EFERT review ^ 9MCY15 EPS Rs7.45 | DPS of 15%

Engro Fertilizer ^ what we conclude!!

- **Sales contracted by 13.5% which is Rs2,167mn in monetary terms over yearly basis;**
- **Main reason for dull sales is been the pricing dynamics for urea fertilizer. As increase in gas tariffs have increased the urea prices for which farmers were not ready;**
- **After been a drop in top line entity is been able to secure its healthy margins due to the concessionary policy as gross margins has been increased by 9.4% in 3QCY15 as compared to same period last year;**
- **Announcement of certain packages from government has slightly delayed the demand for fertilizers. As farmers were expecting prices to drop in terms of subsidy which could reduce their per hectare plantation cost.**

EFERT ^ 9MCY15 earnings growth of 79%

EFERT is in a state to operate at high levels while gas contracts with different fields are intact till CY16 so higher utilization is expected to continue in future. We expect an average utilisation of 88% for this year.

EFERT ^ Valuations!!

EFERT gaining confidence through its healthy payout; we consider it a very good sign and can expect dividend yield to rise from 5% in CY16. EFERT yields a PE of 7.5x with Discounted Cash Flows (DCF) of Rs116/sh.

Fertilizer Sector ~ Triggers

- **Upcoming season for Rabi crops will going to boost the demand for Urea fertilizer as we believe that the demand for previous quarter will partially going to reflect in last quarter;**

- **Sowing for wheat and other Rabi crops is awaited which will allow fertilizer entities to clear their inventories;**

- **We remain positive on EFERT**

EFERT is been a strong contender in fertilizer sector. A consistent increase in utilization levels with a good payout ratio makes.

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