



Engro Fertilizers

Q3 2023 Analyst Briefing

October 2023





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Agenda

	1	EFERT Highlights
	2	Industry & EFERT Business Performance
	3	Fertilizer Sector Contribution and Challenges
	4	Support required from Government
	5	Sustainability
	6	Q&A Session



1. EFERT Highlights





Financial Highlights

YTD Financial Highlights



Revenue

↑ PKR **149** bn
34% vs SPLY



Profitability

↑ PKR **15** Bn
57% vs SPLY



EPS

↑ PKR **11.27**
vs. 7.19 SPLY

Quarterly Financial Highlights



Revenue

↑ PKR **66** bn
85% vs SPLY



Profitability

↑ PKR **9.5** Bn
129% vs SPLY



EPS

↑ PKR **7.7**
vs. 3.13 SPLY

EFERT has announced an interim dividend of **PKR 6.0/share** for **Q3 2023**.
Cumulative **PKR 12.50/share** for **Q3 2023** v/s **PKR 8.50/share** in Q3 2022.



Business Updates

Gas Prices – Fertilizer Sector

- We understand that the Government is actively considering gas price unification for the Fertilizer sector.
- EFERT is a strong proponent of Urea price stability and will continue to support the Governments efforts of gas price unification.

Smuggling & Hoarding of Urea

- Urea is currently being smuggled which creates a shortage of the product in local markets.
- EFERT appreciates and supports the strict action taken by the Interim Government against smugglers and hoarders of essential commodities.

Super Tax (Finance Act 2023)

- Islamabad High Court has granted a stay order against the recovery of 6% incremental super tax (FY 2022).
- Moreover, EFERT is also considering other available legal remedies to challenge the imposition of Super Tax.

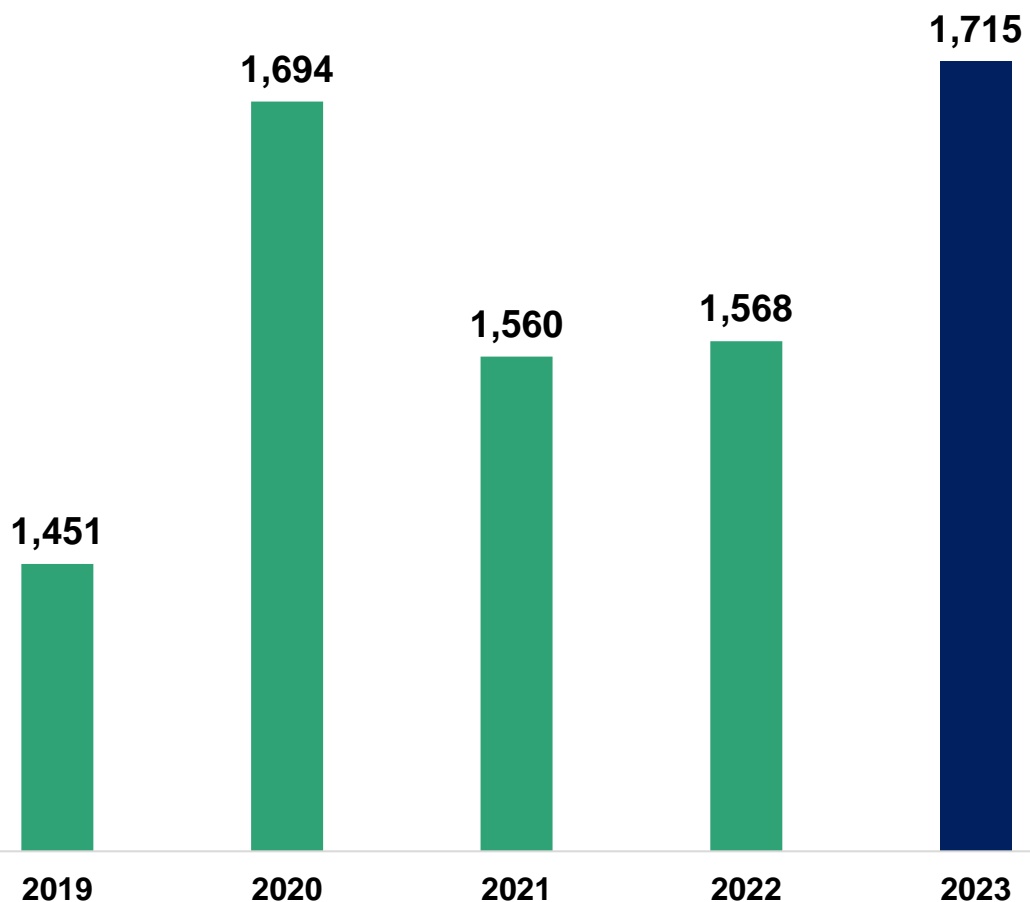
2. Industry & EFERT Business Performance



