

21 October 2026

CHCC: 1QFY27 EPS expected to clock in at PKR 9.95, down 9% YoY

Cherat Cement Company Limited

PSX: CHCC | Bloomberg: CHCC PA | Reuters: CHRC.PSX

- CHCC is set to report its 1QFY27 results, wherein we expect the company to report an EPS of PKR 9.95 down 9% YoY.
- Revenue is likely to stay flat at PKR 10.3bn YoY, as closure of Afghan border wiped out entire potential export sales, which accounted for 18% of total sales for SPLY. However strong local dispatches growth, up 7% YoY coupled with increase in MRP /bag to 14% (in Peshawar region) spiked net local sales by 22% YoY, all making up for loss of potential exports.
- Gross margin is expected to compress ~2ppt YoY, as higher retention and local dispatches growth are likely to be offset by cost pressure. RB2 coal prices rose 25% YoY to USD 113 /ton amid train derailment in South Africa, Indonesian supply uncertainty and strong global energy demand. With Afghan coal unavailable following border closure, CHCC has also shifted towards imported coal making it vulnerable to hikes in imported coal price. Additionally, HSD rose 34% YoY to PKR 372 /litre raising freight costs, further elevating the factory-gate price of coal.
- Finance cost is expected to decline 17% YoY to PKR 79mn, this decrease is driven by continued de-leveraging by the company, as total debt of the company declined 45% to PKR 2.7bn in 4QFY26 (from PKR 4.9bn in 1QFY26).

Key Data

PSX Ticker	CHCC
Target Price (PKR)	419
Current Price (PKR)	263
Upside/(Downside) (%)	59%
Dividend Yield (%)	3%
Total Return (%)	62%
12-month High (PKR)	379
12-month Low (PKR)	225
Outstanding Shares (Mn)	194
Market Cap (PKR Mn)	51,187

Source: PSX, Akseer Research

Financial Estimates (PKR Mn)	1QFY26	1QFY27F	YoY	4QFY26**	QoQ
Sales	10,285	10,275	0%	8,892	13%
Cost of Sales	6,548	6,831	4%	6,452	4%
Gross Profit	3,738	3,443	-8%	2,440	39%
General and Admin	217	291	34%	252	1%
Selling and Distribution	166	183	10%	190	2%
Other Operating Expenses	193	208	7%	47	336%
Other Income	348	359	3%	507	-29%
Finance Cost	95	79	-17%	63	24%
Profit Before Tax	3,414	3,042	-11%	2,395	26%
Taxation	1,319	1,125	-15%	658	70%
Net Income	2,095	1,916	-9%	1,737	10%
EPS *	10.88	9.95	-9%	9.02	10%
Normalized EPS **	10.88	9.95	-9%	7.70	28%
DPS	-	-	n.m.	4.00	-100%

* EPS based on new number of shares post buyback of 1.7mn shares on 9th October 2026

** 4QFY26 EPS Normalized @ 38%, 9MFY26 Effective Average Tax Rate

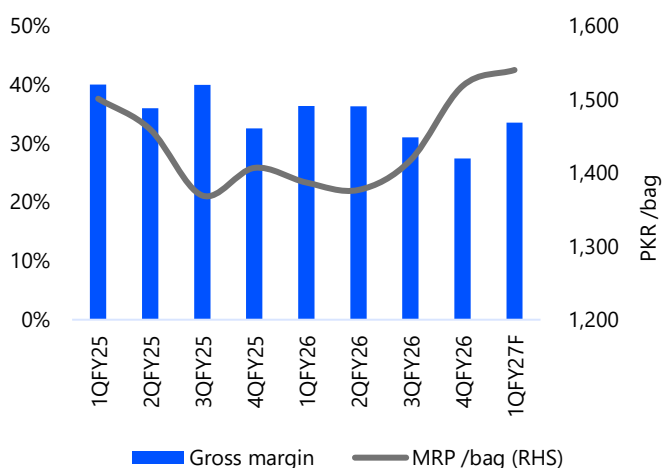
Source: Company Accounts, Akseer Research

- On a sequential basis, earnings are expected to increase by 10%. This increase is mainly driven by increase in dispatches by 11% on a QoQ basis coupled by ~4% increase in net retention. Earnings were elevated in the preceding quarter due to a one-off DTL adjustments, normalizing the EPS for an average effective tax rate of 9MFY26 of 38%, earnings are likely to be up by 28% QoQ.
- Gross margins are expected to expand 6ppts due to a lower base as the company had temporarily closed on of its lines in 4QFY26 (stated by the management in the AGM).

