

## EFERT 2QCY19 Result Preview

- The board meeting of Engro Fertilizers Company (EFERT) is scheduled on Thursday, 8 August 2019, to announce its financial result for 2QCY19.
- Company is expected to post net income of Rs3.6Bn which translates into EPS of Rs2.7, taking 1HFY19 earnings to Rs5.6 per share. Despite lower offtakes, better retention price is presumed to boost the company bottom line by 31.2% YoY.
- Finance cost is anticipated to increase by 1.25x YoY to reach Rs843Mn due to excessive borrowings amid higher interest rates.
- Along with the result, EFERT is expected to announce a cash dividend of Rs3.5 per share.

Income Statement (000)	2QCY19	2QCY18	YoY	1HCY19E	1HCY18A	YoY
<b>Net sales</b>	<b>18,015</b>	<b>15,230</b>	<b>18.3%</b>	<b>34,655</b>	<b>30,141</b>	<b>15.0%</b>
Cost of sales	(10,315)	(9,937)	3.8%	(20,483)	(18,190)	12.6%
<b>Gross profit</b>	<b>7,699</b>	<b>5,292</b>	<b>45.5%</b>	<b>14,172</b>	<b>11,951</b>	<b>18.6%</b>
Selling & Dist expenses	(1,636)	(1,324)	23.5%	(3,022)	(2,763)	9.4%
Administration expenses	(431)	(225)	92.0%	(698)	(490)	42.3%
Other operating income	832	764	9.0%	2,251	1,976	13.9%
Other operating expenses	(426)	(169)	152.5%	(831)	(573)	45.0%
Finance cost	(843)	(374)	125.4%	(1,659)	(877)	89.2%
Profit before taxation	5,196	3,965	31.1%	10,213	9,225	10.7%
Tax	(1,507)	(1,152)	30.8%	(2,696)	(2,704)	-0.3%
<b>Profit after tax</b>	<b>3,689</b>	<b>2,813</b>	<b>31.2%</b>	<b>7,517</b>	<b>6,522</b>	<b>15.3%</b>
<b>EPS (Rs)</b>	<b>2.763</b>	<b>2.106</b>		<b>5.630</b>	<b>4.884</b>	

Source: Company Financials, Darson Research

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If;

- **Expected return >15%** - Buy Call
- **Expected Return is in between 0% to 15%** - Neutral/Hold Call
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### 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.)

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