

## **FFC holds Corporate Briefing for the year ended December 31, 2020**

Fauji Fertilizer Company (FFC), held its first Corporate Briefing for the year 2021, as a part of its best corporate governance practices.

FFC has been recognized by Pakistan Stock Exchange (PSX) as first amongst Top 25 Companies consecutively for 10 years attributed to its Compliance of Code of Corporate Governance, Company Performance and efficient management which has consistently surpassed established corporate governance standards.

In the same backdrop the subject briefing for the year-ended 31<sup>st</sup> December 2020 was held virtually at FFC's corporate Head Office, Rawalpindi where prominent capital market analysts and dignitaries from Pakistan Stock Exchange including Ms Raida Latif, General Manager, Marketing and Business Development also attended the event.

Company Secretary FFC, Brig Asrat Mahmood SI(M) (Retd) opened the meeting and apprised the house about significance of the event. Chief Financial Officer, Mr. Mohammad Munir Malik briefed the house about FFC's performance for the year 2020 and replied to various queries raised by the forum.



# Corporate Briefing

For the year ended  
December 31, 2020

February 9, 2021

01

**Financial  
Review**

December 31, 2020

02

**Expansion &  
Diversification**

03

**Future  
Outlook &  
Challenges**

04

**Questions &  
Answers  
session**

# Business Environment



The year 2020 started with balanced urea market conditions with low inventories



Prices of urea were reduced, after decrease in GIDC, despite significant absorption by Company, for the benefit of farming community



COVID-19 negatively impacted economic environment



The interest rates registered a steep decline during the period




Fuel prices also decreased. Partial implementation of axle load regulation




GIDC case – Supreme Court has ordered payment of GIDC liability. Stay granted by SHC for factual determination of payable

	Av. Yield (Mds/Acre)	Market Price Rs. / Mond	Expenses Rs. / Acre	Net Income
2016-17	42	1,210	29,200	<b>21,500</b>
2017-18	41	1,200	31,200	<b>18,000</b>
2018-19	35	1,300	33,442	<b>12,058</b>
2019-20	40	1,550	36,700	<b>24,470</b>




**Wheat**

	Av. Yield (Mds/Acre)	Market Price Rs. / Mond	Expenses Rs. / Acre	Net Income
2017-18	25	2,930	54,500	<b>18,800</b>
2018-19	23	3,680	61,000	<b>23,600</b>
2019-20	21	3,700	63,765	<b>13,935</b>
2020-21	18	4,300	65,220	<b>10,020</b>




**Cotton**

	Av. Yield (Mds/Acre)	Market Price Rs. / Mond	Expenses Rs. / Acre	Net Income
2016-17	870	160	106,600	<b>32,600</b>
2017-18	845	180	122,600	<b>29,500</b>
2018-19	855	190	126,600	<b>35,800</b>
2019-20	842	210	127,500	<b>49,275</b>



**Sugarcane**

	Av. Yield (Mds/Acre)	Market Price Rs. / Mond	Expenses Rs. / Acre	Net Income
2017-18	42	1,650	50,000	<b>19,300</b>
2018-19	42	1,860	58,059	<b>20,100</b>
2019-20	40	2,140	61,484	<b>24,116</b>
2020-21	43	2,050	62,443	<b>25,707</b>

