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Fauji Cement Company Limited

Analyst Briefing Takeaways

REN # REP-004

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PSX: FCCL Bloomberg: FCCL: PA Reuters: FAUC: KA **Pakistan Research**

FCCL - FY21 Analyst briefing key takeaways

- FCCL held its analyst briefing last week to discuss its FY21 financial results. The company recorded net earnings of PKR 2.52/share during FY21 compared to net loss of PKR 0.04/share in SPLY.
- The management attributed 21pps jump in the gross margins to improved dispatches (+13% YoY) along with a reduction in YoY cost of sales due to company's internal power generation accounting for 69% of the total power requirement.
- The management also updated addition of 2.5MW solar plant during FY21 yielded cost savings of PKR 313mn and also took the total capacity of solar power plant to 17.5 MW. The present power mix of the company includes 35% from WHR, 30% from Warstilla, 4% share of Solar and the remaining 31% from the national grid.
- FCCL holds 2-month inventory of coal at an average cost of USD 140-145/ton, which is expected to surge further in the wake of rising prices and will also shrink the margins. Moreover, the company had used 10-15% Afghan coal during FY21, significantly lower than previous share of 50-60% due to deteriorating political and bilateral trade condition over the years.
- PKR 40-60/ bag rise in cement prices is imperative in order to absorb the impact of rising coal prices.
- Moving forward, the company intends to increase its share of Afghan coal and local coal as well. The current cost of local and Afghan coal is around PKR 21,000/ton and PKR 26,000/ton respectively.
- The managed also discussed that its 2.05mn tpa greenfield expansion plan along with a 9MW WHR is on the move and is going to operational by 2HFY23. The cost of new line's commissioning will amount to PKR 32bn where the company plans to raise PKR 20bn through debt which includes PKR 9bn from TERF and LTFF and PKR 12bn through internal cash generation.
- The company also stressed the importance of expansion plan for supporting its utilization levels as during FY21, the company witnessed utilization level of 98% and the company plans to increase its operational days moving forward until the expansion plan comes online.
- In terms of its payout policy, the management updated that during FY21 it had retained funds for expansion plan and would likely meet its internal fund generation target by FY23. It would then decide the course of payout policy.
- The local demand outlook is expected to remain stable with 5-10% growth in cement dispatches during FY22, whereas some improvement is also expected in exports to Afghanistan.

Key Data	
PSX Ticker	FCCL
Current Price (PKR)	17.60
12-month High (PKR)	27.61
12-month Low (PKR)	16.70
Outstanding Shares (mn)	1,379
Market Cap (PKR mn)	24,036
Year End	June

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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