

Flash Note

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Fertilizer

Engro Fertilizer Limited (EFERT)

Earnings: Engro Fertilizer Limited (EFERT) announced its 1Q'23 result. For the period, the Company reported consolidated earnings of PKR 4.4bn (EPS PKR 3.3), down by 20%/y.

Dividend/Payout: The Company announced a cash dividend of PKR 3.5/share along with the result compared to PKR 5.5/share last year same period.

Operating Performance: During 1Q'23, the company's reported +19%/y increase in net sales supported by higher fertilizer prices. However, gross margins declined to 24% during the quarter compared to 30% in the same period last year, amid higher gas prices. Company's administrative cost increased by +24%/y and Selling & Distribution costs increased by +22%/y. Company's finance cost declined by 8%/y, owing to debt repayment. Tax charge clocked in at PKR 2.4bn or 35% effectively higher when compared to 1Q'22 charge of 28%.

Exhibit: Engro Fertilizers Limited (EFERT)											
in PKRbn											
Period end (DEC)	1Q'23	CY22	4Q'22	3Q'22	2Q'22	1Q'22	CY21	4Q'21	3Q'21	2Q'21	1Q'21
Net Sales	44.0	157.0	46.1	35.7	38.3	36.8	132.4	39.6	37.4	25.9	29.4
Cost of Sales	33.2	114.2	35.6	26.0	26.6	26.0	88.3	26.6	27.8	16.1	17.9
Gross Profit	10.8	42.8	10.5	9.8	11.7	10.9	44.1	13.1	9.6	9.9	11.6
Gross Profit Margin	24%	27%	23%	27%	31%	30%	33%	33%	26%	38%	39%
Admin	0.6	2.2	0.3	0.5	0.9	0.4	1.9	0.5	0.5	0.5	0.4
Selling & Dist.	2.5	9.9	3.9	2.2	1.8	2.0	8.5	2.5	2.1	2.0	1.8
EBIT	7.9	30.5	6.9	7.1	8.2	8.5	31.1	7.4	9.1	6.8	7.9
EBIT margin	18%	19%	15%	20%	21%	23%	24%	19%	24%	26%	27%
Finance Cost	0.4	2.6	1.0	0.6	0.6	0.5	1.6	0.3	0.4	0.6	0.3
Profit before tax	6.8	26.6	5.5	6.2	7.1	7.7	29.9	8.3	6.3	6.6	8.7
Tax	2.4	10.6	(0.9)	2.0	7.2	2.2	8.8	2.1	1.9	1.9	2.9
Effective tax rate	35%	40%	-16%	33%	101%	28%	29%	25%	30%	28%	34%
Profit after tax	4.4	16.0	6.4	4.2	(0.1)	5.5	21.1	6.2	4.4	4.8	5.7
Net Margins	10%	10%	14%	12%	0%	15%	16%	16%	12%	18%	19%
EPS	3.3	12.0	4.8	3.1	(0.1)	4.1	15.8	4.6	3.3	3.6	4.3
DPS	3.5	14.0	5.0	3.5	0.0	5.5	16.5	5.0	3.5	4.0	4.0

Source: Company Accounts, IGI Research No. of Shares: 1335.3mn.

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