

# Fertilizers: 4QCY24 Preview – Higher volumes support earnings



Wednesday, January 22, 2025



**EUROMONEY**

Euromoney Market Leaders  
Investment Banking (Notable)  
2022

**A PAC**  
Insider

Best Equity Market Consultants  
Pakistan 2022

 **Global  
Business  
Outlook**

Most Innovative Corporate Finance  
Advisory Firm - Pakistan 2022  
Fastest Growing Asset Manager -  
Pakistan 2022

 **CFA Society  
Pakistan**

Best Brokerage House 2017  
Best Brokerage House 2016 (Runner-up)  
Best Analyst & Trader 2013 (Runner-up)

**ASIAMONEY**

Sector Coverage of Bank,  
Insurance, Power, Macroeconomics,  
Small Caps, Materials  
Runner Up

# FFC poised to sustain outperformance

**Fertilizer earnings to grow by 70% YoY:** We estimate the earnings of the BMA Fertilizer universe to surge by 70% YoY, reaching PkR 38.4bn in 4QCY24. This growth is driven by a 12% YoY increase in urea prices, alongside an 18% YoY rise in urea volumes and a 21% YoY increase in DAP sales. On a QoQ basis, earnings are projected to grow by 16%, supported by higher volumetric sales of both urea and DAP. For CY24, bottom-line earnings are forecasted at PkR 117.8bn, marking an impressive 96% YoY growth.

**Sharp increase in Urea and DAP off-take:** Urea sales are projected to rise by 18% YoY to 2.0mn tons in 4QCY24, while DAP off-take is expected to grow by 21% YoY, reaching 697k tons during the same period. This growth is primarily attributed to two factors: (i) the availability of interest-free loans to farmers under the ‘Punjab Kisan Scheme’ during the peak Rabi season, and (ii) higher inventory levels. Additionally, on a QoQ basis, urea and DAP sales are anticipated to increase by 30% and 81%, respectively, driven by the Rabi sowing season. For CY24, total urea sales are estimated at 6.5mn tons (-1% YoY), while DAP sales are forecasted to reach 1.6mn tons (+3% YoY).

**12% YoY increase in urea price:** During 4QCY24, the average urea price rose by 12% YoY to PkR 4,569 per bag as companies passed on the impact of higher gas prices to end consumers. In contrast, DAP prices declined by 8% YoY to PkR 11,970 per bag. To recall, government increased fertilizer gas tariffs to PkR 1,597/mmbtu for both feed and fuel in the February 2024 revision. Improved retention is expected to limit the decline in the sector gross margins to just 0.7ppts, reaching 36.5% in 4QCY24 compared to 37.2% in 4QCY23.

**Fauji Fertilizer Company (FFC):** We anticipate FFC to report an unconsolidated EPS of PkR 18.6 in 4QCY24, reflecting a robust 130% YoY growth. This significant increase in earnings is driven by three key factors: (1) a 1.1ppt improvement in gross margins to 36.8%, supported by higher urea prices and relatively lower gas costs compared to peers, (2) an increase in other income, and (3) reduced finance costs due to debt repayment and a decline in KIBOR. Additionally, we expect the company to announce a cash dividend of PkR 25/share alongside the results, bringing the total CY24 dividend to PkR 40.5/share.

**Engro Fertilizers (EFERT):** We project EFERT’s consolidated EPS to reach PkR 8.9 in 4QCY24, reflecting a 7% YoY increase compared to PkR 8.3 in 4QCY23. This YoY growth is attributed to higher volumetric urea sales. Sequentially, earnings are expected to rise by 39% QoQ, driven by a 51% QoQ increase in urea off-take and a 58% QoQ increase in DAP off-take, supported by the company’s discount on urea. Additionally, we anticipate the company will announce a cash dividend of PkR 8.5/share alongside the results, bringing the total CY24 dividend to PkR 22/share.

## Pakistan Fertilizer Earnings Estimates

PkR	4QCY24E	4QCY23A	YoY	3QCY24A	QoQ	CY24E	CY23A	YoY
FFC	18.6	8.1	130%	17.2	8%	61.8	23.9	158%
EFERT*	8.9	8.3	7%	6.4	39%	22.4	19.6	14%

Source: Company Accounts, BMA Research, \*Consolidated

## Pakistan Urea Expected Off-take in 4QCY24

K Tons	4QCY24A	4QCY23A	YoY	3QCY24A	QoQ	CY24E	CY23A	YoY
FFC	839	677	24%	729	15%	3,158	2,842	11%
EFERT	705	600	17%	466	51%	2,101	2,327	-10%
Others	460	420	9%	341	35%	1,319	1,473	-11%
<b>Total</b>	<b>2,003</b>	<b>1,698</b>	<b>18%</b>	<b>1,536</b>	<b>30%</b>	<b>6,577</b>	<b>6,642</b>	<b>-1%</b>

