

FCCL

1HFY23 Result Review: Stance Reiterated to BUY

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FCCL has announced its 1HFY23 result where it posted a profit after tax of Rs5.08bn (Diluted EPS: Rs2.07) as compared to a profit after tax of Rs3.79bn (Diluted EPS: Rs1.54) in the same period last year, up by 34.1% YoY amid an increase in retention prices in addition to a rebound in cement dispatches mainly to hydropower projects.

The company has posted a revenue of Rs33.67bn against Rs25.35bn in SPLY, recording a growth of 32.9% YoY. The gross margin has declined slightly by 0.7% to 27.7% due to higher coal and energy costs along devaluation of PKR.

Furthermore, SG&A and other expenses have increased by 5.4% YoY and 15.6% YoY respectively while the other income has decreased by 6.8% YoY. Moreover, finance cost has surged by 49.6% due to higher interest rates. Lastly, effective taxation has decreased to 30.3% compared to 32.2% during SPLY.

Going forward, greenfield expansion at DG Khan site is expected to be completed by the year end in addition to commissioning of solar power project at Nizampur site in October 2023. FCCL is currently trading at a FY23E P/E of 2.87x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs 15 which provides an upside potential of 28%.

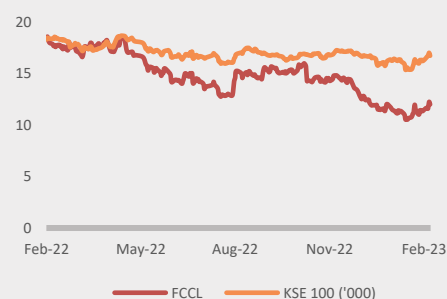
Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	18,973	13,769	37.8% ▲	33,673	25,346	32.9% ▲
Cost of Sales	-13,856	-10,001	38.5% ▲	-24,343	-18,147	34.1% ▲
Gross Profit	5,116	3,767	35.8% ▲	9,330	7,199	29.6% ▲
SG&A Expenses	-570	-560	1.8% ▲	-1,018	-966	5.4% ▲
Other Expenses	-232	-217	6.9% ▲	-443	-383	15.6% ▲
Operating Profit	4,314	2,990	44.3% ▲	7,869	5,849	34.5% ▲
Other Income	137	208	34.1% ▼	312	334	6.8% ▼
Finance Income	-483	-381	26.9% ▲	-898	-600	49.6% ▲
Profit Before Taxation	3,967	2,817	40.9% ▲	7,282	5,584	30.4% ▲
Taxation	-1,203	-1,134	6.1% ▲	-2,203	-1,797	22.6% ▲
Profit After Taxation	2,764	1,683	64.3% ▲	5,079	3,787	34.1% ▲
Earnings Per Share						
Dividend	1.13	0.69	64.3% ▲	2.07	1.54	34.1% ▲
Bonus	0.00	0.00		0.00	0.00	
Gross Margin	27.0%	27.4%	0.4% ▼	27.7%	28.4%	0.7% ▼
SG&A Expenses to Sales	-3.0%	-4.1%	1.1% ▼	-3.0%	-3.8%	0.8% ▼
Other Income to Sales	0.7%	1.5%	0.8% ▼	0.9%	1.3%	0.4% ▼
Ex. Gain / (Loss) to Sales	-3.0%	-4.1%	1.1% ▼	-3.0%	-3.8%	0.8% ▼
Effective Taxation	-30.3%	-40.3%	9.9% ▼	-30.3%	-32.2%	1.9% ▼
Net Margin	14.6%	12.2%	2.4% ▲	15.1%	14.9%	0.1% ▲

Source: ACPL Research, Company Financials

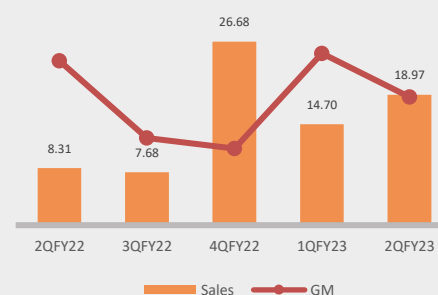
Key Statistics

Symbol	FCCL
TP - Dec 23	15.00
LDCP	11.71
Upside (%)	28
Free Float ('mn)	858
Market Cap. (Rs.'mn)	35,934

