

9MCY24: Fertilizer Sector Result Preview

EFERT: Bottom-line down 2% YoY in 9MCY24

Engro Fertilizer Limited (EFERT) is expected to announce the financial result for 9MCY24 on 14th Oct'24, where we expect the company to post a profit after tax of PKR 14,702mn (EPS: PKR 11.01), witnessing a decrease of 2% YoY on account of decline in urea sales by 23% YoY. On a quarterly basis, the profitability is expected to arrive at PKR 5,276mn (EPS: PKR 3.95), down 45% YoY. Net sales are expected to decline by 14% YoY to PKR 56,766mn during 3QCY24 amid reduction in urea and DAP sales by 33% and 14% YoY, respectively. Gross margins are expected to settle at 23.61% during 3QCY24 vis-à-vis 31.72% in SPLY owed to higher gas prices coupled with lower urea dispatches. Furthermore, financial charges are projected to climb up by 3.3x YoY to PKR 1,634mn given surge in short term borrowings. Other income is anticipated to reduce by 41% YoY to PKR 433mn, due to lower income from cash and cash balances given decline in interest rates. On a QoQ basis, the bottom-line is forecasted to augment by 3.2x amid 52% QoQ jump in urea sales given resumption of operations at EFERT's EnVen Plant post BMR. We expect EFERT to announce a cash dividend of PKR 3.00/share (PKR 14.00 in 9MCY24).

FFC: Profitability to surge by 87% YoY in 9MCY24

Fauji Fertilizer Company Limited is expected to unveil its 9MCY24's financial result soon, where we expect earnings to clock in at PKR 41,469mn (EPS: PKR 32.60), showcasing a massive growth of 87% YoY. On a quarterly basis, the bottom line is projected to swell up by 69% YoY, settling at PKR 15,398mn (EPS: PKR 12.10) in 3QCY24 owed to 33% and 9% YoY higher urea and DAP prices, respectively. Meanwhile, urea and DAP dispatches plummeted by 10% and 42% YoY, respectively. Gross margins are expected to expand by 2,351bps, to arrive at 54.44% in 3QCY24 amid higher urea prices tagged with decline in DAP offtake. Furthermore, the other income is forecasted to dwindle by 19% YoY in 3QCY24 on the back of lower income from cash and cash balances. Financial charges are anticipated to decline by 1% YoY on account of decline in interest rates. Alongside the result, we expect a cash dividend of PKR 10.00/share (9MCY24: PKR 25.50/share).

FFBL: Earnings to surge by 44x YoY in 9MCY24

Fauji Fertilizer Bin Qasim Limited (FFBL) will be announcing its financial result for 9MCY24 on 23rd Oct'24, where we expect the company to post a profit after tax of PKR 15,752mn (EPS: PKR 12.20), swelling up by 44x YoY amid massive exchange loss during 1QCY23. We expect company's quarterly net profit to arrive at PKR 5,191mn (EPS: PKR 4.02) in 3QCY24, depicting a decline of 2% YoY. Net sales declined by 16% YoY on the back of 38% YoY decline in DAP offtake. Whereas, urea offtake reported a significant growth of 76% YoY. Gross margins are expected to be 19.7% during 3QCY24 vis-à-vis 14.8% in 3QCY23 owed to better DAP margin and higher urea offtake. Furthermore, financial charges are expected to reduce by 33% YoY amid decline in borrowings and interest rates. Other income is estimated to decrease by 8% YoY on account of lower income from short term borrowings.

Exhibit: Financial Highlights

EPS (PKR)	9MCY24e	9MCY23a	YoY	3QCY24e	3QCY23a	YoY	QoQ
EFERT*	11.01	11.27	-2%	3.95	7.17	-45%	3x
FFC	32.60	17.46	87%	12.10	7.18	69%	-1%
FFBL	12.20	0.27	44x	4.02	4.10	-2%	-17%

Source (s): Company Financials, AHL Research, *Consolidated

Fertilizer Offtake (k'tons)

	9MCY24	9MCY23	YoY
Urea	4,573	4,945	-8%
DAP	939	1,001	-6%
CAN	475	600	-21%
NP	571	854	-33%

Source (s): AHL Research

Urea (k'tons)

	9MCY24	9MCY23	YoY
FFC and FFBL	2,224	2,165	3%
EFERT	1,322	1,727	-23%
FATIMA	621	695	-11%
NFML	-	217	nm

Source (s): AHL Research

DAP (k'tons)

	9MCY24	9MCY23	YoY
FFC and FFBL	618	697	-11%
EFERT	196	163	20%
Private Import	125	141	-11%

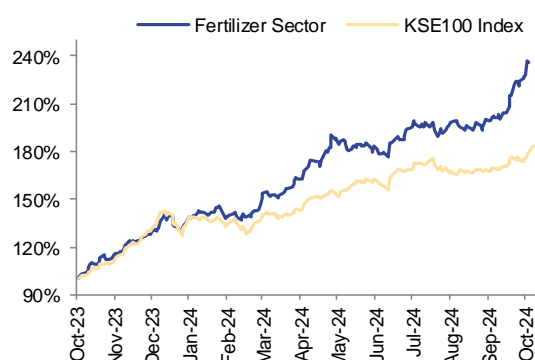
Source (s): AHL Research

Inventory Position (k'tons)

	Sep-24	Sep-23
Urea	635	77
DAP	365	29
CAN	217	5
NP	296	148

Source (s): AHL Research

Relative Performance



Source (s): PSX, AHL Research

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AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

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- Interest Rate Risk
- Exchange Rate (Currency) Risk

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