

PAKISTAN FERTILIZER

1QCY26 Result Preview: Profitability to improve on higher offtakes

- AKD Fertilizer Universe's profitability is projected to improve in 1QCY26, primarily due to higher offtakes.
- Company-wise, FFC and EFERT's profitability is expected to rise by 34%/10%YoY, respectively, while FATIMA's profitability is expected to decline by 41%YoY.
- FFC/EFERT cash payout is expected to increase, in-line with earnings growth.
- We have a 'BUY' call on FFC and ENGROH with Dec'26 target of Pkr801/351 per sh, respectively.

Earnings to improve on higher volumes: We expect AKD Fertilizer Universe's profitability to improve by 5%YoY in 1QCY26, primarily due to higher offtakes of FFC and EFERT. Consequently, sales are projected to surge 26%YoY to Pkr184.3bn, while gross margins are expected to contract by 7.3ppts to 29.9% from 37.2% in SPLY, mainly due to increased phosphate nutrients in sales mix and lower core margins amid increasing Phos-acid prices. In addition, other income is expected to increase by 24%YoY mainly due to higher dividend income of FFC, while finance cost is expected to incline on higher outstanding borrowing. Lastly, dividend payouts are projected to improve by 25%YoY due to higher expected payout from FFC and EFERT.

FFC earnings to rise on higher sales: We expect FFC's earnings to increase by 34%YoY in 1QCY26 to Pkr17.8bn (EPS: Pkr12.5) vs Pkr13.3bn (EPS: Pkr9.3) in SPLY. This growth is mainly driven by higher Urea/DAP offtakes, up 12%/2.1x YoY, respectively, along with higher other income. Gross margins are expected to contract to 29.0% from 35.6% in SPLY, owing to higher composition of DAP in total offtakes. Furthermore, other income is anticipated to increase by 33%YoY, supported by higher projected dividends from Energy subsidiaries/associate, i.e., FWE I, II, & TEL. Meanwhile, finance cost is projected to rise by 26%YoY to Pkr2.1bn, due to increased borrowings. Lastly, we expect FFC to announce an interim dividend of Pkr9.0/sh.

EFERT earnings to increase on improved offtakes: EFERT's earnings are projected to improve by 10%YoY to Pkr3.2bn (EPS: Pkr2.4) in 1QCY26 vs Pkr2.9bn (EPS: Pkr2.2) in SPLY, largely due to higher offtakes and increase in other income. Revenue is expected to improve by 22%YoY, driven by a 7%/64% YoY rise in Urea and DAP offtakes, respectively. However, gross margins are anticipated to decline by 4.7ppts to 30.5%, given lower urea composition in total sales vs SPLY. Other income is likely to improve by 2.1x YoY due to increased ST investments, however, finance cost is also projected to surge 2.0x YoY due to increase in borrowings. Notably, company's borrowing increased due to higher working capital requirements amid elevated inventory levels, along with CAPEX related to the Pressure Enhancement Facility. We expect EFERT to announce a dividend of Pkr2.5/sh alongside the result.

FATIMA profitability to contract by 41%YoY: FATIMA's profitability is projected to decline by 41%YoY in 1QCY26 to Pkr4.9bn (EPS: Pkr2.3), compared to Pkr8.4bn (EPS: Pkr4.0) in SPLY, mainly due to lower offtakes, gross margins attrition and decline in other income. Revenue is expected to decline by 17%YoY, due to 59%/30%YoY decline in Urea/CAN offtakes, however partially offset by 30% increase in NP offtakes. Gross margins are also projected to contract to 31.4% from 40.4% in SPLY, due to i) decline in offtakes, ii) higher mix of Phosphate nutrients, and iii) lower proportion of sales from the base plant, which benefits from lower gas prices. Additionally, other income is expected to fall by 16%YoY due to lower yields and correction in equities during the quarter.

Investment Perspective: We maintain an overweight stance on the fertilizer sector, underpinned by a stable demand outlook, consistent earnings, and robust cash flows translating into attractive dividend yields. We have a 'BUY' stance on FFC and ENGROH, with Dec'26 target prices of Pkr801/351 per sh, respectively.

MARKET VISTA

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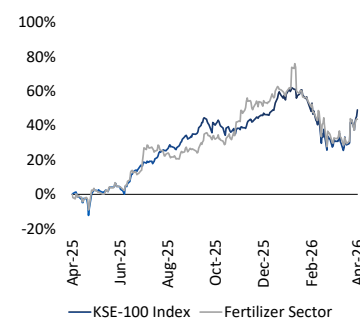
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AKD Fertilizer Universe Valuation

	Stance	TP (Dec'26)	P/E	D/Y
FFC	BUY	801	8.08	9.3%
EFERT	BUY	264	9.79	9.9%
FATIMA	BUY	175	6.04	6.6%
ENGROH	BUY	351	5.69	3.5%

Source: PSX & AKD Research

Fertilizer Sector vs. KSE100 Index



Source: PSX & AKD Research



AKD Securities Limited

FFC & EFERT earnings to increase on higher offtakes; while FATIMA earnings to drop on lower offtakes

