REK-66

Fauji Fertilizer ^ Result Review | Flashnote

FFC - CY15 announcement |EPS of Rs13.18

Dividend of Rs3.42/sh | annual DY of 10.5%

- **FFC post annual sales growth of 4.4% (4Q inventory release)**
- **Gross margins contained by 7.1% which is due to 11.6% increase in cost of sales**
- **During the year entity paid around Rs33bn in GIDC (till 9MCY15) that have contained the yearly margins**
- **During the year FFC and other Urea manufacturers have gone through tough time; reason being the uncertainty in the urea prices which have delayed the demand for fertilizers**
- **FFC ~ Annual CY15 dividend yield of 10.5%**

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Falling urea prices in international market will create pressure for local manufacturers while certainty in urea prices will help manufacturers releasing their inventories on time.

- **Going forward 1Q seems fine for Urea manufacturers. We see stable price mechanism would increase margins for players during ongoing CY16.**
- **While any revision, if done, in gas prices during the year, will need to be adjusted in the context of manufacturers.**

Though FFC is undervalued (PE of 8.5x @112/sh) yet fertilizer manufacturers will continue to face brunt given

falling international Urea prices & government's scrutiny to raise feedstock gas price.

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