Key Financial Ratios	FY24A	FY25A	FY26A	FY27F	FY28F	FY29F	FY30F	FY31F
EPS (PKR)	28.3	44.7	37.3	43.9	46.4	55.4	66.1	76.5
EPS Growth	24.9%	57.8%	-16.4%	17.6%	5.8%	19.4%	19.2%	15.7%
DPS (PKR)	5.5	5.5	5.5	6.8	7.2	8.6	10.2	11.8
BVPS (PKR)	131.5	171.4	203.4	240.5	279.7	326.6	382.4	447.1
PER	9.5	6.0	7.2	6.1	5.8	4.9	4.1	3.5
Dividend Yield	2.0%	2.0%	2.0%	2.5%	2.7%	3.2%	3.8%	4.4%
P/B	2.1	1.6	1.3	1.1	1.0	0.8	0.7	0.6
ROE	23.7%	29.5%	19.9%	19.8%	17.9%	18.3%	18.6%	18.4%

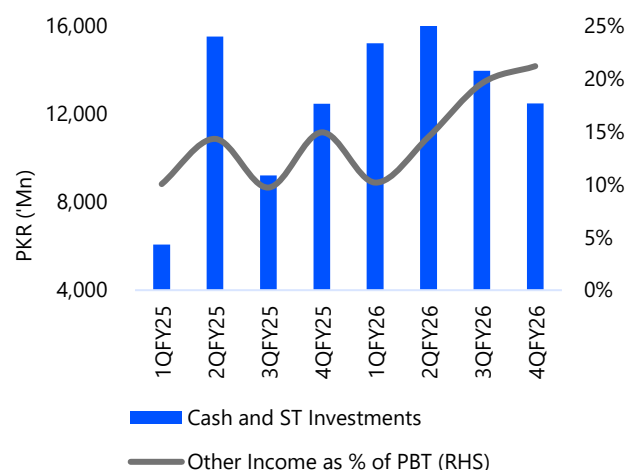
Source: Company Accounts, Akseer Research

Gross margin recovers on increasing MRP /bag



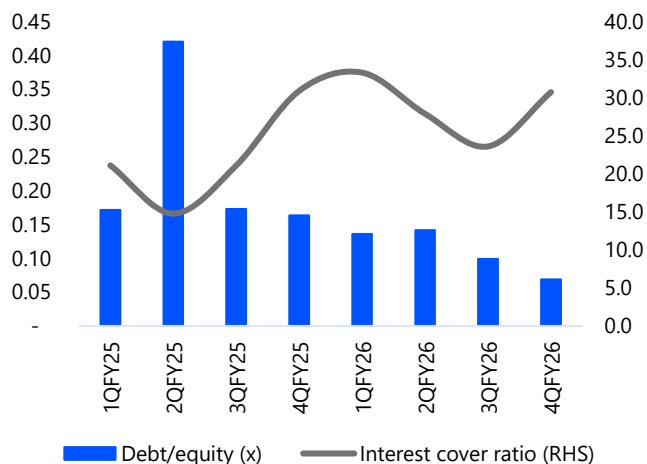
Source: Company Accounts, PBS, Akseer Research

Growing other income contributes to PBT



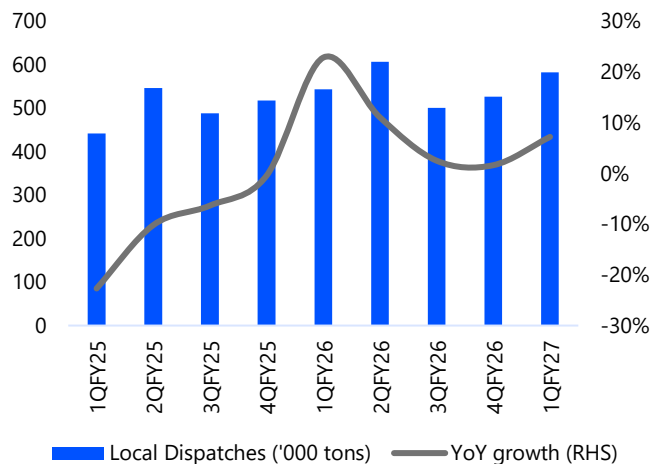
Source: Company Accounts, Akseer Research

Sustained Deleveraging Eases Finance Cost Pressure



Source: Company Accounts, Akseer Research

Local dispatches growth recovers



Source: APCMA, Akseer Research

Valuation Basis

Our PT for Cherat Cement Company Limited (CHCC) has been computed using the Free Cash Flow to Firm (FCFF) method. We have used a risk-free rate of 13%, a beta of 1.2, a market risk premium of 6% and cost of debt of 15.5% to arrive at WACC of 17%.

