

Result Preview | Pakistan Research

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FCCL: EPS expected to clock in at PKR 1.88, up 40% YoY

Fauji Cement Company Limited

PSX: FCCL | Bloomberg: FCCL PA | Reuters: FAUC.PSX

- FCCL is expected to announce its 1QFY27 results, wherein we expect the company to post an EPS of 1.88, up 40% YoY.
- We expect FCCL's revenue to clock-in at PKR 26bn, up 12% YoY. The robust growth is likely driven by 11% YoY increase in Central Punjab retail prices further elevating retention price per bag. This price growth more than compensated for complete halt in Afghan exports which accounted for 10% of total sales in SPLY.
- Gross margin is expected to expand by 5ppts YoY, as 11% YoY increase in retention price per bag is set to outpace increase in cost per ton of 7% YoY.
- Other income is expected to clock-in at PKR 161mn, down 75% YoY. This is due to decrease in cash and short-term investments of the company by 71% YoY to 5.6bn in 4QFY26 (down from PKR 19bn in 1QFY26). This contraction of FCCL's cash and short-term investments was primarily due to partial funding of the ACPL acquisition and early debt pay-off by FCCL's management.
- Finance cost is projected to compress 40% YoY to PKR 679mn, driven by deleveraging (total debt down by 9% YoY to PKR 35.5bn in 4QFY26). ACPL-related financing accounts for 49% of total debt.

Key Data

PSX Ticker	FCCL
Target Price (PKR)	65
Current Price (PKR)	52
Upside/(Downside) (%)	25%
Dividend Yield (%)	4%
Total Return (%)	29%
12-month High (PKR)	61
12-month Low (PKR)	36
Outstanding Shares (Mn)	2,453
Market Cap (PKR Mn)	126,591

Source: PSX, Akseer Research

Financial Estimates (PKR Mn)	1QFY26	1QFY27F	YoY	4QFY26*	QoQ
Sales	23,418	26,138	12%	23,907	9%
Cost of Sales	16,039	16,666	4%	14,916	12%
Gross Profit	7,378	9,473	28%	8,990	5%
General and Admin	500	551	10%	457	21%
Selling and Distribution	725	912	26%	834	9%
Other Operating Expenses	368	561	52%	490	14%
Other Income	643	161	-75%	492	-67%
Finance Cost	1,136	679	-40%	931	-27%
Share of profit from associate	0	370	n.m.	237	56%
Profit Before Tax	5,293	7,302	38%	7,008	4%
Taxation	2,006	2,702	35%	1,601	69%
Net Income	3,286	4,600	40%	5,407	-15%
EPS (PKR)	1.34	1.88	40%	2.20	-15%
EPS *	1.34	1.88	40%	1.76	7%
DPS (PKR)	0.00	0.00	n.m.	1.50	-100%

Source: Company Accounts, Akseer Research,

*EPS for 4Q has been normalized for 9MFY26 average @ effective tax rate of 38%.

- Sequentially, earnings are expected to decline 15% QoQ. However, this decline primarily reflects a high base in 4QFY26 stemming from a DTL adjustment. Normalizing this one-off adjustment, earning is expected to increase 7% QoQ, supported by a ~2% increase in net retention coupled with an 8% improvement in dispatches.
- Meanwhile, gross margin is expected to compress by 1ppts QoQ amid sector-wide cost pressure. However, the immediate pressure will be cushioned as we expect FCCL to maintain inventory of 1.5-2 month, deferring peak cost inflation to subsequent quarters where cost pressure is expected to intensify.
- On December 10, 2025, NEPRA notified an incremental consumption package providing eligible consumers with additional units at a concessional rate of PKR 22.98/kWh. FCCL is set to benefit from this tariff incentive by lowering its weighted-average power cost. Below is our estimated cost savings breakdown based on NEPRA's framework. (These estimates may differ based on actual monthly consumption from the grid):

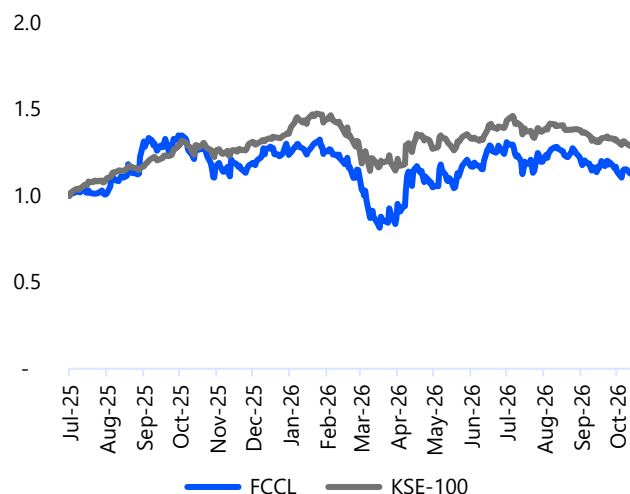
Incremental Package estimated impact	1QFY27
NEPRA's reference period	July- Sept 24
Benchmark units' formula	Reference month units * (1+2.8%) ^ n
Relevant year of package (n)	1
FY25 grid mix % (A)	41%
1QFY25 power consumption (MW) (B)	68.59
Estimated units consumed by FCCL in 1QFY25 (C= A * B * 75 * 24 * 1000)	50,621,578.65
Formula adjusted benchmark units (D= C * 1.028 ^ n)	52,038,982.85
1QFY27 unit's requirement (E)	69,576,686.10
Differential units (F=E-D)	17,537,703
Average grid rate in 1QFY27	31.83
Reduced rate according to incremental package	22.98
Cost saving / unit (G)	8.85
Total cost saving (in Mn) (H= F * G)	155.21
Post tax savings in Mn (H * 63% * 93%)	90.94
EPS impact	0.04