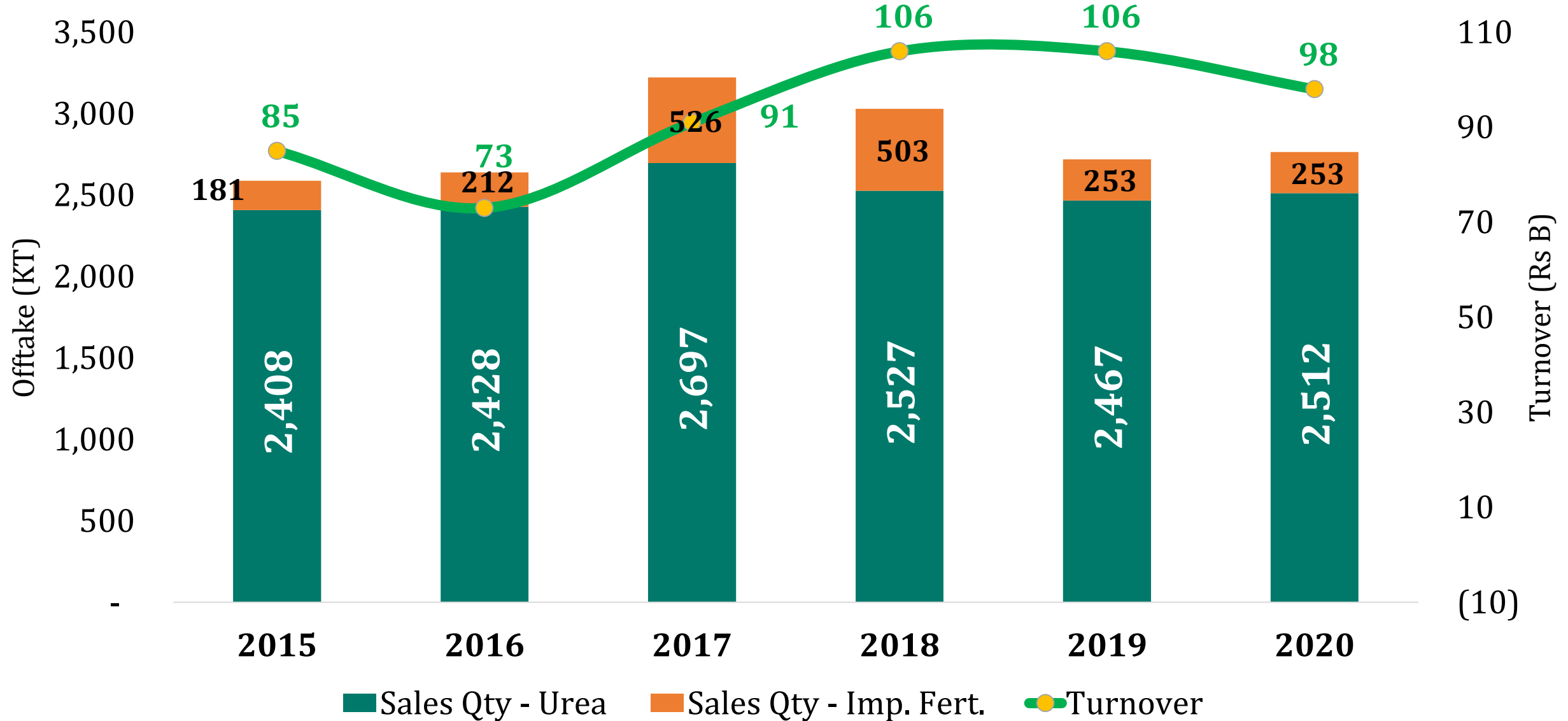


**Basmati**

# Sona Urea Production



# Fertilizer Offtake and Turnover



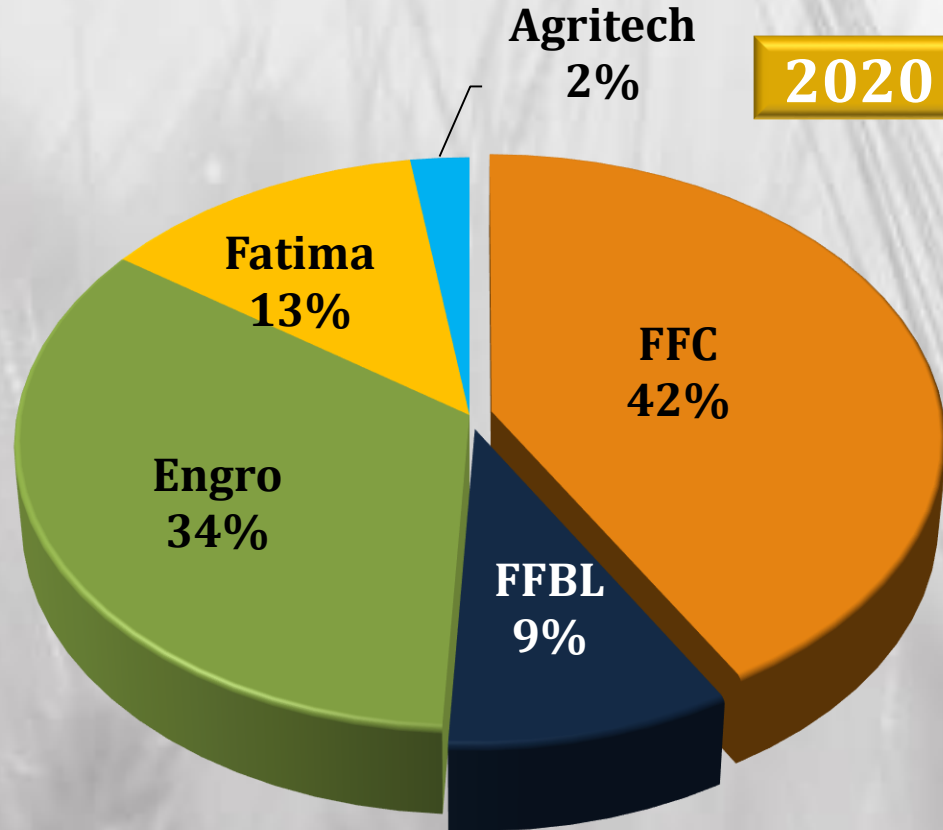
# Industry Urea Sales



**3% lower vs 2019**

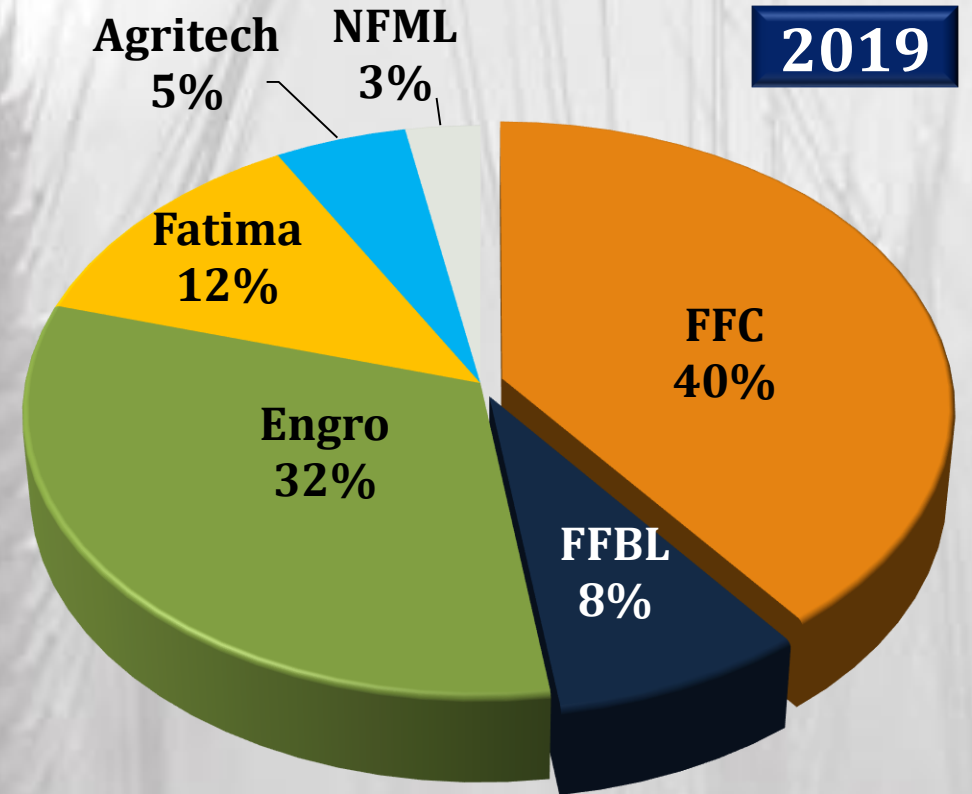


