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CHCC: 3QFY26 EPS expected to clock in at PKR 8.26, down 5% YoY

Cherat Cement Company Limited

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

- CHCC is expected to announce its 3QFY26 results, wherein we expect the company to report an EPS of PKR 8.26, down 5% YoY. This will take 9MFY26 EPS to PKR 29.41, down 16% YoY. We do not expect CHCC to announce any dividend for the quarter.
- Net sales for 3QFY26 are projected to clock in at PKR 8.0bn, up 3% YoY, driven by a 2% YoY growth in local dispatches along with 3% YoY increase in cement prices.
- We expect gross margins to clock in at 35% in 3QFY26, down 5 ppts YoY, reflecting normalization from elevated levels during 3QFY25. The compression is primarily driven by upward pressure on energy cost resulting from a shift towards higher cost imported coal following Afghan border closure.
- Other income is projected to increase 84% YoY due to a likely increase in cash and cash equivalents to PKR 18.7bn in 3QFY26 (compared to PKR 9.2bn in 3QFY25)
- On a sequential basis, earnings are expected to fall 20% QoQ. Net sales are projected to decline 15% QoQ, reflecting an 18% QoQ drop in local dispatches along with a plunge in exports to Afghanistan following border closure. Gross margins are projected to contract 1 ppt QoQ reflecting pressure on energy cost.

Key Data

PSX Ticker	CHCC
Target Price (PKR)	393
Current Price (PKR)	279
Upside/(Downside) (%)	41%
Dividend Yield (%)	3%
Total Return (%)	44%
12-month High (PKR)	390
12-month Low (PKR)	225
Outstanding Shares (mn)	194
Market Cap (PKR mn)	54,208

Source: PSX, Akseer Research

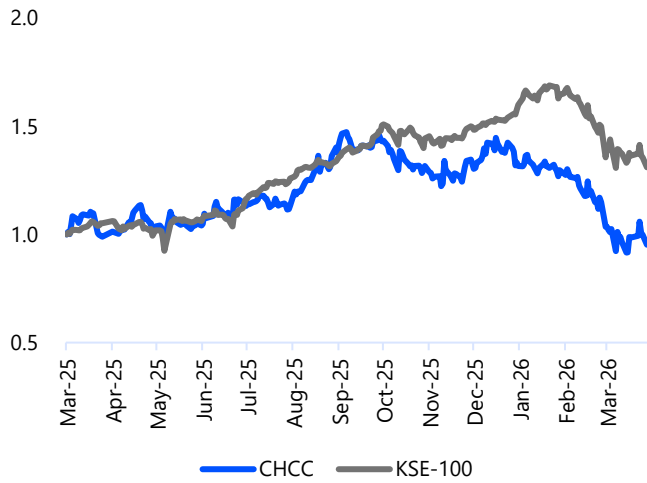
Financial Estimates (PKR mn)	3QFY25	3QFY26E	YoY	9MFY25	9MFY26E	YoY
Sales	7,769	8,027	3%	28,071	27,733	-1%
Cost of Sales	4,665	5,220	12%	17,272	17,768	3%
Gross Profit	3,104	2,807	-10%	10,799	9,966	-8%
General and Admin	205	193	-6%	614	636	4%
Selling and Distribution	146	168	15%	439	499	14%
Other Operating Expenses	145	171	18%	507	550	9%
Other Income	267	492	84%	1,138	1,304	15%
Finance Cost	124	137	11%	506	334	-34%
Profit Before Tax	2,752	2,630	-4%	9,872	9,251	-6%
Taxation	1,067	1,026	-4%	3,039	3,537	16%
Net Income	1,685	1,604	-5%	6,833	5,714	-16%
EPS (PKR)	8.67	8.26	-5%	35.17	29.41	-16%
DPS (PKR)	0.00	0.00		1.50	1.50	

