

Engro Corporation Limited**Fertilizer****Analyst Briefing Takeaways**

The management of Engro Corporation Limited (ENGRO) held an analyst briefing session on 19th Feb'21 to discuss the CY20 financial result and future outlook.

Highlights:

- To recall, the company posted consolidated earnings of PKR 25,100mn (EPS: PKR 43.57) in CY20 compared to PKR 16,533mn (EPS: PKR 28.69) in CY19, up by 52% YoY. This comes on the back of i) 7% YoY jump in EFERT's profitability amid higher urea offtake, lower effective tax rate and fertilizer plant efficiency and ii) 55% YoY surge in EPCL's bottom-line owed to recovery of volumes in 2HCY20 and higher PVC prices. Along with this, energy and food/rice business contributed PKR 14,927mn and PKR 210mn, respectively (inclusive of non-controlling interest) to the company's profitability.
- In CY20, the Elengy Terminal handled 72 cargoes, delivering about 12% of country's gas requirements. While EVopak witnessed a decline in throughput of 2% YoY which is due to in fall chemical volumes as a result of lower imports. The company was able to offset by increasing handling of LPG.
- During CY20, EPTL transmitted 4,032 GWh to the national grid and attained plant availability of 84% YoY. Meanwhile, in SECMC, coal from the mine of around 3.8mn tons was supplied to the power plant.
- EPQL has come into agreement with government, in which it will reduce its ROE and will receive two installment of outstanding receivables till Nov'20 in CY21.
- In Engro Enfrashare, the company was able to get project of PKR 18bn from all the mobile network operators. Moreover, the company delivered 1,265 towers at operational sites in CY20. For 2025, the company aims to increase its portfolio size to 5,000 towers.
- Regarding polypropylene, the company stated that it is under feasibility study given it is a sizeable project and will announce the timeline once the time comes.

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as December 2021 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +10% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -10% and +10% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -10% from last closing of market price(s)

* Upside for Power Generation Companies (Ex. KEL) is upside plus dividend yield.

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices:

- **Discounted Cash Flow (DCF)**
- **Dividend Discount Model (DDM)**
- **Sum of the Parts (SoTP)**
- **Justified Price to Book (JPTB)**
- **Reserved Base Valuation (RBV)**

Risks

The following risks may potentially impact our valuations of subject security (ies);

- **Market risk**
- **Interest Rate Risk**
- **Exchange Rate (Currency) Risk**

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