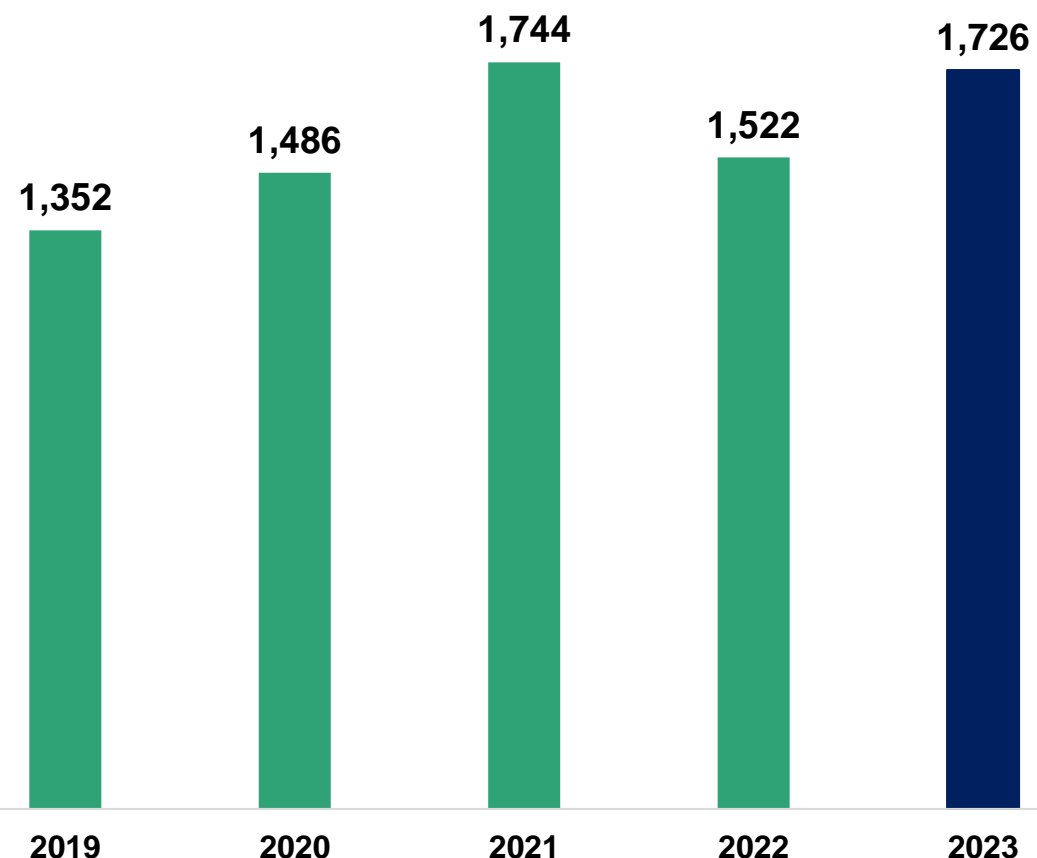


Urea Production & Sales – 9M 2023

Production (KT)

