Engro Fertilizer Limited (EFERT) - CY25

Friday, February 13, 2026

EFERT's CY25 results reflect a complex operating environment characterized by pressed fertilizer demand and elevated costs. The company reported PAT of PKR 22.6bn (down 20% Y/Y) on revenues of PKR 237bn (down 8% Y/Y), translating to EPS of PKR 16.95 versus PKR 21.16 in the prior year. While gross margins expanded by 260bps to 30.6%, the bottom line was severely impacted by a 49% surge in finance costs and higher distribution expenses. The sharp compression in net margins from 11.0% to 9.5% underscores the challenges facing the fertilizer sector amid policy changes and contraction in farm economics, impacting demand dynamics. To note, the Company paid its shareholders a final dividend of PKR 4/ per share in Q4, hence taking the entire year payout to PKR 15/ per share.

Revenue Contraction: Net sales declined 8% Y/Y, reflecting weaker urea offtake amid lower agricultural activity and competitive intensity. The decline was driven by a combination of volume contraction and pricing pressure, as the industry grappled with oversupply conditions and subdued farmer sentiment.

Margin Expansion at Gross Level: Despite the top-line headwinds, gross profit margins improved 260bps to 30.6% as COGS declined 11% (outpacing the revenue decline). This likely reflects a favorable shift in product mix toward DAP (di-ammonium phosphate), which commands premium pricing versus commodity urea.

Operating Expenses Under Pressure: Selling & distribution expenses surged 12.5% Y/Y to PKR 20.2bn, likely reflecting higher logistics and marketing costs in a competitive market. Administrative expenses rose a more moderate 10% to PKR 4.7bn. The combined opex growth of 12% eroded the gross margin gains, with operating profit declining 4% to PKR 47.6bn.

Finance Cost Spike: Finance costs jumped 49% Y/Y to PKR 6.2bn, reflecting the impact of elevated company borrowing and was a significant drag on profitability.

Financials (PKR in mn)	CY25	CY24	Y/Y
Net sales	237,131	256,675	-7.61%
Cost of sales	(164,578)	(184,751)	-10.92%
Gross Profit	**72,553**	**71,924**	**0.87%**
Selling and distribution expenses	(20,213)	(17,961)	12.54%
Administrative expenses	(4,723)	(4,293)	10.01%
	47,617	49,670	-4.13%
Other income	2,550	2,925	-12.82%
Other operating expenses	(4,590)	(4,513)	1.69%
Finance cost	(6,171)	(4,129)	49.46%
Gain on subsidy receivable from GoP	625	1,203	-48.07%
Profit before taxation	**40,031**	**45,156**	**-11.35%**
Taxation	(17,403)	(16,896)	3.00%
Profit for the year	**22,628**	**28,260**	**-19.93%**
Earnings per share	**16.95**	**21.16**	**-19.90%**

Source: Company Financials, HMFS Research *Consolidated

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Subsidy Normalization: Gain on subsidy receivable from the government declined 48% to PKR 625mn, down from PKR 1.2bn last year. This suggests a reduction in subsidy accruals, adding another layer of pressure to the P&L.

Tax Rate Increase: The effective tax rate rose to 43.5% from 37.4%, compounding the pressure on net earnings.

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