

Flash Note

Friday, 30 July 2021

Fertilizers

Fauji Fertilizer Company Limited (FFC)

Lower offtakes and GIDC amortization expense drag earnings to PKR 2.85/share; Cash dividend 2.60/share

- Fauji Fertilizer Company Limited (FFC) announced its financial results for 2QCY21 with earnings clocking in at PKR 3.6bn or PKR 2.85/share as compared to PKR 4.8bn or PKR 3.83/share in same period last year, down by 26%. This brings cumulative earnings for 1hCy21 to PKR 9.4bn or PKR 7.42/share as compared to PKR 8.3bn or PKR 6.6/share in the same period last year, an increase of 13%. In conjunction with the result, company announced a cash dividend of PKR 2.60/share taking total payout for 1hCy21 to PKR 6.1/share.
- Net sales for the quarter declined by -3%y/y (-4%q/q) to PKR 22.4bn largely due to lower Urea offtakes of 575kT as compared to 684kT in same period last year, down by 19%y/y. Despite this gross margins expanded by 35% (39% reported in previous quarter), compared to margins of 32% in 2qCy21, an increase of 300bps primarily owing to higher Urea and DAP prices. Other income was reported at PKR 1.4bn, down by -35%y/y (-45%q/q) mainly attributable to an absence of dividend income from subsidiaries. Financial charges are down by 17%y/y owing to lower borrowing costs and reduction in debt levels. The company also booked Amortization expense of PKR 1.1bn against previously reported GIDC liability further hurting bottom line. Effective Tax rate for the quarter stood at 30% as compared to 28% in same period last year.

Exhibit: Fauji Fertilizer Company Limited (FFC)							
in PKRbn							
Period end (DEC)	2q/21a	1q/21	2020a	4q/20	3q/20	2q/20	1q/20
Net Sales	22.4	21.6	97.7	29.2	24.6	23.2	20.6
Cost of Sales	14.7	13.2	66.1	17.4	19.0	15.8	13.9
Gross Profit	7.8	8.4	31.6	11.8	5.6	7.4	6.7
Gross Profit margin	35%	39%	32%	41%	23%	32%	33%
Other Income	1.5	2.7	6.4	1.5	1.0	2.3	1.7
EBIT	6.7	8.4	26.5	9.3	4.2	7.2	5.8
EBIT margin	30%	39%	27%	32%	17%	31%	28%
Profit before tax	5.2	8.0	29.6	13.8	4.0	6.7	5.1
Tax	1.5	2.2	8.8	3.3	2.0	1.9	1.6
Effective tax rate	30%	27%	30%	24%	50%	28%	32%
Profit after tax	3.6	5.8	20.8	10.5	2.0	4.9	3.5
Net Margins	16%	27%	21%	36%	8%	21%	17%
EPS	2.85	4.57	16.36	8.23	1.56	3.83	2.74
DPS	2.60	3.50	11.20	3.40	2.55	2.75	2.50
Source: IGI Research, Company accounts.				Number of shares: (bn) 1.272			

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