

Flash Note

Wednesday, 10 February 2021

Cements

Cherat Cement Company Limited (CHCC)

Earnings of PKR 4.22/share reported in 2QFY21; improved retention and considerably curtailed costs boost margins

- Cherat Cement Company Limited (CHCC) announced its financial result for 2QFY21 with a net profit of PKR 820mn (EPS: PKR 4.22), as compared to loss of PKR 222mn (LPS: PKR 1.14) reported in the same period last year. In conjunction with the result the company announced an interim cash dividend of PKR 1/share.
- Net Sales of the Company during 2QFY21 improved by 27% y/y and 22% q/q respectively. The substantial rise is owed to ~19% increase in volumetric sales consequent to resumed demand post lock down while, the remaining is attributable to improved retention amid rising cement sales, reduced FED and lower dealer discounts.
- Gross margins of the company jacked up to 26% following improved retention and considerably restricted cost structure and softened global coal prices (Lagged impact+ blend of Richard Bay and Afghani coal) towards lowered costs. However, we await detailed accounts for further analysis in this regards.
- Finance charges shrunk by 45% y/y and 31% q/q respectively. This declined is mainly attributable to series of rate cuts in benchmark inters rates and decline in debt borrowings.

Exhibit: CHCC 2QFY21 Result Highlights								
Period end (Jun) - PKRmn	2QFY21	2QFY20	Y/Y	1QFY21	Q/Q	1HFY21	1HFY20	Y/Y
Net Sales	6,371	5,031	27%	5,217	22%	11,589	9,512	22%
Gross Profit	1,650	469	252%	1,111	48%	2,761	657	320%
Sell. / Dist. & Admin	173	164	5%	153	13%	325	327	-1%
Other Operating expense	61	7	792%	25	147%	86	9	809%
Other Income	40	28	46%	8	405%	48	49	-1%
EBIT	1,456	326	346%	942	55%	2,398	369	550%
Financial Charges	363	658	-45%	522	-31%	885	1,252	-29%
Pre-tax Profits	1,094	(332)	n/a	420	161%	1,514	(882)	n/a
Taxation	274	(110)	n/a	110	149%	385	(322)	n/a
Post-tax Profits	820	(222)	n/a	310	165%	1,129	(560)	n/a
EPS	4.22	(1.14)		1.59		5.81	(2.88)	
DPS	1.00	-		-		1.00	-	
Key Ratios								
Gross Margin (%)	26%	9%		6%		10%	-6%	
Net Margin (%)	13%	-4%		6%		10%	-6%	
Source: IGI Research, Company Accounts, PSX						No. of Shares: 194mn		

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