

# FCCL

## 9MFY21 Result Review: Stance Upgraded to BUY

Equity Research | Cement | Friday, 23 April, 2021



FCCL has announced its 9MFY21 result where it posted a profit after tax of Rs2.6bn (EPS: Rs1.89) as compared to a profit after tax of Rs272mn (EPS: Rs0.20) in the same period last year, up by 860.5% YoY.

The company has posted a revenue of Rs17.5bn against Rs13.5bn in SPLY, recording a growth of 30% YoY. We note that this growth is attributed to the increase in volumetric sales and improved retention prices.

Gross margin has significantly been improved to 25.6% as compared to 6.5% in SPLY. SG&A expenses have slightly been increased by 0.1% YoY to Rs513mn.

Other income has been increased by 107.5% YoY while the finance cost has been declined by 39.8% YoY during the period.

FCCL is currently trading at a FY21E P/E of 9.22x. Furthermore, the scrip is also trading at a FY21E P/B of 1.51x which offers a discount of 6.4% relative to its historical 5-year average of 1.61x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs 28 which provides an upside potential of 21%.

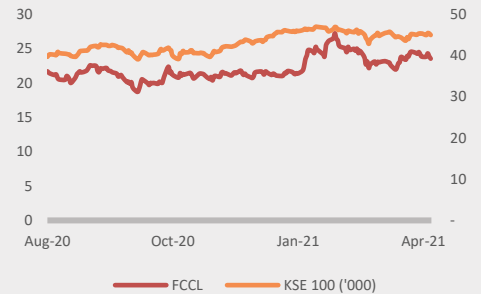
Rupees' millions	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Net Sales	5,918	3,925	50.8% ▲	17,528	13,482	30.0% ▲
Cost of Sales	-4,155	-4,030	3.1% ▲	-13,048	-12,604	3.5% ▲
<b>Gross Profit</b>	<b>1,763</b>	<b>-106</b>	<b>1765.6% ▼</b>	<b>4,480</b>	<b>878</b>	<b>410.4% ▲</b>
SG&A Expenses	-166	-146	13.8% ▲	-513	-513	0.1% ▲
Other Expenses	-115	21	657.7% ▼	-277	-14	1816.7% ▲
<b>Operating Profit</b>	<b>1,482</b>	<b>-231</b>	<b>741.9% ▲</b>	<b>3,691</b>	<b>351</b>	<b>951.8% ▲</b>
Other Income	106	20	419.6% ▲	154	74	107.5% ▲
Finance Cost	-27	-70	60.7% ▼	-90	-150	39.8% ▼
Profit Before Taxation	1,561	-280	657.7% ▲	3,754	275	1263.0% ▲
Taxation	-551	70	892.5% ▼	-1,144	-4	31281.6% ▲
<b>Profit After Taxation</b>	<b>1,010</b>	<b>-210</b>	<b>580.1% ▲</b>	<b>2,611</b>	<b>272</b>	<b>860.5% ▲</b>
Earnings Per Share	0.73	-0.15	580.1% ▲	1.89	0.20	860.5% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	29.8%	-2.7%	32.5% ▲	25.6%	6.5%	19.0% ▲
SG&A Expenses to Sales	-2.8%	-3.7%	0.9% ▼	-2.9%	-3.8%	0.9% ▼
Other Income to Sales	1.8%	0.5%	1.3% ▲	0.9%	0.5%	0.3% ▲
Ex. Gain / (Loss) to Sales	-2.8%	-3.7%	0.9% ▼	-2.9%	-3.8%	0.9% ▼
Effective Taxation	-35.3%	-24.8%	10.5% ▲	-30.5%	-1.3%	29.1% ▲
Net Margin	17.1%	-5.4%	22.4% ▲	14.9%	2.0%	12.9% ▲

Source: ACPL Research, Company Financials

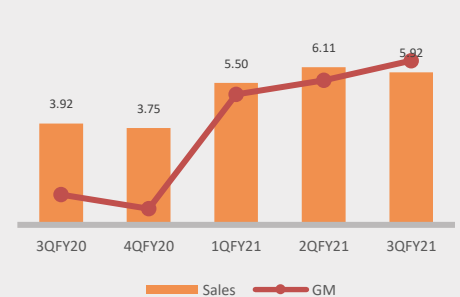
### Key Statistics

Symbol	FCCL
TP - Dec 21	28.00
LDCP	23.19
Upside (%)	21
Free Float ('mn)	759
Market Cap. (Rs.'mn)	31,998

