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## ENGROH: CY25 Management Call Takeaways

- Engro Holdings Limited (ENGROH) held a corporate briefing session to discuss the CY25 performance and provide key insights on the business segments for the company.
- ENGROH's total profit rose by 1.5 times compared to the previous year, reaching PKR 107 billion. This increase was primarily driven by accounting adjustments in the thermal energy sector and contributions from the Deodar and Enfrashare businesses. When excluding thermal asset adjustments, the EPS stood at PKR 24.13.
- Management noted that year-over-year comparisons were complicated by three major events: the Engro group's restructuring, the termination of a Sale and Purchase Agreement (SPA), and the acquisition of Deodar.

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### Key Highlights from Corporate Briefing

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- Management noted that year-over-year comparisons were complicated by three major events: the Engro group's restructuring, the termination of a Sale and Purchase Agreement (SPA), and the acquisition of Deodar. Payouts are likely to remain limited till Dec-26 as Company is retaining profits for Deodar acquisition.
- **Chemicals (EPCL):** This segment experienced its most difficult year in a decade, resulting in a loss. Factors included low core margins (delta), falling global commodity prices, and high energy costs. The PVC – ethylene spread has seen a notable year on year improvement. It currently sits at USD 330-340/ton which even though might be healthy is still well short of an average USD 450/ton. This main risk going forward is China's export rebate

#### Analyst

Syed Muzammil Hasan Rizvi  
[muzammil.rizvi@igi.com.pk](mailto:muzammil.rizvi@igi.com.pk)

policy. Future recovery depends on improved demand and margins.

- **LNG (Engro Elengy & Vopak):** Lower margins and dispatch volumes led to decreased profitability. Despite this, the terminal remained highly reliable with over 97% availability, handling 71 cargoes.
- **Food (Friesland Campina Engro):** Profitability surged by 22% despite a 2% dip in revenue caused by lower demand for packaged milk. The profit growth was attributed to a better mix of products and effective cost-saving measures.
- **Energy (EPQL):** The group reduced its ownership in EPQL from 68.69% to 50.36% by selling an 18% stake, though it still maintains management control.
- **Fertilizers (EFERT):** While urea sales volumes grew by 10%, earnings actually fell by 20%. This decline was caused by aggressive sales discounting, rising energy expenses, and a PKR 2 billion impact from the super tax.
- **International Trade (Engro Eximp FZE):** The company expanded its revenue in the Middle East. Revenues reached US\$621 billion, with a strategic shift toward third-party (3P) trades, which now account for 55% of volumes compared to 20% previously. Management targets a 10–15% growth rate through further geographic and product diversification.
- **Telecom Infrastructure (Tower):** The business now operates approximately 15,000 towers. Management anticipates generating PKR 36 billion in incremental revenue in CY26 by increasing the tenancy ratio from 1.3x to 1.8–1.9x. Building a new tower costs roughly USD 10 million, with an additional USD 2.5 million required for solar power integration.
- The company has faced a total super tax outflow of PKR 14 billion. Management is currently pursuing tax refunds to mitigate this impact in the future.



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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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## Contact Details

### Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Syeda Mahrukh Hameed	Regional Head (North)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Faraz Naqvi	Branch Manager (Karachi)	Tel: (+92-21) 111 234 234 Ext: 826	faraz.naqvi@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

### Research Team

Abdullah Farhan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Sakina Makati	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	sakina.makati@igi.com.pk
Syed Muzammil Hasan Rizvi	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 569	muzammil.rizvi@igi.com.pk
Sufyan Siddiqui	Database Officer	Tel: (+92-21) 111-234-234 Ext: 888	sufyan.siddiqui@igi.com.pk

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Website: [www.igisecurities.com.pk](http://www.igisecurities.com.pk)

### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600

UAN: (+92-21) 111-444-001

Fax: (+92-21) 35309169, 35301780

### Lahore Office

Shop # G-009, Ground Floor,  
Packages Mall

Tel: (+92-42) 38303560-69

Fax: (+92-42) 38303559

### Islamabad Office

3<sup>rd</sup> Floor, Kamran Centre,  
Block- B, Jinnah Avenue, Blue Area

Tel: (+92-51) 2604861-2, 2604864, 2273439

Fax: (+92-51) 2273861

### Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The  
Regency International 949, The Mall  
Faisalabad

Tel: (+92-41) 2540843-45

### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
Model Town, Town Hall Road

Tel: (+92-68) 5871652-3

Fax: (+92-68) 5871651

### Multan Office

Mezzanine Floor, Abdali Tower,  
Abdali Road

Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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