

FFC has announced its 1QCY23 result where it posted a profit after tax of Rs7.73bn (EPS: Rs6.08) as compared to a profit after tax of Rs6.24bn (EPS: Rs4.90) in the same period last year, up by 23.9% YoY amid an increase in urea takeoff.

The company has posted a revenue of Rs36.41bn against Rs26.31bn in SPLY, recording a growth of 38.3% YoY. The gross margin has improved to 40.0% as compared to 35.6% in SPLY on the back of higher retention prices for Urea and DAP.

SG&A expenses increased by 39.8% YoY to Rs3.06bn as compared to Rs2.19bn during SPLY. Other income increased by 2.5% YoY to Rs3.54bn while finance cost increased by 36.6% YoY to Rs1.46bn. Lastly, the effective taxation has increased to 35.3% as compared to 24.8% during SPLY.

Currently, FFC is trading at a CY23E P/E of 4.23x. Furthermore, the scrip is also trading at CY23E P/B of 2.25x which offers a discount of 20% relative to its historical 3-year average of 2.80x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs120 which provides an upside of 17%. Furthermore, the scrip also provides a dividend yield of 18%, which makes the total return 35%.

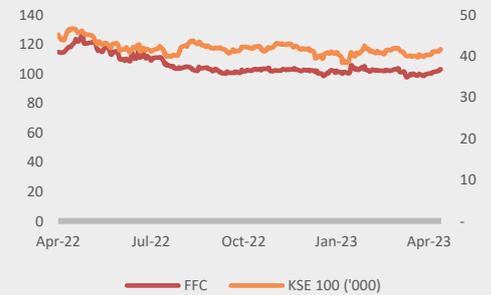
Rupees' millions	1QCY23	1QCY22	YoY	CY22	CY21	YoY
Net Sales	36,406	26,315	38.3% ▲	109,364	108,651	0.7% ▲
Cost of Sales	-21,831	-16,957	28.7% ▲	-69,317	-69,772	0.7% ▼
Gross Profit	14,575	9,358	55.7% ▲	40,046	38,879	3.0% ▲
SG&A Expenses	-3,056	-2,186	39.8% ▲	-10,108	-8,409	20.2% ▲
Other Expenses	-1,656	-1,257	31.7% ▲	-5,826	-5,758	1.2% ▲
Operating Profit	9,863	5,915	66.7% ▲	24,113	24,712	197.6% ▼
Other Income	3,545	3,459	2.5% ▲	14,442	7,919	82.4% ▲
Finance Cost	-1,464	-1,072	36.6% ▲	-4,868	-2,292	112.4% ▲
Profit Before Taxation	11,943	8,302	43.9% ▲	33,687	30,339	11.0% ▲
Taxation	-4,213	-2,062	104.3% ▲	-13,637	-8,443	61.5% ▲
Profit After Taxation	7,730	6,240	23.9% ▲	20,050	21,896	8.4% ▼
Earnings Per Share	6.08	4.90	23.9% ▲	15.76	17.21	8.4% ▼
Dividend	3.70	3.70	-	12.13	14.50	16.3% ▼
Bonus	-	-	-	-	-	-
Gross Margin	40.0%	35.6%	4.5% ▲	36.6%	35.8%	0.8% ▲
SG&A Expenses to Sales	-8.4%	-8.3%	0.1% ▲	-9.2%	-7.7%	1.5% ▲
Other Income to Sales	9.7%	13.1%	3.4% ▼	13.2%	7.3%	5.9% ▲
Ex. Gain / (Loss) to Sales	-8.4%	-8.3%	0.1% ▲	-9.2%	-7.7%	1.5% ▲
Effective Taxation	-35.3%	-24.8%	10.4% ▲	-40.5%	-27.8%	12.7% ▲
Net Margin	21.2%	23.7%	2.5% ▼	18.3%	20.2%	1.8% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	FFC
TP - Dec 23	120
LDCP	102.87
Upside (%)	17
Free Float ('mn)	700
Market Cap. (Rs.'mn)	130,875

