

# Flash Note

Tuesday, 24 October 2017

## Fertilizer

### EFERT: 3QCY17 Earnings down by 9%YoY to PKR 1.94/share owing to low support from other income

- Engro Fertilizers Limited (EFERT) announced its financial results for 3QCY17 with unconsolidated earnings clocking in at PKR 2.6bn (EPS: PKR 1.94) down by 9%YoY as compared to PKR 2.9bn (EPS PKR 2.14) in the same period last year.
- The company also announced a cash dividend of PKR 3.0/share, bringing 9MCY17 total cash dividend to PKR 5.50/share.
- Overall net sales jumped by +10%YoY to PKR 20.4bn during the period on the back of high Urea offtake supplemented by exports.
- Gross margins during the quarter crossed at 28%, up by 290bps during the corresponding period last year.
- Distribution costs crept up by +6%YoY to PKR1.75bn as compared to PKR 1.65bn in the same period last year. In addition, negative growth (57%YoY) in other income is due to base effect driven by high subsidy last year.

Exhibit:

#### EFERT Result Highlights

Period End Dec- PKRmn	3QCY17	3QCY16	YoY	QoQ	9MCY17	9MCY16	YoY
Net Sales	20,421	18,633	10%	18%	47,732	40,892	17%
Gross Profit	5,909	4,853	22%	13%	14,617	11,442	28%
Sell./Dist. & Admin	1,748	1,645	6%	-6%	4,901	4,058	21%
Other Income	989	2,325	-57%	-52%	4,263	4,392	-3%
EBIT	4,604	4,968	-7%	-4%	12,370	11,007	12%
Finance Cost	678	800	-15%	10%	1,978	2,363	-16%
Pre-Tax Profits	3,926	4,168	-6%	-6%	10,392	8,643	20%
Taxation	1,332	1,306	2%	-24%	3,696	2,987	24%
Post-Tax Profits	2,594	2,863	-9%	6%	6,696	5,656	18%
EPS	1.94	2.14			5.01	4.24	
DPS	3.00	1.75			5.50	5.15	
<b>Key Ratios</b>							
Gross Margins	28.9%	26.0%			30.6%	28.0%	
EBIT Margins	22.5%	26.7%			25.9%	26.9%	
Effective Tax Rate	33.9%	31.3%			35.6%	34.6%	

Source: IGI Research, Company Financials, PSX

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**Time Horizon:** Dec - 2017

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