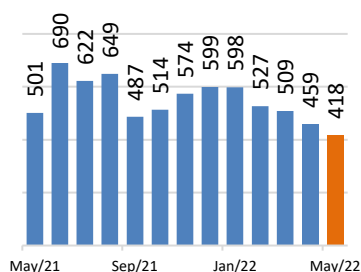
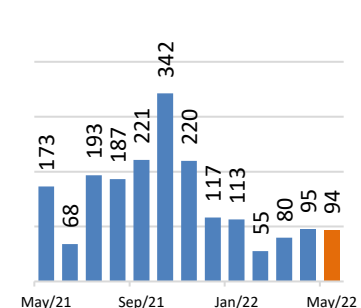


Sector Update

Pakistan Monthly Urea Offtake



Pakistan Monthly DAP Offtake



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Fertiliser

Sector's profitability to decline by 49% during 2qcy22 on account of higher taxation

- We estimate FFC's unconsolidated earnings of PKR 2.5bn (EPS: PKR 2.0), supported by better prices and volumes. However, higher taxation on account of Super Tax and Poverty Alleviation Tax will be a key dent to sector's earnings this quarter. Keeping up with the historical trend we expect FFC to announce a cash dividend of PKR 1.5/share.
- We estimate EFERT to post earnings of PKR1.75bn (EPS: PKR1.32), down by 63%y/y during 2qcy22 when compared to same period last year the decline is primarily due to recent budgetary measures on account of Super Tax and Poverty Alleviation Tax resulting in higher taxation, we expect EFERT to announce a cash dividend of PKR1.8 per share, considering it's recent history of payouts.
- We estimate FFBL to post unconsolidated earnings of PKR1.3bn (EPS: PKR1.05), down by 47%y/y during 2qcy22 when compared to the same period last year. The decrease in profitability is primarily due to recent budgetary measures on account of Super Tax and Poverty Alleviation Tax resulting in higher effective taxation of 65%. We do not expect company to announce any cash payout.

Sector's profitability to decline by 49% during 2qcy22 on account of higher taxation.

Sector's profitability is expected to decline during 2qcy22 by 49% yoy when compared to same period last year, with FFC is estimated to have least decline in earnings of 31%y/y during 2qcy22 and EFERT is estimated to have most decline in earnings of 63%y/y during 2qcy22.

Budgetary measures announced recently by the government which include super tax and poverty alleviation tax as well, will impact the bottom line of the sector. Elevated policy rate has contributed in increased finance cost to deteriorate the earnings further.

Exhibit: Company's EPS & DPS

in PKR

EPS	2q/22e	1q/22a	2021a	4q/21a	3q/21a	2q/21a	1q/21a	2020a
FFC	2.0	4.9	17.2	4.7	5.1	2.8	4.6	16.4
FFBL	1.1	1.3	4.9	0.2	1.8	2.0	1.0	1.7
EFERT	1.3	4.1	15.8	4.6	3.3	3.6	4.3	13.6
DPS	2q/22e	1q/22a	2021a	4q/21a	3q/21a	2q/21a	1q/21a	2020a
FFC	1.5	3.7	14.5	4.7	3.8	2.6	3.5	11.2
FFBL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EFERT	1.0	5.5	16.5	5.3	3.3	4.0	4.0	13.0

FFC

Fauji Fertilizer Company Limited (FFC) is set to announce its 2qcy22 result on 28th July 2022, we estimate company's unconsolidated earnings of PKR 2.5bn (EPS: PKR 2.0), supported by better prices and volumes. However, higher taxation on account of Super Tax and Poverty Alleviation Tax will be a key dent to sector's earnings this quarter. Keeping up with the historical trend we expect FFC to announce a cash dividend of PKR 1.5/share.

EFERT

Engro Fertilizer company Limited is set to announce its 2q'22 result on 28th July 2022, we estimate EFERT to post earnings of PKR1.75bn (EPS: PKR1.32), down by 63%y/y during 2qcy22 when compared to same period last year the decline is primarily due to recent budgetary measures on account of Super Tax and Poverty Alleviation Tax resulting in higher taxation, we expect EFERT to announce a cash dividend of PKR1.8 per share, considering it's recent history of payouts.

FFBL:

Fauji Fertilizer Bin Qasim (FFBL) is set to post its 2q'22 result on 25th July 2022, we estimate FFBL to post unconsolidated earnings of PKR1.3bn (EPS: PKR1.05), down by 47%y/y during 2qcy22 when compared to the same period last year. The decrease in profitability is primarily due to recent budgetary measures on account of Super Tax and Poverty Alleviation Tax resulting in higher effective taxation of 65%. We do not expect company to announce any cash payout

Exhibit: Company's Urea & DAP Offtake								
in '000tons								
Urea	2q/22e	1q/22a	2021a	4q/21a	3q/21a	2q/21a	1q/21a	2020a
FFC	645	631	2,581	760	690	556	575	2,512
FFBL	145	117	501	151	130	150	70	559
EFERT	548	580	2,296	652	529	533	582	2,050
DAP	2q/22e	1q/22a	2021a	4q/21a	3q/21a	2q/21a	1q/21a	2020a
FFC	25	25	205	86	54	37	28	233
FFBL	195	115	790	310	249	114	117	926
EFERT	54	75	297	55	117	51	74	433

Source: IGI Research, Company accounts.

Exhibit: Urea & DAP Prices								
PKR/bag								
	2q/22e	1q/22a	2021a	4q/21a	3q/21a	2q/21a	1q/21a	2020a
Urea	2,133	1,964	1,766	1,801	1,779	1,744	1,740	1,722
DAP	9,844	9,301	5,715	6,054	6,580	5,482	4,745	3,504

Source: IGI Research, Company accounts.

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