



## AKD Securities Limited

TREC Holder & Registered Broker  
Pakistan Stock Exchange

Equity Research / Pakistan



REP-108  
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### Today's Daily

#### ■ ENGRO: 2QCY17 Result Preview

ENGRO is scheduled to announce its 2QCY17 earnings tomorrow (Aug 18'17) where we expect the company's consolidated/unconsolidated earnings to clock in at PkR2.87bn/PkR959mn (EPS: PkR5.48/PkR1.83), up 57%YoY/down 94%YoY. This is likely to be driven by an impressive 3.6x/9.0x/10%YoY growth in EFERT/EPCL/EPQL bottom-line translating into 57%YoY increase in consolidated bottom-line, despite adverse performance by EFOODS, which posted a loss of PkR145mn in 2QCY17 against profit of PkR853mn in 2QCY16. On the other hand, 94%YoY/82%QoQ decline in unconsolidated earnings is expected due to: 1) absence of dividend from its subsidiaries in 2QCY17 and 2) inclusion of PkR16bn as one-time gain in 2QCY16 on 28.34% disposal of EFERT shares. On a cumulative basis, we expect ENGRO consolidated/unconsolidated earnings to settle at PkR5.71bn/PkR6.26bn (EPS: PkR10.90/PkR11.95), up 3%YoY/down 68%YoY in 1HCY17. Alongwith the result we also expect an interim cash dividend of PkR4/sh. Having lost 3.8%CYTD, we currently have a Buy stance on the scrip with our SOTP based Jun'18 TP standing at 374.2/sh (upside 23%).

#### KSE100 - Index

Current 44,186.96  
Previous 43,899.45  
Chg. 0.65%

#### Mkt Cap. (PkRbn/US\$bn)

Current 9,179 / 87.08  
Previous 9,138 / 86.70  
Chg. 0.44%

#### Daily Turnover (mn)

Current 187.25  
Previous 191.37  
Chg. -2.2%

#### Value Traded (PkRmn/US\$m)

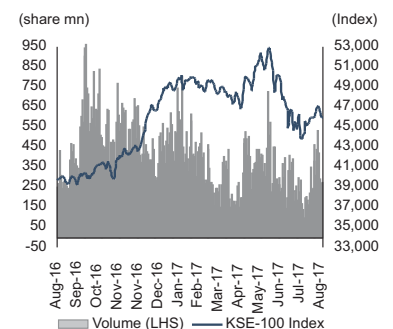
Current 10,326 / 97.97  
Previous 9,101 / 86.35  
Chg. 13.5%

AKD Daily

Thursday, Aug 17, 2017

### News and Views

- NAB has summoned former PM Nawaz Sharif and his sons in its Lahore office tomorrow (Friday) to make statements in the Azizia Steel Mills case. In related developments, the SHC has allowed NAB to conduct operations in Sindh while seeking a list of MPA's and government officers under inquiry.
- As per recent data released by SBP, net FDI during Jul'17 amounted to US\$222.6mn, rising 1.63xYoY with Power (US\$56.6mn), Construction (US\$20mn) and Oil & Gas (US\$20mn) sectors depicting a rising trend.
- The GOP has raised PkR638bn through auction held yesterday (Wednesday) of treasury bills. Bids amounting to PkR523bn, PkR115.37bn and PkR0.23bn were accepted for 3M, 6M, 12M T-bills, where cut off yields for 3M, 6M, and 12M were 5.99%, 6.01% and 6.04% respectively.



Waqas Imdad Ali

waqas.imdad@akdsecurities.net  
111-253-111 Ext: 634

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## ENGRO: 2QCY17 Result Preview

ENGRO is scheduled to announce its 2QCY17 earnings tomorrow (Aug 18'17) where we expect the company's consolidated/unconsolidated earnings to clock in at PkR2.87bn/PkR959mn (EPS: PkR5.48/PkR1.83), up 57%YoY/down 94%YoY. This is likely to be driven by an impressive 3.6x/9.0x/10%YoY growth in EFERT/EPCL/EPQL bottom-line translating into 57%YoY increase in consolidated bottom-line, despite adverse performance by EFOODS, which posted a loss of PkR145mn in 2QCY17 against profit of PkR853mn in 2QCY16. On the other hand, 94%YoY/82%QoQ decline in unconsolidated earnings is expected due to: 1) absence of dividend from its subsidiaries in 2QCY17 and 2) inclusion of PkR16bn as one-time gain in 2QCY16 on 28.34% disposal of EFERT shares. On a cumulative basis, we expect ENGRO consolidated/unconsolidated earnings to settle at PkR5.71bn/PkR6.26bn (EPS: PkR10.90/PkR11.95), up 3%YoY/down 68%YoY in 1HCY17. Along with the result we also expect an interim cash dividend of PkR4/sh. Having lost 3.8%CYTD, we currently have a Buy stance on the scrip with our SOTP based Jun'18 TP standing at 374.2/sh (upside 23%).

