



## **FFC holds Corporate Briefing for Third Quarter September 30, 2020**

Fauji Fertilizer Company (FFC), held its second Corporate Briefing for the year 2020, 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 09 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 period ended 30<sup>th</sup> September 2020 was held at FFC's corporate Head Office, Rawalpindi where prominent capital market analysts and dignitary from PSX Mr. Muhammad Saqib 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 three quarters of the year 2020 and replied to various queries raised by the forum.



# Corporate Briefing

For the period ended  
September 30, 2020

October 29, 2020



01

02

03

04

**Financial  
Review**

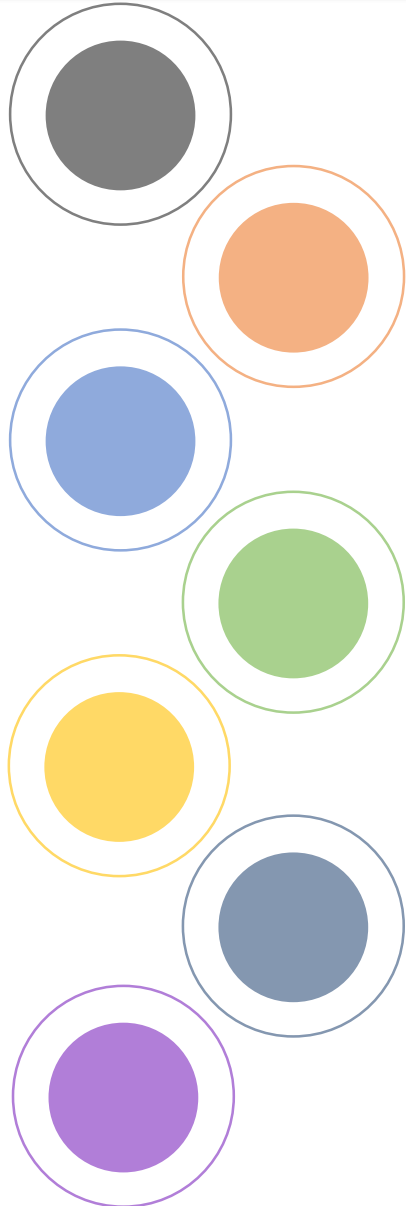
September 30, 2020

**Business  
Expansion**

**Future  
Outlook**

**Questions &  
Answers  
session**

# Business Environment



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

Selling prices of urea were reduced in response to the reduction in GIDC rates by the Government

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

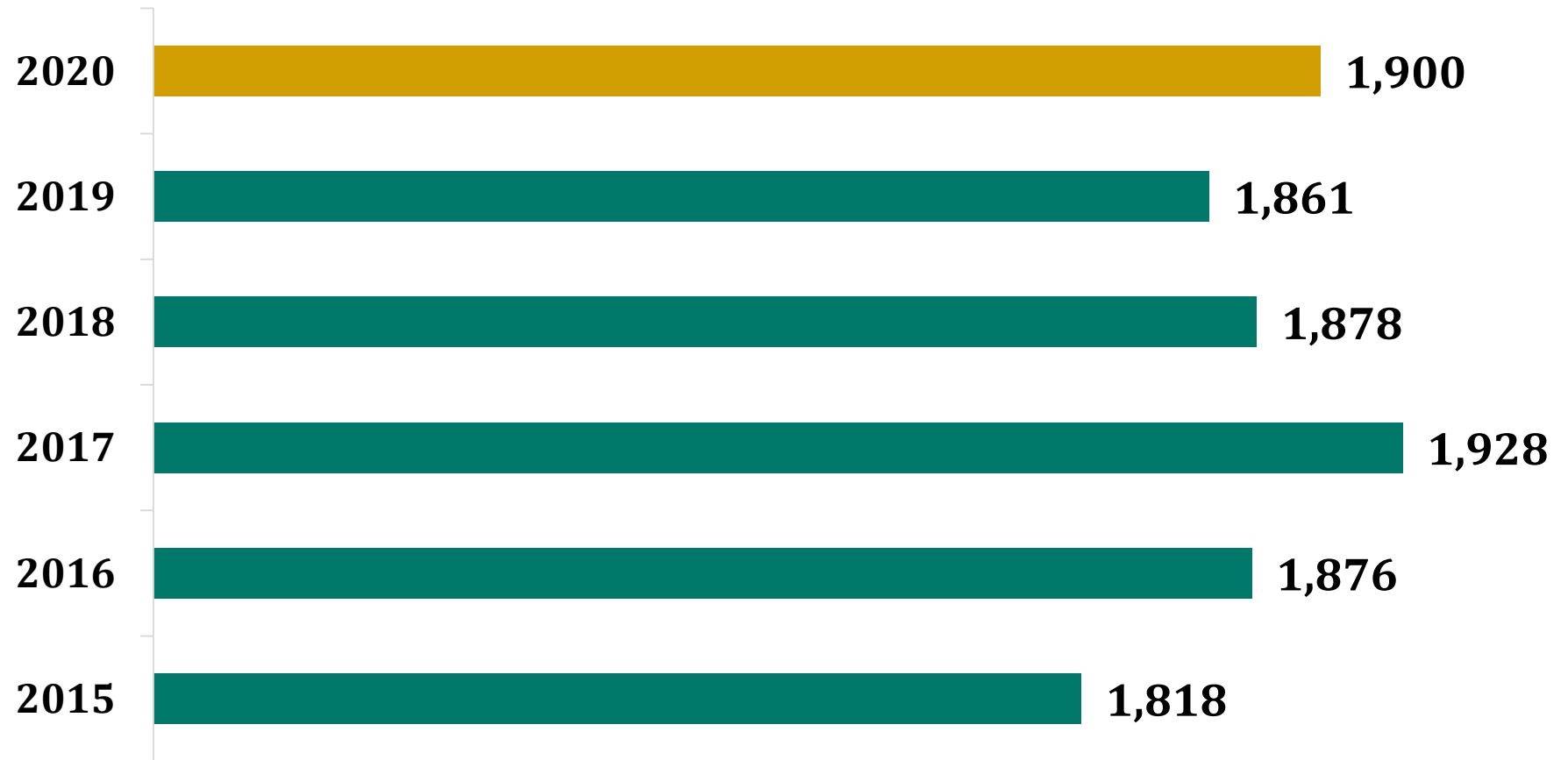
COVID-19 negatively impacted economic environment

