

Flash Note

Thursday, 08 August 2019

Fertilizer

Engro Fertilizers Limited (EFERT)

Higher taxation and finance cost pulls earnings down by 3%YoY to PKR 2.38/share for 2QCY19; Dividend at PKR 5.00/share

- Engro Fertilizers Limited (EFERT) announced its financial results for 2QCY19 with earnings clocking in at PKR 3.18bn (EPS: PKR 2.38) as compared to PKR 3.26bn (EPS: PKR 2.44) in the same period last year. On a cumulative basis for the 1HCY19 earnings almost remained flat at PKR 7.2bn (EPS: PKR 5.38) compared to last year.
- The company announced a cash dividend of PKR 5.00/share for 2QCY19 compared to PKR 4.00/share in the same period last year.
- Net sales for the quarter increased by +18%YoY to PKR 27.0bn owing to increase in fertilizer prices despite a drop of 8%YoY in total offtake.
- Gross margins improved by +200bpsYoY to 31.6% owing to increase in retention prices of urea.
- Other income increased massively by +2.8xYoY to PKR 1.43bn possibly owing to substantial one-off gains with respect to workers related fund.
- Finance cost increased by +3.2xYoY to PKR 1.22bn owing to increase in borrowings and interest rates.
- Major erosion to earnings came from increase in tax following a change in tax rate (corporate tax rate to remain fixed at 29%)

Exhibit:

EFERT: 2QCY19 Result Highlights

Period End Dec- PKRmn	2QCY19	2QCY18	YoY	1HCY19	1HCY18	YoY
Net Sales	26,990	22,898	18%	50,643	41,116	23%
Gross Profit	8,516	6,689	27%	16,115	14,020	15%
Selling / Dist.	1,745	1,606	9%	3,381	3,271	3%
Other Op. Income	1,427	509	2.8x	2,438	1,654	47%
EBIT	7,308	5,207	40%	13,595	11,318	20%
Finance Cost	1,220	362	3.4x	2,019	886	2.3x
Pre-Tax Profits	6,087	4,845	26%	11,576	10,432	11%
Taxation	2,910	1,585	84%	4,392	3,282	34%
Post-Tax Profits	3,177	3,260	-3%	7,184	7,149	0%
EPS	2.38	2.44		5.38	5.36	
DPS	5.00	4.00		5.00	4.00	

Key Ratios

Gross Profit Margins	31.6%	29.2%	31.8%	34.1%
Ebit Margins	27.1%	22.7%	26.8%	27.5%
Effective Tax Rate	47.8%	32.7%	37.9%	31.5%

Source: IGI Research, Company Financials, PSX

No. of shares: 1334mn

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