

Pakistan Fertilizers

EFERT PA: 4QCY23 EPS clocked in at PKR8.35 – Above expectation

Engro Fertilizer Limited has announced its 4QCY23 result, where company has posted consolidated PAT of PKR11.15bn (EPS: PKR8.35) vs. PAT of PKR6.41bn (EPS: PKR4.80) in SPLY. The result is above our expectation mainly due to higher than expected gross margins.

- Revenue for the quarter clocked in at PKR75.2bn, recording an increase of 63% YoY amid higher offtakes and better product prices. Similarly, margins improved by ~16ppts YoY.
- Selling & distribution expense increased by 26%/38% YoY/QoQ likely attributable to surge in transportation cost.
- Other income clocked in at PKR1.8bn, up by 78%/146% YoY/QoQ due to higher short term investments.
- Finance cost witnessed a decline of 72%/45% YoY/QoQ to clock in at PKR274mn amid decline in debt levels.
- Company has recorded loss allowance on subsidy from GoP amounting to PKR1.93bn during the quarter.
- Company recorded tax charge of PKR8.8bn in 4QCY23, taking ETR to 44% vs. 39% in preceding quarter.
- Along with the result, company has announced a cash dividend of PKR8.0/sh, taking CY23 dividend to PKR20.5/sh.

EFERT (PKR mn)	4QCY23	4QCY22	3QCY23	YoY	QoQ	CY23	CY22	YoY
Net Sales	75,174	46,141	66,165	63%	14%	223,705	157,017	42%
Cost of Sales	46,065	35,598	45,176	29%	2%	151,407	114,170	33%
Gross Profit	29,109	10,543	20,989	176%	39%	72,297	42,847	69%
GM %	38.7%	22.9%	32%			32%	27%	
Selling & Dist Exp.	4,855	3,851	3,507	26%	38%	13,053	9,886	32%
Admin Exp.	1,952	344	680	468%	187%	4,007	2,217	81%
Other Income	1,813	1,021	737	78%	146%	3,714	2,325	60%
Other Charges	1,915	520	1,173	268%	63%	4,369	2,524	73%
Financial Charges	274	982	499	-72%	-45%	1,911	2,622	-27%
Profit before Taxation	19,989	5,522	15,785	262%	27%	49,693	26,562	87%
Taxation	8,843	(888)	6,205	NM	43%	23,502	10,558	123%
Profit after taxation	11,147	6,409	9,581	74%	16%	26,191	16,003	64%
EPS	8.35	4.80	7.17			19.61	11.98	64%
DPS	8.00	5.00	6.00			20.50	13.50	

Source: Company accounts, Insight research

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Valuation Methodology: To arrive at our period end target prices, ISL uses different valuation methodologies including

- Discounted cash flow (DCF)
- Relative Valuation (P/E, P/Bv, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/Bv	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield
ROE	Return on Equity	ROA	Return on Assets	CAGR	Compounded Annual Growth Rate

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