

Topline Flash Note

Dec'17 Urea Sales 749k tons (-17% YoY / +24% MoM)
2017 Urea Sales 5.9mn tons (+7% YoY)

Adnan Sami Sheikh ^{AC}
adnan.sheikh@topline.com.pk
Tel: +9221-35303330, Ext: 152
Topline Securities, Pakistan



www.jamapunji.pk Best Local Brokerage House 2015-16

ASIAMONEY

Best Local Brokerage House
Brokers Poll 2011-14, 2016-17



December 2017 Urea off-take expected around 749k tons



- Pakistan's domestic urea sales for December 2017 are expected to reach around 749k tons, down 17% YoY (+24% MoM), according to our channel checks. Monthly uptick stemmed from seasonal demand, while YoY weakness was due to abnormal sales last year given subsidy impact. Going back further, past 10-yr average for Dec is 754k indicating this year's sales are normal.
- On an annual basis Urea sales have reached nearly 5.9mn tons indicating growth of 7% YoY and 5% vs. 2015, we believe this growth has broadly stemmed from low prices due to the govt. subsidy which incentivized dealers to build up stocks. Closing inventory for 2017 is estimated to be around 260k tons vs. over 1mn tons in 2016, this is due to export of around 560k tons.
- ECC recently approved extension in export window of originally allowed 600k tons of Urea, out of which 41k tons were not exported due to expiry of deadline. Now this remaining 41k ton which was originally FFC's will be exported by FATIMA, as per discussions with industry sources. Further, ECC approved additional 35k tons to Sri-Lanka on a special request by Sri-Lankan Prime Minister due to shortage of urea there. This additional quota will be on pro-rata market share basis where we believe EFERT & FATIMA will get the lions share as FFC would focus on domestic sales, though this will have negligible earnings impact.

Pakistan Urea Expected Off-take in Dec'17					
'000 tons	Dec-17	Dec-16	YoY	Nov-17	MoM
FFC	365	285	28%	272	34%
EFERT	205	351	-42%	195	5%
FATIMA	95	186	-49%	40	136%
FFBL	70	31	126%	83	-16%
Others	12	38	-68%	2	409%
Local	747	891	-16%	592	26%
Imported	2	6	-77%	9	-84%
Total	749	898	-17%	602	24%

Source: NFDC, Topline Research

Pakistan Urea Expected Off-take in 2017					
'000 tons	2017	2016	YoY	2015	Yo(I)Y
FFC	2,475	2,428	2%	2,408	3%
EFERT	1,821	1,653	10%	1,879	-3%
FATIMA	637	646	-1%	445	43%
FFBL	545	443	23%	290	88%
Others	154	295	-48%	75	106%
Local	5,632	5,465	3%	5,096	11%
Imported	260	30	NM	520	-50%
Total	5,892	5,495	7%	5,617	5%

Source: NFDC, Topline Research

Analyst Certification and Disclosures

The research analyst(s), denoted by an “AC” on the cover of this report, primarily involved in the preparation of this report, certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject companies/securities/sectors and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Furthermore, it is stated that the research analyst or its close relative have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months.

Additionally, as per regulation 8(2)(i) of the Research Analyst Regulations, 2015, we currently do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company.

Rating System

Topline Securities employs three tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Stock will outperform the average total return of stocks in universe
Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

For sector rating, Topline Securities employs three tier ratings system, depending upon the sector’s proposed weight in the portfolio as compared to sector’s weight in KSE-100 Index:

Rating	Sector’s Proposed Weight in Portfolio
Over Weight	> Weight in KSE-100 Index
Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

Ratings are updated daily to account for the latest developments in the economy/sector/company, changes in stock prices and changes in analyst’s assumptions or a combination of any of these factors.

Valuation Methodology

To arrive at our 12-months Target Price, Topline Securities uses different valuation methods which include: 1). Present value methodology, 2). Multiplier methodology, and 3). Asset-based methodology.

Research Dissemination Policy

Topline Securities endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time.

Disclaimer

This report has been prepared by Topline Securities and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Topline Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Topline Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Topline Research Department and do not necessarily reflect those of Topline or its directors. Topline as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report.

All rights reserved by Topline Securities. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Topline Securities. Action could be taken for unauthorized reproduction, distribution or publication.