

FCCL sales growth persistent at Rs20.8bn in FY19 | FCCL yield FY20 P/E of 3.9x, D/Y of 17.8%

FCCL announced its FY19 results which were mostly in line with our published forecast. FCCL reported EPS of Rs 2.02/sh with cumulative dividends of Rs1.5/sh in FY19. Unlike industry, FCCL may have operated at higher utilization level.

We see FCCL net sales recorded at Rs 20.8bn in FY19 as against Rs 21.1bn in FY18 thus represents sustained level of sales volumes. FCCL dispatched ~3.63mn tons. However, revenues slightly decreased in value terms given decrease in retention prices that may have fallen to Rs 320/ 50kg amid cartel shenanigans fallen to the earth at Northern zone. However, its only FCCL which may not be 'part' of cartel as per our assertion and the company is enjoying better utilization vis a vis industry. Even though progress on housing schemes announced by government is slow yet we believe FCCL may take benefit given its proximity to areas where projects are announced.

FCCL cost of sales decreased to Rs 15.5bn in FY19 as against Rs16.1bn in FY18 albeit impact of decrease in international coal average price to \$ 65/ton. This factor was partially neutralized by spiraling Rupee Dollar parity which kept raw material cost a bit higher.

P&L '000'	FY18A	FY19A	FY19E	FY20E
Net Sales	21,160,878	20,798,082	22,090,329	23,292,247
COGS	16,124,517	15,474,771	16,990,688	15,910,023
GP	5,036,361	5,323,311	5,099,641	7,382,223
Other income	104,094	148,358	154,632	232,922
Distribution Cost	197,707	210,335	276,129	279,507
Administrative expenses	385,602	415,979	397,626	267,861
Other expenses	311,184	326,689	353,445	279,507
OP	4,245,962	4,518,666	4,227,073	6,788,271
Finance Cost	147,813	148,358	100,024	28,000
PBT	4,098,149	4,370,308	4,127,049	6,760,271
Tax	668,685	1,587,610	1,196,844	1,960,479
PAT	3,429,464	2,782,698	2,930,205	4,799,792
EPS	2.49	2.02	2.12	3.48
DPS	2.00	1.50	1.70	2.50

Source: www.scstrade.com

REP-033 | www.jamapunji.pk

FCCL Price	Rs 13.98
Market Cap	Rs 19.39bn
52 week avg vol.	3.77mn
Beta	1.57
Piotroski F Score	6 out of 9

Notice:

<https://dps.psx.com.pk/download/document/132244.pdf>

Analysis	FY18	FY19
Gross Margin	24%	26%
Operating Margin	20%	22%
Net Margin	16%	13%
Effective tax rate	16%	36%
Payout ratio	80%	74%

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September 02, 2019

FCCL fundamentals are better off as against fellow Northern zone players

Unlike other players viz. Cherat Cement, Kohat Cement, Maple Leaf Cement etc Fauji Cement is enjoying lower leveraging which is resulting in enhanced earnings spree. Other companies are plagued by higher incidence of financial charges given mammoth increase in interest rates.

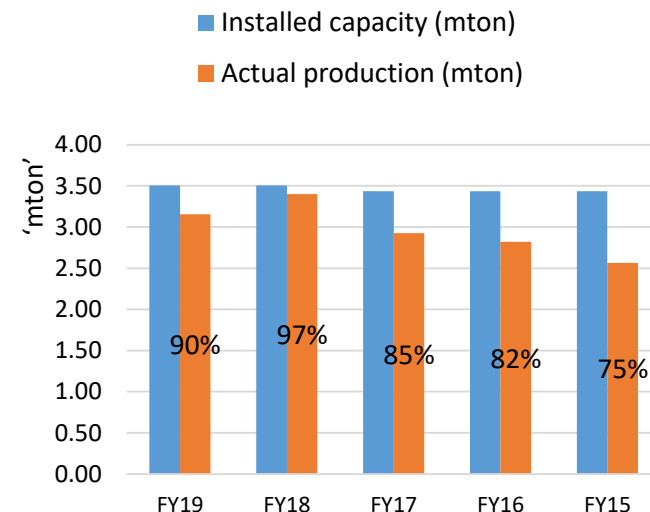
Some projects...

FCCL headed towards new project of Solar energy with 12MW generation earlier in FY19. This project can reduce the load of electricity/coal usage internally.

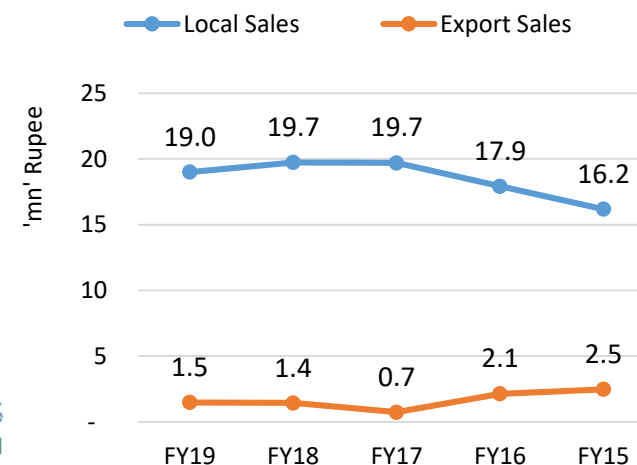
Profitability is visible in tough times...

FCCL reported net profit of Rs 2.8bn in FY19 as against 3.4bn in FY18 - showing decline of 18% in net profit given deduction of effective tax rate ~ 36% in FY19.

FCCL yield FY19 & FY20 PE of 6.84x & 3.93x respectively. FCCL decipher FY20 dividend yield of 17.8%.



Source: www.scstrade.com



Source: www.scstrade.com

1 Month Range

Rs. 12.98 - Rs. 15.54



Source: www.scstrade.com

6 Month Range

Rs. 12.48 - Rs. 21.59



52 Week's Range

Rs. 12.23 - Rs. 27.25



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- less than 10% (Target Price, if any/Current Price -1) Hold*

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Valuation method

Following research techniques adopted to calculate target price/recommendation

Price to earnings & Price to Book, EV-EBITDA multiple

Discounted Cash flows or Dividend Discount Model or Enterprise Value