

FFC has announced its 1HCY21 result where it posted a profit after tax of Rs9.4bn (EPS: Rs7.42) as compared to a profit after tax of Rs9.1bn (EPS: Rs7.18) in the same period last year, up by 3.3% YoY.

The company had posted a revenue of Rs44.0bn against Rs43.8bn in SPLY, recording a growth of 0.5% YoY.

The gross margin has been improved to 36.8% as compared to 34% in SPLY due to improved Urea margins. SG&A expenses have increased by 0.9% YoY to Rs3.96bn as compared to Rs3.93bn during SPLY.

Lastly, an increase in the other income by 5.2% YoY and a decrease in finance cost by 29% YoY reinforced the bottom-line.

Going forward, we expect the offtake to increase further as a result of improved economic activity, and subsidies provided by the government. Currently, FFC is trading at a CY21E P/E of 7.7x. Furthermore, the script is also trading at CY21E P/B of 3.01x which offers a discount of 28% relative to its historical 5-year average of 4.20x. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs120 which provides an upside of 10%. Furthermore, the script also provides a dividend yield of 10%, which makes the total return of 20%.

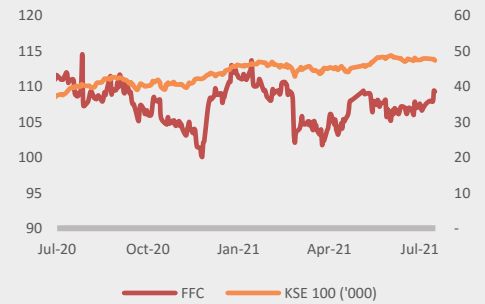
Rupees' millions	1QCY21	1QCY20	YoY	1HCY21	1HCY20	YoY
Net Sales	22,430	23,156	3.1% ▼	44,018	43,782	0.5% ▲
Cost of Sales	-14,653	-15,757	7.0% ▼	-27,808	-28,893	3.8% ▼
Gross Profit	7,776	7,398	5.1% ▲	16,210	14,889	8.9% ▲
SG&A Expenses	-1,956	-1,855	5.5% ▲	-3,964	-3,930	0.9% ▲
Other Expenses	-1,768	-628	181.4% ▲	-2,491	-1,191	109.2% ▲
Operating Profit	4,052	4,915	17.6% ▼	9,755	-1,191	919.2% ▼
Other Income	1,495	2,287	34.6% ▼	4,214	4,007	5.2% ▲
Finance Cost	-385	-462	16.7% ▼	-805	-1,135	29.1% ▼
Profit Before Taxation	5,162	6,740	23.4% ▼	13,165	12,640	4.2% ▲
Taxation	-1,541	-1,866	17.4% ▼	-3,729	-3,504	6.4% ▲
Profit After Taxation	3,621	4,874	25.7% ▼	9,436	9,136	3.3% ▲
Earnings Per Share	2.85	3.83	25.7% ▼	7.42	7.18	3.3% ▲
Dividend	2.60	2.55	2.0% ▲	6.10	5.25	16.2% ▲
Bonus	-	-	-	-	-	-
Gross Margin	34.7%	32.0%	2.7% ▲	36.8%	34.0%	2.8% ▲
SG&A Expenses to Sales	-8.7%	-8.0%	0.7% ▲	-9.0%	-9.0%	0.0% ▲
Other Income to Sales	6.7%	9.9%	3.2% ▼	9.6%	9.2%	0.4% ▲
Ex. Gain / (Loss) to Sales	-8.7%	-8.0%	0.7% ▲	-9.0%	-9.0%	0.0% ▲
Effective Taxation	-29.9%	-27.7%	2.2% ▲	-28.3%	-27.7%	0.6% ▲
Net Margin	16.1%	21.0%	4.9% ▼	21.4%	20.9%	0.6% ▲

Source: ACPL Research, Company Financials

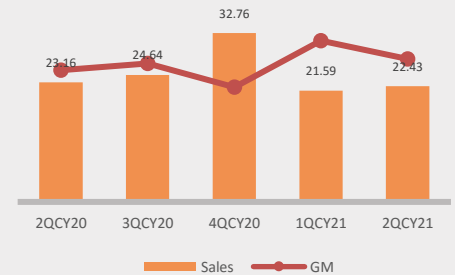
Key Statistics

Symbol	FFC
TP - Jun 22	120.00
LDPC	109.00
Upside (%)	10
Free Float ('mn)	700
Market Cap. (Rs. 'mn)	136,129

