

Engro: DAP prices increased by Rs290 per bag

As per our conversation with the industry experts, Engro has increased DAP prices by Rs290 per bag to Rs2,200 per bag while FFBL has still not made any decision on revising its prices. However, we expect FFBL to do the same in the coming days. According to our estimates, this increase will have an incremental impact of Rs2.1bn (Rs4.5 per share – net of tax impact) on the revenues. However, due to rising international DAP prices, DAP import cost will offset the incremental revenue impact. Hence, there would be a relatively diluted impact on the bottom line of Rs1.0-1.5 per share.

We believe this increase in DAP price is likely to hit DAP offtake going forward. During first eleven months (Jan-Nov) 2009, 1.3mn tons of DAP were sold (up 114%YoY), out of which 278k tons was sold by Engro and 641k tons by FFBL.

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