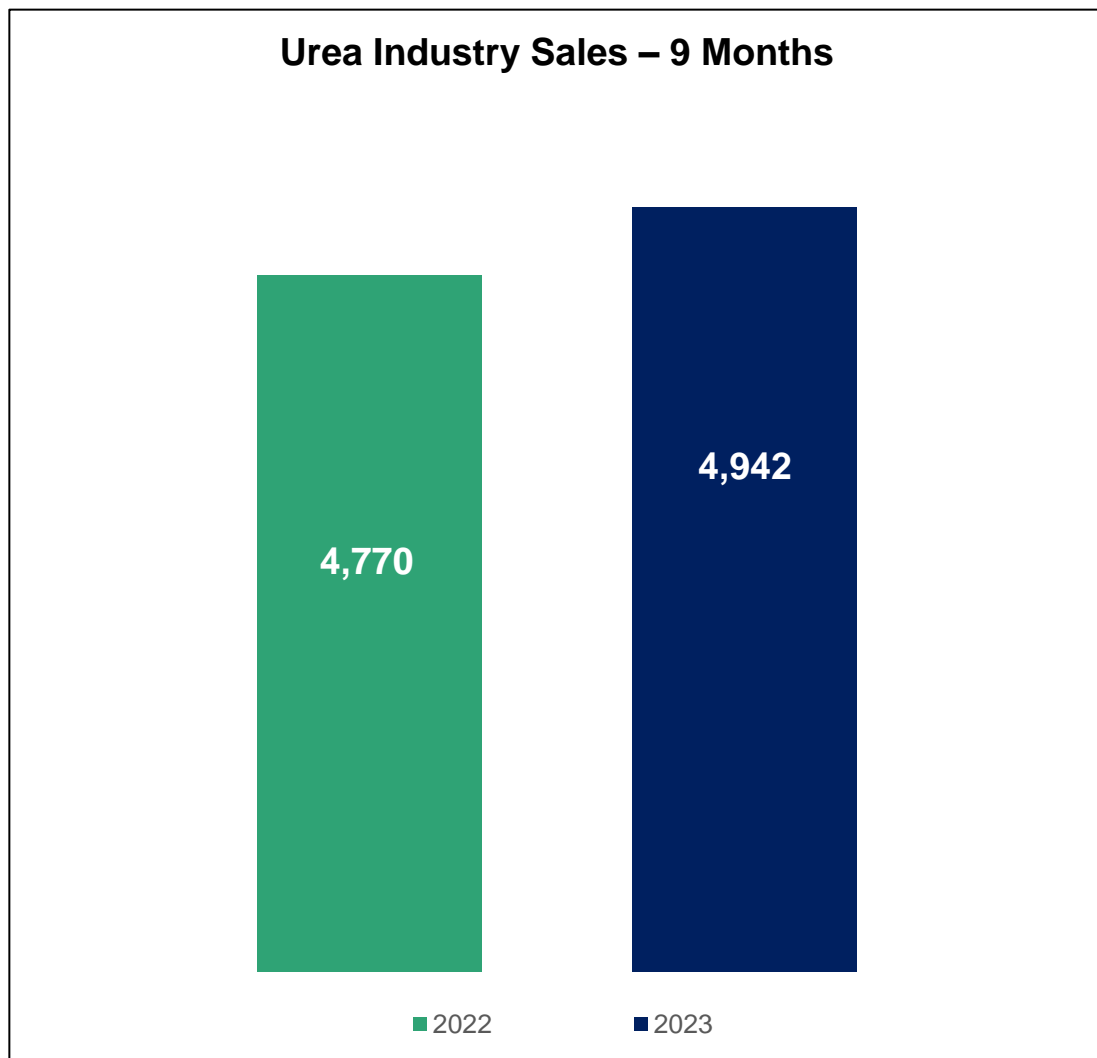


Sales (KT)

