

# Flash Note

Tuesday, 28 April 2020

## Cements

### Cherat Cement Company Limited (CHCC)

#### Loss of PKR (3.23)/share reported in 3QFY20 amid deteriorated retentions

- ✓ Cherat Cement Company Limited (CHCC) announced its financial results for 3QFY20 with a net loss of PKR 627mn (LPS: PKR 3.23), down by -0.5xYoY, as compared to a profit of PKR 1.22bn (EPS: PKR 6.29) reported in the same period last year. This accumulates 9MFY20 loss to PKR 1.19bn (LPS: PKR 6.11) as against a profitability of PKR 2.25bn (EPS: PKR 11.58) reported in the comparative period.
- ✓ Net sales of the Company during 3QFY20 dropped by 4%YoY, despite substantial rise in overall dispatches made during the quarter as against the comparative period, primarily due to depressed retention prices amid intense competition in the local market.
- ✓ The decline in retention prices led gross profit margins of the Company to crash to less than -1% as against 21% recorded in the comparative period. It is pertinent to note that cost of manufacturing/ton-sold during the quarter is relatively reduced as against the comparative quarter.
- ✓ Finance cost of the Company have surged by +81%YoY, reflecting borrowing costs associated to expansions amid a high benchmark interest rate period.

Exhibit: CHCC Result Highlights						
Period end (JUN) - PKRmn	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	3,948	4,128	-4%	13,460	11,161	21%
Gross Profit	7	850	-99%	664	2,117	-69%
Sell. / Dist. & Admin	163	173	-6%	490	511	-4%
Non-Operating Income	10	30	-66%	59	101	-42%
EBIT	(151)	687	-0.2x	219	1,643	-87%
Financial Charges	666	368	81%	1,917	596	3.2x
Pre-tax Profits	(816)	319	-2.6x	(1,699)	1,047	-1.6x
Taxation	(189)	(904)	-79%	(512)	(1,204)	-57%
Post-tax Profits	(627)	1,223	-0.5x	(1,187)	2,250	-0.5x
EPS	(3.23)	6.29		(6.11)	11.58	
DPS	-	-		-	-	
<b>Key Ratios</b>						
Gross Margin (%)	0.2	20.6		4.9	19.0	
Net Margin (%)	(15.9)	29.6		(8.8)	20.2	
Effective Tax Rate (%)	23.2	n/m		30.1	n/m	

Source: Company Accounts, IGI Research

No. of Shares : 194mn

#### Analyst

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