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
EPS (PKR)	28.3	44.7	38.4	42.9	53.6	66.3	79.2	93.2
EPS Growth	24.9%	57.8%	-14.1%	11.7%	25.1%	23.7%	19.4%	17.7%
DPS (PKR)	5.5	5.5	5.7	7.4	9.2	11.4	13.6	16.0
BVPS (PKR)	131.5	171.4	201.4	236.9	281.2	336.1	401.7	478.9
PER	9.7	6.1	7.1	6.4	5.1	4.1	3.5	2.9
Dividend Yield	2.0%	2.0%	2.1%	2.7%	3.4%	4.2%	5.0%	5.9%
P/B	2.1	1.6	1.4	1.2	1.0	0.8	0.7	0.6
ROE	23.7%	29.5%	20.6%	19.6%	20.7%	21.5%	21.5%	21.2%

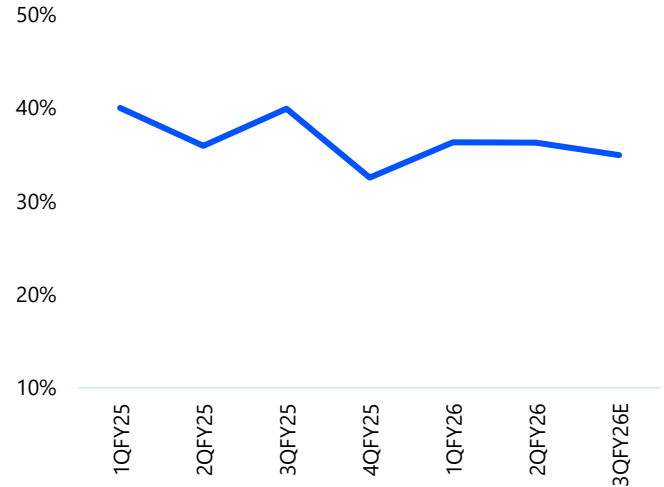
Source: Company Accounts, Akseer Research

Relative Price Performance of CHCC



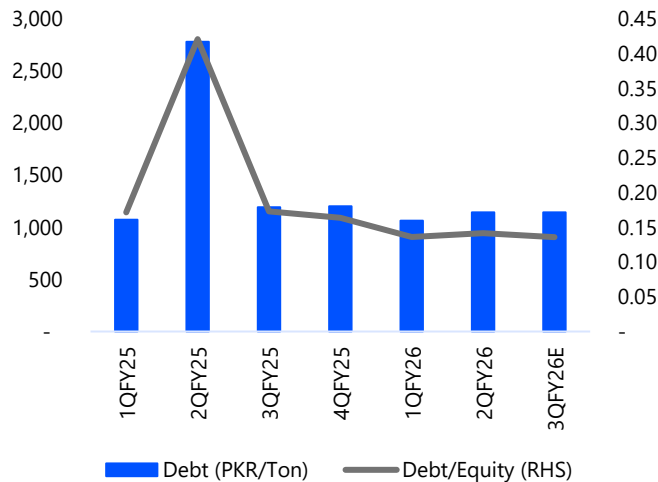
Source: PSX, Akseer Research

Stabilizing Gross Margins



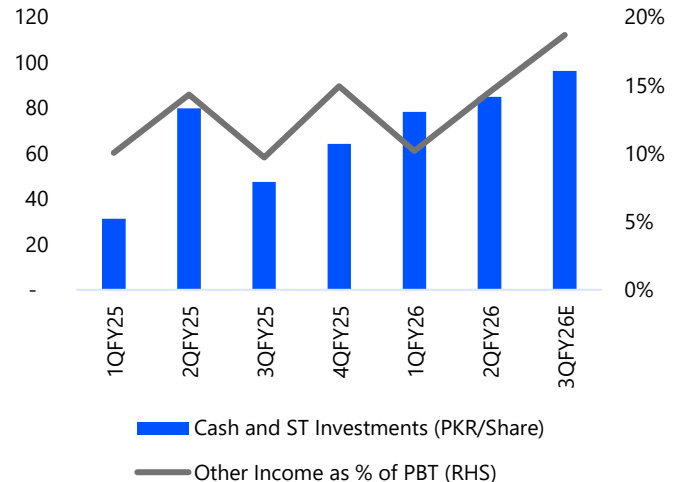
Source: Company Accounts, Akseer Research

Minimal Debt on the Balance Sheet ...



