



KSE 100 Index 12,098.05pts (chg. -167.48pts)

July 29, 2011

Pakistan Research
Fertilizer Review

Fauji Fertilizer Review- A Green Picture..... TP Rs176/sh

The half yearly results of Fauji Fertilizer Company (FFC) yielded an EPS of Rs9.65/sh which is quite close to our EPS expectation of Rs10.03/sh.

The gross profit increased by 55% from same period last year ostensibly due to high urea and DAP prices and declining cost of sales (-5%). The company also witnessed a 74% rise in the PBT on account of high income from other sources (such as dividend from FFBL holding) and reduction in finance cost by 5%. FFC also announced a dividend of Rs4.75/sh (47.5%) which is in addition to its 1st interim dividend of Rs4.5/sh (45%).

Profit & loss a/c	3QCY11	3QCY10	%Change	1HCY11	1HCY10	%Change
Sales	13,120,334	10,447,808	26%	24,220,679	19,946,623	21%
COS	5,336,917	5,658,376	-6%	10,527,250	11,113,074	-5%
GP	7,783,417	4,789,432	63%	13,693,429	8,833,549	55%
Distribution cost	1,147,983	966,663	19%	2,165,562	1,869,213	16%
PBIT	6,635,434	3,822,769	74%	11,527,867	6,964,336	66%
Finance cost	242,041	230,213	5%	471,309	493,721	-5%
Other expenses	614,568	310,959	98%	1,121,439	629,997	78%
Other income	919,139	262,667	250%	2,881,869	1,524,733	89%
PBT	6,697,964	3,544,264	89%	12,816,988	7,365,351	74%
Taxation	2,618,000	1,172,000	123%	4,628,179	2,264,000	104%
PAT	4,079,964	2,372,264	72%	8,188,809	5,101,351	61%
EPS	4.81	2.80	72%	9.65	6.01	61%

Source:KSE announcement

Ratios	3QCY11	3QCY10	1HCY11	1HCY10
GP margin	59%	46%	57%	44%
PBIT margin	51%	37%	48%	35%
PBT margin	51%	34%	53%	37%
PAT margin	31%	23%	34%	26%

Source:KSE announcement

We expect FFC to benefit from increase of Rs125/bag in urea prices by Engro Fertilizer resulting in increased revenue. We expect FFC to yield CYE11 EPS of Rs20.06/sh and DCF fair value of Rs176/sh with potential PE of 7.83x.

Per ton data	CY09	CY10	CYE11	CYE12
Sales per ton	14.5	17.5	26.4	26.9
Cost per ton	8.22	9.85	14.28	14.44
Net margin per ton	6.27	7.62	12.14	12.48
EBIT margin	34%	35%	36%	37%
EBITDA margin	32%	32%	32%	32%
EBITDA/ton	4.57	5.62	8.35	8.53
debt/equity	58%	46%	26%	18%
EPS	13.00	16.25	20.06	20.53

Source:Standard Capital Research

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FFC closing	Rs157.22
High	Rs161.5
Low	Rs156.3
chg.	-3.98%
52weeks high	Rs172.97
52weeks low	Rs102.96
Total # of sh.	848.16mn
Beta	1.2
Free float sh.	373.19mn

“FFC EPS increased by 61% on account of high urea and DAP margins and subsequent dividend impact from sister concern FFBL.”

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