

**Fauji Cement Company Limited**  
Result Review

PSX: FCCL Bloomberg: FCCL: PA Reuters: FAUC: KA

Pakistan Research

**FCCL: 4QFY22 EPS clocked in at PKR 1.40, DPS Nil; Bonus 12.5%**

- FCCL announced its 4QFY22 results today wherein the company reported amalgamated EPS of PKR 1.40. This takes cumulative EPS for FY22 to PKR 3.26. Along with the result, the management of the company has announced bonus shares in proportion of 12.5 share for every 100 shares held (12.5%).
- FCCL has reported amalgamated accounts with Askari Cement for FY22. As per our understanding, FCCL has reported FY22 EPS of PKR 2.24 while the rest can be attributed to the contribution from Askari cement.
- We are placing the stock 'under review' and will revisit our stance after reviewing the detailed financial accounts.

**Key Data**

PSX Ticker	FCCL
Target Price (PKR)	UR
Current Price (PKR)	15.4
Upside/(Downside) (%)	-
Dividend Yield (%)	-
Total Return (%)	-
12-month High (PKR)	22
12-month Low (PKR)	12
Outstanding Shares (mn)	2,180
Market Cap (PKR mn)	33,642
Year End	June

Source: Company Accounts, Akseer Research

**Financial Highlights (PKR mn)**

	4QFY21	4QFY22	YoY	FY21	FY22*	YoY
Net Sales	6,743	31,319	364%	24,271	54,243	123%
Cost of Sales	5,159	23,336	352%	18,207	39,844	119%
<b>Gross Profit</b>	<b>1,584</b>	<b>7,983</b>	<b>404%</b>	<b>6,064</b>	<b>14,399</b>	<b>137%</b>
Selling & Admin. Exp	201	1,165	479%	714	1,838	157%
Other Income	101	385	282%	378	809	114%
Other Charges	20	1,125	5640%	110	1,202	996%
Finance cost	91	496	443%	245	977	298%
Profit before tax	<b>1,354</b>	<b>5,804</b>	<b>329%</b>	<b>5,108</b>	<b>11,527</b>	<b>126%</b>
Taxation	493	2,759	460%	1,636	4,416	170%
<b>Net Income</b>	<b>861</b>	<b>3,050</b>	<b>254%</b>	<b>3,471</b>	<b>7,113</b>	<b>105%</b>
EPS	0.62	1.40	124%	2.52	3.26	30%

\* FY22 amalgamated accounts

\* FY22 EPS calculated on new number shares

Source: Company Accounts, Akseer Research

**Key Financial Ratios**

	FY19A	FY20A	FY21A	FY22A	FY23F	FY24F
EPS	2.0	(0.0)	2.5	3.3	2.9	3.0
EPS Growth	-18%	-102%	-	30%	-19%	5%
DPS	1.50	-	-	-	-	-
PER	7.3	-	6.0	4.6	5.2	5.0
Dividend Yield	10.0%	-	-	-	-	-
EV/EBITDA	3.54	-	3.16	2.68	4.24	3.58
P/B	1.0	1.0	0.9	0.7	0.6	0.6
ROE	13.5%	-	14.9%	17.4%	12.3%	11.4%

Source: Company Accounts, Akseer Research

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### Valuation Basis

Our PT for Fauji Cement Company Limited (FCCL) has been computed using Free cash flow to Firm (FCFF) method. We have used a risk free rate of 13%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 19%.

### Investment Thesis

We are placing the stock 'under review' and will revisit our stance after reviewing the detailed financial accounts.

### Risks

Key downside risks to our investments thesis are: (1) higher than anticipated increase in input cost (Coal, FO, Gas) (2) lower than anticipated growth in cement demand (3) higher than estimated decline in cement prices (4) lower than anticipated decline in interest rates.

### Company Description

Fauji Cement Company Limited manufactures and sells ordinary Portland cement in Pakistan. The company also offers sulphate resistant cement. The company also exports its products to Afghanistan, Tajikistan, India, Sri Lanka, East Africa, and South Africa. Fauji Cement Company Limited was incorporated in 1992 and is headquartered in Rawalpindi, Pakistan.

### Financial Highlights - FCCL

Income Statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22A	FY23F	FY24F
Net sales	20,798	17,232	24,271	54,243	29,443	35,594
Cost of sales	15,475	16,583	18,207	39,844	21,370	26,805
<b>Gross Profit</b>	<b>5,323</b>	<b>649</b>	<b>6,064</b>	<b>14,399</b>	<b>8,073</b>	<b>8,790</b>
SG & A	626	673	714	1,838	974	844
<b>Operating Profit</b>	<b>6,217</b>	<b>1,705</b>	<b>7,079</b>	<b>14,117</b>	<b>9,100</b>	<b>10,930</b>
Other income	148	85	245	231	590	233
Other charges	327	1	378	809	434	454
Finance cost	107	234	110	1,202	1,366	1,560
<b>Profit before tax</b>	<b>4,412</b>	<b>(173)</b>	<b>5,108</b>	<b>11,528</b>	<b>5,889</b>	<b>6,165</b>
Taxation	1,588	(114)	1,636	4,416	1,943	2,035
<b>Profit after tax</b>	<b>2,824</b>	<b>(59)</b>	<b>3,471</b>	<b>7,113</b>	<b>3,946</b>	<b>4,131</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22F	FY23F	FY24F
PPE	23,203	22,065	21,422	28,730	43,775	47,237
Other LT assets	87	99	87	87	88	89
Non-Current Assets	23,290	22,225	21,613	28,889	43,921	47,372
Current assets	5,676	7,153	12,439	18,292	15,586	17,262
<b>Total Assets</b>	<b>28,965</b>	<b>29,377</b>	<b>34,052</b>	<b>47,181</b>	<b>59,506</b>	<b>64,634</b>
Non-Current liabilities	4,315	4,390	4,630	12,647	18,264	16,998
Current liabilities	3,752	5,182	6,147	6,369	9,132	11,395
<b>Total Liabilities</b>	<b>8,067</b>	<b>9,573</b>	<b>10,777</b>	<b>19,016</b>	<b>27,396</b>	<b>28,393</b>
Equity	20,899	19,804	23,276	28,165	32,110	36,241
<b>Total Equity &amp; liabilities</b>	<b>28,965</b>	<b>29,377</b>	<b>34,053</b>	<b>47,181</b>	<b>59,507</b>	<b>64,634</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22F	FY23F	FY24F
Net Income	2,824	(59)	3,471	4,889	3,946	4,131
Non-cash Charges	1,520	1,729	1,729	1,556	2,001	2,984
<b>Operating Cash flows</b>	<b>5,460</b>	<b>809</b>	<b>1,549</b>	<b>5,856</b>	<b>3,772</b>	<b>5,871</b>
<b>FCFF</b>	<b>3,429</b>	<b>238</b>	<b>509</b>	<b>(2,934)</b>	<b>(12,344)</b>	<b>482</b>
Net borrowings	(1,075)	1,036	(94)	7,374	8,707	167
<b>FCFE</b>	<b>2,286</b>	<b>1,193</b>	<b>340</b>	<b>4,383</b>	<b>(4,553)</b>	<b>(396)</b>
Net change in cash	(129)	158	340	4,383	(4,553)	(396)
<b>Closing cash</b>	<b>403</b>	<b>561</b>	<b>901</b>	<b>5,284</b>	<b>731</b>	<b>335</b>

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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