

# FCCL

## 1QFY21 Result Review: BUY Stance Maintained

Equity Research | Cement | Thursday, 29 October, 2020

FCCL has announced its quarterly result where it posted a profit after tax of Rs696mn (EPS: Rs0.50) in 1QFY21 as compared to a profit after tax of Rs293mn (EPS: Rs0.21) in the same period last year, up by 137.5% YoY.

The company has posted a revenue of Rs5.5bn against Rs4.2bn in SPLY, recording a growth of 29.6% YoY. We note that this decline is attributed to the increase in selling prices and a surge in cement dispatches.

Gross margin has improved significantly to 21.6% in 1QFY21 as compared to 13.9% in 1QFY20 due to rupee appreciation during the period and increase in retention prices. SG&A expenses have declined by 7.2% YoY to Rs151mn in 1QFY21 as compared to Rs162mn during SPLY.

Other income is declined by 38.4% YoY, and finance cost is increased by 6.8% YoY.

Going forward, we expect the offtake to improve during the current year. FCCL is currently trading at a FY21E P/B of 1.41x which offers a discount of 6.4% relative to its historical 5-year average of 1.50x. We maintain our **BUY** stance on the script with a DCF based Jun-21 TP of Rs 26 which provides an upside potential of 20%.

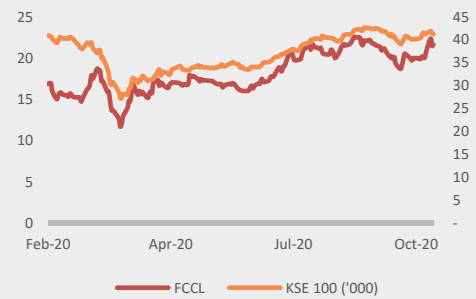
Rupees' millions	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Net Sales	5,501	4,243	29.6% ▲	17,232	20,798	17.1% ▼
Cost of Sales	-4,313	-3,652	18.1% ▲	-16,583	-15,475	7.2% ▲
<b>Gross Profit</b>	<b>1,188</b>	<b>591</b>	<b>101.0% ▲</b>	<b>649</b>	<b>5,323</b>	<b>87.8% ▼</b>
SG&A Expenses	-151	-162	7.2% ▼	-673	-626	7.5% ▲
Other Expenses	-70	-30	138.1% ▲	-1	-327	99.8% ▼
<b>Operating Profit</b>	<b>967</b>	<b>400</b>	<b>142.1% ▲</b>	<b>-24</b>	<b>4,370</b>	<b>100.6% ▼</b>
Other Income	18	30	38.4% ▼	85	148	42.7% ▼
Finance Cost	-30	-28	6.8% ▲	-234	-107	119.0% ▲
Profit Before Taxation	956	402	138.1% ▲	-173	4,412	103.9% ▼
Taxation	-261	-109	139.4% ▲	114	-1,588	107.2% ▼
<b>Profit After Taxation</b>	<b>696</b>	<b>293</b>	<b>137.5% ▲</b>	<b>-59</b>	<b>2,824</b>	<b>102.1% ▼</b>
Earnings Per Share	0.50	0.21	137.5% ▲	-0.04	2.05	102.1% ▼
Dividend	0.00	0.00		0.00	1.50	
Bonus	-	-		-	-	
Gross Margin	21.6%	13.9%	7.7% ▲	3.8%	25.6%	21.8% ▼
SG&A Expenses to Sales	-2.7%	-3.8%	1.1% ▼	-3.9%	-3.0%	0.9% ▲
Other Income to Sales	0.3%	0.7%	0.4% ▼	0.5%	0.7%	0.2% ▼
Ex. Gain / (Loss) to Sales	-2.7%	-3.8%	1.1% ▼	-3.9%	-3.0%	0.9% ▲
Effective Taxation	-27.2%	-27.1%	0.2% ▲	-65.7%	-36.0%	29.7% ▲
Net Margin	12.6%	6.9%	5.7% ▲	-0.3%	13.6%	13.9% ▼

