

Cherat Cement... 9MFY17 Review

The management of CHCC has recently announced the result of 3rd 3QFY17. The company has posted an EPS of PKR 3.07 (3QFY16 EPS: PKR 2.08) up by 47.6% YoY on back of increased local sales.

The surge in construction activity in the country has enabled the cement players for higher dispatches despite decline in export sales. CHCC main expansion impact will be felt in FY19 with voluminous sales. CHCC total capacity will increase to 4.6mn tons per annum.

Some decrease in margins may be offset by higher sales...

CHCC witnessed slight fall in gross margins for 3QFY17 by 700bps to 32% as compared to 37% SPLY. This was a result of higher coal prices. The gross margins of the company remained steady in the 9MFY17 at 37% (9MFY16: 36%).

CHCC was able to achieve higher net profit margins of 23% for the 9 months period as compared to 20% in 9MFY16. The increase in finance cost by 230pps is due to increase in the long term financing.

CHCC - Financial Snapshot			
PKR 000'	9MFY17	9MFY16	YoY
Net Sales	6,714,183	5,221,862	28.58%
CoS	(4,199,041)	(3,347,525)	25.44%
Gross Profit	2,515,142	1,874,337	34.19%
Distribution costs	(209,275)	(173,932)	20.32%
Admin expenses	(166,026)	(140,435)	18.22%
Other expenses	(114,743)	(109,788)	4.51%
Other income	78,902	39,649	99.00%
Operating profit	2,104,000	1,489,831	41.22%
Finance costs	(98,417)	(29,808)	230.17%
PBT	2,005,583	1,460,023	37.37%
Tax	(438,882)	(416,757)	5.31%
PAT	1,566,701	1,043,266	50.17%
EPS	8.87	5.91	

SCS Research

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Ticker	CHCC
Bloomberg	CHCC PA
Price (LDGP)	199.93
52 weeks low	108.21
52 weeks high	214.00
Beta	1.21
Market Cap (PKR)	35.31 bn

Source: SCS Research

Valuation...

CHCC yield FY17 & FY18 PE of 15.3x & 11.11x respectively post expansion.

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