

Day Break

Monday, 21 October 2019

Company Update

Exhibit: Overall dispatches of FCCL decline amid intense competition in the North region.

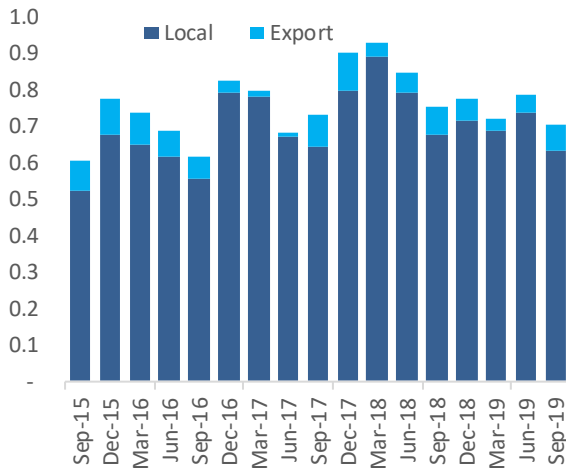
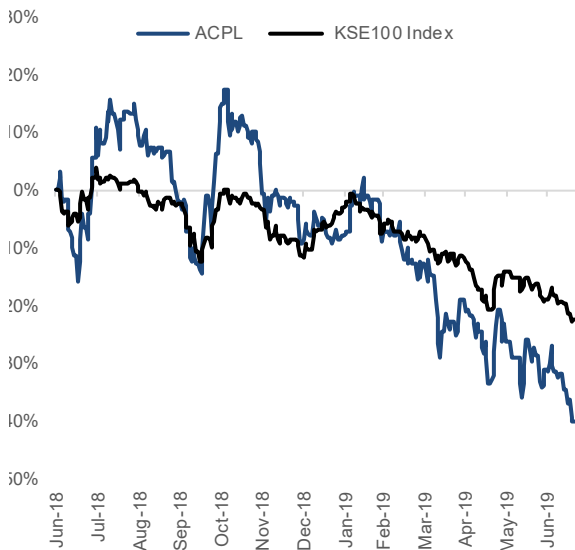


Exhibit: FCCL's Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Cements

FCCL: Lesser dispatches, lower retention prices and inflated costs to push down 1QFY20E EPS by 62%YoY to PKR 0.22

- Fauji Cement Company Limited's (FCCL) board meeting is scheduled on 21st Oct-19 to announce financial result for 1QFY20E, wherein we expect the company to post earnings of PKR 308mn (EPS PKR 0.22), down by 62%YoY
- We estimate decline in earnings on the back a) lower dispatches made during the period, b) lower retention prices in the domestic front due to intense competition and enhanced FED (+33.3%YoY); and c) higher input costs on the back of +28%YoY depreciation of PKR against greenback, increase in energy costs of the Company and mounting inflationary pressures.
- On a sequential basis, earnings are expected to decrease by 20%QoQ, led by a) decline in domestic dispatches and b) enhanced cost structure.

1QFY20E earnings to drop by 62%YoY to PKR 0.22/share

Fauji Cement Company Limited's (FCCL) board meeting is scheduled on 21st Oct-19 to announce financial result for 1QFY20E, wherein we expect the company to post earnings of PKR 308mn (EPS PKR 0.22), down by 62%YoY, compared to PKR 801mn (EPS PKR 0.58) in the same period last year. We estimate decline in earnings on the back a) lower dispatches made during the period, b) lower retention prices in the domestic front due to intense competition and enhanced FED (+33.3%YoY); and c) higher input costs on the back of +28%YoY depreciation of PKR against greenback, increase in energy costs of the Company and mounting inflationary pressures.

On a sequential basis, earnings are expected to decrease by 20%QoQ, led by a) decline in domestic dispatches and b) enhanced cost structure.

Exhibit:

FCCL Result Highlights

Period end (JUN) - PKRmn	1QFY20	1QFY19	YoY	4QFY19	QoQ
Net Sales	4,328	5,342	-19%	5,154	-16%
Gross Profit	637	1,419	-55%	1,177	-46%
Sell. / Dist. & Admin	169	174	-3%	148	14%
Non-Operating Income	37	7	5.3x	27	37%
EBIT	469	1,168	-60%	985	-52%
Financial Charges	36	30	21%	32	14%
Pre-tax Profits	433	1,139	-62%	953	-55%
Taxation	125	338	-63%	569	-78%
Post-tax Profits	308	801	-62%	384	-20%
EPS	0.22	0.58		0.28	
DPS	-	-		0.75	

Key Ratios

Gross Margin (%)	14.7	26.6	22.8
Net Margin (%)	7.1	15.0	7.5
Effective Tax Rate (%)	28.8	29.6	59.7

Source: Company Accounts, IGI Research

No. of Shares : 1380mn

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IGI Finex Securities Limited

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