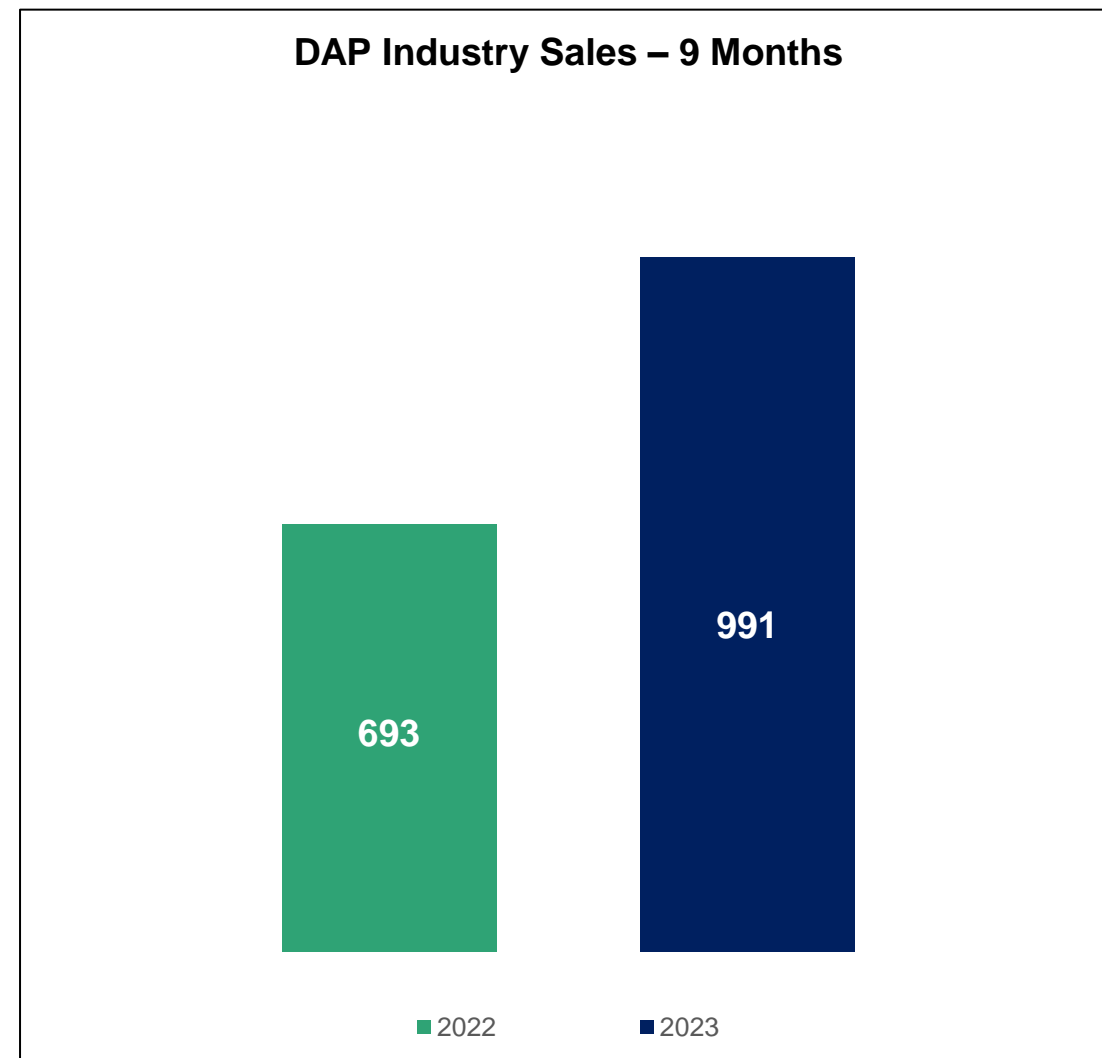




Urea & DAP Industry 9M 2023



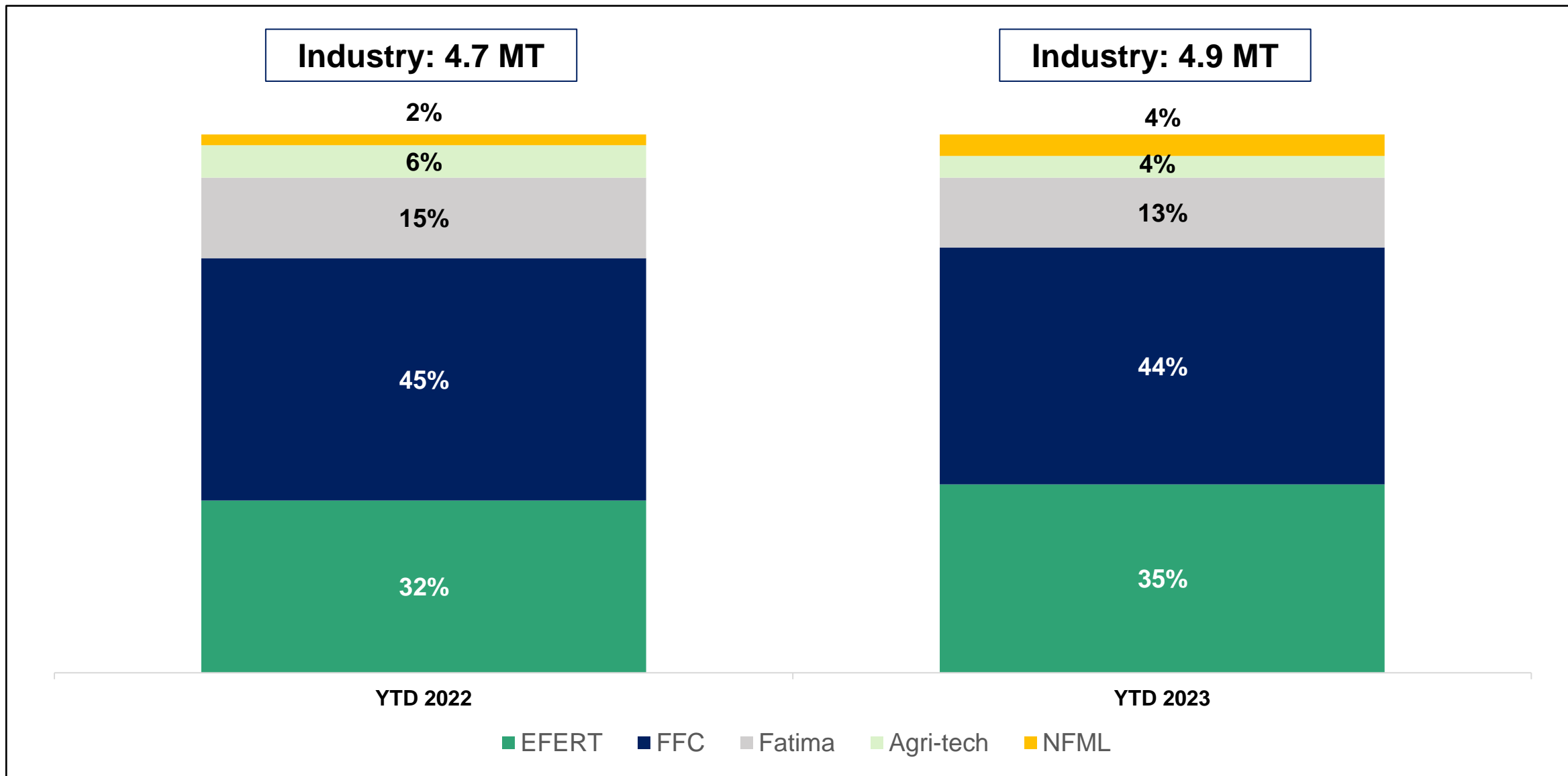
