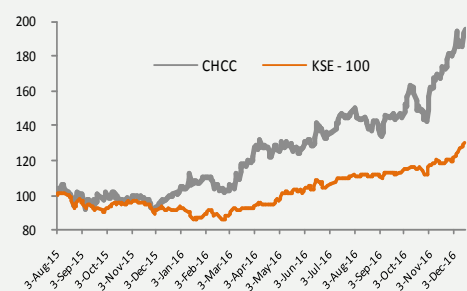


**CHERAT CEMENT COMPANY LTD.**
**Feb 07<sup>th</sup>, 2017**
**HOLD**
**Price Target : PKR 187.1/share**
**CURRENT MARKET DATA**

Current Price	182
Market Cap (PKR mn)	32,146
52 wk Hi	192
52 wk low	90
EV/EBITDA (x)	11.35
EV/ton (x)	163
Outstanding shares (mn)	176.63
Free Float (%)	60%

*Sources: PSX*
**RELATIVE TO KSE—100**

*Source: PSX*
**FINANCIAL HIGHLIGHTS 1HFY17E**

PKR 'mn'	1HFY17E	1HFY16A	YoY
Net Sales	4,175	3,489	20%
Cost Of Sales	2,636	2,293	15%
Gross Profit	1,539	1,197	29%
EBIT	1,215	942	29%
PBT	1,202	926	30%
Taxation	343	250	37%
PAT	859	676	27%
EPS	4.86	3.83	27%

*Source: Nael Research, Company accounts*
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**Earnings to remain stable albeit hike in input costs, clocking at PKR 2.57/sh in 2QFY17E**

- Cherat Cement Company Ltd. (CHCC) is scheduled to announce its 2QFY17E financial results on February 8th, 2017 where we expect the company to post EPS of PKR 2.57, up by 11%YoY.
- Revenues are expected to grow 25%YoY/36%QoQ clocking in at PKR 2.4bn in 2QFY17E, on account of significant growth in volumetric sales post commencement of new line.
- CHCC's gross margins are projected to take a slight hit dropping to ~35% from 40% of 1QFY17A, owing to recent hike in international coal prices alongside a substantial pull up in HSFO prices too.
- EBIT is estimated to propel 11%YoY, settling at PKR 655mn in 2QFY17E on the back of robust growth projection in other income by 171%YoY.
- On sequential basis, bottom line of the company is expected to witness a marginal increment of 12%QoQ.

**Investment Perspective:** We switch our stance to **"HOLD"** 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 187.1/sh implying 3% upside from last closing price of PKR 182/sh.

**FINANCIAL HIGHLIGHTS 2QFY17E**

PKR 'mn'	2QFY17E	2QFY16A	YoY	2QFY17E	1QFY17A	QoQ
Net Sales	2,403	1,930	25%	2,403	1,771	36%
Cost of sales	1,561	1,197	30%	1,561	1,075	45%
Gross Profit	842	733	15%	842	697	21%
Admin Expenses	73	47	54%	73	50	46%
Distribution Expenses	95	62	53%	95	63	50%
Operating Profit	674	623	8%	674	584	16%
Other operating expenses	49	44	11%	49	43	14%
Other operating income	29	11	171%	29	19	57%
EBIT	655	590	11%	655	560	17%
Financial Charges	7	8	-7%	7	6	35%
Profit before taxation	648	582	11%	648	554	17%
Taxation	194	174	11%	194	149	31%
Profit after Tax	453	408	11%	453	405	12%
EPS	2.57	2.31	11%	2.57	2.29	12%

*Source: Nael Research, Company accounts*