Source: NEPRA, Company Accounts, Akseer Research

Key Financial Ratios	FY24A	FY25A	FY26	FY27F	FY28F	FY29F	FY30F	FY31F
EPS (PKR)	3.4	5.4	6.6	7.7	8.3	9.8	11.5	13.0
EPS Growth	6.0%	62.1%	21.4%	17.4%	6.9%	18.6%	17.0%	13.5%
DPS (PKR)	1.0	1.3	1.5	2.3	2.4	2.8	3.2	3.6
BVPS (PKR)	29.9	34.4	39.7	45.2	51.0	58.0	66.3	75.7
PER	15.5	9.6	7.9	6.7	6.3	5.3	4.5	4.0
Dividend Yield	1.9%	2.4%	2.9%	4.4%	4.7%	5.4%	6.2%	6.9%
P/B	1.7	1.5	1.3	1.2	1.0	0.9	0.8	0.7
ROE	11.9%	16.9%	17.8%	18.3%	17.2%	18.0%	18.5%	18.4%

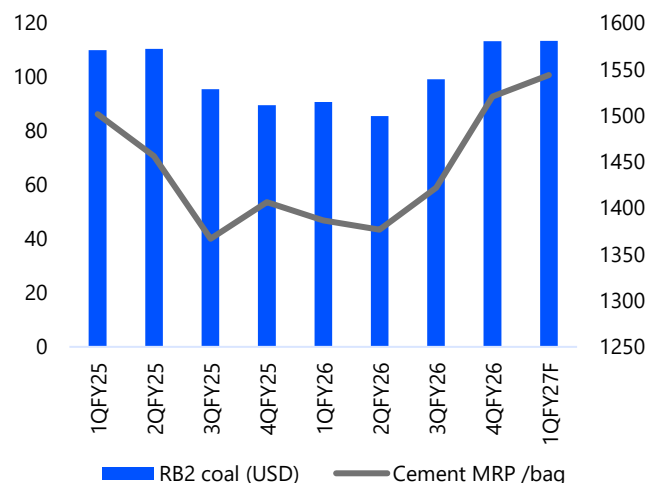
Source: Company Accounts, Akseer Research

Relative price performance of FCCL against KSE-100



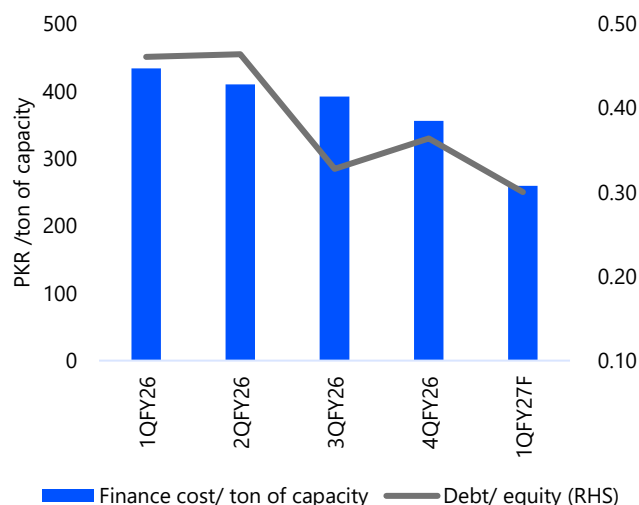
Source: Bloomberg, Akseer Research

Increase in MRP per bag reflecting cost pass on



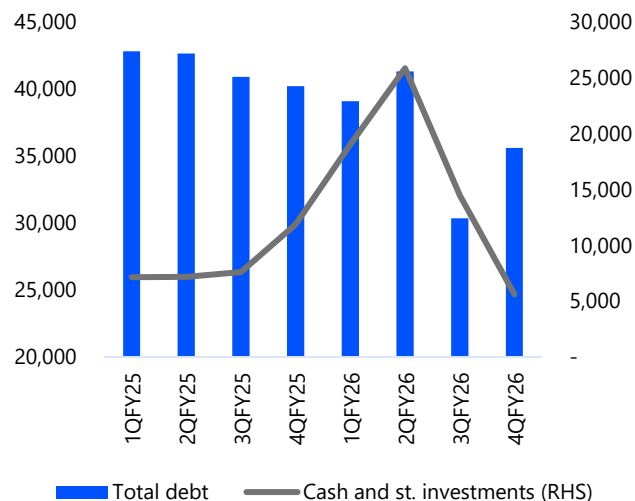
Source: PBS, Bloomberg, Akseer Research

Decreasing Debt/equity and finance cost/ ton....