Urea industry has grown by 4%



Phosphates industry has grown by 43%

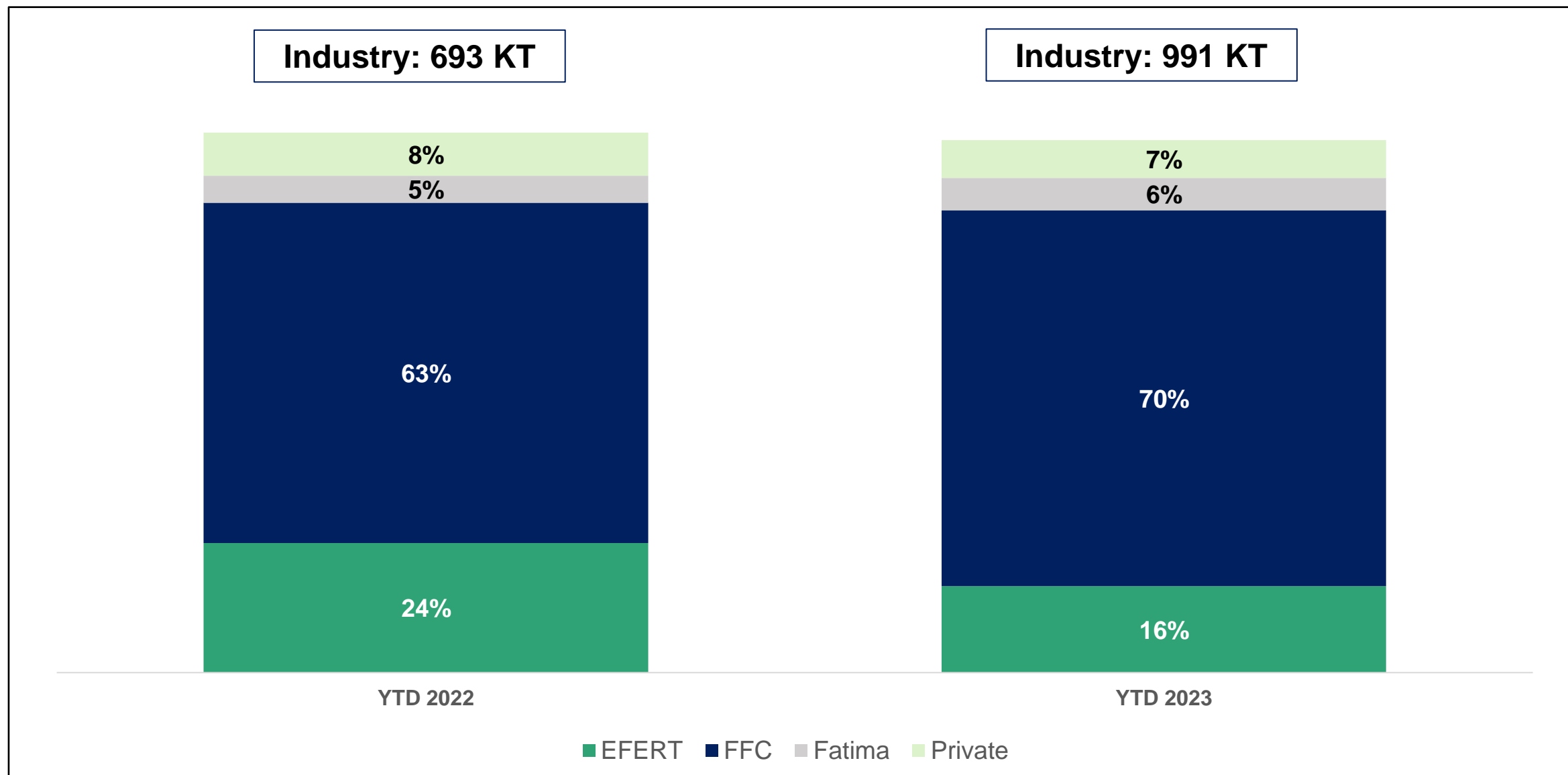


