

FFC has announced its 9MCY21 result where it posted a profit after tax of Rs15.89bn (EPS: Rs12.49) as compared to a profit after tax of Rs13.76bn (EPS: Rs10.82) in the same period last year, up by 15.4% YoY.

The company had posted a revenue of Rs74bn against Rs68bn in SPLY, recording a growth of 7.6% YoY.

The gross margin has been improved to 37.2% as compared to 33.9% in SPLY due to improved Urea margins. SG&A expenses have increased by 7% YoY to Rs6.05bn as compared to Rs5.65bn during SPLY.

Lastly, other income has been increased by 19.3% YoY to Rs5.9bn while the finance cost has been reduced by 3.3% YoY.

Currently, FFC is trading at a CY21E P/E of 6.06x. Furthermore, the script is also trading at CY21E P/B of 2.72x which offers a discount of 29% relative to its historical 5-year average of 3.85x. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs130 which provides an upside of 29%. Furthermore, the script also provides a dividend yield of 13%, which makes the total return of 42%.

Rupees' millions	3QCY21	3QCY20	YoY	9MCY21	9MCY20	YoY
Net Sales	29,574	24,636	20.0% ▲	73,592	68,418	7.6% ▲
Cost of Sales	-18,408	-16,365	12.5% ▲	-46,216	-45,258	2.1% ▲
<b>Gross Profit</b>	<b>11,166</b>	<b>8,271</b>	<b>35.0% ▲</b>	<b>27,376</b>	<b>23,160</b>	<b>18.2% ▲</b>
SG&A Expenses	-2,087	-1,725	21.0% ▲	-6,051	-5,654	7.0% ▲
Other Expenses	-1,426	-628	127.0% ▲	-3,917	-1,819	115.3% ▲
<b>Operating Profit</b>	<b>7,653</b>	<b>5,918</b>	<b>29.3% ▲</b>	<b>17,408</b>	<b>-1,819</b>	<b>856.9% ▲</b>
Other Income	1,701	951	78.8% ▲	5,915	4,958	19.3% ▲
Finance Cost	-647	-271	138.9% ▲	-1,452	-1,406	3.3% ▲
Profit Before Taxation	8,706	6,598	31.9% ▲	21,871	19,238	13.7% ▲
Taxation	-2,254	-1,970	14.4% ▲	-5,983	-5,474	9.3% ▲
<b>Profit After Taxation</b>	<b>6,452</b>	<b>4,628</b>	<b>39.4% ▲</b>	<b>15,888</b>	<b>13,764</b>	<b>15.4% ▲</b>
Earnings Per Share	5.07	3.64	39.4% ▲	12.49	10.82	15.4% ▲
Dividend	3.75	2.55	47.1% ▲	9.85	7.80	26.3% ▲
Bonus	-	-	-	-	-	-

Closing Period: 9 Nov 2021 – 11 Nov 2021

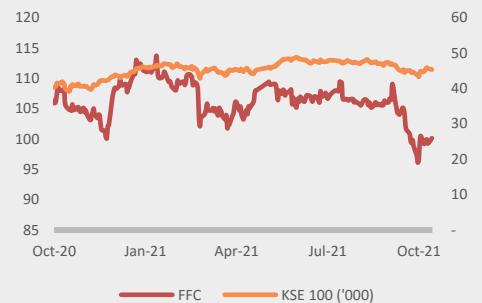
	3QCY21	3QCY20	YoY	9MCY21	9MCY20	YoY
Gross Margin	37.8%	33.6%	4.2% ▲	37.2%	33.9%	3.3% ▲
SG&A Expenses to Sales	-7.1%	-7.0%	0.1% ▲	-8.2%	-8.3%	0.0% ▼
Other Income to Sales	5.8%	3.9%	1.9% ▲	8.0%	7.2%	0.8% ▲
Ex. Gain / (Loss) to Sales	-7.1%	-7.0%	0.1% ▲	-8.2%	-8.3%	0.0% ▼
Effective Taxation	-25.9%	-29.9%	4.0% ▼	-27.4%	-28.5%	1.1% ▼
Net Margin	21.8%	18.8%	3.0% ▲	21.6%	20.1%	1.5% ▲

Source: ACPL Research, Company Financials

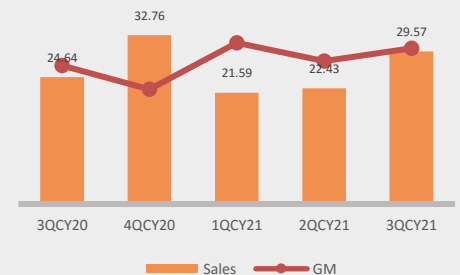
### Key Statistics

Symbol	FFC
TP - Jun 22	130.00
LDCP	100.01
Upside (%)	29
Free Float ('mn)	700
Market Cap. (Rs. 'mn)	129,768

