

Fertilizer

FFC: 1QCY26 Management Call Takeaways

- Fauji Fertilizer Company Limited (FFC) held an investor briefing session to discuss the 1QCY26 financial results and provide key insights on the future outlook for the Company.
- To recall, the Company reported 1QCY26 earnings of PKR 17.5bn (EPS PKR 12.1), up by +32%/y/y compared to PKR 13.3bn (EPS PKR 9.3) in the similar period last year. On quarterly basis, profitability was up by +10%/q/q during 1QCY26.
- During 1QCY26, the industry's urea sales declined by -5.6%/y/y to 1,037KT compared to 1,099KT sold in same period last year. However FFC's urea offtakes increased by +12% y/y to 601 KT. FFC's urea market share also inclined to 58% compared to 49% a year earlier. In the DAP market, industry sales surged by +94%/y/y to 290KT whereas FFC DAP offtakes increased by +2.0xy/y to 181KT. FFC's share in the DAP market also increased 63% vs 59% in the same period of last year.

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Key highlights from management conference call

- During 1QCY26, the industry's urea sales declined by -5.6%/y/y to 1,037KT compared to 1,099KT sold in same period last year. However, FFC's urea offtakes increased by +12% y/y to 601 KT. FFC's urea market share also inclined to 58% compared to 49% a year earlier. In the DAP market, industry sales surged by +94%/y/y to 290KT whereas FFC DAP offtakes increased by +2.0xy/y to 181KT. FFC's share in the DAP market also increased 63% vs 59% in the same period of last year.
- The management also disclosed the major components of profitability. It was noted that 24% of the profitability was

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contributed from dividend income amounting to PKR 4.2bn whereas in the same period last year the company received PKR 2.0bn in dividends contributing 15% to the total profitability.

- The management also noted that the government has set an agricultural growth target of ~4.5% for FY26 which is higher than last year's target of ~1.5% but growth may face challenges amid the ongoing regional crisis.
- The management also informed that as at March 2026, the urea industry inventory stands at 803KT of which FFC holds 106KT. On the other hand, the DAP inventory stands at 209KT of which FFC holds 92KT.
- The Company also informed that a 15-days long turnaround is scheduled for one of the urea plants in September. Moreover, gas supply disruptions at the FFC's urea plant in Port Qasim led to a decline of ~50,000 tons in urea production, but operations have since normalized.
- The management also highlighted that even though the urea industry inventory stands at around 1mn tons, the Country is facing severe urea supply issues. Global prices have also doubled due to geopolitical factors. The Company has partially passed on the impact of higher costs to protect the farmer's affordability. Going forward, the Company plans to gradually increase its prices as inflation and fuel costs persist.
- The management expressed his concerns over the sharp rise in Sulphur and phosphoric acid prices due to supply chain disruptions as ~50% of the global Sulphur supply originates from the Middle East with nearly 97% transported via the Strait of Hormuz. Sulphur prices have surged from ~USD300/ton to ~USD1,100/ton, while phosphoric acid imports from Morocco are also facing cost and supply risks despite management's mitigation efforts.
- Regarding the PIA deal, the management noted that the consortium has exercised its call option to acquire a further 25% stake in PIA, while FFC's ownership will remain unchanged at 34%. It plans to secure full ownership by April–May 2027, with payment timing dependent on the fulfillment of Conditions Precedent (CPs).

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