Source: ACPL Research, Company Financials

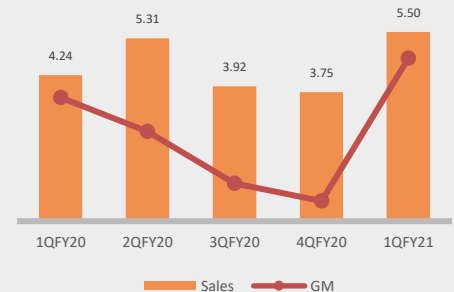
### Key Statistics

Symbol	FCCL
TP - Jun 21	26.00
LDCP	21.61
Upside (%)	20
Free Float ('mn)	759
Market Cap. (Rs.'mn)	29,818

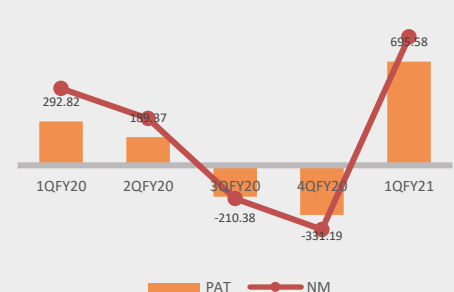
### FCCL vs KSE 100



### 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	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	18,642	20,044	20,423	21,161	20,798	17,232	22,639	25,766	28,049
Cost of sale	11,615	10,879	15,986	16,046	15,475	16,583	17,781	19,819	21,263
<b>Gross profit</b>	<b>7,027</b>	<b>9,165</b>	<b>4,438</b>	<b>5,115</b>	<b>5,323</b>	<b>649</b>	<b>4,858</b>	<b>5,947</b>	<b>6,786</b>
Selling and promotion expenses	141	209	166	276	210	204	196	223	242
Administration expenses	272	312	340	386	416	469	424	483	526
Other operating expenses	420	579	291	311	327	1	290	296	307
<b>Operating Profit</b>	<b>6,195</b>	<b>8,066</b>	<b>3,640</b>	<b>4,142</b>	<b>4,370</b>	<b>- 24</b>	<b>3,948</b>	<b>4,946</b>	<b>5,711</b>
Other operating income	191	269	443	104	148	85	76	86	94
Finance cost	706	503	153	148	107	234	127	99	78
Profit before taxation	5,680	7,831	3,930	4,098	4,412	- 173	3,897	4,933	5,726
Taxation	1,564	2,464	1,317	669	1,588	- 114	1,063	1,360	1,590
<b>Profit after taxation</b>	<b>4,116</b>	<b>5,367</b>	<b>2,613</b>	<b>3,429</b>	<b>2,824</b>	<b>- 59</b>	<b>2,834</b>	<b>3,573</b>	<b>4,136</b>
EPS	<b>2.98</b>	<b>3.89</b>	<b>1.89</b>	<b>2.49</b>	<b>2.05</b>	<b>- 0.04</b>	<b>2.05</b>	<b>2.59</b>	<b>3.00</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	6.3%	7.5%	1.9%	3.6%	-1.7%	-17.1%	31.4%	13.8%	8.9%
Cost of sale	1.5%	-6.3%	46.9%	0.4%	-3.6%	7.2%	7.2%	11.5%	7.3%
<b>Gross profit</b>	<b>15.5%</b>	<b>30.4%</b>	<b>-51.6%</b>	<b>15.3%</b>	<b>4.1%</b>	<b>-87.8%</b>	<b>648.4%</b>	<b>22.4%</b>	<b>14.1%</b>
Selling and promotion expenses	12.7%	48.0%	-20.3%	65.9%	-23.8%	-2.8%	-4.3%	13.8%	8.9%
Administration expenses	20.2%	14.9%	8.9%	13.5%	7.9%	12.7%	-9.5%	13.8%	8.9%
Other operating expenses	25.9%	37.8%	-49.7%	6.9%	5.0%	-99.8%	51034.3%	2.2%	3.7%
<b>Operating Profit</b>	<b>14.7%</b>	<b>30.2%</b>	<b>-54.9%</b>	<b>13.8%</b>	<b>5.5%</b>	<b>-100.6%</b>	<b>16142.1%</b>	<b>25.3%</b>	<b>15.5%</b>
Other operating income	25.8%	40.4%	64.7%	-76.5%	42.5%	-42.7%	-10.8%	13.8%	8.9%
Finance cost	-32.3%	-28.7%	-69.6%	-3.4%	-27.8%	119.0%	-45.7%	-21.7%	-21.2%
Profit before taxation	26.0%	37.9%	-49.8%	4.3%	7.7%	-103.9%	-2349.1%	26.6%	16.1%
Taxation	-17.0%	57.6%	-46.6%	-49.2%	137.4%	-107.2%	-1033.2%	28.0%	16.9%
<b>Profit after taxation</b>	<b>56.7%</b>	<b>30.4%</b>	<b>-51.3%</b>	<b>31.2%</b>	<b>-17.6%</b>	<b>-102.1%</b>	<b>4772.9%</b>	<b>26.1%</b>	<b>15.8%</b>
