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Sector**Fertilizer****Chase Research**research@chasesecurities.com
+92-21-35293054-60Symbol: **EFERT**Current Price: **PKR 86.90**Market Cap (PKR bn): **116.04**Total Shares (bn): **1.34**Free Float (mn): **600.89**52 Week Low: **PKR 74.60**52 Week High: **PKR 91.80****Engro Fertilizers Limited (EFERT)**

In 9MFY23, EFERT showcased a robust financial performance, reporting a significant profit of PKR 15.05 billion (EPS: PKR 11.27). This marked a remarkable 57% increase from the previous year's profitability of PKR 9.59 billion (EPS: PKR 7.19).

During this period, the company's top line experienced a substantial surge, reaching PKR 148.53 billion, signifying a notable 34% YoY growth. Simultaneously, the gross profit soared to PKR 43.19 billion, reflecting a commendable 34% increase.

In 9MFY23, EFERT produced 1.72 KT urea and successfully sold 1.73 KT. This uptick in production (170KT) was attributed to improved efficiency resulting from last year's base plant turnaround of sixty days.

Despite a significant 34% rise in the cost of sales, totaling PKR 105.343 billion in 9MFY23, up from PKR 78.57 billion in the previous year, EFERT managed to keep finance costs down to PKR 1.64 billion, showcasing the company's improved cash position.

In the fertilizer industry, urea and phosphate experienced growth rates of 4% and 43% respectively in 9MFY23. However, EFERT's DAP market share dropped to 16% in 9MFY23 from the previous year's 24%. The domestic discount on urea prices stood at 54% as per management. Over the past decade, the fertilizer sector has extended significant benefits (gas price benefit) to farmers, amounting to over 4.5 times.

Management shared insights into ongoing negotiations with the government, focusing on the unification of gas prices and addressing challenges such as the smuggling of low-cost fertilizers, which have, however, been

controlled in the last two months by the interim government.

EFERT's management shared that the IHC has issued a stay order against the recovery of an additional 6% tax in FY22. Additionally, the company faces challenges related to the recovery of outstanding sales tax refunds amounting to PKR 12.1 billion, as well as subsidy receivables from government totaling PKR 6.5 billion.

Going forward, EFERT is prepared for any fluctuations in gas prices and anticipates an increase in production by operating the plant at full capacity. The company is committed to maintaining an optimal debt-to-equity ratio.

Financial Highlights			
PKR million	9MFY23	9MFY22	YoY Change
Net Sales	148,530	110,875	34%
Cost of Sales	105,342	78,571	34%
Gross Profit	43,187	32,303	34%
Admin Expenses	2,0543	1,8720	10%
Dist & Selling Exp	8,198	6,0351	36%
Other Income	1,900	1,303	46%
Other Exp	2,454	2,0031	22%
Finance Cost	1,636	1,639	-0.2%
PBT	29,703	21,040	41%
Taxation	14,659	11,445	28%
PAT	15,044	9,594	57%
EPS	11.27	7.19	-
*Source: Engro Fertilizer Limited, PSX			

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