

FFC has announced its CY22 result where it posted a profit after tax of Rs20.05bn (EPS: Rs15.76) as compared to a profit after tax of Rs21.90bn (EPS: Rs17.21) in the same period last year, down by 8.4% YoY amid super tax adjustment.

The company had posted a revenue of Rs109.36bn against Rs108.56bn in SPLY, recording a growth of 0.7% YoY.

The gross margin has slightly improved to 36.6% as compared to 35.8% in SPLY due to higher retention prices of Urea and DAP. SG&A expenses have increased by 20.2% YoY to Rs10.11bn as compared to Rs8.41bn during SPLY.

Other income has increased by 82.4% YoY to Rs14.44bn. Lastly, finance cost has been increased by 112.4% YoY to Rs4.87bn.

Currently, FFC is trading at a CY23E P/E of 6.44x. Furthermore, the scrip is also trading at CY23E P/B of 2.31x which offers a discount of 17% relative to its historical 3-year average of 2.78x. 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 12%, which makes the total return 29%.

Rupees' millions	4QCY22	4QCY21	YoY	CY22	CY21	YoY
Net Sales	30,184	35,059	13.9% ▼	109,364	108,651	0.7% ▲
Cost of Sales	-20,478	-23,556	13.1% ▼	-69,317	-69,772	0.7% ▼
Gross Profit	9,706	11,503	15.6% ▼	40,046	38,879	3.0% ▲
SG&A Expenses	-3,186	-2,359	35.1% ▲	-10,108	-8,409	20.2% ▲
Other Expenses	-1,613	-1,841	12.3% ▼	-5,826	-5,758	1.2% ▲
Operating Profit	4,907	7,304	32.8% ▼	24,113	24,712	197.6% ▼
Other Income	4,153	2,005	107.2% ▲	14,442	7,919	82.4% ▲
Finance Cost	-1,641	-840	95.3% ▲	-4,868	-2,292	112.4% ▲
Profit Before Taxation	7,419	8,468	12.4% ▼	33,687	30,339	11.0% ▲
Taxation	-2,213	-2,460	10.0% ▼	-13,637	-8,443	61.5% ▲
Profit After Taxation	5,206	6,008	13.3% ▼	20,050	21,896	8.4% ▼
Earnings Per Share	4.09	4.72	13.3% ▼	15.76	17.21	8.4% ▼
Dividend	3.15	4.65	32.3% ▼	12.13	14.50	16.3% ▼
Bonus	-	-	-	-	-	-

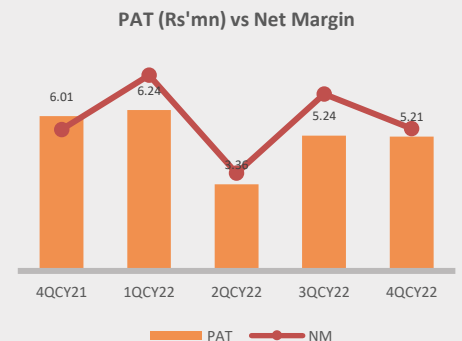
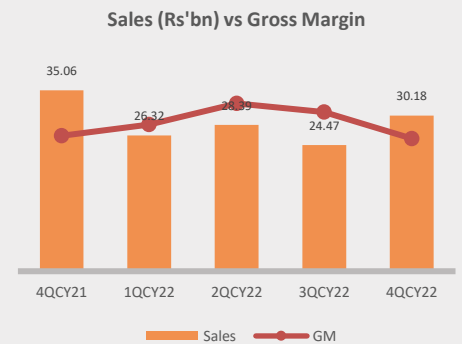
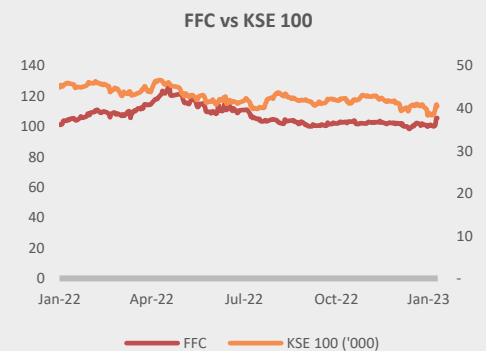
Closing Period: 26 Mar 2023 - 28 Mar 2023

Gross Margin	32.2%	32.8%	0.7% ▼	36.6%	35.8%	0.8% ▲
SG&A Expenses to Sales	-10.6%	-6.7%	3.8% ▲	-9.2%	-7.7%	1.5% ▲
Other Income to Sales	13.8%	5.7%	8.0% ▲	13.2%	7.3%	5.9% ▲
Ex. Gain / (Loss) to Sales	-10.6%	-6.7%	3.8% ▲	-9.2%	-7.7%	1.5% ▲
Effective Taxation	-29.8%	-29.0%	0.8% ▲	-40.5%	-27.8%	12.7% ▲
Net Margin	17.2%	17.1%	0.1% ▲	18.3%	20.2%	1.8% ▼

Source: ACPL Research, Company Financials

### Key Statistics

Symbol	FFC
TP - Dec 23	120
LDPC	102.85
Upside (%)	17
Free Float ('mn)	699
Market Cap. (Rs.'mn)	130,850



