REP- 300

3QCY26: Fertilizer Offtake & Result Preview

3QCY26: Urea sales up by 0.9%, while DAP sales down by 15.6% YoY

According to NFDC data, urea sales improved modestly in 3QCY26, rising 0.9% YoY and 26.9% QoQ to 1,871k tons. On a cumulative basis, 9MCY26 urea offtakes increased 4% YoY to 4,383k tons, led by FFC, with sales up 10% YoY to 2,159k tons, followed by FATIMA at 8% YoY to 769k tons. In contrast, EFERT sales declined 4% YoY to 1,230k tons.

The slight YoY growth was primarily driven by a surge in offtakes in Sep'26, as offtakes in the preceding months were impacted by monsoon-related disruptions, which delayed fertilizer application across major crops, along with transporter strikes and other logistical disruptions. Moreover, improved farm economics also supported the recovery in urea offtakes.

Meanwhile, DAP sales stood at 287k tons in 3QCY26, down 15.6% YoY but up 48.1% QoQ. On a cumulative basis, DAP offtakes declined 3% YoY to 773k tons in 9MCY26, reflecting subdued demand on an already low base and continued decline in DAP usage. The weakness largely reflects elevated international DAP prices, which have encouraged farmers to shift toward relatively cheaper nitrogenous fertilizers.

Result Previews:

EFERT: EPS to arrive at PKR 6.95/sh in 3QCY26

We expect EFERT to post earnings of ~PKR 9,278mn (PKR 6.95/sh) up 60% YoY, along with a dividend of ~PKR 6.60/sh (DPO: 95%).

Net sales are projected to rise 44% YoY and 138% QoQ, largely driven by a sharp rebound in urea offtake, with urea volumes up 17.6% YoY and 168.1% QoQ.

During Sep'26, EFERT recorded urea sales of 693k tons, up 168.1% QoQ, supported by higher inventory availability and improved farm economics, while industry sales were impacted by transporter strikes and disruptions. Meanwhile, plant shutdowns at FATIMA, FFC and AGL amid geopolitical tensions further benefited EFERT. Consequently, EFERT's urea market share increased to 37.0% (from 17.5% in Jun'26 and 31.8% in Sep'25). Meanwhile, DAP offtake also surged 168.4% YoY to 37k tons, reflecting the aforementioned factors.

Moreever, EFERT had already reduced its discount from PKR 400/bag to PKR 150/bag in Jan'26 and fully withdrew the discount effective Apr'26, with last price increase in Apr'26.

Fertilizer Offtake (k'tons)

	3QCY26	3QCY25	YoY
Urea	1,871	1,854	1%
DAP	287	340	-16%

Source (s): NFDC, AHL Research

Urea (k'tons)

	3QCY26	3QCY25	YoY
FFC	755	833	-9%
EFERT	693	589	18%
FATIMA	367	321	14%
AGL	57	112	-49%

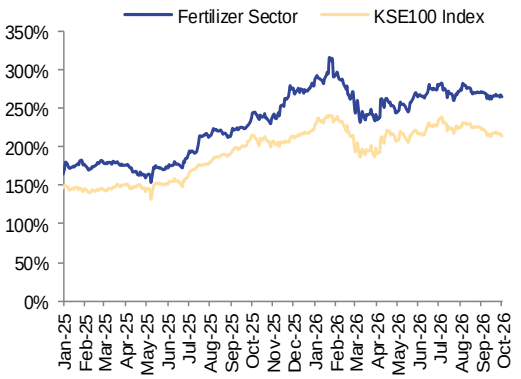
Source (s): NFDC, AHL Research

DAP (k'tons)

	3QCY26	3QCY25	YoY
FFC	206	253	-19%
EFERT	37	14	168%
FATIMA	3	6	-54%

Source (s): NFDC, AHL Research

Relative Performance



Source (s): PSX, AHL Research

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FFC: Profitability to improve by 6% YoY in 3QCY26

We expect FFC to report earnings of approximately PKR 20,549mn (PKR 14.28/share), with a blended gross margin of 31%, driven by strong core profitability, higher other income, while a lower ETR.

During the quarter, prilled and granular urea volumes declined by 8.9% and 11.9% YoY, respectively, while Sona DAP volumes fell by 24.2% YoY. FFC's urea market share declined to 40.0%, compared to 54.0% in Jun'26 and 45.0% in Sep'25, primarily due to EFERT's high offtakes during the quarter. Similar to EFERT, FFC last increased its urea prices in Apr'26.

DAP–phosphoric acid margins declined to USD 125/ton, from USD 238/ton in the previous quarter, weighing on overall gross margins, although margins remained elevated. The compression was primarily driven by a 29% QoQ increase in phosphoric acid prices, which outpaced the 7% QoQ rise in DAP prices.

A dividend of approximately PKR 10.75/share (75% payout) is expected for Sep'26. Other income for the quarter includes dividends of PKR 2.0/share from AKBL, PKR 1.5/share from FCCL, along with additional investment income.

Exhibit: Financial Highlights

EPS (PKR)	3QCY26e	3QCY25a	YoY	2QCY26	QoQ	9MCY26e	9MCY25a	YoY
EFERT*	6.95	4.35	60%	2.85	144%	12.28	10.69	15%
FFC	14.28	13.48	6%	16.93	-16%	43.36	40.50	7%

Source (s): Company Financials, AHL Research, *Consolidated

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec 26 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +10% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between +5% and +10% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -5% from last closing of market price(s)

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

Risks

The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

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In order to avoid any conflict of interest, we hereby disclosed that;

Arif Habib Limited (AHL) has a shareholding in FFC