The interest rates registered a steep decline during the period

Fuel prices also decreased. Partial implementation of axle load regulation

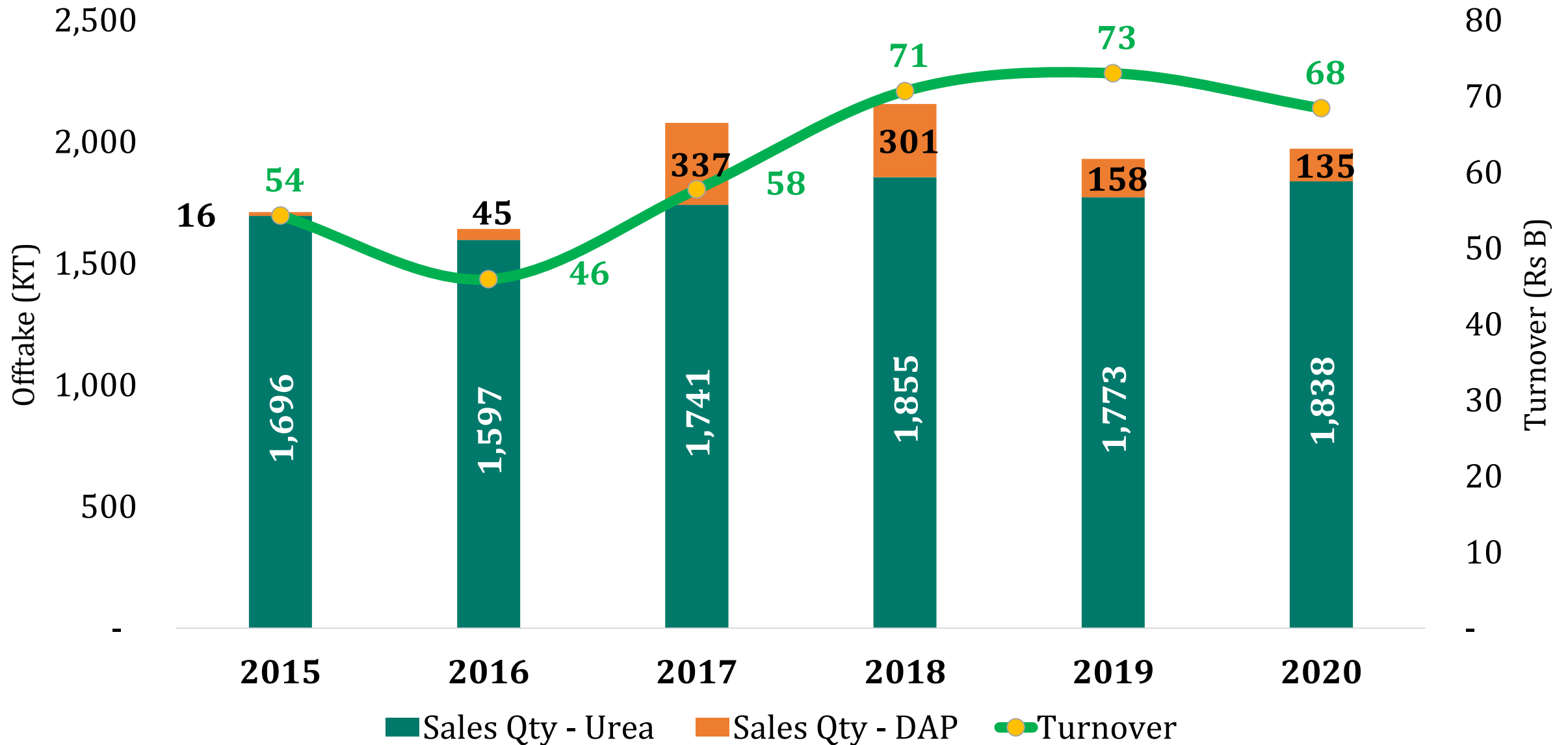
GIDC case – Supreme Court has ordered payment of GIDC liability. Review petition filed by the Company

