

# Engro Fertilizer Ltd. (EFERT)

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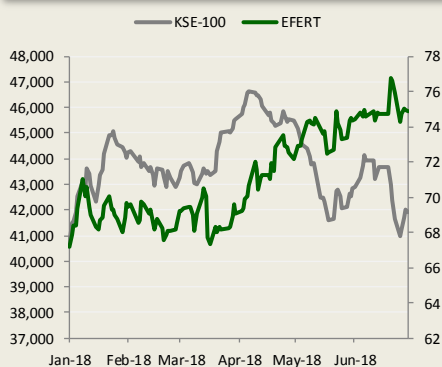
Result Review

## KEY DATA

PSX Ticker	EFERT
Sector	Fertilizer
Current Price PkR	80.85
Market Cap (PkR mn)	107,959
Market Cap (US\$ mn)	878
52 weeks High	81.75
52 weeks Low	54.91
Shares Outstanding (mn)	1335.3
Free Float (%)	45%

Source: PSX/Darson Research

## Relative Performance (HY-CY'18)



## NPAT stood at PKR 7,149mn, up +74%YoY

EFERT announced its financial result for the half year ended June, 30th 2018. According to the result, the bottom line of the company increased to PKR 7,149mn up +74%YoY translating into an EPS of PKR 5.35/share when compared with the same period last year in which NPAT was PKR 4,116mn with an EPS of PKR 3.08/share. In conjunction with the result, the company announced interim cash dividend of PKR 4/share.

Topline clocked in at 41,116mn surging +51%YoY for CY18 owed to an increase in urea prices as well as improved off-takes of DAP, while gross profit of EFERT stood at PKR 14,020mn positively impacting the bottom line, while on the other hand CoGS recorded a incline of +46%YoY as compared to last year.

Moreover, other income tumbled 49%YoY on the back of removal of urea subsidy and replacement of DAP subsidy with lower GST. As far as finance cost is concerned, on the yearly basis finance cost clocked in at PKR 886mn, a decline of -33%YoY due to debt retirement which contributed positive to the overall earnings of the company.

In addition, selling & distribution expense dipped by (4%YoY) mainly due to low handling cost of urea inventory.

PKR mn	HCY'18	HCY'17	YoY%	2QCY'18	2QCY'17	YoY%
Net sales	41,116	27,311	51%	22,898	17,247	33%
Cost of sales	27,096	18,542	46%	16,208	11,994	35%
Gross profit	14,020	8,769	60%	6,689	5,253	27%
Other income	1,654	3,244	-49%	509	2,068	-75%
Other operating expenses	573	622	-8%	169	414	-59%
Finance cost	886	1,309	-32%	362	623	-42%
Profit before taxation	10,432	6,481	60%	4,845	4,227	15%
Taxation	3,282	2,364	39%	1,585	1,748	-9%
Profit for the period	7,149	4,116	74%	3,260	2,479	31%
EPS	5.35	3.08	74%	2.44	1.85	32%

Source: Darson Research, Company Accounts

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Data Sources: PSX, Company Accounts and DSL research



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- |   |                     |
|---|---------------------|
| 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](http://www.JamaPunji.pk)

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