

Hearty fertilizer 'review'

EFERTshown monthly growth

The month of December was quite fulfilling for EFERT in terms of Urea offtake as it showed urea offtake of 351k tons which is 63% increase in the month of December as compared to the preceding month, as per the official fertilizer numbers reported in press.

However, during the year, EFERT showed 12% decrease in urea offtake in CY16 as compared to the preceding year. EFERT sales rose to 1.65mn which is a drop from last year numbers.

This is unlike what the company claimed in the analyst briefing of making record sales in the current calendar year. This may have to do with slight discount offered by other peer groups to farmer fraternity.

We see EFERT yielding CY16PE of 7x-7.5x range (in lieu of anticipated earnings).

FFBLcould be a future doyen based on other investments

FFBL proved to be the doyen amongst all in CY16 with its own urea offtake of 443k tons showing an increase of 53% as compared to the preceding CY15. FFBL proved its word by marking its urea production at 434k tons thus increasing the production by 44%. This is counted as one of the best from FFBL for fairly long time. This may have to do with improved feedstock gas supplies to the company.

Likewise, FFBL showed healthy sales numbers in their trademark DAP as it reported 791k tons sales wherein overall DAP sales has also reported increase in outgoing year.

FFBL may be an investment case given stakes in nascent food venture and coal based power plant.

FFC..... the superintendent

FFC continued its lead with urea offtake of 2.4mn tons (beyond its capacity) in CY16 and succeeded to maintain greater market share.

FFC reached yet another touchstone of 2.5mn tons in urea production and we can see they are already operating above 100% capacity. However, market is anticipating FFC to perform as conglomerate given its investments in frozen foods related business.

However, we still feel FFC to maintain its greater sales number through fertilizer sales especially at a time when rainfall has improved in the country in the current season.

FFC yield CY16PE of 10x (with greater jump anticipated in 4Q EPS i.e. Rs5/sh).

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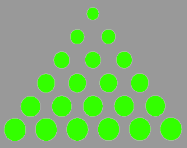
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Main reason of improvement in fertilizer offtake is due to timely rains across Pakistan wherein application there is some chance of improvement in the application of chemical fertilizers



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