Fertilizer

FFC: 4QCY24 Management Call Takeaways

- Fauji Fertilizer Company (FFC) held an investor briefing session to discuss the 4QCY24 financial results and provide key insights on the future outlook for the Company.
- The Company reported its first result post amalgamation with FFBL. During CY24 and on an unconsolidated basis the company reported earnings of PKR 64.7bn (EPS PKR 45.5), up by +2.2xy/y compared to PKR 29.7bn (EPS PKR 23.3) in the similar period last year. On quarterly basis, profitability is up by 3xq/q during 4QCY24.
- Earnings improved on the back of higher urea and DAP offtakes. The company announced a cash dividend of PKR 21/sh for the quarter, this is in addition to PKR 15.5/sh already paid, bringing the total payout for the year to PKR 36.5/sh.
- The Company’s market share of Urea clocked in at 48% with sales of 3.06mn tons, 5% higher than last year’s share of 43%. DAP offtakes in CY24 also increased to 0.97mn tons. FFC market share for DAP has increased from 60% in CY23 to 62% during CY24.

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Key highlights from management conference call

- The Company's market share of Urea clocked in at 48% with sales of 3.06mn tons, 5% higher than last year's share of 43%. DAP offtakes in CY24 also increased to 0.97mn tons. FFC market share for DAP has increased from 60% in CY23 to 62% during CY24.
- According to the management, net farm income for all crops has declined relative to the previous year, with the exception of wheat. Although wheat income showed improvement in the 2023-24

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period, it still remained lower than the levels observed in 2022-23. FFBL's production is anticipated to remain at the same levels as observed in 2024, provided that the availability of gas remains unchanged.

- Management has stated that the company will work to enhance gas availability to AGL in order to boost production levels further. Furthermore, the Company recognizes the positive synergies gained from its extensive network across the country.
- In response to questions regarding possible increases in gas prices, management stated that they anticipate Mari's gas prices will stay the same, as the current agreement with Mari is valid until 2029.
- The Company has recently introduced its Zinc Coated Urea production line at the FFC Goth Machhi plant, with a capacity of 100,000 metric tons. This specialized fertilizer, which contains 42% nitrogen and 1% zinc, is now being sold at a retail price of PKR 5,200 per bag. As part of its commitment to offering innovative agricultural solutions, the Company, operating under FFBL, also launched Boron DAP last year.
- FFC emphasized on the growth of its Sona Centres, a direct-to-consumer initiative aimed at offering farmers more competitive pricing. In 2024, the network expanded to 73 locations, reaching 75,000 registered farmers and covering 1 million acres of land. There are also plans for additional centre expansions in 2025.
- The Company has scheduled two turnarounds for this year, one for Plant I in February 2025 and another for Plant II in October 2025.
- The Management reported its financial performance for CY24 following the merger, highlighting significant growth. Equity and reserves increased to PKR 132 billion, compared to PKR 62 billion in the same period last year (SPLY). Long-term investments grew to PKR 77 billion, up from PKR 49 billion during same period last year. Short-term investments surged to PKR 216 billion, compared to PKR 96 billion during same period last year. Additionally, property, plant, and equipment rose to PKR 58 billion, from PKR 40 billion same period last year. However, due to the merger, audit adjustments related to receivables and other items in 4QCY24 affected profitability, resulting in lower earnings than initially expected.

- After the merger and the subsequent restructuring of the group, the Company now includes FFBL Power (holding a 75% stake) and FFL (with a 47.8% stake) as subsidiaries. Meanwhile, AKBL (with a 64.7% stake) and PMP (holding a 37.5% stake) are categorized as associates.

- The Company is working towards becoming Shariah-compliant, but it has not yet achieved compliance due to investment income, such as dividends, that do not align with Shariah principles. Efforts are actively being made to reach full compliance.

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