

AHL Brief Note: Fertilizer

Fauji Fertilizer Company Ltd - Fauji Fertilizer Bin Qasim Ltd Analyst Briefing Takeaways

Management Conference Call

The management of Fauji Fertilizer Company Limited (FFC) and Fauji Fertilizer Bin Qasim Limited (FFBL) held a corporate briefing session on 13th Aug'24 to discuss the 1HCY24 financial result and future outlook.

Brief Takeaways

- FFC posted net profit of PKR 26,071mn (EPS: PKR 20.49) during 1HCY24 against PKR 13,079mn (EPS: PKR 10.28) in 1HCY23, up by 99% YoY.
- FFBL posted a profit after tax (PAT) of PKR 10,560mn (EPS: PKR 8.81) during 1HCY24 compared to a loss of PKR 4,950mn (LPS: PKR 3.83) in SPLY.
- FFC's total urea production in 1HCY24 remained stable to 1,279k tons as compared to 1,278k tons in SPLY. While FFBL's total urea production in 1HCY24 was recorded at 230k tons as compared to 183k tons in SPLY.
- FFC's urea sales arrived at 1,280k tons in 1HFY24, up by 3% YoY, whereas FFBL's urea sales arrived at 216k tons in 1HFY24, up by 20% YoY.
- The combined market share for FFC and FFBL in urea sales arrived at 52% in 1HCY24 compared to 46% in SPLY.
- Moreover, FFC's and FFBL's combined market share for DAP stood at 72% in 1HCY24 compared to 64% in SPLY.
- Towards the end of 1HCY24, FFC sold urea at PKR 4,275/bag compared to the landed international price of PKR 6,870/bag.
- Three of the FFC's plants have demonstrated exceptional performance, operating at over 110% of their capacity. FFC's three plants operate on a turnaround cycle of three years, whereas other plants in the industry typically have a turnaround cycle of one year.
- According to the management, FFC's success compared to its competitors is attributed to its substantial dividend income from non-fertilizer investments in addition to its core business activities.
- FFC has an OGRA-approved contract in place until 2029 and does not receive any price subsidies from the government, as per management.
- FFC has begun selling its products through its own outlets directly to farmers. So far, three outlets have been inaugurated, with plans to expand to 70 outlets by Oct'24.
- Regarding the swap ratio for the merger of FFC and FFBL, an announcement is expected by the end Sep'24. FFC has appointed KPMG as consultant for this transaction.
- Despite challenging farm economics, FFC achieved higher urea offtakes, with its closing inventory less than 10% of the industry's closing inventory of 430k tons as of Jun'24.

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Analyst Briefing Takeaways

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