

# FCCL

## 9MFY23 Result Review: BUY Stance Maintained

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FCCL has announced its 9MFY23 result where it posted a profit after tax of Rs6.97bn (Diluted EPS: Rs2.84) as compared to a profit after tax of Rs5.35bn (Diluted EPS: Rs2.18) in the same period last year, up by 30.3% YoY amid an increase in retention prices in addition to a rebound in cement dispatches mainly to hydropower projects.

The company has posted a revenue of Rs51.91bn against Rs38.41bn in SPLY, recording a growth of 35.1% YoY. The gross margin has improved slightly by 0.3% to 27.1% as compared to 26.8% in SPLY.

Furthermore, SG&A and other expenses have increased by 14.3% YoY and 5.2% YoY respectively while the other income surged by 7.8% YoY. A massive increase in finance cost by 4.17x was recorded owing higher borrowings along higher interest rates. Lastly, effective taxation has decreased to 30.2% as compared to 34.0% during SPLY.

FCCL is currently trading at a FY23E P/E of 3.13x. Furthermore, the scrip is also trading at a FY23 P/B of 0.68x which offers a discount of 24.1% relative to its historical 3-year average of 0.89x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs 15 which provides an upside potential of 28%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	18,234	13,062	39.6% ▲	51,907	38,408	35.1% ▲
Cost of Sales	-13,505	-9,964	35.5% ▲	-37,848	-28,111	34.6% ▲
<b>Gross Profit</b>	<b>4,730</b>	<b>3,098</b>	<b>52.7% ▲</b>	<b>14,060</b>	<b>10,297</b>	<b>36.5% ▲</b>
SG&A Expenses	-539	-397	35.9% ▲	-1,558	-1,363	14.3% ▲
Other Expenses	-167	-186	10.1% ▼	-635	-604	5.2% ▲
<b>Operating Profit</b>	<b>4,023</b>	<b>2,516</b>	<b>59.9% ▲</b>	<b>11,867</b>	<b>8,330</b>	<b>42.5% ▲</b>
Other Income	111	76	47.2% ▲	187	173	7.8% ▲
Finance Income	-1,439	-73	1871.6% ▲	-2,076	-401	417.1% ▲
Profit Before Taxation	2,695	2,518	7.0% ▲	9,978	8,102	23.2% ▲
Taxation	-807	-960	15.9% ▼	-3,010	-2,756	9.2% ▲
<b>Profit After Taxation</b>	<b>1,888</b>	<b>1,558</b>	<b>21.2% ▲</b>	<b>6,968</b>	<b>5,346</b>	<b>30.3% ▲</b>
<b>Earnings Per Share</b>						
<b>Dividend</b>	<b>0.77</b>	<b>0.64</b>	<b>21.2% ▲</b>	<b>2.84</b>	<b>2.18</b>	<b>30.3% ▲</b>
<b>Bonus</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	
Gross Margin	25.9%	23.7%	2.2% ▲	27.1%	26.8%	0.3% ▲
SG&A Expenses to Sales	-3.0%	-3.0%	0.1% ▼	-3.0%	-3.5%	0.5% ▼
Other Income to Sales	0.6%	0.6%	0.0% ▲	0.4%	0.5%	0.1% ▼
Ex. Gain / (Loss) to Sales	-3.0%	-3.0%	0.1% ▼	-3.0%	-3.5%	0.5% ▼
Effective Taxation	-29.9%	-38.1%	8.2% ▼	-30.2%	-34.0%	3.9% ▼
Net Margin	10.4%	11.9%	1.6% ▼	13.4%	13.9%	0.5% ▼

Source: ACPL Research, Company Financials

### Key Statistics

Symbol	FCCL
TP - Dec 23	15.00
LDCP	11.70
Upside (%)	28
Free Float ('mn)	858
Market Cap. (Rs.'mn)	28,698

