

# Barkat Frisian Agro

We Recommend to Subscribe the IPO up to 18.2/-



Equity Research | Food and Personal Care Products | Wednesday, 12 February, 2025

We recommend to subscribe the IPO up to 18.2/- which offers a discount of 70% – 58%, based on its floor price and upper band (40%) respectively, against industry average

The registration of eligible investors will commence at 9:00 am on February 13th, 2025 and will close at 3:00 pm on February 18th, 2025

Bidding dates are from 17<sup>th</sup> Feb 2025 to 18<sup>th</sup> Feb 2025 (From 9:00 am to 5:00 pm)

Dates of public subscription are from 24<sup>th</sup> Feb 2025 to 25<sup>th</sup> Feb 2025 (from 9:00 am to 5:00 pm)

## Company Overview

Barkat Frisian Agro Limited (BFAL), established in 2017, is Pakistan's only producer of pasteurized egg products. BFAL is a Pakistani–Dutch joint venture between the Buksh Group and the Frisian Egg Group. Beginning operations in 2019, the company operates in the food processing, manufacturing, and poultry sector, offering a range of pasteurized egg products—whole eggs, egg yolk, and egg white in frozen, liquid, and dried forms along with its derivatives—tailored for large- and small-scale food manufacturers. These products are essential ingredients for baking, cooking, protein supplements, sauces, and mayonnaise, providing increased shelf life, hygiene, and enhanced nutritional value.

## Purpose of the Issue

The primary objective of this expansion initiative is to establish a new production facility at M-3 Industrial City, Faisalabad, aimed at increasing the company's production capacity by an additional 12,000 tons to cater to rising demand in both local and international markets. The company has now reached 75% capacity utilization at its existing egg pasteurization plant, signaling the need for further expansion to sustain growth.

To address the growing domestic and export demand for pasteurized egg products, the company plans to set up the new facility at Plot No. 51, Phase II, M-3 Industrial City, Faisalabad. This dedicated plant will primarily serve local customers, thereby easing the capacity constraints at the current facility. By doing so, the company will not only enhance its ability to meet domestic demand but also create additional bandwidth to enable the company to expand its global customer portfolio whereby the current export sales contribute only 10.4% to the total net revenue.

## Issue details

This issue consists of 67.7 million Ordinary Shares of face value of Rs1/- each in order to raise PKR 880,555,000/- .

The issue will be presented through the Book Building method at a Floor Price of Rs13 per share with a maximum price band of up to 40% i.e., Rs18.5 per share.

Book-building phase will start from Feb 17, 2025, to Feb 18, 2025.

## Financial Performance

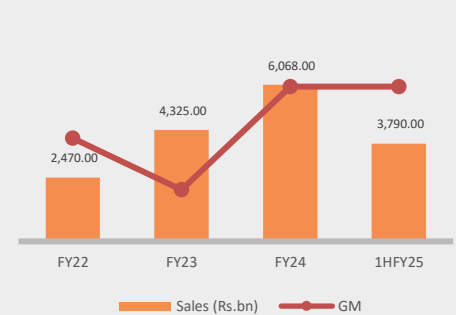
Over the past three years, the company has exhibited impressive revenue growth, rising from PKR 2,470 million in FY2022 to PKR 6,068 million in FY2024, reflecting a strong compound annual growth rate (CAGR) of approximately 57%. Furthermore, the company's profitability has demonstrated exceptional growth, with diluted EPS rising from 0.45 in FY2022 to 1.23 in FY2024, reflecting an impressive 66% CAGR.

