

BUY

Price Target : PKR 175.7/share

CURRENT MARKET DATA	
Current Price	127.6
Market Cap (PKR mn)	22,552.37
52 wk Hi	145.03
52 wk low	80.3
Outstanding shares (mn)	176.63
Free Float (%)	60%
Sources: PSX	



Source: PSX

FINANCIAL HIGHLIGHTS FY17E									
PKR 'mn'	FY16A	FY17E	FY18E	FY19E					
Sales	7,079	10,194	13,596	13,457					
COGS	4,445	6,819	9,030	9,082					
GP	2,634	3,376	4,566	4,376					
EBIT	2,095	2,720	3,696	3,472					
РВТ	2,051	2,409	3,099	2,876					
NP	1,405	2,001	2,732	2,543					
EPS Source: Nael Research	7.96	11.33	15.47	14.40					

Taha Rehman taha@naelcapital.com (+92-21) 32461812-13 (Ext.) 150

CHERAT CEMENT COMPANY LTD.

Oct 31st. 2016

CHCC: Earnings settled at PKR 2.29/sh, little above our expectation of PKR 2.08/sh

- Cherat Cement Company Ltd. (CHCC) announced its 1QFY17A financial result on • October 28th, 2016. The company posted earnings of PKR 405mn (EPS: 2.29) in comparison to PKR 268mn (EPS: 1.52) of 1QFY16A inclining significantly by 51%YoY.
- Top line of the company grew by 14%YoY owing to volumetric growth in total . dispatches by ~18%YoY primarily stemming from domestic off take and moderate share in exports.
- Operational cost remain suppressed resulting from 1) Greater reliance on in-house . CPP (FO & Diesel based), 2) Cost savings from WHR plant, 3) Almost no reliance on the grid and 4) Subsequently lower HSFO prices.
- On the back of the above mentioned reasons the gross profit of the firm depicted noteworthy growth of 50%YoY clocking in at PKR 697mn.
- Owing to cost efficiencies achieved, the gross margins surged to ~39% from 30% of 1QFY16A.
- On sequential basis, bottom line of the company also witnessed a reasonable increment of 12%QoQ.

Investment Perspective: We maintain our stance of "BUY" rating for CHCC on account of 1) Higher volumetric growth post expansion of 1.3mn tons, 2) Cost efficiencies achieved through 7MW WHRP with our June'17 PT of PKR 175.7/sh implying 38% upside potential from the last closing price of PKR 127.6/sh.

PKR 'mn'	1QFY17A	1QFY16A	YoY	1QFY17A	4QFY16A	QoQ
Net Sales	1,771	1,560	14%	1,771	1,858	-5%
Cost of sales	1,075	1,096	-2%	1,075	1,098	-2%
Gross Profit	697	464	50%	697	760	-8%
Admin Expenses	50	45	11%	50	52	-4%
Distribution Expenses	63	53	20%	63	60	5%
Operating Profit	584	366	59%	584	648	-10%
Other operating expenses	43	26	66%	43	46	-7%
Other operating income	19	11	65%	19	4	401%
EBIT	560	352	59%	560	605	-8%
Financial Charges	6	8	-29%	6	14	-60%
Profit before taxation	554	344	61%	554	591	-6%
Taxation	149	76	97%	149	229	-35%
Profit after Tax	405	268	51%	405	362	12%
EPS	2.29	1.52	51%	2.29	2.05	12%

Source: Nael Research, Company accounts

Key risks to our investments thesis are 1) Price war, 2) Decline in PSDP, 3) Volatility in international coal/oil prices and 4) Increase in discount rate.

DISCLAIMER: The report has been prepared by Nael Capital (Pvt.) Ltd and is for information purpose only. The information and opinions contained herein have been compiled or arrived at, based upon information obtained from sources, believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, expressed or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be consulted as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments.

