

Flash Note

Monday, 30 May 2016

Cements

FCCL: Silo and Coal Plant Damage

- As per reports, Fauji Cement Company Limited's (FCCL) silo plant (bulk storage for raw materials) and coal power plant have been damaged, which are probable to result in Line II closure with clinker production capacity of 7200 tons/day. Company's intimation to PSX is still awaited
- Although it too early to assess the quantum of damage, our industry check suggest PKR 4-6bn capex, whereas plant is expected to remain shut down for 6-7months. However, it is too early to comment on insurance proceeds sufficiency for the required capex.
- Our initial calculation suggests PKR .11/share downward impact for FY16, whereas PKR 0.79-1.84/share earnings impact, if plant remains closed during 3-6 months period in FY17. Whereas we expect dividend curtailment until the plant is online, which would hurt profitability of FFC and FFBL in 3QCY16 and 1QCY17.
- We believe MLCF, KOHC, CHCC (if expansion comes online in Sept-16) and DGKC to benefit most from this catastrophe.

Exhibit: EPS Impact for FCCL

PKR/share	FY16E	FY17F
Base EPS	4.34	4.79
New EPS	4.23	2.95
Decline	0.11	1.84
Impact	-3%	-38%

Source: IGI Research

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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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