# Sona Urea Production - KT (Jan to Sep)

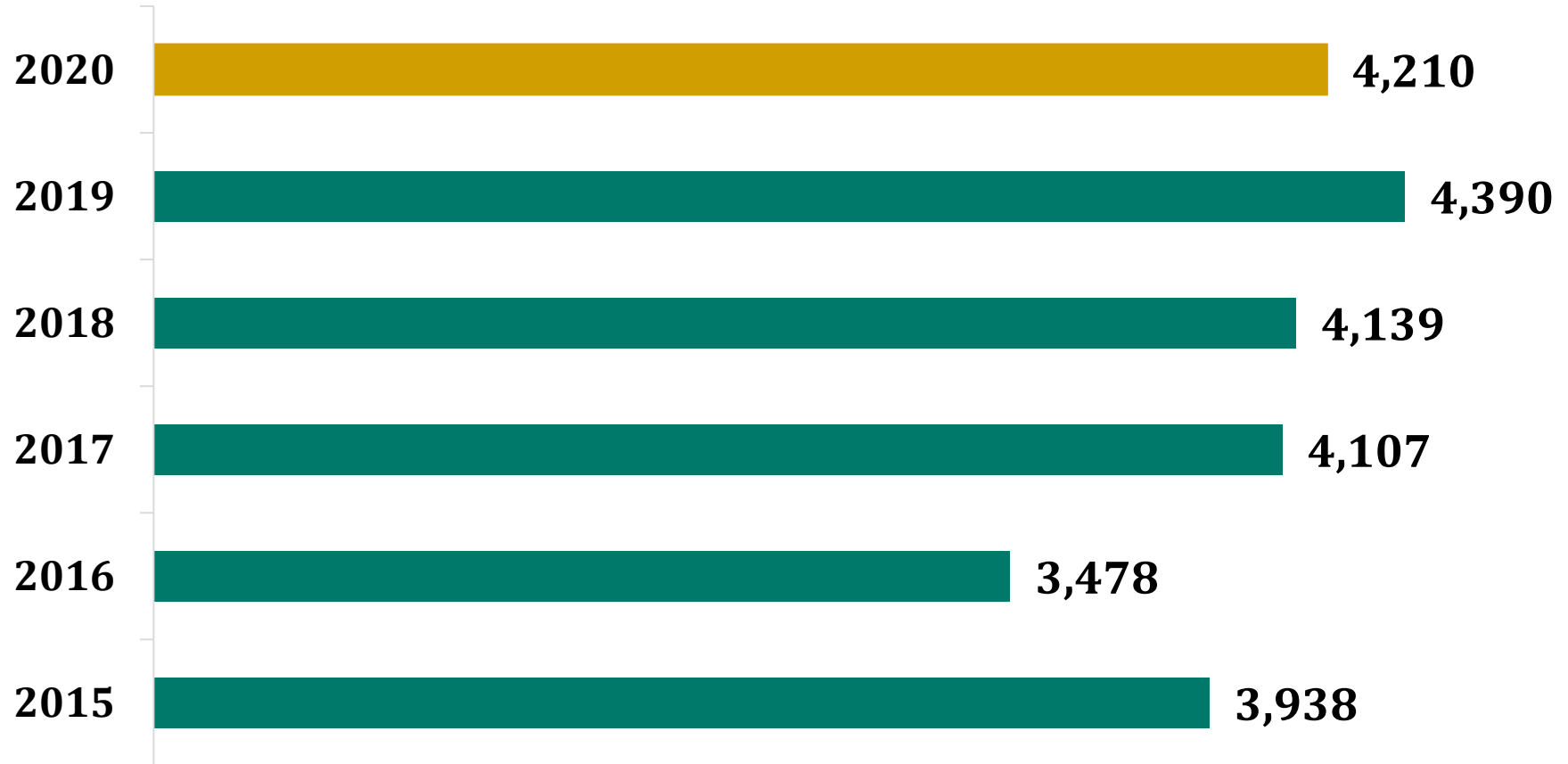


**2% higher vs 2019**

# Fertilizer Offtake and Turnover (Jan to Sep)



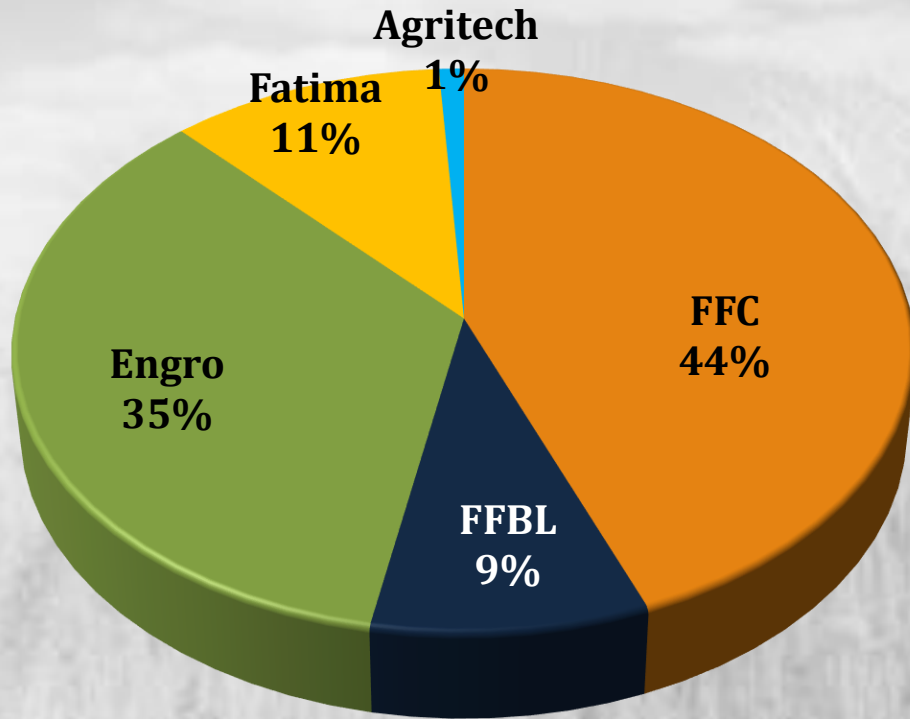
