

## FFC 2QCY19 Result Preview

- The board meeting of Fauji Fertilizers Company (FFC) is scheduled on Monday 29th July 2019 to announce its financial result for 2QCY19.
- Company is expected to post net income of Rs4.3bn which translates into EPS of Rs3.40 taking 1HFY19 earnings to Rs6.3 per share. Despite lower offtakes, better retention price is presumed to boost the company bottom line by impressive 76% YoY.
- Finance cost is anticipated to balloon by 87% YoY to reach Rs722Mn on account of excessive short term borrowings coupled with higher interest rates.
- Other income is forecasted to be around Rs1bn, down 52%, in absence of dividends from concerning entities.
- FFC is expected to announce a cash dividend of Rs2.75 per share, taking cumulative dividend to Rs5.25 for 1HCY2019.

### Outlook

We maintain a "HOLD" stance at current trading levels with Dec'19 target price of Rs100/share.

Income Statement (Rs. Mn)	2QCY19E	2QCY18A	YoY	1HCY19E	1HCY18A	YoY
Revenue	26,221	22,708	15.5%	46,532	43,266	7.5%
COGS	(17,601)	(17,282)	1.8%	(31,949)	(33,747)	-5.3%
<b>Gross Profit</b>	<b>8,620</b>	<b>5,427</b>	<b>58.8%</b>	<b>14,583</b>	<b>9,520</b>	<b>53.2%</b>
Distribution cost	(2,711)	(2,444)	10.9%	(4,718)	(4,370)	8.0%
Finance cost	(723)	(388)	86.5%	(1,191)	(765)	55.8%
Other Expense	(555)	(455)	22.0%	(1,040)	(838)	24.2%
Other Income	1,033	2,158	-52.1%	3,034	4,244	-28.5%
PBT	5,664	4,297	31.8%	10,667	7,791	36.9%
Tax Provision	(1,343)	(1,847)	-27.3%	(2,650)	(3,076)	-13.9%
<b>Net Income</b>	<b>4,321</b>	<b>2,450</b>	<b>76.4%</b>	<b>8,017</b>	<b>4,715</b>	<b>70.0%</b>
<b>EPS</b>	<b>3.40</b>	<b>1.93</b>		<b>6.30</b>	<b>3.71</b>	
<b>DPS</b>	<b>2.75</b>	<b>1.40</b>		<b>5.25</b>	<b>3.15</b>	

Source: Company Financials, DSL Research

## Important disclosures

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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](http://www.JamaPunji.pk)

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