

**AHL Brief Note: Cement**

# Cherat Cement Company Limited (CHCC)

## Analyst Briefing Takeaways

Arif Habib Limited hosted the corporate briefing session of Cherat Cement Company (CHCC), during which the management discussed the company's performance and its future outlook. In FY24, the company reported a PAT of PKR 5.5bn (EPS: PKR 28.3), up from PKR 4.4bn (EPS: PKR 22.7) during FY23, marking a 25% YoY increase. In 1QFY25, profitability surged by 88% YoY, reaching PKR 2,878mn (EPS: PKR 14.8), compared to PKR 1,533mn (EPS: PKR 7.9) in 1QFY24.

**Brief Takeaways:**

- **Energy mix and prices:** The gas price for captive generation is PKR 3,000/mmbtu, equivalent to ~PKR 28-30/KWh, and it makes up 49.9% of the power mix. The price for PEDO is around PKR 15-18/KWh, representing 3.7% of the total power mix. Meanwhile, the national grid contributes 0.6% to the power mix, with a cost of PKR 38/KWh. The company currently has 13.6 MW of solar power installed, and an additional 9 MW with an estimated CAPEX of PKR 1.4bn is expected to be added by the third quarter of FY25
- **Coal mix and prices:** The company utilizes 59.3% local coal, 22.2% Afghan coal, and 18.5% imported coal. The price of local coal is PKR 35,000/ton, while Afghan coal was priced ~PKR 45,000/ton. However, due to recent reductions in royalty and border taxes, Afghan coal prices are expected to decrease to PKR 39,000-40,000/ton.
- **Cement prices:** Retention prices are ~PKR 18,000/ton (PKR 900/bag). The cement export prices are in the range of USD 46-50/ton.
- **Captive gas:** In response to the question, management stated that the company has not received any official notification regarding the discontinuation of gas supply to the captive power plant. They also clarified that, according to an order of the Peshawar High Court, the government cannot terminate the gas supply to the captive power plant.
- **Royalty on cement:** In the FY25 budget, the KPK government increased the royalty from PKR 120/ton to PKR 250/ton, while in Punjab, it has increased from PKR 400/ton to 6% of the cement sale price (~PKR 1,320/ton, PKR 66/bag) in Aug'24.
- **Lowest variable cost per ton:** The management stated that the company's ability to achieve one of the lowest costs per ton at PKR 7,347 can be attributed to i) the use of local coal, ii) improved coal management, iii) a more efficient power mix, and iv) a premium brand.
- **Deleveraging the balance sheet:** The company has repaid a total of PKR 6.25bn loan during the year.
- **FY25 outlook:** Management anticipates that the decrease in interest rates will lead to an increase in PSDP allocations, which in turn is expected to boost cement demand. Local dispatches are projected to decline by approximately 5-8%, a significant improvement from the current decline of 15%.

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