# Industry Urea Sales - Jan to Sep



▼ **4% lower vs 2019**

# Urea Market share - Jan to Sep

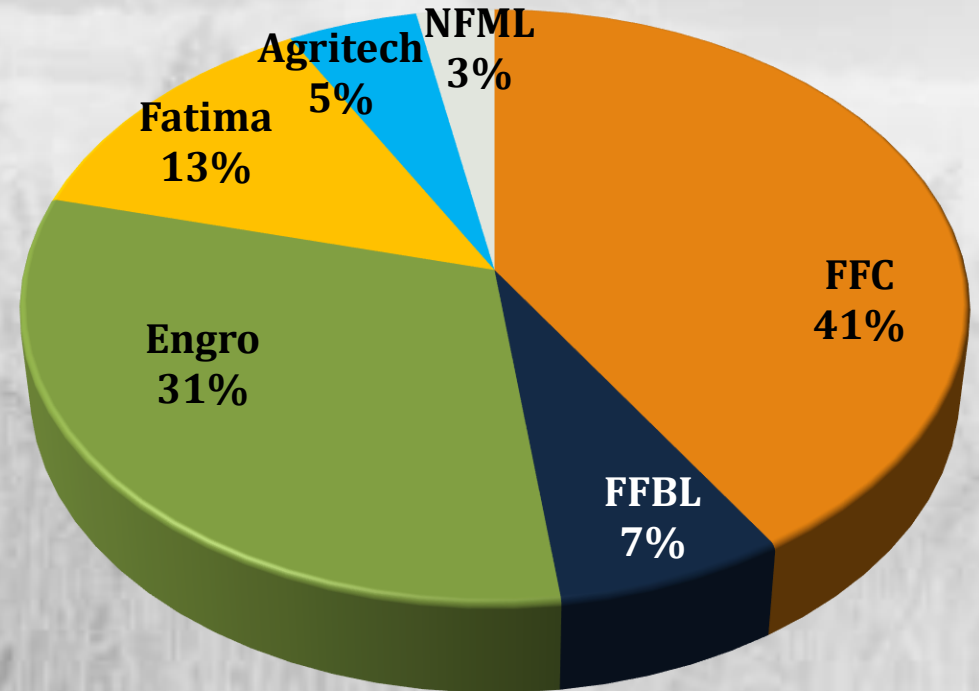
**2020**



**4,210 Kt**

**FFC+FFBL: 53%**

**2019**

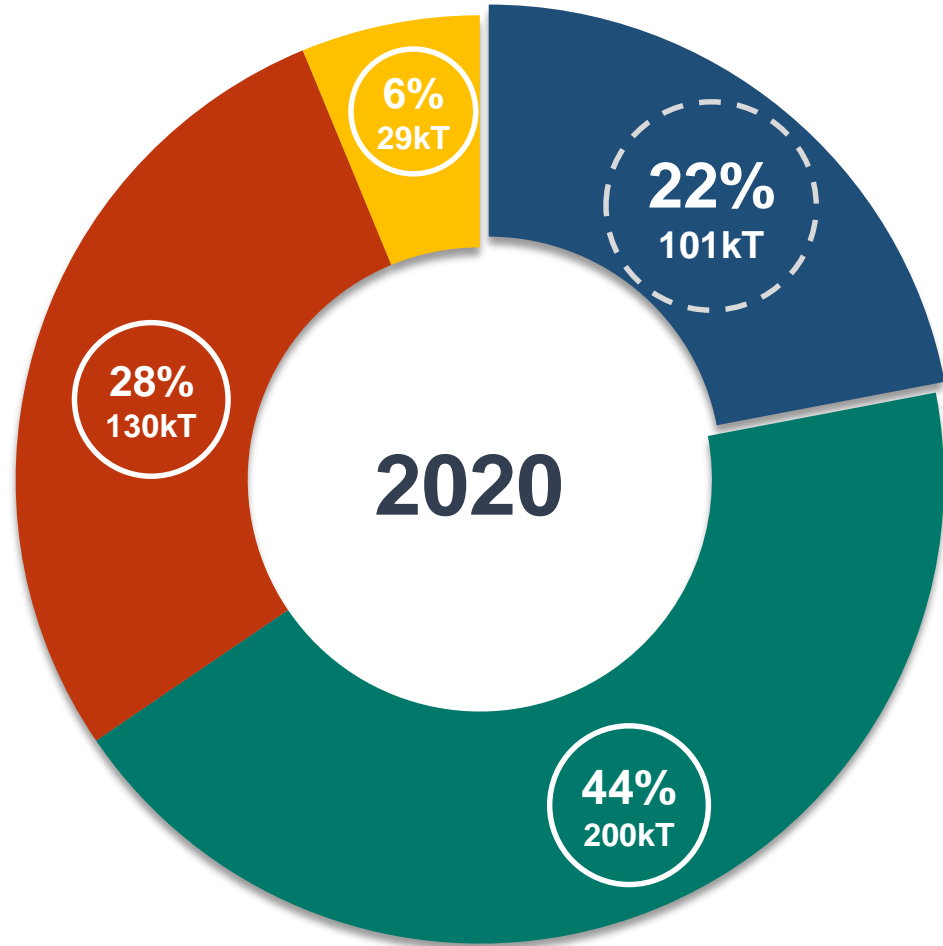


