

Fertilizer

EFERT: 1QCY24 Management Call Takeaways

- Engro Fertilizer Limited (EFERT) held an investor briefing session to discuss the 1QCY24 financial results and provide key insights on the future outlook for the Company.
- The Company reported consolidated 1QCY24 earnings of PKR 10.8bn (EPS PKR 8.08), up by +2.4xy/y compared to PKR 3.3bn (EPS PKR 3.30) in the similar period last year. On quarterly basis, profitability was down by -3%q/q during 1QCY24.
- Regarding the pressure enhancement facility, the Company informed that Phase-I has achieved 74% completion and is expected to be completed by end CY24. Whereas, for Phase-II the Company has started the ordering of compressors and expects the phase to be completed by the end of 2025.
- The Management also informed that the Enven's plant 55-days long annual turnaround (ATA) has begun on April 22nd, 2024 and is progressing as per plan due to timely procurement of equipment and mobilization of contractors.

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Key highlights from management conference call

- The rise in earnings during 1QCY24 was attributed to +47%/y/y increase in the sale of specialty fertilizer (i.e Zabardart Urea or Zinc Urea) coupled with a 84% volumetric growth in DAP clocking in at 83K tons compared to 45K tons in SPLY.
- During the quarter, the Company achieved highest ever Q1 production of urea at 605K tons.

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- During 1QCY24, the urea industry sales stood at 1.82mn tons and DAP industry sales clocked in at 0.28mn tons. However, the Company's urea market share declined by 4%/y settling at 30% in 1QCY24 whereas DAP market increased by 10% to 29%.
- The management restated that EFERT along with other Fertilizer players in the industry supported the Government during the ongoing financial crunch by uplifting ~75KT of Urea at import price.
- Regarding the pressure enhancement facility, the Company informed that Phase-I has achieved 74% completion and is expected to be completed by end CY24. Whereas, for Phase-II the Company has started the ordering of compressors and expects the phase to be completed by the end of 2025.
- The Management also informed that the Enven's plant 55-days long annual turnaround (ATA) has begun on April 22nd, 2024 and is progressing as per plan due to timely procurement of equipment and mobilization of contractors. This turnaround is specifically important for the Company as it will improve the plant's efficiency. Moreover, the Company's base plant continues to be operational.
- The management also highlighted that EFERT urea prices are at a 34% discount as compared to the landed international urea price. As at March 2024, the Company's urea price stood at PKR 4,549/bag whereas international urea price stood at PKR 6,862/bag.
- The management again appreciated the Government's recent move of hike in gas prices and emphasized the need of unified gas prices for the entire industry.

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