

## Foundation Alert

### FCCL commissioned brownfield expansion of 6500 Tpd at Nizampur site

#### Event

- Fauji Cement Company Limited Company (FCCL PA) announced that company has successfully commissioned its 3<sup>rd</sup> line of 6500tpd of clinker at its Nizampur site.

#### Impact

- FCCL commissioned 2.05mn TPA expansion project at Nizampur having production capacity of 6,500 tons per day of clinker. Post expansion cement production capacity of the company has increased to 8.4mn TPA.
- After this expansion of 2.05mn tons company market share increased to 11.3% compared to 9.1% before expansion.
- Furthermore, FCCL has now become second largest player in North region (bigger than Lucky cement capacity of 7.0mn tons) with market share of 14.6% as compared to 11.9% before expansion. To highlight, Bestway is currently the largest market player in cement industry post its expansion of 2.3mn tons with market share of 22.4/17.4% in north/industry.
- FCCL has completed its brownfield expansion project at Nizampur with cost of ~Rs27bn funded with 63/37% debt/equity ratio.
- Furthermore, Company management in recent CBS told about the progress on its Greenfield expansion of 2.05mn TPA at Dera Ghazi Khan and disclosed that plant is expected to achieve COD in 3QFY24 with estimated cost of Rs32.4bn.
- FCCL has availed ~Rs19bn of TERF/LTFF facility as part of Rs37.4bn debt to be used for new expansion projects and equity portion of the project would be financed through internal cash generation.

#### Outlook

- FCCL has become the second biggest player in North region this expansion of 2.05mn tons. Moreover, company would benefit from (1) higher concessionary debt (TERF/LTFF) taken for both expansion, and (2) procurement of afghan coal at competitive prices due to its geographical position.
- However, near term profitability growth of the company is expected to remain muted given (1) sector's inability to completely pass on the impact of rise in fuel/power and other overhead costs, (2) slowdown in demand due to economic consolidation and (3) uncertainty over pricing discipline as more expansion coming towards commissioning.

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If	
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Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.