

# Flash Note

Friday, 23 October 2020

## Cements

### Cherat Cement Company Limited (CHCC)

#### Earnings of PKR 1.59/share reported in 1QFY21; Improved retentions and considerably curtailed costs structure boost margins

- Cherat Cement Company Limited (CHCC) announced its financial results for 1QFY21 with a net profit of PKR 309mn (EPS: PKR 1.59), as compared to a loss of PKR 706mn (EPS: PKR 3.63) reported in 4QFY20. The Company announced nil dividends along with the result.
- Net sales of the Company during 1QFY20 improved by 44%QoQ as against 4QFY20. The substantial rise is owed to ~18% increase in volumetric sales consequent to resumed demand post lockdown while the remaining is attributable to improved retentions amid rising cement sales prices, reduced FED and lower dealer discounts.
- Gross margins of the Company jumped up to 21% following improved retentions and a considerably restricted cost structure. To note, CHCC's COGS have dropped by a material 11% to PKR 228/bag as against PKR 257/bag reported in 4QFY20. While softened global coal prices contribute towards lowered costs, however, we await interim accounts for further analysis in this regard.
- Finance cost of the Company have reduced by 14% YoY, despite almost 50% decline in benchmark interest rates, largely due to increased short term borrowing requirements of the Company during the period.

Exhibit: CHCC Result Highlights					
Period end (JUN) - PKRmn	1QFY21	1QFY20	YoY	4QFY20	QoQ
Net Sales	5,217	4,481	16%	3,630	44%
Gross Profit	1,111	188	5.9x	(278)	n/m
Sell. / Dist. & Admin	153	164	-7%	143	7%
Non-Operating Income	8	21	-62%	12	-31%
EBIT	942	43	22x	(414)	n/m
Financial Charges	522	594	-12%	610	-14%
Pre-tax Profits	420	(551)	n/m	(1,024)	n/m
Taxation	111	(212)	n/m	(318)	n/m
Post-tax Profits	309	(339)	n/m	(706)	n/m
EPS	1.59	(1.74)		(3.63)	
DPS	-	-		-	
<b>Key Ratios</b>					
Gross Margin (%)	21.3	4.2		(7.7)	
Net Margin (%)	5.9	(7.6)		(19.4)	
Effective Tax Rate (%)	26.4	38.6		31.1	

Source: Company Accounts, IGI Research

No. of Shares : 194mn

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Research Identity Number: BRP009

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