

20 August 2026

## CHCC: 4QFY26 EPS expected to clock in at PKR 10.90, up 15% YoY

### Cherat Cement Company Limited

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

- CHCC is expected to announce its 4QFY26 results, wherein we expect the company to report an EPS of PKR 10.90, up 15% YoY, taking FY26 EPS to PKR 39.30 (down 12% YoY). We expect the company to also declare a final dividend of PKR 4/share for 4QFY26, bringing cumulative dividend for FY26 to PKR 5.5/share.
- Net sales for 4QFY26 are expected to clock in at PKR 8.8bn, down 9% YoY, primarily due to the Afghan border closure, given CHCC's high exposure to Afghanistan among peers, with exports accounting for 20% of total dispatches in 4QFY25. Despite a 2% YoY increase in domestic dispatches, total dispatches fell 18% YoY as the export decline more than offset domestic growth, driving the net sales decline.
- We expect 4QFY26 gross margins to clock in at 37%, up 4ppts YoY, primarily driven by presence of low-cost coal inventory supported by a likely ~6% YoY increase in net retention, leading to margin expansion. Consequently, gross profit/ton is expected to rise 27% YoY to PKR 6,230/ton in 4QFY26 (from PKR 4,923/ton SPLY).
- Finance cost is projected at PKR 72mn, down 16% YoY, led by a 54% YoY fall in interest-bearing debt to PKR 2.5bn in 4QFY26 (from PKR 5.5bn SPLY).
- The company is expected to report a one-off deferred tax adjustment due to a likely revaluation of deferred tax liabilities at lower tax rate following a reduction in super tax rate to 8% in FY27 budget. We expect company to post an Effective Tax Rate (ETR) of 29% in 4QFY26 (compared to 39% SPLY). Normalizing earnings for the quarter at an ETR of 39%, EPS is estimated to clock in at PKR 9.38/share, down 1% YoY.
- On a sequential basis, earnings are expected to grow 51% QoQ, primarily due to a 13% QoQ increase in revenue supported by 5%/7% QoQ increase in dispatches and net retention respectively. The presence of low-cost coal inventory is further expected to expand gross margins by 6% QoQ. Normalizing the earnings an ETR of 39%, earnings are expected to increase 30% QoQ.

#### Key Data

|                         |        |
|-------------------------|--------|
| PSX Ticker              | CHCC   |
| Target Price (PKR)      | 431    |
| Current Price (PKR)     | 310    |
| Upside/(Downside) (%)   | 39%    |
| Dividend Yield (%)      | 3%     |
| Total Return (%)        | 42%    |
| 12-month High (PKR)     | 390    |
| 12-month Low (PKR)      | 225    |
| Outstanding Shares (mn) | 194    |
| Market Cap (PKR mn)     | 60,426 |

