

# Flash Note

Tuesday, 27 August 2019

## Cements

### Fauji Cement Company Limited (FCCL)

**Lower dispatches, elevated production costs and heavy 4Q effective tax push FY19 earnings down by 18%YoY to PKR 2.05/share**

- Fauji Cement Company Limited (FCCL) announced its financial results for 4QFY19 with earnings clocking in at PKR 384mn (EPS: PKR 0.28), down by 71%YoY, as compared to PKR 1.31bn (EPS: PKR 0.95) reported in the same period last year. This brings FY19 EPS to PKR 2.05 as against PKR 2.49 recorded in the same period last year.
- The Company announced a final dividend of PKR 0.75/share along with the result, taking full year payout to PKR 1.50/share.
- Net sales of the Company during FY19 dropped by 2%YoY, despite considerable recovery in retentions during the year, largely due to decline in cement dispatches made by the Company during the period.
- Gross margins of the Company during FY19 increased by ~140bps, despite substantial cost pressures, due to full year in-house production of clinker in the current period as against partial purchase of expensive clinker from regional competitors in the comparative year.
- Effective tax of the Company increased by two folds to 36% as against 16% reported in the similar period of the previous year, largely due to substantial tax credit available in the previous period and possibly due to adverse impacts on deferred tax liabilities and available tax credits on account of changes enacted in Finance Act, 2019. We await publication of annual report for further information in this regard.

Exhibit:

#### FCCL Result Highlights

Period end (JUN) - PKRmn	4QFY19	4QFY18	YoY	FY19	FY18	YoY
Net Sales	5,154	5,347	-4%	20,798	21,161	-2%
Gross Profit	1,177	1,386	-15%	5,323	5,115	4%
Sell. / Dist. & Admin	148	196	-25%	626	662	-5%
Non-Operating Income	27	32	-16%	148	104	43%
EBIT	985	1,139	-14%	4,519	4,246	6%
Financial Charges	32	27	15%	107	148	-28%
Pre-tax Profits	953	1,112	-14%	4,412	4,098	8%
Taxation	569	(196)	-391%	1,588	669	137%
Post-tax Profits	384	1,307	-71%	2,824	3,429	-18%
EPS	0.28	0.95		2.05	2.49	
DPS	0.75	1.00		1.50	2.00	

#### Key Ratios

Gross Margin (%)	22.8	25.9		25.6	24.2	
Net Margin (%)	7.5	24.5		13.6	16.2	
Effective Tax Rate (%)	59.7	n/m		36.0	16.3	

Source: Company Accounts, IGI Research

No. of Shares : 1380mn

#### Analyst

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