



KSE100 Closing 14329.32 (-69.45 points)

July 16, 2012

Pakistan Research

Fertilizer Sector | Co. update

Fauji Fertilizer Bin Qasim 1HCY-12

The country's sole granular urea and DAP producer, Fauji Fertilizer Bin Qasim (FFBL) announced its 1HCY12 results, posting 82% decline in net profits, over the same period last year.

The Company's 1st quarter dismal performance weighed heavily on the half year profits, yet FFBLs financial performance was well below the market consensus estimates. Recall that the Company faced extended gas curtailment especially during the 1st quarter which resulted in heavy production losses.

The industry urea off-take remained on the lower side, especially for the local producers due to abundance of cheap imported urea in the market which led to heavy inventories for local producers. FFBLs urea production during 5MCY11 was lower by 41% YoY and the sales went down by 54% over the corresponding period of last year.

The top line also faced pressure on the DAP fertilizer front as DAPs plant underwent an extended shutdown in the first quarter hampering the DAP production. The farmers too, did not show much appetite for DAP, owing to high DAP and urea prices.

The gross margins slid considerably during the period owing to a variety of reasons. Recall that fertilizer feedstock gas prices were raised by nearly 200 percent in 1HCY12, after the imposition of infrastructure development cess, putting pressure on urea margins.

DAP primary margins too remained in the vicinity of \$230 per ton during 2QCY12, still lower than the same period of last year. Going forward, DAP margins are expected to improve slightly, as international Phosacid contract prices have reduced sharply and new contract are expected to be locked in at around **\$860-880/ ton**.

The bottom line though was severely hit by hefty financial charges, which went up by nearly 3 times over the same period last year. The primary reason was the heavy rupee depreciation against the greenback which resulted in huge exchange loss for the company. Moreover, FFBLs short-term borrowing soared to **Rs.13.7 bn** as at June end, up from Rs.7.4 bn at the end of CY11.

The Company's reluctance to pay dividends for two quarters running underlines the vulnerable times that might be ahead.

(Rs. mn)	1HCY12	1HCY11	Change	2QCY12	2QCY11	Change
Sales	11291	18017	-37%	9357	9963	-6%
Cost of Sales	8859	11088	-20%	6659	5781	15%
Gross Profit	2432	6929	-65%	2697	4182	-36%
Gross Margins	22%	38%	-42%	29%	42%	-31%
Finance Cost	910	373	144%	604	266	127%
Other Income	524	677	-23%	204	348	-41%
Profit/(Loss) on						
JV	70	64	9%	-122	61	-300%
PAT	644	3514	-82%	1031	1956	-47%
EPS	0.69	3.76		1.10	2.09	

Source: KSE Notice

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FFBL closing	Rs38.72/sh
High	Rs40.80
Low	Rs38.61
Chg	-1.88%
52 week hi	Rs64.30/sh
52 week low	Rs37.14/sh
Beta	1.12
Total # of sh.	934.11bn
Free float	326.93mn

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