



## FFC: 3QCY25 Result Review — Earnings declined on lower other income



AKD Securities Limited

Fauji Fertilizer Company Ltd. (FFC) announced its 3QCY25 financial results, reporting standalone earnings of PkR19.2bn (EPS: PkR13.48), down 23%YoY from PkR24.8bn (EPS: PkR17.44) in SPLY. Earning came in slightly below our expectations due to lower-than-anticipated margins. Alongside the result, FFC announced cash dividend of PkR9.5/sh.

- Company's revenue increased by 18%YoY to PkR127.3bn compared to PkR108.0bn in SPLY, primarily driven by 14%/11% YoY increase in urea and DAP offtakes to 834k and 253k tons, respectively.
- Gross margins contracted to 30.8% from 37.3% in SPLY, primarily due to discount offering on urea and lower margins on DAP during the quarter. Margins remained below expectations due to higher-than-anticipated Phosacid prices, in our view.
- Distribution expenses increased by 5%YoY to PkR8.6bn, mainly due to higher offtakes during the quarter.
- Other income declined by 51%YoY to PkR6.3bn, mainly due to the absence of dividends from energy subsidiaries and decline in investment yields. Notably, company had received dividend from energy subsidiaries in the prior quarter.
- Finance cost dropped by 25%YoY to PkR1.6bn, as the impact of lower benchmark rates outweighed the increase in borrowings.
- This brings 9MICY25 earnings to PkR57.6bn, up 13%YoY, mainly supported by higher sales and dividend income.
- We maintain our 'Buy' stance on FFC with a Jun'26 TP of PkR597/sh. Our liking on the scrip is due to: i) lower gas prices to FFC's base plants, along with increasing DAP core margins, ii) consistent dividend income from power and banking subsidiaries, and iii) improvement in food business with increasing market penetration and cost efficiencies.

### FFC: Income Statement (Unconsol)

PkRmn	3QCY25	3QCY24	YoY	2QCY25	QoQ	9MICY25	9MICY24	YoY
Sales	127,251	107,949	18%	91,812	39%	282,700	223,523	26%
COGS	88,032	67,711	30%	60,854	45%	189,874	134,865	41%
Gross Profit	39,219	40,238	-3%	30,958	27%	92,826	88,658	5%
Gross Margins	30.8%	37.3%	-	33.7%	-	32.8%	39.7%	-
Distribution Exp	8,601	8,214	5%	8,720	-1%	23,419	18,950	24%
Other Income	6,272	12,676	-51%	20,716	-70%	34,433	28,447	21%
Finance Cost	1,555	2,071	-25%	1,708	-9%	4,962	4,957	0%
NPAT	19,185	24,824	-23%	25,174	-24%	57,636	50,894	13%
EPS	13.48	17.44	-	17.69	-	40.50	35.76	-
DPS	9.50	0.00	n.m	12.00	-21%	28.50	13.86	106%

Source: PSX &amp; AKD Research

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## Valuation Methodology

To arrive at our period end target prices, AKDS uses different valuation techniques including:

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

## New Rating Definitions

Buy > 15% expected total return  
Neutral > 0% to < 15% expected total return  
Sell < 0% expected total return

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