

Fertilizers: 1QCY25 Preview – The drop in sales is taking a toll on the earnings



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1QCY25 earnings down by 27% YoY

Fertilizer earnings to decline by 27% YoY

We estimate the earnings of the BMA Fertilizer universe to decline by 27% YoY, reaching PkR 16.6bn in 1QCY25. This decline is driven by a 4% YoY decline in urea prices, alongside an 40% YoY decline in urea volumes and a 52% YoY decrease in DAP sales. On a QoQ basis, earnings are also projected to decline by 49%, owing to lower volumetric sales of both urea and DAP.

Sharp decline in Urea and DAP off-take

Urea sales are projected to decline by 40% YoY and 45% QoQ to 1.1mn tons in 1QCY25, while DAP off-take is expected to decline by 52% YoY and 80% QoQ, reaching 140k tons during the same period. This decline is primarily attributed to poor farm economics and shortage of water.

4% YoY decline in urea price

During 1QCY25, the average urea price reduced by 4% YoY to PkR 4,519 per bag due to discount of PkR 100 per bag announced by the Engro Fertilizer (EFERT) to regain its lost market share. Moreover, DAP prices also declined by 4% YoY to PkR 12,038 per bag.

Fauji Fertilizer Company (FFC)

We anticipate FFC to report an unconsolidated EPS of PkR 10.0 in 1QCY25, reflecting a 4% YoY decline. This decrease in earnings is driven by two key factors: (1) decline in gross margins to 27%, due to lower urea prices and lower volumetric sales of urea and DAP, and (2) lower other income. Additionally, we expect the company to announce a cash dividend of PkR 8/share alongside the results.

Engro Fertilizers (EFERT)

We project EFERT's consolidated EPS to reach PkR 1.80 in 1QCY25, reflecting a 69% YoY decrease compared to PkR 5.8 in 1QCY24. This YoY decline is attributed to massive decline in volumetric urea sales. Sequentially, earnings are also expected to decline by 77% QoQ, driven by a 63% QoQ decline in urea off-take and a 78% QoQ decrease in DAP off-take, supported by the company's discount on urea. Additionally, we expect the company to announce a cash dividend of PkR 2/share alongside the results.

Pakistan Fertilizer Earnings Estimates

PkR	1QCY25E	1QCY24A	YoY	4QCY24A	QoQ
FFC	10.0	10.4	-4%	15.6	-36%
EFERT*	1.80	5.8	-69%	7.7	-77%

Source: Company Accounts, BMA Research, *Consolidated

Pakistan Urea Expected Off-take in 1QCY25

K Tons	1QCY25E	1QCY24A	YoY	4QCY24A	QoQ
FFC	537	819	-34%	839	-36%
EFERT	261	622	-58%	705	-63%
Others	303	386	-21%	460	-34%
Total	1,101	1,827	-40%	2,003	-45%

Source: NDFC, BMA Research

Pakistan DAP Expected Off-take in 1QCY25

K Tons	1QCY25A	1QCY24A	YoY	4QCY24A	QoQ
FFC	89	187	-53%	380	-77%
EFERT	24	83	-71%	111	-78%
Others	27	18	45%	205	-87%
Total	140	289	-52%	697	-80%

Source: NDFC, BMA Research

Urea & DAP Prices in 1QCY25

PkR/Bag	1QCY25A	1QCY24A	YoY	4QCY24A	QoQ
Urea	4,519	4,723	-4%	4,569	-1%
DAP	12,038	12,500	-4%	11,970	1%

Source: NDFC, BMA Research

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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.)

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