

Flash Note

Wednesday, 08 June 2016

Fertilisers

ENGRO: EFERT divested at PKR 65.47/share

As per the company announcement notice on PSX; Engro Corporation Limited (ENGRO) has sold 295mn shares of Engro Fertilisers Limited (EFERT) by a way of private book building, to both local and foreign investors.

- Transaction price comes at PKR 65.47/share.
- As a result, ENGRO will have net cash inflow of PKR 19.3bn or PKR 36.9/share, adjusted for capital gain net impact would be PKR 16.3bn or PKR 31.2/share.
- This leaves ENGRO's total shareholding of EFERT at 57% from pre-divestment level of 79%.

Exhibit: ENGRO divestment of EFERT shares

Price (PKR/share)	65.47
No. of Shares divested (mn)	295
Total Amount Divested (PKRmn)	19,314
Engro Corp. Shares (mn)	524
Engro Corp. / Share (PKR)	36.87
One-time Capital Gain on Engro Corp.	31.24
EFERT Shares (mn)	1,331
Engro Holding (mn)	1,049
%age holding	79%
Post divestment Engro Holding of EFERT	57%

Source: IGI Research, PSX

Analysis

- As per our understanding, cash of PKR 19.3bn from divestment of EFERT will be utilized by ENGRO for financing of Sindh Engro Thar Coal and power projects, for which ENGRO has committed equity investment of PKR 18bn.
- We estimate this transaction to have a '**NEUTRAL**' impact on ENGRO in the shorter term as company would have to forgo dividends from EFERT, however saving the finance cost, incase company had borrowed from bank.
- With project IRR of 20%, we see higher returns for the group, going forward.

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