

Day Break

Tuesday, 07 February 2017

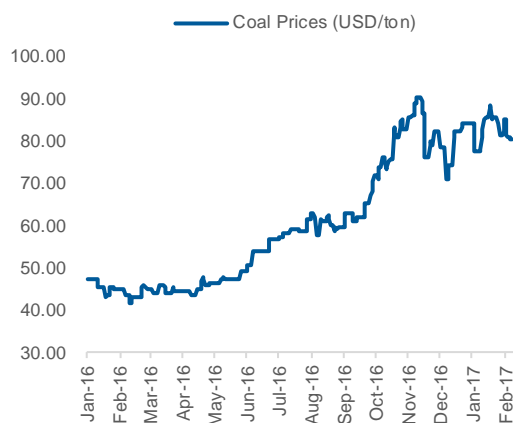
Company Update

Recommendation	NEUTRAL
Target Price	179.8
Last Closing	183.0
Upside	-2%

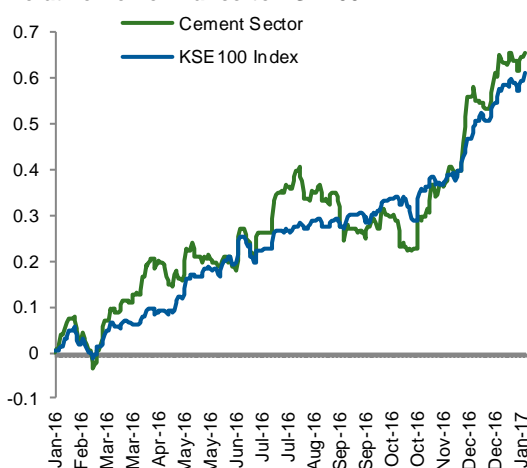
CHCC Earnings & Dividend (PKR/share)

	2QFY17	YoY	1HFY17	YoY
EPS	2.60	13%	4.89	28%
DPS	1.50	50%	1.50	50%

Coal Prices



Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

Analyst

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Cements

CHCC Result Preview for 2QFY17

- Cherat Cement Company Ltd (CHCC) is scheduled to announce its 2QFY17 financial result on 8thFeb-17, where we expect company to post PAT of PKR 459mn (EPS PKR 2.60) in 2QFY17 as compared to PKR 408mn (EPS PKR 2.31) observed in corresponding period last year, up by +13%YoY.
- We expect the company to announce interim cash dividend of PKR 1.50/share along with its financial result.
- We maintain our "HOLD" call on CHCC with Dec-17 target price of PKR 180/share. The company is currently trading at a FY17E P/E of ~14x.

CHCC expected to post 2QFY17E Earnings of 2.60/share

Cherat Cement Company Ltd (CHCC) is scheduled to announce its 2QFY17 financial result on 8thFeb-17, where we expect company to post PAT of PKR 459mn (EPS PKR 2.60) in 2QFY17 as compared to PKR 408mn (EPS PKR 2.31) observed in corresponding period last year, up by +13%YoY. As per our estimates, topline is expected to grow by +24%YoY to the tune of PKR 2.4bn which is likely on the back of staggering growth of +27%YoY in total dispatches. The gross margins are likely to remain under pressure due to steep rally in coal prices in preceding quarter by 60%YoY. We expect the company to announce interim cash dividend of PKR 1.50/share along with its financial result.

On cumulative basis, we expect CHCC to post earnings of PKR 863mn (EPS PKR 4.89) in 1HFY17 as compared to PKR 676mn (EPS PKR 3.83) in 1HFY16. Revenues are anticipated to surge by +19%YoY to PKR 4.17bn resulting from +23%YoY growth in domestic volumes.

Exhibit:

CHCC Financial Highlights

PKR'mn'	2QFY17E	2QFY16	YoY	1HFY17E	1HFY16	YoY
<i>Income Statement</i>						
Revenue	2,396	1,930	24%	4,168	3,489	19%
Gross Profit	840	733	15%	1,537	1,197	28%
Sell & Admin	130	109	19%	244	207	18%
Fin cost	10	8	21%	16	16	3%
PBT	656	582	13%	1,209	926	31%
Net profit	459	408	13%	863	676	28%
EPS	2.60	2.31		4.89	3.83	
<i>Key Ratios</i>						
Gross Margin	35%	38%		37%	34%	
Net Margin	19%	21%		21%	19%	
Effective Tax Rate	30%	30%		29%	27%	

Source: IGI Research, Company Financials

Recommendation

We maintain our "HOLD" call on CHCC with Dec-17 target price of PKR 180/share. The company is currently trading at a FY17E P/E of ~14x.

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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)

Time Horizon: Dec - 2017

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DCF (Discounted Cash Flow)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, 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. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **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.

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