

Fertilizer

FFBL: 1QCY24 Management Call Takeaways

- Fauji Fertilizer Bin Qasim Limited (FFBL) held an investor briefing session to discuss the 1QCY24 financial results and provide key insights on the future outlook for the Company.
- The Company reported unconsolidated 1QCY24 earnings of PKR 4.3bn (EPS PKR 3.33), recovering from a loss of PKR 5.4bn (LPS PKR 4.20) in the similar period last year. On quarterly basis, profitability is up by +6%q/q during 1QCY24.
- During the quarter, the DAP market increased by +23%y/y with offtakes clocking in at 292K tons where the Company's market share of DAP arrived at 58%, 4% higher than last year's share of 54%.
- The Urea market increased by +11%y/y with total offtakes of 1,798K tons where FFBL's market share declined by -1% clocking in at 4% mainly due to gas curtailment.

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Key highlights from management conference call

- During the quarter, the DAP market increased by +23%y/y with offtakes clocking in at 292K tons whereas the Company's market share of DAP arrived at 58%, 4% higher than last year's share of 54%.
- The Urea market increased by +11%y/y with total offtakes of 1,798K tons while FFBL's market share declined by -1% clocking in at 4% mainly due to gas curtailment.
- During 1QCY24, the Company's DAP sales increased by +41%y/y to 179k tons whereas urea sales declined by -26%y/y to 64K tons due to lower production.

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- Primary margins stood at USD 151/ton during 1QCY24.
- The management of the Company mentioned that gas supply remained a cause of concern and after active engagement with the GOP for sustainable gas supplies, the company received an average of 55mmcf/d gas in April'24.
- The Company also informed that no plant turnaround will be conducted in 2024 to ensure consistent supply of fertilizer to the market.
- Moreover, the Company launched Boron fortified DAP in April'24 to cater the deficiency of Boron in Pakistan's soil. According to the management, it is projected to increase crop yield by 10-23%. The Company has priced it PKR 500 higher than standard DAP and has targeted 50K tons of Boron DAP in total offtakes.
- The management highlighted that the Company's net other income clocked in at PKR 2.8bn led by lower finance costs and higher treasury income including dividend. The Company received PKR 800mn worth of dividends from AKBL.
- In 1QCY24, the contract price of phosphoric acid stood at USD 968/ton and the management expects the prices to decline further to USD 948/ton in 2QCY24.
- To highlight, FFBL imported 10K tons of DAP for the first time generating net margins of ~PKR 400-500/bag. However, their share of imported urea was allocated to FFC.

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