



## AKD Securities Limited

TREC Holder & Registered Broker  
Pakistan Stock Exchange

Equity Research / Pakistan



REP-108  
www.jamapunji.pk

### Today's Daily

#### ■ EFERT : 4QCY17 Earnings Preview

EFERT is scheduled to announce its 4QCY17 financial results on Thursday (Feb 08'18) where we expect EFERT's earnings to clock in at PkR3.49bn (EPS: PkR2.62) against PkR3.34bn (EPS: PkR2.52) - up 4%YoY. On a cumulative basis, we expect CY17F earnings to stand at PkR10.19bn (EPS: PkR7.63) compared to PkR9.03bn (EPS: PkR6.76) in CY16 (up 13%YoY) on the back of impressive growth in Urea/DAP offtake (up 9%/2%YoY to 1.80mn/532k tons and recent recovery in local product prices. Alongwith the result, we also expect a final cash dividend of PkR2.00/sh taking CY17 total payout to PkR7.50/sh (payout ratio: 98%).

#### KSE100 - Index

Current 44,301.20  
Previous 44,255.48  
Chg. 0.10%

#### Mkt Cap. (PkRbn/US\$bn)

Current 9,171 / 82.96  
Previous 9,138 / 82.66  
Chg. 0.36%

#### Daily Turnover (mn)

Current 284.37  
Previous 228.32  
Chg. 24.6%

#### FATIMA: 4QCY17 Earnings Preview

FATIMA is expected to announce earnings for 4QCY17 later this month, where we expect the company to post unconsolidated NPAT of PkR3.34bn (EPS: PkR1.59) vs. NPAT of PkR3.41bn (EPS: PkR1.62) in 4QCY16, down 2%YoY/up 40%QoQ. On a cumulative basis, we expect CY17F earnings to stand at PkR10.01bn (EPS: PkR4.77) compared to PkR9.78bn (EPS: PkR4.66) in CY16, up 2%YoY. Alongwith the result, we also expect a final cash dividend of PkR2.50/sh (payout ratio: 53%).

#### Value Traded (PkRmn/US\$m)

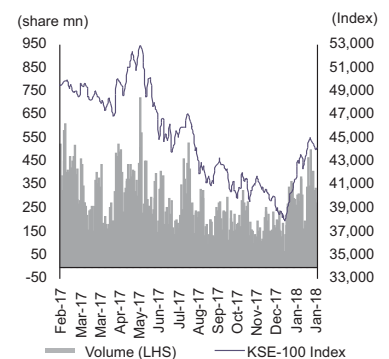
Current 10,601 / 95.90  
Previous 9,757 / 88.26  
Chg. 8.7%

AKD Daily

Tuesday, Feb 06, 2018

### News and Views

- The World Bank has agreed to provide US\$305mn in loan and grant to help Pakistan reform agriculture sector and improve nutrition intervention. The loan facility will be used to support Punjab government's project, 'Strengthening Markets for Agriculture and Rural Transformation (SMART)'.
- The federal gov't has reportedly cut financing for about 400 new and ongoing schemes by at least 60% aimed at creating more fiscal space for highways and parliamentarians' projects. The decision to slash funding for around 175 new and 217 ongoing projects has been implemented with effect from Jan 24'18.
- Sindh gov't has given its conditional approval for reforms in the downstream gas sector proposed by the federal gov't, provided the provinces were given appropriate representation on the boards of directors of unbundled utility companies. To note, the provincial gov't of KPK still opposed the structure of proposed reforms.



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## EFERT: 4QCY17 Earnings Preview

EFERT is scheduled to announce its 4QCY17 financial results on Thursday (Feb 08'18) where we expect EFERT's earnings to clock in at PkR3.49bn (EPS: PkR2.62) against PkR3.34bn (EPS: PkR2.52) - up 4%YoY. This increase in earnings is expected on the back of: 1) 3.4pptsYoY improvement in GMs to 32.5% (includes subsidy) on account of higher urea prices (reduction in discounts offering as urea inventory normalizes amid higher int'l prices). On a cumulative basis, we expect CY17F earnings to stand at PkR10.19bn (EPS: PkR7.63) compared to PkR9.03bn (EPS: PkR6.76) in CY16 (up 13%YoY) on the back of impressive growth in Urea/DAP offtake (up 9%/2%YoY to 1.80mn/532k tons and recent recovery in local product prices. Alongwith the result, we also expect a final cash dividend of PkR2.00/sh taking CY17 total payout to PkR7.50/sh (payout ratio: 98%). Having gained 26%FYTD, the stock currently trades at a forward P/E of 8.2x where our Dec'18 TP of PkR69.9/sh offers an upside of 13% from current price level. **ACCUMULATE!**

### EFERT: Income Statement

(PkRmn)	4QCY17F	4QCY16	YoY	3QCY17	QoQ	CY17F	CY16	YoY
Sales	24,515	28,626	-14%	20,421	20%	72,247	69,519	4%
Gross Profit	7,568	5,668	34%	5,909	28%	22,185	17,111	30%
NPBT	4,920	4,730	4%	3,926	25%	15,312	13,375	14%
NPAT	3,493	3,367	4%	2,594	35%	10,189	9,025	13%
EPS (PkR)	2.62	2.52	4%	1.94	35%	7.63	6.76	13%
DPS (PkR)	2.00	2.50	-20%	3.00	-33%	7.50	7.00	7%
Payout (%)	76%	99%		154%		98%	104%	

Source: Co. Report & AKD Research

## FATIMA: 4QCY17 Earnings Preview

FATIMA is expected to announce earnings for 4QCY17 later this month, where we expect the company to post unconsolidated NPAT of PkR3.34bn (EPS: PkR1.59) vs. NPAT of PkR3.41bn (EPS: PkR1.62) in 4QCY16, down 2%YoY/up 40%QoQ. Expected key highlights of 4QCY17 result includes: 1) 4%YoY increase in topline to PkR11.24bn reflecting 17%/8%/-29%YoY movement in NP/CAN/Urea off-take to ~147k/134k/118k tons and 2) 46bpsYoY decline in GM to 55% in

### FATIMA: Income Statement

(PkRmn)	4QCY17F	4QCY16	YoY	3QCY17	QoQ	CY17F	CY16	YoY
Sales	11,237	10,857	4%	8,387	34%	37,316	33,765	11%
Gross Profit	6,179	6,019	3%	4,693	32%	19,728	17,985	10%
NPBT	4,071	4,072	0%	2,857	42%	12,299	11,627	6%
NPAT	3,338	3,412	-2%	2,383	40%	10,013	9,782	2%
EPS (PkR)	1.59	1.62	-2%	1.13	40%	4.77	4.66	2%
DPS (PkR)	2.50	2.00	25%	-	100%	2.50	3.25	-23%
Payout (%)	161%	123%		0%		53%	70%	

Source: Co. Report & AKD Research



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4QCY17 on account of higher discounts offered during the period. On a cumulative basis, we expect CY17F earnings to stand at PkR10.01bn (EPS: PkR4.77) compared to PkR9.78bn (EPS: PkR4.66) in CY16, up 2%YoY. Alongwith the result, we also expect a final cash dividend of PkR2.50/sh (payout ratio: 53%). Having lost 5%FYTD, the stock currently trades at a CY17F PE of 6.3x where our Dec'18 TP of PkR45.11/sh offers an upside of 40% from current price level. BUY!



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Accumulate	> 5% to < 20% upside potential
Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
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