

# FCCL

## 1QY22 Result Review: Stance Reiterated to BUY

Equity Research | Cement | Friday, 29 October, 2021

FCCL has announced its 1QFY22 result where it posted a profit after tax of Rs861mn (EPS: Rs0.62) as compared to a profit after tax of Rs696mn (EPS: Rs0.50) in the same period last year, up by 23.7% YoY.

The company has posted a revenue of Rs6.7bn against Rs5.5bn in SPLY, recording a growth of 22.6% YoY. We note that this growth is attributed to the increase in volumetric sales and improved retention prices. The gross margin has slightly been improved to 23.5% as compared to 21.6% in SPLY. SG&A expenses have been increased by 33.6% YoY to Rs201mn.

Other income and finance cost has been decreased by 476% YoY 575% YoY during the period.

FCCL is currently trading at a FY22E P/E of 4.44x. Furthermore, the scrip is also trading at a FY22E P/B of 1.17 which offers a discount of 3.7% relative to its historical 5-year average of 1.21x. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs 30 which provides an upside potential of 68%.

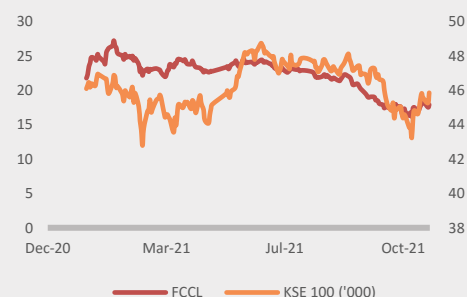
Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	6,743	5,501	22.6% ▲	24,271	17,232	40.9% ▲
Cost of Sales	-5,159	-4,313	19.6% ▲	-18,207	-16,583	9.8% ▲
<b>Gross Profit</b>	<b>1,584</b>	<b>1,188</b>	<b>33.3% ▲</b>	<b>6,064</b>	<b>649</b>	<b>834.3% ▲</b>
SG&A Expenses	-201	-151	33.6% ▲	-714	-673	6.1% ▲
Other Expenses	-101	-70	43.5% ▲	-378	-1	66557.1% ▲
<b>Operating Profit</b>	<b>1,282</b>	<b>967</b>	<b>32.5% ▲</b>	<b>4,972</b>	<b>-24</b>	<b>20429.6% ▲</b>
Other Income	-69	18	475.7% ▼	85	85	0.5% ▼
Finance Cost	141	-30	575.1% ▼	51	-234	121.8% ▼
Profit Before Taxation	1,353	956	41.5% ▲	5,108	-173	3047.9% ▲
Taxation	-493	-261	89.2% ▲	-1,636	114	1336.8% ▲
<b>Profit After Taxation</b>	<b>861</b>	<b>696</b>	<b>23.7% ▲</b>	<b>3,471</b>	<b>-59</b>	<b>5945.9% ▲</b>
Earnings Per Share	0.62	0.50	23.7% ▲	2.52	-0.04	5945.9% ▲
Dividend	0.00	0.00		0.00	1.50	
Bonus	-	-		-	-	
Gross Margin	23.5%	21.6%	1.9% ▲	25.0%	3.8%	21.2% ▲
SG&A Expenses to Sales	-3.0%	-2.7%	0.2% ▲	-2.9%	-3.9%	1.0% ▼
Other Income to Sales	-1.0%	0.3%	1.4% ▼	0.3%	0.5%	0.1% ▼
Ex. Gain / (Loss) to Sales	-3.0%	-2.7%	0.2% ▲	-2.9%	-3.9%	1.0% ▼
Effective Taxation	-36.4%	-27.2%	9.2% ▲	-32.0%	-65.7%	33.7% ▼
Net Margin	12.8%	12.6%	0.1% ▲	14.3%	-0.3%	14.6% ▲

Source: ACPL Research, Company Financials

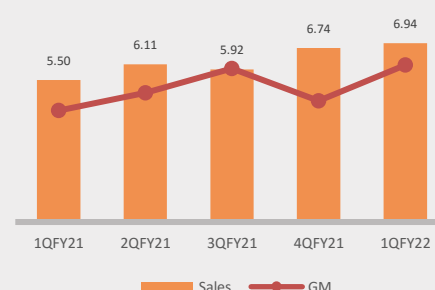
### Key Statistics

Symbol	FCCL
TP - Jun 22	30.00
LDCP	17.90
Upside (%)	68
Free Float ('mn)	759
Market Cap. (Rs.'mn)	27,044

