

Fauji Cement ~ Rock solid...

Fauji Cement (FCCL) is one of the leading cement producers in Pakistan in terms of volumetric sales especially in northern zone & now cost efficiency through *Waste Heat Recovery (WHR)*. FCCL operates with the production capacity of 3.43mn tons per year. FCCL likely to announce its financial results for FY15.

We expect the company to report NPAT of Rs3,848mn against the NPAT of Rs2,625mn reported last year. This translates into FY15 EPS of Rs2.89/sh.

The installation of WHR plant also helped in controlling costs which could be in the vicinity of Rs600mn to Rs700 as per our estimation. We expect the impact will be reflected in its earning. We also expect the company to announce second interim dividend of Re1/sh (cumulative Rs2/sh).

Fauji Cement

Profit & Loss Statement

Rs. 000	FY14	FY15	%Change
Turnover	17,532,277	19,899,134	14%
Cost Of Sales	(11,448,142)	(12,357,362)	8%
Gross Profit	6,084,135	7,541,772	24%
Admin Exp	(225,957)	(239,514)	6%
Distribution cost	(125,106)	(162,638)	30%
Operating Expenses	(333,504)	(373,524)	12%
Finance Cost	(1,042,144)	(1,097,581)	5%
Other income	152,081	162,727	7%
Profit before tax	4,509,505	5,831,241	29%
Taxation	(1,883,511)	(1,982,622)	5%
PAT	2,625,994	3,848,619	47%
EPS (Rs)	1.80	2.89	

Source: Standard Capital Research

FCCL triggers...FCCL – well positioned

Recent floods in provinces viz. KPK and Punjab will open avenues for cement demand for reconstruction of infrastructure and housing. already we expect Frontier Works Org. (FWO) projects in flood ravaged *Chitral* would result in usage of FCCL cement brand. The Chitral region has been affected due to melting of glaciers and thus severely affected wherein emergency like reconstruction is going on.

The dispatches are expected to increase in coming months of **FY16 which could be true in the context of FCCL only.**

Also we see work on *China Pakistan Economic Corridor (CPEC)* is in full swing especially in the province of Baluchistan where law and order has improved. We expect cement consumption will be accelerated given the

FCCL Statistics

Avg Vol (12M)	7,516,395.00
52 Week Low	17.71
52 Week High	38.85
Market Cap	47.29B
Beta	1.34
Face Value	10
Total No. Shares	1331.12M

Source: SCS Research

FCCL Valuation

	FY14	FY15E	FY16E
EPS (Rs)	1.8	2.89	3.95
DPS (Rs)	1.5	2	2.5
P/E (x)	19.8	12.3	9.0

Source: Standard Capital Research

Analyst:

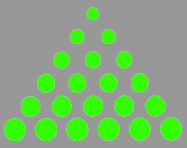
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industrial parks and projects alongside that corridor which has great strategic significance for Pakistan.

Moreover, CM Punjab is also determined to construct roads and highways in the ruler areas of Central Punjab by **FY18, which is indeed beneficial for cement player's viz. FCCL.**

The company operates its production capacity at 72%. We expect the company to increase production to meet 'burgeoning' demand given our understanding of their German plant that could be operated at higher capacity as against contemporary Chinese plant.

Please see valuation chart on side lines of page 1.