

Engro Fertilizers Limited

Analyst Briefing Takeaways

Management Conference Call

The management of Engro Fertilizer Limited (EFERT) held an Analyst Briefing session on 5th Aug'24 to discuss the company's performance in 1HCY24 and future outlook.

Brief Takeaways

- To recall, the company posted a consolidated net profit of PKR 9,426mn (EPS: PKR 7.06) in 1HCY24 compared to PKR 5,464mn (EPS: PKR 4.09) in 1HCY23, up by 73% YoY which is due to i) 62% and 19% YoY hike in urea and DAP price and ii) 54% YoY jump in DAP offtake.
- The company's urea market share in 2QCY24 settled at 26% compared to 34% in 2QCY23. Meanwhile, the company's DAP market share increased to 17% in 2QCY24 vis-à-vis 14% in 2QCY23.
- During the quarter, the company underwent and completed a 55-day turnaround at EnVen plant, commencing on 22nd Apr'24. According to the management, the turnaround was conducted to improve reliability of the plant.
- The turnaround at EnVen plant included waste heat boiler replacement, syn. turbine steam nozzle replacement, furnace steam coil replacement, and ammonia storage tank inspection.
- Due to the turnaround, the company's urea offtake declined by 39% YoY in 2QCY24, arriving at 281k tons.
- Regarding the Pressure Enhancement Facility, the management informed that 85% of phase 1 has been completed and the remaining work will be completed towards the end of 2024. Whereas, the company has started ordering compressors for phase 2.
- The management reiterated that the company along with other fertilizer players took the initiative to support the government during the financial crunch by uplifting ~75K tons of urea at import price. The differential between imported urea price and local selling was agreed to be collected over one year. Meanwhile, the company along with other industrial players recognized differential as a cost (Profitability impact of PKR 2.3bn).
- Related to the hefty revision in gas prices in Feb'24, the management re-iterated that the company hails this as a step in the right direction to counter gas circular debt.
- The management told that the farmers' income from wheat has reduced by ~PKR 58k/acre due to government opting out procurement post harvest in Apr'24, which led to fall in market price from PKR 4k/ maund to PKR 2.5k/ maund. Similarly, reduction in maize prices led to lower cultivation, which resulted fall in crop earnings by ~PKR 40k/acre.

AHL Brief Note: Fertilizer

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5 August 2024

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