

FAUJI FERTILIZER COMPANY

Result Review: EPS of Rs 2.91 for 1QCY19

FFC announced its 1QCY19 result today with an EPS of Rs.2.91 accompanied with cash dividend of Rs2.5/share.

RESULT KEY HIGHLIGHTS.

- Net sales for the quarter decreased 1% YoY due to lower urea and DAP offtakes (down 2/79% YoY). Better urea prices for the quarter (up 27% YoY) compensated for lower offtakes.
- Gross Profit for the quarter increased by 46% YoY due to lesser COGS despite higher gas prices as compared to same quarter last year. We attribute shrinkage of COGS to dismal offtake of lower margin DAP.
- Finance Cost ballooned by whopping 24% YoY on account of elevated interest rate.
- Other operating expenses increased 27% YoY.
- Effective tax rate for the quarter stood at 26% as compared to 35% SPLY.

Rs in '000	1QCY19	1QCY18	YoY	4QCY18	QoQ
Net sales	20,310	20,557	-1%	35,287	-42%
Cost of sales	(14,347)	(16,464)	-13%	(25,420)	-44%
Gross profit	5,963	4,093	46%	9,867	-40%
Selling and Distribution exp.	(2,006)	(1,925)	4%	(2,122)	-5%
Other operating income	2,000	2,085	-4%	1,394	43%
Other operating expenses	(484)	(382)	27%	(700)	-31%
Finance cost	(468)	(377)	24%	(453)	3%
Profit before taxation	5,005	3,494	43%	7,986	-37%
Tax	(1,307)	(1,229)	6%	(2,051)	-36%
Profit after tax	3,698	2,265	63%	5,935	-38%
EPS	2.91	1.78	63%	4.65	-38%
Gross Margins	29.4%	19.9%	47%	28.0%	5%

Source: PSX, Darson Research

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Rating System:

- If;
- **Expected return >15%** - Buy Call
 - **Expected Return is in between 0% to 15%** - Neutral/Hold Call
 - **Expected Return <0%** - Sell Call

Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: www.JamaPunji.pk