

EFERT

9M CY21 Result Review: BUY Stance Maintained

Equity Research | Fertilizer | Wednesday, 13 October, 2021

EFERT has announced its 9M CY21 result where it posted a profit after tax of Rs14.96bn (EPS: Rs11.21) as compared to a profit after tax of Rs11.49bn (EPS: Rs8.61) in the same period last year, up by 30.2% YoY.

The company had posted a revenue of Rs93bn against Rs78bn in SPLY, recording a growth of 19% YoY. We assume that growth is attributed to increase in retention prices.

The gross margin has been improved slightly to 33.5% as compared to 31.8% in SPLY due to an increase in demand. SG&A expenses have increased by 1.8% YoY to Rs7.4bn as compared to Rs7.2bn during SPLY.

Lastly, an increase in the other income by 46.2% YoY and a decrease in finance cost by 54% YoY supported the bottom line.

Going forward, we expect the offtake to increase further as a result of improved economic activity, and subsidies provided by the government. EFERT is currently trading at a CY21E P/E of 4.76x. Furthermore, the script is also trading at CY21E P/B of 1.89x which offers a discount of 8% relative to its historical 2-year average of 2.05. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs90 which provides a return of 30%. Further, it also provides a dividend yield of 19% which makes the total return of 49%.

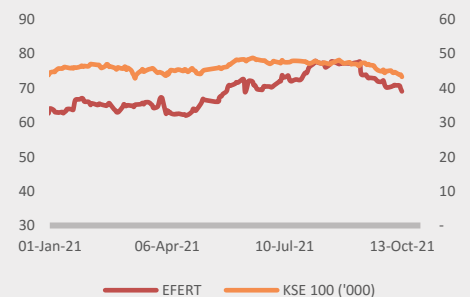
Rupees' millions	3QCY21	3QCY20	YoY	9M CY21	9M CY20	YoY
Net Sales	37,383	37,435	0.1% ▼	92,742	78,138	18.7% ▲
Cost of Sales	-27,768	-26,592	4.4% ▲	-61,718	-53,270	15.9% ▲
Gross Profit	9,615	10,843	11.3% ▼	31,024	24,868	24.8% ▲
SG&A Expenses	-2,586	-3,077	16.0% ▼	-7,356	-7,225	1.8% ▲
Other Expenses	-723	-408	77.0% ▲	-2,199	-1,779	23.6% ▲
Operating Profit	6,307	7,357	14.3% ▼	21,469	15,864	35.3% ▲
Other Income	458	501	8.6% ▼	1,471	1,006	46.2% ▲
Finance Cost	-426	-655	35.0% ▼	-1,266	-2,763	54.2% ▼
Profit Before Taxation	6,339	7,203	12.0% ▼	21,674	14,107	53.6% ▲
Taxation	-1,927	-169	1037.9% ▲	-6,711	-2,616	156.6% ▲
Profit After Taxation	4,412	7,034	37.3% ▼	14,963	11,491	30.2% ▲
Earnings Per Share	3.30	5.27	37.3% ▼	11.21	8.61	30.2% ▲
Dividend	3.50	5.00	30.0% ▼	11.50	9.00	27.8% ▲
Bonus	-	-	-	-	-	-
Closing Period: 27 Oct 2021 - 29 Oct 2021						
Gross Margin	25.7%	29.0%	3.2% ▼	33.5%	31.8%	1.6% ▲
SG&A Expenses to Sales	-6.9%	-8.2%	1.3% ▼	-7.9%	-9.2%	1.3% ▼
Other Income to Sales	1.2%	1.3%	0.1% ▼	1.6%	1.3%	0.3% ▲
Ex. Gain / (Loss) to Sales	-6.9%	-8.2%	1.3% ▼	-7.9%	-9.2%	1.3% ▼
Effective Taxation	-30.4%	-2.4%	28.1% ▲	-31.0%	-18.5%	12.4% ▲
Net Margin	11.8%	18.8%	7.0% ▼	16.1%	14.7%	1.4% ▲

Source: ACPL Research, Company Financials

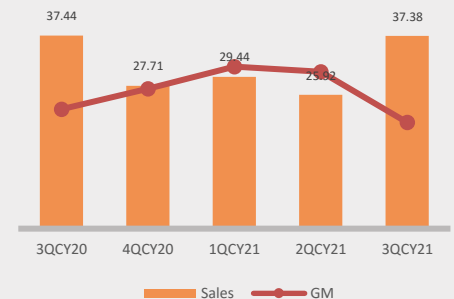
Key Statistics

Symbol	EFERT
TP - Jun 22	90.00
LDPC	68.99
Upside (%)	30
Free Float ('mn)	601
Market Cap. (Rs. 'mn)	1,335

