

# Flash Note

Friday, 08 February 2019

## Fertilizer

### Engro Fertilizers Limited (EFERT)

#### High prices and one-off tax benefit took 4QCY18 earnings up by +23%YoY to PKR 3.86/share; Dividend at PKR 3.00/share

- Engro Fertilizers Limited (EFERT) announced its financial results for 4QCY18 with earnings clocking at PKR 5.16bn (EPS: PKR 3.86) as compared to PKR 4.21bn (EPS: PKR 3.16) in the same period last year. On cumulative basis, profitability rose significantly by +56%YoY to PKR 17.41bn (EPS: PKR 13.04).
- The company also declared a cash dividend of PKR 3.00/share for the quarter, taking full year dividend to PKR 11.00/share.
- Net sales for the quarter have increased by +40%YoY to PKR 39.98bn, owing to increase in prices despite a minor drop of 3%YoY in urea sales. However, increase (23%YoY) in DAP sales have supported up the top-line.
- Other income decreased by 88%YoY to PKR 0.19mn on the back of removal of subsidy in urea (reclassified in urea prices).
- Effective tax rate for the period stood at 27% as against 30% in the same period last year owing to tax benefit (PKR ~300 mn) realized from gradual decrease in corporate tax rate (Budget 2018-19).

Exhibit:

#### EFERT: 4QCY18 Result Highlights

Period End Dec- PKRmn	4QCY18	4QCY17	YoY	CY18	CY17	YoY
Net Sales	39,981	28,656	40%	109,197	77,129	42%
Gross Profit	11,421	8,308	37%	35,316	23,219	52%
Selling / Dist.	2,762	2,344	18%	8,008	7,245	11%
Other Op. Income	194	1,584	-88%	2,062	5,866	-65%
EBIT	7,673	6,638	16%	26,353	19,313	36%
Finance Cost	651	646	1%	2,071	2,648	-22%
Pre-Tax Profits	7,022	5,992	17%	24,282	16,665	46%
Taxation	1,857	1,779	4%	6,869	5,509	25%
Post-Tax Profits	5,164	4,212	23%	17,414	11,156	56%
EPS	3.86	3.16		13.04	8.36	
DPS	3.00	3.00		11.00	8.50	

#### Key Ratios

Gross Profit Margins	28.6%	29.0%	32.3%	30.1%
Ebit Margins	19.2%	23.2%	24.1%	25.0%
Effective Tax Rate	26.5%	29.7%	28.3%	33.1%

Source: IGI Research, Company Financials, PSX

No. of shares: 1334mn

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