**4,390 Kt**

**FFC+FFBL: 48%**

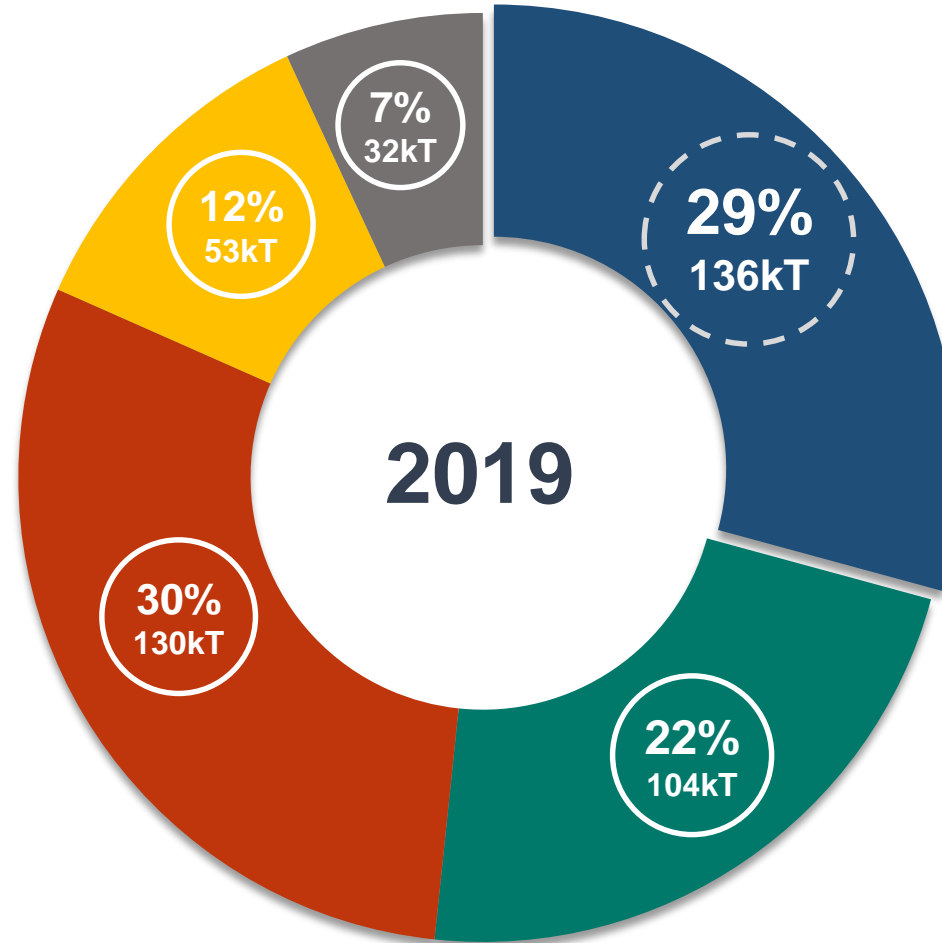


# Urea Inventory - September



**0.46 Million Tonnes**

**FFC+FFBL: 101 KT**

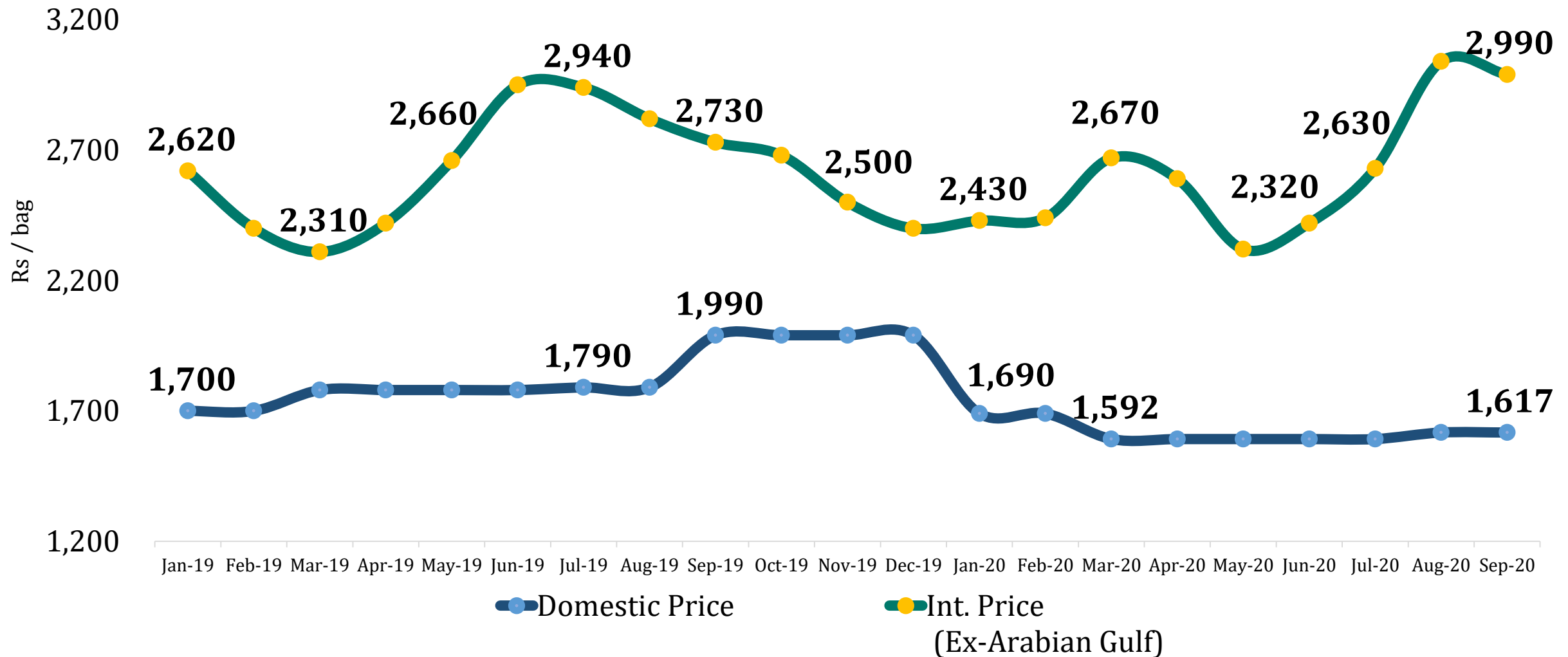


