

Fauji Fertilizer Company Limited.-Target price of RS: 165

FFC: Directors of Fauji Fertilizer Company are going to meet on 14/5/2015 to consider the Annual Audited Accounts for the period ended Mar-2015 for declaration of any entitlement.

Performance for the Quarter ended March 2015. Sales revenue at its peak

Company in quarter ended march 2015 posted highest ever earning of 5.91 billion which translates into EPS of PKR.4.64/Share. Sona urea production of 615 thousand tons by three plants was 4% higher than the corresponding quarter, with operating efficiency of 122% as contrary to 118% last year, primarily due to lower gas curtailment during the quarter. Higher product availability and increased urea demand resulted in 9% higher Sona urea sales of 625 thousand tons during the period, leading to highest ever revenue generation of RS 20.41 billion. Company also created new scale by earning highest ever other income (Dividend and Investment) of Rs. 2.45 billion during the period.

PKR 000	2QCY14A	2QCY15E
Net Sales	18,423	19,142
Cost of Sales	11,588	11,390
Gross Profit	6,835	7,751
Distribution Cost	1,534	1,703
Finance Cost	212	190
Other Operating Exp	452	472
Other Income	281	246
PBT	4,918	5,632
Tax	1,314	2,479
PAT	3,604	3,153
EPS	2.83	2.48

EPS to increase only slightly due to low Topline growth.

FFC's Urea off take for the first five months of CY15 increased by 5.3% YoY to 998k tons however its sales for the period of Apr-May 2015 has lingered almost flat declining slightly by 0.2% contrary to the same period last year. We believe the company's gross margins to improve slightly against 2QCY14 due to 2.5% YoY increase in Urea prices and delay of increase in gas tariff rates in the same period.

Future expectation - Diversified Businesses on its way.

Successful installation of FFF (Fauji Fresh n Freeze) IQF Plant operations on March 2015, the project is planned to commence commercial production by end of August 2015, with full scale local and export operations planned to come online in 2016. IQF/ Frozen Fruits and Vegetables: 20,400 MT per year, commercial production in March, 2015. Par Fried French Fries: 6,000 MT per year, commercial production in March, 2015. Fresh Produce: VHT processed Mango 1,000 MT per year, commercial production in June, 2015. Finished Products Storage at -18C: 5,000 MT.

Furthermore, FFC also got involved in 50MW wind energy project at Jhimpir, Sindh under the name FFC Energy Limited (FFCEL). The company turned into profit in CY13 reporting an EPS of Rs 0.79/share against a loss per share of PKR 0.06/ in CY12, hence dividend earnings are expected during this year from it.

Outlook:

Fauji Fertilizer Company limited stayed harmless from GIDC bill, which was currently came into force, due to its provision already set in in the financial books. Furthermore, Fauji group is aiming towards diversified business initiatives in order to provide stubborn profitability. FFC is currently trading at Rs 148/share which is replicating an upside potential of 11% against our target price of Rs 165/share.

July-29-2015

FFC

Current Price: 148

Target Price: 165

Key Data

Ticker	HCAR
52Week High(PKR/sh) Adj	159.80
52Week Low(PKR/sh)Adj	107.10
Market Cap.(PKR Bn)	192.29

	EPS	B.Value
2011	17.68	18.13
2012	16.38	20.51
2013	15.83	19.77
2014	14.28	20.18

	Profit Margin	Dividend
2011	62.20	20.00
2012	48.44	15.50
2013	46.36	15.35
2014	38.29	16.65

	Sales Margin	P/E (Adj)
2011	37.80	8.37
2012	51.56	9.03
2013	53.64	9.34
2014	61.71	10.3

	PAT
2011	22,492,053
2012	20,839,723
2013	20,134,584
2014	18,170,760

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