

# Flash Note

Monday, 27 August 2018

## Cements

### Fauji Cement Company Limited (FCCL)

#### Significant tax reversal close FY18 earnings up by +31%YoY to PKR 2.49

- Fauji Cement Company Limited (FCCL) announced its financial results for FY18 with earnings clocking in at PKR 3.43bn (EPS: PKR 2.49) as compared to PKR 2.61bn (EPS: PKR 1.89) in the same period last year. On a quarterly basis, 4QFY18 earnings stood at PKR 1.31bn (EPS: PKR 0.95) as against PKR 641mn (EPS: PKR 0.46) in the corresponding quarter last year.
- The Company announced a dividend of PKR 1.00/share along with the result, which is in addition to interim dividend already paid at PKR 1.00/share.
- Net sales of the Company grew by only +4%YoY to PKR 21.16bn despite an approximated +15%YoY increase in dispatches, largely due to lower retention prices during the year.
- Gross Profits of the Company during the year rose by +15%YoY to PKR 5.12bn as against PKR 4.44bn in the comparative period. This was largely owed to reduced cost of production following recommencement of production line II. Accordingly, gross margins improved to 24% as against 22% reported in the similar period of the year despite substantial increase in coal and FO prices internationally and PKR devaluation against the greenback.
- Effective tax rate of the Company for the year stood at 16% as against 34% reported in FY17. Though the reduced taxability is likely largely owed to tax credits pertaining to rehabilitation of production line II and installation of a Waste Heat Recovery (WHR) plant, we await annual report of the Company for further clarity on the matter.

Exhibit:

#### FCCL Result Highlights

Period end (JUN) - PKRmn	4QFY18	4QFY17	YoY	FY18	FY17	YoY
Net Sales	5,347	4,664	15%	21,161	20,423	4%
Gross Profit	1,386	976	42%	5,115	4,438	15%
Sell. / Dist. & Admin	196	142	38%	662	506	31%
Non-Operating Income	32	345	-91%	104	443	-76%
EBIT	1,139	1,096	4%	4,246	4,083	4%
Financial Charges	27	(7)	n.m.	148	153	-3%
Pre-tax Profits	1,112	1,103	1%	4,098	3,930	4%
Taxation	(196)	461	n.m.	669	1,317	-49%
Post-tax Profits	1,307	641	2.04x	3,429	2,613	31%
EPS	0.95	0.46		2.49	1.89	
DPS	1.00	0.90		2.00	0.90	
<b>Key Ratios</b>						
Gross Margin (%)	25.9	20.9		24.2	21.7	
Net Margin (%)	24.5	13.7		16.2	12.8	
Effective Tax Rate (%)	(17.6)	41.9		16.3	33.5	

Source: Company Accounts, IGI Research

No. of Shares : 1380mn

#### Analyst

Muhammad Saad

[muhammad.saad@igi.com.pk](mailto:muhammad.saad@igi.com.pk)

Tel: (+92-21) 111-234-234 Ext.: 816

## Important Disclaimer and Disclosures

**Research Analyst(s) Certification:** The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

**Disclaimer:** The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

**Rating system:** IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

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

**Risk:** Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

**Basic Definitions and Terminologies used:** **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, Last Closing: Latest closing price, Market Cap.: Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. EPS: Earnings per Share. DPS: Dividend per Share. ROE: Return on equity is the amount of net income returned as a percentage of shareholders' equity. P/E: Price to Earnings ratio of a company's share price to its per-share earnings. P/B: Price to Book ratio used to compare a stock's market value to its book value. DY: The dividend yield is dividend per share, divided by the price per share. CY/FY: Calendar/Fiscal/Financial Year. YoY/ QoQ/ MoM: Year-on-Year, Quarter-on-Quarter, Month-on-Month. Th /Mn /Bn /Tr: Thousands/Million/Billion/Trillion.

## Contact Details

### Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Umesh Solanki	Database Manager	Tel: (+92-21) 111-234-234 Ext: 974	umesh.solanki@igi.com.pk

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk
Ihsan Mohammad	Branch Manager (Peshawar)	Tel: (92-91) 5253035	ihsan.mohammad@igi.com.pk

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of  
Pakistan Stock Exchange Limited |  
Corporate member of Pakistan Mercantile Exchange Limited

### Lahore Office

5-F.C.C. Ground Floor,  
Syed Maratib Ali Road, Gulberg II  
Tel: (+92-42) 35777863-70, 35876075-76  
Fax: (+92-42) 35763542

### Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,  
Block- B, Jinnah Avenue, Blue Area  
Tel: (+92-51) 2604861-2, 2604864, 2273439  
Fax: (+92-51) 2273861

### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780  
Website: www.igisecurities.com.pk

### Faisalabad Office

Room #: 515-516, 5th Floor, State Life  
Building, 2- Liaqat Road  
Tel: (+92-41) 2540843-45  
Fax: (+92-41) 2540815

### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
Model Town, Town Hall Road  
Tel: (+92-68) 5871653-6, 5871652  
Fax: (+92-68) 5871651

### Multan Office

Mezzanine Floor, Abdali Tower,  
Abdali Road  
Tel: (92-992) 408243 - 44

### Abbottabad Office

Ground Floor, Al Fatah Shopping Center,  
Opp. Radio Station, Mansehra Road  
Tel: (+92-99) 2408243 - 44

### Stock Exchange Office

Room # 719, 7th Floor, PSX Building,  
Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2  
Fax: (+92-21) 32429607

### Peshawar Office

2nd Floor, The Mall Tower,  
35 The Mall Peshawar Cantt.  
Tel: (92-91) 5253035, 5278448

### Sialkot Office

Suite No. 10 & 11, 1st Floor, Soni Square,  
Mubarik Pura  
Tel: (+92-52) 3258437, 3258762