Source: Company Accounts, Akseer Research

... And Increasing Cash and Cash Equivalents Supporting Earnings



Source: Company Accounts, 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 10.5%, a beta of 1.2, a market risk premium of 6%, and cost of debt of 10.5% to arrive at WACC of 16.2%.

Investment Thesis

We have a 'Buy' recommendation on the stock based on our Dec-26 PT of PKR 393/share. Our investment case is based on (1) increased reliance on local coal alongside expansion of solar capacity to 27.4MW to help contain energy costs, (2) a strong financial position characterized by minimal leverage and ample liquidity, providing support to bottom line, and (3) an attractive valuation with the stock currently trading at an EV/Ton of USD 33/ton, representing a 15% discount to the sector average of USD 39/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.

Financial Highlights – CHCC

Income Statement (PKR Mn)	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
Net Sales	38,434	37,811	36,465	43,002	50,584	59,283	67,089	75,243
Cost of Sales	26,593	23,841	23,445	28,945	33,585	38,865	43,459	48,246
Gross Profit	11,840	13,970	13,020	14,058	16,999	20,418	23,630	26,997
Other Expenses	1,725	2,079	2,252	2,578	2,991	3,464	3,907	4,371
Operating Profit (EBIT)	10,116	11,890	10,768	11,480	14,008	16,954	19,723	22,626
Other Income	493	1,588	1,806	2,664	3,521	4,575	5,869	7,396
Finance Cost	1,381	592	466	490	452	414	376	338
Profit before tax (PBT)	9,228	12,887	12,108	13,653	17,076	21,115	25,216	29,684
Taxation/Levies	3,728	4,206	4,651	5,325	6,660	8,235	9,834	11,577
Profit after tax (PAT)	5,500	8,681	7,457	8,329	10,417	12,880	15,382	18,107
EPS (PKR)	28.31	44.68	38.38	42.87	53.61	66.29	79.17	93.19
DPS (PKR)	5.50	5.50	5.74	7.37	9.22	11.40	13.62	16.03

Source: Company Accounts, Akseer Research

Balance Sheet (PKR Mn)	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
PPE	28,286	28,034	27,251	26,155	25,037	23,897	22,734	21,548
Other LT assets	1,247	1,165	1,002	934	866	798	731	663
Non-current assets	29,533	29,199	28,253	27,089	25,903	24,695	23,464	22,210
Current assets	11,501	21,355	27,909	36,079	45,926	57,891	71,891	88,187
Total assets	41,034	50,554	56,162	63,168	71,830	82,586	95,355	110,397
Non-current liabilities	8,134	8,477	8,138	7,777	7,416	7,055	6,694	6,332
Current liabilities	7,358	8,769	8,900	9,371	9,769	10,221	10,615	11,025
Total liabilities	15,491	17,246	17,038	17,148	17,185	17,276	17,309	17,358
Equity	25,543	33,308	39,123	46,020	54,645	65,310	78,046	93,040
Total equity & liabilities	41,034	50,554	56,162	63,168	71,830	82,586	95,355	110,397

Source: Company Accounts, Akseer Research

Cash Flow Statement (PKR Mn)	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
Net Income	5,500	8,681	7,457	8,329	10,417	12,880	15,382	18,107
Non-Cash Charges	1,812	1,789	1,965	2,052	2,091	2,132	2,173	2,215
Operating Cash Flows	12,046	11,192	9,768	8,933	11,220	13,544	16,270	18,983
FCFF	8,504	(533)	3,450	5,871	7,246	8,459	9,835	10,964
Net Borrowings	(6,511)	696	(459)	(361)	(361)	(361)	(361)	(361)
FCFE	1,105	1,160	4,332	7,684	9,953	12,259	14,967	17,661
Closing Cash	429	673	3,363	9,614	17,776	27,820	40,142	54,689

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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