

Flash Note

Thursday, February 9, 2023



Fertilizer

Engro Fertilizer Limited (EFERT)

Earnings: Engro Fertilizer Limited (EFERT) announced its 4QCY22 result. The Company reported 4QCY22 consolidated earnings of PKR 6.4bn (EPS PKR 4.80), up by +4%/y compared to PKR 6.2bn (EPS PKR 4.62) in the similar period last year. This brings total CY22 profitability to PKR 16.0bn (EPS PKR 11.98), down by 24%/y compared to PKR 21.1bn (EPS PKR 15.8) in the same period last year.

Dividend/Payout: The Company announced cash dividend of PKR 5.0/share along with the result bringing total cash payout for CY22 to PKR 13.5/share.

Operating Performance: During 4QCY22, EFERT reported +16%/y incline in revenue on the back of higher Urea and DAP prices and DAP sales despite drop in Urea offtake. However, gross margins declined to 22.9% during 4QCY22 compared to 32.9% in the same period last year. Finance cost increased by +2.9xy/y to PKR 1.0bn during 4QCY22 likely owing to higher mark-up expense amid elevated debt levels and higher interest rates. Earnings growth was primarily driven by tax reversal of PKR 0.9bn. In the preceding quarter effective tax rate stood at 33% (4QCY21: 25%) bringing total effective tax rate for CY22 to 40% against 29% in CY21.

| Exhibit: Engro Fertilizers Limited (EFERT) - Consolidated | | | | | | | |
|---|-------|--------|--------|--------|--------|-------|--------|
| in PKRbn | | | | | | | |
| Period end (DEC) | CY22 | 4q/22a | 3q/22a | 2q/22a | 1q/22a | CY21 | 4q/21a |
| Net Sales | 157.0 | 46.1 | 35.7 | 38.3 | 36.8 | 132.4 | 39.6 |
| Cost of Sales | 114.2 | 35.6 | 26.0 | 26.6 | 26.0 | 88.3 | 26.6 |
| Gross Profit | 42.8 | 10.5 | 9.8 | 11.7 | 10.9 | 44.1 | 13.1 |
| Gross Profit margin | 27.3% | 22.9% | 27.3% | 30.5% | 29.5% | 33.3% | 32.9% |
| EBIT | 30.5 | 6.9 | 7.1 | 8.2 | 8.5 | 32.8 | 9.4 |
| Finance Cost | 2.6 | 1.0 | 0.6 | 0.6 | 0.5 | 1.6 | 0.3 |
| Profit before tax | 26.6 | 5.5 | 6.2 | 7.1 | 7.7 | 29.9 | 8.3 |
| Tax | 10.6 | (0.9) | 2.0 | 7.2 | 2.2 | 8.8 | 2.1 |
| Effective tax rate | 40% | -16% | 33% | 101% | 28% | 29% | 25% |
| Profit after tax | 16.0 | 6.4 | 4.2 | (0.1) | 5.5 | 21.1 | 6.2 |
| Net Margins | 10% | 14% | 12% | 0% | 15% | 16% | 16% |
| EPS | 11.98 | 4.80 | 3.13 | (0.07) | 4.13 | 15.80 | 4.62 |
| DPS | 13.50 | 5.00 | 3.00 | 0.00 | 5.50 | 16.50 | 5.00 |

Source: Company Accounts, IGI Research

No. of Shares: 1,335.3mn.

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