

Flash Note

Monday, 31 July 2017

Fertilizer

FFC: Heavy Discounts Drag 2QCY17 down by 25%YoY to PKR 1.28/share

- Fauji Fertilizer Company Ltd. (FFC) announced its financial result for 2QCY17 with earnings clocking in at PKR 1.63bn (EPS PKR 1.28), down by 25%YoY compared to PKR 2.17bn (EPS PKR 1.71) in the same period last year. This brings 1HCY17 earnings to stand at PKR 3.82bn (EPS PKR 3.00) down by 22%YoY compared to PKR 4.89bn (EPS PKR 3.85) in the corresponding period last year.
- The company announced cash dividend of PKR 1.0/share along with the result, taking 1HCY17 total dividend to PKR 2.5/share.
- During 2QCY17, net sales increased by +14%YoY to PKR 18.97bn compared to PKR 16.68bn reported in same period last year, on the back of 21%YoY rise in Urea offtake.
- Gross margins declined by 12.5ppts during 2QCY17 to 19% compared to 32% in the same period last year, likely owing to discounted urea price.
- Selling and distribution expenses augmented by +43%YoY to PKR 2.39bn in 2QCY17 compared to PKR 1.59bn in the corresponding period last year on the account of volumetric growth.
- Other income leaped up by 79%YoY to PKR 2.79bn during 2QCY17 compared to PKR 1.56bn in the same period last year owing to recognition of Urea and DAP subsidy.
- Finance cost increased by 8%YoY to PKR 666mn likely owing to higher borrowing.
- Effective tax rate for 2QCY17 stood at 46% amid recognition of super tax.

Exhibit:

FFC Financial Highlights

PKRmn (Period end=Dec)	2QCY17	2QCY16	YoY	QoQ	1HCY17	1HCY16	YoY
Net Sales	18,971	16,676	14%	70%	30,161	28,322	6%
Gross Profit	3,637	5,275	-31%	40%	6,238	8,327	-25%
Mkting. / Dist. Cost	2,395	1,587	51%	43%	4,070	3,104	31%
Other Op. Income	2,788	1,561	79%	0%	5,567	4,299	29%
Finance Cost	666	617	8%	24%	1,202	1,178	2%
Pre-Tax Profits	3,003	4,191	-28%	5%	5,863	7,530	-22%
Profit After Tax	1,625	2,165	-25%	-26%	3,817	4,893	-22%
EPS (PKR)	1.28	1.71	-25%	-26%	3.00	3.85	-22%
DPS (PKR)	1.00	1.55			2.50	3.40	

KEY RATIOS

Gross Profit Margins	19.17%	31.63%			20.68%	29.40%	
EBIT Margins	19.34%	28.83%			23.42%	30.75%	
Effective tax rate	45.89%	48.34%			34.90%	35.02%	

Source: IGI Research, Company Financials

No. of shares 1,272 mn

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