

Cherat Cement... Strong kick

Cherat Cement has announced its 1HFY17 results. The earnings for the second quarter clocked in at PKR3.51/sh beating the market expectations.

- Cherat Cement has shown a healthy growth of 52% YoY in the earnings with EPS for 1HFY17 PKR 5.8.
- EPS 2QFY17 grew by 52% YoY to PKR 3.51 against PKR 2.29 in 1HFY16.
- Sales for 1HFY17 grew by 17% YoY to PKR 4.08bn against PKR 3.5bn in 1HFY16.
- The company also announced an interim dividend of PKR 1/sh.

PKR mn	1HFY17	1HFY16	YoY
Sales	4,083	3489	17%
COGS	(2,407)	(2,293)	5%
GP	1,676	1,196	40%
GP Margin	41%	34%	
Dis. Exp	(135)	(115)	17%
Adm. Exp	(121)	(92)	32%
OP	1,420	989	44%
OP Margin	35%	28%	
Fin. Cost	(13)	(16)	-19%
Other Exp.	(102)	(69)	48%
Other Inc.	60	22	173%
PBT	1,365	926	47%
PBT Margin	33%	27%	
Tax	(340)	(250)	36%
PAT	1,025	676	52%
Net Margin	25%	19%	
EPS	5.80	3.83	51%

Source: SCS Research

Margins: The company was able to manage (and pass-on) the costs which resulted in an increase of 700bps in Gross Margin to 41%. The Net Margin increased by 600bps to 25%. This was a result of increase in other income while a decline in finance cost and effective tax rate.

FY17 outlook: Considering future expansions and a surge in cement demand in the country. We have a positive stance on CHCC.

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Margins

	FY12	FY13	FY14	FY15	FY16
GM	21.12%	34.79%	32.59%	30.21%	37.21%
NM	8%	19.50%	20.40%	19.62%	19.85%

What's Next?

CHCC has announced to install a brownfield line of 2.2mn tpa. The cumulative capacity will rise to 4.6mn tpa. The project is estimated to come online in FY19.

Source: SCS Research

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