

# Fauji Cement Company Limited

## Result Review: EPS of Rs 0.45 in 3QFY19

Fauji Cement Company Ltd. (FCCL) announced its 3QFY19 result where in the company posted profit after tax (PAT) of Rs616mn (EPS: Rs0.45/share), down by 28% as compared to SPLY. This takes 9MFY19 EPS to Rs1.77/share, up by 15%YoY. The result was below our expectations.

### RESULT KEY HIGHLIGHTS

- FCCL's net sales declined by 6%YoY to Rs5.2bn during 3QFY19 against Rs5.5bn in SPLY. The decline in revenue is on the back of lower sales volume.
- Gross profit of the company declined by 27% as compared to corresponding period of last year. This is due to devaluation of PKR which increases the cost of production.
- Company distribution expense shrank by 13%, led by cut in exports. This is due to supply of cheap Iranian cement in Afghanistan market and suspension of export to India.
- Finance cost declined by 53%YoY owing to maturing of long term debt.
- We have a "neutral" stance on the stock.

Income Statement (Rs in 000)	3QFY19	3QFY18	YoY	9MFY19	9MFY18	YoY
Net Sales	5,212,959	5,545,571	-6%	15,644,101	15,814,059	-1%
Cost of sales	(4,114,778)	(4,045,367)	2%	(11,498,084)	(12,085,723)	-5%
<b>Gross profit</b>	<b>1,098,181</b>	<b>1,500,204</b>	<b>-27%</b>	<b>4,146,017</b>	<b>3,728,336</b>	<b>11%</b>
Distribution expenses	(62,762)	(72,064)	-13%	(183,482)	(192,055)	-4%
Admin expenses	(102,446)	(98,582)	4%	(294,834)	(272,983)	8%
Other operating expenses	(65,132)	(90,556)	-28%	(254,894)	(227,954)	12%
Other operating Income	37,955	36,541	4%	121,283	71,690	69%
Finance cost	(21,867)	(46,583)	-53%	(75,248)	(120,521)	-38%
<b>Profit before tax</b>	<b>883,929</b>	<b>1,228,960</b>	<b>-28%</b>	<b>3,458,842</b>	<b>2,986,513</b>	<b>16%</b>
Taxation	(267,541)	(374,592)	-29%	(1,018,658)	(864,347)	18%
<b>Profit after tax</b>	<b>616,388</b>	<b>854,368</b>	<b>-28%</b>	<b>2,440,184</b>	<b>2,122,166</b>	<b>15%</b>
<b>EPS</b>	<b>0.45</b>	<b>0.62</b>		<b>1.77</b>	<b>1.54</b>	
<b>Gross Margins</b>	<b>21.1%</b>	<b>27.1%</b>		<b>26.5%</b>	<b>23.6%</b>	

Source: Co. Financials, Darson Research

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### Rating System:

- If;
- **Expected return >15%** - Buy Call
  - **Expected Return is in between 0% to 15%** - Neutral/Hold Call
  - **Expected Return <0%** - Sell Call

### Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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