

# FCCL

## 9MFY22 Result Review: Stance Reiterated to BUY

Equity Research | Cement | Wednesday, 27 April, 2022

FCCL has announced its 9MFY22 result where it posted a profit after tax of Rs4.06bn (EPS: Rs1.86) as compared to a profit after tax of Rs2.61bn (EPS: Rs1.20) in the same period last year, up by 55.6% YoY.

The company has posted a revenue of Rs22.92bn against Rs17.53bn in SPLY, recording a growth of 30.8% YoY. We note that this growth is attributed to the increase in volumetric sales and improved retention prices. The gross margin has been improved to 28% as compared to 25.6% in SPLY.

SG&A expenses have been increased by 31.3% while the other income has been decreased by 43.3% YoY during SPLY.

FCCL is currently trading at a FY22E P/E of 5.95x. Furthermore, the scrip is also trading at a FY22E P/B of 1.14x which offers a discount of 20.6% relative to its historical 3-year average of 1.44x. We have a **BUY** stance on the scrip with a DCF-based Dec-22 TP of Rs 22 which provides an upside potential of 29%.

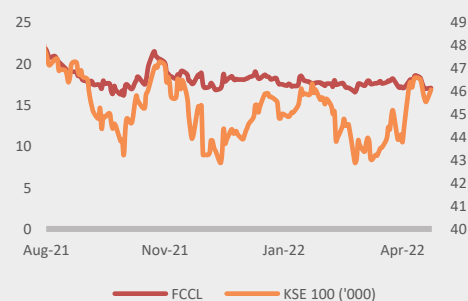
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	7,679	5,918	29.8% ▲	22,924	17,528	30.8% ▲
Cost of Sales	-5,730	-4,155	37.9% ▲	-16,507	-13,048	26.5% ▲
<b>Gross Profit</b>	<b>1,949</b>	<b>1,763</b>	<b>10.6% ▲</b>	<b>6,416</b>	<b>4,480</b>	<b>43.2% ▲</b>
SG&A Expenses	-197	-166	19.1% ▲	-674	-513	31.3% ▲
Other Expenses	-133	-115	15.7% ▲	-428	-277	54.6% ▲
<b>Operating Profit</b>	<b>1,618</b>	<b>1,482</b>	<b>9.2% ▲</b>	<b>5,314</b>	<b>3,691</b>	<b>44.0% ▲</b>
Other Income	44	106	59.1% ▼	87	154	43.3% ▼
Finance Income	144	-27	428.8% ▲	317	-90	252.3% ▲
Profit Before Taxation	1,806	1,561	15.7% ▲	5,719	3,754	52.3% ▲
Taxation	-573	-551	3.9% ▲	-1,657	-1,144	44.9% ▲
<b>Profit After Taxation</b>	<b>1,234</b>	<b>1,010</b>	<b>22.2% ▲</b>	<b>4,062</b>	<b>2,611</b>	<b>55.6% ▲</b>
Earnings Per Share	0.57	0.46	22.2% ▲	1.86	1.20	55.6% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	25.4%	29.8%	4.4% ▼	28.0%	25.6%	2.4% ▲
SG&A Expenses to Sales	-2.6%	-2.8%	0.2% ▼	-2.9%	-2.9%	0.0% ▲
Other Income to Sales	0.6%	1.8%	1.2% ▼	0.4%	0.9%	0.5% ▼
Ex. Gain / (Loss) to Sales	-2.6%	-2.8%	0.2% ▼	-2.9%	-2.9%	0.0% ▲
Effective Taxation	-31.7%	-35.3%	3.6% ▼	-29.0%	-30.5%	1.5% ▼
Net Margin	16.1%	17.1%	1.0% ▼	17.7%	14.9%	2.8% ▲

Source: ACPL Research, Company Financials

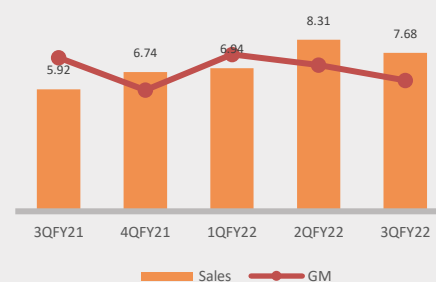
### Key Statistics

Symbol	FCCL
TP - Dec 22	20.00
LDCP	17.08
Upside (%)	29
Free Float ('mn)	758
Market Cap. (Rs.'mn)	23,525

