

## Fertilizer

### FFBL: 4QCY23 Management Call Takeaways

- Fauji Fertilizer Bin Qasim Limited (FFBL) held an investor briefing session to discuss the 4QCY23 financial results and provide key insights on the future outlook for the Company.
- The Company reported unconsolidated 4QCY23 earnings of PKR 4.05bn (EPS PKR 3.14), up by +6.6xy/y compared to PKR 614bn (EPS PKR 0.48) in the similar period last year. On quarterly basis, profitability is down by -24%q/q during 4QCY23.
- Earnings improved on the back of higher DAP offtake coupled with rise in in DAP prices. The Company announced cash dividend of PKR 1.0/share along with the result.
- The Company's market share of DAP clocked in at 54% with sales of 846K tons, 2% lower than last year's share of 56% when sales were 661K tons. Gas availability remained a cause of concern during the period which resulted in lower urea production leading the Company's market share in urea to 5% from 8% in CY23. The Government also imported 220K tons of urea to meet local demand.

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#### Key highlights from management conference call

- The Company's market share of DAP clocked in at 54% with sales of 846K tons, 2% lower than last year's share of 56% when sales were 661K tons.
- The management disclosed that gas availability remained a cause of concern during the period which resulted in lower urea production leading to drop in market share of the Company to

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5% in CY23 from 8% last year. The Government also imported 220K tons of urea to meet local demand.

- Primary margins stood at USD 119/ton during CY23.
- However, the Company is expecting improved gas supply from mid Feb-24 where it is currently getting ~30mmcf of gas which is expected to grow to 40mmcf as winter season will be close to an end.
- The Company's cash position has also significantly improved to PKR 42bn due to pre-booking of sales orders for Jan-24 and Feb-24. The management disclosed that this cash position is however temporary in nature as the Company expects PKR 40+ billion payments in 1QCY24 to its creditors. Moreover, an increase in borrowing is also expected from 2QCY24 as the Company starts to build up its DAP inventory.
- Regarding the surge in the selling and distribution cost, the management informed that it was due to axle load regime implementation.
- The contract price for phosphoric acid in the 1QCY24 is expected to be around USD 945/ton and the management expects the prices to decline further to USD 900/ton in 2QCY24.
- The Company is also planning to launch Boron DAP in CY24 as 60% of the soils are deficient in Boron which results in yield loss.
- The management also informed that Moroccan shipment would face delay of 10-15 days due to blockage in Red Sea which could impact DAP production briefly.

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