

Company Update

Fauji Fertilizer Bin Qasim Limited (FFBL)

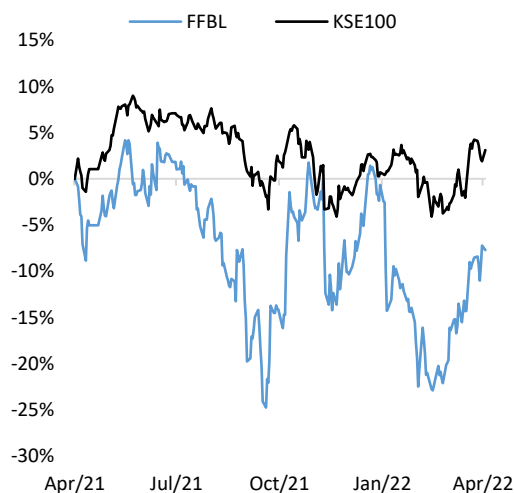
Fertiliser

FFBL: 1QCY22 Corporate Briefing

Takeaways

- Fauji Fertilizer Bin Qasim Limited (FFBL) held its analyst briefing on 12th-May-22 to discuss its financial results for 1QCY2 and future prospects of the Company. The Company reported profit after tax of PKR 1.3bn during 1QCY22 v/s PKR 1.0bn during the same period last year, an increase of +28%y.
- Overall DAP margins have improved due to the rise in prices, however, higher DAP prices have forced farmers towards more use of nitrogenous fertilizers increasing Urea demand. Upward price trend of DAP has shrunk its market by 24% during 1QCY22.
- Going forward, fertilizer industry is likely to face challenging environment due to international as well as local uncertainties. The main focus areas will be gas availability, DAP demand, interest rates and exchange rate, volatility in commodity prices, long outstanding GST refunds, and upcoming budgetary measures.

Relative Price Performance



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Fauji Fertilizer Bin Qasim Limited (FFBL) held its analyst briefing on 12th-May-22 to discuss its financial results for 1QCY2 and future prospects of the Company. The Company reported profit after tax of PKR 1.3bn during 1QCY22 v/s PKR 1.0bn during the same period last year, an increase of +28%y. The increase in earnings was mainly due to a) increased urea offtake (16%y) and b) high DAP prices (leading to improved DAP margins).

Profitability up by +28%y during 1QCY22

During 1QCY22, FFBL reported profitability of PKR 1.3bn (EPS PKR xx) up by +28%y compared to PKR 1.0bn in the same period last year. Net sales improved by 22%y owing to higher DAP prices and increased urea sales. Cost of sales increased due to higher power and steam costs due to high coal prices. Other income increased by 25%y during 1QCY22 mainly due to net higher treasury income, however, dividend income declined owing to lower dividend from subsidiaries. Earnings growth was limited by higher selling and distribution cost, exchange losses, WPPF/WWF and taxation.

DAP margins and demand

Overall DAP margins have improved due to the rise in prices, however, higher DAP prices have forced farmers towards more use of nitrogenous

fertilizers increasing Urea demand. Upward price trend of DAP has shrunk its market by 24% during 1QCY22.

The reasons for high international DAP prices were mainly due to rising crop prices and higher prices and availability of raw materials such as phosphoric acid, ammonia and Sulphur.

Subsidiaries

Fauji Power Company Limited (FPCL) has experienced stable and profitable operation whereas (PMP) clocked in highest ever profits in 2021. However, Fauji Foods Limited (FFL). AKBL is also experiencing stable and profitable operations while FML divestment strategy is still in progress.

Impact of Russia Ukraine war

Trade disruptions would have an impact on global fertilizer availability, supply-demand balance, and agriculture productivity, threatening the global food security. This will in turn impact FFBL as DAP demand is expected to shrink due to higher global prices for the next few months. Increased coal prices will lead to higher fuel and power cost, whereas, weaker exchange rate will keep margins under pressure.

Outlook

Going forward, fertilizer industry is likely to face challenging environment due to international as well as local uncertainties. The main focus areas will be gas availability, DAP demand, interest rates and exchange rate, volatility in commodity prices, long outstanding GST refunds, and upcoming budgetary measures.

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Day Break

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