

Flash Note

Monday, 30 October 2017

Cement

CHCC: Higher dispatches due to enhanced capacity driving 1QFY18 Earnings up by +50% to PKR 3.43/share

- Cherat Cement Company Limited (CHCC) declared its 1QFY18 financial result with earnings registered at PKR 606mn (EPS: PKR 3.43) up by +50%YoY (up +55%QoQ) as compared to PKR 404mn (EPS PKR 2.29) in the similar period last year.
- The remarkable growth in earnings is driven by higher volumetric sales, up by +121%YoY, largely owing to enhanced capacity at the company's disposal as against same period last year in addition to the stable growth trend portrayed by the industry.
- However, the gross profit margins of the Company were significantly eroded to 25% as against 39% in the corresponding period of preceding year due to lower retention prices accredited to a) falling cement prices in the region; b) rising coal prices globally; and c) imposition of enhanced FED through Finance Act 2017-18.
- Although, the effective tax rate dropped to 18% in 1QFY18 as against 27% in the same period last year, this couldn't help the net margins from declining to 16%.

Exhibit:

CHCC Result Highlights

Period end (JUN) - PKRmn	1Q'FY18	4Q'FY17	QoQ	1Q'FY17	YoY
Net Sales	3,891	2,931	33%	1,771	120%
Gross Profit	989	698	42%	697	42%
Sell. / Dist. & Admin	138	130	6%	113	22%
Non-Operating Income	20	54	-63%	19	10%
EBIT	831	594	40%	560	48%
Financial Charges	95	90	n/a	7	n/a
Pre-tax Profits	735	504	46%	553	33%
Taxation	129	114	13%	149	-13%
Post-tax Profits	606	390	55%	404	50%
EPS	3.43	2.21	55%	2.29	50%
DPS	-	3.50		-	
Key Ratios					
Gross Margin (%)	25.4	23.8		39.3	
Net Margin (%)	15.6	13.3		22.8	
Effective Tax Rate (%)	17.6	22.7		26.9	

Source: Company Accounts, IGI Research

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