Source: PSX, Akseer Research

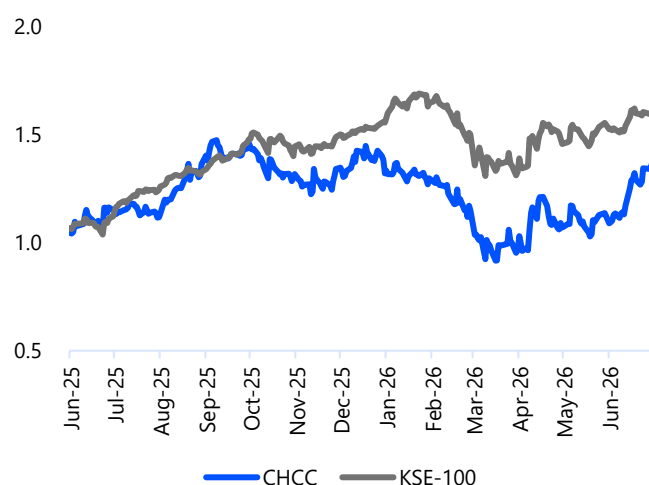
| Financial estimates (PKR Mn)              | 4QFY25       | 4QFY26E      | YoY        | FY25          | FY26E         | YoY         |
|-------------------------------------------|--------------|--------------|------------|---------------|---------------|-------------|
| Sales                                     | 9,739        | 8,874        | -9%        | 37,811        | 36,464        | -4%         |
| Cost of Sales                             | 6,569        | 5,594        | -15%       | 23,841        | 23,582        | -1%         |
| <b>Gross Profit</b>                       | <b>3,170</b> | <b>3,280</b> | <b>3%</b>  | <b>13,970</b> | <b>12,883</b> | <b>-8%</b>  |
| General and Admin                         | 157          | 171          | 9%         | 596           | 669           | 12%         |
| Selling and Distribution                  | 241          | 243          | 1%         | 854           | 903           | 6%          |
| Other Operating Expenses                  | 122          | 201          | 64%        | 629           | 722           | 15%         |
| Other Income                              | 450          | 404          | -10%       | 1,588         | 1,664         | 5%          |
| Finance Cost                              | 86           | 72           | -16%       | 592           | 350           | -41%        |
| <b>Profit Before Tax</b>                  | <b>3,015</b> | <b>2,997</b> | <b>-1%</b> | <b>12,887</b> | <b>11,902</b> | <b>-8%</b>  |
| Taxation- Without DTL Adjustment          | 1,167        | 1,169        | 0%         | 4,206         | 4,642         | 10%         |
| <b>Net Income – Without DTL</b>           | <b>1,848</b> | <b>1,828</b> | <b>-1%</b> | <b>8,681</b>  | <b>7,260</b>  | <b>-16%</b> |
| <b>EPS (PKR) – Without DTL adjustment</b> | <b>9.51</b>  | <b>9.38</b>  | <b>-1%</b> | <b>44.68</b>  | <b>37.78</b>  | <b>-16%</b> |
| Taxation- With DTL Adjustment             | 1,167        | 879          | -25%       | 4,206         | 4,266         | 1%          |
| <b>Net income- With DTL</b>               | <b>1,848</b> | <b>2,118</b> | <b>15%</b> | <b>8,681</b>  | <b>7,634</b>  | <b>-12%</b> |
| <b>EPS (PKR)</b>                          | <b>9.51</b>  | <b>10.90</b> | <b>15%</b> | <b>44.68</b>  | <b>39.30</b>  | <b>-12%</b> |
| DPS (PKR)                                 | 4.50         | 4.00         | -11%       | 5.50          | 5.50          | 0%          |

Source: Company Accounts, Akseer Research

| Key Financial Ratios | FY24A | FY25A | FY26E  | FY27F | FY28F | FY29F | FY30F | FY31F |
|----------------------|-------|-------|--------|-------|-------|-------|-------|-------|
| EPS (PKR)            | 28.3  | 44.7  | 39.3   | 45.9  | 51.7  | 61.4  | 71.6  | 82.3  |
| EPS Growth           | 24.9% | 57.8% | -12.0% | 16.8% | 12.7% | 18.8% | 16.6% | 14.8% |
| DPS (PKR)            | 5.5   | 5.5   | 5.5    | 7.9   | 8.9   | 10.6  | 12.3  | 14.1  |
| BVPS (PKR)           | 131.5 | 171.4 | 200.1  | 238.2 | 281.0 | 331.9 | 391.2 | 459.3 |
| PER                  | 10.9  | 6.9   | 7.9    | 6.7   | 6.0   | 5.0   | 4.3   | 3.8   |
| Dividend Yield       | 1.8%  | 1.8%  | 1.8%   | 2.5%  | 2.9%  | 3.4%  | 4.0%  | 4.6%  |
| P/B                  | 2.4   | 1.8   | 1.5    | 1.3   | 1.1   | 0.9   | 0.8   | 0.7   |
| ROE                  | 23.7% | 29.5% | 21.2%  | 21.0% | 19.9% | 20.1% | 19.8% | 19.3% |

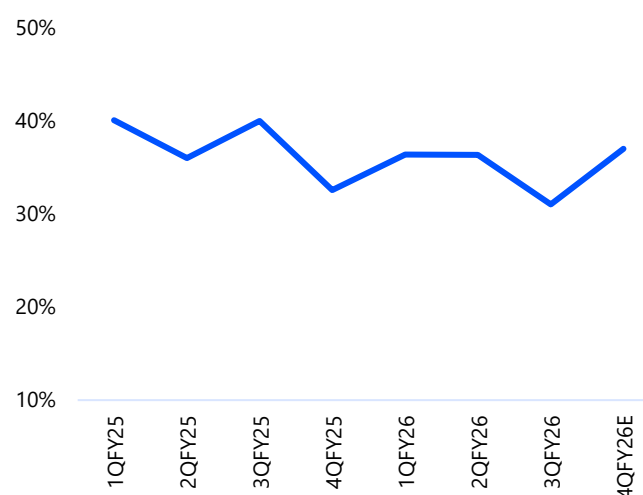
Source: Company Accounts, Akseer Research

