

## Fertilizer

### EFERT: 4QCY24 Management Call Takeaways

- Engro Fertilizer Limited (EFERT) held an investor briefing session to discuss the 4QCY24 financial results and provide key insights on the future outlook for the Company.
- The Company reported consolidated 4QCY24 earnings of PKR 10.3bn (EPS PKR 7.7), down by -8%/y/y compared to PKR 11.1bn (EPS PKR 8.3) in the similar period last year. On quarterly basis, profitability was up by +20%q/q during 4QCY24. The Company announced cash dividend of PKR 8.0/share along with the result.
- During CY24, the urea industry sales witnessed a minor decline of -1%/y/y to clock in 6.6mn tons, however EFERT's urea offtakes declined by -13%/y/y to ~2.0mn tons mainly due to the major 55-days long turnaround of the Enven plant during the 2QCY24.
- The Company highlighted that it inaugurated the fourth Engro Markaz in Muridke. With this addition the Company now operates four Engro Markaz in Muridke, Sahiwal, Sargodha and Sahiwal to ensure availability of high-quality fertilizers to farmers at official prices. Regarding the UgAi app, which was launched in October last year, the management commented that it is expected to improve sales.

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#### Key highlights from management conference call

- During CY24, the urea industry sales witnessed a minor decline of -1%/y/y to clock in 6.6mn tons, however EFERT's urea offtakes declined by -13%/y/y to ~2.0mn tons mainly due to the major 55-days long turnaround of the Enven plant during the 2QCY24. During the year, the Company's urea market share stood at 31%. On the other hand, the Industry's DAP sales increased by +5%/y/y

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to 1.6mn tons, while EFERT's offtakes increased by +10%/y/y with market share standing at 19%.

- On a quarterly basis, during 4QCY24, the urea industry sales stood at 2.0mn tons and DAP industry sales clocked in at 0.74mn tons. However, the Company's urea market share stood 35% remaining flat on a y/y basis whereas DAP market share declined by -4%/y/y to 16%.
- The Company highlighted that it inaugurated the fourth Engro Markaz in Muridke. With this addition the Company now operates four Engro Markaz in Muridke, Sahiwal, Sargodha and Sahiwal to ensure availability of high-quality fertilizers to farmers at official prices. Regarding the UGAI app, which was launched in October last year, the management commented that it is expected to improve sales.
- Regarding the inflated Selling and Distribution charges during the quarter, the Company commented that reclassification of some costs from COGS to S&D coupled with the impact of axle load regime resulted in the surge of S&D expenses during the quarter.
- Regarding the pressure enhancement facility, the Company informed that Scope-1 of the Phase-1 has been completed and Scope-2 is in progress which is expected to be completed during 2QCY25. Whereas, for Phase-II EFERT has started the ordering of compressors.
- The Company also informed that it contributed around PKR 54.4bn to the national exchequer by way of Government taxes, +57% higher than last year.

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