

## Fauji Fertilizer Bin Qasim Limited

### Result Review

PSX: FFBL Bloomberg: FFBL: PA Reuters: JORD: KA

Pakistan Research

## FFBL: 1QCY24 EPS clocked in at PKR 3.33

- FFBL announced its 1QCY24 financial result today, wherein the company posted unconsolidated earnings of PKR 4.3bn (EPS: PKR 3.33) against unconsolidated loss of PKR 5.4bn (LPS: PKR 4.20) during 1QCY23.
- Gross margins of the company improved by 11.7% to 19% in 1QCY24 due to (1) higher fertilizer prices, (2) improved DAP offtakes and (3) lower Phosphoric acid prices.
- Net sales for 1QCY24 increased by 48% YoY to PKR 46.5bn, mainly because of elevated fertilizer prices along with higher DAP offtakes due to uninterrupted production during the quarter.
- FFBL Urea and DAP offtake to clocked in at 64k tons (down 27% YoY) and 169k tons (up 33% YoY) respectively. Moreover, DAP sales also include 10k of imported DAP.
- Other income surged by 4.5x YoY in 1QCY24 to PKR 4.0bn owing to higher income on deposits due to improving cash flow and elevated interest rates along with resumption of dividend income from AKBL (PKR 0.8bn).
- Other charges decreased by 84% YoY due to absence of exchange losses given stability of exchange rate.
- Finance cost for the quarter decreased by 59% YoY to PKR 1.0bn on back of lower borrowing.
- We recommend 'BUY' on FFBL with Dec-24 price target (PT) of PKR 46/share, offering an upside of 42% along with dividend yield of 9%.

#### Key Data

PSX Ticker	FFBL
Target Price (PKR)	46
Current Price (PKR)	31
Upside/(Downside) (%)	+ 42%
Dividend Yield (%)	9%
Total Return (%)	51%
12-month High (PKR)	33
12-month Low (PKR)	11
Outstanding Shares (mn)	1,291
Market Cap (PKR mn)	40,571
Year End	December

Source: Company Accounts, Akseer Research

#### Financial Highlights (PKR mn)

	1QCY23	1QCY24	YoY
Net Sales	31,523	46,524	48%
Cost of Sales	29,278	37,748	29%
<b>Gross Profit</b>	<b>2,244</b>	<b>8,776</b>	<b>291%</b>
Distribution & Admin. Exp.	960	2,792	191%
Other Income	898	4,025	348%
Other Charges	4,621	727	-84%
Finance Cost	2,488	1,020	-59%
Unwinding of GIDC payable	163	59	-64%
<b>Profit Before Tax</b>	<b>(5,089)</b>	<b>8,196</b>	NA
Taxation	340	3,890	1,045%
<b>Net Income</b>	<b>(5,429)</b>	<b>4,306</b>	NA
EPS	(4.20)	3.33	NA

Source: Company Accounts, Akseer Research

#### Key Financial Ratios

	CY21A	CY22A	CY23A	CY24F	CY25F	CY26F
EPS	4.9	1.8	3.4	9.2	8.0	10.7
EPS Growth	110.9%	-63.6%	89.1%	170.2%	-13.3%	33.5%
DPS	0.0	0.0	1.0	3.0	3.3	6.5
PER	6.5	17.9	9.5	3.5	4.0	3.0
Dividend Yield	0.0%	0.0%	3.1%	9.3%	10.1%	20.2%
EV/EBITDA	1.7	3.1	(0.0)	2.3	2.8	2.5
P/B	2.0	1.8	1.5	1.2	1.0	0.9
ROE	31.3%	10.2%	16.3%	35.1%	25.8%	30.3%

Source: Company Accounts, Akseer Research

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### Valuation Basis

Our PT for Fauji Fertilizer Bin Qasim Limited (FFBL) has been computed using Free cash flow to equity (FCFE) method. We have used a risk-free rate of 15.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 21.0%.

### Investment Thesis

We recommend 'BUY' on FFBL with Dec-24 price target (PT) of PKR 46/share, offering an upside of 42% along with dividend yield of 9%. Our investment case on FFBL is based on 1) higher fertilizer prices, and 2) volumes sustainability.