Industry & Urea Market Share 9M 2023





Industry & DAP Market Share 9M 2023



3. Fertilizer Sector - Contribution and Challenges





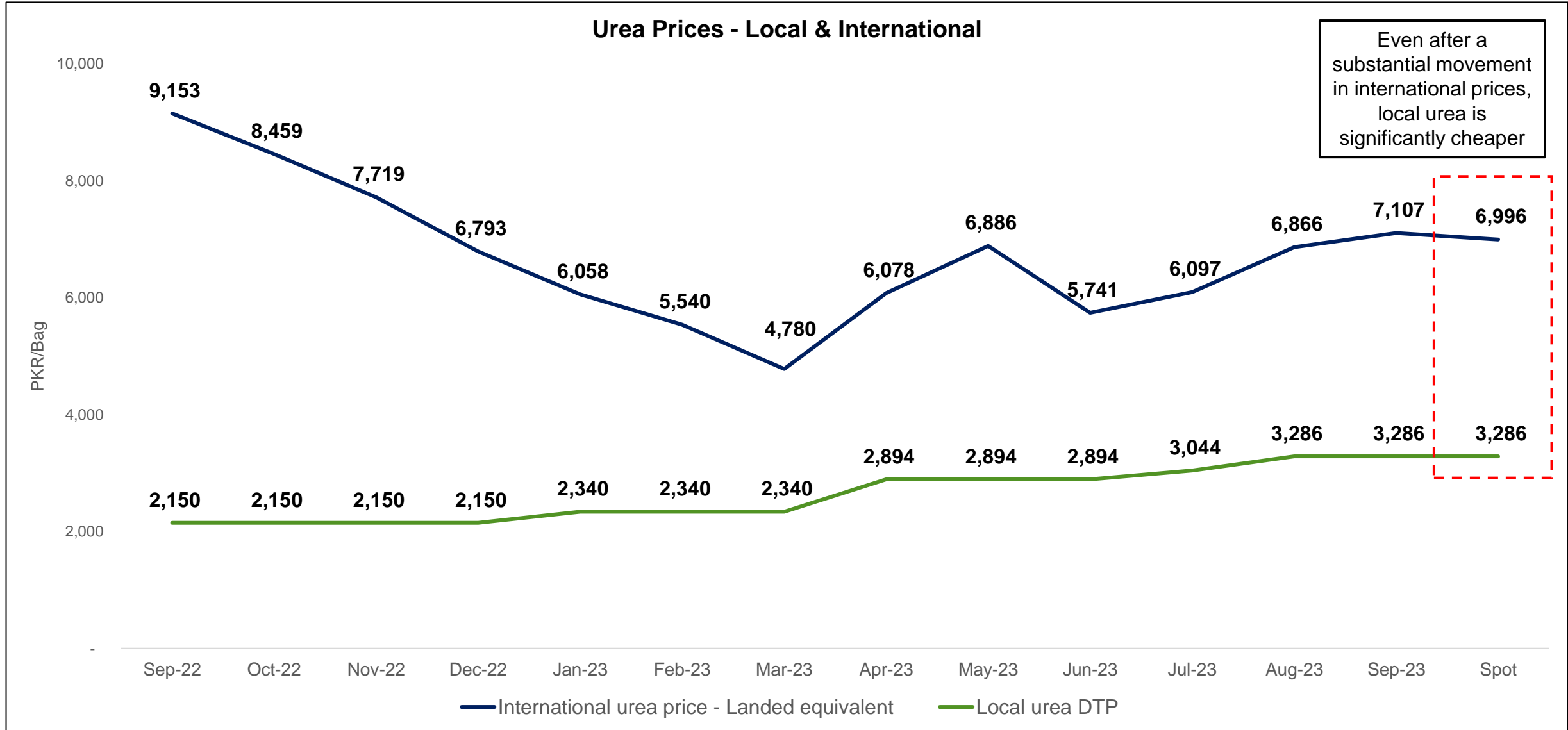
International Urea Prices at a Premium of 54%



