

## Fauji Fertilizer Bin Qasim Limited

### Result Preview

PSX: FFBL Bloomberg: FFBL: PA Reuters: JORD.PSX

Pakistan Research

## FFBL: 1QCY24 EPS likely to clock in at PKR 3.43

- FFBL is scheduled to announce its 1QCY24 results on 25<sup>th</sup> April, 2024. Wherein, we expect the company to post an EPS of PKR 3.43 against a LPS of PKR 4.20 in 1QCY23.
- Gross margins are anticipated to increase by 4.3x to PKR 9.6bn YoY during the 1Q. The increase in the margins can be attributable to (1) higher fertilizer prices, (2) improved DAP offtakes and (3) lower Phosphoric acid prices.
- Net sales for 1QCY24 are likely to increase by 37% YoY to PKR 43.3bn, mainly driven by elevated fertilizer prices along with higher DAP offtakes despite decline in Urea sales.
- For the quarter, we expect FFBL Urea and DAP offtake to clock in at 64k tons (down 27% YoY) and 169k tons (up 33% YoY) respectively.
- We anticipate an increase of 67% YoY and 22% YoY in Urea and DAP prices for 1QCY24. Whereas, prices of Phosphoric acid are likely to drop by 21% YoY for the quarter.
- Higher cash and short-term investments are likely to increase the company's other income by 4.2x YoY in 1QCY24.
- On the other hand, finance cost is anticipated to decrease by 27% YoY to PKR 1.8bn for the quarter on the back of lower borrowings (down 27% YoY).
- We expect the company to record a tax expense of PKR 2.8bn, at an effective rate of 39%.
- 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)	32
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)	41,617
Year End	December

Source: Company Accounts, Akseer Research

#### Financial Estimates (PKR mn)

	1QCY23	1QCY24E	YoY
Net Sales	31,523	43,298	37%
Cost of Sales	29,278	33,663	15%
<b>Gross Profit</b>	<b>2,244</b>	<b>9,635</b>	<b>329%</b>
Distri. & Admin. Exp.	960	3,019	214%
Other Income	898	3,724	315%
Other Charges	4,621	866	-81%
Finance Cost	2,488	1,816	-27%
Unwinding of GIDC payable	163	394	142%
<b>Profit Before Tax</b>	<b>(5,089)</b>	<b>7,264</b>	na
Taxation	340	2,833	733%
<b>Net Income</b>	<b>(5,429)</b>	<b>4,431</b>	na
EPS	(4.20)	3.43	na

Source: Company Accounts, Akseer Research

#### Key Financial Ratios

	CY21A	CY22A	CY23A	CY24F	CY25F	CY26F
EPS	4.9	1.8	3.4	9.3	8.0	10.7
EPS Growth	110.9%	-63.6%	89.1%	172.1%	-13.6%	33.0%
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)	2.2	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%	35.3%	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 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	232,024	192,183	208,509
Cost of sales	88,301	133,641	159,954	187,890	158,848	171,124
<b>Gross Profit</b>	<b>22,152</b>	<b>25,585</b>	<b>33,110</b>	44,134	33,334	37,385
SG & A	7,241	8,189	11,208	15,956	15,025	15,802
<b>Operating Profit</b>	<b>14,911</b>	<b>17,396</b>	<b>21,901</b>	28,178	<b>18,309</b>	<b>21,583</b>
Other income	9,111	6,342	9,435	6,555	12,039	10,345
Other charges	2,548	7,776	7,865	4,403	4,002	2,571
Finance cost	2,338	5,144	8,828	9,070	<b>9,368</b>	<b>6,777</b>
Unwinding of GIDC payable	1,254	891	498	1,617	0	0
<b>Profit before tax</b>	<b>11,525</b>	<b>8,505</b>	<b>14,145</b>	<b>19,644</b>	<b>16,978</b>	<b>22,580</b>
Taxation	5,134	6,177	9,742	7,661	6,622	8,806
<b>Profit after tax</b>	<b>6,391</b>	<b>2,328</b>	<b>4,403</b>	<b>11,983</b>	<b>10,357</b>	<b>13,774</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	104,344	89,535	87,475
<b>Total Assets</b>	<b>115,210</b>	<b>149,863</b>	<b>145,872</b>	<b>139,752</b>	<b>124,985</b>	<b>122,967</b>
Non-Current liabilities	25,696	22,950	15,699	12,694	6,533	3,193
Current liabilities	69,083	104,190	103,081	93,070	78,303	74,244
<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	33,989	40,149	45,530
<b>Total Equity &amp; liabilities</b>	<b>115,210</b>	<b>149,863</b>	<b>145,872</b>	<b>139,752</b>	<b>124,985</b>	<b>122,967</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	CY21A	CY22A	CY23A	CY24F	CY25F	CY26F
Net Income	6,391	2,328	4,403	11,983	10,357	13,774
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>(54,752)</b>	<b>20,860</b>	<b>11,627</b>
<b>FCFF</b>	<b>27,636</b>	<b>(29,220)</b>	<b>59,567</b>	<b>(50,171)</b>	<b>25,608</b>	<b>14,791</b>
Net borrowings	<b>(6,151)</b>	<b>20,034</b>	<b>(20,103)</b>	<b>22,994</b>	<b>(11,994)</b>	<b>(3,692)</b>
<b>FCFE</b>	<b>21,443</b>	<b>(10,066)</b>	<b>37,214</b>	<b>(36,093)</b>	<b>2,900</b>	<b>1,966</b>
Net change in cash	21,523	(10,102)	37,180	(41,178)	(1,296)	(6,427)
<b>Closing cash</b>	<b>46,572</b>	<b>36,469</b>	<b>73,650</b>	<b>32,471</b>	<b>31,175</b>	<b>24,747</b>

Source: Company Accounts, Akseer Research

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