

Fertilizer

EFERT: 2QCY24 Management Call Takeaways

- Engro Fertilizer Limited (EFERT) held an investor briefing session to discuss the 2QCY24 financial results and provide key insights on the future outlook for the Company.
- The Company reported consolidated 2QCY24 earnings of PKR 1.7bn (EPS PKR 1.25), up by +57%/y/y compared to PKR 1.1bn (EPS PKR 0.79) in the similar period last year. On quarterly basis, profitability was down by -85%q/q during 2QCY24.
- During the period, the Company accomplished a monumental 55-days long turnaround which was aimed to improve the reliability of the plant. The turnaround included waste heat boiler replacement, Syn turbine steam nozzle replacement, furnace steam coil replacement and ammonia storage tank inspection.
- Regarding the pressure enhancement facility, the Company informed that Phase-I has achieved 85% 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.

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Key highlights from management conference call

- During 2QCY24, the urea industry sales stood at 1.48mn tons and DAP industry sales clocked in at 0.26mn tons. However, the Company's urea market share declined by 8%/y/y settling at 26% in 2QCY24 whereas DAP market increased by 3%/y/y to 17%.
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Analyst

Sakina Makati
sakina.makati@igi.com.pk

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- Due to the turnaround, the Company's urea production declined to 361K tons in 2QCY24 from 539K tons in SPLY whereas offtakes declined to 281K tons against 460K tons in 2QCY23.
- The management also informed that the Enven's Plant Turnaround costed approximately USD 50mn of which 60-70% was related to CAPEX and 30-40% was OPEX.
- 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. The Company agreed to recover the price differential over the next 12 months. Meanwhile the Company recorded the differential as a cost resulting in a profitability impact of PKR 2.3bn.
- Regarding the pressure enhancement facility, the Company informed that Phase-I has achieved 85% 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 again appreciated the Government's recent move of hike in gas prices however emphasized the need of unified gas prices for the entire industry as the current gas price hike has increased gas costs for only 60% of the sector whereas 40% of the remaining players continue to enjoy lower rates. The management highlighted that this disparity in gas cost has substantially increased EFERT's cost of manufacturing urea.

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Sakina Makati	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	sakina.makati@igi.com.pk
Laraib Nisar	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 974	laraib.nisar@igi.com.pk

IGI Finex Securities Limited

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Corporate member of Pakistan Mercantile Exchange Limited

Website: www.igisecurities.com.pk

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
 Fax: (+92-21) 35309169, 35301780

Lahore Office

Shop # G-009, Ground Floor,
 Packages Mall
 Tel: (+92-42) 38303560-69
 Fax: (+92-42) 38303559

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
 Block- B, Jinnah Avenue, Blue Area
 Tel: (+92-51) 2604861-2, 2604864, 2273439
 Fax: (+92-51) 2273861

Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The
 Regency International 949, The Mall
 Faisalabad
 Tel: (+92-41) 2540843-45

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
 Model Town, Town Hall Road
 Tel: (+92-68) 5871652-3
 Fax: (+92-68) 5871651

Multan Office

Mezzanine Floor, Abdali Tower,
 Abdali Road
 Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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