

FFC has announced its 9MCY22 result where it posted a profit after tax of Rs14.84bn (EPS: Rs11.67) as compared to a profit after tax of Rs15.89bn (EPS: Rs12.49) in the same period last year, down by 6.6% YoY amid super tax adjustment.

The company had posted a revenue of Rs79.18bn against Rs73.59bn in SPLY, recording a growth of 7.6% YoY.

The gross margin has slightly improved to 38.3% as compared to 37.2% in SPLY due to higher retention prices of Urea and DAP. SG&A expenses have increased by 14.4% YoY to Rs6.92bn as compared to Rs6.05bn during SPLY.

Other income has increased by 73.9% YoY to Rs10.29bn. Lastly, finance cost has been increased by 122.3% YoY to Rs3.23bn.

Currently, FFC is trading at a CY23E P/E of 5.04x. Furthermore, the scrip is also trading at CY23E P/B of 2.36x which offers a discount of 15% relative to its historical 3-year average of 2.78x. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs130 which provides an upside of 27%. Furthermore, the scrip also provides a dividend yield of 16.5%, which makes the total return 43.5%.

Rupees' millions	3QCY22	3QCY21	YoY	9MCY22	9MCY21	YoY
Net Sales	24,474	29,574	17.2% ▼	79,180	73,592	7.6% ▲
Cost of Sales	-15,034	-18,408	18.3% ▼	-48,840	-46,216	5.7% ▲
Gross Profit	9,440	11,166	15.5% ▼	30,340	27,376	10.8% ▲
SG&A Expenses	-2,615	-2,087	25.3% ▲	-6,922	-6,051	14.4% ▲
Other Expenses	-1,045	-1,426	26.8% ▼	-4,212	-3,917	7.5% ▲
Operating Profit	5,780	7,653	24.5% ▼	19,206	17,408	210.3% ▼
Other Income	2,879	1,701	69.3% ▲	10,288	5,915	73.9% ▲
Finance Cost	-1,210	-647	87.0% ▲	-3,228	-1,452	122.3% ▲
Profit Before Taxation	7,449	8,706	14.4% ▼	26,267	21,871	20.1% ▲
Taxation	-2,205	-2,254	2.2% ▼	-11,424	-5,983	90.9% ▲
Profit After Taxation	5,244	6,452	18.7% ▼	14,843	15,888	6.6% ▼
Earnings Per Share	4.12	5.07	18.7% ▼	11.67	12.49	6.6% ▼
Dividend	3.18	3.75	15.2% ▼	8.98	9.85	8.8% ▼
Bonus	-	-	-	-	-	-

Closing Period: 10 Aug 2022 - 12 Aug 2022

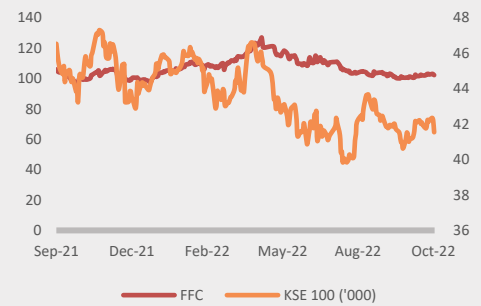
	3QCY22	3QCY21	YoY	9MCY22	9MCY21	YoY
Gross Margin	38.6%	37.8%	0.8% ▲	38.3%	37.2%	1.1% ▲
SG&A Expenses to Sales	-10.7%	-7.1%	3.6% ▲	-8.7%	-8.2%	0.5% ▲
Other Income to Sales	11.8%	5.8%	6.0% ▲	13.0%	8.0%	5.0% ▲
Ex. Gain / (Loss) to Sales	-10.7%	-7.1%	3.6% ▲	-8.7%	-8.2%	0.5% ▲
Effective Taxation	-29.6%	-25.9%	3.7% ▲	-43.5%	-27.4%	16.1% ▲
Net Margin	21.4%	21.8%	0.4% ▼	18.7%	21.6%	2.8% ▼

Source: ACPL Research, Company Financials

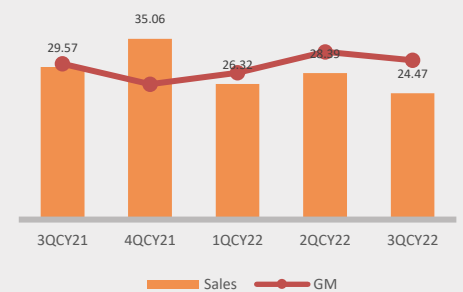
Key Statistics

Symbol	FFC
TP - Jun 23	130
LDGP	102.20
Upside (%)	27
Free Float ('mn)	699
Market Cap. (Rs.'mn)	131,079

