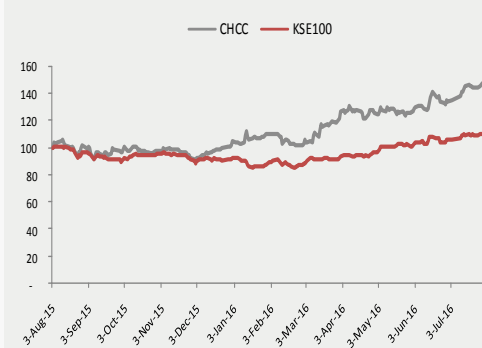


CHERAT CEMENT COMPANY LTD
Aug 23, 2016
CURRENT MARKET DATA

Current Price	122.60
Market Cap (PKR mn)	21655.08
52 wk Hi	132.67
52 wk low	80.3
Outstanding shares (mn)	176.63
Free Float (mn)	105.98

Sources: PSX
STOCK PERFORMANCE

Source: PSX
EARNINGS SUMMARY FOR FY16E

PKR 'mn'	FY16E	FY15	YoY
Net Sales	7,115	6,565	8%
Cost of sales	4,564	4,582	0%
Gross Profit	2,551	1,984	29%
Admin Exp	189	164	15%
Dist Exp	240	206	16%
Other op exp	149	105	42%
Other op inc	54	201	-73%
Finance Cost	38	38	0%
PBT	1,989	1,672	19%
Tax	581	383	52%
PAT	1,408	1,288	9%
EPS	7.97	7.29	9%

Source: Nael Research, Company accounts
Jawad Ameer Ali

jawad@naelcapital.com

(+92-21) 32461812-13

CHCC FINANCIAL RESULT FY16E

PKR 'mn'	4QFY16E	4QFY15	YoY	4QFY16E	3QFY16	QoQ
Net Sales	1,893	1,839	3%	1,893	1,732	9%
Cost of sales	1,217	1,224	-1%	1,217	1,055	15%
Gross Profit	676	615	10%	676	678	0%
Admin Exp	49	42	16%	49	48	1%
Dist Exp	66	55	20%	66	59	12%
Other Op Exp	40	39	1%	40	40	-2%
Other Op Inc	14	43	-67%	14	18	-20%
Finance Cost	8	8	2%	8	14	-43%
PBT	529	514	3%	529	534	-1%
Tax	164	163	0%	164	167	-2%
PAT	365	350	4%	365	367	-1%
EPS	2.06	1.98	4%	2.06	2.08	-1%

Source: Nael Research, Company accounts

- Cherat cement company Ltd (CHCC) is scheduled to announce its FY16 financial results on Aug 24, 2016 where we expect the company to post EPS of PKR 2.06, up by marginal 4%YoY. We expect company to declare a final cash dividend of PKR 2/sh taking full year payout to PKR 3/sh.
- Earnings for FY16 is anticipated to clock in at PKR 1.41bn (EPS: PKR 7.97) as compared to PKR 1.29bn (EPS: PKR 7.29) in FY15, depicting decent growth of 9% YoY.
- Topline of the company is estimated to grow by 8%YoY owing to volumetric growth of total dispatches primarily stemming from domestic off take however its capacity remains a major constraint to tap the local demand.
- On yearly basis, operational cost is estimated to remain suppressed resulting from a) greater reliance on in-house CPP (FO & Diesel based) translating in ~65% of power requirement & b) cost savings from 7MW of WHR plant.
- During the quarter, sales mix is expected to witness a sharp inclination towards higher margin local market (81%L/19%E in 4QFY16 vs. 68%L/32%E in 4QFY15).
- On quarterly basis, bottom line of the company is expected to witness a meager decline of 1%QoQ due to marginal increase in coal and FO prices in international market as compared to previous quarter along with muted sales volume.
- Keeping in view of expansion plans, the stock will remain in limelight as its brownfield expansion of 1.3mn tons is expected to come online in 3QFY17 along with 6MW WHRPP.