

FCCL

1QFY23 Result Review: Stance Reiterated to BUY

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FCCL has announced its 1QFY23 result where it posted a profit after tax of Rs2.31bn (Diluted EPS: Rs0.94) as compared to a profit after tax of Rs2.10bn (Diluted EPS: Rs0.86) in the same period last year, up by 10% YoY amid an increase in retention prices.

The company has posted a revenue of Rs14.70bn against Rs11.58bn in SPLY, recording a growth of 27% YoY. The gross margin has decreased slightly by 1% due to higher energy costs and PKR devaluation.

Furthermore, SG&A and other expenses have increased by 10.3% YoY and 27.1% YoY respectively while the other income has increased by 38.1% YoY. Moreover, finance cost has increased by 89.1% due to higher interest rates. Lastly, effective taxation has increased to 30.2% compared to 23.9% during SPLY.

Going forward, better market share in the North region is going to improve the earnings of the company. FCCL is currently trading at a FY23E P/E of 4.27x. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs 20 which provides an upside potential of 37%.

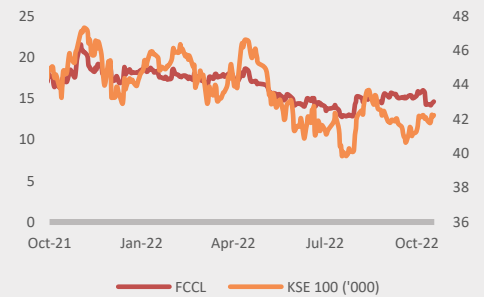
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	14,700	11,578	27.0% ▲	54,243	24,271	123.5% ▲
Cost of Sales	-10,487	-8,146	28.7% ▲	-39,844	-18,207	118.8% ▲
Gross Profit	4,213	3,431	22.8% ▲	14,399	6,064	137.4% ▲
SG&A Expenses	-448	-406	10.3% ▲	-1,838	-714	157.4% ▲
Other Expenses	-211	-166	27.1% ▲	-809	-378	114.0% ▲
Operating Profit	3,555	2,860	24.3% ▲	11,752	4,972	136.4% ▲
Other Income	175	126	38.1% ▲	232	85	174.4% ▲
Finance Income	-415	-219	89.1% ▲	456	51	795.1% ▲
Profit Before Taxation	3,315	2,767	19.8% ▲	11,528	5,108	125.7% ▲
Taxation	-1,000	-662	51.0% ▲	-4,416	-1,636	169.8% ▲
Profit After Taxation	2,315	2,104	10.0% ▲	7,113	3,471	104.9% ▲
Earnings Per Share						
Dividend	0.94	0.86	10.0% ▲	2.90	1.42	104.9% ▲
Bonus	0.00	0.00		0.00	0.00	
Gross Margin	28.7%	29.6%	1.0% ▼	26.5%	25.0%	1.6% ▲
SG&A Expenses to Sales	-3.0%	-3.5%	0.5% ▼	-3.4%	-2.9%	0.4% ▲
Other Income to Sales	1.2%	1.1%	0.1% ▲	0.4%	0.3%	0.1% ▲
Ex. Gain / (Loss) to Sales	-3.0%	-3.5%	0.5% ▼	-3.4%	-2.9%	0.4% ▲
Effective Taxation	-30.2%	-23.9%	6.2% ▲	-38.3%	-32.0%	6.3% ▲
Net Margin	15.7%	18.2%	2.4% ▼	13.1%	14.3%	1.2% ▼

Source: ACPL Research, Company Financials

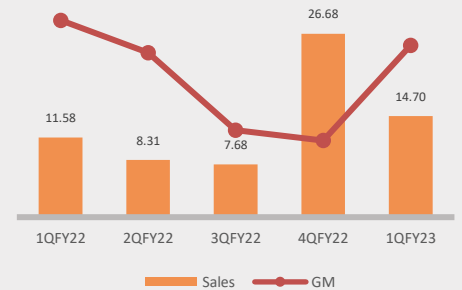
Key Statistics

Symbol	FCCL
TP - Jun 23	20.00
LDCP	14.65
Upside (%)	37
Free Float ('mn)	858
Market Cap. (Rs.'mn)	35,934

