

Flash Note

Wednesday, 25 April 2018

Fertilizer

FFC: Increase in offtake and decline in other income crept earnings by +3%YoY to PKR 2.3bn (EPS: PKR 1.78) for 1QCY18

- Fauji Fertilizer Company Limited (FFC) announced its financial results for 1QCY18 with unconsolidated earnings clocking at PKR 2.3bn (EPS: PKR 1.78), a mere increase of +3% YoY as compared to PKR 2.2bn (EPS: PKR 1.72) in the same period last year. In addition, the Company also announced a cash dividend of PKR 1.75/share, as against cash dividend of PKR 1.50/share in the corresponding period last year.
- Net sales jumped by +84%YoY to PKR 20.6bn during the period led by high urea and DAP offtake.
- Gross margins decreased by 300bps YoY to 20% compared to 23% in the same period last year. However, it remained relatively intact on quarterly basis.
- Other income decreased by 25%YoY to PKR 2.1bn, primarily owing to low dividend income and removal of DAP subsidy.
- In addition, finance cost decreased by +30%YoY to PKR 0.38bn owing to low short-term financing and debt repayments.
- Distribution costs leaped up by +15%YoY to PKR 1.9bn as compared to PKR 1.7bn in the corresponding period last year. Moreover, profit after tax for the quarter stood at 35% as against 23% in the same period last year.
- Lastly, the management has approved investment of up to USD 121Mn (amount includes equity investment of up to USD 39Mn) in Thar Energy Limited.

Exhibit:

FFC: 1QCY18 Result Highlights

Period End Dec- PKRmn	1QCY18	1QCY17	YoY	4QCY17	QoQ
Net Sales	20,558	11,190	84%	32,964	-38%
Gross Profit	4,093	2,601	57%	6,530	-37%
Selling / Dist.	1,925	1,676	15%	2,039	-6%
Other Op. Income	2,086	2,779	-25%	3,208	-35%
EBIT	3,871	3,396	14%	7,106	-46%
Finance Cost	377	536	-30%	553	-32%
Pre-Tax Profits	3,494	2,860	22%	6,553	-47%
Taxation	1,229	668	84%	1,775	-31%
Post-Tax Profits	2,265	2,192	3%	4,778	-53%
EPS	1.78	1.72		3.76	
DPS	1.75	1.50		3.00	

Key Ratios

Gross Profit Margins	20%	23%	20%
Ebit Margins	19%	30%	22%
Effective Tax Rate	35%	23%	27%

Source: IGI Research, Company Financials, PSX

No. of shares :1272mn

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