**0.47 Million Tonnes**

**FFC+FFBL: 136 KT**

- FFC+FFBL
- Engro
- Fatima Grp
- Agri Tech
- NFML

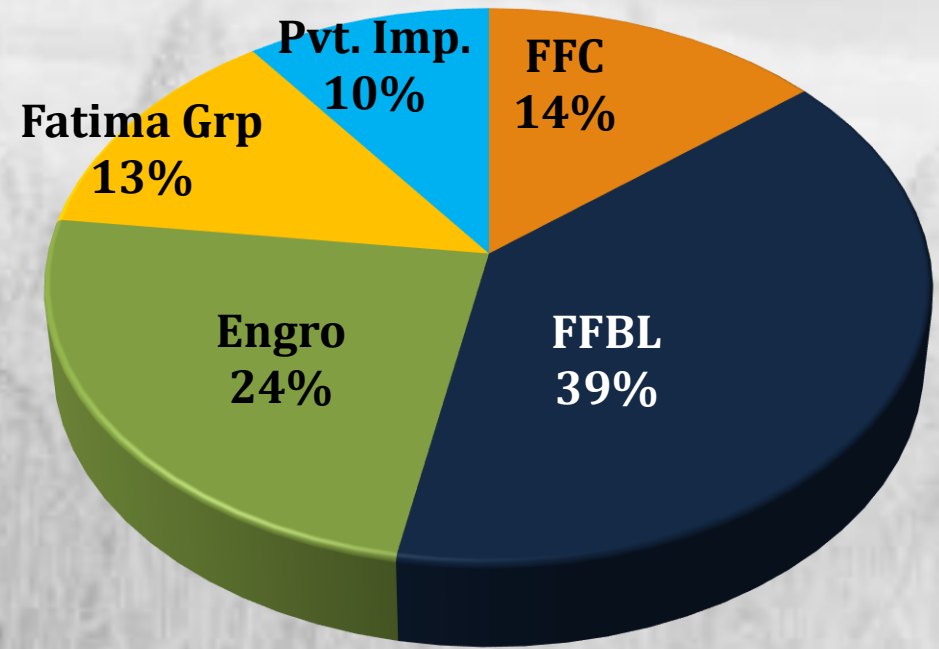
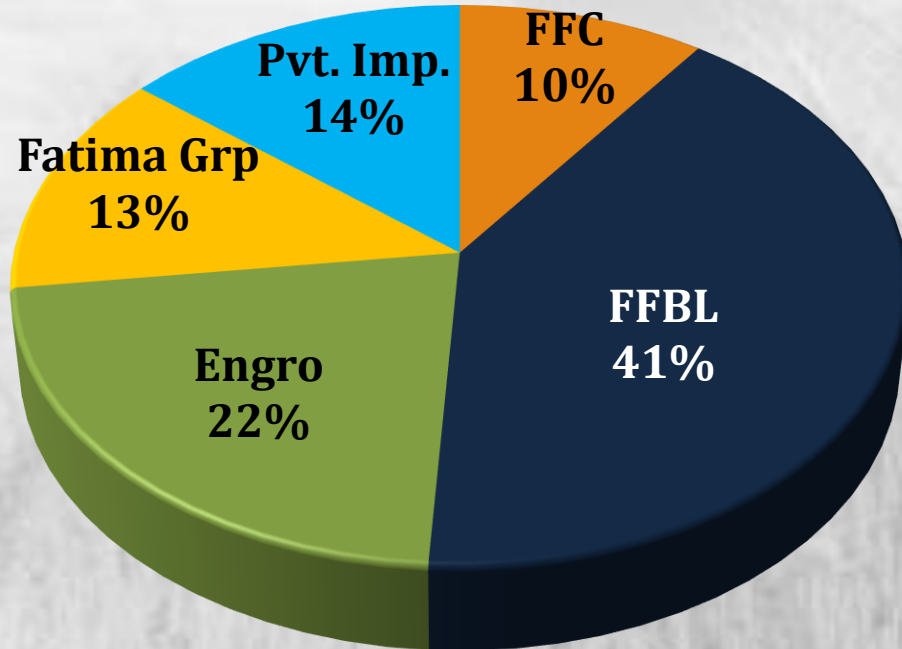
# Urea International vs Local Prices