Source: NDFC, BMA Research

## Pakistan DAP Expected Off-take in 4QCY24

K Tons	4QCY24A	4QCY23A	YoY	3QCY24A	QoQ	CY24E	CY23A	YoY
FFC	380	254	50%	229	66%	995	951	5%
EFERT	111	116	-5%	70	58%	306	163	88%
Others	205	205	0%	87	136%	326	462	-30%
<b>Total</b>	<b>697</b>	<b>576</b>	<b>21%</b>	<b>386</b>	<b>81%</b>	<b>1,627</b>	<b>1,576</b>	<b>3%</b>

Source: NDFC, BMA Research

## Urea & DAP Prices in 4QCY24

PkR/Bag	4QCY24A	4QCY23A	YoY	3QCY24A	QoQ
Urea	4,569	4,069	12%	4,718	-3%
DAP	11,970	12,971	-8%	11,657	3%

Source: NDFC, BMA Research

**Fahad Hussain Khan**

Senior Research Analyst

**BMA Capital Management Ltd.**

E-mail: [fahad.hussain@bmacapital.com](mailto:fahad.hussain@bmacapital.com)

This research report is for information purposes only and does not constitute nor is it intended as an offer or solicitation for the purchase or sale of securities or other financial instruments. Neither the information contained in this research report, nor any future information made available with the subject matter contained herein will form the basis of any contract. Information and opinions contained herein have been compiled or arrived at by BMA Capital Management Limited from publicly available information and sources that BMA Capital Management Limited believed to be reliable. Whilst every care has been taken in preparing this research report, no research analyst, director, officer, employee, agent or adviser of any member of BMA Capital Management Limited gives or makes any representation, warranty or undertaking, whether express or implied, and accepts no responsibility or liability as to the reliability, accuracy or completeness of the information set out in this research report. Any responsibility or liability for any information contained herein is expressly disclaimed. All information contained herein is subject to change at any time without notice. No member of BMA Capital Management Limited has an obligation to update, modify or amend this research report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. Furthermore, past performance is not indicative of future results.

The investments and strategies discussed herein may not be suitable for all investors or any particular class of investor. Investors should make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives when investing. Investors should consult their independent advisors if they have any doubts as to the applicability to their business or investment objectives of the information and the strategies discussed herein. This research report is being furnished to certain persons as permitted by applicable law, and accordingly may not be reproduced or circulated to any other person without the prior written consent of a member of BMA Capital Management Limited. This research report may not be relied upon by any retail customers or person to whom this research report may not be provided by law. Unauthorized use or disclosure of this research report is strictly prohibited. Members of BMA Capital Management and/or their respective principals, directors, officers and employees may own, have positions or effect transactions in the securities or financial instruments referred herein or in the investments of any issuers discussed herein, may engage in securities transactions in a manner inconsistent with the research contained in this research report and with respect to securities or financial instruments covered by this research report, may sell to or buy from customers on a principal basis and may serve or act as director, placement agent, advisor or lender, or make a market in, or may have been a manager or a co-manager of the most recent public offering in respect of any investments or issuers of such securities or financial instruments referenced in this research report or may perform any other investment banking or other services for, or solicit investment banking or other business from any company mentioned in this research report. Investing in Pakistan involves a high degree of risk and many persons, physical and legal, may be restricted from dealing in the securities market of Pakistan. Investors should perform their own due diligence before investing. No part of the compensation of the authors of this research report was, is or will be directly or indirectly related to the specific recommendations or views contained in the research report. By accepting this research report, you agree to be bound by the foregoing limitations.

BMA Capital Management Limited and / or any of its affiliates, which operate outside Pakistan, do and seek to do business with the company(s) covered in this research document. Investors should consider this research report as only a single factor in making their investment decision. BMA Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer/company prior to the publication of a research report containing such rating, recommendation or investment thesis.