### Risks

Downside risks to our investments thesis are: 1) lower than anticipated fertilizer demand, and 2), Higher than expected DAP prices.

### Company Description

Fauji Fertilizer Bin Qasim is engaged in manufacturing, purchasing and marketing of fertilizers. Fauji Fertilizer Bin Qasim Limited has investment in other fertilizers, chemical, other manufacturing, energy generation, food processing and banking operations.

### Financial Highlights - FFBL

Income Statement (PKR mn)						
	CY21A	CY22A	CY23A	CY24F	CY25F	CY26F
Net sales	110,452	159,226	193,064	235,250	192,183	208,509
Cost of sales	88,301	133,641	159,954	191,975	158,848	171,124
<b>Gross Profit</b>	<b>22,152</b>	<b>25,585</b>	<b>33,110</b>	43,275	33,334	37,385
SG & A	7,241	8,189	11,208	15,591	15,025	15,802
<b>Operating Profit</b>	<b>14,911</b>	<b>17,396</b>	<b>21,901</b>	27,684	<b>18,309</b>	<b>21,583</b>
Other income	9,111	6,342	9,435	6,851	12,032	10,331
Other charges	2,548	7,776	7,865	4,264	3,998	2,571
Finance cost	2,338	5,144	8,828	8,354	<b>9,444</b>	<b>6,777</b>
Unwinding of GIDC payable	1,254	891	498	1,282	-	-
<b>Profit before tax</b>	<b>11,525</b>	<b>8,505</b>	<b>14,145</b>	<b>20,635</b>	<b>16,899</b>	<b>22,567</b>
Taxation	5,134	6,177	9,742	8,739	6,591	8,801
<b>Profit after tax</b>	<b>6,391</b>	<b>2,328</b>	<b>4,403</b>	<b>11,896</b>	<b>10,309</b>	<b>13,766</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	CY21A	CY22A	CY23A	CY24F	CY25F	CY26F
PPE	10,575	9,953	9,616	9,658	9,700	9,742
Other LT assets	29,228	29,558	25,551	25,751	25,751	25,751
Non-Current Assets	39,803	39,511	35,167	35,409	35,450	35,492
Current assets	75,407	110,351	110,705	105,196	89,077	86,997
<b>Total Assets</b>	<b>115,210</b>	<b>149,863</b>	<b>145,872</b>	<b>140,605</b>	<b>124,527</b>	<b>122,490</b>
Non-Current liabilities	25,696	22,950	15,699	12,694	6,533	3,193
Current liabilities	69,083	104,190	103,081	94,009	77,979	73,909
<b>Total Liabilities</b>	<b>25,696</b>	<b>22,950</b>	<b>15,699</b>	<b>12,694</b>	<b>6,533</b>	<b>3,193</b>
Equity	20,431	22,722	27,091	33,903	40,015	45,387
<b>Total Equity &amp; liabilities</b>	<b>115,210</b>	<b>149,863</b>	<b>145,872</b>	<b>140,605</b>	<b>124,527</b>	<b>122,490</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	CY21A	CY22A	CY23A	CY24F	CY25F	CY26F
Net Income	6,391	2,328	4,403	11,896	10,309	13,766
Non-cash Charges	964	982	874	910	924	928
<b>Operating Cash flows</b>	<b>26,627</b>	<b>(30,268)</b>	<b>57,356</b>	<b>(55,504)</b>	<b>21,490</b>	<b>11,608</b>
<b>FCFF</b>	<b>27,636</b>	<b>(29,220)</b>	<b>59,567</b>	<b>(51,640)</b>	<b>26,285</b>	<b>14,772</b>
Net borrowings	<b>(6,151)</b>	<b>20,034</b>	<b>(20,103)</b>	<b>23,815</b>	<b>(12,815)</b>	<b>(3,692)</b>
<b>FCFE</b>	<b>21,443</b>	<b>(10,066)</b>	<b>37,214</b>	<b>(36,359)</b>	<b>2,709</b>	<b>1,946</b>
Net change in cash	21,523	(10,102)	37,180	(41,444)	(1,488)	(6,447)
<b>Closing cash</b>	<b>46,572</b>	<b>36,469</b>	<b>73,650</b>	<b>32,206</b>	<b>30,718</b>	<b>24,271</b>

Source: Company Accounts, Akseer Research

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