

Flash Note

Thursday, 26 August 2021

Cements

Cherat Cement Company Limited (CHCC)

Earnings of PKR 5.06/share reported in 4QFY21; improved retentions and considerably curtailed costs light up performance

- Cherat Cement Company Limited (CHCC) announced its financial result for 4QFY21 wherein, it reported a net profit of PKR 983mn (EPS: PKR 5.06), as against net loss of PKR 706mn (LPS: PKR 3.63) in 4QFY20. This concluded FY21 earnings to PKR 3,205mn (EPS: PKR 16.50), as against net loss of PKR 1,893mn (LPS: PKR 9.74). In conjunction with the result the company announced final cash dividend of PKR 1.25/share, taking full year dividend to PKR 2.25/share.
- Net Sales of the Company during 4QFY21, as against 4QFY20 increased by massive 87%y/y. However, on sequential basis it declined by mere 1%q/q. The y/y rise in net sales largely driven by notable turnaround in retention prices and increase in sales volumes (up by ~36%y/y). Likewise, during FY21 revenue portrayed an increase of 47%y/y due to aforementioned reasons.
- Gross margins of the company jacked up to 28% as against gross loss of -8% registered in last year. This was largely driven by better absorption of fixed cost amid higher volumetric sales. Similarly FY21 gross margins clocked in at 27% as against only 2% registered in last year due to reduced cost structure. The COGS per bag reduced to PKR 234/bag as against 247/bag in last year depicted a decline of 5%.
- Selling and admin cost of the company jacked up by 33% y/y driven largely from freight cost associated with enhanced export sales made during the quarter.
- Finance charges underwent a decent decline of 48%y/y and 1%q/q due to debt retirement amid low interest rate regime.

Exhibit: CHCC Financial Highlights

PKRmn	4QFY21	4QFY20	YoY	3QFY21	QoQ	FY21	FY20	YoY
Net Sales	6,786	3,630	87%	6,832	-1%	25,207	17,090	47%
Gross Profit	1,883	-278	n.m.	2,084	-10%	6,728	386	17.41x
S/M/D	191	143	33%	204	-6%	720	634	14%
Other expenses	82	5	16.58x	83	-1%	251	19	13.21x
Other Income	40	12	3.41x	17	2.40x	105	71	49%
EBIT	1,650	(414)	n.m.	1,813	-9%	5,861	(196)	n.m.
Finance Cost	319	610	-48%	321	-1%	1524.18	2,527	-40%
PBT	1,331	-1,024	n.m.	1,492	-11%	4,337	-2,723	n.m.
PAT	983	(706)	n.m.	1,094	-10%	3,205	(1,893)	n.m.
EPS (PKR)	5.06	(3.63)		5.63		16.50	(9.74)	
DPS (PKR)	1.25	-		-		2.25	-	-

Source: IGI Research and Company Financials No of Shares: 194mn

Analyst

M Shumail Rauf

shumail.rauf@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 957

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 2021 IGI Finex Securities Limited

Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@igi.com.pk
Areesha Ishrat	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	areesha.ishrat@igi.com.pk
Syed Muzammil Hasan Rizvi	Research Trainee	Tel: (+92-21) 111-234-234 Ext: 912	muzammil.rizvi@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

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
Irfan Ali	Equity Sales (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Zaid Farook	Branch Manager (Stock Exchange) Karachi	Tel: (+92-21) 32462651-52	zaid.farook@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

IGI Finex Securities Limited

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

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
Website: www.igisecurities.com.pk

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

<p>Lahore Office Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559</p>	<p>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</p>
<p>Faisalabad Office Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815</p>	<p>Rahim Yar Khan Office Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651</p>
<p>Multan Office Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183</p>	

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009