### Relative Price Performance of CHCC



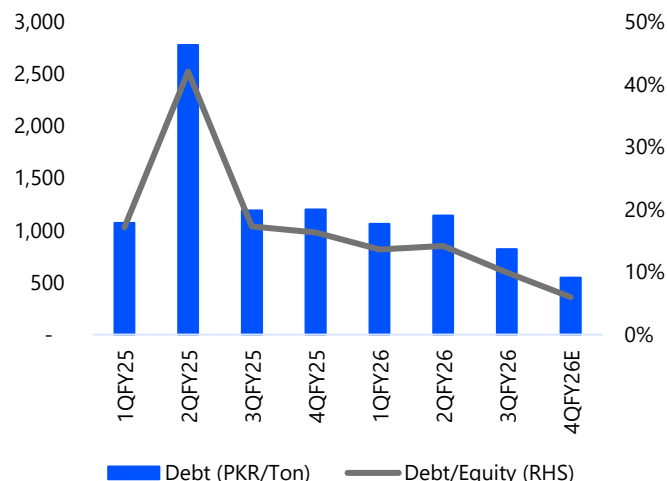
Source: PSX, Akseer Research

### Stabilizing Gross Margins



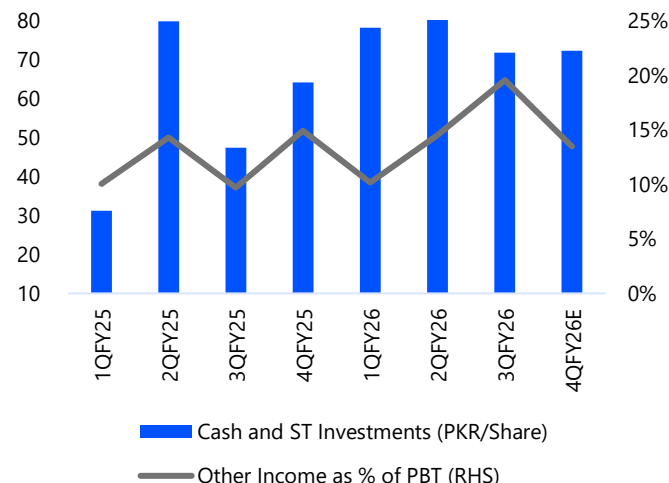
Source: Company Accounts, Akseer Research

### Declining leverage ...



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 11.7%, a beta of 1.2, a market risk premium of 6%, 7 and cost of debt of 15.5% to arrive at WACC of 16.1%.

## Investment Thesis

We have rolled forward our PT for CHCC to June-27 with a target of PKR 431/share and maintain a 'Buy' recommendation. 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 39/ton, representing a 16% discount to our universe average of USD 47/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        | 36,464        | 43,315        | 48,639        | 56,219        | 64,399        | 72,964        |
| Cost of Sales                  | 26,593        | 23,841        | 23,582        | 27,766        | 31,684        | 36,660        | 42,211        | 48,170        |
| <b>Gross Profit</b>            | <b>11,840</b> | <b>13,970</b> | <b>12,883</b> | <b>15,549</b> | <b>16,956</b> | <b>19,558</b> | <b>22,188</b> | <b>24,794</b> |
| Other Expenses                 | 1,725         | 2,079         | 2,294         | 2,758         | 3,023         | 3,427         | 3,850         | 4,284         |
| <b>Operating Profit (EBIT)</b> | <b>10,116</b> | <b>11,890</b> | <b>10,589</b> | <b>12,792</b> | <b>13,933</b> | <b>16,131</b> | <b>18,338</b> | <b>20,511</b> |
| Other Income                   | 493           | 1,588         | 1,664         | 1,616         | 2,228         | 2,982         | 3,877         | 4,940         |
| Finance Cost                   | 1,381         | 592           | 350           | 247           | 206           | 164           | 122           | 81            |
| <b>Profit before tax (PBT)</b> | <b>9,228</b>  | <b>12,887</b> | <b>11,902</b> | <b>14,161</b> | <b>15,956</b> | <b>18,949</b> | <b>22,092</b> | <b>25,370</b> |
| Taxation/Levies                | 3,728         | 4,206         | 4,266         | 5,239         | 5,904         | 7,011         | 8,174         | 9,387         |
| <b>Profit after tax (PAT)</b>  | <b>5,500</b>  | <b>8,681</b>  | <b>7,636</b>  | <b>8,921</b>  | <b>10,052</b> | <b>11,938</b> | <b>13,918</b> | <b>15,983</b> |
| <b>EPS (PKR)</b>               | <b>28.31</b>  | <b>44.68</b>  | <b>39.30</b>  | <b>45.92</b>  | <b>51.74</b>  | <b>61.44</b>  | <b>71.63</b>  | <b>82.26</b>  |
| DPS (PKR)                      | 5.50          | 5.50          | 5.50          | 7.90          | 8.90          | 10.57         | 12.32         | 14.15         |

