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Fauji Cement: Rise of the fallen *part 2*

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Ticker	FCCL
Price	30.35
52 week low	20.42
52 week high	47.85
Beta	1.29
Market Cap (PKR)	41.10bn
FY17 Cash Dividend	Re.0.9/sh
Source: SCS Research	

References

<https://www.psx.com.pk/newsimage/112894-1.pdf>

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- FCCL reported it's 9MFY18 results which was inline with street consensus. FCCL reported EPS of Rs1.54/sh versus Rs1.43/sh reported in corresponding 9MFY17. Icing on the cake was it's customary interim cash dividend of Re1/sh. FCCL regained it's dividend paying spree which is a good omen for dividend lovers.
- FCCL announced that it has 'regained' production from it's damaged Line 2 vide it's notice in 2QFY17. Going through it's 2Q report of dispatch ~ 1.6mn tons in 1HFY17, we can safely assume it's optimum dispatch to reach around 3.4 tons in FY18.
- Hence we see above street consensus EPS forecast of Rs2.7/sh in FY18. Given continuous cement bag price increase in Northern Zone, as being reported in media, we expect FY19 to be most improved for FCCL in terms of margins. We have estimated FCCL EPS of Rs4-4.5/sh based on various sensitivities of coal price & resultant.
- FCCL yields FY19 PE range of 6.7x-7.5x.

P&L - reported accounts		
(Amount Rs mn)	9MFY17	9MFY18
Sales	15,760	15,815
Gross Profit	3,462	3,728
GP Margin	22%	24%
Net Profit	1,972	2,122
NP Margin	13%	13%
Basic EPS Rs/sh	1.43	1.54
Dividend Rs/sh	0.9	1
Source: SCS Research		

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

- The time duration is the financial reporting period of Subject Company.

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