

Sector**Food & Personal  
Care Products**Chase Research

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Symbol: **FCEPL**

Current Price: **PKR 55.21**

Market Cap (PKR bn): **42.32**

Total Shares (mn): **766.60**

Free Float (mn): **76.60**

52 Week Low: **PKR 52.60**

52 Week High: **PKR 77.90**

**FrieslandCampina  
Pakistan Limited (FCEPL)****Engro**

In 1HCY23 (1HCY23), the Company demonstrated robust profitability, achieving a commendable PKR 1.3 billion (EPS: PKR 1.73). This marked an impressive YoY increase of 63.46% when compared to the previous year's PKR 0.9 billion (EPS: PKR 1.22) in the same period. However, the percentage of profit after tax (PAT) in relation to sales experienced a decline due to elevated financing costs and increased taxation.

The Company reported net revenue at PKR 47 billion, showing a substantial 52% YoY growth compared to the PKR 30.8 billion reported in the previous year's 1HCY. Similarly, gross profit amounted to PKR 7.7 billion, marking a notable 48% YoY increase compared to PKR 5.2 billion in the same period of the previous year.

Nevertheless, gross margins suffered a decrease due to factors like higher inflation, increased energy costs, foreign exchange limitations, and currency devaluation.

The segment focused on dairy-based products exhibited a significant growth of 57%, reaching PKR 41.6 billion in 1HCY23. Conversely, the frozen dessert segment observed a 25% growth, reaching PKR 5.4 billion during the corresponding period.

Egg prices surged by 37%, milk by 32%, tea by 113%, and wheat by 90%, reflecting the elevated cost of goods sold. Management highlighted that the pronounced inflationary pressures had substantially eroded the purchasing power of households. However, the Company managed to pass on these costs to consumers by marginally raising product prices.

The Company successfully introduced new products, including mango flavored milk and three additional Omore products. Employing a robust marketing strategy, the Company effectively captured market share in both regular and flavored milk categories. Currently, the market share of packaged milk stands at 8% in the country.

Management underscored collaborative efforts between the Punjab Food Authority and the FCEPL, organizing campaigns to promote loose milk testing and raising awareness about healthy eating at schools.

A survey indicated a notable shift in public perception towards packaged milk since 2019. Approximately 49% of respondents considered packaged milk to be safe, while 11% believed it to be pure.

Over the past five years, the Company collaborated with media channels to enhance awareness about the benefits of packaged milk and debunk misconceptions surrounding loose milk, aided by partnerships with organizations such as the Pakistan Medical Association (PMA) and the Pakistan Dairy Association (PDA).

Challenges stemming from import bans were managed as the Company worked towards sourcing raw materials like chocolates, flavors, and machinery components locally. Currently, the Company has expanded its exports to 13 countries, including Central Asia, Africa, and the USA.

Going forward, the Company aims to expand its product offerings in the cheese and flavored milk categories. However, the management anticipates a rise in finance costs due to heightened working capital requirements.

### **Important Disclosures**

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