

## Food & Personal Care Products

### Barkat Frisian Agro Limited: 'Subscribe'

- Barkat Frisian Agro Limited has filed for listing via book building scheduled on 17<sup>th</sup> and 18<sup>th</sup> February 2025.
- The company is offering 67.7mn shares (21.85% of total Post-IPO Paid-up Capital of the Company). The issue is being made through 100% Book Building process.
- We recommend a 'Subscribe' to the offer on Barkat Frisian Agro Limited.

#### Barkat Frisian Agro Limited to raise 880mn for capacity expansion

Barkat Frisian Agro Limited has filed for listing via book building scheduled on 17<sup>th</sup> and 18<sup>th</sup> of February, 2025.

The total issue is PKR 880mn at a floor price of PKR 13/share and 67.7mn shares. The transaction structure is based on 100% book building process where the bidders will place the bids for 100% of the issue size. The proceeds from IPO will be utilized in setting up a new production facility at Faisalabad, which would increase the production capacity from 17,000 MT to 29,000 MT.

Exhibit: Utilization of IPO proceeds		
	PKRmn	%
Plant & Machinery	446	51%
Civil Work and Land Development	167	19%
Mechanical & Electrical Installation	75	9%
Project Support and Infrastructure cost	119	14%
Loan Repayment	73	8%
<b>Total</b>	<b>880</b>	<b>100%</b>

Source: BFAL Prospectus

#### Based on our initial take, we recommend a 'Subscribe to the offer'

We recommend a '**Subscribe**' to the offer on BFAL. We base our subscription price at forward P/E of 6.4x, which is at a 64% discount to food sector trailing P/E of 20.0x. From valuation standpoint, at a floor price of PKR 13/share, the Company's forward P/E comes at 6.4x and 5.0x for FY25 and FY26 respectively on post IPO number of shares. The FY25 P/E stands at 8.9x, which is at 50% discount to sector P/E.

#### IGI Research

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## About the Company

Barkat Frisian Agro Limited (BFAL), founded in 2017 and starting operations in 2019, specializes in pasteurized egg products like whole eggs, egg yolks, and egg whites. They plan to expand to powdered, organic, free-range, and pasteurized shell eggs. BFAL is a joint venture between Pakistan's Buksh Group and the Frisian Egg Group from the Netherlands. Frisian Egg International owns 50%, Buksh Group holds 40%, and Finetex Industries owns 10%. The company has earned certifications such as ISO 9001:2015, FSSC 22000, HALAL, and SMETA, reflecting its commitment to high-quality and safe products.

Exhibit: Pre and Post IPO Shareholding				
Particulars	Pre-IPO		Post-IPO	
	Shares (mn)	%	Shares (mn)	%
Frisian Egg Int B.V.	121.1	50.0%	121.1	39.1%
B&Z Enterprise	79.9	33.0%	79.9	25.8%
Waqas Gulzar	24.2	10.0%	24.2	7.8%
Muhammad Adil Ali	9.7	4.0%	9.7	3.1%
Muhammad Ali Ansari	3.9	1.6%	3.9	1.3%
Naheed Ali Ansari	3.4	1.4%	3.4	1.1%
Johan Stuvier	0.0	0.0%	0.0	0.0%
Paul Ettema	0.0	0.0%	0.0	0.0%
Mehmood Arshad	0.0	0.0%	0.0	0.0%
Nadia Ishtiaq	0.0	0.0%	0.0	0.0%
Anwar Ali	0.0	0.0%	0.0	0.0%
Public Offering	0.0	0.0%	67.7	21.8%
<b>Total</b>	<b>242.3</b>	<b>100%</b>	<b>310.0</b>	<b>100%</b>

Source: IPO Prospectus, IGI Research

## Key Clients

Barkat Frisian has managed to capture a strong client base including EBM, Unilever, National Foods, Hilal, Mondelez, Mayfair, Ismail Industries and Dawn Foods. However, the Company does have a risk of concentrated sales to EBM, which accounts for nearly 35% of total sales.

