

Flash Note

Wednesday, 26 August 2020

Cements

Cherat Cement Company Limited (CHCC)

Improved cost structure amid low volumes continue losses for CHCC; 4QFY20E LPS: PKR 3.63

- ✓ Cherat Cement Company Limited (CHCC) announced its financial result for 4QFY20 wherein it reported a net loss of PKR 706mn (LPS: PKR 3.63), as against net loss of PKR 627mn (LPS: PKR 3.23) in 3QFY20. This accumulated net loss for FY20 to PKR 1.89bn (LPS: PKR 9.74) as against net profitability of PKR 1.76bn (EPS: PKR 9.07) reported in FY19. The Company announced nil dividends along with the result.
- ✓ Net Sales of the Company during 4QFY20, as against 3QFY20 declined by 8%QoQ. This was largely driven by drop in sales volumes (down by ~7%QoQ) amid lockdown situation that persisted during the quarter due to Covid-19 despite slight improvement in cement sales price/bag in the North region.
- ✓ Cost structure of the Company surged more than expected, possibly due to utilization of expensive coal inventory procured from earlier periods. We await annual report for further guidance in this regard.
- ✓ Gross margins resultantly remained negative at -8% as against a marginal positive figure for 3QFY20 pushing bottom line further below.

Exhibit: CHCC 4QFY20 Result Highlights

Period end (JUN) - PKRmn	4QFY20	4QFY19	YoY	3QFY20	QoQ	FY20	FY19	YoY
Net Sales	3,630	4,701	-23%	3,948	-8%	17,090	15,863	8%
Gross Profit	(278)	766	-0.4x	7	-42.6x	386	2,883	-87%
Sell. / Dist. & Admin	143	179	-20%	163	-12%	634	690	-8%
Non-Operating Income	12	6	2.1x	10	15%	71	107	-34%
EBIT	(414)	548	-0.8x	(151)	2.8x	(196)	2,190	-0.1x
Financial Charges	610	546	12%	666	-8%	2,527	1,143	2.2x
Pre-tax Profits	(1,024)	1	n/m	(816)	25%	(2,723)	1,048	-2.6x
Taxation	(318)	489	-0.7x	(189)	68%	(830)	(715)	16%
Post-tax Profits	(706)	(487)	45%	(627)	13%	(1,893)	1,763	-1.1x
EPS	(3.63)	(2.51)		(3.23)		(9.74)	9.07	
DPS	-	1.00		-		-	1.00	
Key Ratios								
Gross Margin (%)	(7.7)	16.3		0.2		2.3	18.2	
Net Margin (%)	(19.4)	(10.4)		(15.9)		(11.1)	11.1	
Effective Tax Rate (%)	31.1	n/m		23.2		30.5	(68.2)	

Source: IGI Research, Company Accounts, PSX

No. of Shares: 194mn

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