Investment Thesis

We have rolled forward our PT for CHCC to June-27 with a target of PKR 419/share and maintain a 'Buy' recommendation. Our investment case is based (1) CHCC's consistently superior ROE generation in our universe with FY26/FY27E ROE at 19.9%/19.8% and an average of 24.0% over FY23-FY26, (2) the company topping the list in historical total return generation, yielding an annual return of 16.1% during the last 11 years, (3) a strong financial position characterized by minimal leverage and ample liquidity, providing support to bottom line, and (4) an attractive valuation with the stock currently trading at an EV/Ton of USD 39/ton, representing a 36% discount its 10-year average of USD 61/ton.

Risks

Key downside risks to our investment thesis include (1) continued closure of Afghan border to disrupt local coal prices and cause pressure on exports, suppressing earnings and (2) rising transport costs to render imported coal expensive.

Company Description

Cherat Cement Company Limited (CHCC) is a Pakistani based cement manufacturer, producing ordinary Portland and various other types of cement. The plant is located in Cherat, Nowshera, Khyber Pakhtunkhwa and has an annual cement production capacity of 4.5mn tons.

Financials- CHCC

Income Statement (PKR Mn)	FY24A	FY25A	FY26A	FY27F	FY28F	FY29F	FY30F	FY31F
Net Sales	38,434	37,811	36,483	43,180	46,876	54,300	62,943	71,107
Cost of Sales	26,593	23,841	24,440	28,057	31,423	36,408	42,139	47,672
Gross Profit	11,840	13,970	12,043	15,124	15,452	17,892	20,804	23,435
Other Expenses	1,725	2,079	2,169	2,744	2,897	3,288	3,742	4,170
Operating Profit (EBIT)	10,116	11,890	9,874	12,380	12,555	14,605	17,062	19,265
Other Income	493	1,588	1,767	1,435	2,001	2,684	3,472	4,429
Finance Cost	1,381	592	342	274	233	191	150	108
Profit before tax (PBT)	9,228	12,887	11,300	13,541	14,324	17,098	20,384	23,586
Taxation/Levies	3,728	4,206	4,045	5,010	5,300	6,326	7,542	8,727
Profit after tax (PAT)	5,500	8,681	7,255	8,531	9,024	10,772	12,842	14,859
EPS (PKR)	28.31	44.68	37.34	43.91	46.44	55.44	66.10	76.48
DPS (PKR)	5.50	5.50	5.50	6.80	7.19	8.59	10.24	11.85

Source: Company Accounts, Akseer Research

Balance Sheet (PKR Mn)	FY24A	FY25A	FY26A	FY27F	FY28F	FY29F	FY30F	FY31F
PPE	28,286	28,034	28,180	28,540	28,917	29,315	29,733	30,173
Other LT assets	1,247	1,165	1,030	963	895	827	759	692
Non-current assets	29,533	29,199	29,211	29,502	29,812	30,142	30,493	30,865
Current assets	11,501	21,355	23,083	28,588	35,865	44,753	55,443	67,796
Total assets	41,034	50,554	52,294	58,091	65,677	74,896	85,935	98,660
Non-current liabilities	8,134	8,477	8,074	7,713	7,352	6,991	6,629	6,268
Current liabilities	7,358	8,769	4,706	3,654	3,976	4,452	5,000	5,529
Total liabilities	15,491	17,246	12,780	11,367	11,328	11,443	11,630	11,797
Equity	25,543	33,308	39,514	46,724	54,350	63,453	74,306	86,863
Total equity & liabilities	41,034	50,554	52,294	58,091	65,678	74,896	85,935	98,661

Source: Company Accounts, Akseer Research

Cash Flow Statement (PKR Mn)	FY24A	FY25A	FY26A	FY27F	FY28F	FY29F	FY30F	FY31F
Net Operating Profit After Tax	6,029	8,010	6,339	7,799	7,910	9,201	10,749	12,137
Non-Cash Charges	1,812	1,806	1,829	2,034	2,137	2,244	2,357	2,477
Operating Cash Flows	12,575	10,537	4,755	8,197	9,030	9,883	11,290	12,832
FCFF	10,801	9,055	2,865	5,871	6,583	7,309	8,582	9,984
Financial Charges (1-T)	(823)	(399)	(219)	(173)	(147)	(120)	(94)	(68)
Net Borrowings	(6,511)	696	(2,767)	(361)	(361)	(361)	(361)	(361)
FCFE	3,467	9,353	(121)	5,337	6,075	6,828	8,127	9,554
Closing Cash	430	673	756	5,676	11,614	18,464	26,789	36,832

Source: Company Accounts, Akseer Research

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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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