

Feroze1888 Mills Limited
Summary of cash flow - six year

	2019	2018	2017	2016	2015	2014
	Rupees in '000					
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before taxation	6,221,094	2,804,148	2,449,701	4,032,050	2,527,614	1,891,677
Adjustments for non cash items:						
Depreciation & amortization	933,609	745,374	573,674	473,395	429,348	372,129
Impairment	-	608	-	-	-	-
Non-management staff gratuity	143,494	-	-	-	-	-
Profit on short term investment	(55,627)	-	-	-	-	-
Finance Cost	155,892	85,729	55,039	59,117	133,303	331,545
Loss / (gain) on disposal of property, plant and equipment	15,026	46,530	54,688	(1,942)	261	727
	1,192,394	878,241	683,401	530,570	562,912	704,401
	7,413,489	3,682,389	3,133,101	4,562,620	3,090,526	2,596,078
Changes in working capital						
Stores and spares	(275,806)	(134,677)	69,389	(122,276)	154,363	(225,710)
Stock-in-trade	(2,518,817)	(254,560)	(590,742)	(664,406)	750,899	330,692
Trade debts	(2,438,501)	(837,300)	(1,571,562)	40,415	(192,054)	(568,453)
Advances, deposits, prepayments and other receivables	354,769	(526,449)	(252,085)	(385,005)	(191,776)	(15,318)
Trade and other payables	1,208,767	524,634	883,809	96,320	(485,058)	1,141,614
	(3,669,587)	(1,228,350)	(1,461,190)	(1,034,952)	36,375	662,825
Cash generated from operations	3,743,901	2,454,038	1,671,912	3,527,668	3,126,901	3,258,903
Finance costs paid	(123,636)	(72,230)	(51,579)	(72,008)	(149,851)	(362,270)
Income taxes paid	(281,827)	(217,782)	(230,902)	(217,009)	(173,813)	(190,006)
Long-term deposits	(8,046)	(1,230)	(707)	(666)	(372)	(48)
	(413,509)	(291,242)	(283,188)	(289,684)	(324,036)	(552,324)
Net cash generated from operating activities	3,330,392	2,162,796	1,388,724	3,237,984	2,802,866	2,706,579
CASH FLOWS FROM INVESTING ACTIVITIES						
Fixed Capital Expenditure	(3,633,854)	(3,441,083)	(1,762,999)	(1,463,373)	(1,005,159)	(1,059,995)
Sales proceeds of Fixed Assets	73,332	65,455	37,721	22,812	15,947	26,648
Profit received on short term investment	53,439	-	-	-	-	-
Long term investment	-	-	(608)	-	-	-
Net cash used in investing activities	(3,507,083)	(3,375,628)	(1,725,886)	(1,440,561)	(989,211)	(1,033,347)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid	(2,053,067)	(1,092,427)	(1,167,966)	(1,055,160)	(452,944)	(404,010)
Short term borrowings – net	3,940,000	2,050,000	500,000	-	(1,177,725)	(893,985)
Long term financing – net	1,354,092	365,692	107,150	(39,262)	(128,978)	(185,126)
Net cash generated from / (used in) financing activities	3,241,025	1,323,265	(560,816)	(1,094,422)	(1,759,648)	(1,483,121)
Net increase in cash and cash equivalents	3,064,334	110,433	(897,978)	703,001	54,006	190,111
Cash and cash equivalents at the beginning of the year	203,364	92,931	990,909	287,908	233,902	43,791
Cash and cash equivalents at the end of the year	3,267,698	203,364	92,931	990,909	287,908	233,902