# Urea Market share



**6,038 KT**

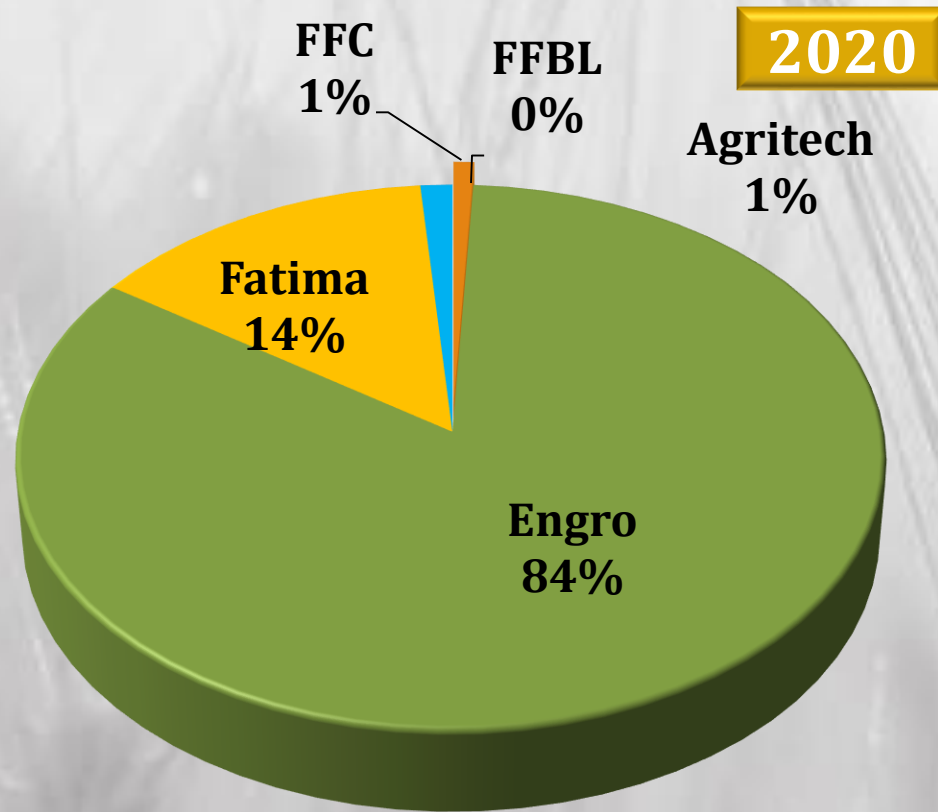
**FFC+FFBL: 51%**



**6,230 KT**

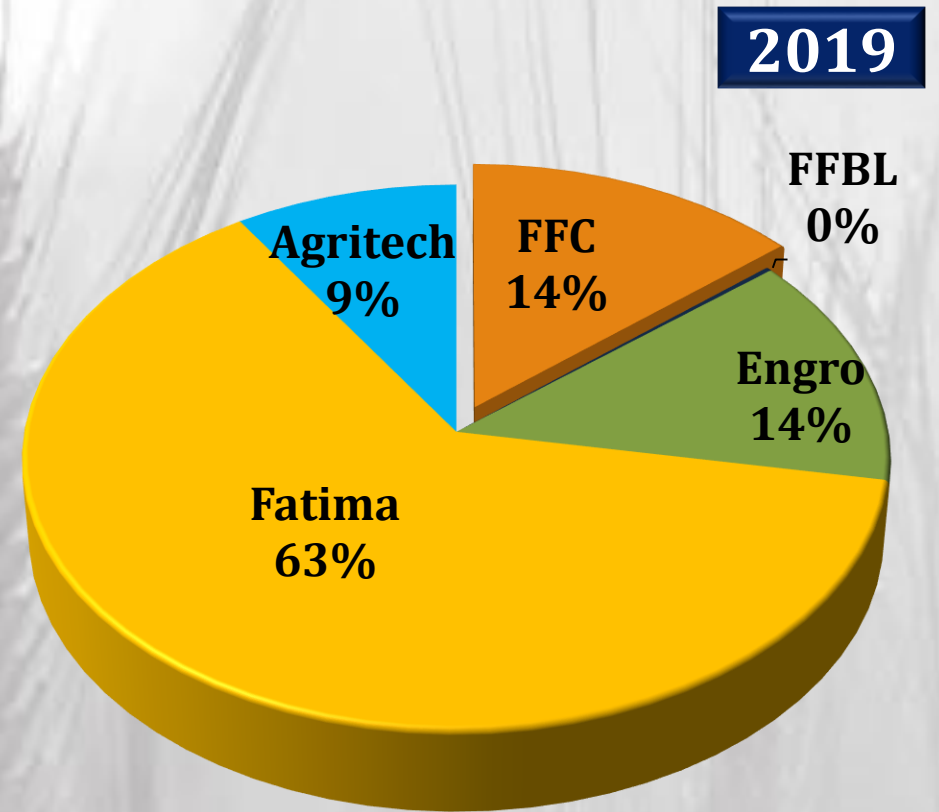
**FFC+FFBL: 48%**

# Urea Inventory share