EPS (PkR)	1QCY26E	1QCY25	YoY	4QCY25	QoQ
FFC	12.5	9.3	34%	11.2	12%
EFERT*	2.4	2.2	10%	6.3	-62%
FATIMA*	2.3	4.0	-41%	6.3	-63%

FFC & EFERT to lead in payouts

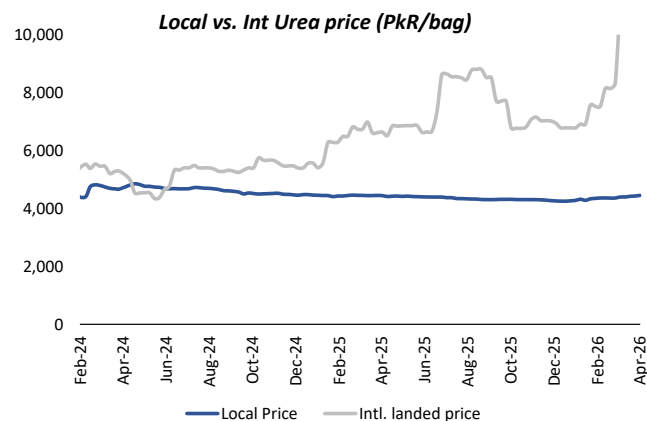
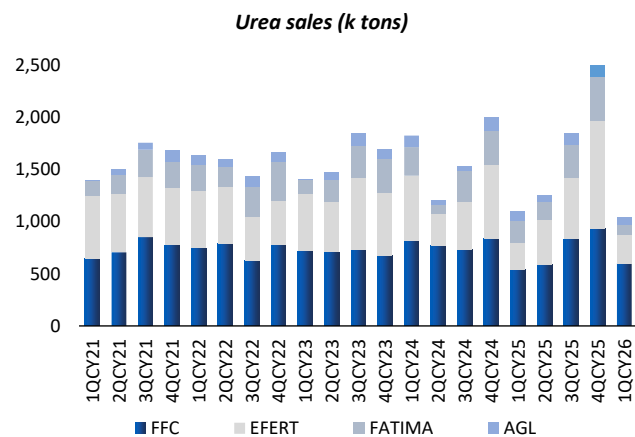
DPS (PkR)	1QCY26E	1QCY25	YoY	4QCY25	QoQ
FFC	9.0	7.0	29%	8.5	6%
EFERT*	2.5	2.3	11%	4.0	-38%
FATIMA*	-	-	n.m	2.5	-100%

AKD Fertilizer Universe — Earnings Snapshot

PkRmn	1QCY26E	1QCY25	YoY	4QCY25	QoQ
Sales	184,343	145,882	26%	348,764	-47%
COGS	129,232	91,584	41%	252,547	-49%
Gross Profit	55,111	54,298	1%	96,216	-43%
Gross Margins	29.9%	37.2%	-	27.6%	-
Opex	16,775	17,153	-2%	25,503	-34%
Other Income	12,412	9,976	24%	9,324	33%
Finance Cost	6,440	4,691	37%	5,637	14%
NPAT	25,895	24,551	5%	37,430	-31%

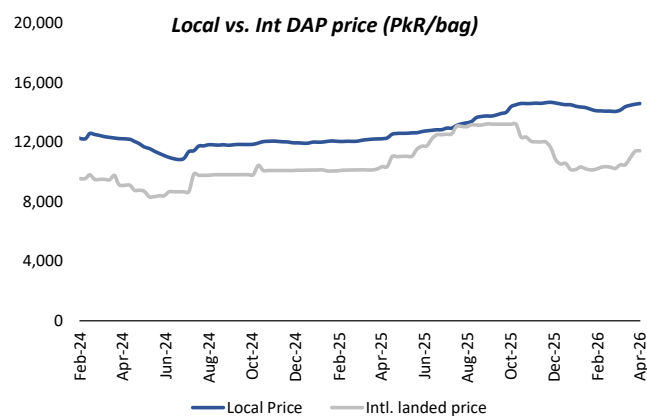
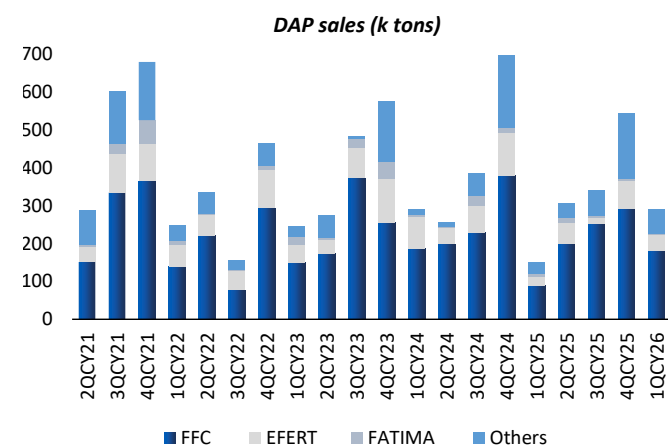
FATIMA's decline led to a slight decrease in total offtakes

...with local urea prices remaining slightly lower YoY



DAP sales improved amid low base in SPLY

...however, delta btw local and int DAP prices widens vs SPLY



*Consolidated

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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.)

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BUY > 15% expected total return

NEUTRAL > 0% to < 15% expected total return

SELL < 0% expected total return



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