Flash Note

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Cement

Cherat Cement Company Limited (CHCC)

Earnings: Cherat Cement Company Limited (CHCC) announced it 1QFY27 result. The Company reported unconsolidated earnings for 1QFY27 of PKR 2.2bn (PKR 11.44/share), up by 6% y/y and 28% q/q, compared to earnings of PKR 2.1bn (PKR 10.79/share) in the same period last year due to higher gross margins.

Dividend/Payout: The Company didn't announced any cash dividend.

Operating Performance: During 1QFY27, company's net sales remained flat by 2%y/y (+18% q/q) to PKR 8.9bn as compared to same period last year, primarily driven by higher cement prices offsetting a 17% decline in total dispatches due to absence of exports following the Afghan border closure while local dispatches increased by 7% y/y. Gross margin remained stable at 36% y/y due to low coal cost inventories despite the fact that coal prices have risen internationally and domestically. Finance cost decreased by -51%y/y as compared to similar period last year due to lower debt profile during the quarter with long and short term borrowings decreasing by 15% and 93% y/y respectively. The effective tax rate during 1QFY27 stood at 36.6% compared to 38.6% in the corresponding period last year and 27.4% in the previous quarter.

Recommendation: We have a "BUY" stance on CHCC with our Dec-26 Target Price of PKR 512/share offering 63% upside from last close. The Company is currently trading at FY27 P/E of 6.7x.

Exhibit: Cherat Cement Company Limited (CHCC) Financial highlights

For period ending: 1q/27

PKRbn	1q/27	1q/26	y/y	4q/26	q/q
Net Sales	10.5	10.3	2%	8.9	18%
Gross Profits	3.8	3.7	1%	2.4	54%
Admin	0.2	0.2	15%	0.2	0%
EBIT	3.6	3.5	1%	2.5	44%
Finance cost	0.0	0.1	-51%	0.1	-26%
Profit before tax	3.5	3.4	3%	2.4	46%
Taxation	1.3	1.3	-3%	0.7	95%
Profit after Tax	2.2	2.1	6%	1.7	28%
EPS*	**11.44**	**10.79**		**8.95**	
DPS	**0.00**	**0.00**		**4.00**	
Gross Margins	36%	36%		27%	
EBIT Margins	34%	34%		28%	
Effective tax	37%	39%		27%	
Net Margins	21%	20%		20%	

Source: Company Accounts, IGI Research, *Number of Shares (mn): 194.3

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- Reserve Based DCF
- Dividend Discount Model (DDM)
- Justified Price to Book
- Residual Income (RI)
- Relative Valuation (Price to Earning, Price to Sales, Price to Book)

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