**288 KT**

**FFC+FFBL: 1%**

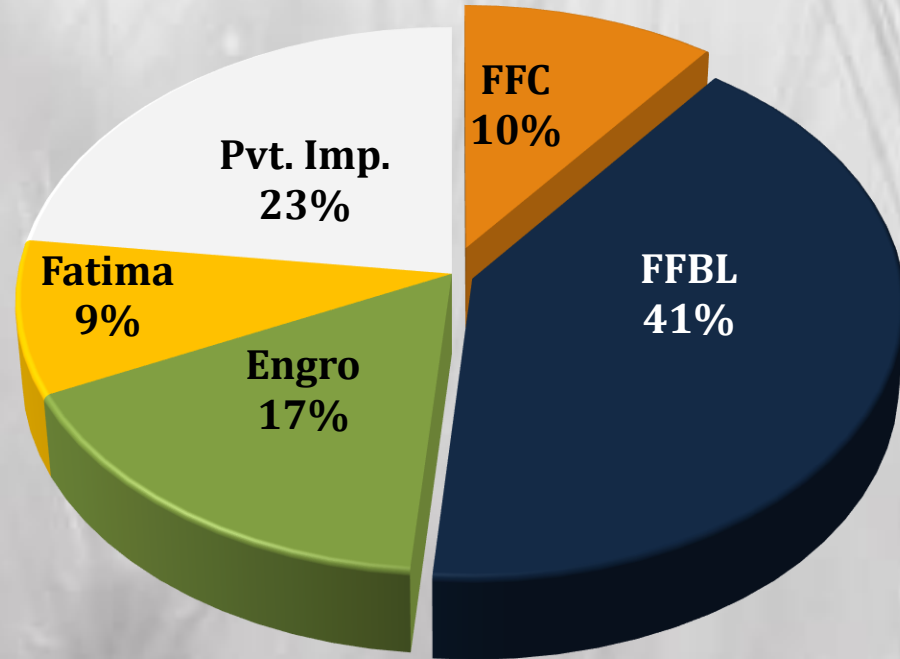


**200 KT**

**FFC+FFBL: 14%**

# DAP Market Share

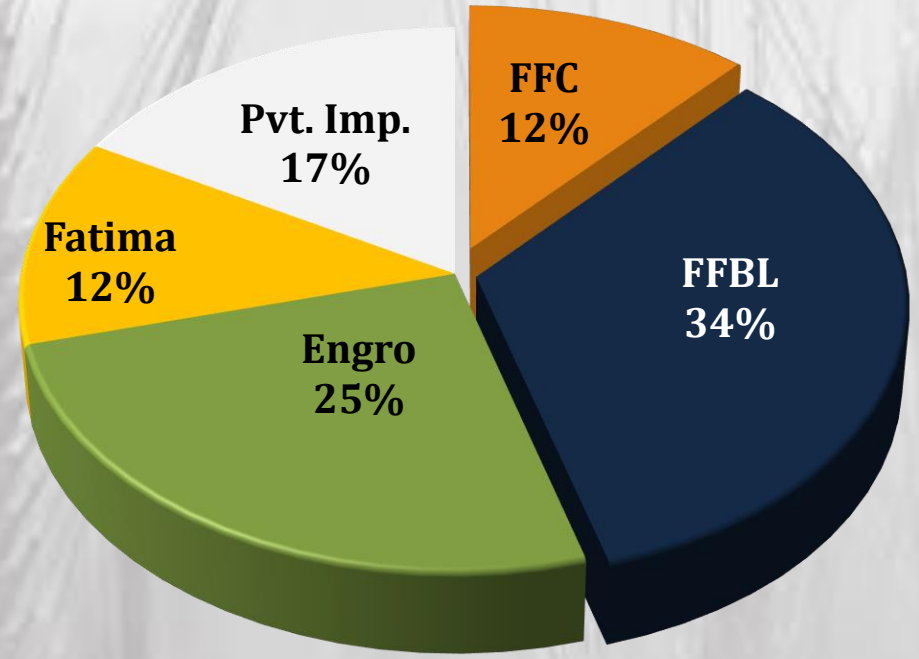
**2020**



**2,256 KT**

**FFC+FFBL: 51%  
(1,159 KT)**

**2019**



**2,030 KT**

**FFC+FFBL: 46%  
(925 KT)**

# Key Performance Indicators

Rs. M

<b>Actual 2020</b>	<b><u>31,583</u></b>	<u>Change %</u>
Actual 2019	<u>30,737</u>	<b>3</b> ▲
Actual 2018	<u>27,978</u>	<b>13</b> ▲

