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

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Pakistan Research
Fertilizer Review

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

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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

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."

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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