

CHCC: Earnings arrived in at PKR5.48; below expectations

- Cherat Cement Company Limited (CHCC) announced the financial result for 3QFY22 where company posted an EPS of PKR5.48, down by 10%YoY and 3%QoQ. For 9MFY22, EPS stood at PKR17.68, up by 55%YoY.
- 3QFY22 earnings came below our expectations and we attribute the under-performance to gross margins arriving below our forecast potentially due to low mix of Afghan coal in our view.
- Top-line of the company registered an increase of 14%YoY and 2%QoQ to PKR7,803mn. This is mainly due to higher retention prices and dispatches. Similarly, net sales of 9MFY22 grew by 23%YoY to clock in at PKR22,581mn.
- Gross margins of the company clocked in at 26.6% for the quarter under review as against 27.3% of 2QFY2 and 30.5% of 3QFY21. The decline in gross margins is mainly due to PKR depreciation, higher coal and freight charges.
- Distribution cost of the company for the quarter under review arrived at PKR143mn, increasing by 9%QoQ and 16%YoY. This is primarily attributable to increased freight charges associated with higher export sales. Likewise, admin expense of the company during the quarter depicted a decline of 6%QoQ and 3%YoY.
- Finance cost increased/decreased by 1%QoQ/5%YoY. This is mainly ascribed to improved cash flows during the quarter under review that resulted in decrease in working capital requirement we opine.
- Effective tax rate during the quarter under review was 28% compared to 28% of 2QFY22 and 27% of 3QFY21.

CHCC Financial Highlights

| PKRmn | 3QFY22 | QoQ | YoY | 9MFY22 | YoY |
|--------------------------|--------------|-------------|------------|--------------|------------|
| Net Sales | 7,803 | 2% | 14% | 22,581 | 23% |
| Cost of Sales | 5,723 | 3% | 21% | 16,344 | 20% |
| Gross Profit | 2,080 | 0% | 0% | 6,238 | 29% |
| Distribution Cost | 143 | 9% | 16% | 386 | 22% |
| Administrative Cost | 78 | -6% | -3% | 246 | 16% |
| Other Operating Cost | 94 | 32% | 13% | 299 | 76% |
| Other Income | 15 | -89% | -9% | 304 | 367% |
| Finance Cost | 305 | 1% | -5% | 905 | -25% |
| Profit Before Tax | 1,475 | -9% | -1% | 4,706 | 57% |
| Taxation | 410 | -8% | 3% | 1,271 | 161x |
| Profit After Tax | 1,065 | -10% | -3% | 3,435 | 55% |
| EPS (PKR) | 5.48 | | | 17.68 | |

Source: Company Accounts, Next Research

Annexure

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