

## Fauji Fertilizer Bin Qasim Limited

### Analyst Briefing Takeaways

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

Pakistan Research

## FFBL: 1QCY24 Analyst Briefing Key Takeaways

- FFBL conducted its 1QCY24 analyst briefing today, to brief about the company's financial results and future outlook. To recall, FFBL reported an unconsolidated EPS of PKR 3.33 for the quarter, against a LPS of PKR 4.20 during 1QCY23.
- This is the highest ever quarterly profit due to; i) improved DAP offtakes amid elevated prices, ii) lower finance cost and higher other income given advance DAP sales, and iii) commencement of dividend income from AKBL.
- On consolidated basis, company reported profitability of PKR 7.6bn (EPS 5.54) against Loss of PKR 4.6bn (EPS PKR 3.8) in 1QCY23. Management attributed improved performance of the core operations and Joint venture PMP.
- The company received 3,116 mmscf gas in 1QCY24, down 40% YoY against 5,168 mmscf in 1QCY23. Consequently, the company produced 70k tons of Urea in 1QCY24, the lowest in recent times for 1Q despite no annual turnaround.
- Whereas, company DAP production increased by 240% to 177k tons in 1QCY24 as the DAP plant remained shut down for additional 33 days for inventory management in 1QCY23.
- For 1QCY24, industry's DAP offtake increased by ~23% YoY to 292k, whereas FFBL's DAP offtake went up by 25% YoY to 169k tons. Company also imported 10k tons of DAP for the first time during the quarter.
- Resultantly, FFBL's DAP market share increased to 58% during 1QCY24 vs 54% SPLY.
- However, FFBL's Urea offtake declined by 12.8% YoY to 64k tons due to lower production given gas curtailment during 1Q. Whereas, urea industry increased by 11% YoY to 1.79mn tons in 1QCY24.
- Moreover, company has shifted its gov't imported Urea quota to FFC which allowed it to avoid margin compression.
- Phos-acid prices for the 1QCY24, clocked in at USD 968/ton resulting in DAP int'l margins of USD 151/ton. Management also shared that phosphoric acid price is set at USD 948/ton for the 2QCY24.
- Due to less volatility of PKR-USD parity, the company has not recorded significant exchange loss PKR 6.4mn in comparison to PKR ~4.6bn exchange loss during 1QCY24.
- Regarding investments, the management apprised that FPCL's ratio of local and imported coal mix has reached 40:60. Local mix could not be increased further due to limitation of Thar Coal mining and its logistics.
- Management is expecting to receive dividend from PMP in 2QCY24.
- We recommend 'BUY' on FFBL with Dec-24 price target (PT) of PKR 45/share, offering an upside of 28% along with dividend yield of 9%.

### Key Data

|                         |          |
|-------------------------|----------|
| PSX Ticker              | FFBL     |
| Target Price (PKR)      | 45       |
| Current Price (PKR)     | 35       |
| Upside/(Downside) (%)   | 28%      |
| Dividend Yield (%)      | 9%       |
| Total Return (%)        | 37%      |
| 12-month High (PKR)     | 38       |
| 12-month Low (PKR)      | 11       |
| Outstanding Shares (mn) | 1,291    |
| Market Cap (PKR mn)     | 45,568   |
| Year End                | December |

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    | 9.8   |
| EPS Growth     | 110.9% | -63.6% | 89.1% | 170.0% | -13.3% | 23.3% |
| DPS            | 0.0    | 0.0    | 1.0   | 3.0    | 3.3    | 6.0   |
| PER            | 7.1    | 19.6   | 10.3  | 3.8    | 4.4    | 3.6   |
| Dividend Yield | 0.0%   | 0.0%   | 2.8%  | 8.5%   | 9.2%   | 17.0% |
| EV/EBITDA      | 1.9    | 3.3    | 0.2   | 2.4    | 3.0    | 2.9   |
| P/B            | 2.2    | 2.0    | 1.7   | 1.3    | 1.1    | 1.0   |
| ROE            | 31.3%  | 10.2%  | 16.3% | 35.1%  | 25.8%  | 28.3% |

Source: Company Accounts, Akseer Research

Saman Sarfaraz  
saman.sarfaraz@akseerresearch.com

### 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%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 21%.

### Investment Thesis

We have a 'BUY' recommendation on the stock based on our Dec-24 PT of 45/share. Our PT offers an upside of 28% along with dividend yield of 9%. Our investment case on FFBL is based on 1) higher international primary margins of DAP on the back of rise in global prices, 2) volumes sustainability and 3) commencement of dividend income from AKBL & PMP.

