

## Fecto Cement

Fecto Cement Limited is the one of the largest cement factory in Pakistan. It is situated at Sangjani in Islamabad. Fecto Cement is a part of Fecto Group, is engaged in the manufacture and sale of cement. The company primarily operates in Pakistan. It is headquartered in Karachi. During the fiscal year ended June 30, 2012, the Company produced 785,345 tons of clinker and 791,937 tons of cement. Production of clinker and cement of the Company increased by 9.33% and 4.56% respectively.

### Performance During The Year

The FECTC posted HY13 profit after tax of Rs.324 million EPS Rs.6.46 as compared to profit after tax of Rs.107 million EPS Rs.2.14 in the HY12. The net sales of the company increased to Rs.2,284 million in HY13 as against Rs.2,070 million of the same period last year. The increased of Rs.214 million which is 10.34% was achieved mainly because of improved prices in local and exports to Afghanistan.

Financial cost reduced by 23.15% due to reduction in interest rate by SBP and principal repayment of loans. Distribution cost of the company also reduced by 22.20% due to lesser export volume resulting reduction in export expense and commission to dealers of Afghanistan.

### Cement Industry

During the HY, overall cement dispatches witnessed growth of 3.9% as compared to last year. Whereas, Exports of the cement industry reduced by 5.3% with sales volume of 4.22 million tons as against the export volume of 4.46 million tons of same period last year due to continuous deterioration in Law and order situation, persistent energy crises and devaluation of rupee. Despite these adverse conditions industry was able to increase its local sales volume, local sales volume of the cement industry in HY13 was 11.73 million tons witnessing an increase of 7.6% as compared to same period last year.

The dispatches of Fecto cement were reduced by 12.55% as against 3.9% growth of industry Local sales volume of the company increased by 5.47% however, export of the company reduced by 31.86% in HY as compared to same period last year. Main reason for reduction in exports was depressed prices in India and lesser demand in Afghanistan due to winter.

### Overview

After seeing off winter, constructions activities in the country are expected to pick up pace, hence overall cement volume are likely to remain healthy in the second half of the FY13. We believe arrival of spring is likely to bolster domestic cement sales, exports to Afghanistan are expected to improve in second half of the FY13 after finishing of winter seasons. We are expecting FECTC dispatches to post growth of around 8.3%, coming in at 0.39mn tons in second half of the FY13 as compared to 0.36mn tons in first half. Where local sales volume will increased by 7% however export of the company will increased by 15%. We maintain FECTO as our top pick with expected EPS of Rs.8.5 in FY13 with cash dividend of 20%.

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**KATS Code:** FECTC  
**Sector:** Construction & Materials  
**Face Value:** Rs.10  
**Year End:** June

**Current Price** Rs. 35.30  
**Target price** Rs. 55

**Paid Up Capital** 501.60 million.

**Free float shares** 12.049 million

**Avg Volume 52 weeks:** 180, 012

**12-month High/low**

39.41 / 9

Earning Per Share				
2010	2011	2012	HY 2013	E-FY13
-4.15	1.30	6.91	6.46	8.5
Annual Payout				
2010	2011	2012	HY13	E-FY13
-	-	10% D	-	20% D

Key Executives	Designation
Mrs. Zubeda Bai	Chairman
Mr. Muhammad Yasin Fecto	CEO
Mr. Muhammad Asad Fecto	Director
Mr. Ijaz Ali	Director
Mr. Safdar Abbas Morawala	Director
Mr. Altaf Ghani	Director
Mr. Mohammad Anwar Habib	Director
Mr. Rohail Ajmal	Director

### RECOMMENDATION (BUY)

In view of the strong future outlook we maintained over "BUY" stance on the stock based on our target price of Rs.55.

On the fundamental basis company has still lot to gain. On the other hand Technical indicators (MACD, RSI and STS indicator) are still in favor for upside movement. We will recommend Avg. buying at Rs.34.50.