

Flash Note

Thursday, 25 April 2019

Cements

Cherat Cement Company Limited (CHCC)

3QFY19 EPS up by 2.7xYoY to PKR 6.92. Unexpected improvement in gross margins despite heavy plant underutilization, inclusion of hefty depreciation expense and elevated cost structure. Interim report awaited

- Cherat Cement Company Limited (CHCC) announced its financial results for 3QFY19 with earnings clocking in at PKR 1.22bn (EPS: PKR 6.92) up by a mammoth +2.7x as compared to PKR 446mn (EPS: PKR 2.52) reported in the same period last year. This brings 9MFY19 EPS to PKR 12.74 as against PKR 10.16 recorded in the comparative period last year.
- Net Sales of the Company during the quarter remained rose by +16%YoY, largely owing to enhanced dispatches sold and improved retention prices as compared to the previous period
- Interestingly gross margins of the Company have improved +70bps despite a) capitalization of new plant during the period making way for enhanced depreciation expense, b) heavy underutilization of plant capacity; and c) elevated cost structure given substantial PKR depreciation and uplifted gas tariff. We await 9MFY19 interim report for detailed analysis over the subject.
- Finance costs of the Company shot up by +4.4x, largely on account of unwinding of finance cost to income statement post commencement of new plant.
- Positive tax charge worth PKR 904mn (PKR 5.12/share), as against previous year expense of PKR 26mn, shot up 3QFY19 earnings to PKR 6.92/share.

Exhibit:

CHCC Result Highlights

Period end (JUN) - PKRmn	3QFY19	3QFY18	YoY	9MFY19	9MFY18	YoY
Net Sales	4,128	3,562	16%	11,161	11,148	0%
Gross Profit	850	708	20%	2,117	2,569	-18%
Sell. / Dist. & Admin	173	145	19%	511	430	19%
Non-Operating Income	30	18	66%	101	55	82%
EBIT	687	556	24%	1,643	2,088	-21%
Financial Charges	368	84	4.4x	596	267	2.2x
Pre-tax Profits	319	472	-32%	1,047	1,821	-43%
Taxation	(904)	26	n/m	(1,204)	26	n/m
Post-tax Profits	1,223	446	2.7x	2,250	1,795	25%
EPS	6.92	2.52		12.74	10.16	
DPS	-	-		-	-	
Key Ratios						
Gross Margin (%)	20.6	19.9		19.0	23.0	
Net Margin (%)	29.6	12.5		20.2	16.1	
Effective Tax Rate (%)	n/m	5.5		n/m	1.4	

Source: Company Accounts, IGI Research

No. of Shares : 177mn

Analyst

Muhammad Saad, ACCA

muhammad.saad@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 816