

Engro Corporation Limited

Analyst Briefing Takeaways

The management of Engro Corporation Limited (ENGRO) held an analyst briefing session on 26th Feb'24 to discuss the CY23 financial result and future outlook.

Brief Takeaways

- To recall, the company posted a consolidated profit after tax of PKR 21.0bn (EPS: PKR 39.17) in CY23 compared to PKR 24.3bn (EPS: PKR 45.34) in SPLY, depicting a decline of 14% YoY due to accounting impact of PKR 30bn (ENGRO's share PKR 13bn) related to re-measurement of thermal assets. If we exclude the impact of re-measurement, the earnings settled at PKR 34bn (EPS: PKR 63.95), depicting a massive jump of 41% YoY. The management attributes this growth to i) higher urea sales, ii) efficient plant operations, iii) a jump in earnings from dollar-denominated businesses, and iv) cost optimization.
- The management shared that the re-measurement impact will not result in a cash outflow. The management highlighted that in the event transaction of sale of Thermal assets materializes, the gain on divestment will be booked in standalone accounts.

Fertilizer business

- Engro Fertilizers Limited (EFERT) achieved the highest-ever urea sales of 2,327k tons in CY23, up by 21% YoY.
- EFERT's profitability climbed up by 64% YoY in CY23 amid i) a surge in urea and DAP prices, and ii) higher urea offtake.
- The management expects urea demand of the company to remain stable in CY24, while DAP demand is expected to pick up in CY24 due to the better farm economics.

Chemical business

- Engro Polymer & Chemicals Limited (EPCL)'s profitability declined by 24% in CY23 on the back of lower PVC margins.
- The company's market share in PVC stands at 89% towards end of CY23.
- PVC demand is expected to increase in CY24.
- The management informed that the COD of H2O2 and HTDC projects is expected in 1HCY24.

Energy business

- The profitability of EPQL witnessed a growth of 1.7x YoY on the back of efficient operations and higher interest income.
- For EPQL, Generation License was granted to include gas from Badar field as an alternative fuel.
- Engro Powergen Qadirpur Limited and Engro Powergen Thar Limited supplied around 4,481 GWh to the national grid during CY23 versus 4,458 GWh in CY22.
- The management shared that SECMC completed phase I of PCD and announced a total dividend of PKR 11bn in CY23.
- By 4QCY24, the company expects mine capacity to increase to 11.4MT.

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Terminal business

- The company handled 952K tons of chemicals during CY23, down by 28% YoY owed to the operational issues at the company's client end amid import restrictions and gas curtailment.
- The Engro Elengy terminal catered to 73 cargos in CY23.
- Keeping in view easing in imports, the chemical handling is expected to stabilize.

Tower business

- Enfrashare deployed 653 towers during CY23, taking the total operational towers to 3,952. The company is targeting to reach 5,000 towers towards end of 4QCY24. Furthermore, the company tenancy ratio has increased to 1.21x in CY23 from 1.17x in CY22.

Food business

- FCEPL's net profit during CY23 plummeted by 53% YoY on account of higher interest rates.
- The business is focusing on expanding its product portfolio in CY24.

FZE

- FZE reported a revenue of PKR 406mn in CY23, trading with over 40+ countries.
- The business transported 667k tons volumes and handled 30+ products in CY23.
- The business successfully executed third party trade worth USD 54mn in CY23.

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