

# Fertilizers: 2QCY25 Preview – Higher sales volumes to fuel earnings growth



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## 2QCY25 earnings up by 6% YoY

### Fertilizer earnings to increase by 6% YoY

We estimate the earnings of the BMA Fertilizer universe to increase by 6% YoY, reaching PkR 24.8bn in 2QCY25. This increase is driven by a 8% YoY increase in DAP prices, alongside an 3% YoY increase in urea volumes and a 16% YoY increase in DAP sales. On a QoQ basis, earnings are also projected to increase by 54%, owing to higher volumetric sales of both urea and DAP.

### Better Urea and DAP off-take

Urea sales are projected to increase by 3% YoY and 14% QoQ to 1.2mn tons in 2QCY25, while DAP off-take is expected to surge by 16% YoY and 99% QoQ, reaching 298k tons during the same period. This improvement in sales comes despite challenging farm economics and a shortage of water.

### 7% YoY decline in urea price while DAP price up by 8% YoY

During 2QCY25, the average urea price reduced by 7% YoY to PkR 4,484 per bag due to discount of PkR 140 per bag announced by the Engro Fertilizer (EFERT) to regain its lost market share. However, DAP prices increased by 8% YoY to PkR 12,525 per bag.

### Fauji Fertilizer Company (FFC)

We anticipate FFC to report an unconsolidated EPS of PkR 13.1 in 2QCY25, reflecting a 15% YoY decline. However, earnings are expected to increase by 40% QoQ. This QoQ growth is driven by two key factors: (1) improved sales, supported by higher DAP prices and increased DAP volumes, and (2) higher other income. Additionally, we expect the company to announce a cash dividend of PkR 11 per share alongside the results.

### Engro Fertilizers (EFERT)

We project EFERT's consolidated EPS to reach PkR 4.7 in 2QCY25, reflecting a 3.7x YoY increase compared to PkR 1.2 in 2QCY24. This YoY increase is attributed to increase in volumetric urea and DAP sales. Sequentially, earnings are also expected to increase by 2.1x QoQ, driven by a 66% QoQ increase in urea off-take and a 132% QoQ surge in DAP off-take, supported by the company's discount on urea. Additionally, we expect the company to announce a cash dividend of PkR 4.5/share alongside the results.

#### Pakistan Fertilizer Earnings Estimates

PkR	2QCY25E	2QCY24A	YoY	1QCY25A	QoQ
FFC	13.1	15.3	-15%	9.3	40%
EFERT*	4.7	1.2	275%	2.2	115%

Source: Company Accounts, BMA Research, \*Consolidated

#### Pakistan Urea Expected Off-take in 2QCY25

K Tons	2QCY25E	2QCY24A	YoY	1QCY25A	QoQ
FFC	530	771	-31%	538	-1%
EFERT	431	307	40%	260	66%
Others	289	132	119%	302	-4%
<b>Total</b>	<b>1,251</b>	<b>1,210</b>	<b>3%</b>	<b>1,100</b>	<b>14%</b>

Source: NDFC, BMA Research

#### Pakistan DAP Expected Off-take in 2QCY25

K Tons	2QCY25E	2QCY24A	YoY	1QCY25A	QoQ
FFC	199	199	0%	88	125%
EFERT	57	42	34%	24	132%
Others	43	15	187%	37	15%
<b>Total</b>	<b>298</b>	<b>256</b>	<b>16%</b>	<b>150</b>	<b>99%</b>

Source: NDFC, BMA Research

#### Urea & DAP Prices in 2QCY25

PkR/Bag	2QCY25A	2QCY24A	YoY	1QCY25A	QoQ
Urea	4,484	4,822	-7%	4,521	-1%
DAP	12,525	11,556	8%	12,067	4%

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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