**2QCY17 consolidated earnings preview:** We expect ENGRO to post consolidated earnings of PkR2.87bn in 2QCY17, up 57%YoY/1%QoQ. On cumulative basis, we expect ENGRO consolidated earnings to settle at PkR5.71bn (EPS: PkR10.90), up 3%YoY. This is likely to be driven by an impressive 3.6x/9.0x/10%YoY growth in EFERT/EPCL/EPQL bottom-line translating into 57%YoY increase in consolidated bottom-line, despite adverse performance by EFOODS, which posted a loss of PkR145mn in 2QCY17 against profit of PkR853mn in 2QCY16.

### ENGRO: Businesses Performances (Consolidated)

Subsidiaries	NPAT (PkRmn)					Revenue (PkRmn)				
	2QCY17F	2QCY16A	YoY	1QCY17A	QoQ	2QCY17F	2QCY16A	YoY	1QCY17A	QoQ
EFERT	2,479	696	3.6	1,638	51%	17,247	10,397	66%	10,064	71%
FOOD (Eximp & EFOODS)	86	742	-88%	83	4%	309	11,804	-97%	297	4%
Power (EPQL)	789	718	10%	556	42%	3,204	3,213	0%	2,984	7%
EPCL	199	22	9.0	846	-76%	6,233	5,422	15%	6,812	-9%
Other operations	776	328	136%	1,097	-29%	2,388	2,338	2%	2,342	2%
CONSOLIDATED - Total	4,329	2,506	73%	4,219	3%	29,382	33,175	-11%	22,499	31%
CONSOLIDATED- Owners	2,870	1,828	57%	2,841	1%	-	-	-	-	-
CONSOLIDATED- NCI	1,459	678	115%	1,378	6%	-	-	-	-	-
CONSOLIDATED-EPS	5.48	3.49	57%	5.42	1%	-	-	-	-	-

Source: Company Report & AKD Research

**2QCY17 unconsolidated earnings preview:** We expect ENGRO's unconsolidated earnings for 2QCY17 to clock in at PkR959mn, down 94%YoY/82%QoQ. This decline in earnings is expected on the back of: 1) absence of dividend from its subsidiaries in 2QCY17 and 2) inclusion of



PKR16bn as one-time gain in 2QCY16 on 28.34% disposal of EFERT shares. On a cumulative basis, we expect ENGRO's unconsolidated earnings to settle at PkR6.26bn (EPS: PkR11.95), down 68%YoY.

### ENGRO: Income Statement (Unconsolidated)

(PkR(mn))	2QCY17F	2QCY16A	YoY	1QCY17A	QoQ	1HCY17F	1HCY16A	YoY
Dividend income	242	180	34%	5,254	-95%	5,496	3,596	53%
Royalty income	175	113	55%	133	31%	308	247	25%
Total income	416	293	42%	5,387	-92%	5,804	3,843	51%
Admin expenses	(149)	(407)	-64%	(146)	2%	(294)	(551)	-47%
Other income	1,072	16,323	-93%	1,051	2%	2,122	16,631	-87%
Other operating exp.	(5.3)	(0.4)	1295%	(0.1)	43.4	(5)	(1)	321%
Operating Profit	1,334	16,208	-92%	6,292	-79%	7,627	19,921	-62%
Finance cost	(136)	(135)	1%	(134)	2%	(270)	(282)	-4%
NPBT	1,198	16,074	-93%	6,158	-81%	7,356	19,639	-63%
Taxation	(239)	(204)	17%	(859)	-72%	(1,097)	(300)	266%
NPAT	959	15,869	-94%	5,300	-82%	6,259	19,339	-68%
EPS (PkR)	1.83	30.30	-94%	10.12	-82%	11.95	36.92	-68%
DPS (PkR)	4.0	7.0	-43%	5.0	-20%	9.0	12.0	-25%

Source: Company Reports & AKD Research

**Investment Perspective:** Material developments with regards to: 1) capital reallocation plans (ENGRO to still have PkR60bn in cash remaining post Kolachi Kolachi Portgen (KPL) investment of PkR10.29bn), 2) upcoming investment projects (Thar power project, SECMC) and 3) MSCI inclusion (Mid Cap) has kept ENGRO in the limelight during the most of 1HCY17 (14% return during 1HCY17). While fertilizer dynamics continue to remain weak, we believe, 1) ENGRO's portfolio diversification in the high yielding energy businesses, 2) redeployment of a sizeable ~PkR60.8bn (US\$580mn) available in cash & cash equivalents post KPL investment and 3) expected synergies in EFOODS post takeover by FrieslandCampina alongwith turnaround in Polymer business (recovery in PVC margin and demand), are likely to catalyse growth. In the backdrop of recent correction where stock has lost 3.8%CYTD, we currently have a Buy stance on the scrip with our SOTP based Jun'18 TP standing at 374.2/sh. (upside 23%).



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