

# Flash Note

Wednesday, 29 August 2018

## Cements

### Cherat Cement Company Limited (CHCC)

#### FY18 EPS closes at PKR 12.07; depressed sales prices and swollen cost of production restrict positive impact of enhanced capacity

- Cherat Cement Company Limited (CHCC) announced its financial results for FY18 with earnings clocking in at PKR 2.13bn (EPS: PKR 12.07), up by +9%YoY, as compared to PKR 1.96bn (EPS: PKR 11.08) in the same period last year. On a quarterly basis, 4QFY18 earnings stood at PKR 337mn (EPS: PKR 1.91), down by 14%YoY, as against PKR 390mn (EPS: PKR 2.21) in the corresponding quarter last year.
- The Company announced a surprising dividend of PKR 4.00/share along with the result, which is in addition to interim dividend already paid at PKR 1.00/share, making annual dividend for the year to PKR 5.00/share.
- Net sales of the Company during the year grew substantially by +49%YoY to PKR 14.39bn largely driven by full year operations of production line II inaugurated in Jan-17 last year. This was despite the industry's failure to pass over enhanced FED, up by 25%YoY during the year due to intense competition therein.
- Gross Profits of the Company fell short by 2%YoY, largely due the industry's failure to pass over enhanced FED, up by 25%YoY during the year on the back of intense competition therein and particularly due to significant rise in input costs during the year stemming from elevated Coal and FO prices globally and PKR devaluation against the greenback. Accordingly, gross margins of the Company for the year fell to 22% in contrast to 33% in the corresponding period last year.
- Effective tax rate of the Company for the year stood at 0.7% as against 22% reported in FY17. This is largely driven by 5Yrs tax holiday available on sales made from production line II and likely positive deferred tax implications resulting from reduced Corporate Tax rates as prescribed by Finance Act 2018-19. We await the Company's annual report for detailed assessment.

Exhibit:

#### CHCC Result Highlights

Period end (JUN) - PKRmn	4QFY18	4QFY17	YoY	FY18	FY17	YoY
Net Sales	3,240	2,931	11%	14,388	9,645	49%
Gross Profit	570	698	-18%	3,139	3,213	-2%
Sell. / Dist. & Admin	152	130	17%	582	505	15%
Non-Operating Income	26	54	-53%	81	133	-39%
EBIT	416	594	-30%	2,504	2,698	-7%
Financial Charges	90	90	0%	357	188	89%
Pre-tax Profits	326	504	-35%	2,147	2,510	-14%
Taxation	(11)	114	-109%	15	553	-97%
Post-tax Profits	337	390	-14%	2,132	1,957	9%
EPS	1.91	2.21	-14%	12.07	11.08	
DPS	4.00	3.50		4.00	4.50	

#### Key Ratios

Gross Margin (%)	17.6	23.8	21.8	33.3
Net Margin (%)	10.4	13.3	14.8	20.3
Effective Tax Rate (%)	(3.3)	22.7	0.7	22.0

Source: Company Accounts, IGI Research

No. of Shares : 177mn

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