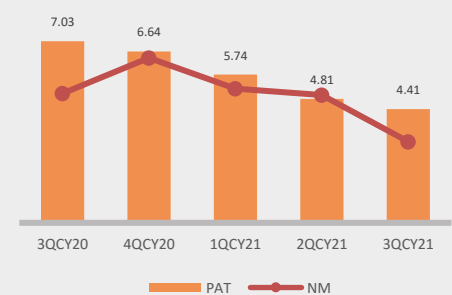
EFERT vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	121,355	105,846	136,571	141,843	146,169	149,936	156,916
Cost of sale	81,815	71,592	95,124	101,101	105,296	109,357	116,697
Gross profit	39,540	34,255	41,447	40,742	40,873	40,579	40,218
Selling and promotion expenses	8,736	8,457	9,832	10,211	10,523	10,794	11,296
Administration expenses	1,248	1,908	1,405	1,459	1,503	1,542	1,614
Other operating expenses	2,623	1,905	2,952	3,065	3,159	3,240	3,391
Operating Profit	26,933	21,985	27,259	26,006	25,688	25,003	23,917
Other operating income	4,352	2,550	2,166	2,249	2,318	2,378	2,488
Finance cost	3,887	3,236	2,014	1,206	733	366	183
Profit before taxation	27,398	21,298	27,411	27,050	27,273	27,015	26,222
Taxation	10,526	3,165	7,949	7,845	7,909	7,834	7,604
Profit after taxation	16,871	18,133	19,462	19,206	19,364	19,180	18,618
EPS	12.63	13.58	14.58	14.38	14.50	14.36	13.94

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21E	CY22E	CY23E	CY23E	CY23E
Net sales	11.1%	-12.8%	29.0%	3.9%	3.0%	2.6%	4.7%
Cost of sale	10.7%	-12.5%	32.9%	6.3%	4.1%	3.9%	6.7%
Gross profit	12.0%	-13.4%	21.0%	-1.7%	0.3%	-0.7%	-0.9%
Selling and promotion expenses	9.1%	-3.2%	16.3%	3.9%	3.0%	2.6%	4.7%
Administration expenses	-21.3%	52.8%	-26.4%	3.9%	3.0%	2.6%	4.7%
Other operating expenses	83.2%	-27.4%	54.9%	3.9%	3.0%	2.6%	4.7%
Operating Profit	10.9%	-18.4%	24.0%	-4.6%	-1.2%	-2.7%	-4.3%
Other operating income	111.1%	-41.4%	-15.1%	3.9%	3.0%	2.6%	4.7%
Finance cost	87.7%	-16.7%	-37.8%	-40.1%	-39.2%	-50.1%	-50.0%
Profit before taxation	12.8%	22.3%	-28.7%	-1.3%	0.8%	-0.9%	-2.9%
Taxation	53.3%	-69.9%	-151.2%	-1.3%	0.8%	-0.9%	-2.9%
Profit after taxation	-3.1%	7.5%	-7.3%	-1.3%	0.8%	-0.9%	-2.9%
EPS	-3.1%	7.5%	-7.3%	-1.3%	0.8%	-0.9%	-2.9%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
GP Margin	%	32.58	32.36	30.35	28.72	27.96	27.06	25.63
OP Margin	%	25.78	23.18	21.55	19.92	19.16	18.26	16.83
NP Margin	%	13.90	17.13	14.25	13.54	13.25	12.79	11.86
ROE	%	38.00	40.29	40.79	38.67	37.52	35.82	33.57
ROCE	%	25.56	18.96	21.18	19.30	19.09	18.66	17.92
ROA	%	13.79	14.02	14.01	13.12	13.20	13.07	12.63

Liquidity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Current	x	1.14	1.24	1.51	1.51	1.55	1.58	1.54
Acid-test	x	0.42	0.18	0.34	0.34	0.35	0.36	0.35
Cash to current liab.	x	0.07	0.07	0.08	0.08	0.08	0.09	0.08

Activity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	4	5	4	4	4	4
Inventory Days		56	50	50	50	50	50	50
Receivables Days		43	30	30	30	30	30	30
Payables Days		168	170	170	170	170	170	170
Operating Cycle		-70	-90	-90	-90	-90	-90	-90

Investment Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	12.63	13.58	14.58	14.38	14.50	14.36	13.94
DPS	Rs.	13.00	13.00	13.10	12.93	13.04	12.91	12.54
Div. Yield	%	18.84	18.84	18.99	18.74	18.90	18.72	18.17
Dividend Cover	x	0.97	1.04	1.11	1.11	1.11	1.11	1.11
BVPS	Rs.	32.41	35.00	36.47	37.92	39.38	40.83	42.24
Payout	%	102.89	95.73	89.91	89.91	89.91	89.91	89.91
Retention	%	-2.89	4.27	10.09	10.09	10.09	10.09	10.09
No. of Shares	'mn	1,335	1,335	1,335	1,335	1,335	1,335	1,335
P/E		5.46	5.08	4.73	4.80	4.76	4.80	4.95
Sales per share		90.88	79.27	102.28	106.23	109.47	112.29	117.51
P/BV		2.13	1.97	1.89	1.82	1.75	1.69	1.63
Price to Sales		0.76	0.87	0.67	0.65	0.63	0.61	0.59

Gearing Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.76	0.51	0.41	0.25	0.11	0.03	0.02
L.T. Debt to Equity	x	0.72	0.50	0.40	0.24	0.10	0.02	0.01
Interest Cover	x	8.05	7.58	14.61	23.43	38.23	74.84	144.28

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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