## Key Statistics

Company Name	Barkat Frisian Agro
Face Value (PKR)	1
Floor Price (PKR)	13
Upper Band (40%) (PKR)	18.2
Free Float (%)	21.85
Pre-IPO No. of Shares (mn)	242
Post-IPO No. of Shares (mn)	310
BVPS (Post Issue)	5.1
FY25E EPS	2.14
P/E (Forward)	6.06
Book Building Dates	17-18 Feb, 2025
IPO Dates	24-25 Feb, 2025

	FY22	FY23	FY24	1HFY25
Sales (Rs. Mn)	2,470	4,325	6,068	3,790
Sales Growth	-	75%	40%	-38%
GPM	11%	10%	12%	12%
NPM	6%	3%	6%	9%
Diluted EPS	0.45	0.48	1.23	1.07
D/E (X)	1.88	1.70	0.54	0.31

Sales (Rs'bn) vs Gross Margin



Haroon Abdul Razzaq

Phone: (+92) 42 38302028; Ext: 116  
Email: haroon@abbasiandcompany.com

Gross margins have remained stable over the past three years, experiencing a slight dip to 10% in FY2023 from 11% in FY2022 before rebounding to 12% in FY2024.

Similarly, net profit margins declined to 3% in FY2023 from 6% in FY2022 but recovered to 6% in FY2024, reflecting improved cost management and operational efficiencies.

In 1HFY25, the company reported outstanding revenue of PKR 3,790 million, marking a strong first half of the fiscal year. The diluted EPS stood at 1.07, which, when annualized, translates to an all-time high EPS of 2.14. Gross profit margins have remained stable at 12%, while net profit margins have surged to 9%, a substantial leap from the historical range of 3%-6%. These improvements underscore the company's enhanced efficiency, strategic execution, and financial resilience.

### Valuation

At a floor price of PKR 13, Barkat Frisian Agro Limited (BFAL) is trading at a P/E multiple of 6.06x (based on extrapolated 1HFY25 earnings and post-IPO shares), significantly lower than its industry average of 20x, reflecting a 70% discount. Even at the maximum IPO price of PKR 18.2, the P/E stands at 8.48x, still offering a substantial 58% discount relative to the industry average.

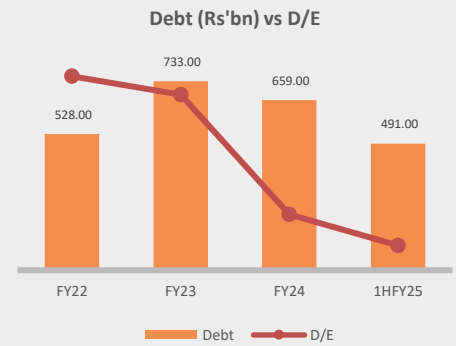
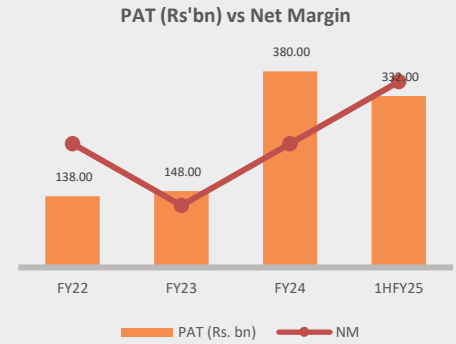
### Investment Rationale

The IPO shows strong potential, reflected in the company's financial growth and planned post-IPO expansion. Its growth prospects make it a great option for those aiming for capital gains, offering a balanced investment opportunity.

### Key Risks

- Vendor and Customer Concentration Risk
- Raw Material Supply Risk
- Foreign Exchange Risk
- Regulatory Changes

### Key Statistics



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### DEFINITION OF TERMS

<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

### VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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

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The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

#### RESEARCH DEPARTMENT

6 - Shadman, Lahore  
Phone: (+92) 42 38302028; Ext 116, 117  
Email: research@abbasiandcompany.com  
web: www.abbasiandcompany.com

#### HEAD OFFICE

6 - Shadman, Lahore  
Phone: (+92) 42 38302028  
Email: info@abbasiandcompany.com  
web: www.abbasiandcompany.com

#### BRANCH OFFICE

42 - Mall Road, Lahore  
Phone: (+92) 42 37320707  
Email: info@abbasiandcompany.com  
web: www.abbasiandcompany.com