



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 | ΥοΥ | 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% |
| Gross profit | 1,098,181 | 1,500,204 | -27% | 4,146,017 | 3,728,336 | 11% |
| Distribution expenses | (62,762) | (72 <i>,</i> 064) | -13% | (183,482) | (192 <i>,</i> 055) | -4% |
| Admin expenses | (102,446) | (98 <i>,</i> 582) | 4% | (294,834) | (272 <i>,</i> 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 <i>,</i> 583) | -53% | (75,248) | (120,521) | -38% |
| Profit before tax | 883,929 | 1,228,960 | -28% | 3,458,842 | 2,986,513 | 16% |
| Taxation | (267,541) | (374,592) | -29% | (1,018,658) | (864,347) | 18% |
| Profit after tax | 616,388 | 854,368 | -28% | 2,440,184 | 2,122,166 | 15% |
| EPS | 0.45 | 0.62 | | 1.77 | 1.54 | |
| Gross Margins | 21.1% | 27.1% | | 26.5% | 23.6% | |

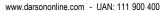
Source: Co. Financials, Darson Research



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Rating System:

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- Expected return >15%
- Expected Return is in between 0% to 15%
- Expected Return <0%

- Buy Call - Neutral/Hold Call - 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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