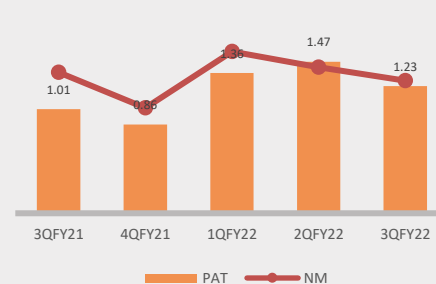
### FCCL vs KSE 100



### Sales (Rs'Bn) vs Gross Margin



### PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

**Muhammad Nauman Naeem**

Phone: (+92) 42 38302028; Ext: 116

Email: nauman@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	20,798	17,232	24,271	37,703	40,937	44,400	47,200
Cost of sale	15,475	16,583	18,207	27,577	30,412	33,270	35,310
<b>Gross profit</b>	<b>5,323</b>	<b>649</b>	<b>6,064</b>	<b>10,126</b>	<b>10,525</b>	<b>11,130</b>	<b>11,890</b>
Selling and promotion expenses	210	204	190	226	246	266	283
Administration expenses	416	469	525	716	778	844	897
Other operating expenses	327	1	378	524	477	490	477
<b>Operating Profit</b>	<b>4,370</b>	<b>- 24</b>	<b>4,972</b>	<b>8,659</b>	<b>9,024</b>	<b>9,530</b>	<b>10,233</b>
Other operating income	148	85	85	132	143	155	165
Finance cost	107	234	51	302	224	191	163
Profit before taxation	4,412	- 173	5,006	8,490	8,944	9,494	10,236
Taxation	1,588	- 114	1,636	2,226	2,356	2,512	2,720
<b>Profit after taxation</b>	<b>2,824</b>	<b>- 59</b>	<b>3,370</b>	<b>6,263</b>	<b>6,588</b>	<b>6,982</b>	<b>7,516</b>
EPS	<b>1.30</b>	<b>- 0.03</b>	<b>1.55</b>	<b>2.87</b>	<b>3.02</b>	<b>3.20</b>	<b>3.45</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	-1.7%	-17.1%	40.9%	55.3%	8.6%	8.5%	6.3%
Cost of sale	-3.6%	7.2%	9.8%	51.5%	10.3%	9.4%	6.1%
<b>Gross profit</b>	<b>4.1%</b>	<b>-87.8%</b>	<b>834.3%</b>	<b>67.0%</b>	<b>3.9%</b>	<b>5.7%</b>	<b>6.8%</b>
Selling and promotion expenses	-23.8%	-2.8%	-7.2%	19.4%	8.6%	8.5%	6.3%
Administration expenses	7.9%	12.7%	12.0%	36.5%	8.6%	8.5%	6.3%
Other operating expenses	5.0%	-99.8%	66557.1%	38.7%	-9.0%	2.8%	-2.7%
<b>Operating Profit</b>	<b>5.5%</b>	<b>-100.6%</b>	<b>20329.6%</b>	<b>74.2%</b>	<b>4.2%</b>	<b>5.6%</b>	<b>7.4%</b>
Other operating income	42.5%	-42.7%	-0.5%	56.1%	8.6%	8.5%	6.3%
Finance cost	-27.8%	119.0%	-78.2%	492.5%	-25.8%	-14.6%	-15.0%
Profit before taxation	7.7%	-103.9%	-2989.1%	69.6%	5.3%	6.2%	7.8%
Taxation	137.4%	-107.2%	-1536.8%	36.1%	5.8%	6.6%	8.3%
<b>Profit after taxation</b>	<b>-17.6%</b>	<b>-102.1%</b>	<b>5674.4%</b>	<b>85.9%</b>	<b>5.2%</b>	<b>6.0%</b>	<b>7.7%</b>
EPS	<b>-17.6%</b>	<b>-102.1%</b>	<b>5674.4%</b>	<b>85.9%</b>	<b>5.2%</b>	<b>6.0%</b>	<b>7.7%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	25.60	3.77	24.99	26.86	25.71	25.07	25.19
NP Margin	%	13.58	-0.34	13.88	16.61	16.09	15.73	15.92
OP Margin	%	21.01	-0.14	20.49	22.97	22.04	21.46	21.68
ROE	%	13.51	-0.21	10.77	19.19	20.18	21.39	23.02
ROCE	%	173.59	-2.27	136.43	224.02	267.90	325.25	404.89
ROA	%	9.75	-0.20	9.90	17.71	14.63	12.64	11.38
Cost per ton	'mn	5.00	5.32	5.04	7.90	8.33	8.72	8.85
EBITDA per ton	'mn	1.89	0.52	6.36	3.29	3.57	3.84	3.77
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.51	1.38	2.02	-0.24	-0.73	-1.03	0.14
Acid-test	x	0.36	0.32	1.11	-1.07	-1.58	-1.90	-0.77
Cash to current liab.	x	0.11	0.11	0.15	-1.29	-1.80	-2.13	-1.00
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Average Inventory	'mn	1,094	1,066	1,188	1,495	1,894	2,080	2,240
Inventory Turnover	x	14	16	15	18	16	16	16
Inventory Days		26	23	24	20	23	23	23
Receivables Days		16	20	25	27	23	23	22
Payables Days		22	26	37	50	50	50	50
Operating Cycle		20	18	13	-4	-5	-4	-4
Utilization	%	85	87	97	55	57	60	38
Export Revenue	%	7	10	10	10	9	9	9
Local Revenue	%	93	90	90	90	91	91	91
Export Market Share	%	9	16	13	13	13	13	13
Local Market Share	%	9	8	8	7	6	5	5
Total Market Share	%	9	8	8	7	6	5	5
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS		1.30	-0.03	1.55	2.87	3.02	3.20	3.45
DPS		1.50	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	8.80	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover		0.86	0.00	0.00	0.00	0.00	0.00	0.00
BVPS		9.59	12.75	14.35	14.97	14.97	14.97	14.97
Payout	%	115.80	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	-15.80	100.00	100.00	100.00	100.00	100.00	100.00
No. of Shares	'mn	2,180	2,180	2,180	2,180	2,180	2,180	2,180
P/E		13.16	-626.03	11.03	5.94	5.64	5.32	4.95
Sales per share		9.54	7.90	11.13	17.29	18.78	20.36	21.65
P/BV		1.78	1.34	1.19	1.14	1.14	1.14	1.14
Price to Sales		1.79	2.16	1.53	0.99	0.91	0.84	0.79
Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	0.08	0.09	0.08	0.09	0.08	0.07	0.06
L.T. Debt to Equity	x	0.02	0.02	0.02	0.01	0.00	0.00	0.00
Interest Cover	x	40.94	-0.10	97.65	28.70	40.32	49.84	62.97

Source: ACPL Research, Company Financials

## DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

### VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

### 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

### RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

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.

### RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

### OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

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