

Fauji Fertilizer Bin Qasim Limited

Analyst Briefing Takeaways

The management of Fauji Fertilizer Bin Qasim Limited (FFBL) held its last corporate briefing session on 11th Nov'24 to discuss the 9MCY24 financial result and future outlook.

Brief Takeaways

- To recall, FFBL posted a highest ever PAT of PKR 18,569mn (EPS: PKR 14.38) in 9MCY24 against PKR 354mn in 9MCY23 due to i) jump in urea offtake by 42% YoY amid higher urea production because of better availability of gas , ii) increase in urea and DAP prices by 51% and 15% YoY, respectively, iii) higher income from cash and cash equivalents tagged with a dividend income from subsidiaries and associates such as AKBL and PMP, and iv) decline in finance cost given lower short term borrowings.

Fertilizer business:

- The company's market share of DAP increase to 58% in 9MCY24 from 58% in SPLY. Whereas, DAP sales decreased by 8% YoY to settle at 571k tons in 9MCY24 against 619k tons in 9MCY23, amid shrinking market size due to weak agronomics.
- DAP production increased by 39% YoY in 9MCY24 due to a turnaround and an inventory management shutdown in 2023.
- Urea production showcased a 51% YoY jump in 9MCY24, supported by improved gas availability (77% of allocation during the period vs. 56% in SPLY) and the absence of a turnaround.
- The company plans to perform a turnaround at its urea plant in Jan'25.
- The management informed that primary margins during 9MCY24 were ~USD 132/ton (9MCY23: USD 156/ton).
- The company's market share in urea increased to 8% in 9MCY24 from 5% in SPLY.
- FFBL's local urea prices during 3QCY24 traded at on an average of PKR 4,275/bag against international urea price of PKR 6,400/bag.
- Keeping in view the lower purchasing power of farmers, the management expects CY24's DAP sales to clock in at 1.5mn – 1.6mn tons.
- The company has placed order for phosphoric acid at price of USD 1,060/ton for 4QCY24.
- Despite stable phosphoric acid prices during 9MCY24 and higher DAP prices internationally, the company chose not to capitalize on this increase to support farmers.
- In 9MCY24, FFBL had a cash and cash balance of PKR 43bn. Furthermore, the company pre-paid PKR 12bn loans. Prior to completing the amalgamation in Dec'24, the company aims to settle all remaining loans.

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- The management expects plants operation to remain smooth given the adequate gas supply continue.
- The management shared that the shareholders during EOGM held on 4th Nov'24 approved amalgamation of FFBL with FFC. The only remaining approval required is from the court, with a hearing scheduled for 18th Nov'24.
- The management expects the company to have 20k tons – 25k tons of DAP inventory left in Dec'24.
- PMP operations have recently improved, becoming profitable and have declared a dividend of PKR 1.8bn.
- The management shared that plans for new DAP plant is under consideration.
- Regarding the Kissan Card Program, the management noted that it has started gaining traction among farmers, which could offer some support to them.
- The management expects international DAP prices to rise to USD 635–640/ton in 4QCY24, with a potential decline in 1QCY25.

Power business

- The business achieved a dispatch factor of 99% during 9MCY24, compared to 75% in SPLY.
- The management reiterated that FPCL currently uses a blended coal mix consisting of 35% local and lower-cost/quality imported coal and 65% high-quality imported coal.
- In the upcoming year, a turnaround is planned, after which the coal mix will shift to 55% local and lower-cost/quality imported coal and 45% high-quality imported coal.

Dairy business

- Fauji Food Limited (FFL)'s net profit surged by 548% YoY in 9MCY24, while volumes improved by 15% YoY during the period.

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