

FFC has announced its CY21 result where it posted a profit after tax of Rs21.89bn (EPS: Rs17.21) as compared to a profit after tax of Rs18.41bn (EPS: Rs14.47) in the same period last year, up by 19% YoY.

The company had posted a revenue of Rs108.65bn against Rs101.18bn in SPLY, recording a growth of 7.4% YoY.

The gross margin has been improved to 35.8% as compared to 31.3% in SPLY due to improved Urea margins. SG&A expenses have increased by 3.7% YoY to Rs8.4bn as compared to Rs8.1bn during SPLY.

Lastly, other income has been increased by 19.5% YoY to Rs7.92bn while the finance cost has been increased by 2.9% YoY.

Currently, FFC is trading at a CY22E P/E of 5.90x. Furthermore, the script is also trading at CY22E P/B of 2.71x which offers a discount of 18% relative to its historical 3-year average of 3.30x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs125 which provides an upside of 18%. Furthermore, the scrip also provides a dividend yield of 14%, which makes the total return of 32%.

Rupees' millions	4QCY21	4QCY20	YoY	CY21	CY20	YoY
Net Sales	35,059	32,761	7.0% ▲	108,651	101,179	7.4% ▲
Cost of Sales	-23,556	-23,656	0.4% ▼	-69,772	-68,914	1.2% ▲
Gross Profit	11,503	9,105	26.3% ▲	38,879	32,264	20.5% ▲
SG&A Expenses	-2,359	-2,453	3.8% ▼	-8,409	-8,107	3.7% ▲
Other Expenses	-1,841	-1,078	70.7% ▲	-5,758	-2,898	98.7% ▲
Operating Profit	7,304	5,574	31.0% ▲	24,712	-2,898	752.9% ▲
Other Income	2,005	1,670	20.0% ▲	7,919	6,628	19.5% ▲
Finance Cost	-840	-823	2.1% ▲	-2,292	-2,228	2.9% ▲
Profit Before Taxation	8,468	6,422	31.9% ▲	30,339	25,660	18.2% ▲
Taxation	-2,460	-1,779	38.3% ▲	-8,443	-7,253	16.4% ▲
Profit After Taxation	6,008	4,643	29.4% ▲	21,896	18,407	19.0% ▲
Earnings Per Share	4.72	3.65	29.4% ▲	17.21	14.47	19.0% ▲
Dividend	3.75	3.25	15.4% ▲	13.60	11.05	23.1% ▲
Bonus	-	-	-	-	-	-

Closing Period: 19 Mar 2022 – 25 Mar 2022

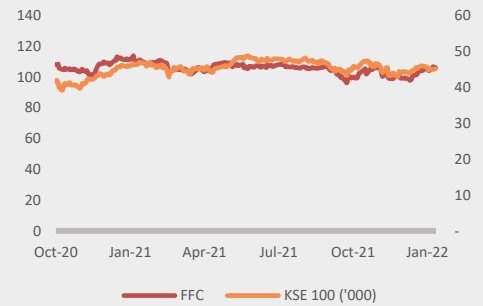
	4QCY21	4QCY20	YoY	CY21	CY20	YoY
Gross Margin	32.8%	27.8%	5.0% ▲	35.8%	31.9%	3.9% ▲
SG&A Expenses to Sales	-6.7%	-7.5%	0.8% ▼	-7.7%	-8.0%	0.3% ▼
Other Income to Sales	5.7%	5.1%	0.6% ▲	7.3%	6.6%	0.7% ▲
Ex. Gain / (Loss) to Sales	-6.7%	-7.5%	0.8% ▼	-7.7%	-8.0%	0.3% ▼
Effective Taxation	-29.0%	-27.7%	1.3% ▲	-27.8%	-28.3%	0.4% ▼
Net Margin	17.1%	14.2%	3.0% ▲	20.2%	18.2%	2.0% ▲

Source: ACPL Research, Company Financials

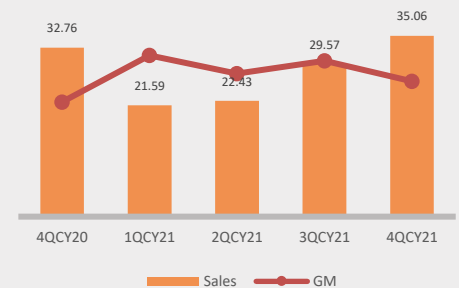
Key Statistics

Symbol	FFC
TP - Dec 22	125.00
LDCP	106.00
Upside (%)	18
Free Float ('mn)	699
Market Cap. (Rs. 'mn)	136,142

