

# Flash Note

Tuesday, 19 April 2016

## Consumers

### EFOODS: EPS PKR 1.45 in 1QCY16

- Company reported earnings of PKR 1.1bn (EPS PKR 1.45) in 1QCY16, darting a growth of +4%YoY.
- Gross Margin improved by 1%YoY despite 7%YoY decline in revenue, which in our view is likely due to a) lower international milk prices, and b) decline in power cost as a result of drop in international oil prices.
- Finance cost declined by 62%YoY to PKR 102mn in 1QCY16 as the company is on track with scheduled debt payments, taking advantage of decline in discount rate.
- CCP has issued show-cause notices to Shakarganj Foods Products, Haleeb Foods, Noon Pakistan and Engro Foods for branding dairy drinks as milk. Efoods' Dairy Omung sales had been lower in Punjab due to Punjab Food Authority's (PFA) same concern over its milk contents.

### Recommendation

The scrip is currently trading at CY16 P/E of 32x and offers +7% upside from last close, with our Dec-16 TP of PKR 166/share. Hence, we maintain our **'Hold'** call on the scrip.

#### Exhibit: Financial Highlights

PKR mn	1QCY16	1QCY15	YoY	4QCY15	QoQ
Revenue	11,743	12,576	-7%	12,170	-4%
Gross Profit	3,304	3,435	-4%	2,118	56%
Selling and Admin	1,584	1,576	1%	1,187	33%
Financial Charges	102	267	-62%	272	-62%
Tax	446	491	-9%	225	98%
Net profit	1,108	1,069	4%	561	97%
EPS	1.45	1.39		0.73	
Key Ratios					
Gross Margin	28%	27%		17%	
Net Margin	9%	8%		5%	

Source: IGI Research, Company Financials

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### Analyst Certification

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Recommendation	Rating System
Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

### Valuation Methodology

The analyst<sup>^</sup> has used following valuation methodology to arrive at the target price of the said security (ies):

- FCF (Free Cash Flow)

#### Time Horizon

- Dec-16

#### Risk

- Changes in State Bank of Pakistan Policy Rate
- Changes in country (Pakistan) macro-economic environment
- Changes in Company(ies) operating structure

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