

Flash Note

Friday, 21 February 2020

Cements

Fauji Cement Company Limited (FCCL)

Substantial erosion in gross margins drag 2QFY20 EPS to PKR 0.14, down 81%YoY

- ✓ Fauji Cement Company Limited (FCCL) announced its financial results for 2QFY20 with net earnings of PKR 189mn (EPS: PKR 0.14), down by 81%YoY, as compared to PKR 1.02bn (EPS: PKR 0.74) reported in the same period last year. This brings 1HFY20 net earnings to PKR 482mn (EPS: PKR 0.35) as against PKR 1.82bn (EPS: PKR 1.32) reported in the comparative period.
- ✓ The earnings come as a surprise, since gross margins of the Company have fallen below expectations. We await publication of interim report for an accurate analysis of financial results.
- ✓ Net sales of the Company during 2QFY20 grew by +4%YoY as against the comparative period owing to enhanced dispatches made during the period.
- ✓ Gross profit margins of the Company have reduced massively to 7% as against 32% recorded in the comparative period and 14% in 1QFY20. Though PKR devaluation and substantial rise in royalty fee of limestone and clay were expected to drop margins as compared to similar quarter of the preceding year, margins were anticipated to remain close to that of sequential quarter. Impact of axle load restrictions from the previous quarter could be a reason, however, we await publication of interim report for accurate reporting.

Exhibit: FCCL Result Highlights						
Period end (JUN) - PKRmn	2QFY20	2QFY19	YoY	1HFY20	1HFY19	YoY
Net Sales	5,314	5,089	4%	9,557	10,431	-8%
Gross Profit	392	1,629	-76%	984	3,048	-68%
Sell. / Dist. & Admin	205	139	47%	367	313	17%
Non-Operating Income	24	76	-69%	54	83	-36%
EBIT	206	1,460	-86%	635	2,628	-76%
Financial Charges	52	24	2.2x	80	53	50%
Pre-tax Profits	154	1,436	-89%	555	2,575	-78%
Taxation	(36)	414	-0.1x	73	751	-90%
Post-tax Profits	189	1,023	-81%	482	1,824	-74%
EPS	0.14	0.74		0.35	1.32	
DPS	0.25	0.75		0.25	0.75	
Key Ratios						
Gross Margin (%)	7.4	32.0		10.3	29.2	
Net Margin (%)	3.6	20.1		5.0	17.5	
Effective Tax Rate (%)	(23.2)	28.8		13.2	29.2	

Source: Company Accounts, IGI Research

No. of Shares : 1380mn

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