

Engro Fertilizers Limited

Result Review: Lower offtakes Hits 1QCY26 Earnings

REP-300

1QCY26: Earnings clocked in at PKR 2.49/share

- Engro Fertilizer Limited (EFERT) announced its results today, reporting a net profit of PKR 3.3bn (EPS: PKR 2.49) in 1QCY26, up 14% YoY. Alongside the results, the company announced a DPS of PKR 2.0 for 1QCY26 (80% payout and lower than historical levels), down from PKR 2.25 last year.

Result Highlights

- Net sales grew 25% YoY but fell 63% QoQ, largely due to a sharp 73% QoQ drop in urea offtake. This comes off after an exceptionally strong Dec'25, when EFERT recorded its highest-ever quarterly urea sales of 1.03mn tons, resulting in elevated dealer inventories amid robust Rabi demand and softer demand in the current quarter.
- EFERT had already reduced discounts from PKR 400/bag to PKR 150/bag in Jan'26 and fully withdrew them from 4th Apr'26, leading to a decline in market share to 26.9% (vs. 40.9% in Dec'25 and 23.6% in Dec'24). Meanwhile, DAP offtake rose 62.3% YoY to 40k tons.
- Distribution costs increased slightly 1% YoY to PKR 3.3bn in 1QCY26.
- Finance costs rose 31% YoY, mainly due to PEF-related capex financing and higher inventory levels, despite lower interest rates.
- Cash and short-term investments declined to PKR 17bn in Mar'26 (vs. PKR 24bn last quarter), while inventories rose to PKR 34.2bn (vs. PKR 25.6bn), reflecting weaker offtake during the period. The company held ~386k tons of inventory, accounting for 48% of total industry stocks, marking a significant build-up QoQ.
- Consequently, debt levels increased 15% QoQ to PKR 77bn (elevated), compared to PKR 67bn in the previous quarter.

Recommendation

- EFERT is trading at CY26e and CY27f P/E multiples of 11.7x and 9.4x, respectively.

Exhibit: Financial Highlights

(PKR mn)	1QCY26	1QCY25	YoY	4QCY25	QoQ
Income Statement					
Net Revenue	37,790	30,286	25%	101,677	-63%
Cost of Sales	26,059	19,604	33%	73,491	-65%
Gross Profit	11,731	10,682	10%	28,185	-58%
Distribution Expense	3,256	3,225	1%	8,277	-61%
Admin Expense	1,197	1,236	-3%	1,006	19%
Others Income	382	313	22%	972	-61%
EBIT	7,117	6,006	19%	17,927	-60%
Finance Cost	1,427	1,090	31%	2,050	-30%
Profit before Taxation	5,560	4,926	13%	16,308	-66%
Taxation	2,242	2,028	11%	7,954	-72%
Profit after Taxation	3,319	2,898	14%	8,354	-60%
EPS (PKR)	2.49	2.17		6.26	
DPS (PKR)	2.00	2.25		4.00	
Ratio Analysis					
Gross Margins	31%	35%		28%	
Net Margins	9%	10%		8%	
Return on Equity	56%	53%		49%	
Return on Assets	12%	14%		12%	
Payout Ratio	80%	104%		64%	
ETR	40%	41%		49%	

Source (s): Company Financials, AHL Research

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