ARIF HABIB LIMITED

Engro Holdings Limited
Analyst Briefing Takeaways

4 March 2025

REP-300

The management of Engro Holdings Limited (ENGROH) held an analyst briefing session on 4th Mar'25 to discuss the CY24 financial result and future outlook. The management informed that the financials reported consists of pre-merger DAWH accounts. The restructuring process involving ENGRO and DAWH was concluded on 1st Jan'25.

Brief Takeaways

- To recall, the company posted a consolidated profit after tax of PKR 12.9bn (EPS: PKR 10.70 @1,204mn shares) in CY24, depicting a surge of 50% YoY. In terms of continued operations, the jump in profitability is attributable to i) robust earnings led by higher urea prices, and ii) efficiencies via cost optimization. Meanwhile, the lower PVC demand due to muted construction projects tagged with higher energy prices and cost of doing business partially offset this.

Fertilizer business

- Engro Fertilizers Limited (EFERT) achieved urea sales of 2,026k tons in CY24, down by 12% YoY owed to 55 days turnaround of EnVen plants.
- EFERT's profitability climbed up by 8% YoY in CY24 amid higher urea prices, and cost optimization.
- The management believes that specialty fertilizers demand is expected to be impacted amid weakening of farm economics.

Chemical business

- Engro Polymer & Chemicals Limited (EPCL)'s posted a loss of PKR 0.2bn (LPS: PKR 0.40) in CY24 compared to a profit of PKR 8.9bn (EPS: PKR 9.1) in SPYL amid significant decline in global commodity prices, hike in energy costs, and higher financing cost along with lower domestic construction activities.
- During CY24, EPCL domestic sales arrived at 206k tons compared to 199k tons in SPLY.
- The management anticipates international prices to remain bearish due to subdued demand from India and China. Moreover, the domestic PVC demand is expected to recover on the back of stabilizing inflation and easing of monetary policy.

Energy business

- The profitability of EPQL witnessed a decline of 15% YoY, which mainly was due to provision against possibility of potential alteration in the power purchase agreement.
- For EPQL, Generation License was granted to include gas from Badar field as an alternative fuel, with NEPRA tariff determination being received in this regard.
- Engro Powergen Qadirpur Limited and Engro Powergen Thar Limited supplied around 4,440 GWh to the national grid during CY24 versus 4,481 GWh in CY23.
- The management informed that the divestment transaction is in progress and approvals for transaction is underway.

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Terminal business

- The company handled 1,238K tons of chemicals during CY24, up by 30% YoY owed to relative ease in opening letter of credit as compared to last year.
- Engro Elengy terminal catered 72 cargos in CY24 (97% availability).
- Due to proactive commercial efforts LPG marine imports remained higher. Meanwhile, the market share of company in LPG stood at 60% compared to 64% in SPLY.
- Keeping in view the easing in imports, the chemical handling is expected to improve.

Tower business

- Enfrashare deployed 263 towers during CY24, taking the total operational towers to 4,215. Furthermore, the company tenancy ratio has increased to 1.26x in CY24 from 1.21x in CY23.
- During the period, the business captured 52% of the ITC colocations market.
- The company has entered into amalgamation agreement with Pakistan Mobile Communications Limited (Jazz), to merge Deodar (Pvt) Ltd to Engro Connect Ltd. With this, 10,617 towers will be added to the Engro Enfrashare's portfolio (which at present stands at ~4000).

Food business

- FCEPL's net profit during CY24 increased by 7% YoY on account of improvement in retail presence, stable volumes favourable pricing, and cost efficiencies.
- An additional financial strain has been exerted amid imposition of sales tax of package milk. The company has increased the prices to pass on the impact.
- The Engro Eximp Agriproducts (Pvt) Ltd is currently in process of divestment.

FZE

- FZE reported a revenue of USD 510mn in CY24, up 26% YoY.
- Moreover, the business made a total trade volume 788k tons in CY24, up by 18% YoY.
- The business is focusing on securing third party trades. During CY24, the third party ratio increase to 24% compared to 14% in SPLY.
- The business secured first ever 3P DAP cargo in Pakistan.

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