

RESULT REVIEW

EFERT Posts 2QCY25 EPS of PKR 4.17 as Topline and Margins Expand Sharply

Wednesday, July 30, 2025

Engro Fertilizers Limited (EFERT) has delivered a robust performance for the second quarter ended June 30, 2025 (2QCY25), demonstrating significant growth in net sales, gross profit, and ultimately, net profit. The company's increase in top-line was the primary driver of this strong quarterly result. Despite an increase in finance costs and other operating expenses, the impressive operational leverage and a healthy contribution from other income propelled EFERT's profitability. The declaration of an interim cash dividend of PKR 4.25 per share for the quarter further underscores the company's commitment to shareholder returns.

Net Sales Growth & Underlying Drivers

EFERT reported a robust 27.86% increase in net sales for 2QCY25, reaching PKR 50.40bn compared to PKR 39.42bn in 2QCY24. This significant top-line expansion indicates successful market penetration strategies during the quarter. The growth in sales is a positive signal, especially within a fertilizer sector that has faced various headwinds.

Cost of Sales & Gross Margin Analysis

While net sales grew significantly, the cost of sales also increased by 10.24%, reaching PKR 34.56bn 2QCY25 from PKR 31.35bn in 2QCY24. However, the growth in net sales outpaced the increase in cost of sales, leading to a remarkable 96.33% surge in gross profit, from PKR 8.07bn in 2QCY24 to PKR 15.84bn in 2QCY25. This indicates a substantial improvement in gross margins, suggesting a more efficient production mix (NFDC reports show higher DAP offtake q/q) during the quarter.

The Role of Other Income in Net Profitability

Other income contributed positively, increasing by 72.58% to PKR 1.29bn in 2QCY25 from PKR 0.75bn in 2QCY24. This healthy growth in non-core income streams further bolstered EFERT's overall profitability. While the primary driver of profit growth was operational, the increased other income provided an additional uplift to the bottom line.

Finance Costs and Their Trend

Finance costs increased by 44.35% in 2QCY25, rising to PKR 1.77bn from PKR 1.23bn in 2QCY24. This increase suggests higher borrowing costs or increased debt levels during the quarter, potentially due to working capital requirements. The rise in finance costs partially offset the strong operational gains, highlighting the impact of the prevailing interest rate environment on the company's financial expenses.

Taxation and Net Profit for the Period

Ultimately, Profit for the Period witnessed a remarkable 234.09% increase, soaring from PKR 1.67bn in 2QCY24 to PKR 5.57bn (EPS: PKR 4.17) in 2QCY25. This substantial growth in net profit and EPS underscores EFERT's strong operational performance and effective management of its cost structure, leading to significant value creation for shareholders during the quarter.

Key Risks to Monitor

Volatility in fertilizer prices, gas supply disruptions, working capital strain amid high inventory build-up, subsidy-linked uncertainty, climate-driven demand variability, one-off gains in other income may not sustain.

Financials (PKR in mn)	2QCY25	2QCY24	Y/Y
Net Sales	50,404	39,421	27.86%
Cost of Sales	(34,560)	(31,350)	10.24%
Gross Profit	15,844	8,070	96.33%
Selling & Distribution Expenses	(3,392)	(2,592)	30.85%
Administrative Expenses	(1,759)	(1,771)	-0.72%
Operating Profit	10,694	3,707	188.51%
Other Income	1,286	745	72.58%
Other Operating Expenses	(1,172)	(845)	38.72%
Finance Cost	(1,769)	(1,225)	44.35%
Gain on Subsidy Receivable from GoP	182.276	178	2.69%
Profit Before Taxation	9,222	2,559	260.33%
Taxation	(3,656)	(893)	309.25%
Profit for the Period	5,565	1,666	234.09%
EPS (Basic & Diluted)	4.17	1.25	