# DAP Market Share – Jan to Sep

**2020**

**2019**

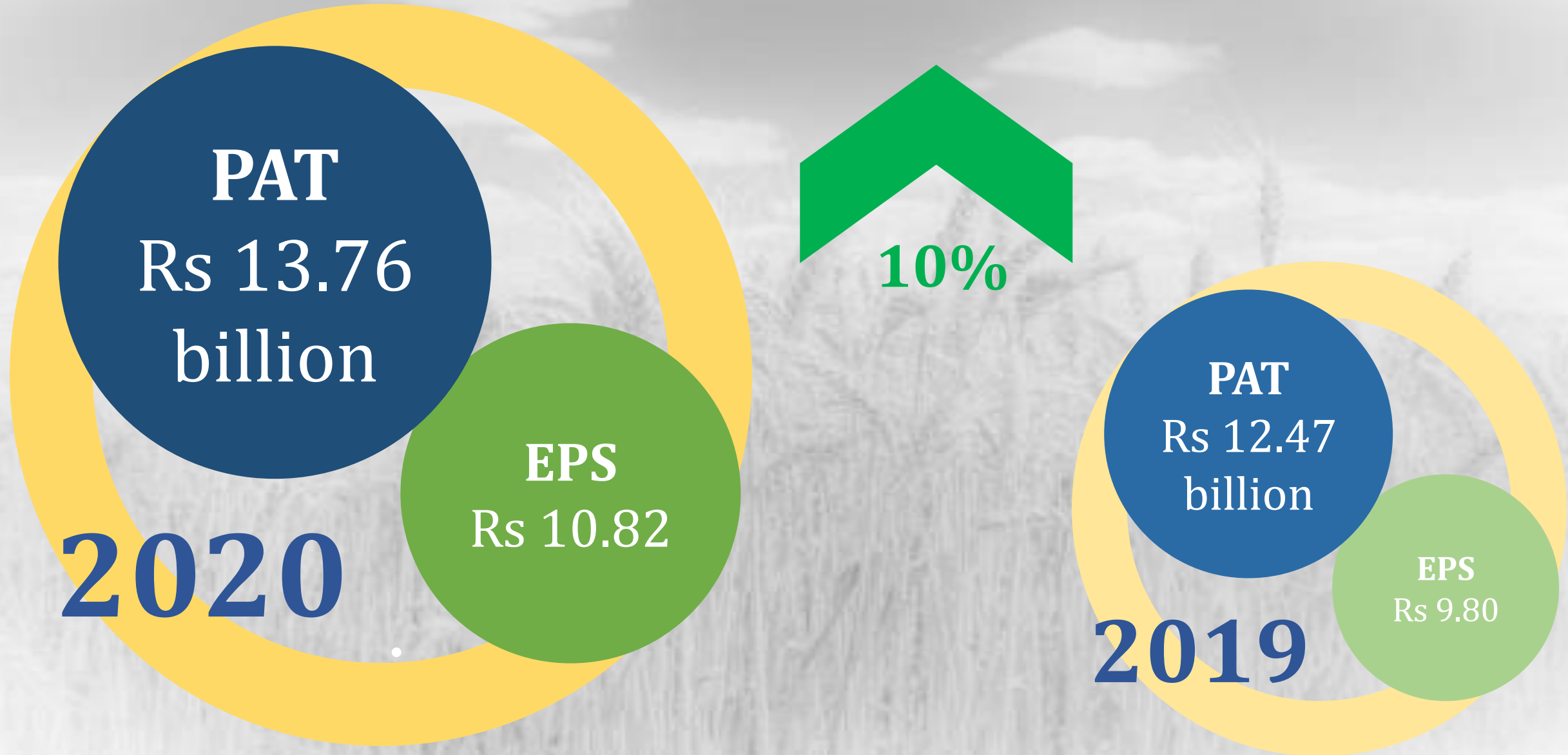


**1,365 Kt**

**FFC+FFBL: 51%**

**1,165 Kt**

**FFC+FFBL: 53%**



## Gross Profit

Rs in Million

<b>Actual 2020</b>	<b>23,160</b>		
Actual 2019	21,632	7%	▲

## Operating Profit

Rs in Million

<b>Actual 2020</b>	<b>17,506</b>		
Actual 2019	15,797	11%	▲

## Net Profit

Rs in Million

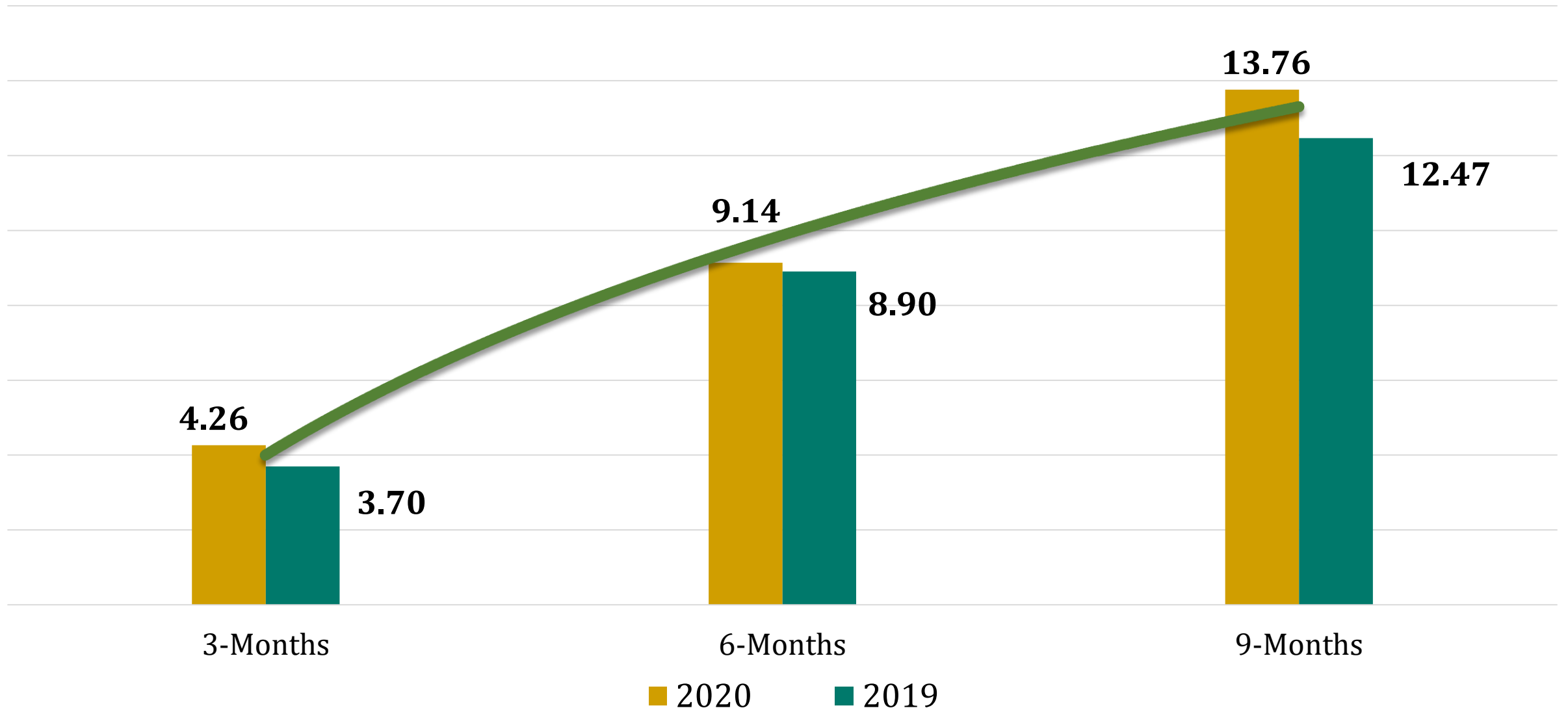
<b>Actual 2020</b>	<b>13,764</b>		
Actual 2019	12,468	10%	▲

## Earnings per share

Rs per share

<b>Actual 2020</b>	<b>10.82</b>		
Actual 2019	9.80	10%	▲

# Profitability – Rs in Billion (Jan to Sep)





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

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

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

## Decision & Follow-up

- Supreme Court (SC) declared GIDC Act, 2015 as **valid**
- GIDC is required to be paid in **24 months**
- SC has **assumed** that GIDC has been **collected** from customers, **in full**
- **Review petition** filed before SC for **factual determination**

- **Suit** filed with Sindh High Court (SHC) against collection of GIDC before factual determination
- **Stay granted** by SHC

