

FFC has announced its 1HCY22 result where it posted a profit after tax of Rs9.59bn (EPS: Rs7.55) as compared to a profit after tax of Rs9.43bn (EPS: Rs7.42) in the same period last year, up by 1.7% YoY.

The company had posted a revenue of Rs54.7bn against Rs44bn in SPLY, recording a growth of 24.3% YoY.

The gross margin has been increased to 38.2% as compared to 36.8% in SPLY due to higher retention prices of Urea and DAP. SG&A expenses have increased by 8.6% YoY to Rs4.30bn as compared to Rs3.96bn during SPLY.

Other income has been increased by 75.8% YoY to Rs7.40bn. Lastly, finance cost has been increased by 150.7% YoY to Rs2.01bn.

Currently, FFC is trading at a CY22E P/E of 7.01x. Furthermore, the scrip is also trading at CY22E P/B of 2.64x which offers a discount of 19% relative to its historical 3-year average of 3.24x. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs130 which provides an upside of 24%. Furthermore, the scrip also provides a dividend yield of 11.90%, which makes the total return of 35.90%.

Rupees' millions	2QCY22	2QCY21	YoY	1HCY22	1HCY21	YoY
Net Sales	28,390	22,430	26.6% ▲	54,706	44,018	24.3% ▲
Cost of Sales	-16,849	-14,653	15.0% ▲	-33,806	-27,808	21.6% ▲
Gross Profit	11,542	7,776	48.4% ▲	20,900	16,210	28.9% ▲
SG&A Expenses	-2,120	-1,956	8.4% ▲	-4,307	-3,964	8.6% ▲
Other Expenses	-1,910	-1,768	8.0% ▲	-3,167	-2,491	27.2% ▲
Operating Profit	7,511	4,052	85.4% ▲	13,426	9,755	237.6% ▼
Other Income	3,951	1,495	164.3% ▲	7,409	4,214	75.8% ▲
Finance Cost	-945	-385	145.6% ▲	-2,017	-805	150.7% ▲
Profit Before Taxation	10,517	5,162	103.7% ▲	18,818	13,165	42.9% ▲
Taxation	-7,157	-1,541	364.4% ▲	-9,219	-3,729	147.2% ▲
Profit After Taxation	3,360	3,621	7.2% ▼	9,599	9,436	1.7% ▲
Earnings Per Share	2.64	2.85	7.2% ▼	7.55	7.42	1.7% ▲
Dividend	2.10	2.60	19.2% ▼	5.80	6.10	4.9% ▼
Bonus	-	-	-	-	-	-

Closing Period: 10 Aug 2022 - 12 Aug 2022

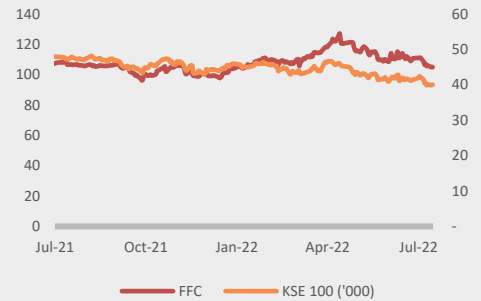
	2QCY22	2QCY21	YoY	1HCY22	1HCY21	YoY
Gross Margin	40.7%	34.7%	6.0% ▲	38.2%	36.8%	1.4% ▲
SG&A Expenses to Sales	-7.5%	-8.7%	1.3% ▼	-7.9%	-9.0%	1.1% ▼
Other Income to Sales	13.9%	6.7%	7.3% ▲	13.5%	9.6%	4.0% ▲
Ex. Gain / (Loss) to Sales	-7.5%	-8.7%	1.3% ▼	-7.9%	-9.0%	1.1% ▼
Effective Taxation	-68.1%	-29.9%	38.2% ▲	-49.0%	-28.3%	20.7% ▲
Net Margin	11.8%	16.1%	4.3% ▼	17.5%	21.4%	3.9% ▼

Source: ACPL Research, Company Financials

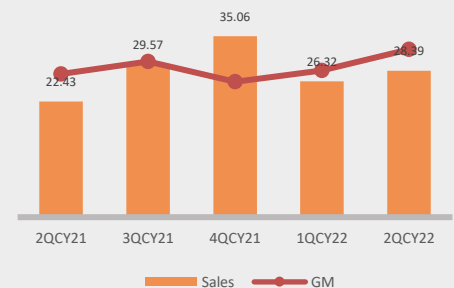
Key Statistics

Symbol	FFC
TP - Jun 23	130
LDCP	105.00
Upside (%)	24
Free Float ('mn)	699
Market Cap. (Rs. 'mn)	133,266

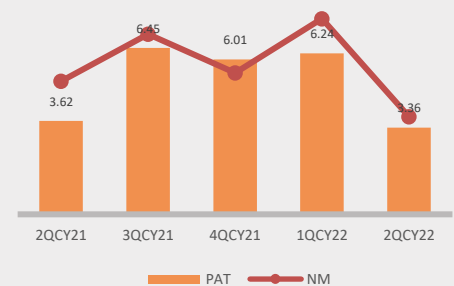
FFC vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Salman

