

AHL Brief Note: Fertilizer

Fauji Fertilizer Company Limited

Corporate Briefing Takeaways

The management of Fauji Fertilizer Company Limited held a corporate briefing session on 6th Nov'24 to discuss the 9MCY24 financial result and future outlook.

Brief Takeaways

- To recall, the company posted a profit after tax of PKR 42,552mn (EPS: PKR 33.45) during 9MCY24 against PKR 22,214mn (EPS: PKR 17.46) in 9MCY23, up 92% YoY. The surge in profitability comes on account of i) jump in urea and DAP price by 51% and 15% YoY, and ii) higher dividend income from associates, and subsidiaries. The management shared that 42% of the company's profitability came from investment income.

Fertilizer business:.

- The company's urea sales, including FFBL, reached 1,958k tons in 9MCY24, marking a 2% YoY increase. Meanwhile, the group's DAP sales declined by 10% YoY.
- The company's market share in urea sales stood at 51% in 9MCY24, up from 44% in CY22.
- Combined urea production by FFC and FFBL in 9MCY24 increased by 5% YoY, reaching 2,283k tons.
- Toward the end of 9MCY24, the company sold urea at PKR 4,275/bag, compared to the landed international price of PKR 7,100/bag.
- Regarding the Pressure Enhancement Facility (PEF), management reported that work on Phase I is in its final stages and will be completed by year-end. Additionally, the order for compressors for Phase II has been placed
- **Other businesses:**
 - In the energy sector, the wind business has been profitable and announced a dividend in 9MCY24, whereas TEL has been operational but has not announced a dividend.
 - Askari Bank Ltd (AKBL) has continued to generate profit while undergoing strategic transformation.
 - Fauji Foods Ltd remains profitable, while Fauji Fresh n Freeze's growth is hindered due to market conditions.
 - The joint venture company PMP resumed dividend payments in 9MCY24.

Amalgamation with FFBL

- Management disclosed that the merger of FFC and FFBL has been approved by the CCP and shareholders during the EOGM. Currently, the filing of the petition in court is in progress. Management estimates that the merger will be completed following the court's approval in Dec '24, after which regulatory requirements will need to be fulfilled.

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Intention of acquisition of AGL

- Management shared that the company has acquired a 24.97% stake in AGL from NBP and a 1.08% stake from BOP.
- The company has now expressed its intention to acquire 151mn shares of Agritech Ltd (AGL) through a public offer.
- Management projects that the acquisition process will be completed by Jan'25. Additionally, management stated that the company plans to turn around AGL and resolve issues related to gas supply post-acquisition.

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