

Flash Note

Friday, 26 July 2019

Fertilizer

Fauji Fertilizer Bin Qasim Limited (FFBL)

Increase in finance cost led to a pre-tax loss of PKR 617mn while a tax reversal of PKR 533mn absorbed the impact; company reporting a loss of PKR 0.09/share for 2QCY19

- Fauji Fertilizer Bin Qasim Limited (FFBL) announced its financial results for 2QCY19, reporting a loss of PKR 84mn (LPS: PKR 0.09) as compared to PKR 544mn (LPS: PKR 0.58) in the same period last year. On a cumulative basis for 1HCY19, total loss is up by +96%YoY to PKR 1.95bn (LPS: PKR 2.09)
- Net sales for the quarter increased by two fold to PKR 18.0bn led by price increases and growth of +13%/2.5xYoY in urea/DAP sales.
- Gross profit for the company improved to 11% owing to increase in retention prices and sufficient sales generated to absorb fuel costs (power/steam from FPCL).
- Other expenses increased by 3.0xYoY to PKR 970mn, likely owing to exchange loss incurred associated with raw material import.
- Other income provided some respite to the earnings witnessing an increase of +31%YoY to PKR 1.13bn, signaling a possibility of dividend from a subsidiary.
- Major dent to earnings came from increase in finance costs by 2.44xYoY to PKR 1.21bn, attributed to increase in borrowings and interest rate hike.
- On pre-tax basis company's loss remained relatively flat at PKR 617mn while a tax reversal of PKR 533mn during the quarter minimized the loss.

Exhibit:

FFBL: 2QCY19 Result Highlights

Period End Dec-	PKRmn	2QCY19	2QCY18	YoY	1HCY19	1HCY18	YoY
Net Sales		17,998	8,646	2.1x	21,497	18,928	14%
Gross Profit		1,977	670	3.0x	1,294	1,416	-9%
Selling / Dist.		1,211	987	23%	1,890	1,923	-2%
Other Op. Income		1,130	860	31%	1,931	1,220	58%
Operating Expenses		970	292	3.3x	1020	455	2.2x
EBIT		596	(114)	n.m	(308)	(345)	-11%
Finance Costs		1,213	498	2.4x	2,125	917	2.3x
Pre-Tax Loss		(617)	(612)	1%	(2,434)	(1,262)	93%
Taxation		533	68	7.9x	584	269	2.2x
Post-Tax Loss		(84)	(544)	-85%	(1,951)	(994)	96%
LPS		(0.09)	(0.58)		(2.09)	(1.06)	
Key Ratios							
Gross Profit Margins		11.0%	7.8%		6.0%	7.5%	
Ebit Margins		3.3%	n.m		n.m	n.m	

Source: IGI Research, Company Financials, PSX

No. of shares: 934mn

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