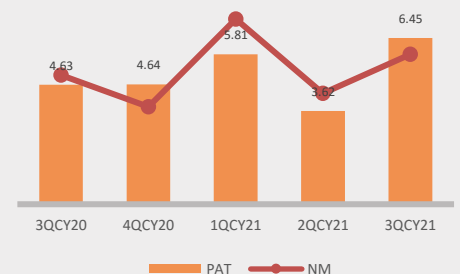
### FFC vs KSE 100



### Sales (Rs'mn) vs Gross Margin



### PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

**Muhammad Nauman Naeem**

Phone: (+92) 42 38302028; Ext: 116

Email: nauman@abbasiandcompany.com

## Financial Projections

Rupees' millions	CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	105,783	97,655	99,720	101,720	103,761	106,447	109,590
Cost of sale	75,046	66,071	64,456	65,019	66,102	68,305	70,966
<b>Gross profit</b>	<b>30,737</b>	<b>31,583</b>	<b>35,263</b>	<b>36,700</b>	<b>37,659</b>	<b>38,142</b>	<b>38,625</b>
Selling and promotion expenses	8,288	7,848	8,014	8,175	8,339	8,555	8,807
Other operating expenses	3,409	2,639	2,695	2,749	2,804	2,877	2,962
<b>Operating Profit</b>	<b>19,040</b>	<b>21,096</b>	<b>24,555</b>	<b>25,777</b>	<b>26,516</b>	<b>26,710</b>	<b>26,856</b>
Other operating income	7,191	10,369	7,021	7,628	7,908	8,141	7,908
Finance cost	2,477	1,874	1,994	1,519	1,093	840	639
Profit before taxation	23,753	29,591	29,582	31,885	33,330	34,011	34,125
Taxation	6,643	8,772	8,579	9,247	9,666	9,863	9,896
<b>Profit after taxation</b>	<b>17,110</b>	<b>20,819</b>	<b>21,003</b>	<b>22,638</b>	<b>23,664</b>	<b>24,148</b>	<b>24,229</b>
EPS	13.45	16.36	16.51	17.79	18.60	18.98	19.04

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	-0.2%	-7.7%	2.1%	2.0%	2.0%	2.6%	3.0%
Cost of sale	-3.8%	-12.0%	-2.4%	0.9%	1.7%	3.3%	3.9%
<b>Gross profit</b>	<b>9.9%</b>	<b>2.8%</b>	<b>11.7%</b>	<b>4.1%</b>	<b>2.6%</b>	<b>1.3%</b>	<b>1.3%</b>
Selling and promotion expenses	-6.2%	-5.3%	2.1%	2.0%	2.0%	2.6%	3.0%
Other operating expenses	61.7%	-22.6%	2.1%	2.0%	2.0%	2.6%	3.0%
<b>Operating Profit</b>	<b>11.8%</b>	<b>10.8%</b>	<b>16.4%</b>	<b>5.0%</b>	<b>2.9%</b>	<b>0.7%</b>	<b>0.5%</b>
Other operating income	14.5%	44.2%	-32.3%	8.6%	3.7%	2.9%	-2.9%
Finance cost	51.3%	-24.4%	6.4%	-23.8%	-28.0%	-23.2%	-24.0%
Profit before taxation	9.6%	-24.6%	0.0%	7.8%	4.5%	2.0%	0.3%
Taxation	-8.3%	32.0%	2.2%	7.8%	4.5%	2.0%	0.3%
<b>Profit after taxation</b>	<b>18.5%</b>	<b>21.7%</b>	<b>-0.9%</b>	<b>7.8%</b>	<b>4.5%</b>	<b>2.0%</b>	<b>0.3%</b>
EPS	18.5%	21.7%	-0.9%	7.8%	4.5%	2.0%	0.3%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
GP Margin	%	29.06	32.34	35.36	36.08	36.29	35.83	35.24
OP Margin	%	24.80	32.22	31.66	32.84	33.18	32.74	31.72
NP Margin	%	16.18	21.32	21.06	22.26	22.81	22.69	22.11
ROE	%	49.63	53.31	47.05	46.20	44.12	41.34	38.31
ROCE	%	17.49	19.28	17.15	17.06	17.40	17.33	16.93
ROA	%	11.41	12.76	11.41	11.56	11.96	12.00	11.80

Liquidity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY22E	CY23E
Current	x	0.91	1.37	1.28	1.28	1.29	1.31	1.33
Acid-test	x	0.18	0.04	0.17	0.16	0.16	0.17	0.18
Cash to current liab.	x	0.05	0.01	0.08	0.07	0.07	0.07	0.09

Activity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY22E	CY23E
Inventory Turnover	x	4	9	9	5	5	5	5
Inventory Days		33	40	40	40	40	40	40
Receivables Days		46	35	35	35	35	35	35
Payables Days		370	430	430	430	430	430	430
Operating Cycle		-290	-355	-355	-355	-355	-355	-355

Investment Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY22E	CY23E
EPS	Rs.	13.45	16.36	16.51	17.79	18.60	18.98	19.04
DPS	Rs.	10.80	11.20	13.21	14.24	14.88	15.18	15.24
Div. Yield	%	10.80	11.20	13.21	14.23	14.88	15.18	15.23
Dividend Cover	x	1.25	1.46	1.25	1.25	1.25	1.25	1.25
BVPS	Rs.	27.96	33.43	36.74	40.29	44.01	47.81	51.62
Payout	%	80.30	68.44	80.00	80.00	80.00	80.00	80.00
Retention	%	19.70	31.56	20.00	20.00	20.00	20.00	20.00
No. of Shares	'mn	1,272	1,272	1,272	1,272	1,272	1,272	1,272
P/E		7.44	6.11	6.06	5.62	5.38	5.27	5.25
Sales per share		83.15	76.76	78.38	79.95	81.56	83.67	86.14
P/BV		3.58	2.99	2.72	2.48	2.27	2.09	1.94
Price to Sales		1.20	1.30	1.28	1.25	1.23	1.20	1.16

Gearing Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY22E	CY23E
Debt to Equity	x	0.93	0.95	0.72	0.52	0.43	0.35	0.28
L.T. Debt to Equity	x	0.31	0.35	0.33	0.13	0.08	0.04	0.01
Interest Cover	x	10.59	16.79	15.84	21.99	31.48	41.49	54.43

Source: ACPL Research, Company Financials

## DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

### VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

### DEFINITION OF TERMS

<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

### RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

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

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

### RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

### OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

#### RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

#### HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

#### BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com