



Fauji Fertilizer Company Limited (FFC)

Fauji Fertilizer Company Limited (FFC) is the largest chemical fertilizer producer of Pakistan with biggest market share in the country. FFC was established in 1978 as a joint venture of Fauji Foundation and Haldor Topsoe. The first urea complex was commissioned in 1982.

Performance During The Year

Fauji Fertilizer Company Limited (FFC) has announced its financial results of 2012. The EPS was decline 26.52 (2011) to 16.38 (2012) this is due to the (1) transportation rates resulted in 27% increase in distribution costs as compared to last Year. (2) Other income decreased by 36% mainly due to a 42% reduction in dividend income from FFBL, (3) 18% decline in income from other investments because of Lower funds availability during the year, EPS declined by 7% compared to last year primarily because of increased cost of sales due to GIDC and decreased other income attributable to 42% reduction in dividend income from FFBL. (4) Production Quarterly production remained fairly consistent with only minor fluctuations due to limitations in gas availability and plant maintenance downtime.

According to the results, of the Half year 2013 (HY13). The company earned Rs 9.496 billion (EPS of Rs 7.46) against Rs 10.33 billion (EPS of Rs 8.12) in FY12, registering decrease of 8% on YoY. This is due to Sales revenue for the period was down by 5% because of lower urea selling prices and lesser imported fertilizer.

AKBL Transaction & Other Business Plans

FFC acquires 43.15% equity stake of the company in Askari Bank Limited and In view of persistent gas curtailment resulting in significant production losses, FFC also plans to install two coal fired boilers at Goth Machhi, in collaboration with world renowned consultants, expected to come on stream in coming years.

Muhammad Mavia Naeem

0344-2729412

Mavia_naeem@hotmail.com

www.diyana.com.pk/Research

KATS Code: FFC
Sector: Fertilizer
Face Value: Rs.10
Year End: Dec

Current Price: Rs. 104
Target price till Dec: Rs. 118

Paid Up Capital: 12722.4 million.
Free float shares: 688 million

Avg Volume 52 weeks: 282,994,400

12-month High/low: 121.60 / 100

Earning Per Share				
2010	2011	2012	HY-2013	E-FY13
16.25	26.52	16.38	7.46	14.80
Annual Payout				
2010	2011	2012	HY-2013	E-FY13
130% D	200% D	155% D	72.50%	70%
25% B	50% B	-	-	-

RECOMMENDATION (BUY)

On the technical ground (MACD, RSI and STS indicators) are in favor for upside movement FFC is one of our most preferred stock in the Fertilizer sector and best performer in the worst year.

We maintained over "BUY" stance on the stock based on our target price of Rs.118 with expected 70% dividend in FY13.

We will recommend Avg. buying at Rs.103.