Source: Company Accounts, Akseer Research

...Decreased in cash reflects de-leveraging by FCCL mngt. (Mn)



Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for Fauji Cement Company Limited (FCCL) has been computed using the Free Cash Flow to Firm (FCFF) method. We have used a risk-free rate of 13%, a beta of 1.23, a market risk premium of 6%, and cost of debt of 12.4% to arrive at WACC of 17.8%.

Investment Thesis

We have a 'Buy' recommendation on the stock based on our June-27 PT of PKR 65/share. Our investment case is based on (1) the stock offering a FY27E dividend yield of 5%, the highest in our universe, (2) The joint acquisition of Attock Cement Pakistan Limited (ACPL) expanding FCCL's total capacity and market share to 14.8mn tons and 17% respectively and (3) FCCL being one of the low-cost producers in our universe, helped by its lowest packaging costs and high share of renewables in energy mix.

Risks

Key downside risks to our investment thesis include (1) continued closure of Afghan border to disrupt coal prices and potential sales being missed (2) rising transport costs to render imported coal expensive.

Company Description

Fauji Cement Company Limited (FCCL) is a Pakistani based cement manufacturer, producing ordinary Portland and various other types of cement. The company has multiple plants in Punjab and Khyber Pakhtunkhwa and has an annual cement production capacity of 10.4mn tons.

Financial Highlights – FCCL

Income Statement (PKR Mn)	FY24A	FY25A	FY26A	FY27F	FY28F	FY29F	FY30F	FY31F
Net Sales	80,026	88,956	93,690	110,646	118,791	136,309	156,794	175,887
Cost of Sales	54,346	57,385	60,969	72,083	78,229	90,829	105,094	118,799
Gross Profit	25,680	31,571	32,721	38,563	40,562	45,479	51,700	57,089
Other Expenses	5,629	6,103	6,867	8,156	8,681	9,720	10,954	12,095
Operating Profit (EBIT)	20,052	25,468	25,855	30,407	31,881	35,759	40,746	44,994
Other Income	840	1,830	2,597	645	631	1,669	2,608	3,922
Finance Cost	5,537	5,772	4,167	2,370	2,090	1,794	1,508	1,253
Profit before tax (PBT)	15,354	21,526	24,285	28,682	30,421	35,634	41,846	47,664
Taxation/Levies	7,132	8,199	8,340	11,161	11,926	14,143	16,546	18,787
Profit after tax (PAT)	8,223	13,326	15,946	17,521	18,496	21,491	25,299	28,877
EPS (PKR)	3.35	5.43	6.60	7.75	8.28	9.82	11.49	13.04
DPS (PKR)	1.00	1.25	1.50	2.27	2.43	2.82	3.24	3.61

Source: Company Accounts, Akseer Research

Balance Sheet (PKR Mn)	FY24A	FY25A	FY26A	FY27F	FY28F	FY29F	FY30F	FY31F
PPE	110,846	109,579	106,869	106,477	106,073	105,657	105,228	104,786
Other LT assets	11,007	10,794	31,793	32,212	32,959	34,119	35,431	36,867
Non-current assets	121,852	120,373	138,663	138,689	139,032	139,776	140,659	141,654
Current assets	25,784	40,473	36,824	41,907	53,584	67,403	85,249	107,204
Total assets	147,636	160,845	175,487	180,595	192,615	207,179	225,907	248,857
Non-current liabilities	47,372	45,935	36,873	35,205	31,781	28,430	24,854	22,530
Current liabilities	26,865	30,637	41,242	34,595	35,704	36,448	38,536	40,678
Total liabilities	74,237	76,573	78,115	69,799	67,486	64,877	63,391	63,208
Equity	73,399	84,272	97,372	110,796	125,130	142,302	162,516	185,649
Total equity & liabilities	147,636	160,845	175,487	180,595	192,615	207,179	225,907	248,857

Source: Company Accounts, Akseer Research

Cash Flow Statement (PKR Mn)	FY24A	FY25A	FY26A	FY27F	FY28F	FY29F	FY30F	FY31F
Net Income	10,738	15,767	17,062	19,156	20,085	22,528	25,670	28,346
Non-Cash Charges	3,988	4,918	5,127	4,892	5,033	5,177	5,326	5,480
Operating Cash Flows	18,688	20,780	25,740	19,826	23,439	23,725	26,570	29,883
FCFF	8,471	17,294	23,506	15,694	19,022	19,177	21,885	25,057
Net Borrowings	(4,064)	(3,755)	(4,630)	(9,295)	(3,284)	(4,286)	(3,475)	(2,266)
FCFE	1,442	9,965	16,126	4,906	14,422	13,761	17,459	22,002
Closing Cash	2,933	2,665	3,682	3,563	12,591	20,754	32,184	48,113

Source: Company Accounts, Akseer Research

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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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