

# Fertilizers: 3QCY25 Preview – Payout up, profit down 12% YoY

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# 3QCY25 earnings down by 12% YoY

## Fertilizer earnings to decrease by 12% YoY

We estimate that the earnings of the BMA Fertilizer universe will decline by 12% YoY to PkR 29.2bn in 3QCY25. This decrease is primarily driven by a 45% YoY drop in other income, a 7% YoY decline in urea prices, and a 19% YoY fall in DAP volumes. On a QoQ basis, earnings are also expected to fall by 5%, mainly due to lower other income and a reduction in urea prices.

## Better Urea off-take

Urea sales are projected to increase by 21% YoY and 48% QoQ to 1.8mn tons in 3QCY25, while DAP off-take is expected to decline by 19% YoY and up 3% QoQ, reaching 314k tons during the same period. Urea sales increased due to aggressive manufacturer discounting and dealer pre-buying, in our view.

## 7% YoY decline in urea price while DAP price up by 15% YoY

During 3QCY25, the average urea price reduced by 7% YoY to PkR 4,404 per bag due to discounts offered by the Engro Fertilizer Limited (EFERT) and Fauji Fertilizer Company Limited (FFC) to reduce inventory levels. However, DAP prices increased by 15% YoY to PkR 13,449 per bag.

## Fauji Fertilizer Company (FFC)

We anticipate FFC to report an unconsolidated EPS of PkR 15.8 in 3QCY25, reflecting a 8% YoY and 11% QoQ decline. This decline is driven by two key factors: (1) lower other income, and (2) lower gross margin. Additionally, we expect the company to announce a cash dividend of PkR 12 per share alongside the results.

## Engro Fertilizers (EFERT)

We project EFERT's consolidated EPS to reach PkR 5.1 in 3QCY25, reflecting a 21% YoY decrease compared to PkR 6.4 in 3QCY24. This YoY decline is attributed to lower DAP sales, lower urea price and higher finance cost. However, on QoQ earnings are expected to increase by 22% QoQ, driven by a 37% QoQ increase in urea off-take and a 7% QoQ surge in DAP price. Additionally, we expect the company to announce a cash dividend of PkR 5.0 per share alongside the results.

### Pakistan Fertilizer Earnings Estimates

PkR	3QCY25E	3QCY24A	YoY	2QCY25A	QoQ
FFC	15.8	17.2	-8%	17.7	-11%
EFERT*	5.1	6.4	-21%	4.2	22%

Source: Company Accounts, BMA Research, \*Consolidated

### Pakistan Urea Expected Off-take in 3QCY25

K Tons	3QCY25E	3QCY24A	YoY	2QCY25A	QoQ
FFC	832	729	14%	585	42%
EFERT	589	466	26%	431	37%
Others	432	341	27%	235	84%
<b>Total</b>	<b>1,853</b>	<b>1,536</b>	<b>21%</b>	<b>1,251</b>	<b>48%</b>

Source: NDFC, BMA Research

### Pakistan DAP Expected Off-take in 3QCY25

K Tons	2QCY25E	2QCY24A	YoY	1QCY25A	QoQ
FFC	253	229	11%	67	278%
EFERT	14	70	-81%	56	-76%
Others	48	87	-45%	182	-74%
<b>Total</b>	<b>314</b>	<b>386</b>	<b>-19%</b>	<b>305</b>	<b>3%</b>

Source: NDFC, BMA Research

### Urea & DAP Prices in 3QCY25

PkR/Bag	3QCY25A	3QCY24A	YoY	2QCY25A	QoQ
Urea	4,404	4,718	-7%	4,476	-2%
DAP	13,449	11,657	15%	12,579	7%

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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