

Fauji Fertilizer Company Limited

Result Review: Earnings arrived at PKR 8.27/share in 1QCY24

Profitability grew by 36% during the quarter

Fauji Fertilizer Company Limited (FFC) announced its financial result today where the company posted earnings of PKR 10,522mn (EPS: PKR 8.27) during 1QCY24 versus PKR 7,730mn (EPS: PKR 6.08) in 1QCY23, up by 36% YoY. On a sequential basis, the company's net profit witnessed a growth of 41% QoQ. In addition to the result, FFC announced an interim cash dividend of PKR 5.50/share in 1QCY24 (PKR 4.26/share in 1QCY22).

Result Highlights

- Net Sales surged by 60% YoY during 1QCY24, arriving at PKR 58,407mn on the back of i) 5% YoY increase in urea offtake, and ii) a jump in urea and DAP prices in 1QCY24 by 66% and 22% YoY, respectively. Alongside this, the company distributed 94k tons of urea imported by the government during the quarter. Meanwhile, the DAP sales decreased by 7% YoY. On a QoQ basis, the topline climbed up by 35% which is attributable to an increase in urea and DAP prices tagged with 11% YoY growth in urea offtake.
- Gross margin arrived at 30% (down by 1,043bps YoY) in 1QCY24 due to i) higher gas prices, and ii) high cost of imported urea. Similarly, on a sequential basis, the gross margins were reduced by 1,506bps QoQ due to the aforementioned reason.
- Distribution cost witnessed a massive jump of 70% YoY, settling at PKR 5,193mn in 1QCY24 due to the implementation of Axle Weight Regulation.
- Financial charges increased by 3% YoY, clocking in at PKR 1,505mn in 1QCY24 on the back of higher interest rates.
- Other income swelled up by 3x YoY, settling at PKR 10,276mn in 1QCY23 given the increase in income from short-term investments along with dividend income from subsidiaries and associate company (AKBL).
- The company booked effective taxation at 42% in 1QCY24 vis-à-vis 35% in 1QCY23.

Exhibit: Financial Highlights

(PKR mn)	1QCY24	1QCY23	YoY	4QCY23	QoQ
Net Sales	58,407	36,406	60%	43,379	35%
Gross Profit	17,287	14,575	19%	19,372	-11%
Distribution Costs	5,193	3,056	70%	3,957	31%
Other Income	10,276	3,545	3x	4,571	125%
Financial Charges	1,505	1,464	3%	1,619	-7%
Net Profit	10,522	7,730	36%	7,459	41%
EPS (PKR)	8.27	6.08		5.86	
DPS (PKR)	5.50	4.26		4.10	

Source (s): Company Financials, AHL Research

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