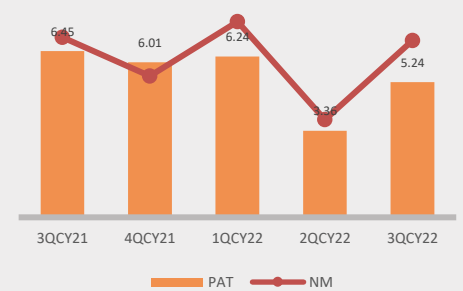
FFC vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	CY20A	CY21A	CY22A	CY23A	CY24A	CY25A	CY26A
Net sales	97,655	108,651	105,747	130,151	136,436	143,867	152,058
Cost of sale	66,071	69,772	65,149	80,037	84,454	89,668	95,435
Gross profit	31,583	38,879	40,599	50,114	51,982	54,199	56,623
Selling and promotion expenses	7,848	8,409	9,244	11,378	11,927	12,577	13,293
Other operating expenses	2,639	5,758	5,625	3,830	4,015	4,233	4,475
Operating Profit	21,096	24,712	25,729	34,907	36,040	37,389	38,856
Other operating income	10,369	7,919	13,741	6,832	7,391	7,624	7,624
Finance cost	1,874	2,292	4,306	3,267	2,383	1,512	969
Profit before taxation	29,591	30,339	35,164	38,471	41,048	43,502	45,510
Taxation	8,772	8,443	15,293	12,695	13,546	14,356	15,018
Profit after taxation	20,819	21,896	19,870	25,776	27,502	29,146	30,492
EPS	16.36	17.21	15.62	20.26	21.62	22.91	23.97

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20A	CY21A	CY22A	CY23A	CY24A	CY25A	CY26A
Net sales	-7.7%	11.3%	-2.7%	23.1%	4.8%	5.4%	5.7%
Cost of sale	-12.0%	5.6%	-6.6%	22.9%	5.5%	6.2%	6.4%
Gross profit	2.8%	23.1%	4.4%	23.4%	3.7%	4.3%	4.5%
Selling and promotion expenses	-5.3%	7.1%	9.9%	23.1%	4.8%	5.4%	5.7%
Other operating expenses	-22.6%	118.2%	-2.3%	-31.9%	4.8%	5.4%	5.7%
Operating Profit	10.8%	17.1%	4.1%	35.7%	3.2%	3.7%	3.9%
Other operating income	44.2%	-23.6%	73.5%	-50.3%	8.2%	3.2%	0.0%
Finance cost	-24.4%	22.3%	87.9%	-24.1%	-27.1%	-36.6%	-35.9%
Profit before taxation	-24.6%	2.5%	15.9%	9.4%	6.7%	6.0%	4.6%
Taxation	32.0%	-3.8%	81.1%	-17.0%	6.7%	6.0%	4.6%
Profit after taxation	21.7%	5.2%	-9.3%	29.7%	6.7%	6.0%	4.6%
EPS	21.7%	5.2%	-9.3%	29.7%	6.7%	6.0%	4.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
GP Margin	%	32.34	35.78	38.39	38.50	38.10	37.67	37.24
OP Margin	%	32.22	30.03	37.32	32.07	31.83	31.29	30.57
NP Margin	%	21.32	20.15	18.79	19.80	20.16	20.26	20.05
ROE	%	53.31	48.63	40.40	48.71	47.22	44.88	42.43
ROCE	%	19.28	17.45	19.51	20.95	22.07	22.29	22.17
ROA	%	12.76	11.71	9.82	12.94	13.98	14.43	14.54

Liquidity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Current	x	1.37	1.13	1.17	1.21	1.28	1.36	1.45
Acid-test	x	0.04	0.02	-0.13	-0.29	-0.31	-0.30	-0.26
Cash to current liab.	x	0.01	0.01	-0.26	-0.48	-0.50	-0.51	-0.48

Activity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Inventory Turnover	x	9	51	7	6	8	8	8
Inventory Days		2	5	50	23	23	23	23
Receivables Days		9	3	50	50	50	50	50
Payables Days		258	327	350	251	251	251	251
Operating Cycle		-247	-319	-250	-178	-178	-178	-178

Investment Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
EPS	Rs.	16.36	17.21	15.62	20.26	21.62	22.91	23.97
DPS	Rs.	11.20	14.50	13.00	17.00	16.50	17.50	18.50
Div. Yield	%	10.96	14.19	12.72	16.63	16.14	17.12	18.10
Dividend Cover	x	1.46	1.19	1.20	1.19	1.31	1.31	1.30
BVPS	Rs.	33.43	37.35	39.97	43.23	48.34	53.75	59.22
Payout	%	68.44	84.25	84.25	84.25	77.00	77.00	77.00
Retention	%	31.56	15.75	15.75	15.75	23.00	23.00	23.00
No. of Shares	'mn	1,272	1,272	1,272	1,272	1,272	1,272	1,272
P/E		6.25	5.94	6.54	5.04	4.73	4.46	4.26
Sales per share		76.76	85.40	83.12	102.30	107.24	113.08	119.52
P/BV		3.06	2.74	2.56	2.36	2.11	1.90	1.73
Price to Sales		1.33	1.20	1.23	1.00	0.95	0.90	0.86

Gearing Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Debt to Equity	x	0.95	1.27	0.97	0.81	0.58	0.40	0.31
L.T. Debt to Equity	x	0.35	0.45	0.28	0.24	0.11	0.03	0.01
Interest Cover	x	16.79	14.24	9.17	12.78	18.22	29.77	47.95

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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