Standard Capital
Securities (Pvt) Ltd

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Pakistan Research| Fertilizers

FFBL ^ Half Year | Result Review ~ EPS 0.71

Margin contraction ~ yet DPS of 0.75/sh

Sales growth of 24% (Higher cost wiped off everything)

Operational Performance ~ Not upto mark

- **FFBL secure itself in achieving sales growth but increased cost of 37% has eroded the margins. Contraction is a concern for an entity.**
- **Gross margins have shrink by 8.8% ~ Struggling in securing the margins**
- **Earnings have dropped by 8.4% ~ while deferred taxation have supported EPS by Re0.08**
- ***Consolidate EPS is Rs1.26 (yearly growth of 57.5%)***
- ***We do not see any decrease in fertilizer prices (as higher gas tariff along with GIDC collection, we do not expect any decline in prices)***
- ***Upcoming subsidiary to play ^ FML in pipeline (expecting company to post 6-6.5bn revenue initially)***
- ***We expect FY15 EPS of Rs4.8 along with dividend yield of 8%***

Financial Outlook ~ Revision of Gas tariff ^ Pending

FFBL facing a lot of margin contraction in its core business while we believe that diversification will be fruitful and will going to pay-off in upcoming year. This transformation would open up some new doors for an entity where it can tap the market.

Glance over financials | FFBL

- **Massive sales growth of 24% | Stock (Inventory) been offloaded here**
- **Company has account for Super tax @ 3% (amounting Rs183mn)**
- **Finance cost has increased due to higher borrowings ^ as currently company have different projects which need to be finance**
- **Deferred taxation ^ supported EPS | have an impact of Re0.08**
- **Debtors turnover day is a bit higher which is effecting the overall operations of an entity**

FFBL | Consolidate basis

- **Earning will going to flourish on basis of its upcoming subsidiaries**
- **FML ~ expecting to post revenue for Rs6-6.5bn initially**
- **Fauji food limited ^ we consider that a huge venture**
- **Lower DAP margins to compensate as these entities become operational**

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