EPS	<b>56.7%</b>	<b>30.4%</b>	<b>-51.3%</b>	<b>31.2%</b>	<b>-17.6%</b>	<b>-102.1%</b>	<b>4772.9%</b>	<b>26.1%</b>	<b>15.8%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	37.69	45.72	21.73	24.17	25.60	3.77	21.46	23.08	24.19
NP Margin	%	22.08	26.78	12.80	16.21	13.58	-0.34	12.52	13.87	14.75
OP Margin	%	33.23	40.24	17.82	19.57	21.01	-0.14	17.44	19.19	20.36
ROE	%	23.63	29.13	13.28	16.74	13.51	-0.30	13.39	16.88	19.54
ROCE	%	63.03	131.22	175.47	126.93	173.59	-2.27	211.75	356.04	497.55
ROA	%	13.48	18.28	9.42	11.81	9.75	-0.20	9.04	10.20	10.60
Cost per ton	'mn	4.31	3.76	5.64	4.74	5.00	5.32	5.65	5.79	5.96
EBITDA per ton	'mn	2.81	3.26	1.54	1.60	1.89	0.52	1.75	1.87	1.99
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	1.36	1.51	2.40	1.49	1.51	1.38	2.36	3.34	4.32
Acid-test	x	0.67	0.92	0.96	0.42	0.36	0.32	0.81	1.66	2.56
Cash to current liab.	x	0.49	0.34	0.22	0.12	0.11	0.11	0.49	1.30	2.18
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Average Inventory	'mn	1,149	715	806	1,158	1,094	1,066	1,231	1,347	1,471
Inventory Turnover	x	10	15	20	14	14	16	14	15	14
Inventory Days		36	24	18	26	26	23	25	25	25
Receivables Days		11	11	21	21	16	20	25	24	23
Payables Days		65	66	14	23	22	27	27	27	27
Operating Cycle		-17	-31	26	24	20	16	23	21	21
Utilization	%	75	82	85	96	85	86	88	96	100
Export Revenue	%	15	12	4	8	7	7	6	5	4
Local Revenue	%	85	88	96	92	93	93	94	95	96
Export Market Share	%	9	9	4	9	9	11	10	9	8
Local Market Share	%	9	9	10	9	9	8	8	8	7
Total Market Share	%	9	9	9	9	9	8	8	8	7
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
EPS		2.98	3.89	1.89	2.49	2.05	-0.04	2.05	2.59	3.00
DPS		1.75	2.75	0.90	2.00	1.50	-0.03	1.23	1.55	1.80
Div. Yield	%	8.10	12.73	4.16	9.25	6.94	-0.12	5.70	7.19	8.32
Dividend Cover		1.70	1.41	2.10	1.24	1.36	1.67	1.67	1.67	1.67
BVPS		12.62	13.36	14.26	14.85	15.15	14.35	15.34	15.34	15.34
Payout	%	58.66	70.70	47.52	80.47	73.28	60.00	60.00	60.00	60.00
Retention	%	41.34	29.30	52.48	19.53	26.72	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	1,380	1,380
P/E		7.24	5.56	11.41	8.69	10.56	-502.14	10.52	8.35	7.21
Sales per share		13.51	14.53	14.80	15.34	15.07	12.49	16.41	18.67	20.33
P/BV		1.71	1.62	1.52	1.46	1.43	1.51	1.41	1.41	1.41
Price to Sales		1.60	1.49	1.46	1.41	1.43	1.73	1.32	1.16	1.06
Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Debt to Equity	x	0.37	0.22	0.08	0.13	0.08	0.13	0.06	0.05	0.04
L.T. Debt to Equity	x	0.23	0.08	0.05	0.03	0.02	0.02	0.01	0.01	0.00
Interest Cover	x	8.77	16.02	23.80	28.02	40.94	-0.10	31.12	49.82	72.99

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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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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