

Fauji Fertilizer Bin Qasim | Coming quarters to show improved showing given expected increase in off-take numbers...

- We believe FFBL urea plant utilisation to increase from 55% (last year) to 68% - 70% due to better gas supplies and product differentiation
- Urea and DAP dispatches to improve in coming months based on application in the ongoing Kharif season amid improved gas supplies to enhance productivity
- We see valuations to change albeit business risk diversifying. The FFBL future model looks sound given upcoming subsidiaries
- Urea production for 1QFY16 was 93kt while sales remained 35kt ~ Low demand from farmers | expecting inventories to get offloaded in current quarter
- Higher gas prices along with lower selling prices for DAP resulted in gross loss during the first quarter ~ Company could overcome from losses due to better and consistent gas supply with growing fertilizer demand during the quarter
- **Given our estimations of improvement in core operations, we estimate FFBL EPS could be Rs4.5/sh during CY16. We expect increase in quarterly sales especially in the wake of June – July application of DAP.**
- FFBL market share stood at 4.5% and 31% during 1QCY16 for urea and DAP respectively

Safeguarding local industry

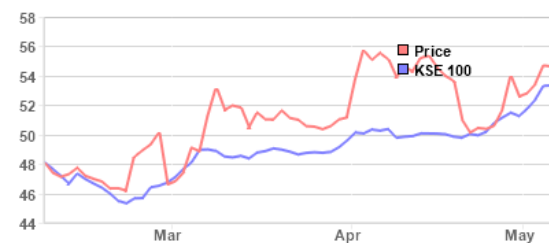
In a recent development government has decided to reduce tariff for the feed gas and comparatively demanded the local players to reduce prices by Rs200 per 50kg bag which will reduce the gap in between the local and imported bag price. We believe local urea remains more preferable to farmer and price gap is narrowing.

FFBL with respect to its subsidiaries | Fauji Meat and Fauji Food

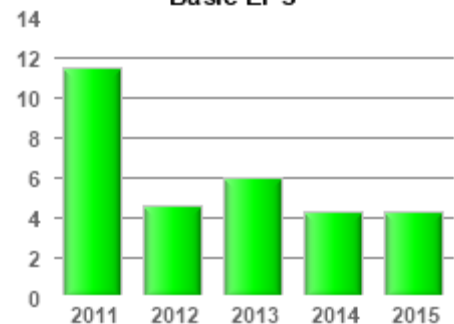
FFBL has invested around Rs6.4bn in meat project while meat industry has grown in recent times. As per our analysis, the net margin of competitor is hovering around 5%; which is also set to grow in the calendar year. The performance of Fauji Meat will be reflected somewhere in CY17.

Fauji Foods ~ Noon Pakistan (NOPK) contains good market share in butter and penetrating in promoting tea whiteners viz. Dostea with attractive packing. NOPK flagship brand Nupur butter is being there in market for decades.

REP-033



Basic EPS



Analyst

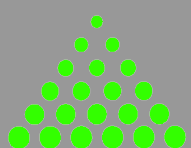
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Core operations to remain mainstay in CY16

We expect performance from core operations to flourish in this calendar year given proper gas supply that will allow urea off-takes to improve from yesteryears while DAP off-take may also increase and surpass from 750ktons.

Glance over company's financials

Rs in mn	CY11	CY12	CY13	CY14	CY15
Sales	55,868	47,911	54,455	49,445	52,182
Cost of sales	35,753	36,460	39,942	38,353	44,967
Gross profit	20,115	11,461	14,512	11,091	7,214
Operating profit	16,784	7,811	7,867	6,460	1,568
Other income	1,650	1,044	494	1,062	5,683
Finance cost	1,087	1,821	1,514	1,312	1,867
Profit after tax	10,767	4,338	5,613	4,016	4,061
EPS	11.53	4.64	6.01	4.3	4.35

source scs research

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