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

Financial Projections

Rupees' millions	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	105,783	97,655	108,651	105,952	110,815	114,677	118,996
Cost of sale	75,046	66,071	69,772	66,820	68,557	71,846	75,857
Gross profit	30,737	31,583	38,879	39,133	42,258	42,831	43,139
Selling and promotion expenses	8,288	7,848	8,409	8,211	8,588	8,887	9,222
Other operating expenses	3,409	2,639	5,758	6,357	6,649	6,881	7,140
Operating Profit	19,040	21,096	24,712	24,564	27,021	27,063	26,777
Other operating income	7,191	10,369	7,919	14,061	7,908	8,141	7,908
Finance cost	2,477	1,874	2,292	2,445	1,874	1,509	1,221
Profit before taxation	23,753	29,591	30,339	36,179	33,054	33,694	33,464
Taxation	6,643	8,772	8,443	10,492	9,586	9,771	9,705
Profit after taxation	17,110	20,819	21,896	25,687	23,468	23,923	23,759
EPS	13.45	16.36	17.21	20.19	18.45	18.80	18.68

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	-0.2%	-7.7%	11.3%	1.1%	5.0%	5.5%	6.1%
Cost of sale	-3.8%	-12.0%	5.6%	-2.7%	12.0%	5.1%	5.8%
Gross profit	9.9%	2.8%	23.1%	7.9%	-6.3%	6.2%	6.7%
Selling and promotion expenses	-6.2%	-5.3%	7.1%	2.8%	5.0%	5.5%	6.1%
Other operating expenses	61.7%	-22.6%	118.2%	10.4%	-46.6%	5.5%	6.1%
Operating Profit	11.8%	10.8%	17.1%	9.1%	-0.4%	6.6%	7.0%
Other operating income	14.5%	44.2%	-23.6%	87.8%	-54.1%	8.2%	3.2%
Finance cost	51.3%	-24.4%	22.3%	6.7%	-23.3%	-19.5%	-19.1%
Profit before taxation	9.6%	-24.6%	-2.5%	29.8%	-19.3%	8.5%	7.3%
Taxation	-8.3%	32.0%	3.8%	24.3%	-8.6%	1.9%	-0.7%
Profit after taxation	18.5%	21.7%	-5.2%	32.0%	-23.1%	11.3%	10.4%
EPS	18.5%	21.7%	-5.2%	17.3%	-8.6%	1.9%	-0.7%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	29.06	32.34	35.78	38.21	34.10	34.35	34.54
OP Margin	%	24.80	32.22	30.03	38.10	29.21	29.61	29.63
NP Margin	%	16.18	21.32	20.15	17.36	17.59	18.46	19.01
ROE	%	49.63	53.31	48.63	38.83	38.83	39.78	39.70
ROCE	%	17.49	19.28	17.45	20.50	16.05	16.81	17.48
ROA	%	11.41	12.76	11.71	9.34	9.66	10.48	11.21

Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	0.91	1.37	1.13	1.14	1.15	1.19	1.25
Acid-test	x	0.18	0.04	0.02	-0.12	-0.11	-0.13	-0.13
Cash to current liab.	x	0.05	0.01	0.01	-0.25	-0.25	-0.27	-0.28

Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	4	9	51	7	4	4	4
Inventory Days		33	2	5	50	50	50	50
Receivables Days		46	9	3	50	50	50	50
Payables Days		370	258	327	350	350	350	350
Operating Cycle		-290	-247	-319	-250	-250	-250	-250

Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	13.45	16.36	17.21	14.99	15.94	17.64	19.28
DPS	Rs.	10.80	11.20	14.50	12.50	13.50	13.50	15.00
Div. Yield	%	10.29	10.67	13.81	11.90	12.86	12.86	14.29
Dividend Cover	x	1.25	1.46	1.19	1.20	1.18	1.31	1.29
BVPS	Rs.	27.96	33.43	37.35	39.83	42.27	46.41	50.69
Payout	%	80.30	68.44	84.25	84.25	84.25	77.00	77.00
Retention	%	19.70	31.56	15.75	15.75	15.75	23.00	23.00
No. of Shares	'mn	1,272	1,272	1,272	1,272	1,272	1,272	1,272
P/E		7.81	6.42	6.10	7.01	6.59	5.95	5.45
Sales per share		83.15	76.76	85.40	86.32	90.62	95.56	101.41
P/BV		3.76	3.14	2.81	2.64	2.48	2.26	2.07
Price to Sales		1.26	1.37	1.23	1.22	1.16	1.10	1.04

Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.93	0.95	1.27	1.05	0.90	0.65	0.47
L.T. Debt to Equity	x	0.31	0.35	0.45	0.28	0.24	0.12	0.03
Interest Cover	x	10.59	16.79	14.24	9.37	9.88	14.34	23.50

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

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

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