

Engro Fertilizer (EFERT)

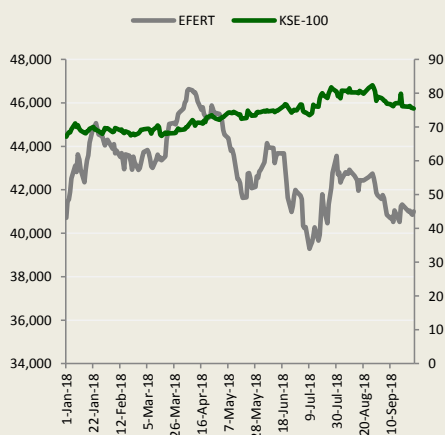
Result Review

KEY DATA

PSX Ticker	EFERT
Sector	FERTILIZER
Current Price PkR	73.02
Market Cap (PkR mn)	97,504
Market Cap (US\$ mn)	786.32
52 weeks High	82.36
52 weeks Low	60.65
Shares Outstanding (mn)	1,335.30
Free Float (%)	45%

Source: PSX/Darson Research

RELATIVE PERFORMANCE



Better pricing bodes well for company's earnings

Engro Fertilizer Limited (EFERT) announced its 9MCY18 (consolidated) result today, wherein, the company posted after tax profit (PAT) of PKR 12,249mn in 9MCY18, up +77%YoY SPLY which was PKR 6,924mn. In conjunction with the result the company announced and interim cash dividend of PKR 4 i.e. 40% (taking cumulative cash dividend to PKR 8).

Upsurge of +43%YoY was witnessed in the topline of the company which clocked in at PKR 69,215mn as against corresponding period last year which was PKR 48,473mn, soared +43%YoY mainly due to higher retention price along with higher urea/DAP off-takes. As far as Gross profit is concerned it massively increased by +60%YoY due to attractive retention prices.

Focusing on the expense, meager surge was observed in all head of expenses, on the other hand finance cost plummeted by -29%YoY to PKR 1,420mn as compared to same period last year which was PKR 2,003mn., this decline was mainly attributable to debt retirement. Furthermore, other income shed by -29%YoY, owed to withdrawal of cash subsidy on urea and DAP, moreover DAP's cash subsidy replaced with tax subsidy i.e. lower GST rate. Collectively all these led to swelled EPS by +77%YoY to PKR 9.17 versus PKR 5.19 SPLY.

PKR 'mn	9MCY18	9MCY17	YoY%
Sales	69,215	48,473	43%
Cost of Sales	45,319	33,540	35%
Gross Profit	23,896	14,933	60%
Selling & Distribution Cost	5,246	4,901	7%
Admin Expenses	812	750	8%
other expenses	1,025	870	18%
other income	1,868	4,245	-56%
Operating Profit	18,680	12,657	48%
Finance Cost	1,420	2,003	-29%
PBT	17,260	10,654	62%
Taxation	5,011	3,730	34%
PAT	12,249	6,924	77%
EPS	9.17	5.19	77%

Consolidated Accounts

Source: Darson Research, Company Accounts

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Notified Research Entity

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Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices.

Rating System:

- | | |
|---|---------------------|
| If; | |
| • Expected return >15% | - Buy Call |
| • Expected Return is in between 0% to 15% | - Neutral/Hold Call |
| • Expected Return <0% | - Sell Call |

Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: www.JamaPunji.pk

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