

Fauji Fertilizer Bin Qasim Limited

1QCY21: EARNINGS REVIEW

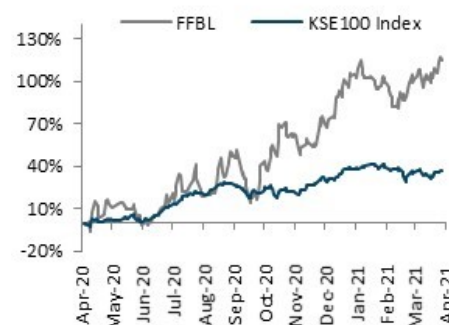
Higher DAP margins lead to earnings turnaround

Fauji Fertilizer Bin Qasim Limited (FFBL) posted profitability of PKR 1.3Bn (EPS: PKR 1.0) during 1QCY21 as opposed to loss of PKR 3.0Bn (LPS: PKR 2.4) in SPLY. The turnaround in earnings is mainly attributable to 1) higher DAP offtake (↑ 8% YoY) along with an uptrend in DAP prices (↑ 44% YoY), 2) dividend income support from AKBL which announced a pay-out of PKR 3.0/sh in the last quarter and 3) lower finance cost (↓ 57% YoY). On the other hand, the sequential decline of 59% was on account of seasonal decrease in DAP volumes (↓ 68% YoY) and absence of re-measurement gain on GIDC.

Key highlights of the result are discussed below:

- Net revenue escalated by 36% YoY to PKR 13.0Bn during 1QCY20 owing to better fertilizer prices and higher DAP offtake.
- Due to improved DAP margins during the period, gross margin clocked-in at 19% in 1QCY21 as against gross loss of 6% in SPLY.
- Finance cost declined by 57% YoY to PKR 0.7Bn during 1QCY21 on account of lower interest rates. On the other hand, other income jumped 3.9x YoY to PKR 1.2Bn owing to dividend received from AKBL.
- The company reported effective tax rate of 26% in 1QCY21 as against -3% in SPLY.
- We reiterate our BUY stance on the scrip with our Dec'21 TP of PKR 32.0/sh, implying an upside of 19% from the last close.
- Further analysis will be done once detailed results are out.

FFBL vs. KSE-100 Index



%	3M	6M	12M
Absolute	-4	46	90
Relative to KSE	-2	38	54

Source: PSX

Fauji Fertilizer Bin Qasim Limited (PSX: FFBL): Earnings Snapshot

(PKR Mn)	1QCY21	1QCY20	YoYΔ%	4QCY20	QoQΔ%
Net Revenue	13,005	9,558	36%	33,272	-61%
Cost of Sales	(10,528)	(10,116)	4%	(26,013)	-60%
Gross Profit	2,477	(558)	N/A	7,259	-66%
Gross Margin	19%	-6%		22%	
SG&A	(1,202)	(1,001)	20%	(2,332)	-48%
Other expenses	(139)	(193)	-28%	1,139	-112%
Other income	1,220	316	286%	(390)	-413%
EBIT	2,357	(1,436)	N/A	5,676	-58%
Finance income/(cost)	(651)	(1,519)	-57%	(906)	-28%
PBT	1,706	(2,954)	N/A	4,770	-64%
Tax	(440)	(94)	369%	(1,676)	-74%
PAT	1,266	(3,048)	N/A	3,094	-59%
EPS (PKR)	1.0	(2.4)		2.4	
DPS (PKR)	-	-		-	
Effective tax rate	26%	-3%		35%	

Source: Company Accounts, BMA Research

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Buy	>15% expected total return
Hold	10%-15% expected total return
Underperform	<10% expected total return
*Total stock return = capital gain + dividend yield	

Old rating system

Overweight	Total sector return > expected market return
Marketweight	Expected market return
Underweight	Total stock return < expected market return

Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)