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EFERT - 2QCY26 Analyst Briefing Takeaways

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Engro Fertilizers Ltd. (EFERT) held its analyst briefing today to discuss 2QCY26 financial results and the future outlook. Following are the key highlights from the briefing:

- To recall, EFERT reported earnings of PkR3.8bn (EPS: PkR2.8), down 32%YoY from PkR5.6bn (EPS: PkR4.2) in SPLY, primarily due to lower offtakes; however, partially offset by a one-off gain of remeasurement gain on SIDC provision.
- Company declared a dividend of PkR1.75/share vs. PkR4.25/share in SPLY, with a payout of 61% for the quarter vs. 102% in SPLY. Management noted that current quarter earnings include a non-cash SIDC component; excluding this, the payout is in line with previous levels. They reiterated their policy of maximizing cash returns to shareholders, with the lower payout reflecting a cautious stance amid the current geopolitical environment.
- EFERT's urea sales declined by 40%YoY to 258k tons in 2Q due to higher prices vs peers (difference of ~PkR150/bag), with market share declining to 17% vs. 34% in SPLY.
- Management remains optimistic on urea sales and does not plan to offer discounts, expecting CY26 industry demand of ~6.5mn tons amid improved farm economics. With industry production likely to remain in line with demand, company expects to recover sales in coming months and normalize market share despite price difference vs peers.
- Industry's urea inventory stood lower at 971k tons as of Jun'26, compared to 1,307k tons in SPLY, with EFERT's share of 74% .
- Company's DAP sales declined by 54%YoY to 26k tons, resulting in market share declining to 13% from 19% in SPLY. Management attributed the decline in market share to elevated import prices due to ongoing geopolitical situation, and remains concerned for 2H as well due to supply disruptions.
- Industry's DAP ending inventory declined to 280k tons as of Jun'26 against 330k tons in SPLY, with EFERT's share of 19%. For 2HCY26, management aims to ensure DAP availability through timely pricing actions and cost optimization to offset margin pressures.
- Management highlighted finance cost to slow down as higher rabi sales would decrease inventory levels.
- EFERT launched Engro Markaz, its B2C platform, in CY24. To date, the platform has onboarded ~1,957 farmers across 10 stores, with two additional stores to go live by 3Q.
- Regarding the Pressure Enhancement Facility (PEF), management reiterated that scope-1 of the first phase is completed, while scope-2 is expected to be completed by 3QCY26. Additionally, procurements and installation of compressors for Phase 2 are currently in progress, expected to be completed by 1QCY27.
- To highlight, EFERT, FFC, and FATIMA are jointly undertaking the PEF project to enhance gas pressure from the Mari field, ensuring long-term operational sustainability, at a total estimated cost of US$300mn, with EFERT's share of US$100mn.
- We maintain our 'BUY' stance on EFERT with Dec'26 TP of PkR264/sh. Our stance is supported by expected recovery in fertilizer demand due to improving farm economics, along with ease in inventory level.

189.9	1,335.3
Price (PkR/sh)	Shares (mn)
253,626.8	913.1
Market Capitalization (PkRmn)	Market Capitalization (USDmn)
1.243	245.6
3M Avg Turnover (mn)	3M Avg DT Value(PkRmn)

Price Performance

198.4	-4.3%	187.1
HIGH	1 Month	LOW
247.6	-2.9%	187.1
HIGH	52 Week	LOW

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