

Fertilizer: Fauji Fertilizer Company Limited

Corporate Briefing Takeaways

REP-300

The management of Fauji Fertilizer Company Limited held a corporate briefing session on 6th May'25 to discuss the 1QCY25 financial result and future outlook.

Brief Takeaways

- To recall, the merged entity posted a net profit of PKR 13,278mn (EPS: PKR 9.33) during 1QCY25, down by 10% YoY (inclusive of financials of FFBL).

Fertilizer business

- The company's consolidated urea sales, including FFBL, reached 538k tons in 1QCY25, depicting a 26% YoY decline. DAP sales also saw a significant drop of 55% YoY. The management attributes the decline in sales volumes to weak agronomic conditions, elevated input costs (fuel, seeds, utilities, and land leases), and the transition of wheat pricing from a government-supported mechanism to a free-market model.
- Despite lower volumes, the company's market share in urea sales rose to 49% in 1QCY25, up from 45% in the same period last year. The management credits this gain to effective marketing efforts. Combined urea production by FFC and FFBL fell by 13% YoY, primarily due to scheduled turnarounds at Urea Plant I in Goth Machhi and Plant IV in Port Qasim.
- Toward the end of the quarter, urea was being sold at PKR 4,275/bag, which is significantly below the landed international price of PKR 7,570/ bag.
- The company remains focused on improving operational efficiency and optimizing production within its current facilities.
- FFC's gas supply contract with Mari Petroleum remains intact till 2029, providing supply continuity.
- Management anticipates a recovery in industry offtake during the 2HCY25 and, therefore, does not expect any urea exports for the full year.
- On the Pressure Enhancement Facility project, Phase I is currently in progress and targeted for completion by Dec'25. For Phase II, procurement of compressors is underway.
- Regarding Shariah compliance, management shared that the company is actively working toward achieving compliance in the upcoming quarters..

Other businesses:

- Askari Bank Ltd (AKBL) and the energy segment continued to contribute positively to profitability. Following the merger with FFBL, FFC now holds a 64.7% stake in AKBL.
- In response to a query regarding dividends from FFBL Power, management indicated that distributions are expected to resume in the 2HCY25.
- The management also reiterated that following the conversion of preference shares, FFC and AKBL will collectively hold a 51.3% stake in AGL. Strategic turnarounds and structural changes are planned for AGL to enhance its operational and financial performance.

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In order to avoid any conflict of interest, we hereby disclosed that;

Arif Habib Limited (AHL) has a shareholding in FFC