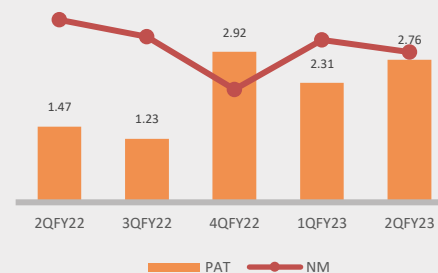
FCCL vs KSE 100



Sales (Rs'Bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	17,232	24,271	54,243	67,347	71,697	76,317	81,967
Cost of sale	16,583	18,207	39,844	48,689	51,762	54,707	58,515
Gross profit	649	6,064	14,399	18,658	19,935	21,610	23,452
Selling and promotion expenses	204	190	539	533	568	604	649
Administration expenses	469	525	1,299	1,503	1,600	1,703	1,829
Other operating expenses	1	378	809	886	943	1,004	1,078
Operating Profit	- 24	4,972	11,752	15,736	16,825	18,299	19,895
Other operating income	85	85	232	623	664	706	759
Finance cost	234	- 51	456	1,796	1,562	1,427	2,051
Profit before taxation	- 173	5,108	11,528	14,563	15,927	17,579	18,603
Taxation	- 114	1,636	4,416	4,553	4,964	5,461	5,764
Profit after taxation	- 59	3,471	7,113	10,011	10,963	12,118	12,840
EPS	- 0.02	1.42	2.90	4.08	4.47	4.94	5.23

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-17.1%	40.9%	123.5%	24.2%	6.5%	6.4%	7.4%
Cost of sale	7.2%	9.8%	118.8%	22.2%	6.3%	5.7%	7.0%
Gross profit	-87.8%	834.3%	137.4%	29.6%	6.8%	8.4%	8.5%
Selling and promotion expenses	-2.8%	-7.2%	184.4%	-1.1%	6.5%	6.4%	7.4%
Administration expenses	12.7%	12.0%	147.6%	15.7%	6.5%	6.4%	7.4%
Other operating expenses	-99.8%	66557.1%	114.0%	9.5%	6.5%	6.4%	7.4%
Operating Profit	-100.6%	20329.6%	136.4%	33.9%	6.9%	8.8%	8.7%
Other operating income	-42.7%	-0.5%	174.4%	168.7%	6.5%	6.4%	7.4%
Finance cost	119.0%	-121.8%	-995.1%	294.1%	-13.0%	-8.7%	43.8%
Profit before taxation	-103.9%	-3047.9%	125.7%	26.3%	9.4%	10.4%	5.8%
Taxation	-107.2%	-1536.8%	169.8%	3.1%	9.0%	10.0%	5.5%
Profit after taxation	-102.1%	5845.9%	104.9%	40.7%	9.5%	10.5%	6.0%
EPS	-102.1%	5845.9%	104.9%	40.7%	9.5%	10.5%	6.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	3.77	24.99	26.55	27.70	27.80	28.32	28.61
NP Margin	%	-0.34	14.30	13.11	14.86	15.29	15.88	15.66
OP Margin	%	-0.14	20.49	21.67	23.37	23.47	23.98	24.27
ROE	%	-0.19	14.91	12.32	23.56	25.81	28.52	30.22
ROCE	%	-2.27	140.55	27.61	35.33	40.76	46.34	199.74
ROA	%	-0.20	10.19	6.26	10.72	10.14	9.75	10.18
Cost per ton	'mn	5.32	5.04	7.08	11.50	11.72	11.87	12.06
EBITDA per ton	'mn	0.52	6.36	5.58	4.11	4.17	4.30	4.40
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.38	2.02	1.06	1.67	2.19	2.59	2.72
Acid-test	x	0.32	1.11	0.33	0.69	1.15	1.52	1.47
Cash to current liab.	x	0.11	0.15	0.09	0.50	0.93	1.28	1.17
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory	'mn	1,066	1,188	2,443	4,375	5,495	6,407	7,436
Inventory Turnover	x	16	15	16	11	9	9	8
Inventory Days		23	24	22	33	39	43	46
Receivables Days		20	25	22	24	27	31	35
Payables Days		26	37	63	65	65	65	65
Operating Cycle		18	13	-19	-8	0	8	16
Utilization	%	87	97	88	67	69	44	46
Export Revenue	%	7	7	5	5	6	6	6
Local Revenue	%	93	93	95	95	94	94	94
Export Market Share	%	11	10	34	25	28	31	34
Local Market Share	%	8	8	13	8	7	6	6
Total Market Share	%	8	8	14	9	7	7	6
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS		-0.02	1.42	2.90	4.08	4.47	4.94	5.23
DPS		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover		0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS		12.45	9.49	23.54	17.32	17.32	17.32	17.32
Payout	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00
No. of Shares	'mn	2,453	2,453	2,453	2,453	2,453	2,453	2,453
P/E		-483.70	8.27	4.04	2.87	2.62	2.37	2.24
Sales per share		7.03	9.90	22.11	27.46	29.23	31.11	33.42
P/BV		0.94	1.23	0.50	0.68	0.68	0.68	0.68
Price to Sales		1.67	1.18	0.53	0.43	0.40	0.38	0.35
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	0.09	0.11	0.45	0.67	0.63	0.62	0.15
L.T. Debt to Equity	x	0.01	0.02	0.34	0.53	0.48	0.42	0.00
Interest Cover	x	-0.10	-97.65	25.79	8.76	10.77	12.83	9.70

Source: ACPL Research, Company Financials

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

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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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