## Stock Rating

Investors should carefully read the definitions of all rating used within every research reports. In addition, research reports carry an analyst's independent view and investors should ensure careful reading of the entire research reports and not infer its contents from the rating ascribed by the analyst. Ratings should not be used or relied upon as investment advice. An investor's decision to buy, hold or sell a stock should depend on said individual's circumstances and other considerations. BMA Capital Limited uses a three-tier rating system: i) Buy, ii) Neutral and iii) Underperform (new rating system effective Jan 1'18) with our rating being based on total stock returns versus BMA's index target return for the year. A table presenting BMA's rating definitions is given below:

## Old rating system

### Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

## **BMA CAPITAL MANAGEMENT LIMITED** **TREC HOLDER AT PAKISTAN STOCK EXCHANGE LIMITED**

### **HEAD OFFICE:**

Level 8, Unitower, I.I. Chundrigar Road, Karachi - 74000, Pakistan  
Tel: +92 21 111 262 111 | Fax: +92 21 3243 0748 | [www.bmacapital.com](http://www.bmacapital.com) | [info@bmacapital.com](mailto:info@bmacapital.com)

### **Stock Exchange Branch:**

Room 141, Pakistan Stock Exchange,  
Stock Exchange Road, Karachi.  
Tel: (021) 32410617

### **Bahadurabad Branch:**

Office # 3, Mezzanine Floor,  
Akber Manzil, Main Bahadurabad  
Roundabout, Karachi  
Tel: (021) 3486 0393-98  
Fax: (021) 3493 1396

### **Gulshan-e-Iqbal Branch:**

Commercial Office premises bearing,  
B-29 Mezzanine Floor 13/A, Main University  
Road, Gulshan-e-Iqbal Karachi.  
Tel: (021) 34825023

### **North Nazimabad Branch:**

D-14 Office No 02, 2nd Floor Block H,  
MCB Building, Near 5 Star Round About,  
North Nazimabad Karachi.  
Tel: (021) 36672301-00.

### **Awami Markaz Branch:**

G13, Ground floor, Awami Markaz,  
Shahrah-e-Faisal Karachi.  
Tel: (021) 34300578

### **Lahore Cavalry Branch:**

Office No. 74, 2nd Floor, Commercial Area,  
Main Cavalry Ground, Lahore Cantt, Lahore.  
Tel: (042) 3667 6614-20  
Fax: (042) 3661 9912

### **Lahore Gulberg Branch:**

Commercial Office No. 402, 7th Floor,  
Mega Tower 63-B, Main Boulevard,  
Gulberg II, Lahore.  
Tel: (042) 35762953-57

### **Lahore LSE Branch:**

1st Floor Room# 110-111, LSE Building,  
19- Khayaban-e-Aiwan-e-Iqbal, Lahore.  
Tel: (042) 36280931-34

### **Islamabad Branch:**

104, 1st Floor, 82-East,  
Muhammad Gulistan Khan House,  
Fazel e Haq, Blue Area, Islamabad  
Pakistan  
Tel: (051) 280 2354-5  
Fax: (051) 280 2356

### **Sialkot Branch:**

2nd Floor, Sialkot Business & Commerce  
Centre, Paris Road, Sialkot, Adjacent to  
Sialkot Chamber of Commerce.  
Tel: (052) 4260091-94

### **Multan Branch:**

Office No. 607/A, 6th Floor,  
The United Mall, Plot No. 74  
Abdali Road, Multan  
Tel: (061) 457 6611-15  
Fax: (061) 457 6615

### **Sargodha Branch:**

Ground floor, Shan Plaza, Block No 16,  
Main Khushab Road, Near Allied Bank  
Limited, Sargodha.  
Tel: (048) 3767 817-18

### **Faisalabad Branch:**

Mezzanine Floor, State Life Building #2,  
Plot No. 833 Liaquat Road, Faisalabad.  
Tel: (041) 2612261-5.

### **Gujranwala Branch:**

51-H block Near Standard Chartered Bank  
Trust Plaza GT road Gujranwala.  
Tel: (055) 3848501-05

### **Chakwal Branch:**

Office No. 12, 1st Floor, Ejaz Plaza,  
Talagang Road Chakwal.  
Tel: (0543) 553850, 0543-543720,0543-  
543721.

### **Jhelum:**

2nd Floor, Khalid Plaza, Plot#7/89, Kazim  
Kamal Road, Jhelum, Punjab.  
Tel: (054) 4620594-97

### **Peshawar Branch:**

Shop No.F1 & F2, 1st Floor Mall Tower 35,  
The Mall Peshawar Cantt.  
Tel: (091) 5274770-72

### **Abbottabad Branch:**

Gohar Son's Arcade 1st Floor Office# 4,  
Supply Bazar Sikandarabad Abbottabad,  
KPK. Tel: (0992) 400346-47

### **Gujar Khan Branch:**

1st Floor, Office# 101 & 102, Akbar Kayani  
Plaza, GT Road, GujarKhan.  
Tel: (051) 3762083

### **Bahawalpur Branch:**

Plot # 13-A, 1st Floor, Office # 2,  
Model Town B, Bahawalpur  
Tel: (062) 2883158, 2884158