

Flash Note

Monday, 29 August 2016

Cements

FCCL: Update on Progress of Rehabilitation work on Line II

- Fauji Cement Company Limited (FCCL) in its notice to Pakistan stock exchange (PSX) have updated on the progress of the rehabilitation of Line II. To recall FCCL witnessed an accident on 29th May-16, where the company reported damage to its 25,000ton Raw Meal Silo and Coal mill which resulted in the closure of cement line of 7,560tpd.
- The company has informed that the dismantling works on the raw silo mill are likely to be completed by 31st Aug-16 and re-designing along with procurement of materials/spare parts is in progress.
- Moreover, necessary coordination with the manufacturer (TKIS Germany) has been done.
- However, FCCL is yet to give any clarity on completion of the work along with determining exact amount of losses, as the insurance surveyors are carrying out their surveys and compiling list of damages.
- For our previous report on FCCL (http://www.igisecurities.com.pk/downloads/research/DayBreak_FaujiCementCompany_Jun17.pdf)

Recommendation

We maintain our 'BUY' call on FCCL with Our Dec-16 target price of PKR 46/share offering +20% upside from its last closing price of PKR 38/share. The scrip is currently trading at FY16E/FY17F P/E multiple of 11.1x/14.3x, with dividend yield of 5.2%.

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Analyst Certification

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Recommendation	Rating System
Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- DCF (Discounted Cash Flow)

Time Horizon

- Dec - 2016

Risk

- Changes in State Bank of Pakistan Policy Rate
- Changes in country (Pakistan) macro-economic environment
- Changes in Company(ies) operating structure
- Change in Exchange Rate (USDPKR)

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