

Flash Note

Tuesday, September 5, 2023



Cement

Cherat Cement Company Limited (CHCC)

Earnings: Cherat Cement Company Limited (CHCC) announced its FY23 result. The Company reported unconsolidated earnings of PKR 4.4bn (EPS PKR 22.67/share), down by 1%/y. On a quarterly basis, the company reported an earnings of PKR 0.1bn (EPS: PKR 0.48/share) compared to a profit of PKR 1bn (EPS: PKR 5.25/share) in the same period last year.

Dividend/Payout: The Company announced a cash dividend of PKR 3/share in 4qFY23 in addition to PKR 1.5/share announced during 3qFY23.

Operating Performance: During 4qFY23 the Company's net sales fell to PKR 8.6bn depicting a decrease of 9%/y. On an annual basis, the Company's net sales increased to PKR 37.4bn up by +17%/y. For the quarter, the company's gross margins plummeted to 21% compared to 26% in the previous quarter. However, average gross margins in FY23 were slightly down to 27% from 28% last year. The company took a tax charge of PKR 1bn during the fourth quarter, due to the imposition of a recent retrospective super tax announced in the budget FY24.

Exhibit: Cherat Cement Company Limited (CHCC) Financial highlights											
For period ending: 4q/23											
PKRbn=Jun(end)	2023	4q/23	3q/23	2q/23	1q/23	2022	4q/22	3q/22	2q/22	1q/22	2021
Net Sales	37.4	8.6	9.3	10.4	9.0	32.1	9.5	7.8	7.6	7.2	25.2
Gross Profits	10.1	1.8	2.4	3.0	2.9	9.0	2.7	2.1	2.1	2.1	6.7
Admin	0.4	0.1	0.1	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.3
EBIT	9.2	1.6	2.3	2.7	2.6	8.2	2.6	1.8	1.9	1.9	5.9
Finance cost	1.9	0.5	0.4	0.5	0.5	1.4	0.5	0.3	0.3	0.3	1.5
Profit before tax	7.3	1.1	1.8	2.2	2.1	6.8	2.1	1.5	1.6	1.6	4.3
Taxation	2.9	1.0	0.6	0.6	0.6	2.4	1.1	0.4	0.4	0.4	1.1
Profit after Tax	4.4	0.1	1.3	1.6	1.5	4.5	1.0	1.1	1.2	1.2	3.2
EPS	22.67	0.48	6.55	8.01	7.63	22.93	5.25	5.48	6.06	6.14	16.50
DPS	4.50	3.00	1.50	0.00	0.00	3.00	3.00	0.00	0.00	0.00	2.25
Gross Margins	27%	21%	26%	29%	32%	28%	29%	27%	27%	29%	27%
EBIT Margins	25%	19%	24%	26%	29%	26%	27%	23%	25%	27%	23%
Effective tax	39%	92%	31%	28%	30%	35%	52%	28%	28%	26%	26%
Net Margins	12%	1%	14%	15%	16%	14%	11%	14%	15%	17%	13%

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

Analyst

Abdullah Farhan

Abdullah.Farhan@igi.com.pk

Tel: +92 21 111 234 234 Ext: 912

Aariz Raza

Aariz.Raza@igi.com.pk

Tel: +92 21 111 234 234 Ext: 810

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation Rating System

Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)

Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)

Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2023 IGI Finex Securities Limited

Contact Details

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Aariz Raza	Analyst	Tel: (+92-21) 111-234-234 Ext: 810	Aariz.raza@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |

Corporate member of Pakistan Mercantile Exchange Limited

Website: www.igisecurities.com.pk

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
 Fax: (+92-21) 35309169, 35301780

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
 Stock Exchange Road, Karachi.
 Tel: (+92-21) 32429613-4, 32462651-2
 Fax: (+92-21) 32429607

Lahore Office

Shop # G-009, Ground Floor,
 Packages Mall
 Tel: (+92-42) 38303560-69
 Fax: (+92-42) 38303559

Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The
 Regency International 949, The Mall
 Faisalabad
 Tel: (+92-41) 2540843-45

Multan Office

Mezzanine Floor, Abdali Tower,
 Abdali Road
 Tel: (92-61) 4512003, 4571183

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
 Block- B, Jinnah Avenue, Blue Area
 Tel: (+92-51) 2604861-2, 2604864, 2273439
 Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
 Model Town, Town Hall Road
 Tel: (+92-68) 5871652-3
 Fax: (+92-68) 5871651

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2023 IGI Finex Securities Limited