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

Analyst

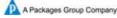
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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

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)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: Target Price: A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, Last Closing: Latest closing price, Market Cap.: Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. EPS: Earnings per Share. DPS: Dividend per Share. ROE: Return on equity is the amount of net income returned as a percentage of shareholders' equity. P/E: Price to Earnings ratio of a company's share price to its per-share earnings. P/B: Price to Book ratio used to compare a stock's market value to its book value. DY: The dividend yield is dividend per share, divided by the price per share. CY/FY: Calendar/Fiscal/Financial Year. YoY/ QoQ/ MoM: Year-on-Year, Quarter-on-Quarter, Month-on-Month. Th /Mn /Bn /Tn: Thousands/Million/Trillion.

IGI Finex Securities Limited

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