

Flash Note

Tuesday, 24 January 2017

Fertilizers

ECC allows 0.3mn tons of urea export

- As per news report, the Economic Coordination Committee (ECC) of the Cabinet has allowed export of 0.3mn tons of urea till 28th Apr-17 without any subsidy.
- The Fertilizer Review Committee (FRC) will monitor domestic prices of urea on a monthly basis and in case of an abnormal increase in retail price as per weekly sensitive price index, the FRC will recommend to ECC discontinuation of further exports.
- Current retention prices of urea is USD 269/ton (including subsidy) whereas for export, retention prices will be USD ~255/ton.
- We believe supply glut to persist until more exports is allowed as this will reduce inventory level to 0.7mn tons from 1mn tons.

Recommendation

We maintain “**BUY**” call on EFERT with our Dec-17 target price of PKR 86/share, offering +19.7% upside from its last closing. The company is currently trading at FY17E P/E of 8.07x and offers a healthy dividend yield of 9%.

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Dec - 2017

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DCF (Discounted Cash Flow)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

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