Source: Company Accounts, Akseer Research

| Balance Sheet (PKR Mn)                | FY24A         | FY25A         | FY26E         | FY27F         | FY28F         | FY29F         | FY30F         | FY31F          |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| PPE                                   | 28,286        | 28,034        | 27,292        | 27,897        | 28,321        | 28,768        | 29,239        | 29,735         |
| Other LT assets                       | 1,247         | 1,165         | 865           | 797           | 730           | 662           | 594           | 526            |
| Non-current assets                    | 29,533        | 29,199        | 28,157        | 28,694        | 29,051        | 29,430        | 29,833        | 30,261         |
| Current assets                        | 11,501        | 21,355        | 22,861        | 29,708        | 37,650        | 47,221        | 58,457        | 71,413         |
| <b>Total assets</b>                   | <b>41,034</b> | <b>50,554</b> | <b>51,018</b> | <b>58,403</b> | <b>66,701</b> | <b>76,651</b> | <b>88,290</b> | <b>101,674</b> |
| Non-current liabilities               | 8,134         | 8,477         | 8,131         | 7,770         | 7,409         | 7,048         | 6,687         | 6,325          |
| Current liabilities                   | 7,358         | 8,769         | 4,003         | 4,361         | 4,697         | 5,124         | 5,599         | 6,110          |
| <b>Total liabilities</b>              | <b>15,491</b> | <b>17,246</b> | <b>12,134</b> | <b>12,131</b> | <b>12,106</b> | <b>12,171</b> | <b>12,286</b> | <b>12,435</b>  |
| Equity                                | 25,543        | 33,308        | 38,884        | 46,271        | 54,595        | 64,480        | 76,004        | 89,239         |
| <b>Total equity &amp; liabilities</b> | <b>41,034</b> | <b>50,554</b> | <b>51,018</b> | <b>58,403</b> | <b>66,701</b> | <b>76,651</b> | <b>88,290</b> | <b>101,674</b> |

Source: Company Accounts, Akseer Research

| Cash Flow Statement (PKR Mn)   | FY24A         | FY25A        | FY26E        | FY27F        | FY28F         | FY29F         | FY30F         | FY31F         |
|--------------------------------|---------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Net Operating Profit After Tax | 6,029         | 8,010        | 6,459        | 8,059        | 8,778         | 10,163        | 11,553        | 12,922        |
| Non-Cash Charges               | 1,812         | 1,789        | 1,816        | 2,057        | 2,164         | 2,276         | 2,395         | 2,520         |
| Operating Cash Flows           | 12,046        | 11,192       | 7,384        | 9,816        | 11,163        | 12,851        | 14,801        | 16,887        |
| <b>FCFF</b>                    | <b>10,668</b> | <b>9,065</b> | <b>5,433</b> | <b>6,360</b> | <b>7,369</b>  | <b>8,421</b>  | <b>9,638</b>  | <b>10,877</b> |
| Net Borrowings                 | (6,511)       | 696          | (2,969)      | (361)        | (361)         | (361)         | (361)         | (361)         |
| <b>FCFE</b>                    | <b>3,334</b>  | <b>9,363</b> | <b>2,251</b> | <b>5,844</b> | <b>6,878</b>  | <b>7,956</b>  | <b>9,200</b>  | <b>10,465</b> |
| <b>Closing Cash</b>            | <b>430</b>    | <b>673</b>   | <b>869</b>   | <b>6,197</b> | <b>12,750</b> | <b>20,532</b> | <b>29,780</b> | <b>40,609</b> |

Source: Company Accounts, Akseer Research

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

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