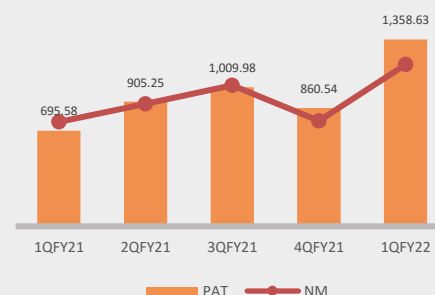
### FCCL vs KSE 100



### 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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	20,798	17,232	24,271	32,739	33,867	35,023	36,207
Cost of sale	15,475	16,583	18,207	23,594	23,707	23,790	23,839
<b>Gross profit</b>	<b>5,323</b>	<b>649</b>	<b>6,064</b>	<b>9,145</b>	<b>10,160</b>	<b>11,233</b>	<b>12,368</b>
Selling and promotion expenses	210	204	190	203	210	217	224
Administration expenses	416	469	525	599	620	641	663
Other operating expenses	327	1	378	557	416	413	398
<b>Operating Profit</b>	<b>4,370</b>	<b>- 24</b>	<b>4,972</b>	<b>7,786</b>	<b>8,915</b>	<b>9,962</b>	<b>11,082</b>
Other operating income	148	85	85	39	41	42	43
Finance cost	107	234	- 51	311	271	239	214
Profit before taxation	4,412	- 173	5,108	7,514	8,684	9,765	10,912
Taxation	1,588	- 114	1,636	2,050	2,372	2,669	2,985
<b>Profit after taxation</b>	<b>2,824</b>	<b>- 59</b>	<b>3,471</b>	<b>5,464</b>	<b>6,312</b>	<b>7,096</b>	<b>7,926</b>
EPS	<b>2.05</b>	<b>- 0.04</b>	<b>2.52</b>	<b>3.96</b>	<b>4.57</b>	<b>5.14</b>	<b>5.74</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	-1.7%	-17.1%	40.9%	34.9%	3.4%	3.4%	3.4%
Cost of sale	-3.6%	7.2%	9.8%	29.6%	0.5%	0.4%	0.2%
<b>Gross profit</b>	<b>4.1%</b>	<b>-87.8%</b>	<b>834.3%</b>	<b>50.8%</b>	<b>11.1%</b>	<b>10.6%</b>	<b>10.1%</b>
Selling and promotion expenses	-23.8%	-2.8%	-7.2%	7.1%	3.4%	3.4%	3.4%
Administration expenses	7.9%	12.7%	12.0%	14.2%	3.4%	3.4%	3.4%
Other operating expenses	5.0%	-99.8%	66557.1%	47.3%	-25.3%	-0.7%	-3.5%
<b>Operating Profit</b>	<b>5.5%</b>	<b>-100.6%</b>	<b>20329.6%</b>	<b>56.6%</b>	<b>14.5%</b>	<b>11.7%</b>	<b>11.2%</b>
Other operating income	42.5%	-42.7%	-0.5%	-53.5%	3.4%	3.4%	3.4%
Finance cost	-27.8%	119.0%	-121.8%	-711.1%	-12.8%	-11.9%	-10.4%
Profit before taxation	7.7%	-103.9%	-3047.9%	47.1%	15.6%	12.4%	11.7%
Taxation	137.4%	-107.2%	-1536.8%	25.3%	15.7%	12.5%	11.8%
<b>Profit after taxation</b>	<b>-17.6%</b>	<b>-102.1%</b>	<b>5845.9%</b>	<b>57.4%</b>	<b>15.5%</b>	<b>12.4%</b>	<b>11.7%</b>
EPS	<b>-17.6%</b>	<b>-102.1%</b>	<b>5845.9%</b>	<b>57.4%</b>	<b>15.5%</b>	<b>12.4%</b>	<b>11.7%</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	27.93	30.00	32.07	34.16
NP Margin	%	13.58	-0.34	14.30	16.69	18.64	20.26	21.89
OP Margin	%	21.01	-0.14	20.49	23.78	26.32	28.44	30.61
ROE	%	13.51	-0.30	16.40	25.81	29.82	33.52	37.44
ROCE	%	173.59	-2.27	259.36	196.14	259.19	328.66	415.91
ROA	%	9.75	-0.20	10.37	12.56	12.82	12.77	12.66
Cost per ton	'mn	5.00	5.32	5.27	7.43	7.36	7.28	7.20
EBITDA per ton	'mn	1.89	0.52	2.07	2.93	3.22	3.47	3.74
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.51	1.38	2.45	2.40	3.17	4.02	4.99
Acid-test	x	0.36	0.32	1.00	1.42	2.14	2.94	3.85
Cash to current liab.	x	0.11	0.11	0.52	1.09	1.78	2.56	3.45
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Average Inventory	'mn	1,094	1,066	1,246	1,497	1,694	1,701	1,706
Inventory Turnover	x	14	16	15	16	14	14	14
Inventory Days		26	23	25	23	26	26	26
Receivables Days		16	20	41	40	36	36	36
Payables Days		22	27	35	45	45	45	45
Operating Cycle		20	16	31	18	17	17	17
Utilization	%	85	86	88	89	90	92	93
Export Revenue	%	7	7	6	6	6	6	6
Local Revenue	%	93	93	94	94	94	94	94
Export Market Share	%	9	11	10	10	10	10	10
Local Market Share	%	9	8	8	7	7	6	6
Total Market Share	%	9	8	8	7	7	6	6
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS		2.05	-0.04	2.52	3.96	4.57	5.14	5.74
DPS		1.50	0.00	0.00	2.38	2.74	3.09	3.45
Div. Yield	%	8.38	0.00	0.00	13.27	15.33	17.24	19.26
Dividend Cover		1.36	0.00	0.00	1.67	1.67	1.67	1.67
BVPS		15.15	14.35	15.34	15.34	15.34	15.34	15.34
Payout	%	73.28	0.00	0.00	60.00	60.00	60.00	60.00
Retention	%	26.72	100.00	100.00	40.00	40.00	40.00	40.00
No. of Shares	'mn	1,380	1,380	1,380	1,380	1,380	1,380	1,380
P/E		8.75	-415.94	7.12	4.52	3.91	3.48	3.12
Sales per share		15.07	12.49	17.59	23.73	24.54	25.38	26.24
P/BV		1.18	1.25	1.17	1.17	1.17	1.17	1.17
Price to Sales		1.19	1.43	1.02	0.75	0.73	0.71	0.68
Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	0.08	0.13	0.06	0.13	0.12	0.10	0.09
L.T. Debt to Equity	x	0.02	0.02	0.01	0.01	0.00	0.00	0.00
Interest Cover	x	40.94	-0.10	-97.65	25.02	32.87	41.68	51.75

Source: ACPL Research, Company Financials

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<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

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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

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