

Cement

FCCL: Earnings down by 57%YoY to PKR 0.48/share in 3QFY17

- Profitability for Fauji Cement Company Ltd (FCCL) plunged by 57%YoY to PKR 669mn (EPS PKR 0.48) in 3QFY17, taking 9MFY17 profitability to PKR 1.97bn (EPS PKR 1.43), down by 55%YoY. This is mainly on account of disruptions in line II.
- Revenue increased marginally by +6%YoY to PKR 5.57bn in 3QFY17, taking 9MFY17 revenue to PKR 15.76bn on the back of +5%YoY/-80%YoY growth anticipated in domestic/export dispatches.
- Gross margin plunged down by 27%YoY/1.41%QoQ in 3QFY17 due to high cost of clinker procurement and higher coal & FO prices.
- Other income contracted by 62%YoY to PKR 31mn while other expenses declined by 56%YoY to PKR 72mn in 3QFY17.

Recommendation

We recommend "BUY" call on the scrip with Dec-17 TP of PKR 51/share, offering upside of +22% from last closing.

Exhibit:

FCCL Result Highlights

PKR'mn'	9MFY17	9MFY16	YoY	3QFY17	2QFY17	QoQ
Net Sales	15,760	15,195	4%	5,573	5,796	-4%
Gross Profit	3,462	7,080	-51%	1,144	1,271	-10%
S&A exp	364	371	-2%	121	131	-7%
Oth. Income	98	214	-54%	31	32	-3%
Oth. Expense	209	447	-53%	72	76	-6%
Finance Cost	160	415	-61%	11	72	-85%
Pre-tax Profits	2,828	6,061	-53%	971	1,025	-5%
Post-tax Profits	1,972	4,337	-55%	669	694	-4%
EPS	1.43	3.14	-55%	0.48	0.50	-4%

Key Ratios

Gross Margin (%)	22.0	46.6		20.5	21.9
Net Margin (%)	12.5	28.5		12.0	12.0
Effective Tax Rate (%)	30.3	28.4		31.1	32.3

SOURCE: Company Accounts, IGI Research

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Recommendation	Rating System
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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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