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	121,424	127,358	134,400	142,163
Cost of sale	66,071	69,772	69,317	81,999	86,174	91,121	96,593
<b>Gross profit</b>	<b>31,583</b>	<b>38,879</b>	<b>40,046</b>	<b>39,426</b>	<b>41,185</b>	<b>43,279</b>	<b>45,570</b>
Selling and promotion expenses	7,848	8,409	10,108	12,822	13,449	14,193	15,012
Other operating expenses	2,639	5,758	5,826	6,496	6,814	7,190	7,606
<b>Operating Profit</b>	<b>21,096</b>	<b>24,712</b>	<b>24,113</b>	<b>20,107</b>	<b>20,922</b>	<b>21,896</b>	<b>22,951</b>
Other operating income	10,369	7,919	14,442	13,835	14,395	14,628	14,628
Finance cost	1,874	2,292	4,868	3,615	2,596	1,590	969
Profit before taxation	29,591	30,339	33,687	30,327	32,721	34,934	36,610
Taxation	8,772	8,443	13,637	10,008	10,798	11,528	12,081
<b>Profit after taxation</b>	<b>20,819</b>	<b>21,896</b>	<b>20,050</b>	<b>20,319</b>	<b>21,923</b>	<b>23,406</b>	<b>24,529</b>
EPS	16.36	17.21	15.76	15.97	17.23	18.40	19.28

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY20A	CY21A	CY22A	CY23A	CY24A	CY25A	CY26A
Net sales	-7.7%	11.3%	0.7%	11.0%	4.9%	5.5%	5.8%
Cost of sale	-12.0%	5.6%	-0.7%	18.3%	5.1%	5.7%	6.0%
<b>Gross profit</b>	<b>2.8%</b>	<b>23.1%</b>	<b>3.0%</b>	<b>-1.5%</b>	<b>4.5%</b>	<b>5.1%</b>	<b>5.3%</b>
Selling and promotion expenses	-5.3%	7.1%	20.2%	26.9%	4.9%	5.5%	5.8%
Other operating expenses	-22.6%	118.2%	1.2%	11.5%	4.9%	5.5%	5.8%
<b>Operating Profit</b>	<b>10.8%</b>	<b>17.1%</b>	<b>-2.4%</b>	<b>-16.6%</b>	<b>4.1%</b>	<b>4.7%</b>	<b>4.8%</b>
Other operating income	44.2%	-23.6%	82.4%	-4.2%	4.0%	1.6%	0.0%
Finance cost	-24.4%	22.3%	112.4%	-25.7%	-28.2%	-38.8%	-39.0%
Profit before taxation	-24.6%	2.5%	11.0%	-10.0%	7.9%	6.8%	4.8%
Taxation	32.0%	-3.8%	61.5%	-26.6%	7.9%	6.8%	4.8%
<b>Profit after taxation</b>	<b>21.7%</b>	<b>5.2%</b>	<b>-8.4%</b>	<b>1.3%</b>	<b>7.9%</b>	<b>6.8%</b>	<b>4.8%</b>
EPS	21.7%	5.2%	-8.4%	1.3%	7.9%	6.8%	4.8%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
GP Margin	%	32.34	35.78	36.62	32.47	32.34	32.20	32.05
OP Margin	%	32.22	30.03	35.25	27.95	27.73	27.18	26.43
NP Margin	%	21.32	20.15	18.33	16.73	17.21	17.42	17.25
ROE	%	53.31	48.63	40.24	37.39	37.21	36.52	35.24
ROCE	%	19.28	17.45	18.78	16.63	17.71	18.00	17.98
ROA	%	12.76	11.71	9.76	9.96	10.99	11.54	11.74

Liquidity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Current	x	1.37	1.13	1.19	1.23	1.28	1.35	1.42
Acid-test	x	0.04	0.02	-0.09	-0.26	-0.30	-0.32	-0.30
Cash to current liab.	x	0.01	0.01	-0.23	-0.42	-0.48	-0.51	-0.51

Activity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Inventory Turnover	x	9	51	7	6	8	8	8
Inventory Days		2	5	50	23	23	23	23
Receivables Days		9	3	50	50	50	50	50
Payables Days		258	327	350	251	251	251	251
Operating Cycle		-247	-319	-250	-178	-178	-178	-178

Investment Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
EPS	Rs.	16.36	17.21	15.76	15.97	17.23	18.40	19.28
DPS	Rs.	11.20	14.50	12.13	12.50	13.50	14.00	15.00
Div. Yield	%	10.89	14.10	11.79	12.15	13.13	13.61	14.58
Dividend Cover	x	1.46	1.19	1.30	1.28	1.28	1.31	1.29
BVPS	Rs.	33.43	37.35	40.98	44.45	48.18	52.58	56.86
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		6.28	5.98	6.53	6.44	5.97	5.59	5.33
Sales per share		76.76	85.40	85.96	95.44	100.11	105.64	111.74
P/BV		3.08	2.75	2.51	2.31	2.13	1.96	1.81
Price to Sales		1.34	1.20	1.20	1.08	1.03	0.97	0.92

Gearing Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Debt to Equity	x	0.95	1.27	0.94	0.79	0.58	0.41	0.32
L.T. Debt to Equity	x	0.35	0.45	0.27	0.23	0.12	0.03	0.01
Interest Cover	x	16.79	14.24	7.92	9.39	13.60	22.97	38.77

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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
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