<b>Actual 2020</b>	<b><u>23,735</u></b>	<u>Change %</u>
Actual 2019	<u>22,449</u>	<b>6</b> ▲
Actual 2018	<u>19,145</u>	<b>24</b> ▲

**Gross Profit**

**Operating Profit**

<b>Actual 2020</b>	<b><u>20,819</u></b>	<u>Change %</u>
Actual 2019	<u>17,110</u>	<b>22</b> ▲
Actual 2018	<u>14,439</u>	<b>44</b> ▲

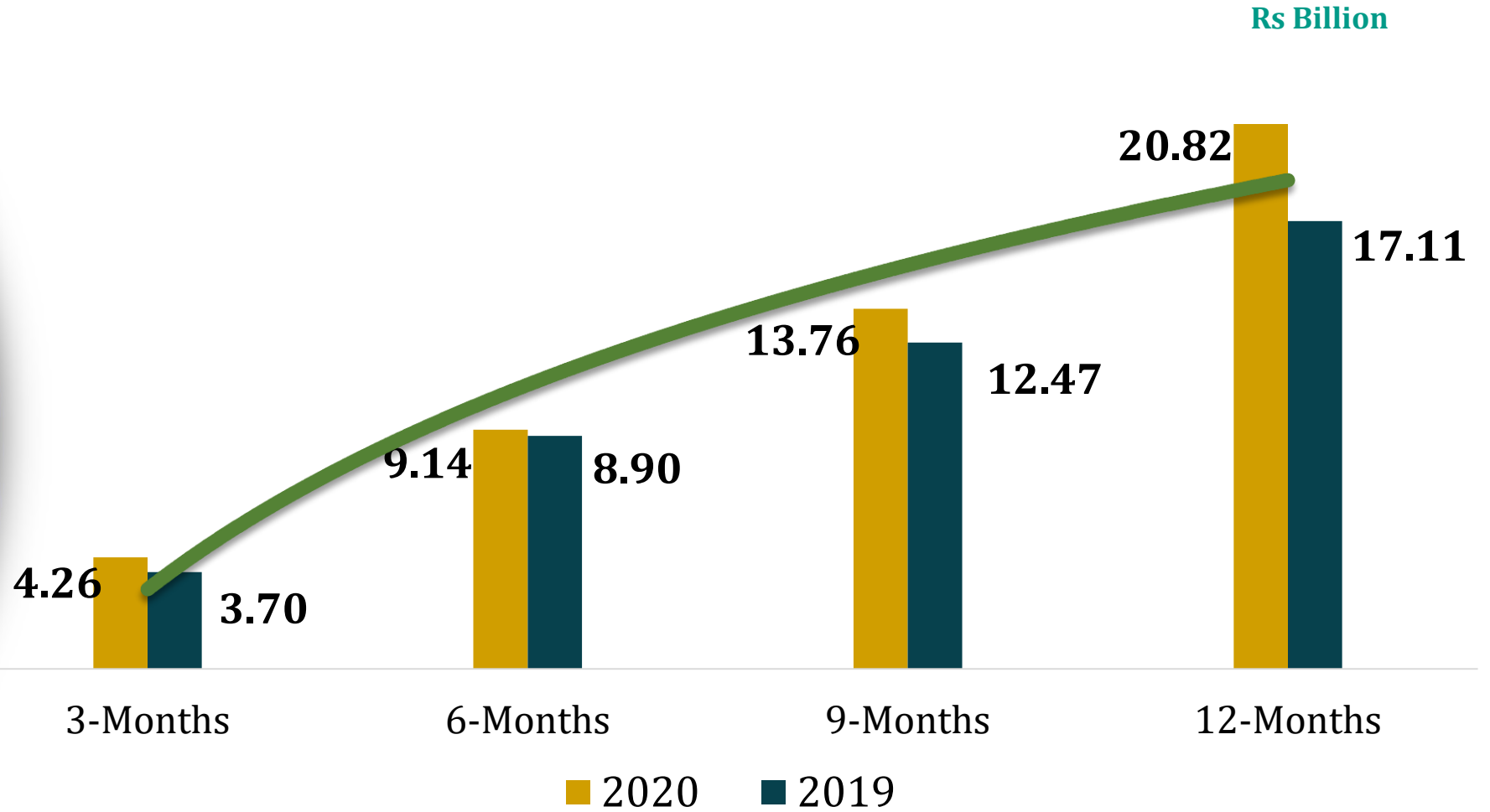
<b>Actual 2020</b>	<b><u>16.36</u></b>	<u>Change %</u>
Actual 2019	<u>13.45</u>	<b>22</b> ▲
Actual 2018	<u>11.35</u>	<b>44</b> ▲

