

Fauji Fertilizer Bin Qasim Limited

KATS: FFBL
Bloomberg: FFBL PA

Price: PKR 42.27
Fair Value: PKR 46.00

NEUTRAL

Nil Dividend Amidst Highest EPS of PKR 4.84 in 2QCY24

25 July 2024

- **EPS hits a new record at PKR 4.84 in 2QCY24.** The company unveiled its financial results today, reporting a record breaking earnings of PKR 4.84/sh vs PKR 0.37/sh in SPLY. The higher earnings in 2QCY24 can be attributed to (1) improved fertilizer offtakes of 309 KT vs 239 KT in SPLY, (2) elevated other income by 83%, (3) higher DAP/Phos-acid margins at USD 104/Ton, and (4) absence of retrospective super tax rate application.
- **However, dividend remained nil.** As per our expectations, no dividend was announced in the aforementioned quarter.
- **Gross margins expand to 23%.** During the quarter, FFBL posted high gross margins of 23% (up by 4ppts Q/Q), despite lower Urea prices by PKR 613/bag, likely on account of 1) higher Urea offtakes of 151 KT and 2) a decline in international coal prices of ~4% Q/Q.
- **Other income surged by 16% Q/Q.** The company posted a higher than expected other income of PKR 4.7 BN vs PKR 4.0 BN in the preceding quarter. This could possibly be attributed to higher dividend income from its subsidiaries and associate companies and higher short term investments.
- **Effective tax rate arrived at 44%.** FFBL once again booked higher taxation at 44% (vs 47% in 1QCY24) totalling PKR 5.0 BN. This is likely attributable to the payment of deferred taxes. To highlight, PKR 5.1 BN income tax payable was outstanding on the company's balance sheet in Mar-24. With a normalized tax rate of 39%, earnings would further be elevated by PKR 0.48/sh totalling PKR 5.32/sh.
- **Neutral stance issued.** We have a neutral stance on the scrip, based on our fair value estimate of PKR 46/sh.

FFBL	CY23	CY24E	CY25E	CY26E
EPS	3.4	15.0	13.1	12.7
DPS	1.0	4.0	8.0	8.8
BVPS	21.0	33.7	40.4	44.3
P/E	12.4	2.8	3.2	3.3
D/Y	2.4%	9.5%	18.9%	20.7%
P/B	2.0	1.3	1.0	1.0

Source: Company Accounts, Optimus Research

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Earnings Snapshot

PKR MN	2QCY24E	2QCY24	1QCY24	4QCY23	3QCY23	2QCY23	Q/Q	Y/Y	1HCY24	1HCY23	Y/Y
Sales	46,865	50,332	46,524	193,064	70,070	35,235	8%	43%	96,856	66,758	45%
Cost of Sales	(40,317)	(39,000)	(37,748)	(159,954)	(59,712)	(30,689)	3%	27%	(76,748)	(59,967)	28%
Gross profit	6,548	11,332	8,776	33,110	10,358	4,546	29%	149%	20,108	6,790	196%
Distribution Cost	(2,736)	(2,212)	(2,393)	(10,073)	(2,434)	(1,567)	-8%	41%	(4,605)	(2,254)	104%
Admin Cost	(404)	(375)	(399)	(1,136)	(412)	(323)	-6%	16%	(774)	(597)	30%
Operating profit	3,408	8,745	5,984	21,901	7,511	2,656	46%	229%	14,729	3,939	274%
Other Expenses	(437)	(1,039)	(793)	(8,363)	(825)	(349)	31%	198%	(1,832)	(5,133)	-64%
Other Income	3,373	4,659	4,025	9,435	2,848	2,541	16%	83%	8,684	3,439	153%
Finance Costs	(958)	(1,102)	(1,020)	(8,828)	(2,360)	(2,837)	8%	-61%	(2,122)	(5,325)	-60%
Profit Before Tax	5,386	11,262	8,196	14,145	7,175	2,010	37%	460%	19,459	(3,080)	NM
Taxation	(1,628)	(5,009)	(3,890)	(9,742)	(1,870)	(1,531)	29%	227%	(8,899)	(1,871)	376%
Profit After Tax	3,758	6,254	4,306	4,403	5,305	479	45%	1205%	10,560	(4,951)	NM
EPS	2.91	4.84	3.33	3.41	4.10	0.37			8.18	(3.83)	
DPS	-	-	-	1.00	-	-			-	-	
Gross Margins	14%	23%	19%	17%	15%	13%			21%	10%	
Net Margins	8%	12%	9%	2%	8%	1%			11%	-7%	
Effective Tax Rate	30%	44%	47%	69%	26%	76%			46%	-61%	

Source: Company Accounts, Optimus Research

Analyst Certification

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