

Flash Note

Wednesday, 15 February 2017



Securities

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Cement

FCCL: Earnings down by 59%YoY to PKR 0.50/share in 2QFY17

- Profitability for Fauji Cement Company Ltd (FCCL) plunged by 59%YoY to PKR 694mn (EPS PKR 0.50) in 2QFY17, taking profitability for 1HFY17 to PKR 1.30bn (EPS PKR 0.94), down by 53%YoY.
- The company didn't announce any interim cash dividend against our expectation.
- Revenue increased marginally by +4%YoY to PKR 5.80bn in 2QFY17, taking 1HFY17 revenue to PKR 10.19bn on the back of +15%YoY/-67%YoY growth anticipated in domestic/export dispatches.
- Gross margin plummeted by 25%YoY/0.8%QoQ in 2QFY17 due to high cost of clinker procurement and rebounding coal & FO prices.
- Other income contracted by 51%YoY to PKR 32mn while other expenses declined by 56%YoY to PKR 76mn in 2QFY17.

Recommendation

We maintain our 'HOLD' call on the scrip with Dec-17 TP of PKR 51/share, offering upside of +9% from last closing. FCCL is currently trading at FY17E P/E of 16x.

Exhibit:

FCCL Financial Highlights

	2QFY17	2QFY16	YoY	1HFY17	1HFY16	YoY
<i>Income Statement</i>						
Revenue	5,796	5,569	4%	10,187	9,950	2%
Gross Profit	1,271	2,699	-53%	2,318	4,577	-49%
Sell & Admin	131	138	-5%	243	245	-1%
Fin cost	72	122	-41%	149	320	-53%
PBT	1,025	2,331	-56%	1,856	3,861	-52%
Net profit	694	1,674	-59%	1,303	2,777	-53%
EPS	0.50	1.21		0.94	2.01	
<i>Key Ratios</i>						
Gross Margin	22%	48%		23%	46%	
Net Margin	12%	30%		13%	28%	
Effective Tax Rate	32%	28%		30%	28%	

Source: IGI Research, Company Financials

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Dec - 2017

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DCF (Discounted Cash Flow)

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Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

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