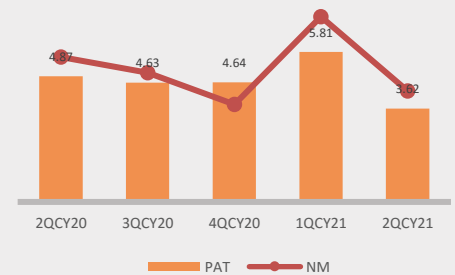
FFC vs KSE 100



Sales (Rs'mn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Net sales	72,877	90,714	105,964	105,783	97,655	91,059	91,883	93,395
Cost of sale	54,827	72,621	77,986	75,046	66,071	61,033	61,499	62,586
Gross profit	18,050	18,093	27,979	30,737	31,583	30,026	30,384	30,808
Selling and promotion expenses	7,154	8,574	8,833	8,288	7,848	7,318	7,384	7,506
Other operating expenses	1,761	1,631	2,109	3,409	2,639	2,461	2,483	2,524
Operating Profit	9,135	7,888	17,037	19,040	21,096	20,247	20,517	20,779
Other operating income	10,665	10,324	6,283	7,191	10,369	7,021	7,628	7,908
Finance cost	2,406	2,471	1,637	2,477	1,874	2,009	1,541	1,124
Profit before taxation	17,394	15,741	21,683	23,753	29,591	25,259	26,604	27,562
Taxation	5,612	5,030	7,244	6,643	8,772	7,325	7,715	7,993
Profit after taxation	11,782	10,711	14,439	17,110	20,819	17,934	18,889	19,569
EPS	9.26	8.42	11.35	13.45	16.36	14.10	14.85	15.38

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Net sales	-14.1%	24.5%	16.8%	-0.2%	-7.7%	-6.8%	0.9%	1.6%
Cost of sale	-2.0%	32.5%	7.4%	-3.8%	-12.0%	-7.6%	0.8%	1.8%
Gross profit	-37.5%	0.2%	54.6%	9.9%	2.8%	-4.9%	1.2%	1.4%
Selling and promotion expenses	5.0%	19.8%	3.0%	-6.2%	-5.3%	-6.8%	0.9%	1.6%
Other operating expenses	-22.9%	-7.4%	29.3%	61.7%	-22.6%	-6.8%	0.9%	1.6%
Operating Profit	-53.8%	-13.6%	116.0%	11.8%	10.8%	-4.0%	1.3%	1.3%
Other operating income	72.2%	-3.2%	-39.1%	14.5%	44.2%	-32.3%	8.6%	3.7%
Finance cost	63.1%	2.7%	-33.7%	51.3%	-24.4%	7.2%	-23.3%	-27.1%
Profit before taxation	-29.0%	-9.5%	37.7%	9.6%	-24.6%	14.6%	5.3%	3.6%
Taxation	-27.5%	-10.4%	44.0%	-8.3%	32.0%	16.5%	5.3%	3.6%
Profit after taxation	-29.7%	-9.1%	34.8%	18.5%	21.7%	13.9%	5.3%	3.6%
EPS	-29.7%	-9.1%	34.8%	18.5%	21.7%	13.9%	5.3%	3.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
GP Margin	%	24.77	19.95	26.40	29.06	32.34	32.97	33.07	32.99
OP Margin	%	27.17	20.08	22.01	24.80	32.22	29.95	30.63	30.72
NP Margin	%	16.17	11.81	13.63	16.18	21.32	19.69	20.56	20.95
ROE	%	42.44	37.22	46.03	49.63	53.31	40.46	39.34	37.74
ROCE	%	23.18	18.27	18.28	17.49	19.28	14.98	14.70	14.88
ROA	%	13.79	10.75	11.32	11.41	12.76	9.85	9.87	10.15

Liquidity Ratios		CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Current	x	0.91	0.95	0.95	0.91	1.37	1.28	1.28	1.28
Acid-test	x	0.17	0.09	0.08	0.18	0.04	0.16	0.15	0.14
Cash to current liab.	x	0.06	0.03	0.04	0.05	0.01	0.07	0.06	0.05

Activity Ratios		CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Inventory Turnover	x	6	16	6	4	9	9	5	5
Inventory Days		28	2	61	33	40	40	40	40
Receivables Days		22	15	13	46	35	35	35	35
Payables Days		72	197	284	370	430	430	430	430
Operating Cycle		-22	-180	-210	-290	-355	-355	-355	-355

Investment Ratios		CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
EPS	Rs.	9.26	8.42	11.35	13.45	16.36	14.10	14.85	15.38
DPS	Rs.	7.90	7.00	8.85	10.80	11.20	11.28	11.88	12.31
Div. Yield	%	7.23	6.41	8.10	9.89	10.25	10.32	10.87	11.27
Dividend Cover	x	1.17	1.20	1.28	1.25	1.46	1.25	1.25	1.25
BVPS	Rs.	22.17	23.07	26.24	27.96	33.43	36.25	39.22	42.30
Payout	%	85.31	83.14	77.98	80.30	68.44	80.00	80.00	80.00
Retention	%	14.69	16.86	22.02	19.70	31.56	20.00	20.00	20.00
No. of Shares	'mn	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272
P/E		11.79	12.97	9.62	8.12	6.67	7.75	7.36	7.10
Sales per share		57.28	71.30	83.29	83.15	76.76	71.57	72.22	73.41
P/BV		4.93	4.73	4.16	3.91	3.27	3.01	2.78	2.58
Price to Sales		1.91	1.53	1.31	1.31	1.42	1.53	1.51	1.49

Gearing Ratios		CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Debt to Equity	x	1.60	1.16	1.33	0.93	0.95	0.74	0.55	0.47
L.T. Debt to Equity	x	0.82	0.76	0.47	0.31	0.35	0.33	0.14	0.08
Interest Cover	x	8.23	7.37	14.25	10.59	16.79	13.57	18.26	25.53

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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