*Data Source: CRU weekly report average
~PKR 289.37 FX rate
www.engro.com

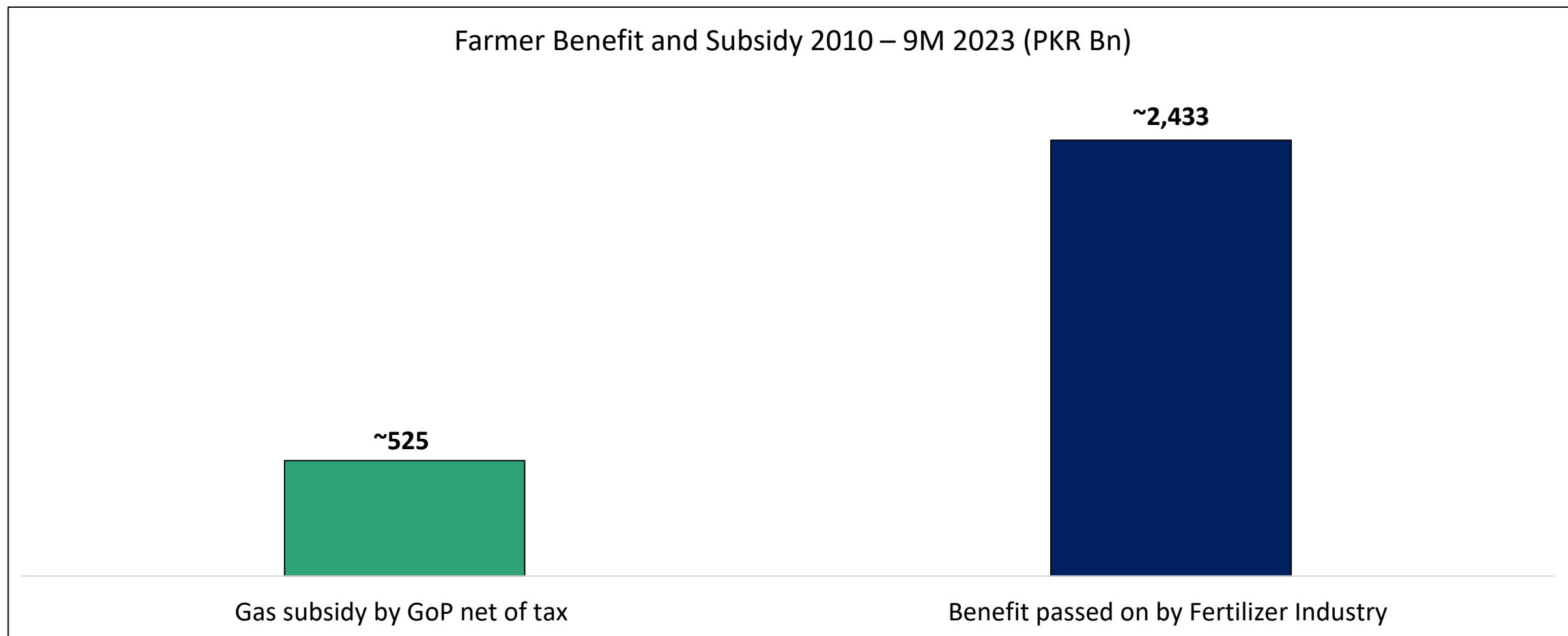


Fertilizer Sector - shielding farmers from International Urea price rise





Over the decade, Fertilizer sector has passed over 4.5X benefit to farmers



Gas price benefit of over 4.5X has been passed on to the farmers in the form of lower urea prices

Assumption: As per NFDC methodology, 25% incidentals plus other charges on CFR

4. Support Required from Government





Support Required from Government

1. Sales Tax & Refunds

- Significant mismatch between higher input tax and lower output tax on fertilizers led to piling up of substantial sales tax refunds.
- To avoid further piling up of refunds, Government through Finance Act 2022, **exempted fertilizers from sales tax effective July 01, 2022. This means that input GST now becomes a cost (previously claimable) and output GST can no longer be levied.**
- The exemption has therefore resulted in **increase in price** of the fertilizer products.
- However, the industry is still facing challenge **in recovering outstanding sales tax refunds** from the Government.
- Sales tax refund for the **Industry is PKR 72 Bn.** as of September 2023 whereas **EFERT's** share is **PKR 12.1 Bn.**

2. Subsidy Receivable

- **The industry is facing a challenge in recovering outstanding subsidy receivable from the Government.**
- Industry subsidy receivable – **Rs. 19.2 Bn.**
- EFERT subsidy receivable as of Sept 2023 – **Rs. 6.5 Bn,** outstanding **since 2018** (*represent gross amount before any accounting adjustment*).

5. Sustainability Initiatives





Sustainability Initiatives



Farmer Training & Capability Development



Education & Skills Development



Climate Resilience



Healthcare & Infrastructure



Livelihood & Capacity Building

