July 29, 2025
REP 019

FFC: 2QCY25 Result Review — Earnings beat expectations on higher other income

AKD Securities Limited

Fauji Fertilizer Company Ltd. (FFC) announced its 2QCY25 financial results, reporting standalone earnings of PkR25.2bn (EPS: PkR17.69), up 62%YoY from PkR15.5bn (EPS: PkR10.93) in SPLY. Earning came above our expectations due to higher-than-anticipated other income. Alongside the result, FFC announced cash dividend of PkR12.0/sh.

- Company's revenue clocked in at PkR91.8bn, compared to PkR57.2bn in SPLY, up 61% YoY. The increase is primarily attributable to 4.9x YoY surge in DAP offtakes, following the inclusion of FFBL's volumes post-merger; however, this was partly offset by 6%YoY decline in urea offtakes.
- Gross margins contracted to 33.7%, from 54.5% in SPLY, due to higher proportion of DAP and high-cost granular urea sales.
- Distribution expenses increased by 57%YoY to PkR8.7bn, mainly due to higher DAP offtakes during the quarter.
- Other income increased by 3.8x YoY to PkR20.7bn, compared to our expectation of PkR8.0bn, likely due to higher-than-expected dividend from power subsidiaries and offshore JV i.e., PMP. However, we await further clarity.
- Finance cost increased by 24%YoY to PkR1.7bn, primarily due to higher outstanding debt post-merger.
- 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	2QCY25	2QCY24	YoY	1QCY25	QoQ	1HCY25	1HCY24	YoY
Sales	91,812	57,167	61%	63,637	44%	155,449	115,574	35%
COGS	60,854	26,034	134%	40,988	48%	101,842	67,154	52%
Gross Profit	30,958	31,133	-1%	22,649	37%	53,607	48,420	11%
Gross Margins	33.7%	54.5%	-	35.6%	-	34.5%	41.9%	-
Distribution Exp.	8,720	5,543	57%	6,098	43%	14,817	10,736	38%
Other Income	20,716	5,494	277%	7,445	178%	28,162	15,770	79%
Finance Cost	1,708	1,380	24%	1,699	1%	3,407	2,886	18%
NPAT	25,174	15,549	62%	13,278	90%	38,452	26,071	47%
EPS	17.69	10.93	-	9.33	-	27.02	18.32	-
DPS	12.00	8.94	34%	7.00	71%	19.00	13.86	37%

Source: PSX & AKD Research

Usama Rauf
usama.rauf@akdsl.com
+92-21-111253111 EXT:634

Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

Stock Ratings

Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances and other considerations. AKDS uses a three tier rating system: i) Buy, ii) Neutral and iii) Sell with total returns (capital upside + dividend yield) benchmarked against the expected one year forward floating (variable) risk free rate (10yr PIB) plus risk premium.

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

Analyst Certification of Independence

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

The research analysts, strategists or research associates principally having received compensation responsible for the preparation of this AKDS research report based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Disclosure of Interest Area

AKDS and the authoring analyst do not have any interest in any companies recommended in this research report irrespective of the fact that AKD Securities Limited may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Regional Disclosures (Outside Pakistan)

The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.

For the United States

Compliance Notice.

This research report prepared by AKD Securities Limited is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker & Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker & Co, LLC in the US shall be borne by Decker & Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if AKD Securities Limited or Decker & Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker & Co, LLC and AKD Securities Limited are permitted to provide research material concerning investment to you under relevant applicable legislations and regulations.