Exhibit: Major Clients				
Customer Name	Country	Product	FY24	As of Total
English Biscuit Manufacturers (Pvt) Ltd.	Pakistan	Pasteurized Whole Egg	2,117	35%
Coronet Foods (Pvt) Limited	Pakistan	Pasteurized Whole Egg	1049	17%
Asian Food Industries Limited	Pakistan	Pasteurized Whole Egg	894	15%
Ismail Industries Limited	Pakistan	Pasteurized Whole Egg	389	6%
Young's (Private) Limited	Pakistan	Pasteurized Whole Egg White	349	6%
Do Freeze LLC	UAE - Dubai	Pasteurized Whole Egg	204	3%
Unilever Pakistan Food Limited	Pakistan	Pasteurized Whole Egg 10% salted	204	3%
Others			863	14%
<b>Total</b>			<b>6,069</b>	<b>100%</b>

Source: BFAL Prospectus, IGI Research

### **Investment case**

We base our subscription on a) Enhancing production capacity and portfolio, b) potential export growth, c) underserved market with no competition and d) tax holiday under SEZ.

### **Enhancing production capacity and portfolio**

BFAL is increasing its production capacity by constructing the Line II facility in the FSD SEZ, with a total investment of PKR 870mn. Once completed by the third quarter of FY26, the company's production capacity will rise by 71%. Additionally, plans are in place to further expand the plant's capacity by 4,000 tons each in FY28 and FY29. The company also aims to broaden its product range, including organic, free-range, pasteurized shell eggs, and powdered eggs, which enhances the outlook for its sales growth.

### **Exports Growth**

BFAL began exporting its products to the Middle East in FY22. Exports contributed around 6% of total revenue in FY23, 10% in FY24, and are expected to surpass 15% in FY25, with continued growth anticipated. The company currently supplies products to clients like Kerry, Dofreeze, Sri Lankan Airlines, Mondelez, Qbake, and Gulf Central. To strengthen its export presence, BFAL is establishing a subsidiary in the UAE. The company's products are currently being exported to the UAE, Qatar, Kuwait, KSA, Bahrain, Egypt, Oman, and Sri Lanka.

### **Underserved market**

Barkat Frisian, as the only local company offering processed eggs, holds a first-mover advantage in the market. With no direct competitors and high capital investment requirements creating significant barriers to entry, the company has a strong opportunity to establish a solid presence in the industry. Currently, BFAL has captured 8% of the market share, leaving 92% still available for growth. Pakistan's per capita egg consumption is much lower than the global average, suggesting significant potential for the company to expand as demand for eggs rises with the growing population.

### **Tax Benefits and Incentives for Operations in the SEZ**

Operating within the special economic zone, the company enjoys a 10-year income tax exemption starting from its commercial operations. Once this exemption expires (FY29 for Plant I – Port Qasim and FY36 for Plant II – FSD), the company will still benefit from a reduced tax rate of 0.75% of revenue, compared to the standard 1.25%, due to its focus on the poultry sector.

### Peer Comparison

Despite the fact, that BFAL has no competitors in the industry, but the companies within the same sector can be thought of as its peers. The floor price of BFAL of PKR 13/share translates into a P/E multiple of 6.4x and the P/B multiple of 1.5x compared to the industry average of 17.92x and 3.52x respectively. We can conclude that BFAL is being offered at a significant discount compared to its peers in the industry.

Exhibit: Peer Analysis				
Company	EPS (TTM)	BVPS	P/E	P/B
Fauji Foods Limited	0.5	3.7	30.48	4.12
Friesland Campina Engro Pakistan Limited	2.6	21.1	29.87	3.68
At-Tahur Limited	1.6	23.8	20.03	1.35
The Organic Meat Company Limited	4.1	34.4	8.03	0.96
National Foods Limited	11.0	63.4	16.42	2.85
Nestle Pakistan Limited	286.4	374.4	25.72	19.68
Unilever Pakistan Foods Limited	1,209.2	2,367.1	19.42	9.92
Rafhan Maize Products Limited	748.6	2,821.7	12.68	3.36
Big Bird Foods Limited	3.0	19.0	15.53	2.45
Murree Brewery Company Limited	106.4	565.0	7.45	1.40
Ismail Industries Limited	59.1	338.5	32.88	5.74
Mitchells Fruit Farms Limited	20.1	26.6	14.20	10.73
Sector Mean			17.92	3.52
KSE100			6.70	1.20
BFAL Post-IPO			8.60	1.50

