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FCCL: 4QFY24 EPS clocks in at PKR 0.48, up 2.50x YoY

Fauji Cement Company Limited

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

- FCCL announced its 4QFY24 financial result today, wherein the company posted an EPS of PKR 0.48 compared to an EPS of PKR 0.19 in 4QFY23. This takes cumulative earnings of FY24 to PKR 3.35/share, up 11% YoY. Along with the result, the company announced a cash payout of PKR 1.00/share.
- Revenues during FY24 clocked in at PKR 80bn, up 18% YoY as compare to PKR 68bn in SPLY, on the back of higher retention prices. Moreover, revenues surged 28% YoY to PKR 21bn in 4QFY24.
- Company's local dispatches increased by 16% YoY in 4QFY24, while average retention price increased by 10% YoY.
- The result is below our expectation given the higher taxation due to additional charge of defer tax amounting to PKR 1.80bn on account of normal income tax charged on the sale of exports.
- Gross margins of the company clocked above our expectation at 36% during 4QFY24 vs 30% in 4QFY23. This improvement can be attributed to the increase in use of captive power generation and lower coal prices because of higher usage local coal. However, we wait for further clarity on this front.
- Finance cost of the company increased by 55% YoY in 4QFY24, primarily due to elevated interest rates.
- Company's effective tax clock in at 74% of PAT in 4QFY24, attributable to deferred taxation.
- We have a 'BUY' recommendation on FCCL with our Dec-24 price target (PT) of PKR 28/share, providing an upside of 30%.

Key Data

Key Data	Value
PSX Ticker	FCCL
Target Price (PKR)	28
Current Price (PKR)	22
Upside/(Downside) (%)	+30%
Dividend Yield (%)	5.8%
Total Return (%)	36%
12-month High (PKR)	24.67
12-month Low (PKR)	10.42
Outstanding Shares (mn)	2,452
Market Cap (PKR mn)	53,276

Source: PSX, Akseer Research

Financial Estimates (PKR mn)	4QFY23	4QFY24	YoY	FY23	FY24	YoY
Sales	16,162	20,626	28%	68,069	80,026	18%
Cost of sales	11,344	13,156	16%	47,651	54,346	14%
Gross Profit	4,818	7,470	55%	20,418	25,680	26%
Admin & Selling Expense	988	1,117	13%	4,087	4,802	17%
Other Income	345	268	-22%	964	840	-13%
Other expense	117	246	110%	750	827	10%
Finance Cost	1,135	1,764	55%	3,645	5,536	52%
Profit before tax	2,922	4,611	58%	12,900	15,355	19%
Taxation	2,450	3,431	40%	5,460	7,132	31%
Net Income	472	1,180	150%	7,440	8,223	11%
EPS	0.19	0.48	150%	3.03	3.35	11%
DPS	-	1.00	-	-	1.00	-

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
EPS (PKR)	1.4	2.9	3.0	3.4	3.8	5.3
EPS Growth	NM	105%	5%	11%	14%	39%
DPS (PKR)	0.00	0.00	0.00	1.00	1.25	2.00
PER	15.3	7.5	7.2	6.5	5.7	4.1
Dividend Yield	0.0%	0.0%	0.0%	4.6%	5.8%	9.2%
EV/EBITDA	4.46	4.01	3.93	3.61	2.71	2.06
P/B	2.3	0.9	0.8	0.7	0.7	0.6
ROE	14.9%	12.3%	11.4%	11.2%	11.7%	14.8%

Source: Company Accounts, Akseer Research

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 15%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 21%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on our Dec-24 PT of PKR 28/share. Our price target provides an upside of 30%. Our investment case on FCCL is based on (1) improvement in retention prices (2) synergies post merger with Askari Cement and (3) brownfield and Greenfield expansion.

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)	FY21A	FY22A	FY23A	FY24A	FY25F	FY26F
Net sales	24,271	54,243	68,069	80,026	83,510	100,930
Cost of sales	18,207	39,844	47,651	54,346	57,673	69,002
Gross Profit	6,064	14,399	20,418	25,680	25,837	31,928
SG & A	714	1,838	4,087	4,802	5,511	6,057
Operating Profit	7,079	15,267	19,727	20,878	26,586	32,224
Other income	245	977	964	840	736	778
Other charges	378	809	750	827	835	1,009
Finance cost	110	1,202	3,645	5,536	4,895	4,373
Profit before tax	5,108	11,527	12,900	15,355	15,332	21,267
Taxation	1,636	4,416	5,460	7,132	5,980	8,294
Profit after tax	3,471	7,111	7,440	8,223	9,353	12,973

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
PPE	21,422	74,126	104,425	110,699	106,531	102,302
Other LT assets	87	11,156	11,087	11,091	11,095	11,098
Non-Current Assets	21,613	85,481	115,694	121,836	117,662	113,430
Current assets	12,439	28,217	23,134	23,920	25,051	28,921
Total Assets	34,052	113,698	138,828	145,756	142,713	142,351
Non-Current liabilities	4,630	29,241	45,166	44,004	30,263	21,441
Current liabilities	6,162	26,721	28,487	28,354	32,765	33,157
Total Liabilities	10,792	55,962	73,653	72,357	63,028	54,598
Equity	23,276	57,736	65,176	73,399	79,685	87,753
Total Equity & liabilities	34,068	113,698	138,828	145,756	142,713	142,351

Source: Company Accounts, Akseer Research

Cashflow Statement (PKR mn)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Net Income	3,471	7,111	7,440	8,223	9,353	12,973
Non-cash Charges	1,729	2,706	3,395	-	6,261	6,353
Operating Cash flows	1,549	5,793	17,433	8,307	8,534	12,653
FCFF	509	(48,918)	(14,208)	5,134	9,436	13,204
Net borrowings	(79)	23,700	14,974	(2,617)	(3,238)	(4,976)
FCFE	356	(25,959)	(1,336)	(448)	3,213	5,560
Net change in cash	340	1,406	(1,336)	(448)	147	655
Closing cash	901	2,307	970	523	670	1,324

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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