Operating & Financial Highlights

		2019	2018	2017	2016	2015	2014
Profitability Ratios							
Gross margin	%	26.12	22.16	23.28	29.94	26.01	22.44
Operating result margin	%	21.81	13.27	11.96	20.10	14.46	11.71
Profit after tax margin	%	20.48	12.64	11.89	18.72	12.64	9.19
Profit before taxation margin	%	21.27	12.88	11.70	19.81	13.74	10.24
Return on capital employed	%	27.11	16.27	16.66	28.86	22.37	19.71
Return on assets	%	17.63	11.79	13.29	24.57	18.30	13.43
Return on fixed assets	%	44.50	25.37	30.13	56.45	40.27	32.58
EBITDA margin to sales	%	25.00	16.69	14.70	22.42	16.80	13.73
Return on equity	%	29.79	17.02	17.16	29.84	23.23	20.85
Liquidity Ratios							
Current ratio	Times	1.73	1.94	2.76	3.79	3.00	1.84
Quick / acid test ratio	Times	1.11	1.24	1.67	2.23	1.77	0.91
Cash ratio	Times	0.28	0.03	0.02	0.43	0.12	0.06
Activity / Turnover Ratio							
Total asset turnover	Times	1.02	1.03	1.22	1.44	1.45	1.53
Fixed asset turnover	Times	2.41	2.28	2.79	3.25	3.35	3.79
No. of Days in Inventory	Days	87.03	81.07	75.95	69.47	73.96	84.07
No. of Days in Receivable	Days	80.01	80.00	62.21	50.25	54.11	47.96
No. of Days in Creditors	Days	20.28	12.35	11.59	27.10	37.35	32.69
Operating Cycle	Days	146.76	148.73	126.56	92.62	90.71	99.34
Investment / Market ratio							
Earning per share	Times	15.90	7.30	6.61	10.11	6.17	4.50
Price earning ratio	Times	6.35	8.28	16.74	31.15	9.56	7.44
Dividend per share	PKR	6.35	3.65	2.70	4.10	1.50	4.50
Price to book ratio	Times	1.89	1.41	2.87	9.29	2.22	1.55
Dividend yield ratio	Times	0.06	0.09	0.07	0.12	0.06	0.21
Dividend payout ratio	Times	0.19	0.50	0.41	0.41	0.24	1.00
Dividend cover ratio	Times	5.30	2.00	2.45	2.47	4.11	1.00
Breakup value per share without surplus	PKR	49.37	38.93	34.52	31.02	23.71	18.74
Breakup value per share with surplus	PKR	53.35	42.91	38.50	33.88	26.57	21.60
Market value per share at the end	PKR	100.87	60.50	110.60	314.94	59.01	71.00
Highest market value per share	PKR	126.00	113.00	314.94	446.15	70.80	83.26
Lowest market value per share	PKR	53.00	58.05	109.78	55.60	57.00	30.51
Capital Structure							
Total debt to capital ratio	%	40.82%	30.77%	22.58%	17.67%	21.19%	35.60%
Interest cover ratio	%	79.13	66.57	159.54	352.15	49.26	10.00
Financial leverage ratio	%	0.97	0.69	0.89	1.19	1.60	1.25
Weighted average cost of debt	%	1.32	1.92	2.11	2.53	4.77	9.30

Profitability Ratios

The profitability ratios of the company has shown consistent upward trajectory over the period of last six years. The sales prices in export market are continuously on declining trend due to competitive market situation in international markets and bargaining power of foreign customers, besides facing many challenges the company has placed its utmost efforts to uphold its market leader position with growth in business and earnings performance which is a combined result of efforts attributable to continued cost reduction efforts, broadening and retention of customer base, balancing and modernization of machinery, effective procurement planning for basic raw materials. The profitability ratios were highest during the year 2016 primarily on account of favorable sales prices and raw material prices, the same trend is also depicted in the current year 2019 due to highest net-turnover achieved in the company's history alongside favorable impact of rupee devaluation.

Liquidity Ratios

The company has a track record of maintaining its liquidity position in an efficient manner due to better working capital management policies. The liquidity ratios were highest during the years 2015 to 2017 primarily on account of lower prices of basic raw materials and availability of surplus cash for working capital requirements. The liquidity ratios are slightly decreased in last two years mainly due to higher capital expenditures and extreme volatility in raw material prices. Overall, the company successfully managed its strong liquidity position in all years.

Activity / Turnover Ratios

The company has always sought to efficiently use the various components of working capital cycle. The company managed to substantiate its financial position by maintaining optimum inventory levels and effective credit management.

Investment / Market Ratios

The investor continued to show its confidence in the company, which is evident from the market value of the share and PE ratio that is a result of company's strong financial health and performance. During current year, the company reported its highest EPS in its history.

Capital Structure

The objective of the company is to utilize financing resources at its optimum level. Financial leverage in current year is higher due to debt drawdown for financing the capital expenditure on plant & machineries. This effect will be offset in later years with enhanced profitability from augmented sales.

Comments on Six years Analysis

Comments on Cash flow statement

Operating activities

The company's operating cash flow has consistently increased over the past six years due to improving profitability on account of volumetric growth in sales volumes, retention of profit and efficient cost reduction efforts. The company has recorded its highest cash generated from operating activities among all previous years due to improved business performance.

Investing activities

Net cash used in investing activities mainly consist of expenditures on property, plant & equipment's. the capital expenditures was started increasing from the year 2017-18 and is highest in the current year mainly due to up-gradation of plant and machinery. During the year under review, proceeds from short-term investment also post favorable impact on investing activities.

Financing activities

Financing activities comprise mainly long-term loans obtained and dividends paid to shareholders. The net cash used in financing activities has shown mix trend over the past six years. The dividend payments have increased gradually over the years due to increase in profitability. The long-term financing facilities have been obtained to fund expenditures on plant and machinery. The short-term financing facilities have been utilized on cyclical basis to suffice working capital requirements.