Source: IPO Prospectus, PSX, Company Accounts, IGI Research

Exhibit: Key Financial Highlights (As provided in prospectus)  
Price metrics using floor price: PKR 13/share

PKRmn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
<b>Profit &amp; Loss</b>									
Export	-	-	250	631	1,158	1,389	1,658	1,979	2,374
Local	1,128	2,470	4,076	5,437	6,349	9,275	12,270	15,266	18,564
Net Sales	1,128	2,470	4,325	6,068	7,507	10,664	13,928	17,245	20,938
Gross Profit	135	279	448	700	915	1,278	1,674	2,072	2,482
Selling & Distribution	12	42	68	102	179	183	166	209	258
Administrative Expense	22	25	32	48	53	81	105	114	125
Operating Profit	101	212	349	549	682	1,015	1,403	1,749	2,099
Other Expenses	8	11	20	44	76	134	121	171	211
Exchange gain / (loss)	(27)	(25)	(73)	8	75	5	7	9	10
Other Income	2	3	10	29	46	106	115	182	263
EBIT	68	179	266	542	727	992	1,404	1,769	2,161
Financial Charges	20	39	84	123	78	139	158	179	203
Profit before tax	48	140	182	419	649	853	1,246	1,590	1,958
Profit After Tax	48	139	148	378	631	812	1,201	1,519	1,856
EPS @ 310mn shares*	0.15	0.45	0.48	1.22	2.04	2.62	3.87	4.90	5.99
<b>Balance Sheet</b>									
PPE	306	319	323	686	658	1,862	1,843	1,837	1,721
Non-Current Assets	309	322	326	699	689	1,902	1,890	1,851	1,738
Stock in Trade	37	192	264	311	418	593	775	959	1,165
Trade Debts	228	288	595	891	1,132	1,594	2,044	2,530	3,072
Cash	18	41	128	43	1,351	878	1,534	2,292	3,237
Current Assets	297	579	1,031	1,338	2,998	3,166	4,459	5,893	7,592
Total Assets	605	902	1,357	2,037	3,687	5,068	6,349	7,744	9,329
LT Loans	72	44	12	2	1	325	253	181	108
Non-Current Liabilities	190	154	84	141	1	325	253	181	108
ST Borrowings	87	192	402	434	566	797	1,022	1,265	1,536
Trade Payables	57	112	199	243	338	507	662	819	997
Current Liabilities	303	498	876	789	915	1,322	1,776	2,179	2,630
Paid-up Capital	90	90	90	90	310	310	310	310	310
Share Premium	0	0	0	0	813	813	813	813	813
Unappropriated Profits	22	160	308	697	1,328	1,977	2,877	3,941	5,147
Total Equity	112	250	398	1,107	2,771	3,421	4,321	5,384	6,591
Total Equity & Liabilities	605	902	1,357	2,037	3,687	5,068	6,349	7,744	9,329
<b>Growth and Margins</b>									
Sales Growth		119%	75%	40%	24%	42%	31%	24%	21%
EBIT Growth		163%	49%	104%	34%	36%	42%	26%	22%
Net Profit Growth		190%	6%	155%	67%	29%	48%	26%	22%
Gross Margins	12%	11%	10%	12%	12%	12%	12%	12%	12%
Operating Margins	9%	9%	8%	9%	9%	10%	10%	10%	10%
EBIT Margins	6%	7%	6%	9%	10%	9%	10%	10%	10%
Net Margins	4%	6%	3%	6%	8%	8%	9%	9%	9%
<b>Key Ratios</b>									
P/E	84.0	29.0	27.2	10.7	6.4	5.0	3.4	2.7	2.2
BVPS	0.4	0.8	1.3	3.6	8.9	11.0	13.9	17.4	21.3
P/B	36.0	16.1	10.1	3.6	1.5	1.2	0.9	0.7	0.6
P/S	3.6	1.6	0.9	0.7	0.5	0.4	0.3	0.2	0.2
ROE	43%	56%	37%	34%	23%	24%	28%	28%	28%
ROA	8%	15%	11%	19%	17%	16%	19%	20%	20%

Source: Barkat Frisian Prospectus, \*no of shares 310mn

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