17	MoM	Nov-16	YoY	11MCY17	11MCY16	YoY
UREA								
Production	418	440	-5%	513	-19%	5,168	5,507	-6%
Offtake	602	375	61%	764	-21%	5,145	4,597	12%
Export	-	108	N/A		n.m.	552	-	n.m.
Import	-	-	n.m.	-	n.m.	-	-	n.m.
Est. Inventory	505	689	n.m.	1,451	-65%	-	-	n.m.
DAP								
Production	72	74	-3%	68	6%	745	719	4%
Offtake	502	387	30%	631	-20%	2,229	2,039	9%
Export	-	-		-	0%	-	-	n.m.
Import	289	241	n.m.	170	n.m.	1,526	658	2.3x
Est. Inventory	152	288	n.m.	77	96%	-	-	n.m.

Source: NFDC, IGI Research

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Time Horizon: Dec – 2018

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