

Flash Note

Monday, 28 October 2019



Securities

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Fertilizer

Fauji Fertilizer Company Limited (FFC)

High other income limits the decline on earnings from fall in revenue and gross profits; EPS: PKR 2.80, DPS: PKR 2.20 for 3QCY19

- Fauji Fertilizer Company Limited (FFC) announced its financial results for 3QCY19 with unconsolidated earnings clocking at PKR 3.56bn (EPS: PKR 2.80) as compared to PKR 3.81bn (EPS: PKR 2.99) in the same period last year. Accordingly, earnings for 9MCY19 are up +46% YoY to PKR 12.47bn (EPS: PKR 9.80).
- The company also declared a cash dividend of PKR 2.20/share for the quarter.
- Net sales for the quarter inched down by 3% YoY to PKR 26.53bn owing to estimated decline in urea and DAP sales.
- Gross margins weakened by 600bpsYoY on the back of increase in gas prices and resulting late price-passover on urea
- Major accretion to earnings stemmed from increase in other income by 2.3xYoY to PKR 1.55bn led by interest income/gains on short term investments.
- Finance cost increased by 33% YoY to PKR 0.56bn owing to increase in borrowings and interest rate hike.
- Effective tax rate for the quarter stood at 32% as against 36% in the same period last year.

Exhibit:

FFC: 3QCY19 Result Highlights

Period End Dec- PKRmn	3QCY19	3QCY18	YoY	9MCY19	9MCY18	YoY
Net Sales	26,532	27,411	-3%	73,022	70,677	3%
Gross Profit	6,825	8,593	-21%	21,633	18,112	19%
Selling / Dist.	2,092	2,342	-11%	5,836	6,711	-13%
Other Op. Income	1,552	665	2.3x	5,521	4,909	12%
EBIT	5,761	6,346	-9%	18,987	14,901	27%
Finance Cost	557	419	33%	1,655	1,183	40%
Pre-Tax Profits	5,204	5,927	-12%	17,332	13,718	26%
Taxation	1,641	2,117	-22%	4,864	5,193	-6%
Post-Tax Profits	3,563	3,810	-6%	12,468	8,525	46%
EPS	2.80	2.99		9.80	6.70	
DPS	2.20	1.80		7.55	4.95	

Key Ratios

Gross Profit Margins	25.7%	31.3%		29.6%	25.6%	
Ebit Margins	21.7%	23.1%		26.0%	21.1%	
Effective Tax Rate	31.5%	35.7%		28.1%	37.9%	

Source: IGI Research, Company Financials, PSX

No. of shares: 1272mn

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IGI Finex Securities Limited

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