

Flash Note

Monday, 15 February 2021

Fertilisers

Engro Fertilizers Limited (EFERT)

Earnings experience 4% YoY increase amid GIDC remeasurement and lower taxation; 4QCY20 earnings clock in at PKR 4.97/share, DPS at PKR 4/share

- Engro Fertilizers Company Limited (EFERT) announced its financial result for 4QCY20, reporting an NPAT of PKR 6,641mn (EPS: PKR 4.97) as compared to the earnings of PKR 6,361mn (EPS: PKR 4.76), up by +4% y/y. This brings total earnings for CY20 to PKR 18,133mn (EPS: PKR 13.58), up by 7% y/y. In conjunction with the result, the company announced an interim cash dividend of PKR 4/share taking full year dividend to PKR 13/share
- The company registered Net Sales of PKR 27,708mn during 4QCY20, as against PKR 43,606mn during 3QCY20, a decline of 26% q/q owing to flatish Urea and DAP offtakes as well as lower Fertilizer prices. On a y/y basis net sales underwent a decline of 13% from PKR 121,355mn in CY19 to PKR 105,846mn in CY20 again. Moreover, Gross margins of the company however enhanced experiencing improvement of 270bps in 4QCY20. However, on a y/y basis gross margins remained stagnant at 34%.
- Finance costs were recorded at PKR 474mn for 4QCY20 as compared to PKR 658mn, a decline of 28% q/q. On a y/y basis, the finance cost went down from PKR 3,887mn to PKR 3,237mn, a reduction of 17%, mainly accredited to consecutive slashing on benchmark interest rates and low borrowing requirement during the period we opine.
- The 4% q/q and 7% y/y increase in net profits is a resultant of benefits earned by the company in terms of GIDC remeasurement as per IFRS-9 and reduction in tax amount. wherein, the company booked an effective taxation of 8% in 4QCY20 as compared to 35% in the same period last year.

Exhibit: EFERT 4QCY20 Result Highlights								
Period end (Jun) - PKRmn	4QCY20	4QCY19	Y/Y	3QCY20	Q/Q	CY20	CY19	Y/Y
Net Sales	27,708	43,606	-36%	37,435	-26%	105,846	121,355	-13%
Gross Profit	9,387	14,586	-36%	10,843	-13%	34,255	39,540	-13%
Sell. / Dist. & Admin	3,140	3,648	-14%	3,078	2%	10,365	9,985	4%
Other Operating expense	127	1,133	-89%	408	-69%	1,905	2,623	-27%
Other Income	661	699	-5%	501	32%	1,667	4,352	-62%
EBIT	6,781	10,504	-35%	7,858	-14%	23,652	31,284	-24%
Financial Charges	474	658	-28%	655	-28%	3,237	3,887	-17%
Other Gain/Losses	882	-	0%	-	0%	882	-	0%
Pre-tax Profits	7,190	9,846	-27%	7,203	0%	21,298	27,398	-22%
Taxation	549	3,485	-84%	169	225%	3,165	10,526	-70%
Post-tax Profits	6,641	6,361	4%	7,034	-6%	18,133	16,871	7%
EPS	4.97	4.76		5.27		13.58	12.63	
DPS	4.00	2.00		5.50		13.00	13.00	
Key Ratios								
Gross Margin (%)	34%	33%		19%		17%	14%	
Net Margin (%)	24%	15%		19%		17%	14%	
Source: IGI Research, Company Accounts, PSX						No. of Shares: 1335mn		

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