

## PAKISTAN FERTILIZER

### FFBL & EFERT: CY18 Result Previews

**FFBL to post an NPAT of PkR1.2bn in CY18, +21.2%YoY:** Board of Directors of Fauji Fertilizer Bin Qasim (FFBL) is scheduled to meet tomorrow to announce CY18 results. We expect the company to record an NPAT of PkR1.2bn, +21.2% YoY. Alongwith the results, we expect the company to announce a dividend of PkR1/sh. For 4QCY18, we expect the company to post an EPS of PkR1.52 vs. PkR1.37 in the corresponding period last year. We expect topline to face attrition of 7%YoY on account of lower DAP volumes of ~34.1%YoY (total industry DAP volumes shrunk by 6.2%YoY). Along with increase in phosphoric acid prices by ~35.5%YoY in dollar terms, coupled with PkR devaluation of ~25.8%, GMs are likely to drop down 11.1% vs. 15.4% in 4QCY17. The key variable in 4Q results would be the commencement of dividend income from Fauji Power Company Limited (Other income +63.7%YoY). We have a "SELL" stance on the stock with Dec'19TP of PkR35/sh. Potential FFL sale and resolution of GIDC is not yet incorporated in our estimates

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#### FFBL Result Preview

(PkRmn)	4QCY18E	YoY	QoQ	CY18E	CY17	YoY
Sales	23,799	-7.0%	27.6%	61,372	52,733	16.4%
Cost of Sales	(21,147)	-2.2%	38.2%	(53,957)	(46,705)	15.5%
Gross Profit	2,652	-32.8%	-20.8%	7,415	6,028	23.0%
Selling and Dist	(1,109)	-28.5%	-15.1%	(4,337)	(4,872)	-11.0%
Admn. Exp.	(503)	-27.2%	49.1%	(1,444)	(1,727)	-16.4%
Finance Cost	(740)	57.7%	22.2%	(2,263)	(1,941)	16.6%
Other op. Exp	(143)	-58.0%	-31.5%	(807)	(423)	90.6%
Other Income	1,453	63.7%	498.5%	2,916	4,377	-33.4%
PBT	1,610	-9.6%	42.1%	1,480	1,441	2.7%
Tax	(189)	-62.1%	-44.8%	(263)	(437)	-39.9%
PAT	1,421	10.8%	79.8%	1,218	1,004	21.2%
EPS (PkR)	1.52	-	-	1.30	1.08	-
DPS (PkR)	1.00	-	-	1.00	0.85	-

Source: Company Report & AKD Research

**EFERT to recorded an EPS of PkR12.96 in CY18, +55.1%YoY:** Engro Fertilizer (EFERT) is likely to announce CY18 results on Feb 8, 2019. We expect the company to record an NPAT of PkR17.3bn (EPS: PkR12.96) in CY18 vs. PkR11.16bn (EPS: PkR8.35) in the corresponding period last year. The results could be accompanied by a dividend of PkR3.5/sh, taking cumulative payout for the year to PkR11.5/sh. For 4QCY18, we expect the company to post an EPS of PkR3.79, +19.5/-0.8% YoY/QoQ driven by 27.7%YoY increase in topline on the back of 25.2% YoY increase in DAP volumes and higher retention urea prices reducing impact of lower urea volumes (-2.4%YoY). We expect GMs to remain flat YoY. We expect the company to post tax reversal of PkR500mn in 4QCY18, taking full year tax credit to ~PkR2.0bn.

#### EFERT Result Preview

(PkRmn)	4QCY18E	YoY	QoQ	CY18E	CY17	YoY
Sales	36,588	27.7%	30.2%	105,803	77,129	37.2%
Cost of Sales	(25,613)	25.7%	40.6%	(70,933)	(53,911)	31.6%
Gross Profit	10,975	32.5%	11.1%	34,871	23,219	50.2%
Selling and Dist	(2,395)	2.2%	21.3%	(7,641)	(7,245)	5.5%
Admn. Exp.	(564)	3.7%	88.4%	(1,376)	(1,294)	6.4%
Finance Cost	(542)	-15.9%	1.5%	(1,962)	(2,648)	-25.9%
Other op. Exp	(474)	30.3%	4.7%	(1,499)	(1,234)	21.5%
Other Income	127	-92.1%	-40.4%	1,995	5,866	-66.0%
PBT	7,127	18.6%	4.4%	24,388	16,665	46.3%
Tax	(2,071)	16.4%	19.8%	(7,082)	(5,509)	28.6%
PAT	5,057	19.5%	-0.8%	17,306	11,156	55.1%
EPS (PkR)	3.79	-	-	12.96	8.35	-
DPS (PkR)	3.50	-	-	11.50	8.50	-

Source: Company Report & AKD Research



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		Reduce	< -5% to > -20% downside potential
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		Not Rated	No investment opinion or recommendation

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To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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