**Net Profit**

**EPS (Rs / Share)**

# Profitability

## Quarterly Profitability





The diagram features a central green circle with a teal border containing the text 'GIDC'. This central circle is connected to two larger light blue circles on either side by thick green curved lines. The left circle contains three bullet points, and the right circle contains two bullet points.

## GIDC

- Payment term extended to **48 equal monthly installments** instead of 24, as a result of Review Petition filed before the Supreme Court of Pakistan
- Suit filed with Sindh High Court (SHC) against collection of GIDC before **factual determination**
- **Stay granted** by SHC

- Temporary accounting gain amounting **Rs 5.93 billion** on extinguishment and re-measurement of GIDC liability as per IFRS
- This temporary gain shall reverse in next four years, over the repayment period of GIDC, as determined by the apex court

# GIDC Payable

	<i>Rs B</i>	
	<b>2020</b>	<b>2019</b>
<b>GIDC Payable</b>	(62.64)	(61.06)
Income against GIDC liability / reversal in (2021 - 2024)	5.93	
	(56.71)	(61.06)
Current portion	(23.94)	(61.06)
Long term	(32.77)	-
	<b>(56.71)</b>	<b>(61.06)</b>

## Subsidy Receivable

- Considerable delay in subsidy settlement by the Government
- Receivable stood at Rs 7.32 billion at the end of 2020
- Expected Credit Loss of Rs 987 million recognized under the requirements of IFRSs

## Subsidy Receivable

Rs B

Total receivable **7.32**

Loss allowance **(0.98)**

**6.34**



- Health and safety have been FFC's priority since outbreak of the pandemic
- Successful negotiations with the Govt. to allow uninterrupted manufacturing and fertilizer supply during the lockdown conditions
- Strict implementation of SOPs including use of masks, sanitizers, social distancing and work from home etc.

COVID-  
19

- Effective workplace management including manpower, IT support etc.
- Company operations thus far not impacted by COVID-19
- FFC achieved uninterrupted urea production and supply
- The Company also achieved profitability benchmarks



**First Position in  
PSX Top 25  
Companies  
Award  
2019 – 10<sup>th</sup>  
consecutive year**

**“Overall top  
Position” 2019  
in ICAP/ICMAP  
Best Corporate  
Report Awards  
(13<sup>th</sup> Overall top  
Position)**

**Winner  
Manufacturing  
Sector in SAFA Best  
Presented Annual  
Report competition  
2019 & Certificates  
of merit for  
‘Corporate  
Governance  
Disclosures’ and  
‘Integrated  
Reporting’**

**Management  
Excellence  
Award  
2019 (6<sup>th</sup>  
Consecutive  
Year) by MAP**

**Winner of  
ICAP/ICMAP  
“Best  
Sustainability  
Report  
Award” 2019  
– 5<sup>th</sup> time**

# Expansion & Diversification

## FFF

Equity  
injection of  
**Rs 1.5 billion**

## FFBL

Equity  
injection of  
**Rs 2.49  
billion**

## FWEL I & II

Evaluating the  
acquisition of  
majority stake

## OLIVE

Incorporated  
to provide  
technical  
services

## TEL

Further Equity  
Investment of  
USD 14.4 M in  
2021 onwards

# Future Outlook & Challenges

1

The ongoing Pandemic continues to pose threat to overall economy

2

Implementation of tax stamp for FBR's Track and Trace system

3

Business expenditure disallowance by FBR resulting in cost escalation

4

Depleting gas reserves. Alternate raw material sources required

5

Persistent pricing pressure from Government to pass on the inflationary and other impacts

6

Discharge of GIDC liability would pressurize working capital of the Company.

7

Continued delay in subsidy receivable impacting working capital besides promoting ECL provision on the receivables

8

Long outstanding GST refunds resulting in increasing working capital needs

*Any*

**Question**



**THANK YOU**