



Profit & loss a/c	CY11A	CY12A	CY13E	Chg
	Rs mn	Rs mn	Rs mn	%
Net Sales	55,869	47,911	53,132	11%
COGS	35753.26	36450.20	42155.55	16%
Gross profit	20,116	11,461	10,977	-4%
Dist. Cost	2,554	2,666	2,943	10%
Admin exp.	777	984	914	-7%
Oth. Exp.	1,177	565	678	20%
Share of profit of				
associate	241	7	360	
other income	1,410	1,038	1,092	5%
EBIT	17,259	8,291	7,893	-5%
Finance Cost	1,088	1,821	1,266	-30%
PBT	16,171	6,469	6,627	2%
Tax	5,403	2,131	2,183	2%
PAT	10,768	4,338	4,444	2%
EPS	11.53	4.64	4.76	2%
DPS	10.00	5.00	4.50	-10%

Source: Company Reports

Highlights

52 week Hi	46.39
52 week Low	35.3
Close	36.92
Market Cap	34.5bn
Free Float	326mn
Beta	0.92

Based on Mar 26, 2013 closing

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Fauji Fertilizer Company Limited – Holding Company of Fauji Fertilizer Bin Qasim Limited

FFC holds 50.88% shares of Fauji Fertilizer Bin Qasim Limited

Decrease in Revenue and Profits of FFBL

During the year ended 2012 the revenue for the company decreased by 14% the major reason for this was the gas curtailment during the year and due to this production of Ammonia, Urea and DAP reduced by 23%, 35% and 2% respectively during 2012 as compare to 2011. The net profit for the company reduced by 60% during the year 2012 as compare to 2011.

Analyst
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Fauji Fertilizer Bin Qasim -Time to make value investment... | BUY @ 37.09/sh | TP @ 53.8/sh

Fauji Fertilizer Bin Qasim Limited (FFBL) is engaged in the production and sales of Urea and DAP. Share of FFBL in the domestic market of Urea and DAP is estimated to be 5% and 52% respectively for the outgoing year of 2012. Going forward, we have forecasted an EPS of Rs4.76/sh for CY13 which is greater than the EPS of Rs4.64/sh for CY12. This ostensibly means CY13 PE of 7.7x as against FFC PE of 6.2x.

We expect net profit margin of the company to increase and as a result the company could announce an EPS of Rs4.64/sh and they could pay a dividend of Rs 4.50-5.00/share. This spells dividend yield of 13.5%; which is good one. Our DCF price for FFBL is Rs53.8/sh at the pretext that we expect FFBL investment in Foundation Wind Energy 1 & 2 to yield phenomenal gains in following years (since we have incorporated share of profit of associated companies in the standalone accounts). Though the core value of fertilizer business is Rs 45/sh.

FFBL Investments...

The company holds the following investments:

Investment in joint venture - FFBL holds 25% interest in Pakistan Maroc Phosphore S.A

- Investment in Associates-FFBL holds 1.36% interest in Fauji Cement Company Limited which is less than 20% but as per IFRS 10 the company has significant influence over FCCL because of its representation on the board of director of FCCL therefore this investment will be regarded as investment in associate.
- FFBL holds 30% interest in both Foundation Wind Energy-1 Limited and Foundation Wind Energy-2 (PVT) Ltd.
- FFBL holds 30% interest in the Askari Bank Limited (AKBL).

If in the coming year these investments perform well and generates profit as expected then we expect DCF value of the company at Rs53.80/sh after incorporating share of profits of associated companies.

Triggers...

We expect revenue for the FFBL to increase by 10%-15% on the basis that the prices for the Urea and DAP to increase slightly and to remain stable during the coming year.

During the year the company acquired 30% shares of Askari Bank Limited. The number of AKBL shares which would go to FFBL will be 52mn. If during the year

Production hurdles...

During the CY12 FFBL faced significant gas curtailment due to which the Urea plant remained closed for around 127 days during the year and as a result the production of Urea fallen by 35%. Therefore the gas curtailment is a major issue faced by the company if this gas curtailment continued then it could be very difficult for the company to increase its production provided that it finds a solution in order to remedy the gas curtailment.

Industry outlook...

During Rabi 2012-13, total availability of urea is estimated to be around 3.0mn tons. This includes 0.3mn tons of imported supplies, 2.0mn tons of domestic production and 0.7 mn tons of opening inventory. The estimated off take during Rabi 2012-13 is expected to be 2.83 mn tons leaving behind 0.196 mn tons of opening balance for coming Kharif 2013.

Urea and DAP industry oftake during Jan 2013 as compare to Jan 2012 and Jan 2011 mn

	Jan-11	Jan-12	Jan-13
Urea	0.394	0.61	0.517
DAP	0.059	0.02	0.053

Source: Fertilizer Review

FFBL outlook...

In general the next six month should see some major activity in the country's economic and political climate something that is set to help Pakistan's industry. This will also be favourable for the parent FFC as any economic activity is surely going to have an impact on their gigantic operations which should be ostensibly good for FFBL especially DAP off take. Distributor would sell urea bags and also influence DAP bag sale to farmer. Moreover, growers are a bit better off since support prices over wheat, rice and sugar cane has increased manifold.

So if the prices for the urea and DAP are increased during the coming months then the farmers would be able to bear the price increase in these products. Though we expect slight increase since government would not risk a bigger hike during and after election due to political connation.

Valuation: Satiating dividend yield of 13.5%

We expect FFBL to give an EPS of Rs 4.76/sh for the CY13 and to yield a PE ratio of 7.7x. Our DCF price for the FFBL is Rs 53.8/sh but this DCF price includes the share of profit from associates, the DCF value only for the operations being carried out by the FFBL is forecasted at Rs45/sh .

We recommend BUY since it provides 20% - 43% upside to our target prices. FFBL is also for defensive investors who look for dividend yield of 13.5%.