FFC Analyst Briefing Takeaways

Wednesday, May 06, 2025

FFC held an analyst briefing on 6 May '26 for 1QCY26:

- FFC reported PAT of PKR 17.5bn translating into an EPS of PKR 12.1 in 1QCY26, up 32% YoY. Revenue increased to PKR 95.3bn increasing by 50% YoY, while gross profit rose to PKR 29.1bn. Earnings were driven by higher fertilizer sales and strong other income, with fertilizer operations contributing 60%, dividend income 24%, and investment income 16%.

- Urea industry sales declined 5.6% YoY to 1,037KT; however, FFC sales increased to 601KT up by 12% YoY, raising market share to 58% compared to 49% SPLY. In the DAP segment, industry sales grew 94% YoY to 290KT, with FFC sales rising to 181KT up by 105% YoY, increasing market share to 63% compared to 59%.

- Other income increased to PKR 10.7bn compared to PKR 7.4bn SPLY, supported by strong dividend income, including PKR 5-7bn contribution from Thar Energy Limited, along with income from cash and short-term investments.

- Gas curtailment at the Port Qasim plant led to 50KT production loss during the quarter; however, supply has largely normalized. A plant turnaround is scheduled in Sep'26 for 15 days.

- Input costs increased significantly, with sulphur prices rising from USD 300/ton to USD 1,100/ton due to supply disruptions linked to the Strait of Hormuz. The company has partially passed on cost pressures and implemented a PKR 100/bag price increase, while confirming no discounts on urea since Jan'26.

- Stock in trade increased to PKR 45bn compared to PKR 38bn in Dec '25 mainly due to higher raw material prices. Short-term investments declined to PKR 175bn, while the debt to equity ratio slightly improved to 26:74.

- FFC invested in PIA Equity Limited, with the consortium exercising its option to acquire the remaining 25% stake; however, FFC's shareholding will remain unchanged at 34%. Financing arrangements, including borrowings, have been made to support investment needs.

- Management highlighted continued risks from rising input costs and geopolitical disruptions, particularly around sulphur supply, where 50% of global supply originates from the Middle East. While demand remains stable, margins will depend on cost pass through and stability in raw material supply

Usama Huq
usama.huq@darson.com.pk
Tel: 021 32467224

DISCLAIMER

This report has been prepared by Darson Securities Ltd. and is provided for information purposes only. Under no circumstances it is to be used or considered as an offer to sell, or a solicitation of any offer to buy. This information has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. All opinions and estimates expressed in this report constitute our present judgment only and are subject to change without notice. This report is intended for persons having professional experience in matters relating to investments.

Research Dissemination Policy:
Darson Securities Ltd. endeavors to make all rightful efforts to disseminate research to all eligible clients in a timely manner through either electronic or physical distribution such as email, mail and/or fax. However, it is worth mentioning that, not all clients may receive the material at the same time.

Analyst Certification:
The research analyst(s), if any, denoted by AC on the cover of this report, who exclusively reports to the research department head, primarily involved in the preparation, writing and publication of this report, certifies that the expressed views in this report are unbiased and independent opinions of the analyst(s). The observations presented also accurately reflect the personal views of the analyst(s) based on the research about the subject companies/securities and in any case, no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research report. It is also important to note that the research analyst(s) or any of its close relatives do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company. Additionally, the research analyst or its close relative have neither served as a director/officer in the past 3years nor received any compensation from the subject company in the past 12 months. The Research analyst or its close relatives have not traded in the subject security in the past 7 days and will not trade in next 5 days.

Financial Interest Disclosure:
Darson Securities Ltd. or any of its officers and directors does not have a significant financial interest (above 1% of the value of the securities of the subject company). Darson Securities Ltd., their respective directors, officers, representatives, employees and/or related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise.

Risk Associated with Target Price:
Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices.

Rating System:
If;

- **Expected return >15%** - Buy Call
- **Expected Return is in between 0% to 15%** - Neutral/Hold Call
- **Expected Return <0%** - Sell Call

Valuation Methodology
To arrive at our period end target prices, DSL uses
different valuation methodologies including:

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