## Financial Impact

- FFC - **single largest contributor** of GIDC – **Rs 73 billion**
- FFC **absorbed significant portion** of GIDC over the years
- GIDC payment in specified time - **significant financial distress**
- The Company would be forced to **pass on the impact** thereof



Government has been requested to **increase the payment period**



# GIDC Charge and Payments - Jul 31, 2020

Rs in Billion

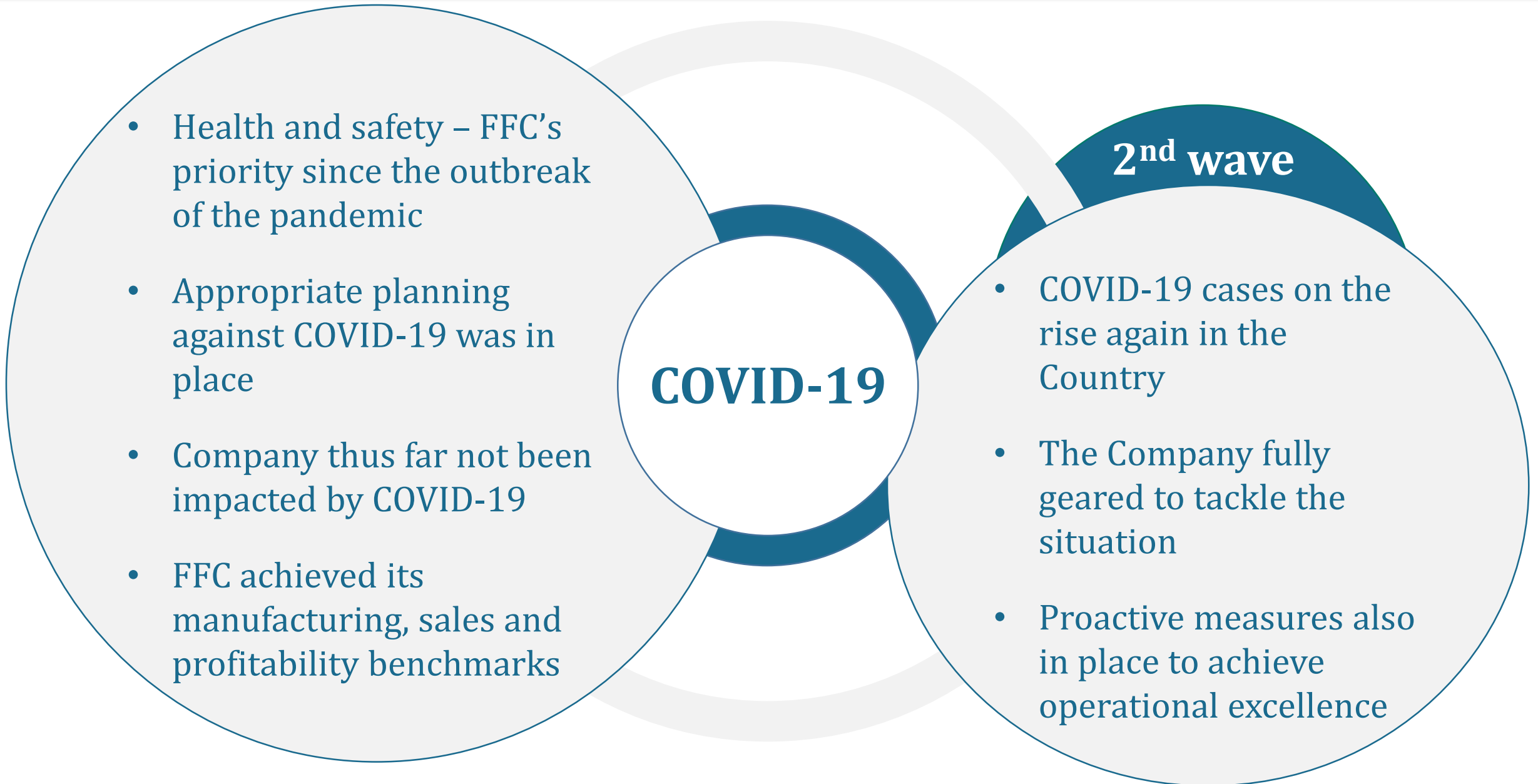
	<b>FFC</b>	<b>Fertilizer Industry</b>	<b>All Sectors</b>
<b>GIDC Charged</b>	136	292	752
<b>Paid</b>	73	128	295
<b>Balance</b>	<b>63</b>	<b>164</b>	<b>457</b>

**Percentage of total payment by FFC**

**25%**

**Percentage of total payment by the Fertilizer Industry**

**43%**



# Equity injection in FFBL

## Right share issue

- FFBL made right share offer to reduce debt levels & manage working capital
- In the process of issuing **38%** of their existing capital
- Offer price – **Rs 14** per share

- FFC's share amounts to **178 million** shares valuing **Rs 2.5 billion**
- BOD recommended this offer and EGM scheduled on Nov 6, 2020



**FWEL  
I & II**

**FFBL also plans to divest its stake in:**

- **Foundation Wind Energy Limited – I (FWEL-I)**
- **Foundation Wind Energy Limited – II (FWEL-II)**

- **FWEL-I & FWEL-II are profitable projects**
- **FFC being the pioneer has the necessary skills to create synergies**
- **FFC intends to evaluate acquisition of majority shareholding and issue EOIs in this regard**

# Future Outlook & Challenges

1

Expected increase in wheat support prices – improved farm economics

2

Timely implementation of DAP subsidy to benefit farmers and the industry

3

Undue onus on the industry for registration of dealers under Sales Tax Act

4

Increase in cost due to disallowance of GST and business expenditure on sales to unregistered dealers

5

Depleting gas reserves. Alternate raw material sources required

6

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

7

Unfavorable outcome of GIDC case may lead to substantial financial impact

8

Continued delay in settlement of fertilizer subsidy / outstanding GST refunds

# Questions & Answers Session



THANK YOU