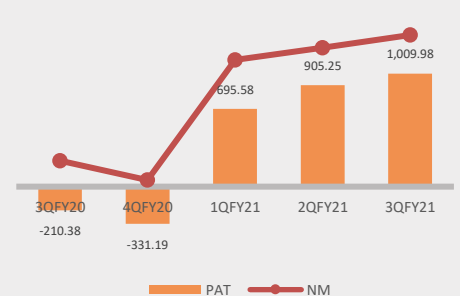
### FCCL vs KSE 100



### 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	23,619	26,844	29,181
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>5,838</b>	<b>7,026</b>	<b>7,918</b>
Selling and promotion expenses	141	209	166	276	210	204	189	215	233
Administration expenses	272	312	340	386	416	469	517	588	639
Other operating expenses	420	579	291	311	327	1	328	315	327
<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>4,804</b>	<b>5,908</b>	<b>6,718</b>
Other operating income	191	269	443	104	148	85	97	110	120
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	4,774	5,919	6,760
Taxation	1,564	2,464	1,317	669	1,588	- 114	1,302	1,632	1,877
<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>3,472</b>	<b>4,287</b>	<b>4,883</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>2.52</b>	<b>3.11</b>	<b>3.54</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%	37.1%	13.7%	8.7%
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>799.4%</b>	<b>20.3%</b>	<b>12.7%</b>
Selling and promotion expenses	12.7%	48.0%	-20.3%	65.9%	-23.8%	-2.8%	-7.5%	13.7%	8.7%
Administration expenses	20.2%	14.9%	8.9%	13.5%	7.9%	12.7%	10.4%	13.7%	8.7%
Other operating expenses	25.9%	37.8%	-49.7%	6.9%	5.0%	-99.8%	57801.6%	-4.2%	4.0%
<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>19639.9%</b>	<b>23.0%</b>	<b>13.7%</b>
Other operating income	25.8%	40.4%	64.7%	-76.5%	42.5%	-42.7%	13.9%	13.7%	8.7%
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%	-2855.0%	24.0%	14.2%
Taxation	-17.0%	57.6%	-46.6%	-49.2%	137.4%	-107.2%	-1243.1%	25.4%	15.0%
<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>5846.4%</b>	<b>23.5%</b>	<b>13.9%</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>5846.4%</b>	<b>23.5%</b>	<b>13.9%</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	24.72	26.17	27.13
NP Margin	%	22.08	26.78	12.80	16.21	13.58	-0.34	14.70	15.97	16.73
OP Margin	%	33.23	40.24	17.82	19.57	21.01	-0.14	20.34	22.01	23.02
ROE	%	23.63	29.13	13.28	16.74	13.51	-0.30	16.40	20.25	23.07
ROCE	%	63.03	131.22	175.47	126.93	173.59	-2.27	259.38	427.25	587.33
ROA	%	13.48	18.28	9.42	11.81	9.75	-0.20	10.78	11.74	11.85
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	2.01	2.15	2.27
<b>Liquidity Ratios</b>		<b>FY15A</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Current	x	1.36	1.51	2.40	1.49	1.51	1.38	2.56	3.68	4.80
Acid-test	x	0.67	0.92	0.96	0.42	0.36	0.32	0.97	1.95	2.98
Cash to current liab.	x	0.49	0.34	0.22	0.12	0.11	0.11	0.63	1.57	2.59
<b>Activity Ratios</b>		<b>FY15A</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
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	26	24	23
Payables Days		65	66	14	23	22	27	27	27	27
Operating Cycle		-17	-31	26	24	20	16	24	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
<b>Investment Ratios</b>		<b>FY15A</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS		2.98	3.89	1.89	2.49	2.05	-0.04	2.52	3.11	3.54
DPS		1.75	2.75	0.90	2.00	1.50	-0.03	1.51	1.86	2.12
Div. Yield	%	7.55	11.86	3.88	8.62	6.47	-0.11	6.51	8.04	9.16
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		7.77	5.96	12.24	9.33	11.33	-538.86	9.22	7.46	6.55
Sales per share		13.51	14.53	14.80	15.34	15.07	12.49	17.12	19.46	21.15
P/BV		1.84	1.74	1.63	1.56	1.53	1.62	1.51	1.51	1.51
Price to Sales		1.72	1.60	1.57	1.51	1.54	1.86	1.35	1.19	1.10
<b>Gearing Ratios</b>		<b>FY15A</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
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	37.86	59.51	85.87

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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