

Fertilizer

EFERT: 4QCY23 Management Call Takeaways

- Engro Fertilizer Limited (EFERT) held an investor briefing session to discuss the 4QCY23 financial results and provide key insights on the future outlook for the Company.
- The Company reported consolidated 4QCY23 earnings of PKR 11.1bn (EPS PKR 8.35), up by +75%y/y compared to PKR 6.4bn (EPS PKR 4.80) in the similar period last year. On quarterly basis, profitability is up by +16%q/q during 4QCY23.
- Earnings improved on the back of higher offtakes coupled with higher fertilizer prices. The Company announced cash dividend of PKR 8.0/share along with the result.
- The management informed that the BMR/ATA of Enven Plant is scheduled in Apr-24 for which the Company has already incurred a CAPEX of USD 45-50mn.

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Key highlights from management conference call

- The Company highlighted that during CY23, the phosphate volumes increased by +9.6%y/y and the specialty fertilizer posted a volumetric growth of +47%y/y while the sales revenue reached an all-time high of PKR 223bn, up by +42%y/y.
- During CY23, the urea industry sales stood at 6.6mn tons and DAP industry sales clocked in at 1.5mn tons. However, the Company's urea market share increased to 35% from 29% in CY22, whereas the DAP market share shrank to 18% from 23% in CY22.

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- According to the management, the Company's urea prices stood at PKR 3,471/bag in Dec-23, trading at a significant discount of 65% to international prices of PKR 5,714/bag.
- Moreover, EFERT's urea production clocked in at 2.3mn tons in CY23 as compared to 1.9mn tons in CY22 mainly due to higher productivity post-base plant turnaround.
- The management informed that the BMR/ATA (Annual Turnaround) of Enven Plant is scheduled in Apr-24 for which the Company has already incurred a CAPEX of USD 45-50mn.
- Regarding the pressure enhancement facility, the Company informed that Phase-I has achieved 60% completion and is expected to be completed by end CY24. Whereas, Phase-II is expected to commence by the end of CY25 for which the ordering of compressors is in progress. The total CAPEX required for the project is around USD 300mn.
- The management also appreciated the Government's recent move of hike in gas prices and emphasized the need of unified gas prices for the entire industry. The new gas prices will be applicable from March 1, 2024.
- The management also highlighted that urea shortage forced the Country to import ~220KT but the Government was unable to subsidize this due to the ongoing financial crunch so EFERT along with other Fertilizer players in the industry stepped up to support the Government by uplifting ~75KT of Urea at imported price.

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