

# Day Break

Wednesday, 17 April 2019

## COMPANY UPDATE

### Fauji Cement Company Limited

Cement

<b>Recommendation</b>	<b>NEUTRAL</b>		
Target Price:	31-Dec-19	18.4	
Last Closing:	3-Apr-19	18.0	
Upside:	2.1		
Valuation Methodology:	Discounted Cash Flow (DCF)		
Time Horizon:	8M		

### Market Data

Bloomberg Tkr.	FCCL PA		
Shares (mn)	1,379.8		
Free Float Shares (mn)	758.9		
Free Float Shares (%)	55.0%		
Market Cap (PKRbn   USDmn)	24.8	175.3	
Exchange	KSEALL		
<b>Price Info.</b>	90D	06M	12M
Abs. Return	(4.6)	(10.7)	(36.1)
Lo	19.3	19.3	19.2
Hi	23.3	26.8	31.9

### Key Company Financials

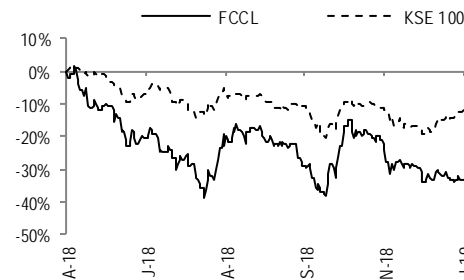
Period End: Jun

PKRbn	FY18A	FY19E	FY20F	FY21F
Total Revenue	21.2	23.0	21.4	21.0
Net Income	3.4	3.5	3.3	2.9
EPS (PKR)	2.5	2.5	2.4	2.1
DPS (PKR)	2.0	2.0	2.0	1.8
Total Assets	28	29	28	28
Total Equity	20	21	22	22

### Key Financial Ratios

ROE (%)	16.7	16.5	15.0	13.0
P/E (x)	7.2	7.1	7.6	8.6
P/B (x)	0.5	1.2	1.2	1.1
DY (%)	11.1	11.1	11.1	9.7

### Relative Price Performance



### About the Company

Fauji Cement Company Limited is a public limited company incorporated in Pakistan on November 23, 1992 and commenced its business w.e.f. May 22, 1993. The principal activity of the company is manufacturing and sale of ordinary portland cement.

Source: Bloomberg, PSX &amp; IGI Research

Analyst

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## Cements

### FCCL: Lesser dispatches, lower retentions and inflated costs to push down 3QFY19 by 32%YoY to PKR 0.42

- Fauji Cement Company Limited's (FCCL) board meeting is scheduled on 18<sup>th</sup> Apr-19 to announce financial result for 3QFY19, wherein we expect the company to post earnings of PKR 582mn (EPS PKR 0.42), down by 32%YoY
- We estimate decline in earnings on the back a) lower dispatches made during the period – 26%YoY decline, b) greater discounts offered to dealers; and c) higher input costs on the back of 25%YoY depreciation of PKR against greenback.
- This will bring 9MFY19 profitability to PKR 2.41bn (EPS PKR 1.74) up by +13%YoY compared to PKR 2.12bn (EPS PKR 1.54) in the same period last year. On a quarterly basis, earnings are expected to decrease by 43%QoQ.
- We recommend a 'HOLD' stance on FCCL with our Dec-19 target price of PKR 18.4/share offering 2.1% upside from last close.

### 3QFY19 earnings to drop by 32%YoY to PKR 0.42/share

Fauji Cement Company Limited's (FCCL) board meeting is scheduled on 18<sup>th</sup> Apr-19 to announce financial result for 3QFY19, wherein we expect the company to post earnings of PKR 582mn (EPS PKR 0.42), down by 32%YoY, compared to PKR 854mn (EPS PKR 0.62) in the same period last year. We estimate decline in earnings on the back a) lower dispatches made during the period – 26%YoY decline, b) greater discounts offered to dealers; and c) higher input costs on the back of 25%YoY depreciation of PKR against greenback. This will bring 9MFY19 profitability to PKR 2.41bn (EPS PKR 1.74) up by +13%YoY compared to PKR 2.12bn (EPS PKR 1.54) in the same period last year. On a quarterly basis, earnings are expected to decrease by 43%QoQ.

Exhibit:

### FCCL Result Highlights

Period end (JUN) - PKRmn	3QFY19	3QFY18	YoY	9MFY19	9MFY18	YoY
Net Sales	4,805	5,546	-13%	15,236	15,814	-4%
Gross Profit	1,069	1,500	-29%	4,117	3,728	10%
Sell. / Dist. & Admin	158	171	-7%	471	465	1%
Non-Operating Income	30	37	-18%	113	72	58%
EBIT	877	1,276	-31%	3,505	3,107	13%
Financial Charges	30	47	-35%	84	121	-31%
Pre-tax Profits	846	1,229	-31%	3,421	2,987	15%
Taxation	265	375	-29%	1,016	864	18%
Post-tax Profits	582	854	-32%	2,405	2,122	13%
EPS	0.42	0.62		1.74	1.54	
DPS	-	1.00		-	1.00	
<b>Key Ratios</b>						
Gross Margin (%)	22.3	27.1		27.0	23.6	
Net Margin (%)	12.1	15.4		15.8	13.4	
Effective Tax Rate (%)	31.3	30.5		29.7	28.9	

Source: Company Accounts, IGI Research

No. of Shares : 1380mn

### Recommendation

We recommend a 'HOLD' stance on FCCL with our Dec-19 target price of PKR 18.4/share offering 2.1% upside from last close. The company is currently trading at FY19/20 P/E of 7.1/7.6x and offers a dividend of 11%/11% respectively.

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