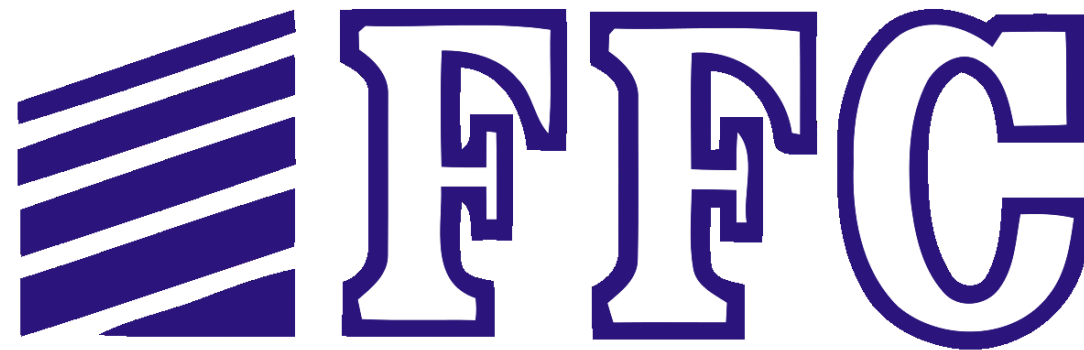


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Fauji Fertilizer Company Limited

Result Review: FFC 9MCY18 EPS PKR 6.70, Up by 44%

*WE Research/Pakistan
Tel: 021-32463401
Email: research@we.com.pk*

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- Fauji Fertilizer Co. Ltd has announced financial results for 9MCY18, wherein company recorded PAT at PKR 8,525 million (EPS PKR 6.70) in 9MCY18 up by 44% YoY as opposed to PKR 5,934 million (EPS PKR 4.66) in SPLY. Moreover, company has also announced 18% cash dividend during the quarter under review, taking it to PKR 4.95 in 9MCY18 cumulatively.
- The immense growth is attributed to better offtake and higher Urea and DAP prices during 9MCY18 leading to improved margins of company. Moreover, dip in finance cost provided support to FFC's bottom line.
- The company's top line grew by 22% to record at PKR 70,677 during 9MCY18 as against PKR 57,750 million SPLY on the back of enhanced urea offtake (up 12% YoY) coupled with improved retention prices.
- Resultantly, gross profit registered a hefty growth of 57% YoY to clock in at PKR 18,112 million as opposed to PKR 11,563 SPLY.
- Finance cost plunged by 38% during 9MCY18 to clock in at PKR 1,183 as against PKR 1,917 SPLY on account of decline in total debt of the company, supporting bottom line.
- Other income plummeted by 31% due to absence of subsidy on urea in the period under review.

Income Statement (PKR mn)	3QCY18	3QCY17	YoY	2QCY18	QoQ	9MCY18	9MCY17	YoY
Net Sales	27,411	27,589	-1%	22,708	21%	70,677	57,750	22%
Cost of Sales	18,818	22,264	-15%	17,282	9%	52,565	46,187	14%
Gross Profit	8,593	5,325	61%	5,427	58%	18,112	11,563	57%
Distribution Cost	2,342	2,464	NM	2,444	-4%	6,711	6,535	3%
Finance Cost	419	715	-41%	388	8%	1,183	1,917	-38%
Other Expenses	571	369	55%	455	25%	1,408	1,038	36%
Other Income	665	1,549	-57%	2,158	-69%	4,909	7,116	-31%
PBT	5,927	3,325	78%	4,297	38%	13,718	9,189	49%
PAT	3,810	2,116	80%	2,450	55%	8,525	5,934	44%
EPS -Basic	2.99	1.66	80%	1.93	55%	6.70	4.66	44%
DPS	1.80	1.50	20%	1.40	29%	4.95	4.00	24%
Gross Margin	31.3%	19.3%		23.9%		25.6%	20.0%	
Net Profit Margin	13.9%	7.7%		10.8%		12.1%	10.3%	

Source: Company Accounts & WE Research

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WE Financial Services Ltd. uses three rating categories, depending upon return form current market price, with Target period as December 2018 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Potential to target price	
Buy Upside	More than +10% from last closing price
HOLD	In between -10% and +10% from last closing price
SELL	Less than -10% from last closing price

Equity Valuation Methodology

WE Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Relative valuation (P/E, P/B, P/S)
- Equity & Asset return based (EVA, Residual income)

Risks

The following risks may potentially impact our valuations of subject security(ies);

- Market Risk
- Interest Rate Risk
- Exchange rate risk

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