

# Flash Note

Friday, 10 August 2018



## Fertilizer

### EFERT: Earnings up by +31%YoY to PKR 2.44/share for 2QCY18; Dividend at PKR 4.00/share

- Engro Fertilizer Limited (EFERT) announced its financial results for 2QCY18 with consolidated earnings clocking at PKR 3.26bn (EPS: PKR 2.44) as compared to PKR 2.48bn (EPS: PKR 1.85) in the same period last year. In addition, the Company also announced an interim cash dividend of PKR 4.00/share.
- Net sales for the quarter surged by +33%YoY to PKR 22.9bn led by price increase, taking net sales for 1HCY18 to PKR 41.1bn.
- Selling and distribution expense decreased by 14%YoY to PKR 1.6bn owing to low handling costs (low urea inventory).
- Other income dropped by 75%YoY to PKR 0.51bn, attributed to urea subsidy recognized for the month of Apr-18 only in our view.
- In addition, finance cost decreased by 42%YoY to PKR 0.36bn owing to debt retirement.

Exhibit:

#### EFERT:2QCY18 Result Highlights

Period End Dec- PKRmn	2QCY18	2QCY17	YoY	1HCY18	1HCY17	YoY
Net Sales	22,898	17,247	33%	41,116	27,311	51%
Gross Profit	6,689	5,253	27%	14,020	8,746	60%
Selling / Dist.	1,606	1,862	-14%	3,271	3,153	4%
Other Op. Income	509	2,068	-75%	1,654	3,281	-50%
EBIT	5,207	4,850	7%	11,318	7,808	45%
Finance Cost	362	623	-42%	886	1,308	-32%
Pre-Tax Profits	4,845	4,227	15%	10,432	6,500	60%
Taxation	1,585	1,748	-9%	3,282	2,364	39%
Post-Tax Profits	3,260	2,479	31%	7,149	4,136	73%
EPS	2.44	1.85		5.35	3.08	
DPS	4.00	1.00		4.00	2.50	

#### Key Ratios

Gross Profit Margins	29.2%	30.5%	34.1%	32.0%
Ebit Margins	22.7%	28.1%	27.5%	28.6%
Effective Tax Rate	32.7%	41.4%	31.5%	36.4%

Source: IGI Research, Company Financials, PSX

No. of shares :1,334mn

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**Time Horizon:** Dec – 2018

**Valuation Methodology:** The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):  
(Discounted Cash Flow)

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