### Risks

Downside risks to our investments thesis are: 1) gas supply curtailment, 2) lower than anticipated fertilizer demand, and 3) lower than expected fertilizer 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       | 191,985       | 158,848       | 172,894       |
| <b>Gross Profit</b>       | <b>22,152</b> | <b>25,585</b> | <b>33,110</b> | 43,265        | 33,334        | 35,615        |
| 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> | <b>27,674</b> | <b>18,309</b> | <b>19,813</b> |
| Other income              | 9,111         | 6,342         | 9,435         | 6,696         | 12,031        | 10,331        |
| Other charges             | 2,548         | 7,776         | 7,865         | 4,264         | 3,998         | 2,500         |
| Finance cost              | 2,338         | 5,144         | 8,828         | 8,200         | 9,444         | 6,804         |
| Unwinding of GIDC payable | 1,254         | 891           | 498           | 1,282         | 0             | 0             |
| <b>Profit before tax</b>  | <b>11,525</b> | <b>8,505</b>  | <b>14,145</b> | <b>20,624</b> | <b>16,898</b> | <b>20,839</b> |
| Taxation                  | 5,134         | 6,177         | 9,742         | 8,734         | 6,590         | 8,127         |
| <b>Profit after tax</b>   | <b>6,391</b>  | <b>2,328</b>  | <b>4,403</b>  | <b>11,890</b> | <b>10,308</b> | <b>12,712</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        | 105,170        | 89,069         | 87,184         |
| <b>Total Assets</b>                   | <b>115,210</b> | <b>149,863</b> | <b>145,872</b> | <b>140,578</b> | <b>124,520</b> | <b>122,677</b> |
| Non-Current liabilities               | 25,696         | 22,950         | 15,699         | 12,694         | 6,533          | 3,193          |
| Current liabilities                   | 69,083         | 104,190        | 103,081        | 93,989         | 77,979         | 74,512         |
| <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         | 33,896         | 40,007         | 44,972         |
| <b>Total Equity &amp; liabilities</b> | <b>115,210</b> | <b>149,863</b> | <b>145,872</b> | <b>140,578</b> | <b>124,520</b> | <b>122,677</b> |

Source: Company Accounts, Akseer Research

| Cashflow statement (PKR mn) |                |                 |                 |                 |                 |                |
|-----------------------------|----------------|-----------------|-----------------|-----------------|-----------------|----------------|
|                             | CY21A          | CY22A           | CY23A           | CY24F           | CY25F           | CY26F          |
| Net Income                  | 6,391          | 2,328           | 4,403           | 11,890          | 10,308          | 12,712         |
| 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>(55,534)</b> | <b>21,513</b>   | <b>10,601</b>  |
| <b>FCFF</b>                 | <b>27,636</b>  | <b>(29,220)</b> | <b>59,567</b>   | <b>(51,758)</b> | <b>26,308</b>   | <b>13,782</b>  |
| Net borrowings              | <b>(6,151)</b> | <b>20,034</b>   | <b>(20,103)</b> | <b>23,817</b>   | <b>(12,817)</b> | <b>(3,336)</b> |
| <b>FCFE</b>                 | <b>21,443</b>  | <b>(10,066)</b> | <b>37,214</b>   | <b>(36,386)</b> | <b>2,729</b>    | <b>1,295</b>   |
| Net change in cash          | 21,523         | (10,102)        | 37,180          | (41,471)        | (1,467)         | (6,452)        |
| <b>Closing cash</b>         | <b>46,572</b>  | <b>36,469</b>   | <b>73,650</b>   | <b>32,178</b>   | <b>30,711</b>   | <b>24,259</b>  |

Source: Company Accounts, Akseer Research

## Disclaimer

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (Pvt) Limited, hereinafter referred jointly as "JV" and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, the JV and/or any of their officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professionals who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and the JV accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alpha Capital as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

All rights reserved by the JV. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of the JV. Action could be taken for unauthorized reproduction, distribution or publication.

## Valuation Methodology

To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

## Ratings Criteria

JV employs a three tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

| Rating | Expected Total Return         |
|--------|-------------------------------|
| Buy    | Greater than or equal to +15% |
| Hold   | Between -5% and +15%          |
| Sell   | Less than or equal to -5%     |

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

## Research Dissemination Policy

The JV endeavours to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

## Analyst Certification

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

## Contact Details

### Akseer Research (Pvt) Limited

1st Floor, Shaheen Chambers, KCHS block 7 & 8,  
off. Shahrah-e-Faisal

T: +92-21-34320359 -60

E: [info@akseerresearch.com](mailto:info@akseerresearch.com)

### Alpha Capital (Pvt) Limited (Formerly: Alfa Adhi Securities (Pvt) Limited)

3rd Floor, Shaheen Chambers, A-4 Central Commercial Area, KCH  
Society, Block 7 & 8, Near Virtual University, Karachi

T: +92-21-38694242

E: [info@alphacapital.com.pk](mailto:info@alphacapital.com.pk)