Source: Company Financials, HMFS Research

* Consolidated Financials

DISCLAIMER

This research report is for information purposes only and does not constitute nor is it intended as an offer or solicitation for the purchase or sale of securities or other financial instruments. Neither the information contained in this research report, nor any future information made available with the subject matter contained herein will form the basis of any contract. Information and opinions contained herein have been compiled or arrived at by Habib Metropolitan Financial Services (HMFS) from publicly available information and sources that HMFS believed to be reliable. Whilst every care has been taken in preparing this research report, no research analyst, director, officer, employee, agent or adviser of any member of HMFS gives or makes any representation, warranty or undertaking, whether express or implied, and accepts no responsibility or liability as to the reliability, accuracy or completeness of the information set out in this research report. Any responsibility or liability for any information contained herein is expressly disclaimed. All information contained herein is subject to change at any time without notice. No member of HMFS has an obligation to update, modify or amend this research report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. Furthermore, past performance is not indicative of future results.

The investments and strategies discussed herein may not be suitable for all investors or any particular class of investor. Investors should make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives when investing. Investors should consult their independent advisors if they have any doubts as to the applicability to their business or investment objectives of the information and the strategies discussed herein. This research report is being furnished to certain persons as permitted by applicable law, and accordingly may not be reproduced or circulated to any other person without the prior written consent of a member of HMFS. This research report may not be relied upon by any retail customers or person to whom this research report may not be provided by law. Unauthorized use or disclosure of this research report is strictly prohibited. Members of HMFS and/or their respective principals, directors, officers, and employees and their families may own, have positions or affect transactions in the securities or financial instruments referred herein or in the investments of any issuers discussed herein, may engage in securities transactions in a manner inconsistent with the research contained in this research report and with respect to securities or financial instruments covered by this research report, may sell to or buy from customers on a principal basis and may serve or act as director, placement agent, advisor or lender, or make a market in, or may have been a manager or a co-manager of the most recent public offering in respect of any investments or issuers of such securities or financial instruments referenced in this research report or may perform any other investment banking or other services for, or solicit investment banking or other business from any company mentioned in this research report. Investing in Pakistan involves a high degree of risk and many persons, physical and legal, may be restricted from dealing in the securities market of Pakistan. Investors should perform their own due diligence before investing. No part of the compensation of the authors of this research report was, is or will be directly or indirectly related to the specific recommendations or views contained in the research report. By accepting this research report, you agree to be bound by the foregoing limitations.

HMFS and / or any of its affiliates, which operate outside Pakistan, do and seek to do business with the company(s) covered in this research document. Investors should consider this research report as only a single factor in making their investment decision. HMFS prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer/company prior to the publication of a research report containing such rating, recommendation or investment thesis. Furthermore, it is stated that the research analyst (s) or their close relatives have neither served as a director/officer in the past 3 years nor have received any compensation from the subject company in the past 12 months. Additionally, as per regulation 8(2)(i) of the Research Analyst Regulations, 2015, research analysts currently do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company. The research analyst(s) also certifies that any spouse(s) or dependents (if relevant) do not hold a beneficial interest in the securities that are subject of this report.

HMFS endeavors to make all reasonable efforts to disseminate its publication to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

HMFS Stock Ratings System

Investors should carefully read the definitions of all rating used within every research reports. In addition, research reports carry an analyst's independent view and investors should ensure careful reading of the entire research reports and not infer its contents from the rating ascribed by the analyst. Ratings should not be used or relied upon as investment advice. An investor's decision to buy, hold or sell a stock should depend on said individual's circumstances and other considerations. HMFS uses a three-tier rating system: i) Buy, ii) Hold and iii) Sell with our rating being based on total stock returns. A table presenting HMFS' rating definitions is given below:

Valuation Methodology

To arrive at our fair value estimates, HMFS uses different valuation methodologies including but not limited to:

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

HMFS RATING GUIDE

BUY	More than 15% Upside
HOLD	Between 15% Upside & 15% Downside
SELL	More than 15% Downside

Note: All fair value estimates are for a twelve-month time horizon unless specified otherwise in the report
Upside/Downside represents the difference between the stated "Fair Value" & the prevailing "Market Price"
Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes