August 21, 2026
REP 019

ENGROH: 2QCY26 Result Review — Recurring earnings maintain upward trajectory

AKD Securities Limited

Engro Holdings Ltd. (ENGROH) announced its 2QCY26 results, reporting consolidated earnings of PkR9.0bn (EPS: PkR7.5) compared to PkR29.8bn (EPS: PkR24.7) in SPLY, down 70% YoY. Earnings came in below our expectations owing to higher-than-anticipated taxation, likely due to higher dividend tax.

- The YoY decline in earnings is primarily attributable to the one-off reclassification of energy portfolio in SPLY. Excluding this impact, recurring earnings have improved on a YoY basis. To highlight, company reclassified its energy business from 'held for sale' back to continuous profits from 2QCY25 amid termination of sale of thermal assets in Apr'25.
- Segment wise, fertilizer business reported decline of 32%YoY in earnings to PkR3.8bn in 2QCY26, mainly driven by 40%/69% YoY drop in its Urea/DAP offtakes, respectively. However, partially offset by a PkR1.8bn one-off remeasurement gain on SIDC provision.
- Connect's earnings improved on inclusion of Deodar's portfolio taking total towers to exceed 15,000, with the segment posting higher than expected earnings supported by improved tenancy ratio and efficiency due to solarization.
- Energy portfolio contributed PkR4.4bn (PkR3.7/sh) during 2QCY26, as per our estimates, with EPTL, SECMC, and EPQL generating stable cashflows.
- FCEPL reported 10x YoY increase with earnings of PkR2.5bn in 2QCY26, contributing PkR0.8/sh, led by growth in value-added products, higher pricing and lower finance cost.
- Polymer business reported profit of PkR1.3bn in 2QCY26, vs. a loss of PkR2.4bn in SPLY, mainly supported by higher intl' PVC price & remeasurement gain on SIDC provision.
- Terminal profitability fell on lower volumes, reduced utilization and higher taxation.
- Taxation during the quarter amounted to PkR7.1bn, with ETR calculating to 32.1% from 13.1% in SPLY.
- We have a 'BUY' stance on ENGROH with Dec'26 TP of PkR351. Our positive outlook is underpinned by i) turnaround of telecom segment, ii) stable earnings from energy portfolio, and iii) recovery in fertilizer offtakes supporting EFERT's profitability.

ENGROH: Income Statement (Consolidated)

PkRmn	2QCY26	2QCY25	YoY	1QCY26	QoQ	1HCY26	1HCY25	YoY
Sales	127,293	146,010	-13%	131,971	-4%	259,264	247,258	5%
COGS	91,477	122,111	-25%	95,109	-4%	186,586	191,712	-3%
Gross Profit	35,817	23,899	50%	36,861	-3%	72,678	55,546	31%
Gross Margins	28.1%	16.4%		27.9%		28.0%	22.5%	
OPEX	8,253	12,239	-33%	6,903	20%	15,156	19,068	-21%
Other Income	5,788	2,305	151%	2,984	94%	8,772	5,779	52%
Finance Cost	12,626	8,979	41%	11,162	13%	23,788	18,029	32%
Adj gains/-loss	0	67,987	-100%	0	n.m	0	59,857	-100%
Share of profit	2,146	4,107	-48%	1,960	9%	4,106	4,791	-14%
NPAT *	8,973	29,758	-70%	9,650	-7%	18,623	31,584	-41%
EPS	7.45	24.71	-	8.01	-	15.46	26.23	-

Source: PSX & AKD Research
@1,204mn sh *attributable to holding company shareholders

Usama Rauf
usama.rauf@akdsl.com
+92-21-111253111 EXT:634

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- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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AKD Securities Limited
602, Continental Trade Centre,
Clifton Block 8, Karachi, Pakistan.
research@akdsl.com