

Flash Note

Friday, 19 April 2019

Fertilizer

Engro Fertilizers Limited (EFERT)

One-off gain and lower tax charge drove earnings to PKR 3.00/share for 1QCY19; proposed acquisition to result in a net impact of PKR 0.90/share

- Engro Fertilizers Limited (EFERT) announced its financial results for 1QCY19 with earnings clocking in at PKR 4.01bn (EPS: PKR 3.00) as compared to PKR 3.90bn (EPS: PKR 2.91) in the same period last year.
- Net sales for the quarter increased by +30%YoY to PKR 23.65bn owing to increase in fertilizer prices despite an estimated drop of 19%YoY in total offtake.
- Gross margins decreased by 800bpsYoY to 32.1%, possibly owing to lower trading margins on DAP sales.
- Although other income decreased by 12%YoY to PKR 1.01bn, the decline was not that substantial as expected. As per our channel checks the one-off impact was due to sale of land at PKR 720mn to EPCL.
- Finance cost increased by +52%YoY to PKR 799mn owing to high interest rates.
- Effective tax rate for the period stood at 27% as against 30% in the same period last year.
- The company also received a proposed acquisition offer for its subsidiary (Engro Eximp FZE) by Engro Corporation Limited. The Board of Directors of EFERT have resolved to pursue the proposed transaction at an aggregate price of PKR 1.76bn. We estimate a net impact (one-off gain) of PKR 1.2bn (PKR 0.90/share) from this transaction on other comprehensive income.

Exhibit:

EFERT: 1QCY19 Result Highlights

Period End Dec- PKRmn	1QCY19	1QCY18	YoY	4QCY18	QoQ
Net Sales	23,652	18,219	30%	39,981	-41%
Gross Profit	7,599	7,331	4%	11,421	-33%
Selling / Dist.	1,636	1,665	-2%	2,762	-41%
Other Op. Income	1,012	1,145	-12%	194	422%
EBIT	6,287	6,111	3%	7,673	-18%
Finance Cost	799	524	52%	651	23%
Pre-Tax Profits	5,488	5,587	-2%	7,022	-22%
Taxation	1,481	1,697	-13%	1,857	-20%
Post-Tax Profits	4,007	3,890	3%	5,164	-22%
EPS	3.00	2.91		3.87	
DPS	-	-		3.00	
Key Ratios					
Gross Profit Margins	32.1%	40.2%		28.6%	
Ebit Margins	26.6%	33.5%		19.2%	
Effective Tax Rate	27.0%	30.4%		26.5%	

Source: IGI Research, Company Financials, PSX

No. of shares: 1334mn

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