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	109,364	145,625	150,074	156,320	163,937
Cost of sale	66,071	69,772	69,317	87,325	90,830	96,030	101,781
Gross profit	31,583	38,879	40,046	58,300	59,243	60,290	62,156
Selling and promotion expenses	7,848	8,409	10,108	12,223	13,234	13,784	14,456
Other operating expenses	2,639	5,758	5,826	6,624	7,591	7,907	8,292
Operating Profit	21,096	24,712	24,113	39,453	38,418	38,599	39,407
Other operating income	10,369	7,919	14,442	14,179	14,917	15,239	15,239
Finance cost	1,874	2,292	4,868	5,858	4,299	3,031	2,160
Profit before taxation	29,591	30,339	33,687	47,774	49,036	50,807	52,486
Taxation	8,772	8,443	13,637	16,852	16,182	16,766	17,320
Profit after taxation	20,819	21,896	20,050	30,921	32,854	34,040	35,166
EPS	16.36	17.21	15.76	24.30	25.82	26.76	27.64

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20A	CY21A	CY22A	CY23A	CY24A	CY25A	CY26A
Net sales	-7.7%	11.3%	0.7%	33.2%	3.1%	4.2%	4.9%
Cost of sale	-12.0%	5.6%	-0.7%	26.0%	4.0%	5.7%	6.0%
Gross profit	2.8%	23.1%	3.0%	45.6%	1.6%	1.8%	3.1%
Selling and promotion expenses	-5.3%	7.1%	20.2%	20.9%	8.3%	4.2%	4.9%
Other operating expenses	-22.6%	118.2%	1.2%	13.7%	14.6%	4.2%	4.9%
Operating Profit	10.8%	17.1%	-2.4%	63.6%	-2.6%	0.5%	2.1%
Other operating income	44.2%	-23.6%	82.4%	-1.8%	5.2%	2.2%	0.0%
Finance cost	-24.4%	22.3%	112.4%	20.3%	-26.6%	-29.5%	-28.7%
Profit before taxation	-24.6%	2.5%	11.0%	41.8%	2.6%	3.6%	3.3%
Taxation	32.0%	-3.8%	61.5%	23.6%	-4.0%	3.6%	3.3%
Profit after taxation	21.7%	5.2%	-8.4%	54.2%	6.3%	3.6%	3.3%
EPS	21.7%	5.2%	-8.4%	54.2%	6.3%	3.6%	3.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
GP Margin	%	32.34	35.78	36.62	40.03	39.48	38.57	37.91
OP Margin	%	32.22	30.03	35.25	36.83	35.54	34.44	33.33
NP Margin	%	21.32	20.15	18.33	21.23	21.89	21.78	21.45
ROE	%	53.31	48.63	40.77	56.71	53.06	48.90	45.38
ROCE	%	19.28	17.45	17.48	22.37	22.01	21.53	20.97
ROA	%	12.76	11.71	9.09	12.90	13.56	13.62	13.49

Liquidity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Current	x	1.37	1.13	0.96	0.89	0.95	1.03	1.10
Acid-test	x	0.04	0.02	0.01	-0.05	-0.10	-0.14	-0.17
Cash to current liab.	x	0.01	0.01	0.01	-0.09	-0.14	-0.18	-0.21

Activity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Inventory Turnover	x	9	51	3	3	6	6	5
Inventory Days		2	5	103	30	30	33	37
Receivables Days		9	3	1	15	15	15	15
Payables Days		258	327	473	357	357	357	357
Operating Cycle		-247	-319	-369	-311	-311	-308	-304

Investment Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
EPS	Rs.	16.36	17.21	15.76	24.30	25.82	26.76	27.64
DPS	Rs.	11.20	14.50	12.13	18.50	20.00	20.50	21.50
Div. Yield	%	10.89	14.10	11.79	17.98	19.44	19.93	20.90
Dividend Cover	x	1.46	1.19	1.30	1.31	1.29	1.31	1.29
BVPS	Rs.	33.43	37.35	39.96	45.76	51.59	57.84	63.98
Payout	%	68.44	84.25	76.97	76.97	77.00	77.00	77.00
Retention	%	31.56	15.75	23.03	23.03	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		6.29	5.98	6.53	4.23	3.98	3.84	3.72
Sales per share		76.76	85.40	85.96	114.46	117.96	122.87	128.86
P/BV		3.08	2.75	2.57	2.25	1.99	1.78	1.61
Price to Sales		1.34	1.20	1.20	0.90	0.87	0.84	0.80

Gearing Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Debt to Equity	x	0.95	1.27	1.57	1.45	1.09	0.82	0.65
L.T. Debt to Equity	x	0.35	0.45	0.43	0.21	0.11	0.03	0.01
Interest Cover	x	16.79	14.24	7.92	9.15	12.41	17.76	25.29

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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