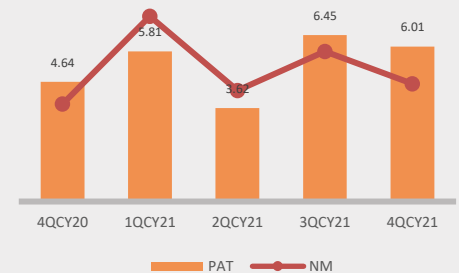
FFC vs KSE 100



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	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	105,783	97,655	108,651	112,748	114,577	118,498	122,876
Cost of sale	75,046	66,071	69,772	69,464	69,153	72,072	75,629
Gross profit	30,737	31,583	38,879	43,283	45,424	46,425	47,246
Selling and promotion expenses	8,288	7,848	8,409	9,584	9,739	10,072	10,444
Other operating expenses	3,409	2,639	5,758	7,329	7,447	7,702	7,987
Operating Profit	19,040	21,096	24,712	26,371	28,237	28,651	28,815
Other operating income	7,191	10,369	7,919	7,628	7,908	8,141	7,908
Finance cost	2,477	1,874	2,292	1,788	1,357	1,090	874
Profit before taxation	23,753	29,591	30,339	32,211	34,788	35,701	35,848
Taxation	6,643	8,772	8,443	9,341	10,089	10,353	10,396
Profit after taxation	17,110	20,819	21,896	22,870	24,699	25,348	25,452
EPS	13.45	16.36	17.21	17.98	19.41	19.92	20.01

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	-0.2%	-7.7%	11.3%	3.8%	1.6%	3.4%	3.7%
Cost of sale	-3.8%	-12.0%	5.6%	-0.4%	-0.4%	4.2%	4.9%
Gross profit	9.9%	2.8%	23.1%	11.3%	4.9%	2.2%	1.8%
Selling and promotion expenses	-6.2%	-5.3%	7.1%	14.0%	1.6%	3.4%	3.7%
Other operating expenses	61.7%	-22.6%	118.2%	27.3%	1.6%	3.4%	3.7%
Operating Profit	11.8%	10.8%	17.1%	6.7%	7.1%	1.5%	0.6%
Other operating income	14.5%	44.2%	-23.6%	-3.7%	3.7%	2.9%	-2.9%
Finance cost	51.3%	-24.4%	22.3%	-22.0%	-24.1%	-19.7%	-19.8%
Profit before taxation	9.6%	-24.6%	-2.5%	6.2%	8.0%	2.6%	0.4%
Taxation	-8.3%	32.0%	3.8%	10.6%	8.0%	2.6%	0.4%
Profit after taxation	18.5%	21.7%	-5.2%	4.4%	8.0%	2.6%	0.4%
EPS	18.5%	21.7%	-5.2%	4.4%	8.0%	2.6%	0.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	29.06	32.34	35.78	38.39	39.64	39.18	38.45
OP Margin	%	24.80	32.22	30.03	30.16	31.55	31.05	29.89
NP Margin	%	16.18	21.32	20.15	20.28	21.56	21.39	20.71
ROE	%	49.63	53.31	49.47	47.77	47.84	45.81	43.06
ROCE	%	17.49	19.28	17.65	17.55	18.95	19.12	18.75
ROA	%	11.41	12.76	11.84	11.80	12.95	13.17	13.00

Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	0.91	1.37	1.30	1.28	1.32	1.35	1.39
Acid-test	x	0.18	0.04	0.18	0.07	0.08	0.10	0.12
Cash to current liab.	x	0.05	0.01	0.08	-0.08	-0.07	-0.06	-0.04

Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	4	9	9	4	4	4	4
Inventory Days		33	40	40	50	50	50	50
Receivables Days		46	35	35	50	50	50	50
Payables Days		370	430	430	350	350	350	350
Operating Cycle		-290	-355	-355	-250	-250	-250	-250

Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	13.45	16.36	17.21	17.98	19.41	19.92	20.01
DPS	Rs.	10.80	11.20	14.50	15.00	16.50	17.00	17.00
Div. Yield	%	10.19	10.57	13.68	14.15	15.57	16.04	16.04
Dividend Cover	x	1.25	1.46	1.19	1.20	1.18	1.17	1.18
BVPS	Rs.	27.96	33.43	36.14	39.12	42.03	44.96	47.96
Payout	%	80.30	68.44	84.25	84.25	84.25	84.25	84.25
Retention	%	19.70	31.56	15.75	15.75	15.75	15.75	15.75
No. of Shares	'mn	1,272	1,272	1,272	1,272	1,272	1,272	1,272
P/E		7.88	6.48	6.16	5.90	5.46	5.32	5.30
Sales per share		83.15	76.76	85.40	88.62	90.06	93.14	96.58
P/BV		3.79	3.17	2.93	2.71	2.52	2.36	2.21
Price to Sales		1.27	1.38	1.24	1.20	1.18	1.14	1.10

Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.93	0.95	0.63	0.73	0.63	0.54	0.44
L.T. Debt to Equity	x	0.31	0.35	0.34	0.14	0.08	0.04	0.01
Interest Cover	x	10.59	16.79	14.24	19.01	26.64	33.76	42.01

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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- II. Dividend Discount Model
- 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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