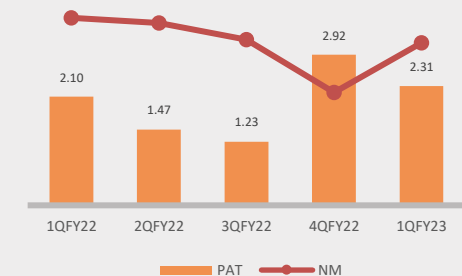
FCCL vs KSE 100



Sales (Rs'Bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	17,232	24,271	54,243	61,180	65,771	70,693	79,382
Cost of sale	16,583	18,207	39,844	44,999	49,273	54,758	60,477
Gross profit	649	6,064	14,399	16,181	16,497	15,935	18,905
Selling and promotion expenses	204	190	539	538	579	622	699
Administration expenses	469	525	1,299	1,328	1,427	1,534	1,723
Other operating expenses	1	378	809	877	942	1,013	1,138
Operating Profit	- 24	4,972	11,752	13,438	13,549	12,766	15,347
Other operating income	85	85	232	303	326	350	393
Finance cost	234	- 51	456	1,653	1,399	1,207	1,778
Profit before taxation	- 173	5,108	11,528	12,088	12,476	11,909	13,961
Taxation	- 114	1,636	4,416	3,672	3,775	3,590	4,208
Profit after taxation	- 59	3,471	7,113	8,416	8,700	8,319	9,753
EPS	- 0.02	1.42	2.90	3.43	3.55	3.39	3.98

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-17.1%	40.9%	123.5%	12.8%	7.5%	7.5%	12.3%
Cost of sale	7.2%	9.8%	118.8%	12.9%	9.5%	11.1%	10.4%
Gross profit	-87.8%	834.3%	137.4%	12.4%	2.0%	-3.4%	18.6%
Selling and promotion expenses	-2.8%	-7.2%	184.4%	-0.1%	7.5%	7.5%	12.3%
Administration expenses	12.7%	12.0%	147.6%	2.2%	7.5%	7.5%	12.3%
Other operating expenses	-99.8%	66557.1%	114.0%	8.4%	7.5%	7.5%	12.3%
Operating Profit	-100.6%	20329.6%	136.4%	14.3%	0.8%	-5.8%	20.2%
Other operating income	-42.7%	-0.5%	174.4%	30.5%	7.5%	7.5%	12.3%
Finance cost	119.0%	-121.8%	-995.1%	262.7%	-15.4%	-13.7%	47.3%
Profit before taxation	-103.9%	-3047.9%	125.7%	4.9%	3.2%	-4.5%	17.2%
Taxation	-107.2%	-1536.8%	169.8%	-16.8%	2.8%	-4.9%	17.2%
Profit after taxation	-102.1%	5845.9%	104.9%	18.3%	3.4%	-4.4%	17.2%
EPS	-102.1%	5845.9%	104.9%	18.3%	3.4%	-4.4%	17.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	3.77	24.99	26.55	26.45	25.08	22.54	23.82
NP Margin	%	-0.34	14.30	13.11	13.76	13.23	11.77	12.29
OP Margin	%	-0.14	20.49	21.67	21.97	20.60	18.06	19.33
ROE	%	-0.19	10.21	11.76	19.81	20.48	19.58	22.96
ROCE	%	-2.27	140.55	27.70	29.47	32.55	32.65	171.31
ROA	%	-0.20	10.19	6.26	12.11	10.85	9.22	11.22
Cost per ton	'mn	5.32	5.04	7.08	11.46	11.91	12.55	12.60
EBITDA per ton	'mn	0.52	6.36	2.58	4.40	4.47	3.98	4.10
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.38	2.02	2.75	1.33	0.94	1.78	1.92
Acid-test	x	0.32	1.11	0.85	-0.25	-0.63	0.30	0.13
Cash to current liab.	x	0.11	0.15	0.22	-0.50	-0.87	0.07	-0.15
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory	'mn	1,066	1,188	2,443	3,937	4,374	4,827	5,347
Inventory Turnover	x	16	15	16	11	11	11	11
Inventory Days		23	24	22	32	32	32	32
Receivables Days		20	25	22	17	17	17	17
Payables Days		26	37	17	17	17	17	17
Operating Cycle		18	13	28	32	33	32	33
Utilization	%	87	97	88	62	65	42	46
Export Revenue	%	7	7	5	8	9	9	9
Local Revenue	%	93	93	95	92	91	91	91
Export Market Share	%	11	10	34	35	39	43	47
Local Market Share	%	8	8	13	8	6	6	6
Total Market Share	%	8	8	14	8	7	6	6
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS		-0.02	1.42	2.90	3.43	3.55	3.39	3.98
DPS		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover		0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS		12.45	13.86	24.65	17.32	17.32	17.32	17.32
Payout	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00
No. of Shares	'mn	2,453	2,453	2,453	2,453	2,453	2,453	2,453
P/E		-605.15	10.35	5.05	4.27	4.13	4.32	3.68
Sales per share		7.03	9.90	22.11	24.94	26.81	28.82	32.36
P/BV		1.18	1.06	0.59	0.85	0.85	0.85	0.85
Price to Sales		2.09	1.48	0.66	0.59	0.55	0.51	0.45
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	0.09	0.07	0.42	0.67	0.63	0.60	0.13
L.T. Debt to Equity	x	0.01	0.01	0.32	0.53	0.48	0.42	0.00
Interest Cover	x	-0.10	-97.65	25.79	8.13	9.69	10.58	8.63

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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- 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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