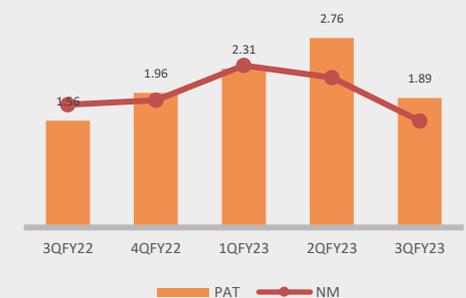
### FCCL vs KSE 100



### 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	69,210	75,094	81,459	87,564
Cost of sale	16,583	18,207	39,844	50,463	54,502	58,493	62,538
<b>Gross profit</b>	<b>649</b>	<b>6,064</b>	<b>14,399</b>	<b>18,747</b>	<b>20,592</b>	<b>22,966</b>	<b>25,027</b>
Selling and promotion expenses	204	190	539	564	612	663	713
Administration expenses	469	525	1,299	1,513	1,642	1,781	1,914
Other operating expenses	1	378	809	847	919	997	1,071
<b>Operating Profit</b>	<b>- 24</b>	<b>4,972</b>	<b>11,752</b>	<b>15,824</b>	<b>17,420</b>	<b>19,525</b>	<b>21,328</b>
Other operating income	85	85	232	249	270	293	315
Finance cost	234	- 51	456	2,768	2,631	2,632	3,444
Profit before taxation	- 173	5,108	11,528	13,305	15,059	17,186	18,199
Taxation	- 114	1,636	4,416	4,124	4,657	5,302	5,597
<b>Profit after taxation</b>	<b>- 59</b>	<b>3,471</b>	<b>7,113</b>	<b>9,181</b>	<b>10,402</b>	<b>11,884</b>	<b>12,602</b>
EPS	- 0.02	1.42	2.90	3.74	4.24	4.85	5.14

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-17.1%	40.9%	123.5%	27.6%	8.5%	8.5%	7.5%
Cost of sale	7.2%	9.8%	118.8%	26.7%	8.0%	7.3%	6.9%
<b>Gross profit</b>	<b>-87.8%</b>	<b>834.3%</b>	<b>137.4%</b>	<b>30.2%</b>	<b>9.8%</b>	<b>11.5%</b>	<b>9.0%</b>
Selling and promotion expenses	-2.8%	-7.2%	184.4%	4.6%	8.5%	8.5%	7.5%
Administration expenses	12.7%	12.0%	147.6%	16.4%	8.5%	8.5%	7.5%
Other operating expenses	-99.8%	66557.1%	114.0%	4.7%	8.5%	8.5%	7.5%
<b>Operating Profit</b>	<b>-100.6%</b>	<b>20329.6%</b>	<b>136.4%</b>	<b>34.7%</b>	<b>10.1%</b>	<b>12.1%</b>	<b>9.2%</b>
Other operating income	-42.7%	-0.5%	174.4%	7.4%	8.5%	8.5%	7.5%
Finance cost	119.0%	-121.8%	-995.1%	507.3%	-4.9%	0.0%	30.8%
Profit before taxation	-103.9%	-3047.9%	125.7%	15.4%	13.2%	14.1%	5.9%
Taxation	-107.2%	-1536.8%	169.8%	-6.6%	12.9%	13.9%	5.6%
<b>Profit after taxation</b>	<b>-102.1%</b>	<b>5845.9%</b>	<b>104.9%</b>	<b>29.1%</b>	<b>13.3%</b>	<b>14.2%</b>	<b>6.0%</b>
EPS	-102.1%	5845.9%	104.9%	29.1%	13.3%	14.2%	6.0%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	3.77	24.99	26.55	27.09	27.42	28.19	28.58
NP Margin	%	-0.34	14.30	13.11	13.27	13.85	14.59	14.39
OP Margin	%	-0.14	20.49	21.67	22.86	23.20	23.97	24.36
ROE	%	-0.19	14.91	12.32	21.61	24.49	27.97	29.66
ROCE	%	-2.27	140.55	27.61	29.43	34.30	39.26	114.98
ROA	%	-0.20	10.19	6.26	9.90	9.74	9.67	10.12
Cost per ton	'mn	5.32	5.04	7.08	11.65	11.84	11.96	12.14
EBITDA per ton	'mn	0.52	6.36	5.58	4.13	4.21	4.39	4.51
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.38	2.02	1.06	1.42	1.82	2.12	2.18
Acid-test	x	0.32	1.11	0.33	0.54	0.88	1.15	1.06
Cash to current liab.	x	0.11	0.15	0.09	0.37	0.68	0.94	0.80
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory	'mn	1,066	1,188	2,443	4,467	5,744	6,802	7,948
Inventory Turnover	x	16	15	16	11	9	9	8
Inventory Days		23	24	22	32	38	42	46
Receivables Days		20	25	22	25	27	31	35
Payables Days		26	37	63	65	65	65	65
Operating Cycle		18	13	-19	-8	0	8	16
Utilization	%	87	97	88	68	72	47	49
Export Revenue	%	7	7	5	6	6	7	7
Local Revenue	%	93	93	95	94	94	93	93
Export Market Share	%	11	10	34	30	33	36	40
Local Market Share	%	8	8	13	9	7	7	6
Total Market Share	%	8	8	14	9	8	7	7
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS		-0.02	1.42	2.90	3.74	4.24	4.85	5.14
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	9.49	23.54	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		-483.29	8.27	4.03	3.13	2.76	2.41	2.28
Sales per share		7.03	9.90	22.11	28.22	30.61	33.21	35.70
P/BV		0.94	1.23	0.50	0.68	0.68	0.68	0.68
Price to Sales		1.67	1.18	0.53	0.41	0.38	0.35	0.33
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	0.09	0.11	0.45	0.73	0.71	0.71	0.26
L.T. Debt to Equity	x	0.01	0.02	0.34	0.53	0.48	0.42	0.00
Interest Cover	x	-0.10	-97.65	25.79	5.72	6.62	7.42	6.19

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

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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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