

# Flash Note

Thursday, 29 July 2021

## Fertilizers

### Engro Fertilizer Limited (EFERT)

#### Higher urea and DAP prices lift 2QCY21 EPS to PKR 3.60, Cash dividend PKR 4.00/Share

- EFERT announced its financial result for 2QCY21, reporting a net profit of PKR 4.8bn or PKR 3.6/share compared to PKR 3.9bn or PKR 2.9/share same period last year; up by +15%/y/y. This takes 1hCY21 cumulative earnings to PKR 10.5bn or PKR 7.9/share compared to PKR 4.5bn or PKR 3.34/share last year same period; up by 2.4x.
- Along with the result company announced an interim cash dividend of PKR 4.0/share taking 1hCy21 total payout to PKR 8.0/share compared to PKR 4.0/share last year same period.
- On a quarterly basis net sales of the company declined by 13% y/y to PKR 25.9bn owing to a plunge in urea off-takes. However gross margins expanded to 38% (39% reported in previous quarter.), compared to margins of 35% in 2qCy20; an increase of 300bps. This increase in margins is mainly due 2.0x increase in DAP prices and 6% in urea prices. Meanwhile, other operating expense were reported at PKR 452mn, a reduction of 63%/y/y owing to high base last year same quarter (PKR 1.2bn other expenses recorded). Moreover, company's financial charges also reduced by 36%/y/y owing to lower borrowing cost and debt retirement. Effective tax rate stood at 28% during 2QCY21 compared to 33% in the same period last year

Exhibit: Engro Fertilizers Limited (EFERT) Financial Highlights							
in PKRbn							
Period end (DEC)	2q/21a	1q/21	2020a	4q/20	3q/20	2q/20	1q/20
Net Sales	25.9	29.4	105.8	27.7	37.4	29.9	10.8
Cost of Sales	16.1	17.9	71.6	18.3	26.6	19.5	7.2
<b>Gross Profit</b>	<b>9.9</b>	<b>11.6</b>	<b>34.3</b>	<b>9.4</b>	<b>10.8</b>	<b>10.4</b>	<b>3.6</b>
Gross Profit margin	38%	39%	32%	34%	29%	35%	34%
Other Income	0.5	0.5	1.7	0.7	0.5	0.2	0.3
<b>EBIT</b>	<b>7.4</b>	<b>9.1</b>	<b>23.7</b>	<b>6.8</b>	<b>7.9</b>	<b>6.7</b>	<b>2.3</b>
EBIT margin	29%	31%	22%	24%	21%	22%	22%
Profit before tax	6.7	8.7	21.3	7.2	7.2	5.8	1.1
Tax	1.9	2.9	3.2	0.5	0.2	1.9	0.6
Effective tax rate	28%	34%	15%	8%	2%	33%	49%
<b>Profit after tax</b>	<b>4.8</b>	<b>5.7</b>	<b>18.1</b>	<b>6.6</b>	<b>7.0</b>	<b>3.9</b>	<b>0.6</b>
Net Margins	19%	19%	17%	24%	19%	13%	5%
<b>EPS</b>	<b>3.60</b>	<b>4.30</b>	<b>13.58</b>	<b>4.97</b>	<b>5.27</b>	<b>2.91</b>	<b>0.43</b>
<b>DPS</b>	<b>4.00</b>	<b>4.00</b>	<b>13.00</b>	<b>4.00</b>	<b>5.00</b>	<b>4.00</b>	<b>0.00</b>

Source: IGI Research, Company accounts.

Number of shares: (bn) 1.335

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